Week of January 28, 1980

business insurance

the national newsweekly of loss prevention, risk financing & benefit management/$1 a copy; $20 a year

Entire contents copyright 1980 by Crain Communications Inc. All rights reserved.

Spotlight report: Workers compensation

Coping with mandatory rehabilitation laws, fighting fraud and cutting costs with personal claims review are analyzed in a spotlight report beginning on **page 11.**

London links

As M&M wins a concession from Lloyd's **(page 2),** the game of London links rolls on. RiskWatch, **page 38.**

Pinto prosecution hits roadblock

Judge limits use of documents

By ROGER ROWAND

Special to Business Insurance

WINAMAC, Ind.—Judge Harold Staffeldt may have slammed the brakes here on criminal prosecution of Ford Motor Co. for its design of the Pinto with his decision to strictly adhere to the rules of criminal evidence.

"I think this is going to be over a lot quicker than any of us thought," a knowledgeable court observer said after the decision was announced last Wednesday.

Under strict rules of criminal evidence, every document entered has to be authenticated. The prosecution had reams of Ford documents it intended to introduce.

But authenticating the documents under the strict rules laid down by Judge Staffeldt would be an expensive burden the state may not accept. The prosecution is in disarray because of the unexpected ruling.

Even in the early testimony in the case, Ford won two crucial points.

Judge Staffeldt ruled that from the start this first criminal prosecution of a company for allegedly making a dangerous product would lack an element notorious in personal injury cases: heartwrenching testimony to pull at jurors' heartstrings.

Judge Staffeldt ruled that the jury should not hear gory details of the Pinto accident in which three teenage girls were killed on their way to a church-sponsored volleyball game.

That, along with the introduction of the bad driving record of the driver who hit the Pinto, were won by the Ford defense team as witnesses took the stand early last week in this unprecedented case.

Those keeping scorecards in the case say Ford inched ahead with these two victories.

Ford had lost a crucial point earlier when Judge Staffeldt ruled that the jury could hold Ford to "acceptable standards of conduct" in design of the Pinto beyond any federal safety standards (*BI*, Jan. 21).

Legal experts, manufacturers and product liability insurers are watching developments in the

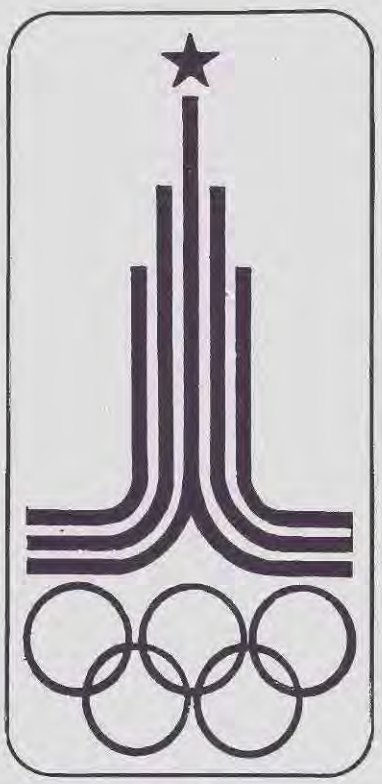
Continued on page 43

Photo: Wide World

Ready to testify

Prosecutor Michael Cosentino (right) and driver Robert Duggar (left) arrive at the court.

Firms fear loss from Olympic boycott



Uninsured loser

Stanford Blum, whose firm is licensing use of the Olympic logo, stands to lose millions of dollars.

By STUART EMMRICH

NEW YORK—If the U.S. athletes aren't at the Moscow Olympics this summer, neither will be NBC.

The broadcasting company instead will be scrambling to fill those empty hours of air time and recouping what losses it can from an $87 million insurance policy purchased in London to protect its television rights to the games.

Some souvenir hucksters and American companies that have developed expensive promotional campaigns tied to the Olympics have also purchased insurance in London to cover their investments.

Miles Laboratories, maker of Alka-Seltzer, said the company had purchased insurance from Lloyd's of London to "protect our financial interest relating to our involvement in the games," including commercial and promotional campaigns, a spokesman said. The policy of undisclosed limits was placed through Fred S. James & Co.

One of the biggest potential losers in a boycott of the Summer Olympics didn't try to buy insurance. Stanford Blum, whose Hollywood-based Image Factory Sports Inc. has been licensing use of the 1980 Summer Olympics logo, had anticipated receiving $50 million to $100 million in retail sales from it. Now, Mr. Blum says, sales "have ground to a halt" and the company will most likely take a financial bath if the boycott goes through.

Mr. Blum said his firm did not try to purchase coverage against the possible loss of the licensing revenues because "we didn't think we would need insurance on something like this."

Other businesses with interests tied to the Olympics, including the U.S. travel bureau with rights to sell package tours to the Moscow games and the publishers of the Olympic magazine, couldn't buy insurance to cover possible losses.

The New York-based Russian Travel Bureau, which was awarded the travel agency rights by the U.S. Olympic Committee, has already sold 11,000 of 20,000 anticipated package sales. Although only a handful of people have canceled their tours, the agent has fielded a "zillion" phone calls from people wondering if they have to change their travel plans.

If the U.S. boycotts the games, the company would try to recoup from the Soviet Union the 50% deposit that has already been paid for the trips and then pay back the prorated shares to the individual travelers.

Playboy Enterprises, which contracted to publish "Olympic Magazine," a newspaper about the games, also has no coverage

Continued on page 42

NEWSPAPER

Carcinogen policy Page 3

U.S. hesitates to enforce abortion benefit mandate

By JERRY GEISEL

WASHINGTON—An employe will have to complain to the Equal Employment Opportunity Commission before the federal government will decide to make her employer pay for an abortion.

The federal government has no current plans to strictly enforce the abortion section of the federal pregnancy benefits law, despite a victory in U.S District Court this month. Judge John Pratt dismissed a suit filed by two Catholic groups asking that the law be declared unconstitutional (*BI*, Jan. 21).

The government does not plan to enforce the abortion benefit mandate until employes file complaints that their companies are not providing the benefit to them, a Justice Department attorney said. So far, no one has filed such a complaint.

Hundreds of Catholic employers are known to be excluding coverage for abortions from their group health insurance plans.

The U.S. Catholic Conference and the National Conference of Catholic Bishops, which had filed the suit, denounced Judge Pratt's dismissal of the suit.

"Surely those with religious, moral and ethical reservations to the practice of abortion cannot be expected to subsidize it through either sick leave or medical insurance," argued Bishop Thomas C. Kelly, general secretary of the bishops conference.

The pregnancy benefits law requires companies to pay for the cost of abortions on the same basis as they pay for other sicknesses if the woman's life is endangered by the pregnancy. Employers also must cover the cost of any medical complications from an abortion. Catholic groups objected to both requirements.

In dismissing the suit, Judge Pratt noted that in order for the power of the federal courts to be invoked, a "case or controversy" must first exist. Such a controversy doesn't exist, he said.

Employes of the two Catholic groups that filed suit did not request that abortion benefits be provided in their group health insurance policy. The government hasn't tried to require that such benefits be provided.

Legal sources agree that the abortion issue isn't likely to be settled until employes who are denied such benefits file suit asking that those benefits be provided in accordance with federal law. ■

for your information

Salvage experts investigate loss of 214,000-ton tanker

LONDON—Underwriters here have dispatched salvage experts to investigate the $84 million loss of the 214,000-ton tanker Salem that sank Jan. 17 with a $60 million crude oil cargo following an explosion and fire off the coast of West Africa.

The investigators are headed to Dakar, Senegal, to interview crew members about the cause of the loss and ask why none of the cargo can be salvaged. Without salvage recovery, this is one of the costliest marine losses in the history of the London market.

The cargo, 193,000 tons of crude oil valued at $60 million, was insured entirely in the London market with Lloyd's taking about 60% of the risk. London also insured three-fourths of the Salem's $24 million hull value, mostly through Lloyd's. The balance of the coverage was placed in the Norwegian market.

Marine insurance experts say a total loss is unlikely. Underwater torches can be used to attach a hose to the tanks of a sunken tanker and other techniques can successfully recover floating oil.

The Salem, moreover, remained afloat for 30 hours before plummeting to the bottom of the Atlantic Ocean. All 24 crew members survived.

The circumstances surrounding the loss have reportedly made some underwriters suspicious. However, it is premature to suggest that fraud is involved, say industry sources here.

Loadings and unloadings of oil shipments are normally monitored, so generally it should be simple for an insurer to prove intent to defraud, marine insurance experts say.

The Salem was en route from Kuwait to Royal Dutch Shell N.V. refineries in Italy when it sank. The vessel, a Liberian registry ship owned by Oxford Shipping Co. of Houston, was under charter to Pontoil, a Swiss concern.

Wage panel to talk pensions

WASHINGTON—The President's Council on Wage and Price Stability will consider at its next meeting March 6 a proposal to exempt pension benefit cost increases from the current 7.5% to 9.5% compensation increase guideline.

Under the current guidelines, pension cost increases, except for improvements added to boost the plan in compliance with the minimum standards of the pension reform law, are included in the wage increase guideline.

Lloyd's allows M&M purchase

LONDON—Lloyd's of London will allow Marsh & McLennan Cos. to purchase at least 25% of the C.T. Bowring Lloyd's brokerage, said a spokesman for the famous insurance marketplace.

This exception to Lloyd's two-year-old 20% limitation on foreign ownership will allow Marsh & McLennan to purchase all of the Bowring holding company, which also controls other financial services, and divest 75% of the Lloyd's brokerage to a British holding company.

This possible merger design, predicted by industry sources a month ago (*BI*, Dec. 28, 1979), would be almost an exact copy of the merger between Frank B. Hall Inc. and Lloyd's broker Leslie & Godwin, the international deal that precipitated the Lloyd's foreign ownership ruling.

Marsh & McLennan, the Lloyd's spokesman said, was told in private discussion that it would be exempted from the ruling and that a further relaxation was possible if a special report on Lloyd's rules due in April recommends further change.

Industry sources suggest the study and the leadership of new Lloyd's chairman Peter Green will likely result in more freedom for foreign ownership. Mr. Green's associates at his former brokerage, Hogg Robinson, have spoken out in favor of relaxing the ruling (see London line, page 35).

Meanwhile, in New York, M&M's board of directors approved an offer to be made to Bowring shareholders and are proceeding to file with the U.S. Securities and Exchange Commission. The formal offer, which M&M says will also comply with U.K. regulations, differs only in the mix of stock and cash from the earlier suggested bid that Bowring directors termed "inadequate."

Airline contests NTSB finding

TULSA, Okla.—American Airlines has contested the National Transportation Safety Board finding that improper maintenance procedures on the DC10 aircraft caused the May 1979 crash in Chicago that killed 273 people.

The airline said that it hired Rockwell International to conduct tests which showed the crack was caused by a ball bearing problem and not improper maintenance.

The DC10 fleet is being modified, American Airlines said, beyond requirements issued by the Federal Aviation Administration for all DC10 fleets.

index

Around the states	7
Editorial opinions	8
Letters	8
Benefit beat	10
Work comp report	11
Perspectives	27
London line	35
Markets	36
Info	37
Datebook	37
riskWatch	38
BI ticker	39
Comings & goings: buyers	40

Vol. 14, No. 4—Business Insurance (ISSN 0076864) is published weekly at 740 Rush St., Chicago, Ill. 60611. Application to mail at second-class rates is pending at Chicago, Illinois and at additional mailing offices.
Copyright 1980 by Crain Communications Inc.

RIMS survey tallies industries' cost of risk

NEW YORK—Risk managers will be able to weigh their firm's cost of risk against similar industry averages soon when the Risk & Insurance Management Society releases its landmark study of 1977 and 1978 costs.

"It's the first time anyone has taken a rough cut at what the costs are," said Bernard M. Brown, vp of Risk Planning Group in Darien, Conn., coauthors of the study with RIMS.

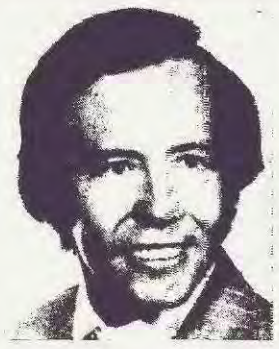
Risk management costs are greatest for hospital and mining groups, eating up 2.74% and 2.65% of revenues in 1978, respectively. Non-bank financial institutions (0.12% of revenues) and petroleum industries (0.36% of revenues) got off the easiest.

The survey, long awaited by the industry, was mailed to approximately 3,300 members of RIMS in March 1979. Five hundred forty-eight surveys were returned, 515 of which were complete enough to be used to formulate the results.

Cost of risk was defined as the sum of: net insurance premiums; unreimbursed loss costs (self-insured, self-retained); risk control and loss prevention expenses, and administrative costs.

Risk costs are increasing faster than revenues and self-insurance programs are becoming more popular, the study noted.

Risk costs increased by an average 17.1% per respondent from 1977 to 1978 while revenues increased only 13.3%. Property risk costs increased 14.5% in 1978 when compared with 1977 and liability risk costs increased 17.2%.



Weighing costs

'It's the first time anyone has taken a rough cut at what the costs are,' says Bernard Brown.

Analyzing this result, Mr. Brown said increases in liability and workers compensation claims lifted risk cost increases above revenue increases.

The average cost of risk per respondent was $5.34 million in 1978, and $4.56 million in 1977. The average property cost of risk per respondent was $1.54 million in 1978, up from $1.34 million in 1977, whereas total liability and workers compensation premiums were $1.17 billion in 1978 and $1.01 billion in 1977.

Self-insurance of workers compensation increased by 16.2% from 1977 to 1978 while self-funding general liability risks increased slightly more, 17.9%.

Unreimbursed liability and workers compensation losses increased to $359 million in 1978 from $294 million in 1977, an increase of 22.1%.

"The insurance industry forced many companies to self-insure through a higher deductible. This is not the case now," Mr. Brown explained.

The survey also found:

- Each respondent's risk management department employed an average of 4.5 persons in 1978.
- Only 12.2% of all respondents carried liability insurance limits of $5 million or less; 21.4% had limits of $5 million to $15 million; 25.2% had limits of $15 million to $30 million; 23.7% had limits of $30 million to $60 million, and 10.7% carried limits of $60 million to $100 million. Only 6.8% of respondents had liability insurance limits exceeding $100 million.
- Forty-two respondents, or 8% reported using captive insurance companies.

•

Copies of the Cost-Of-Risk Survey may be obtained from Risk Planning Group Inc. at 722 Post Road in Darien, Conn.; $25 for RIMS members and $50 for all others.

Three Mile Island owner expects insurer resistance

HARRISBURG—Insurance recoveries will fall short of the clean-up costs at Three Mile Island and will be harder to collect now, says an official of General Public Utilities Corp.

GPU estimates clean-up costs at the crippled nuclear power plant will reach almost $200 million in 1980 but expects American Nuclear Insurers to come up with only $147 million during the next 12 months, GPU treasurer John Graham said.

GPU is the parent company of Metropolitan Edison Co., operators of the nuclear plant at Three Mile Island.

ANI has already paid out $69 million to the utility company—$50 million in December and $19 million last spring—on a $300 million property insurance policy on the plant, said an ANI spokeswoman.

The insurers of the nuclear plant have also received a claim from GPU for $12.5 million, which they expect to pay sometime next month.

But Mr. Graham said as the costs of the clean-up mount, he expects ANI to demand more detailed evidence of the expenses involved, which will probably slow the flow of payments to the company.

"We are still filing claims for insurance and trying to get an advance," Mr. Graham said. "You are making a mistake to feel that the insurers will continue to make advances for us for a long period of time before asking for specifics."

Officials at ANI agree, adding that GPU shouldn't automatically count on the $147 million that the utility thinks it will receive by the end of the year.

"Any figure right now is just pure speculation. We are only going to pay out as proof of losses come in," an ANI spokeswoman said.

GPU has estimated that total costs of the clean-up could ultimately reach $400 million, $100 million of that uninsured. ■

errors & omissions

- Cushman & Wakefield Inc. was incorrectly identified as a client of the insurance division of Helmsley-Spear Inc. in a Jan. 14 story.
- The New York State Health Insurance Plan (HIP) discussed in a Jan. 14 story has no relationship to the Health Insurance Plan (HIP) of Greater New York, a health maintenance organization operating primarily in New York City.
- The mailing address of the National Assn. of Professional Surplus Offices is 2131 Kingston Court, Marietta, Ga. 30067. NAPSLO's annual meeting Nov. 13-16 was listed in the 1980 Datebook in the last issue.

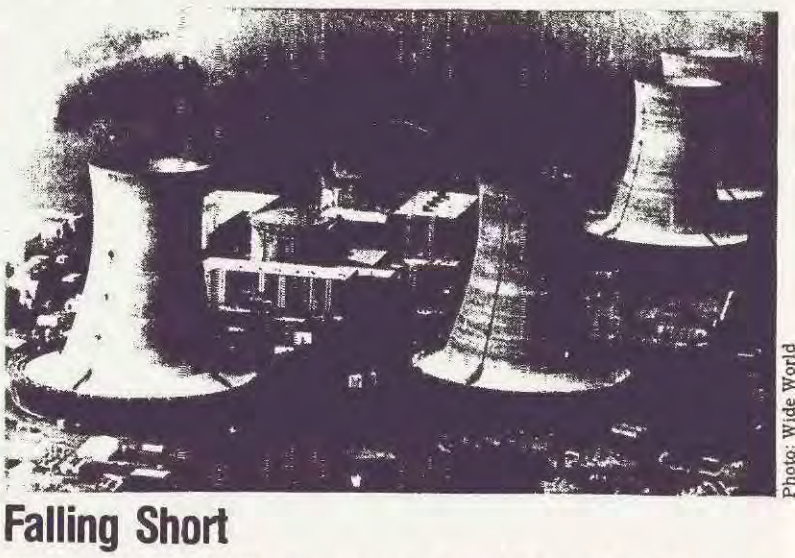


Photo: Wide World

Falling Short

GPU expects Three Mile Island clean-up costs to reach $200 million in 1980 but expects its insurer will pay only $147 million.

Carcinogen policy heralds rules

By JERRY GEISEL

WASHINGTON—Business groups charge that the Occupational Safety and Health Administration's new policy to regulate cancer-causing chemicals in the workplace will drive up their costs and result in many substances being misidentified as carcinogens.

Although OSHA hasn't issued any new concrete rules, it did reveal a wide-ranging set of guidelines under which it will in coming months order American business to drastically reduce and control all kinds of dangerous substances in the workplace.

"The OSHA policy may be the most expensive federal standard of all time," said Mark DeBernardo, a labor relations attorney for the U.S. Chamber of Commerce. "This could cost billions of dollars. Virtually all American industry will be directly or indirectly affected," he added.

OSHA officials hotly dispute the multibillion-dollar cost estimate. The new policy is only a framework on which future regulations will be based and thus won't cost businesses one cent right now, OSHA officials argue.

"The billion-dollar estimate just is not realistic," said an OSHA spokeswoman.

The American Industrial Health Council, a major business trade group representing more than 100 companies mainly in the chemical business, already has filed suit in federal court to bar enforcement of the OSHA carcinogen policy.

The OSHA carcinogen policy takes "scientific validity" and fails to make a distinction between levels of protection needed for weak carcinogens compared with strong carcinogens, according to Ronald Lang, executive director of the American Industrial Health Council.

Two major workers compensation insurers, however, so far support the new OSHA policy.

"Although we have not studied the proposal in final form, we feel it should clarify the intent of OSHA in controlling the use of cancer-causing chemicals in the workplace," said David Curley, assistant vp, commercial insurance department-engineering, at Aetna Life & Casualty Co.

"Aetna during the last 50 years, has advocated the use of engineering methods and proper work practices to control the health hazards to the worker. We are pleased to see this policy emphasized this approach," Mr. Curley added.

"We support the intent of OSHA to provide a safe workplace," said a spokesman from The Travelers. "While we have not studied the latest copy of the guidelines, we will review them and will alert our insureds as to the impact on them."

Regardless of the potential cost of the regulation, the impact of work-related carcinogens on worker safety and health is enormous. In a study released last year, the Department of Health, Education and Welfare estimated that between 20% and 40% of cancer in the U.S. may be related to occupational factors.

Secretary of Labor Ray Marshall said, "This landmark policy clearly demonstrates the Carter Administration's commitment to preventive health care and our unrelenting effort to protect the health and safety of American working men and women."

The OSHA carcinogen policy announced earlier this month signals a switch from the health and safety agency's current practice of developing regulations to control workplace carcinogens on a substance by substance basis.

Developing standards individually was an extremely time-consuming procedure that resulted in an average of only two regulations being issued per year, said OSHA chief Eula Bingham. OSHA's new policy maps out a framework that it will use as a guide in identifying and regulating cancer causing chemicals.

"We found ourselves debating the same questions of appropriate testing and interpretation for each carcinogen we investigated," said Ms. Bingham. "So, one of the major purposes of the cancer policy is to avoid this reinvention of the wheel—to say in one policy statement what our criteria are for classifying carcinogens."

With this framework in place, OSHA expects to speed up the current pace of issuing regulations on exposure to carcinogens to 10 regulations a year.

Under the OSHA framework, potential occupational carcinogens will be identified and classified on the basis of positive results from human or animal studies.

The Chamber of Commerce is concerned that the criteria set for human studies evidence is so tough that only evidence from animal testing will be used in formulating regulations. Some scientists have questioned the validity of animal tests.

Under its new cancer policy, OSHA will also annually publish a "candidate list" of potential carcinogens and every six months indicate substances for priority action.

But the American Industrial Health Council complains that tentatively classifying substances as carcinogens without due regulatory process could unjustly "blacklist" some chemicals that pose no threat.

The OSHA policy requires that workers be "primarily" protected through the use of engineering controls and work practices.

The industrial health council wants performance standards that allow industry to opt for the best combination of science and technology in protecting employes.

An OSHA scientific advisory panel will determine whether a substance causes cancer as well as the permissible level of exposure to the substance. The panel members are to be appointed by the secretary of labor.

Business groups, although not opposed to the creation of such a panel, want it composed of independent cancer experts rather than government employes, as OSHA suggests.

The new policy establishes two broad categories for carcinogens—confirmed and suspected—and outlines criteria for determining which substances fit into each category.

But business groups complain that such a division of substances into categories ignores a key question pending before the Supreme Court: Is an agency required to weigh the cost of a regulation against its potential benefits?

A lower court, in a case involving an OSHA standard on exposure to benzene, said OSHA cannot regulate health hazards without using a "cost-benefit" analysis to "determine whether the benefits that result from the standard bear a reasonable relationship to the costs imposed." ■

Photo: Pat Goudvig

Covering up

Workers will probably be wearing more protective gear after OSHA puts its new policy on carcinogens into effect.

'Simple' pension plans court confusion

By LEN STRAZEWSKI

growing pains

Management woes

'The simplified plans just do not reward long service the way pension plans are supposed to,' says consultant Eugene Schloss.

CHICAGO—Growing firms hoping to dodge the paperwork problems of making pension plans comply with ERISA by tapping simplified employe pension individual retirement accounts may run into reams of roadblocks.

Though the employe-sponsored SEP-IRA, created by the Revenue Act of 1978, reduces paperwork that must be filed with the federal government, benefit consultants say the problems of managing the pension plans create many more headaches for small employers growing larger than 20 employes.

"They're a waste, completely ridiculous, except for the smallest of firms," explained Eugene Schloss, a New York consulting actuary. "And even for small firms, there's very little advantage," he said.

The SEP-IRAs allow an employe to contribute a tax-deductible maximum of $7,500 to his or her account and allow employers to contribute as much as $1,500 to each employe's account.

"But the SEP-IRAs are immediately 100% vested, so the employer never gets the financial advantage of staff turnaround," he continued.

"The simplified plans just do not reward long service the way pension plans are supposed to," he added, and instead may support short service.

Though immediate vesting grants employes complete ownership of the accounts so they can withdraw contributions and forfeit the tax advantage without leaving the firm, many blue-collar employes take the extra funds as a good excuse to quit.

"It's all a bit relative, but who knows why a person decides to walk?" Mr. Schloss said. "As little as $500 can be motivation enough for an employe—especially in some of the more transient industrial jobs—to take an early vacation.

"I can't really see why anyone would want one of these plans, but if an employer is going into a SEP-IRA, he is setting it up with his accountant, not a benefit consultant or broker," Mr. Schloss noted. "And since ERISA, accountants have shied away from benefit planning. The odds are that the owner or treasurer has to do it all himself."

The do-it-yourself approach creates a pile of management problems. All eligible employes must agree to participate in the plan during any given year before the plan qualifies.

If one employe, for whatever reason, opposes the idea or doesn't get around to signing on the dotted line, the whole plan stalls for that year. Former employes who have quit during the year reportedly must also agree.

The small employer must also make early decisions on contributions to the employes' plans.

SEP-IRA contributions are used in calculating an employer's Social Security tax, Mr. Schloss said. So while a firm may not have to make its SEP-IRA contribution until the year's profits are tallied, he must decide the contribution in advance so he is not violating Social Security requirements.

"The only firms that can easily take advantage of these plans are small groups of professional consultants, like us," added Charles Thatcher, president of Thatcher & Associates, a small benefits consultant in New York City, "or maybe a small law firm or medical group whose principals are looking for a small tax shelter."

If the professional group wants to defer more than $1,500 per employe, it, too, must seek a qualified plan, he said.

Any firm expanding its staff to more than a handful of employes should seek a qualified pension plan, Mr. Thatcher suggests, despite five-year-old horror stories about how painful a problem ERISA can be.

"But that's really not much of a problem anymore," Mr. Thatcher noted. "The problems of ERISA compliance are grossly exaggerated. That's partly the fault of the industry because some of us didn't have the expertise until ERISA took us to task. Now the forms for ERISA compliance are more simple than the old Internal Revenue Service forms."

If the individuality and corporate autonomy of the SEP-IRA appeals to an employer, despite its potential pitfalls, the employer may search long and hard to find comparable products.

SEP-IRAs have not gained much sales popularity since the Revenue Act of 1978 went into effect. Several insurance companies contacted by *Business Insurance* reported the capability to offer plans under annuity products in the life insurance divisions, but there's little interest from agents and brokers who sell the plans to employers.

Merrill Lynch, the giant investment firm, is the only large financial service company actively marketing the accounts, tapping its connections with the accountants that serve small firms.

Big insurance brokers and benefit consultants have no interest in the plans at all, targeting big corporate clients. Smaller agents are stymied by profitability problems; insurers don't want to pay reasonable commissions.

"When an agent calls me and asks about his commission for an IRA account, I tell him to go to hell," remarked a personal lines sales manager for a large insurer. "We make hardly any profit from these plans; for an agent, we just are not a viable market.

"Until insurance companies develop a product compatible with the money markets, better commissions and a premium-waiver plan," he continued, "the banks and investment firms will do a better job."

Insurers, he added, haven't been pushed to developing the product and may never get around to it.

"There's a better way to provide a benefit package without having to shuffle paperwork the same way every year," he concluded. ■

War risk surcharge up — again

NEW YORK—Marine underwriters, growing more scared like the rest of the world at the potentially explosive politics in the Mideast, have drastically hiked the war risk surcharge on cargoes moving to Iran.

American marine insurers now quote a rate of 50 cents per $100 valuation on shipments to Iran, said Carroll Dawson, secretary of the American Cargo War Risk Reinsurance Exchange, which includes most U.S. marine insurers. But there have been no known requests for coverage of cargoes destined for Iran in recent weeks, he adds.

At Lloyd's of London, underwriters are imposing a charge of 12.5 cents per $100 value, up from the normal peacetime rate of 3.75 cents per $100 charged late last year. The Lloyd's move was in response to increased threat of Soviet military intervention in Iran.

American underwriters have not suffered a major loss in premium volume from disruption of trade between the U.S. and Iran. The Iranian state insurance company wrote most marine coverage on U.S.-Iran trade under regulations imposed by that country, underwriters note.

If there's been any loss in premium volume, it amounts to less than one-tenth of 1%, said Gerard Lenze, cargo underwriting supervisor at MOAC. With the exception of some shipments to Israel and Egypt, MOAC insures few shipments to the Mideast.

Talbot, Bird & Co., a New York-based marine underwriter, has experienced no change in revenues from the shipments to Persian Gulf ports, chairman Gerald V. Pepperell said. But shipping arrangements often are made as much as six months in advance and the impact might not be felt for some time to come, he added.

Lloyd's calls cops over suspicious Ashby business

LONDON—The cloud of suspicion hangs heavy over Lloyd's now that police have been called in to investigate the underwriting antics of Ashby & Co., which voluntarily ceased business last fall after overwriting its premium limits and discovering possible abuse of a binding authority.

Moreover, the cloud may have broadened to include Commodore General Reinsurance Co., a Hong Kong company that police apparently intend to investigate as part of the Ashby problems.

Detectives are inquiring into the possibility of fraud in the insurance transactions involving Ashby, Commodore and brokers, which could give rise to losses of $5 million to $10 million.

Lloyd's chairman Peter Green personally authorized the policy investigation last week after being given a report by Robert Bishop Ltd., a leading insurance investigator here. Police are already compiling underwriting documents to determine the extent of binding authority given in 1978 to Lloyd's broker Furness-Houlder (Insurance) Ltd., a division of a leading shipping company here.

During 1978 and 1979, Ashby underwrote nearly $7 million worth of business covering risks in the U.S., Sweden and Australia. U.S. business alone, apparently placed through Furness-Houlder by reliable brokers, is believed to account for about $500,000 to $1 million of the Ashby business in question, basically in the non-marine categories (*BI*, Sept. 17, 1979). Indications are that a former junior employe of Furness-Houlder may have arranged directly for reinsurance of business placed with Brian R. Ashby of Ashby & Co., a son of long-time Lloyd's underwriter Arthur Charles Ashby.

Police are checking whether documents purported to have been issued on behalf of Ashby and signed by the former Furness-Houlder employe when the risks were underwritten were ever signed at all.

Handling the investigation on behalf of Lloyd's is Additional Underwriting Agencies Ltd., a body appointed last fall by Lloyd's to manage troubled syndicates.

Commodore General has consistently refused to comment on the Ashby affair through its London representatives at Commodore Reinsurance (Management) Ltd. Commodore, however, is known to be a three-year-old firm doing business extensively in the Far East and reinsuring, for example, $2 million worth of aircraft and fishing vessels in New Zealand.

Insurance authorities in Australia are inquiring into the dealings of London insurance consultant James William Howey, 38, who was once with Commodore General's London office. He was also previously managing director of Saltergate Insurance Co. of Australia until 1976. Saltergate is now in liquidation.

Mr. Howey faces extradition proceedings on charges by the Australian police that he falsified a document relating to the receipt of 100,000 Australian dollars, presented in New South Wales in 1975.

Lloyd's broker C.E. Heath purchased Ashby & Co.'s marine and non-marine business this month for an estimated $650,000. ■

The credit crunch is on. But not at AFCO.

Banks are starting to ration credit. Money is getting tight. And it may even get tighter. Many companies are already feeling the pinch and are looking for additional lines of credit.

As a commercial insured, you can get just what you're looking for...an additional line of credit...when you let AFCO finance your insurance premiums.

AFCO's valuable additional line of credit does not disturb your existing lines of credit with banks and other sources. It does not have to be supported by large compensating deposit balances (the normal requirement of most banks) which in effect increases the true cost of borrowed money. It's a painless way to ease the credit crunch.

For more information on the benefits of an additional line of credit, call your agent or broker. Or contact us today.

Paul M. Holland, Vice President-Marketing, AFCO, 7 Hanover Square, New York, New York 10005.

AFCO

The biggest help in premium financing.

Educational film

The National Assn. of Life Underwriters has endorsed the film "Town Meeting of America on National Health Insurance," a 15-minute, 16-mm educational film produced by the Continental Assn. of Resolute Employers. The film, which has won a bronze medallion from the International Film and Television Festival of New York, offers three alternatives to the health care problem and asks viewers to indicate their choices. CARE's offices are at 1800 Lincoln Ave., San Rafael, Calif. 94901.

WHEN THE OUNCE OF PREVENTION FAILS,

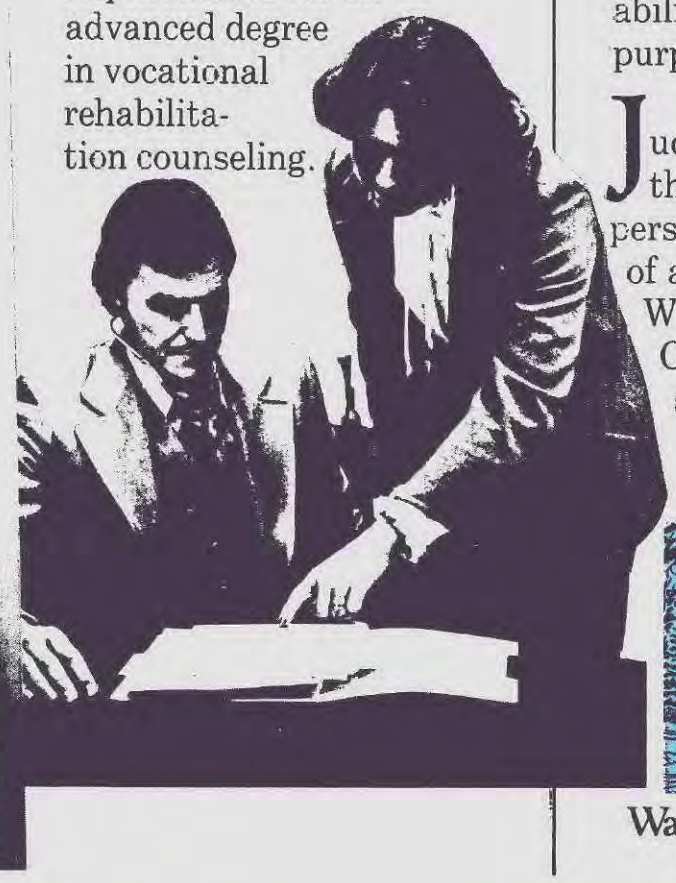
HOW DO WE BEST ADMINISTER THE POUND OF CURE?

This Wisconsin Historical Society plaque honors our pioneer curative workshop... a prototype of today's rehabilitation centers.

The true value of effective rehabilitation is simple... *everyone* benefits when an injured worker returns to work. Most of all the worker, but also the family, the employer and Society.

That's why, 50 years ago, we opened the insurance industry's first physical therapy facility, a curative workshop. And that's why today, we employ a nationwide staff of full-time, highly-skilled and extraordinarily qualified rehabilitation nurses.

Judy Fabig of our Twin Cities region is a good example. A highly experienced R.N., Judy is now completing requirements for an advanced degree in vocational rehabilitation counseling.



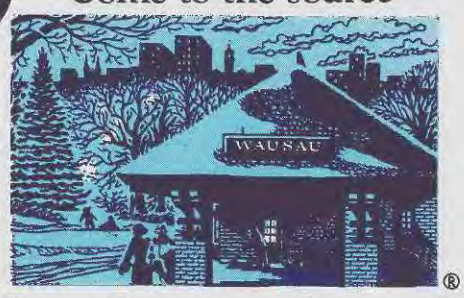
She and her associates provide guidance and assistance in medical, social, family, financial and attitudinal matters to our policyholders' injured workers throughout Minnesota.

All aimed at helping the worker return to work as soon as practical. To the original job when possible, or to a new job

that matches the worker's ability. And helps restore his purpose in life.

Judy Fabig and her colleagues throughout the nation personify the "typical" services of an atypical insurer... Wausau Insurance Companies, where we make sure business insurance *works* for a living.

Come to the source



Wausau Insurance Companies
Employers Insurance of Wausau

State regulators seek investors for Fla. exchange

By JOHN MAES

TALLAHASSEE—Florida officials will meet with a group of potential investors here Jan. 30 to determine if $30 million in capital can be raised to finance a Florida Insurance Exchange.

The scheduled session was announced last week by William C. McCue, legislative director for the Florida Assn. of Insurance Agents, in addressing a seminar in Tampa on international insurance.

Mr. McCue said he is confident that most or all of the $30 million can be raised.

"I think we'll have an exchange, but to quote an old Southern saying, 'Time's a'wasting.' We must get there fast or lose business to the Illinois and New York exchanges," he said.

The New York Insurance Exchange is targeting an April 1 opening day and the Illinois Insurance Exchange is organizing its facility.

Potential investors in the Florida exchange who will meet with state officials include representatives of the 23 largest banking, real estate and business interests in the state, Mr. McCue said.

Potential investors told Robert Hughes & Associates, which conducted a feasibility study on the Florida exchange, that they would be willing to invest in it (*BI*, Jan. 14). But state officials want to obtain a commitment from the investors before starting to organize the exchange, Mr. McCue said.

The next step in the formation of the exchange is the appointment of a 13-member committee to draft a constitution and bylaws, which would then be submitted to the state legislature.

The Hughes study indicated the Florida exchange cannot survive on reinsurance profits from the Latin American market alone. It must develop domestic sources of business to be successful, the study said.

Among the Florida officials to meet with the investors are a representative of Florida Gov. Bob Graham, state insurance commissioner Bill Gunter, the state secretary of commerce and the speaker of the house of the state legislature.

The Hughes study identified four key elements for success of a Florida insurance exchange, emphasizing that operations must be free from state regulation of forms and rates. The other three elements are: security of the exchange's operations; "innovative underwriting," and freedom from conflict of interest by members, the study said.

Both the New York and Illinois insurance exchanges will be free from rate and form regulation, but will be restricted as to what domestic risks they can underwrite. New York will require domestic risks be rejected first by the Free Trade Zone and Illinois will require that domestic risks generate a premium of $50,000.

The exchange should be based in Miami or Jacksonville, according to the Hughes report, because of their transportation facilities, international banking services, metropolitan populations, availability of insurance brokers and office space. Both cities lobbied heavily for the exchange.

Insurers in Florida have expressed guarded enthusiasm for the exchange, Mr. McCue said, because they are concerned that they may lose business to the exchange if it undercuts prices, which could be allowed if it is free from regulation of rates and forms.

The Hughes study cost the state about $40,000, Mr. McCue noted. ■

Tornado damage

Severe weather, including tornadoes, caused an estimated $5 million in insured property damage Jan. 8 in Hawaii, according to the American Insurance Assn.

N.Y. loosens exchange regulations

NEW YORK—The New York insurance department has turned loose the reins on the New York Insurance Exchange in the revised regulation 89, but retains the right to grab them back with little notice.

Under the revised regulation, the exchange and its members are exempt from several reporting and approval requirements and the budding market earns the right to rule on internal affairs, president Donald Reutershan said.

The exchange, however, must adopt its own regulations to retain the exemptions and establish policy rules and standards that prevent unauthorized insurers from conducting business in New York through reinsurance. In addition, the exchange must set policies that prevent underwriting members from agreeing to contracts harmful to their financial stability.

Massive reporting requirements, ranging from audits of syndicates to the minutes of committee meetings, have been eliminated. But the superintendent retains the right to request submission of certain reports.

The revised regulations also eliminate use of reporting forms prescribed by the superintendent, substituting use of statutory insurance accounting in their place. Rules established by the exchange guaranty fund no longer require the superintendent's approval, but he retains veto power.

At insurance department hearings late last year, insurance exchange chairman T. Vincent Learson had objected to reporting and reinsurance transaction rule requirements as well as a section applying additional insurance law provisions to the writing of direct domestic business under the state's Free Trade Zone (*BI*, Dec 10, 1979).

The Free Trade Zone provision was retained.

HOW TO GET MORE THAN A MILLION DOLLARS IN HEALTH CARE FOR YOUR MILLION DOLLARS.

Maine groups can self-fund work comp

AUGUSTA—Any group of two or more employers will be able to form a self-insured group workers compensation plan in Maine, under new legislation.

The new law repeals an existing requirement that employers who self-insure as a group must be of a similar or homogeneous nature.

Gov. Joseph E. Brennan permitted the controversial legislation to become law without his signature. The measure will most likely take effect in July, 90 days after the close of the current legislative session.

Opponents of the law, such as the Alliance of American Insurers, had argued that permitting heterogeneous self-insured groups does not ensure the proper quality of protection of employes. But a study commission appointed by Gov. Brennan recommended his support of the bill.

around the states

Rate reduction

DOVER—Delaware insurance commissioner David H. Elliott has approved an Insurance Services Offices filing to reduce rates for commercial fire and extended coverage insurance, saving policyholders about $280,000 in premiums.

Combined fire and extended coverage rates will be reduced an average of 17.5% for public buildings, 12.5% for schools and 2.5% for churches.

At the same time, the commissioner approved an average 12% ISO increase in product liability insurance rates, with a total premium increase amounting to less than $60,000. The present Delaware rates are substantially lower than nationwide rates because the state had rejected an ISO filing in 1976, the commissioner said.

Mine convicted

ROANOKE—A Buchanan County, Va., coal mine operator and his company have been convicted in U.S. District Court of criminal safety violations that caused the death of a miner in a cave-in Sept. 21, 1978.

Douglas R. Van Dyke was convicted of failing to allow proper roof control plans and failing to use proper mining techniques, both federal mining safety violations. His company, Van Dyke Coal Co. Inc., was convicted on the same charges and ordered to pay $25,000 in fines.

Mr. Van Dyke is the first Virginia coal mine operator to be convicted of federal mine safety violations in a fatal accident, federal officials say.

State immunity

HELENA—A case involving a child injured by a National Guard hand grenade is expected to provide a major test of Montana's three-year-old limited liability statute.

District Judge Gordon Bennett has rejected a $93,000 injury claim filed by Sharon Mackin for the "pain, suffering and disfigurement" of her son, Michael Timmer, who in 1978 entered a firing range and picked up a practice grenade that exploded. The boy, then 12, suffered permanent injuries to his feet and legs from shrapnel, his mother contends.

The complaint, filed in February 1979, contends the state was negligent in allowing the grenade "to remain in full sight and view in an unguarded field." Attorneys for the state allege the boy was capable of understanding the danger, voluntarily assumed the risk and actually was guilty of trespassing on government property and removing government munitions.

The judge overruled the plaintiff's arguments that a 1977 law making the state immune from such non-economic damages as pain and suffering in negligence suits is unconstitutional.

Age restriction

HARRISBURG—Gov. Richard Thornburgh has signed into law legislation permitting employers to turn down older persons for certain training programs.

The new law, which takes effect March 10, permits employers to deny persons between ages 40 and 62 from entering apprenticeship and training programs of two years or longer.

The bill, pushed by organized labor, was aimed at keeping the state human relations commission from enforcing Pennsylvania's age discrimination act, commission director Homer Floyd said. He said it could deny training to housewives seeking jobs and minorities who were earlier denied admittance because of race.

A spokeswoman for Gov. Thornburgh said he signed it to bring state law into conformity with federal regulations.

Fla. task forces

TALLAHASSEE—The Florida Assn. of Insurance Agents and 18 national insurance companies have created task forces to study the state insurance code, which will terminate in July 1982, and develop a model bill by fall of 1981.

In this cooperative project, called The Last Manifesto, six task forces will study portions of the insurance code and a seventh will help promote the model bill. Florida's model no-fault law, open competition and bank holding statute will be discussed, as well as residual markets, reporting requirements, profit limitations and licensing requirements.

Mass. FAIR plan

BOSTON—The number of commercial policies in the Massachusetts Property Insurance Underwriting Assn. (FAIR plan) dropped 4.2% in fiscal 1979, reported David D. Mackintosh, plan chairman.

Incurred losses in the commercial class registered a 34.3% decrease in fiscal 1979, which Mr. Mackintosh attributes to strict control of underwriting prerogatives and claim standards.

Rate reduction

HARRISBURG—Pennsylvania insurance commissioner Harvey Bartle III has announced a 6.2% reduction in medical malpractice rates for the Pennsylvania Medical Society Liability Insurance Co.

The lower rate, effective Jan. 1, will affect 3,800 policyholders and result in $1.3 million less premiums for the company. ■

In reviewing health care coverage, a lot of executives make a false assumption—that health care costs will be the same no matter who the carrier is. After all, the same people will get sick and incur the same costs. The only variable is what the carrier charges for administering the program.

THE EXPENSIVE ASSUMPTION.

That kind of thinking can be very expensive. Because if a carrier simply assumes risk and pays bills, there's no control over the really big part of your cost. The benefit costs.

You see, the cost of health care coverage is actually two costs. The cost of benefits. And the retention costs (everything from administrative costs to reserves). By controlling your major health care expense, the cost of benefits, you can get more for your health care dollar.

90 to 95% OF YOUR HEALTH CARE DOLLAR USUALLY GOES TO BENEFIT COSTS. AND THAT'S WHERE WE CAN MAKE THE BIGGEST DIFFERENCE.

Which is why Blue Cross and Blue Shield Plans are so committed to containing benefit costs.

And we're the only ones whose scope and method of operations are broad enough to deal with the problem effectively.

IT'S ALREADY WORKING.

Blue Cross and Blue Shield Plans often have special arrangements with hospitals and physicians supporting a wide range of cost containment initiatives. This means value added and *lower* benefit costs to enrolled groups.

In fact, over the past decade, programs like out-patient diagnostic and same-day surgery have helped cut the average hospital stay of our subscribers by one full day. And saved $1,250,000,000 last year alone.

So before you make a decision about your group's coverage, contact your Blue Cross and Blue Shield Plan Marketing Representative. Otherwise, trying to save a little money could end up being very expensive.

Write for the free booklet: "The Most Effective Health Care Protection For Your Employees." Blue Cross and Blue Shield Associations, Box 8008, Chicago, IL 60680.

Blue Cross®
Blue Shield®

HELPING CONTROL ALL YOUR COSTS.

® Registered Service Marks of the Blue Cross Association
® Registered Service Marks of the Blue Shield Association

editorial opinions

Spotting the phonies

THE SPOTLIGHT in this issue on workers compensation includes all kinds of usable information on managing the coverage and costs of workers compensation. One of the most interesting stories to us was a list of 10 ways to prevent phony workers compensation claims.

Some of the points clearly make more sense than others, particularly when it comes to weighing the merits of immediate response to accident claims versus being aware of employes' weekend activities.

At the risk of sounding like a Monday-morning quarterback, we would go so far as to say it's not only silly but useless to spend time "being aware" of your workers' off-job pursuits, whether they be wine, men/women or soccer.

As a number of employers pointed out to one of our reporters, it's very difficult, if not impossible, to prove that a Monday injury claim really resulted from a Saturday game of touch football with the kids. Moreover, even if an employer is fully aware that one worker is a downhill skier, another is a sky diver, and a third is on a community baseball team, surely those employes wouldn't be fired in anticipation of a possible suspicious comp claim. And if a claim were filed, the evidence that an injury was related to a leisure sport, it seems, would be circumstantial at best.

More important than this kind of unproductive wheel-spinning is the deterrent effect of quick response to accidents and claims and thorough investigation at the time accidents and near-accidents occur. This involves more than simply having a corporate workers compensation administrator on hand at all times. Supervisors, foremen and employe/industrial relations people closest to where the injuries and claims can arise do the most to create an atmosphere of safety, goodwill and thorough scrutiny.

Notifying insurers quickly if a claim is thought to be fraudulent is imperative.

Failing to inform workers how to file claims or get care for their injuries and failing to follow up quickly on injuries and claims (with investigations, if necessary) leaves an employer in the position of creating problems for itself. Not only does it lack documentation necessary in the event a claim goes to the industrial commission, but it encourages employes to take advantage of the company.

Prophetic

MANY MONTHS AGO, during the summer of '79, it looked to us as if Lloyd's was in a pickle. Itel Corp. and other large computer leasing companies were claiming big dollars for losses suffered on cancelled leases insured with Lloyd's. The rub was that the older less capable computers made almost obsolete by a new IBM family could be remarketed and part of the loss could be recouped.

'Going, going . . .'

But who would do the remarketing? Our editorial cartoon Aug. 6, 1979 was prophetic . . . we thought Lloyd's would end up with a lot of computers on its hands. Indeed, it has come to pass. Under the terms of an Itel-Lloyd's agreement in principle to settle the computer leasing claims (*BI*, Jan. 21) Lloyd's will remarket the equipment. This is as it should be, since it's in Lloyd's best interest to obtain top dollar for the machines.

Nonetheless, we trust this venerable insurance institution will think twice next time before getting into the computer business. As it is, the Lutine Bell may one day toll for an auction being held on the underwriting floor.

letters

Business Insurance welcomes letters from its readers. Please keep your comments as brief as possible and we reserve the right to edit or shorten letters for clarity or space. Please send your comments to Letters to the Editor, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611.

Spicy stuff

To the editor: I wish to commend you on the provocative headline on the front page of the Jan. 14 issue (Love Canal: Hooker battles insurers for pollution coverage). When I read the headline, I momentarily felt that I was subscribing to Hustler magazine, not *Business Insurance*.

Congratulations on creative attention-getting headline copy.

Leonard E. Wood III
Vp
William M. Mercer Inc.
Chicago

Ed. note: Our readers say a lot of our stories are meaty, but not always so spicy.

Who sells what?

To the editor: Your recent special issue on captives (Jan. 7) brought home more clearly than ever the ambivalent nature of who is selling what in the distribution of captive/self-insurance services. Based upon our clientele, it has become very difficult for consumers and insurance brokers to identify the organizations that sell both insurance premium product and fee-for-service. The distinction required is more than simply an advertising or public relations exercise. It appears to us that no one is protecting either the insurance broker or the consumer from knowing whether his/her business is protected.

Let me be more specific: About a year ago a major client contracted with us to provide actuarial, claims and safety services for its workers compensation program. The broker handling bond and excess coverage for this account (an enlightened mid-size agency that uses our services quite frequently) had temporary difficulty with his commercial market. Why? Well, it seems that a competitor of ours also sells commissionable products and is owned by a major brokerage house. This firm, in order to get the business, went directly to the client and commercial outlet and, in effect, said: "If this broker cannot deliver for you, let us handle everything; we are 'full service.' "

Fortunately, we and the broker kept the contracts and are delivering the service. But the lesson to be learned was: Insurance purveyors ought to explain they are distinct from service companies, because, as in this case, the client became confused and angry at being unable to comprehend who was selling him what.

By way of analogy, I recently received a graphics magazine that promotes original prints and insists that all advertisers declare whether they are selling original prints or reproductions. *Business Insurance* (since it is so widely read by all insurance professionals) should lead the way in requiring a declaration of honesty both in its advertising and reporting to customers (brokers as consumers) about the cross-over sales patterns of the insurance industry. As a purist organization (we do not sell any insurance and our staff is forbidden to have a license even though many of us did) our biases are clear: With us the client always knows what we are selling. *Business Insurance* would be doing a positive service (in an industry that needs image-polishing) by requiring originals only.

Michael E. Burack
President
Multi-Risk Management Inc.
Chicago, Ill.

Editor's note: Point well taken. We think it's the buyer's job to be aware of any potential conflict when a consultant is also a seller of insurance or self-insurance services.

Bah humbug!

To the editor: At the risk of being considered a humorless old Scrooge, I'd like to express my concern with *Business Insurance*'s (Dec. 24) Christmas wish "To Bellefonte: a year of underwriting profits."

Recognizing that it was done in the spirit of good fun, I would, nevertheless, ask why Bellefonte was honored as the only company that you wished to receive a visit from Santa. You may have hurt the feelings of many other equally deserving companies.

More seriously, it's unfortunate that your editors didn't distinguish the particular area of Bellefonte that is of the greatest interest to your readers (i.e., corporate risk department of our Dallas-based insurance group). As you are aware

Continued on page 42

business insurance

the national newsweekly of loss prevention, risk financing and employe benefit management

G.D. CRAIN JR. *founder (1885-1973)*

MRS. G. D. CRAIN JR. *chairman of the board*
KEITH E. CRAIN *secretary-treasurer*
S. R. BERNSTEIN *chairman, executive committee*
DAVID J. CLEARY JR. *senior vp-group publisher*
RANCE CRAIN *president and editorial director*
ALFRED MALECKI *vp-publisher (New York)*

SUSAN ALT, *ARM, CPCU, editor*
KATHRYN J. McINTYRE, *managing editor*

LEN STRAZEWSKI, *features editor*. JERRY GEISEL, *Washington editor*. VALERIE J. BERG, *copy editor*. *Associates: New York*—STUART EMMRICH, ELLIS SIMON, MARY ANN MATLOCK *(staff reporter)*. *Los Angeles*—RHONDA L. RUNDLE. *Chicago*—DAVE GALANTI, JOHN MAES, MARY ELLEN McKEE, MIRIAM SUGIYAMA *(asst.)*. MERRILL SALTZMAN, *editorial production chief*. JOE FARACI, *Art director*. *Correspondents: London*—JOHN MILLER (01) 946-4215. *Seattle*—HARRIET KING (206-888-2340). *San Francisco*—MARGARET LeROUX (415-525-5082). *Editorial Production Assistant:* WILLIAM BIKE. *Proofreader:* DOROTHY PARR SNOWDEN. *Editorial typist:* SHAUN WESTBROOK.

DONALD A. WALSH, *Advertising Director (New York)*
ROBERT L. NIESSE, *Midwest Sales Manager (Chicago)*

Advertising district managers: New York—CHARLES A. HORVATH, JACK FORREST, KEITH T. GALLAGHER. *Chicago*—DON MAHLMEISTER, *Assistant to Advertising Director: Los Angeles*—LORI WEINSTEIN. *Production manager: Chicago*—FRAN PRYBYLO. *Promotion manager: New York*—RONNIE I. DRACHMAN. *Assistant to the publisher: Chicago*—CELIA MALOUHOS; *New York*—JOYCE BAIDA.

Published by Crain Communications Inc., Chicago, HERBERT ZELTNER, *group vp*; ALFRED MALECKI, J.J. GRAHAM, S.E. COHEN, LOUIS F. DE MARCO, WILLIAM STRONG, ROBERT W. KRAFT, STEPHEN D. GILKENSON, ARTHUR E. MERTZ, *vice presidents*; JAMES M. FRANKLIN, *vp-finance and administration*; MERRILEE P. CRAIN, *assistant secretary*.

Published weekly at 740 Rush St., Chicago, Ill. 60611 (312-649-5200). Offices: 708 Third Ave., New York, N.Y. 10017 (212-986-5050); Suite 1253 National Press Building, Washington, D.C. 20004 (202-638-5300); 6404 Wilshire Blvd., Los Angeles, Ca. 90048 (213-651-3710). $1.00 a copy. $20.00 a year in U.S. Foreign $5 a year additional. For first class mail add $20.00 U.K. and Canada; add $12.00 for air delivery Europe and Middle East only. WILLIAM STRONG, *vp-circulation*. PAMELA JANOUSEK, *circulation manager*; ROGER DiGREGORIO, *fulfillment director*. Four weeks' notice required for change of address. Send subscription correspondence to Circulation Department, Business Insurance, 740 Rush St., Chicago, Ill. 60611 or phone 312-649-5221. Telex 25-4248; Cable CRAINCOM. Microfilm copies are available from University Microfilms, 300 Zeeb Rd., Ann Arbor, Mich. 48013. Microfiche copies available: Bell & Howell, Micro Photo Division, Old Mansfield Rd., Wooster, Ohio 44691.

BPA Member of Business Publications Audit of Circulation ABP

The Third Country National.

When it comes to getting insurance, he's The Man Without a Country.

Because, he can't get adequate insurance coverage in the country where he works, in his own country or in his company's homeland.

A serious situation? Darn right. Because Third Country Nationals tend to be highly skilled technicians or specialists. And keeping them happy—and protected—is vitally important.

But it's not difficult.

AILife has been doing it for years.

With a plan that enables you to offer a full range of benefits in a single, specially-tailored policy. Now, regardless of the nationality of your TCNs—or how widely scattered they are—you can provide them with pension benefits, life coverage, medical disability, or accident. In any amounts.

Don't worry about local laws or different customs. We'll take care of everything. And don't worry about the size of your TCN contingent. We insure as many TCNs as a company has—or as few as ten.

For more information—mail the coupon today.

ailife

American International Life Assurance Company

Dept. 130-612-36 102 Maiden Lane, New York, N.Y. 10005

Please send me a copy of your free brochure about "New Concepts" in Third Country National insurance coverage.

Name _____
(please print)

Title _____

Company _____

Address _____

City _____ State _____ Zip _____

We welcome inquiries from any licensed agent or broker. You don't have to be a regular producer to place business with AILife.

A Member Company of American International Group

Caterpillar modifies pension program

CATERPILLAR TRACTOR Co. in Peoria, Ill., has revised its pension plan to provide benefits for workers who retire with less than 10 years of service but who remain on the job until age 65.

The plan was modified to save its tax-deductible status after the Tax Court ruled last October that, because it denied benefits to workers who retired with less than 10 years of service, it was discriminatory and should lose its favorable tax treatment (*BI*, Oct. 15, 1979).

Under the revised plan, employes who retire at 65 will receive full pension benefits provided they were hired more than five years before retirement, or under age 60, said Jerome Kenney, senior attorney for Caterpillar. The firm employs about 60,000 workers in the U.S.

benefit beat

The Internal Revenue Service has notified the company that its plan has been requalified for favorable tax treatment, including deduction of payments to the plan and tax immunity for investment income, Mr. Kenney said.

The case came before the Tax Court after a Caterpillar employe filed a complaint with the IRS that he could collect no pension benefits when he retired because he had not been on the payroll for 10 years and did not qualify under the cliff vesting rule of the plan.

The Tax Court held that even though ERISA allows 10-year cliff vesting, the IRS code required that a worker had a nonforfeitable right to a percentage of benefits accrued under the plan.

Health program

Kimberly-Clark Corp., headquartered in Neenah, Wis., has extended full participation in its health management program to all the company's 4,500 employes at its headquarters and nearby facilities. Approximately 2,000 hourly employes had previously been eligible only for cardiac rehabilitation classes and counseling on alcoholism, drug abuse and special health problems.

The program, begun in 1977, also includes medical screening, use of exercise facilities and health education classes, all voluntary and free to employes (*BI* Dec. 10, 1979). The program's goal is to reduce employes' health risks, thereby reducing absenteeism, increasing productivity and slowing the rising cost of health insurance.

The company had intended to make the program fully available eventually and extended it after two years of experience in administering it, said chairman and CEO Darwin E. Smith in a statement.

Although it is too early to determine cost-benefit statistics for the program, several cases of cancer and heart disease have been detected early enough for treatment, Mr. Smith said.

The health program, based in the $2.5 million center at the Neenah headquarters, has an operating budget of about $600,000 a year.

New additions

Employes of Materials Research Corp., based in Orangeburg, N.Y., who have a new addition in their households will now be able to take advantage of a new addition to the company's benefits package: coverage for well-baby hospital care.

Under the new self-insured plan, MRC will pick up the cost of hospital nursery care for healthy newborns, which is not covered under the company's health insurance plan written by Blue Cross & Blue Shield, insurance manager Wallace Cross said. The Blues coverage only pays for hospital care for ill newborns.

Another new addition to MRC's 1980 benefits package is a change in the pension formula that will increase pensions for the company's 650 employes by at least 10%.

Deductible raised

Crain Communications Inc. in Chicago raised its medical insurance deductible to $100 a year from $50 effective Jan. 1, with a maximum of three deductibles per family per year.

Premiums for the company's medical coverage, underwritten by Connecticut General Life Insurance Co., rose 15% as of the same date. Crain will continue to pay the entire cost of medical coverage for individual employes and increase employe-paid premiums by $3.72 a month for family coverage.

The company pays $426.24 a year for each employe covered under the plan and contributes approximately 60% or $559.80 a year for each employe with dependent coverage.

Crain publishes *Business Insurance*, Advertising Age, Pensions & Investments and a dozen other business magazines.

Breast surgery

South Dakota Medical Services Inc., the state Blue Shield plan, has agreed to pay for breast reconstruction for a woman cancer patient after initially refusing to pay her entire claim (*BI*, Nov. 12, 1979) and is changing its policy.

Patricia Koppman of Rapid City will be paid about $19,000 for medical and legal bills. Ms. Koppman underwent a mastectomy and breast reconstruction and filed a claim. Blue Cross originally refused to pay the hospital bill but later honored the claim while Blue Shield offered to pay only $4,150 of the $6,515 bill, saying further payment exceeded reasonable and customary charges, said John Zimmer, attorney for Blue Shield.

In addition, the woman was not a policyholder at the time of the original operation and the reconstruction surgery was cosmetic and thus not covered, Blue Shield contended. Ms. Koppman then filed suit asking $306,515 for the claim and exemplary damages.

Mr. Zimmer said that although there is no legal precedent set by the out-of-court settlement, South Dakota Medical Services is changing its policy provisions to pay this type of claim in the future, provided the patient was a policyholder at the time of the original surgery.

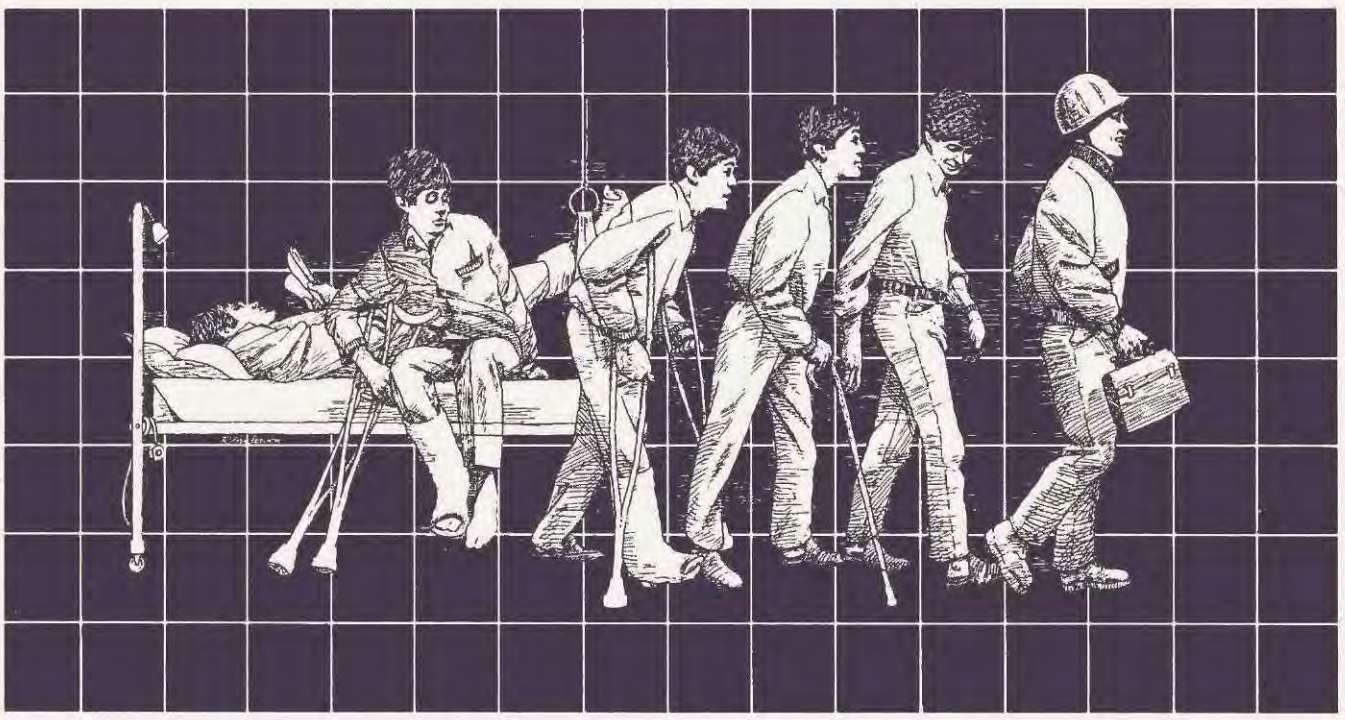
Payments will be based on reasonable and customary charges in South Dakota, he said.

•

Made any benefit changes? Write Valerie Berg, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611 or call 312-649-5430.

HOW IRA SAVES YOU CLAIMS DOLLARS:

HELPING THE INJURED WORKER GET BACK ON THE JOB.



A NEW BEGINNING

IRA's "whole person" approach to rehabilitation has often proven successful in saving claims dollars by bringing a new perspective to cases assumed to involve permanent total disability. The case of Marvin S., unable to return to work for an extended period of time due to a disabling injury, is typical.

The IRA Rehabilitation Specialist assigned to the case found that Marvin S. wanted to work, but that the nature of his disability had forced him to rule out the types of jobs he'd held in the past. After determining the extent of his capabilities through medical and vocational testing, IRA was able to help Marvin redefine his employment objectives and find a new, full-time job that exceeded both his occupational and financial expectations.

At International Rehabilitation Associates (IRA), we've learned from our experience with over 700 companies that injured workers usually want to return to work. It's our task to make that road to recovery as smooth as possible for the worker, the worker's family and the employer.

IRA statistics show that for every dollar spent on effective rehabilitation, a *ten-fold* savings in claims can be realized. IRA's "whole person" approach to worker rehabilitation has been employed successfully in over 60,000 cases to date. As a consequence, the potential impact of disability payments over the long term has been reduced or eliminated for the companies involved.

IRA's "whole person" approach involves the consideration not only of medical requirements, but motivational, vocational and financial needs as well. The goal is to take every practical step in helping restore the worker to productive employment.

In the vital area of job placement, we always try to return workers to their original jobs. When that is not possible, an IRA job analysis can reveal ways in which job conditions may be altered to suit the injured worker. In still other cases, we can help find a new job that makes full use of what an injured worker can do.

Now in its tenth year of operation, IRA has been providing rehabilitation services to self-insureds – as well as to insurers – longer than any other company; and with 50 offices across the country, we are able to offer rehabilitation services nationwide.

For more information, write: George Welch, President, International Rehabilitation Associates, 985 Old Eagle School Road, Wayne, PA 19087. Tel: (215) 687-9450.

international rehabilitation associates, inc.
In Canada: rehabilitation services of canada

Workers comp:

California firms pay price of rehab law

By RHONDA L. RUNDLE

LOS ANGELES—Everybody supports the ideal of retraining for injured workers, but California employers say the state's five-year-old mandatory rehabilitation law encourages welfare welchers, wastes tax dollars and jacks up workers compensation costs.

The biggest complaint is that malingerers who could go back to work file for rehabilitation to extend temporary disability benefits. Besides footing the school bills, employers must fork over weekly maintenance payments during retraining—usually about two-thirds of the worker's regular salary.

"It's true the system is not working as well as it should," admits Irene Sanchez, director of the state's rehabilitation bureau. But, she points out, last year more than 4,000 people were rehabilitated, found new jobs and stayed off the welfare rolls.

Since 1975, California's labor code has required employers to provide vocational retraining for persons whose work-incurred injury permanently blocks their return to the old job. Although other states have since followed suit (see related story), California was the first, and remains the only, major industrial state with a full-fledged rehabilitation program.

"We've had to break new ground and overcome a lot of employer resistance," Ms. Sanchez notes. But the program is definitely improving, she believes. "Resentment is mellowing and we're starting to work together effectively with employers and insurers."

"The system puts people back to work," acknowledges Joe Markey, executive director of the California Self-Insurers Assn., "but the cost to employers is considerable." They must pay rehabilitation costs, temporary support while the individual retrains and a hefty settlement for the worker's permanent disability.

The settlement structure for "permanent, partial disability" is not linked to rehabilitation, Mr. Markey notes. A claimant may collect two checks—one from the former employer and the other as salary on a new job. Rehabilitation, therefore, doesn't necessarily reduce long-term disability payments.

Data on rehabilitation costs is scattered among hundreds of California employers and their insurance companies. Last year, the California Workers Compensation Institute pulled together some of these numbers to pin down average per-case expenditures. The results show that during the first two years of the mandatory program, 1975-76, employers shelled out an average $4,218 per claim.

This figure is probably low, the report's authors say, because only "closed files" could be included in the study and the costliest cases drag out for years. Today, employers think $6,000 is closer to the actual per-case price of rehab.

The average retraining period runs about 17 weeks, Ms. Sanchez estimates. Vocational rehabilitation may dictate formal schooling, on-the-job training or a combination of both. The most expensive plans use classroom education; the least costly modify the worker's former job to accommodate the recently acquired disability.

Once an employe is medically qualified for rehabilitation, he or she is referred to a vocational counselor by the employer or insurance company. These professionals usually work for a private vendor, one of several hundred such firms that have cropped up in the past five years.

Together, the counselor and employe explore new career possibilities that are compatible with the client's physical limitations. They may visit various workplaces to investigate unfamiliar jobs. The injured worker may need aptitude and interest testing in order to select a suitable new career.

"Some clients push for something entirely unreasonable," observes Arlene Margolis-Johnson, a vocational rehabilitation counselor with Diversified Vocational Services, a subsidiary of Fred S. James & Co. In Los Angeles. The law states that workers must be retrained as expeditiously as possible to restore them to maximum self-support, she says. That does

Continued on next page

New Skills
An injured worker tests herself at assembling circuits at the L.A. Vocational Assessment Center.

Photo: Rhonda L. Rundle

Mandatory rehab law looms in Congress

LOS ANGELES—If the states don't devise their own vocational rehabilitation programs, the federal government will do it for them, says Irene Sanchez, chief of California's rehabilitation bureau.

The so-called National Workers Compensation Standards Act pending in Congress includes a provision requiring both physical and vocational rehabilitation at employer expense. The bill (S420) is cosponsored by Sen. Jacob Javits (R-N.Y.) and Sen. Harrison Williams (D-N.J.).

Georgia already boasts a rehabilitation program much like California's. The similarities, however, are coincidental, says Linda Snyder, Georgia's rehab director.

Back in 1973, then-Gov. Jimmy Carter appointed a rehabilitation advisory council to study the results of a pilot project pioneered by a score of insurance companies in the state. Employers were later required to furnish rehabilitation for disabled workers after April 1975.

Georgia's law contains a compulsory aspect for employes as well as employers, Ms. Snyder points out. Disability benefits may be reduced or suspended if a worker declines rehabilitation after it is deemed appropriate.

New York is also moving toward mandating vocational rehabilitation. A bill in the draft stages now will probably be introduced in the current legislative session.

Some other states already have mandatory vocational rehabilitation laws on the books, but because they are relatively new, and in some cases the responsible departments lack adequate staffing, they aren't off the ground.

Florida's wage-loss plan for workers compensation, effective last August, makes the employer responsible for providing rehabilitation services to injured workers. Minnesota has extensive legislation, say authorities there, but is just now figuring how to proceed.

Michigan also has a law, but is hampered by a small, three-person staff.

Colorado, Connecticut and Ohio also have nascent mandatory rehabilitation programs.

Retraining program trims cost of claims: Kemper

By MARY ELLEN McKEE

LONG GROVE, Ill.—Rehabilitation to bring an injured worker back into the job market can shave $200,000 to $1 million off a claim, says Ed Breen of Kemper Rehabilitation Management.

A perusal of KRM cases dramatically illustrate the disparity between the cost to reemploy and the cost of paying medical bills over the lifetime of a seriously injured worker.

In a comparison of two similar cases involving paraplegics who were injured in traffic accidents at age 22, Mr. Breen showed that KRM will probably pay out approximately $150,000 for treatment of the patient who has returned to the job market and more than $1.2 million for the lifetime medical care of the person who will not return to work.

"There have been quite a few problems connected with Ed, who has not returned to work," Mr. Breen admitted. Ed's parents are an older couple and have steadfastly resisted the idea of their son leaving their care to be forced to work again, he explained.

Kemper Rehabilitation Management tried to combat this by going to court in loco parentis, but the case was rejected. "We might have fought the case, but it was too big a public relations exposure," he said.

"The problems on this particular case will be unending," Mr. Breen predicts. "Because the flow of blood, and hence the circulation, changes so drastically for the paraplegic, pressure scars are common and can cost anywhere from $10,000 to $20,000."

In addition, this patient's parents will probably not live more than 15 years, Mr. Breen said. "What that means is that the patient will have to be institutionalized eventually, with the cost of paying for this kind of setup going up on the average of 20% each year," he said.

"This person cannot eat, dress or bathe himself," said Pauline Nisbitt, claims rehabilitation manager for the Kemper Insurance Group. "He's getting physical therapy once a week, but because his parents rejected the valid offer of rehabilitation, no records are actually being kept to chart any kind of progress or deterioration which might convince the parents that Ed can best be helped with rehabilitation and can live longer and live better," she said.

The paraplegic who accepted an offer of rehabilitation is employed at about $100 a month more than he was earning before the accident, has moved to a different location he had his eyes on long before the accident and has gained additional working skills.

Bill was a truck driver who had always wanted to move to Florida and take a job as a checker in a weigh-in station.

"It was very difficult, once we were able to help the patient to become as self-sufficient as possible, to get around the political aspects in Florida," Mr. Breen said.

"We couldn't place him in Florida immediately, but we kept that in mind when we were retraining him to return to the job market," he added.

KRM provided and paid for Bill's apprentice training as a polisher and grinder.

Once he became a journeyman and could be assured of a job, KRM placement counselors started scouting in Florida for a place for Bill and his wife.

"The objective in doing this, even though we probably paid out $3,000 more than if he had been kept in the same place, was to give him something to look forward to and improve his overall outlook as much as possible," Mr. Breen explained.

The claims administrators of the Kemper Insurance Group and the vocational rehabilitation counselors of KRM are trained to look at the long-term in exchange for some short-term savings.

"Obviously, we have to be concerned with the present situation and deal with it, but many of the problems in rehabilitation cases occur 10 to 15 years down the road," said Ms. Nisbitt of Kemper claims management. ■

Firms pay high price for rehabilitation

Continued from previous page
not entitle a telephone repairman to a college education, however, she notes.

About one-third of the injured workers who qualify for rehabilitation eventually decline the benefit, Ms. Sanchez estimates. Some resume their old jobs, even though this alternative is supposed to be medically off-limits. Others needlessly fear that rehabilitation will reduce their permanent, partial disability settlement. Even if an employe later experiences a change of heart, however, the employer must pay the retraining bills.

Many of the people who decline rehabilitation eventually seek it elsewhere at public rather than employer expense, Ms. Sanchez believes. Some end up on the welfare rolls.

"A high proportion of employes who embark on retraining programs never complete them," laments Ted Schizas, corporate administrator of workers compensation for the Northrop Corp. "Many use the program merely as a ruse to extend temporary disability payments," he says.

There are other problems with the mandatory rehabilitation law, he points out. There is no statute of limitations on an employer's obligation to provide rehabilitation after an accident. Also, he says, counselors are not certified and almost anyone can hang up a shingle and go into business. Without fee schedules, they charge whatever the market will bear—currently $50 to $75 an hour, Mr. Schizas reports.

"Conceptually, rehabilitation is a wonderful idea," says Judy Stockman, workers compensation administrator for Norris Industries in Southgate. The problem is that for every legitimately injured worker who needs rehabilitation, there are many more out to beat the system, she declares.

Rehab counseling

An unskilled Norris worker, reportedly suffering from back pain, received retraining as a typist, she recalls. After completing a vocational course, however, the injured employe could not type fast enough to land a job. She's back now with her vocational counselor, scouting other career possibilities.

There's nothing in the law to prevent an employe from retraining more than once—all at the employer's expense, Ms. Stockman says.

The California law has spawned a huge new industry of rehabilitation services. Five years ago, Ms. Sanchez says, there were a half-dozen such firms operating in the state. Today they number in the hundreds.

Rehabilitation counselors must have a master's degree in vocational rehabilitation or a related field such as psychology. They may also practice with a B.A. degree and four years or more of training.

Many other vocational services have popped up around the state. One firm, Vocomp in Woodland Hills, lists more than 12,000 jobs indexed in computer banks, according to training requirements and physical limitations. Some insurance companies employ special rehabilitation nurses and clerks to handle the paperwork burden. Large employers may hire in-house counselors to perform the same services usually contracted through a private vendor.

To assess the physical abilities of an injured worker, vocational evaluation services have also sprung up in Los Angeles and San Francisco. Here a candidate for rehabilitation undergoes a battery of tests specially designed to measure aptitude at a wide range of work-related tasks, including manual dexterity, bending and reaching and hand-foot-eye coordination.

More cooperation

In the public sector, taxpayer dollars support the rehabilitation bureau's 63-person staff. Last year the agency screened about 23,000 cases—although only about 15% of these actually went on to rehabilitation.

Despite their criticism, California employers say changes in implementation are slowly but surely improving the mandatory rehabilitation law. The welchers are weeded out sooner and counselors have gained expertise in successfully matching people with employment.

On the agency side, Ms. Sanchez reports that employer cooperation is improving. Companies are reporting potential rehabilitation candidates more promptly, so that those who benefit may return to work sooner.

The law is a great benefit for those who medically qualify and have the motivation to work, sums up Marilyn Wilson, assistant vp at Fireman's Fund in charge of the insurer's rehabilitation service program.

"I can't prove it," she says, "but I believe that some injured workers may recover more quickly when they have a positive program of vocational rehabilitation mapped out ahead for them." ■

People make the overwhelming difference in underwriting management.

Don't let anybody tell you that all underwriters of excess and special risk insurance deliver the same kind of service.

The difference is quickly brought home when you deal with the crack troop from Baccala & Shoop. Excess/special risk is no step-child to us. We concentrate all our time and energies in this specialized area.

The underwriting management services of Baccala & Shoop are as complete as complete can be. We issue the policies. We collect the premiums. We supervise, settle and pay out claims. We place reinsurance.

And we have the facilities you need in this day and age. With casualty policy limits of up to $10,000,000 in Umbrella Liability, up to $5,000,000 in Excess Workers' Compensation and up to $1,000,000 in Gap/Buffer Layers. With property coverage limits of up to $5,000,000 per risk as first loss or excess of loss.

For sheer professionalism in excess and special risks, pick up the phone and call in the crack troop from Baccala & Shoop.

You'll be joining the ranks of some very particular producers.

Baccala & Shoop

The crack troop in underwriting management.

Atlanta • Chicago • Columbus, Ohio • Dallas
Houston • Los Angeles • New York • Philadelphia
Phoenix • San Francisco • Seattle

Asbestosis may surge

NEW YORK—Workers compensation claims filed by persons suffering from asbestos-related diseases will continue to surge in the future if the predictions of a New York physician are correct.

Asbestos-related illnesses will have killed more than half a million persons between World War II and the end of the century, says Dr. Irving J. Selikoff, director of the Environmental Sciences Laboratory at the Mount Sinai School of Medicine in New York, in a recent issue of the Journal of the American Medical Assn.

Aside from meager attempts to regulate new asbestos use and to monitor occasional exposure, little is being done about the problem, medical experts say. An average of 20,000 Americans a year will die from asbestos-related disease over the next 40 years.

U.S. industries use 700,000 tons of asbestos each year in manufacturing products such as cement pipe, brake linings, asbestos paper products and textiles. Few precautions are taken other than setting maximum exposure standards for workers, Dr. Selikoff charges.

A long latency period, difficulty in diagnosis and lack of surveillance for disease spell a grim future for workers exposed to asbestos, the article says. ■

Attitude Helpers rescues firms from safety woes

By LEN STRAZEWSKI

MINNEAPOLIS—With their workers compensation coverage on the brink of the state assigned risk pool, two manufacturers here reached for Attitude Helpers.

AH is neither a dry martini nor a powerful tranquilizer; it's a consulting division of brokers Brandow, Howard, Kohler & Rosenbloom that specializes in pulling firms out of the pool through behavior modification.

"We were really in the pits when it came to safety and our workers compensation rates," explained David Rosenblatt, president of D.B. Rosenblatt Inc., a men's and women's clothing manufacturer.

"Attitude Helpers completely turned around our safety program. Employers of Wausau was our insurer for workers comp and was ready to drop us," he said. "Our rate was up to $4.72 per $100 of payroll and we were ready for the pool."

BHK&R remarketed the coverage to The Home Insurance Co. at a reduced rate, providing Rosenblatt followed advice from Attitude Helpers to eliminate the problems

"We try to motivate people to have fewer accidents," says Amos Rosenbloom, founder of AH.

that had caused four chargeable accidents in the first three months of last year.

AH, the brainchild of BHK&R principal Amos Rosenbloom, got directly involved with the Rosenblatt safety program, meeting with employes and relaying their concerns and suggestions directly to top management, said plant manager Michael Hylden. In the two months AH has worked with the manufacturer, D.B. Rosenblatt has been accident-free.

"We try to motivate people to have fewer accidents and we do it by going into a firm and seeing what production people think can be done," Mr. Rosenbloom said.

"If they think they need, for example, an industrial vacuum cleaner to keep the workplace cleaner, but have not been able to get it because of budget problems, I advise the staff to buy it and send me the bill. I pay it and bill the company," he added.

The technique requires the consultants work outside a firm's usual production budget because "when production pressure is on, safety is always the first to be squeezed," Mr. Rosenbloom noted.

By cutting red tape, promoting employe safety and encouraging workers to contribute to safety programs, AH targets a 50% reduction in accidents, charging a medium-sized company with one location an annual $6,500 to $12,000 fee.

AH executives usually meet with their nine current clients at least once a month to discuss safety with workers and communicate their concerns and advice to management. The consultants also participate in corporate training programs, speaking and advising on safety.

A favorite AH tactic, used by D.B. Rosenblatt and another client, Cherne Industries, encourages employe safety by offering $25 prizes to six employes chosen by a drawing if the firm is accident-free for 30 days.

AH helped Cherne, a manufacturer of pneumatic testing devices, establish a corporate safety committee that internally investigates chargeable accidents. The accident review board, at the advice of AH, consists of three employes and three managers.

Attitude Helpers is also meeting with groups of Cherne employes once each week to produce more suggestions until the safety problem is on the run.

Cherne had experienced a 20% insurance rate increase over last year and also had insurance remarketed to The Home, on the condition that it found help in improving safety.

Not only was Cherne's insurance in trouble, but so was staff turnover. It had started to increase, pushed by the firm's bad safety reputation, said Bud Mullin, production manager and chairman of the safety committee.

"In four months with AH we had two accidents," he said. "That's a 200% reduction for us. We expect to meet a 50% reduction goal for the year."

Cherne has also tapped AH for its training programs, adding safety films and presentations to industrial training.

At a recent forklift training session, AH moderated a discussion on safety problems with operating forklifts and followed the program with a 40-question quiz on safety to drive the points of the presentation home.

Attitude Helpers has also adapted its program beyond factory safety.

Working over one-and-a-half years with Renal Systems Inc., a manufacturer of hemodialysis concentrate used by persons with serious kidney ailments, AH has established a safety program for the company's drivers.

"Our drivers deliver the concentrate to many hospitals that are in rough locations for semitrailers to reach," explained Ron Gulland, traffic manager for Renal Systems Inc.

"Needless to say, our accident record wasn't the best. I mean, we really needed help."

AH established regular safety meetings and open discussions of driving problems. These safety sessions tap the knowlege of experienced drivers in training new drivers to spot hazards like overextended guardrails and hidden potholes that most drivers would overlook.

With 560 days without an accident, Renal drivers have dodged another insurance rate increase along with the hazards, Mr. Gulland said. ■

CAPITAL FOR YOUR CLIENTS
PLUS A PROFIT FOR YOU

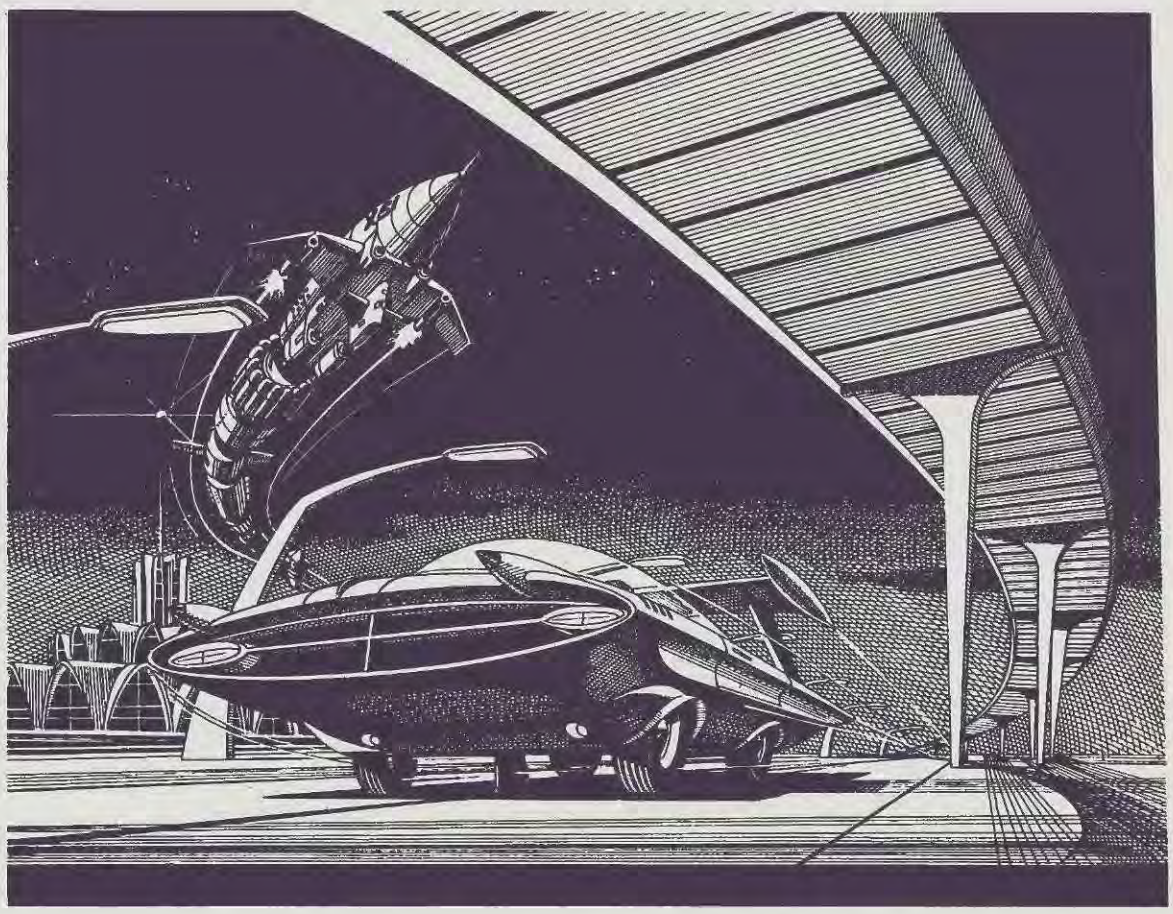
When we produce capital for your commercial clients, you produce extra insurance volume automatically, and as their agent, earn a fee from us. As our agent, you profit and your clients benefit.

• $200,000 And Up • Acquisitions & Mergers • Private Offerings
• Expansion Capital • Venture Capital • Real Estate Funds

UNIVEST FINANCIAL FUND, LTD.

11059 EAST BETHANY DRIVE • DENVER, COLORADO 80014 • (303) 750-8868

UNIQUE FINANCIAL SERVICES WORLDWIDE



Gay & Taylor will still be giving fast, full, fair adjusting service when cars are solar, streets are silica, and trains are zeppelins.

Of course, we can only guess what changes the next 50 years will bring. Like when we started in business, back in 1928, few could have predicted today's electronic, atomic, automated age. But now, as then, we will concentrate on responding quickly and with quality service to your adjustment, appraisal, and claim administration needs, with on-the-spot adjusters for all losses for any risk, including self-insureds. We are part of the Equifax team — your one source for insurance data and services. For round-the-clock claims service, use our AnyTime Line: 919/768-9520. Contact our Marketing Dept. for a free directory of our more than 130 offices serving 30 states: Highland Plaza, Winston-Salem, NC 27104.

gay&taylor inc
insurance adjusters
Quick response. Quality service.
An Equifax Company

Texas, Calif., Idaho favored

Work comp underwriters look West

By MARY ANN MATLOCK

Risky business

Problems in blacklisted states include inadequate rates, poor administration and increasing claims litigation.

NEW YORK—Major underwriters of workers compensation coverage and brewers of Coors beer share a common marketing philosophy: reluctance to cross east of the Mississippi.

Although insurers underwrite workers compensation coverage in all states where permitted by law, they push underwriting in states with the highest profit margins: Texas, California and Idaho.

States insurers admit they shun because profits are too low or because loss ratios are too high include Maine, Rhode Island, New Hampshire, Massachusetts, Illinois, Minnesota, Maryland, New Jersey, Georgia, Kentucky and the District of Columbia.

"We evaluate rate levels in relation to loss experience. We're more aggressive in states reporting the best profit," said Nord Bjorke, senior vp at Insurance Co. of North America.

Les Baumer, vp of commercial casualty marketing at Employers of Wausau, said, "We just don't have the luxury of pulling out of states because it is going to look bleak. We underwrite in all states but are much less aggressive in a few states where the profit pattern is low."

However, this list is not a cut-and-dried determinant for coverage. As John Richman, vp of workers compensation at Fireman's Fund, said, "Even where the state outlook is poor, there are pockets where you can underwrite at a profit."

Despite this one note of optimism, underwriters said the basic problems in the blacklisted states include inadequate rates coupled with high benefits, poor or politicized administration of the programs and increasing claims litigation.

Mr. Bjorke said the least desirable states in which to underwrite workers compensation are Illinois, Minnesota, Massachusetts and the District of Columbia. "We're convinced the rates don't produce enough money to pay the losses."

In general, these states pay high benefits, but that in itself is not the problem, Mr. Bjorke said. "We shouldn't tell the states what to do," he argues, but states should install a rate system to adequately cover these benefits.

Mr. Richman said Fireman's Fund has filed for rate increases in Illinois, Minnesota and Maryland and waited a year for their approval. "When you get into this kind of situation, you're behind the eight ball," he said.

Mr. Baumer, admitting Employers of Wausau never had production forces in the troubled New England states, said most of the problems stem from rate inadequacy. "If the national council can get the OK for rate levels that are reasonably close to what is actuarially sound and necessary, there's no problem," he said.

In New Jersey and Kentucky, the problem is assignment to risk pools, said Burt Bobzein, assistant vp of workers compensation and underwriting at U.S. Insurance Group, a division of Crum & Forster. "All companies share in the loss results in assigned risk; there's nothing in the rate structure to pay for the loss," he said.

Other insurers complain administrators have too much room for interpreting the law. For example, John W. Purkis, underwriting vp at Liberty Mutual, said the average cost per workers compensation case in Southern California is greater than in Northern California, although the same rates apply.

"Administration can affect the cost structure," he said.

Robert Dixon, vp of workers compensation claims at Fireman's Fund, said litigation is increasing because attorneys are lured by large fees awarded for handling these cases. "It was never supposed to be an adversary system," he said.

Insurers say solving these problems would turn many of the state systems around and make them more like those of California, Texas and Idaho.

In California, for example, high wages and no payroll limitation upon which to base workers compensation payments have made the system profitable, Mr. Bobzein said. He emphasized that although there was a surge of cumulative injury claims at one time, "The industry worked with regulators to keep it within control."

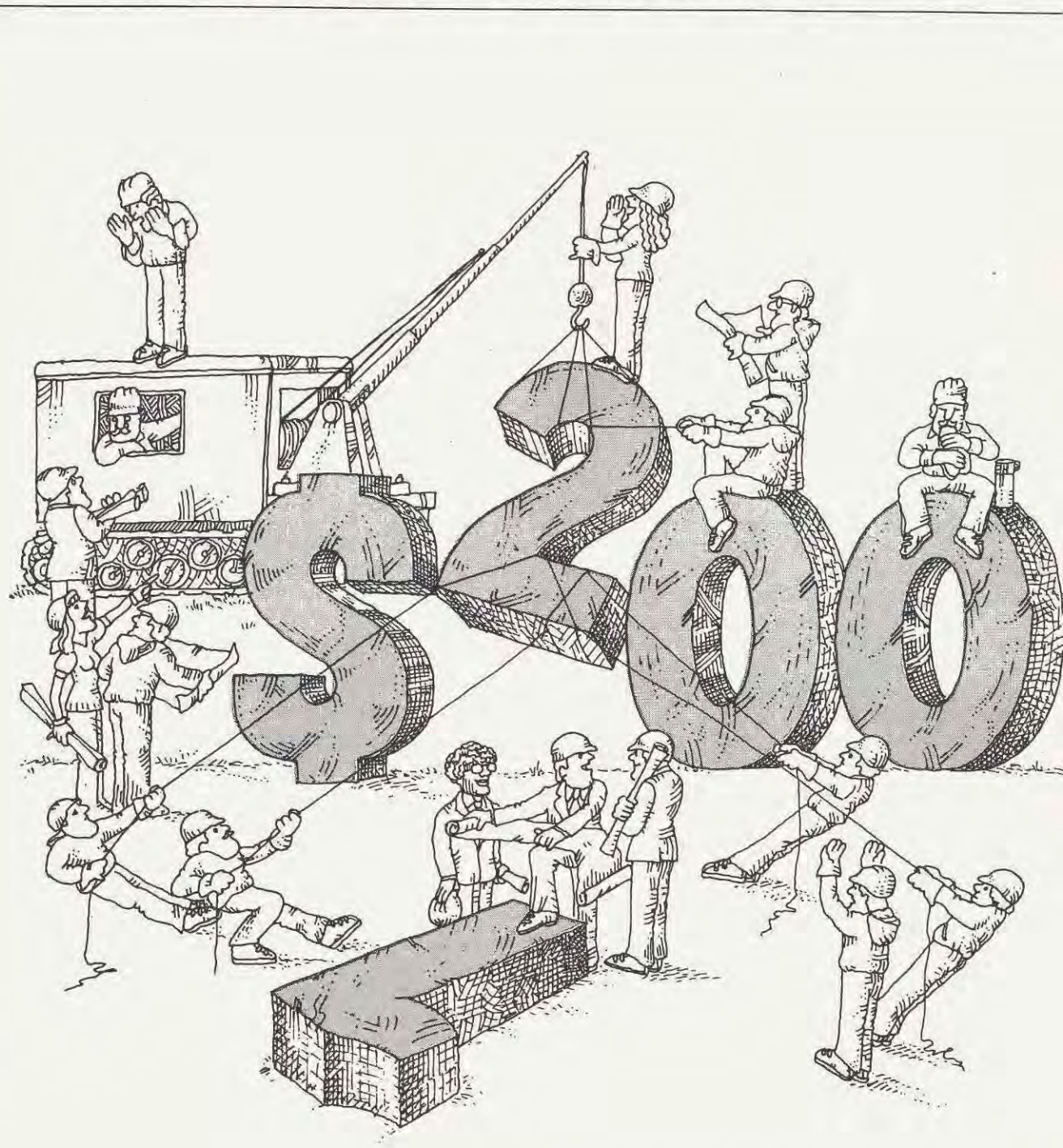
Also in California and Florida, Mr. Dixon said, caps have been placed on the fees attorneys can derive from handling workers compensation cases, resulting in decreased litigation.

"We need to have better regulation. The structure needs more definition to remove the question of doubt. We need medical panels where the judgment is final," said Mr. Richman.

In general, he said, "We need solid standards."

All agreed that industry should work with state regulators to reverse these problems.

"We're optimistic about state workers compensation systems in the country. We think they should stay in state control where they belong," Mr. Baumer said. ■



The first $100 billion

Was it ever! It took an enviable list of clients. A lot of hard work. A whole lot of people. And more than 50 years.

Now, only six years later, Metropolitan Life's group policyholders have added a second $100 billion to their group life insurance programs. That represents a lot of security for them, their employees and families.

We're especially proud of the confidence that our group policyholders, and brokers and consultants across the U.S. and Canada have shown in us.

Sure the second $100 billion was easier. After all, we had learned a lot in those first 50 years. But doubling $100 billion in just six years is still quite an accomplishment. We are grateful to our satisfied policyholders, our Metropolitan employees... particularly our dedicated group representa-

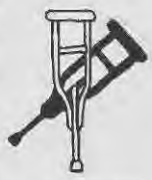
Shaky facts dull vibration claim risk

By STUART EMMRICH

NEW YORK—Years of chopping away at forests with chain saws can do it. So can the protracted use of jackhammers to dig up streets under construction. In fact, it is now recognized as a potential hazard for almost any employe who is in constant contact with heavy machinery over a long period of time.

The culprit: vibration damage, a malady sometimes so severe it can cause nerve damage that ultimately robs a victim of feeling in the affected limb.

"The effect of vibration damage can start out as calluses on the hand," explains David Sullivan, central district claims manager for Kemper Insurance Group. "Past that phase it can cause numbness and ultimately a person can lose feeling in his hand because of damage to the nerves."



Major workers compensation insurers, employers and trade groups agree vibration damage has become an accepted occupational hazard in the industrial workplace during the last decade, but say they have few figures to show how frequent a problem it has become. Compared with other occupational diseases, however, they say it occurs infrequently and is often overshadowed by more disabling diseases that accompany it.

"The biggest problem with these workers is the damage to their hearing," Mr. Sullivan said. "The noise of the machines can add to their vibration impact to provide a worker with a permanent disability case."

Vibration damage has been recognized as an occupational hazard in other countries as well. The Japanese government estimates 20,000 forestry workers are suffering from Raynaud's disease, a vascular disorder suspected to result from the constant barrage of vibrating tools over a longer period of time.

The Japanese government officially designated Raynaud's disease as an occupational disease in 1966. It is accompanied by such symptoms as numbness in the fingers, dizzy spells and headaches.

A group of Japanese workers is suing Japanese importers of foreign-made chain saws, charging that using the saws gave them the disease. They argue that the saws lack adequate instructions to the users concerning their supposed harmful effects.

In the U.S., however, the recognition of vibration damage as an occupational hazard generally hasn't increased the number of claims or lawsuits.

Employers of Wausau and Fireman's Fund insurance companies both say workers compensation claims for vibration disease have stayed steady, but low, over the past few years.

And Jerry Fields, a workers compensation specialist at the lumbering firm of Boise Cascade, said he hasn't "seen one claim in five years."

"We really don't have much of a problem in this area," he said, "and in talking to my colleagues in the industry, they don't seem to have much of a problem either."

Photo: EBI

Vibration damage has become an occupational hazard.

A Washington state legislator last year proposed a state law to regulate the handling and payment of vibration damage claims to forestry workers. But after interviewing various companies and their employes, the legislator found the problem wasn't serious enough to warrant special action and "the law died on the vine," Mr. Fields said.

Employers have taken several safety measures to try to minimize the impact of the vibration damage to workers, Mr. Fields said. They are limiting the time workers use the tools suspected of causing the most damage.

Workers compensation insurers say that workers who use jackhammers cut their risk of vibration damage because the task is not one that involves using the tool eight hours a day, five days a week.

Vibration damage has been identified, however, as a hazard to truck drivers, Kemper's Mr. Sullivan pointed out.

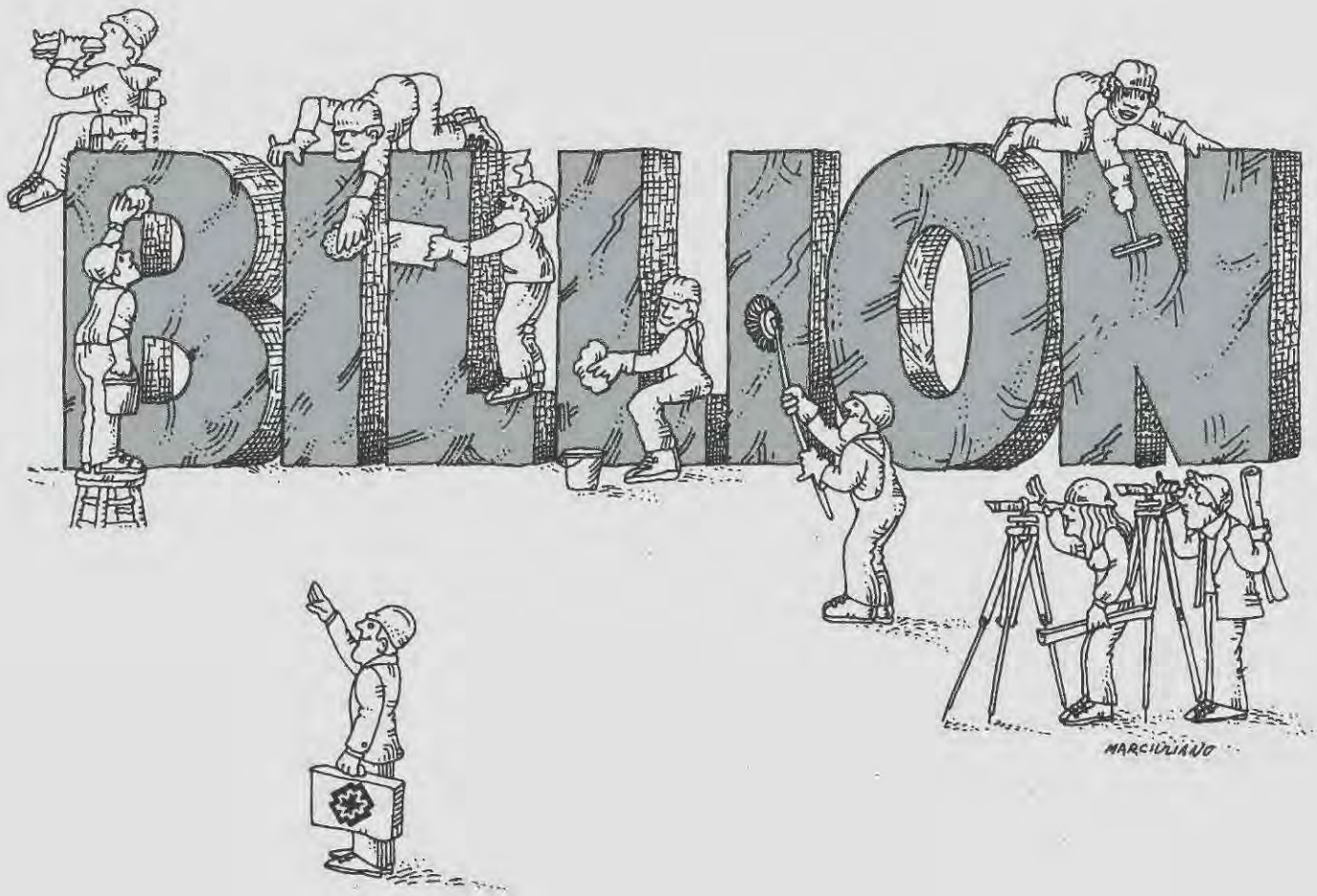
Riding in a truck over bumpy roads for 20 years has proved to cause vibration damage to drivers' kidneys and has been increasingly recognized as an occupational hazard of that job. ■

Plan funding a crisis: Survey

HOLLYWOOD, Fla.—Inadequate funding of public sector retirement plans has reached a crisis, say 80% of the 147 state, county and municipal benefit plan representatives at a recent conference here.

A total of 69% of the participants at the International Foundation of Employee Benefit Plans' annual public employers conference believe public sector employers are not depositing recommended amounts into pension funds, while 54% of the participants favored an ERISA-type law regulating public benefit plans.

Reasons for soaring plan costs included lenient requirements for approval of public employe disability pensions, cited by 69%, and cost-of-living adjustments that had gotten out of control, cited by 54%. ■



is always the hardest.

tives in the field...and everyone else who made this possible.
Together, we've already started on our way to $300 billion of group life insurance in force.

Metropolitan

Metropolitan really stands by you.

LIFE/HEALTH/AUTO/HOME/RETIREMENT

Metropolitan Life Insurance Company

CLAIM MANAGEMENT SERVICES

RISK MANAGERS/CAPTIVES/REINSURORS

casualty reserves • major case • audit/review • program analysis • contract adjusting analysis • • self-insured • aggregate covers • experienced in Fortune 500 claim programs

John J. O'Connor
B.A., L.L.B., I.I.A.
Consultant
11 Patrick Lane
Wilton, Connecticut 06897
Phone: (203) 762-9564

Compatibility.

It's essential in an Insurance Broker.

In today's business environment of escalating risks, your best insurance is a compatible broker. One with reliability and determination. Experience and skill. Frank B. Hall & Co., the world's most inventive corporate insurance broker, is compatible with thousands of impressive corporations in every industry. Our 5000 talented professionals in 150 global offices bring protection to billions of dollars in assets each year.

When Frank B. Hall becomes your broker, you can expect comprehensive coverage at justifiable costs. Fewer cash flow problems. Instant, on-site service. Every advantage in the worldwide insurance marketplace. And the most advanced insurance technology available anywhere in our industry.

Contact a convenient Hall office now. We're well-equipped to handle your special needs. Or, for more on our character write to Albert J. Tahmoush, Chairman and CEO, 549 Pleasantville Rd., Briarcliff Manor, NY 10510.

When creative protection is essential

We're compatible with: McDonald's, Pan Am, Fruehauf, Occidental Petroleum, Textron, Raytheon, Carte Blanche, Dravo, The Irvine Company, Lipton, OSG and many more.

Claims fraud is tough to beat: Execs

By ELLIS SIMON

NEW YORK—Despite sound safety and claims reporting procedures that bolster employers' defenses against suspicious workers compensation claims, it's hard to stop the "professional" claimant who takes a job, says he was hurt, receives an award and moves to a new job.

"If someone wants to do a job on us, it's pretty hard to block him completely," said William Mather, administrator of risk management at Gillette Corp. in Boston.

Try as they might to fight suspicious claims, risk managers and insurers say their fates lie in the hands of state industrial commissions and local judges who determine the outcome of these cases. Often, they say, industrial commissions tend to side with the claimant.

"Sometimes you know a case is a phony and there's not a damn thing you can do about it," said Edward Lloyd, assistant treasurer of Dan River Inc., a Greenville, S.C.-based textile manufacturer. Back injuries are a problem; it is difficult to prove the injury occurred off the job or did not occur at all, he notes.

"You can fight them to the hilt and the industrial commissions will still say 'pay the claim,'" he said.

In most industries, fraudulent compensation claims are not a major concern. "With the exception of Jones Act (seamen and offshore drilling rig employes) and U.S. Longshoremen's and Harbor Workers Act beneficiaries, there aren't enough dollars to make workers compensation fraud lucrative," said Henry Martini, vp-claims at The Hartford Insurance Cos.

In New York, fewer than 3% of The Hartford's cases go to hearing before the state industrial commission, he noted. Most of those reflect a difference of medical opinion over the degree of an injury.

Nevertheless, "You worry about the few fraudulent cases that you do see," said Gillette's Mr. Mather. "The grapevine that exists in every organization sometimes spreads the wrong information. If there's an impression of someone having a nice arrangement with workers compensation, it may encourage other people to take the same course."

A good safety program can deter dubious compensation claims, says Robert Shortelle, director of investigation at The Hartford Insurance Cos. If all safety features were in place and operable when an injury was said to have occurred, that could be used to show an injury could not have happened in the way the claimant says, he explained.

B.F. Goodrich Inc., the Akron-based tire manufacturer, relies on safety inspectors to check sites where accidents were reported, said David Darst, manager of workers compensation. When an injury is not reported immediately, these inspectors interview foremen and workers who could have witnessed the accident and then discuss the situation with the claimant.

Company policy requires injury reports to be made immediately so that prompt medical treatment can be administered, Mr. Darst said.

To the extent practical, Gillette tries to use company clinics or outside medical facilities that it has contracted with to treat workplace injuries, Mr. Mather said.

Doctors who encourage workers back on the job act with the employe's and employer's best interests in mind, Mr. Mather says. But employe relations are enhanced when workers are not pushed to return to work before they are ready, aggravating injuries, he adds.

Good employe relations reduce but do not entirely eliminate suspicious claims, says Dan River's Mr. Lloyd. A serious disruption, such as a plant closing, brings "compensation claims out of the woodwork."

Prompt notification to insurers, identification of witnesses and detailed accident reports help deter suspicious claims, said The Hartford's Mr. Martini.

"Employers should immediately notify the insurer if they suspect a claim is not valid and let us investigate it," said George Hatch, director of workers compensation with The Travelers Insurance Cos. "Too often, cases are not reported to us until it's too late for us to investigate."

Knowing an employe's health history aids in the investigation of dubious claims, Mr. Hatch says. It also helps to know his or her off-the-job activities. "Are they involved in weekend activities such as playing baseball and moving furniture that could lead to Monday morning injury claims?" he asked.

Eugene, Ore., risk manager John

Guide to fighting phony claims

Ten ways to prevent phony workers compensation claims are:

- Make sure all safety devices are in working order.
- Require all workplace injuries be reported immediately to a supervisor.
- Find and interview all witnesses to an accident.
- Inspect sites of injuries for safety hazards. Treat injured workers at company medical facilities.
- Maintain good employe relations to reduce hostility toward management.
- Get detailed reports on all accidents.
- Notify insurers immediately if you suspect a claim is fraudulent.
- Keep records on an employe's health history.
- Be aware of employes' weekend activities.

The American Worker.

She weaves the cloth of dresses and dreams.

For almost 100 years now, we've been insuring America's most valuable resource: her workers. And during all that time, one very basic principle hasn't changed: The less chance a worker has of being injured on the job, the less you should pay to insure the worker.

Sounds reasonable enough, doesn't it? But some employers still pay too much for their Workers' Compensation insurance. Often the reason is simply that the insurer lacks the flexibility to fashion a Comp program that answers every employer requirement, including Loss Control.

We'd be happy to look over your current Workers' Compensation program with you. Perhaps we can save you money.

It's one more way we have to cut the cost of business insurance. There are many others. Call or write us and we'll share them with you.

American Mutual

INSURANCE COMPANIES, WAKEFIELD, MASS. 01880

THE OFFICIAL INSURANCE SPONSOR, 1980 OLYMPIC WINTER GAMES

Helping America make intelligent insurance decisions since 1887.

Janzen suspects the city's self-insured workers compensation fund pays for a lot of "football injuries." Oregon liberal compensation law puts the burden of proof on the employer to show an injury occurred off-the-job.

But the state compensation law also mandates that beneficiaries must cooperate with rehabilitation efforts, Mr. Janzen points out. Failure to cooperate means loss of benefits.

In other states, people aren't encouraged to return to work, a spokesman for Employer's of Wausau said, adding that such people collect benefits within the scope of the law.

"The economics of compensation provide little incentive to return to work," said The Travelers' Mr. Hatch. "The benefit level is livable."

This encourages the professional claimant, who receives compensation benefits while perfectly healthy and sometimes holding a job on the sly.

"When we know about these cases, it is very difficult to prove," said The Hartford's Mr. Shortelle. The Hartford, the sixth largest workers compensation writer in the U.S., successfully identified only three fraud cases in 1979, he noted.

In one Southern state, a beneficiary cannot be accused of fraud because of what he does at his own home, Mr. Shortelle added. "A back injury claimant could be up on his roof painting and you can't touch him."

In Ohio, B.F. Goodrich employs private detective agencies to track down fraudulent claimants and their findings are turned over to the newly created fraud squad of the state industrial commission, Mr. Darst said.

In 20 years with Goodrich, Mr. Darst said he has come across numerous phonies, including one claimant who moved from Akron to Cincinnati and worked undetected as a fulltime minister for three years.

An insurance industry index bureau, a computerized system that registers all compensation claims made against bureau members, has deterred repeat offenders who move from job to job, filing a new claim each time.

But several frauds are usually perpetrated before a pattern is detected and the individual's right to privacy must be weighed. One professional claimant submitted seven claims for identical back injuries using seven aliases, noted The Hartford's Mr. Shortelle. ■

Scientists study work hazards

PHILADELPHIA—The Franklin Research Center will recommend standards of exposure to seven different workplace conditions or chemical classes under a $2 million contract from the National Institute for Occupational Safety and Health.

"We are looking at areas where there is a growing assortment of recognized potential work hazards," said Dr. John R. Strange, manager of environmental and health studies, who will direct the two-year study from the FCR's Silver Spring, Md., office.

According to statistics compiled by NIOSH, an estimated 390,000 workers become sick each year from exposure to toxic chemicals, dust, fumes and other occupational hazards. More than 100,000 deaths a year are caused by job-related diseases.

FRC's recommendations, Dr. Strange said, will be presented to NIOSH in seven documents, each taking 70 weeks to complete.

The study will examine pulp and paper mills; chemicals used in the manufacture of fertilizers, cosmetics, dyes, textile finishes, fabric softeners and detergents; other chemicals used in the production of solvents for the dry cleaning and printing industries; acids used in the preparation of drugs, detergents, weed killers and other herbicides, and body vibrations that result from the use of equipment like jackhammers, trucks and forklifts.

For each of the chemical classes or conditions investigated, the 35-member staff will review literature on that subject and make on-site visits to eight or 10 plants concerned with the potential hazards, Dr. Strange said.

He noted that researchers will consider chemical, mechanical, noise, heat and light hazards present at a work site and will explore such effects as birth defects and cancer. ■

Sutherland Page & Co. Inc.

10 Post Office Square
Suite 960
Boston, Mass. 02109
(617) 542-5700

Objective, Independent Claims and Underwriting Services for
REINSURERS UNDERWRITING SYNDICATES E & S CARRIERS SELF-INSUREDS BROKERS INSURERS

Domestic and International

Our Services include

RESERVE ADEQUACY SURVEYS | UNDERWRITING REVIEWS | IBNR STUDIES
CLAIM AUDITS | SYSTEMS AND PROCEDURES | PRIMARY/EXCESS PROBLEMS
CLAIM MANAGEMENT | AGGREGATE EXPOSURES | THE *Claims Slip*SM

Contact our experienced staff

"We couldn't administrate the Bank of America, Control Data, and California Plant Protection Workers' Comp. Plans if we weren't cost efficient."

Samuel X. Kaplan
President—U.S. Administrators, Inc.

For example, a major banking client (53,000 employees) asked us to conduct a two-year test program. It was designed to compare "their Workers' Comp. Plan Costs" vs. "USA's Plan Costs." The May 1978-May 1979 test period was identical for both client and USA.

We're proud to share the results with you. As you see below, the savings we generated were outstanding. So much so, that after only one year, U.S. Administrators was awarded the entire contract.

	CLIENT	USA	% REDUCTION
Number of Cases	1,166	1,498	—
Medical Paid	$257,474	$153,355	−40.5%
Average Medical Payout/Case	$ 220	$ 102	−53.7%
Number of Indemnity Cases	269	249	− 7.4%
Total Indemnity Paid	$132,682	$ 97,695	−26.7%
Average Indemnity Payout/Case	$ 493	$ 392	−20.4%

At U.S. Administrators "cost containment" is a way of life. In fact, we've built our reputation saving our clients money.

You see, we make commitments and keep them.

Our approach? We call it Quality Assurance. It's our way of offering some of the biggest companies in America the finest in quality administration. Unequaled service and expertise through computer technology.

Our success comes from getting results. And that means we're cost efficient.

It's no accident we know how to save our clients money. It's our job.

U.S. Administrators, Inc.

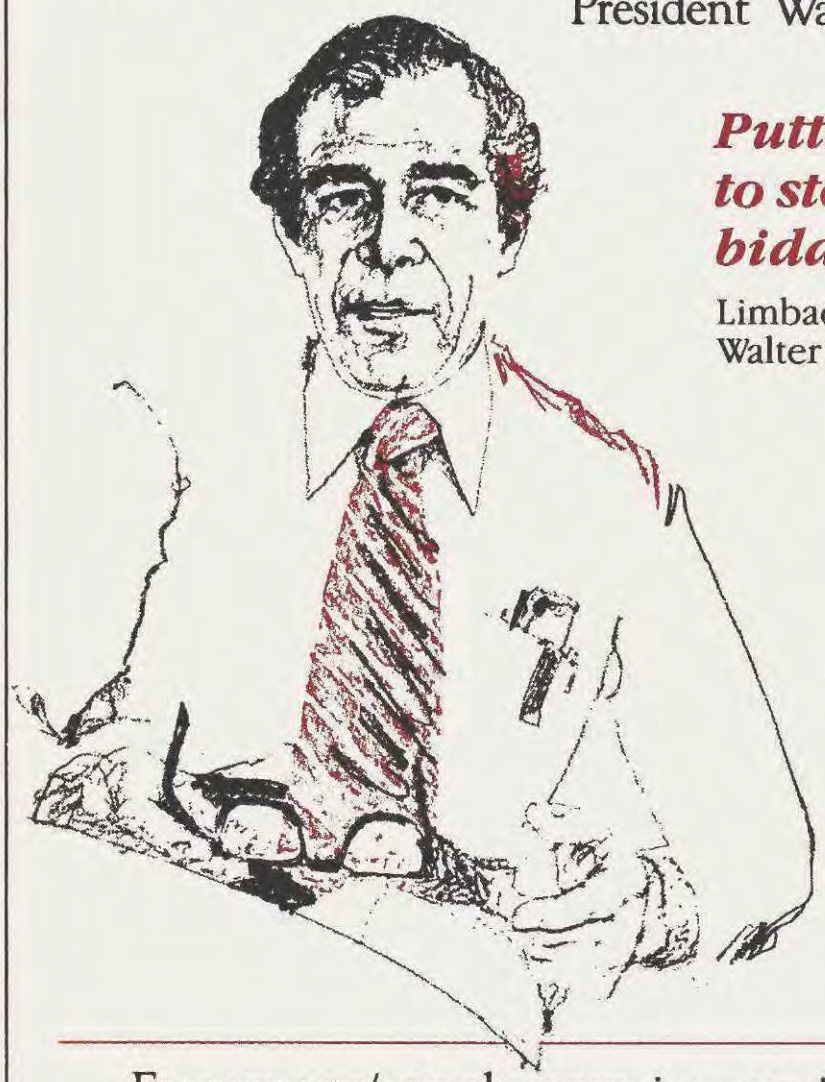
Use our services or lease our programs.
Write U.S. Administrators, Inc., 3540 Wilshire Blvd., Los Angeles, CA 90010
or call Toll Free (800) 421-9064; in California call (800) 252-0373.

Financial Strategies

In Business Insurance

An INA Series

Contracting firms usually obtain surety bonds – guarantees to clients of project completion – on a job-by-job basis. A different approach was developed by INA and the Limbach Company, a $100-million Pittsburgh-based mechanical engineering firm.



Putting a stop to stop-and-go bidding.

Limbach Company's Walter Limbach

President Walter Limbach says, "The firm is largely decentralized, which means the regional offices should be able to run things without interruption, especially in the bidding stage. Our strategy is to negotiate with INA a surety bond budget for all projects to be sold during the year."

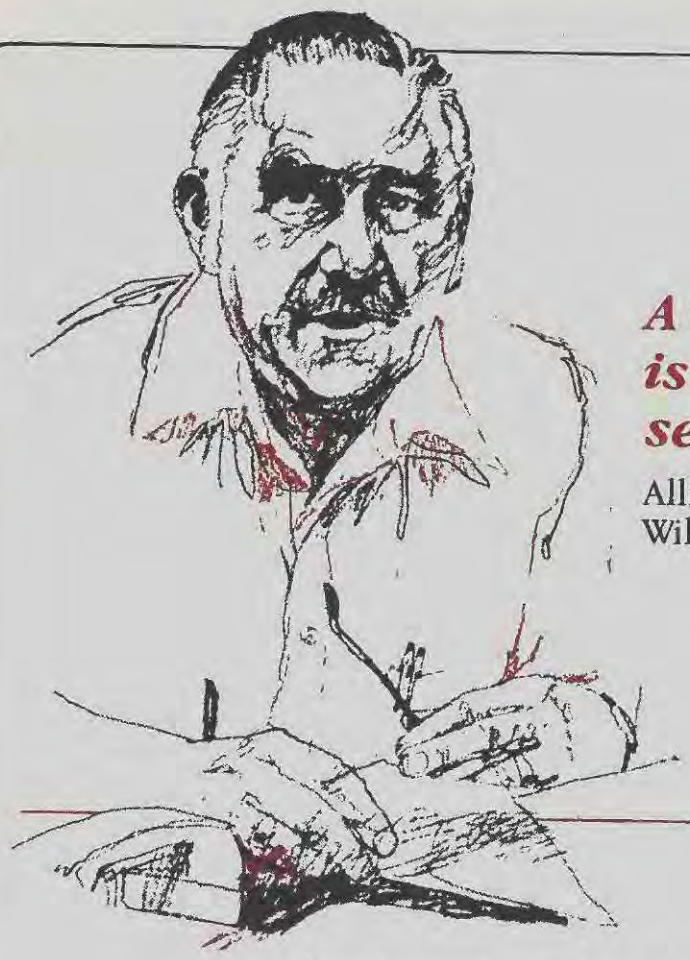
The result, for Limbach, is the ability to structure its annual business plan based on an exact, predetermined figure for surety support.

Blanket approval for Limbach's surety bonding is the result of a long-standing relationship with INA. The carrier takes part in the company's financial meetings and is fully informed about revenues, goals, and work-in-progress. This knowledge, plus INA's understanding of contracting has, according to Walter Limbach, "made them totally receptive to the overall bonding concept."

For property/casualty agencies, assuring prompt loss settlements is crucial. William Thompson, President of Allred-Thompson Agency in Wichita Falls, Texas, meets this goal with comprehensive "insurance to value" reports when first securing property coverages.

Along with INA representatives, Allred-Thompson does physical workups on each property: preparation of square-footage diagrams to be included in a master file of structural features. The strategy has two advantages.

The insured benefits because his agency can upgrade coverage – based on the initial



A tape measure is our best claims settlement tool.

Allred-Thompson Agency's
William Thompson

valuation – to reflect increasing replacement costs. Secondly, when a disaster strikes, settlement (at the upgraded levels) can be made almost immediately.

Thompson comments: "After a tornado leveled parts of Wichita Falls in early '79, many clients had no property left to inspect. But INA settled millions in claims on the spot, because we had documented reports on file." The rescue job hinged on advance planning by both agent and carrier.

Expenditures for hospitals in rural communities are rising no less sharply than for institutions serving large metropolitan areas. "Since 1965," says Donald W. Stubsten, Administrator of Ocean Beach Hospital in Ilwaco, Washington, "I've seen inflation drive the cost of a semi-private room from $11 a day to over $120." Faced with this problem, more and more small hospitals are now self insuring certain risks.

Participation in a hospital association program allows Stubsten to self fund staff liability exposures to a limit of $100,000. Excess coverages are obtained commercially. The first year OBH took part in the program, the hospital's savings were 25% over conventional liability rates.

Translated to OBH's balance sheet, the net saving was $1,800 – sizeable for a small, 25-bed hospital. There are also cash-flow advantages. Stubsten remits OBH's share of the reserve monthly, rather than paying a lump-sum premium.

Some new leverage against health-care inflation.

Ocean Beach Hospital's
Donald Stubsten

The dynamics of business insurance have never been more complex. Opportunities to improve financial performance by sharpening strategies have never been greater. Know-how, experience and resources are crucial. So is the willingness to innovate. No company has more impressive credentials in these areas than INA. If you have a concept or a problem to discuss, or if you'd like to review new developments in this field, INA's Property-Casualty Insurance Group can be of special help. Write to John R. Cox, President, Insurance Company of North America, 1600 Arch Street, Philadelphia, PA 19101 or call (215) 241-2729.

The resources to do it all, the strategies to do it right.

INA
Insurance Professionals

Coming Up!

Special Emphasis Issue:
February 18, 1980

Risk Management Services

Ad Closing: Feb. 5, 1980

business insurance

a publication of Crain Communications Inc.

The national news weekly of loss prevention, risk financing and employe benefit management.

NEW YORK:
708 Third Ave., NY 10017 (212) 986-5050
CHICAGO:
740 Rush St., IL 60611 (312) 649-5275
LOS ANGELES:
6404 Wilshire Blvd., CA 90048 (213) 651-3710

Close review of helps stem flow

By JOHN MAES

LOS ANGELES—Risk manager Michael Craig at Transcon Lines here rides herd on workers compensation claims, reining in stampeding losses.

Unlike most of his counterparts at other firms, Mr. Craig reviews each one of some 1,400 workers compensation claims that Transcon's 5,000 workers turn in annually.

The close scrutinizing of claims and the new safety procedures it spurred has reduced Transcon's workers compensation loss ratio to 29% from 64.25% in the 11 months Mr. Craig has been on the job. Claims frequency has gone down a little, and the severity of individual claims has decreased significantly, Mr. Craig says.

Other risk managers surveyed by *Business Insurance* say they try to keep abreast of the workers compensation pictures in their companies, but the dictates of the job usually prevent them from becoming too involved in individual cases.

Mr. Craig is in the thick of the claims process because Transcon is making a concerted effort to reduce its workers compensation costs. The trucking industry is characteristically hard-hit by workers compensation claims, Mr. Craig said. One of the prime reasons he was hired was to reduce claim severity.

"The company just doesn't feel like paying out a whopping $7 million in premiums for a company with 5,000 employes," he said.

Mr. Craig, who spends about three to four hours a day reviewing claim and accident reports, has a claims handling background, which sets him apart from most risk executives. "I'm no superman, but I know what to look for," he said.

Mr. Craig said he concentrates on reducing the severity of serious injury claims that cause long-term disabilities and cost the company a bundle. "We concentrate on the extra severe claims—the severe back injury, the severe foot injury—because if you can cut out one or two of them a year, you can save $300,000 to $400,000."

Through his review of claims and accident reports, Mr. Craig said he can pinpoint the specific causes and propose the appropriate safety measures to avoid future incidents.

Not only that, the mere fact that supervisors know claims are being reviewed induces safer work practices, Mr. Craig says. Transcon also has a computer program with its workers compensation insurer to help determine where most workplace injuries are occurring. Analysis has already shown that most major injuries occur on the loading docks, he said.

But it's not claims review alone that has reduced severity, Mr. Craig said; a relatively mild winter has made for better road conditions and fewer truck accidents involving employes.

In addition, Mr. Craig said, the corporation's own safety department has worked alongside the risk manager to create a safer workplace and improve Transcon's claims experience.

American Hospital Supply Corp., however, takes an opposite approach to handling workers compensation claims. At the Evanston, Ill.-based firm, the corporate risk manager has no connection with workers compensation claims. He concentrates on safety,

Claims scrutiny

Most risk managers say they like to review large and unusual cases.

The one-stop, full-service self-insurance "Super-market" for workers' compensation!

If selecting your company's insurance is **your** responsibility, our professionally qualified staff can make your job easier and more effective. We offer all, or any part, of the following services:

- Excess Insurance – Aggregate and Specific
- Claims Administration
- State Qualification and Filings
- Self-Insurers Bond
- Safety Services
- Cash Flow Analysis

You will be delighted at the low, competitive price of the "package" we can tailor to your specific needs.

We also invite brokers and agents to inquire about what we can do to keep their customers safe and happy.

Call Gary Mongilutz for details.

US&C

Underwriters Safety & Claims, Inc.
Post Office Box 6769
140 Whittington Parkway
Louisville, Kentucky 40206
Phone: 502/425-8660
Offices in: Knoxville, TN/ Marion, IL/ Norton, VA/ Paintsville, KY

workers' claims of firm's losses

security and product and general liability risks, said Paul T. Backlund, director of loss control and employe services.

All accident reports come across Mr. Backlund's desk and he closely watches the progress of claims of $2,000 or more. AHS averages between 1,300 and 1,500 claims a year.

AHS considers workers compensation claims handling more of a personnel administration function than risk management, Mr. Backlund said. "There are personal and emotional issues involved in a claim and we felt personnel would be the most logical place for it because of the potential effect on overall company morale."

Most other risk managers say they like to review large and unusual cases, but leave administrative work and investigation to in-house claims persons, insurers or, if self-insured, third-party administrators.

"We've got 4,000 claims a year and it's impossible to get involved in all of them," said Russell A. Drake, risk manager for Borden Inc. in Columbus, Ohio. "I've got other things to do." Borden employs 33,000 workers.

A full-time claims manager and a secretary on Borden's risk management staff handle the bulk of workers compensation claims in conjunction with ESIS, the INA claims-handling subsidiary. However, ESIS must obtain Borden's approval before settling a claim of $2,500 or more and Mr. Drake personally reviews claims of $25,000 or higher.

But not being involved in the day-to-day claims administration doesn't mean a risk manager is ignoring the workers compensation risk. Mr. Drake, like most insurance directors, says he monitors and reviews the trends to keep losses from becoming a runaway cost.

"We are involved to where we establish procedures for checks and balances, but to expect a risk manager to sit in on every trial is ridiculous. That's what you have a claims manager or claims service for," Mr. Drake said.

At Dayton-Hudson Corp. in Minneapolis, risk manager Bill Cain says he has little involvement with workers compensation claims other than reviewing the five largest claims at the end of each year. Dayton-Hudson, employing 100,000 workers, is divided into nine operating companies, each with a personnel and benefits department where most claims are administered.

"We also have a person on our staff who spends 25% of her time monitoring the status of general liability and compensation claims for a corporate overview," Mr. Cain said.

When big claims occur, Mr. Cain says, he reviews them personally. But in a large firm like Dayton-Hudson, whose companies are largely retailers, "it's hard to find the one over $15,000." Dayton-Hudson had 5,500 claims last year.

Gould Inc., another decentralized manufacturing operation based in Rolling Meadows, Ill., mostly leaves workers compensation claims to be handled "locally" by personnel administrators and the company's insurers, said vp/insurance James Mascarella. He pointed out, however, that his office becomes involved with all questionable claims or those exceeding a certain value.

Even though there may not be enough time to maintain an open file on each individual case, the risk manager should be involved in controlling the firm's workers compensation risk as well as keeping up with state and federal legislation and developments on related issues, risk executives say.

Richard Hackenburg, risk manager for Allegheny Ludlum Industries in Pittsburgh, said that although he cannot review all claims, he spends much time planning safety strategies and promoting safety in the workplace as a means of controlling compensation costs. "Claims are just one aspect of it," he said. ■

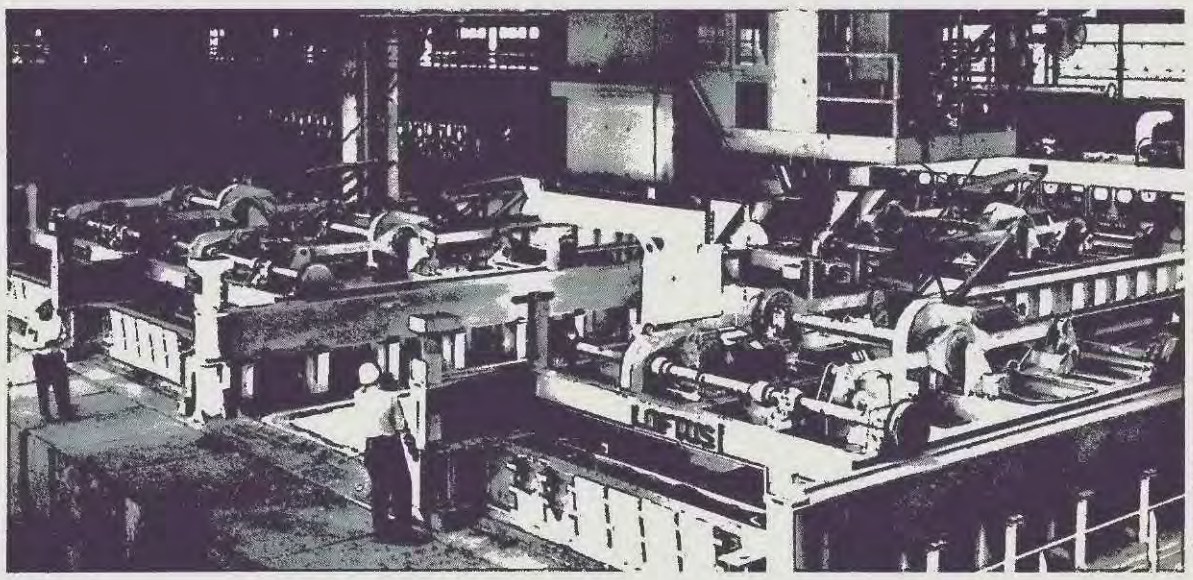
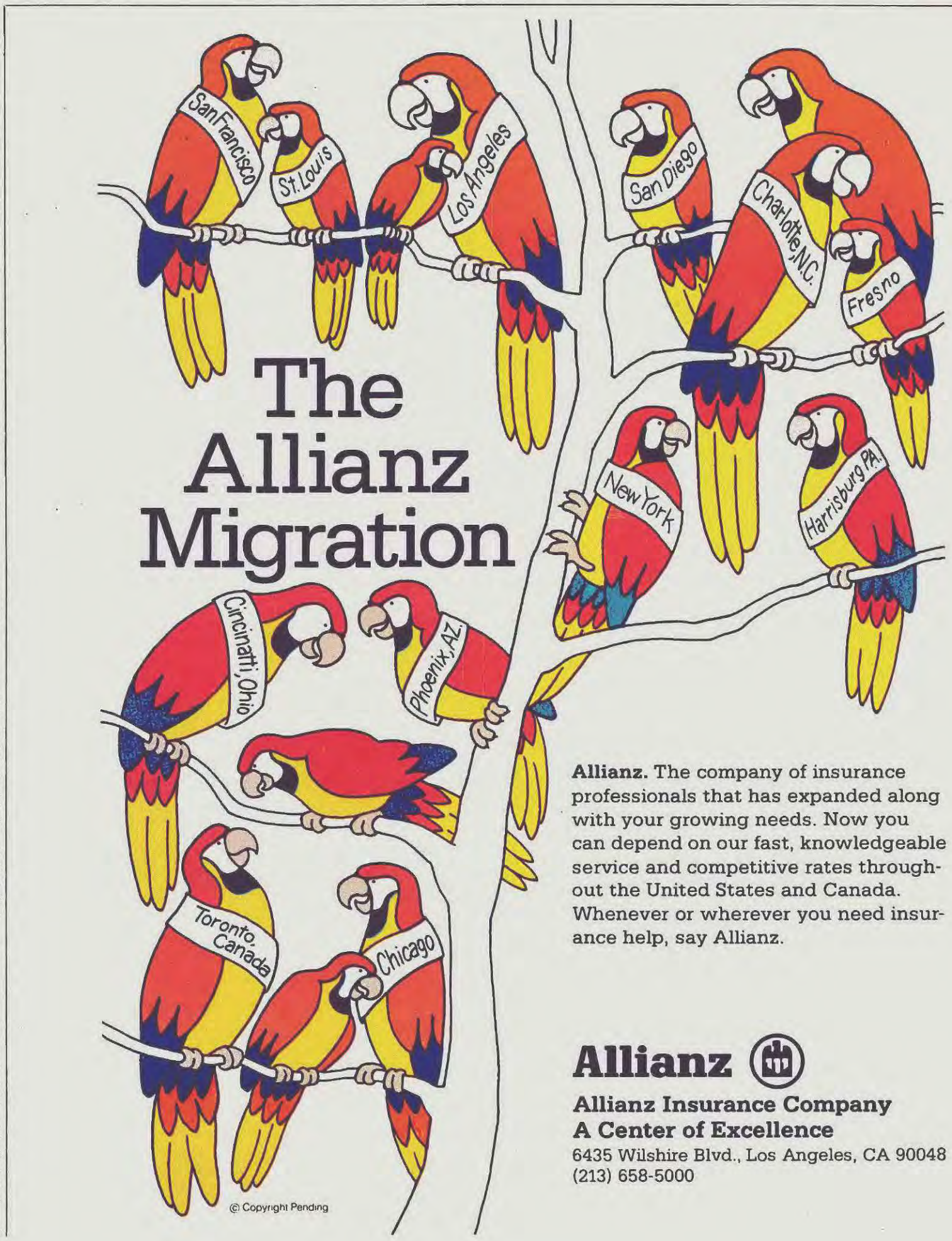


Photo: Allegheny Ludlum Corp.

Work comp strategy

At Allegheny Ludlum, risk manager Richard Hackenburg spends much time promoting safety in the workplace. Reviewing workers compensation claims is just one aspect of controlling costs, he says.



The Allianz Migration

Allianz. The company of insurance professionals that has expanded along with your growing needs. Now you can depend on our fast, knowledgeable service and competitive rates throughout the United States and Canada. Whenever or wherever you need insurance help, say Allianz.

Allianz

Allianz Insurance Company
A Center of Excellence
6435 Wilshire Blvd., Los Angeles, CA 90048
(213) 658-5000

HIGH MARKS FOR CG PEOPLE AND THE A+ PENSION PRODUCT

ACCUMULATOR+ is the name of Connecticut General's defined contribution pension product. It's getting high marks from pension buyers because of the flexibility and the comprehensive administrative services it provides.

Another important advantage is the excellence of CG people – from the Group Pension Representative who works closely with you to the people who achieve such impressive investment results from the more than $8 billion in pension funds we manage.

For more information, ask your agent or broker to put you in touch with one of our CG Group Pension Representatives. We'll come through for you.

CONNECTICUT GENERAL INSURANCE CORPORATION, HARTFORD, CONNECTICUT

COMING THROUGH FOR YOU. THAT'S WHAT CG PEOPLE DO.

perspective

Staking a claim

Computers cut time, medical expenses

By Samuel X. Kaplan

"I'LL GET THE FILE and call you back," the age-old response to inquiries about workers compensation claims, has fallen victim to the computer age, a welcome event.

An on-line instant response system can sharply reduce injury reporting time and help achieve substantial reductions in medical costs for large self-insured firms.

The key to those workers compensation cost reductions is twofold: speedy reporting after an accident, followed by intensive communications between the professional claims examiner, the employer's representative and the injured worker.

Fast reporting and thorough communications make possible the use of further claims review procedures designed to monitor both the appropriateness and the quality of the treatment delivered. Together, these procedures result in reduced litigation and lower workers compensation claims costs.

Here's how an instant response system can work:

Every U.S. Administrators claims examiner, for example, uses a CRT terminal tied to an IBM 3031 computer whose storage files contain all pertinent information about each workers compensation claim. Because the claims examiner has immediate access to these files, he or she can complete an analysis of an accident's circumstances long before any acknowledgement of liability or the issuance of a check.

The claims examiner takes an injury report over the telephone from the employer's representative and puts this information into the computer. The computer creates a case file and automatically establishes the necessary reserves, allowing immediate consideration of questions about the injury's legitimacy and the issue of third-party liability.

Within 24 hours after the telephone report of the injury, an employer's report of injury, in the appropriate format for the state, can be mailed to the reporting location for verification and signature; the computer produces a doctor's first report of injury form that is immediately sent to the doctor in an effort to ensure a prompt return, and an

Continued on page 29

Samuel X. Kaplan is founder and president of U.S. Administrators, headquartered in Los Angeles, a third-party administrator specializing in employe benefits, pensions and workers compensation administration.

Photo: U.S. Administrators

Electronic era

An on-line instant response system can sharply reduce injury reporting time and help achieve substantial reductions in medical costs for large self-insured firms, contend claims administrators. Fast reporting and thorough communications make more claims review procedures available. Better claims reviewing results in reduced litigation and lower workers compensation claims costs.

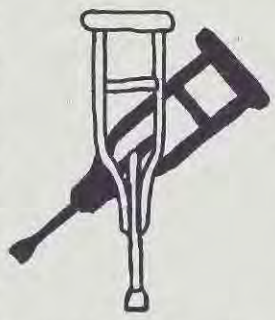
Self-insuring workers compensation keeps employer in control of costs

By Robert Brown

HOW MANY TIMES have you called your workers compensation insurer requesting a status report and after being transferred to a number of people, end up with the comment, "I'll locate the file and call you back"? Did they ever call back or did you find it necessary to start the inquiry procedures all over again?

When you turn your premium dollars over to an insurance company (and sometimes all up front), you are never sure if a trainee or a qualified person is handling your claim dollars. I am sure everyone could tell me at least one such horror story.

I don't mean to state that the insurance companies are mishandling your premium dollars or don't know what they are doing, since most of them do know. What I am trying to get across is that once you turn your premium dollars over to an insurer, you lose control of those dollars. When self-insured, you have a better handle on what is going on by setting up reporting procedures with the administrator of your self-insurance program.



Among these procedures are: limiting the administrator's authority to pay claims of $5,000 or $10,000; requiring a brief narrative report on all cases exceeding $10,000; requiring a copy of all medical reports and correspondence on litigated cases; appointing a person on your management team to be a workers compensation coordinator, designating him or her to receive all inquiries pertaining to workers compensation accidents.

Computer services can give you a program to fit your individual needs. They are designed to assist in the management of claims, to give the accounting department cost control accountability and to give loss control and management accountability for activities and incidents. In addition to listing the codes for company, state, district (or location) and the unit, they are also coded to identify the activity of the employe, mechanics of the accident, the part of the body injured, the type of injury sustained. They can also include the age of the employe, his time on the job or any other specific items needed. Additional information available through a good computer service includes a check register, OSHA reports, detail of the current month's activity, a summary report, a claims cost report and a full detail report.

I believe a most important benefit of a self-insurance program is the statistical information designed and

Continued on page 29

Robert Brown is California operations administrator of Diversified Risk Management Services, a broker and third-party administrator based in Boise, Idaho.

perspective

Do's and don'ts for small firms

Risk manager's problems demand direct action

By Elliot E. Cohen

A RISK MANAGER in a small- to medium-sized firm can be compared to a fifth wheel on a six-wheel rig: It doesn't look very important, but if it blows, the rig is sure to be damaged and out of service for a period of time.

The risk management department is usually one person with a full or part-time secretary who functions as an unofficial assistant. The following is a partial list of affirmatives and negatives:

Do know the business of your firm, its method of operation, its table of orgainzation, its products, its goals and aspirations.

Do keep your eyes and ears open as you move about the office. You may hear a good joke, but you may also learn of a new business activity about which no one thought to tell you.

Don't be afraid to make decisions.

Do be positive: "I shall proceed with the program outlined unless I hear from you to the contrary."

Do make management aware of your presence and importance.

Do offer your expertise and cooperation to management, attorneys and accountants.

Do keep management informed when you do something good or bad.

Don't let management look on you as another body in the treasurer's office waiting to be automated.

Do involve your CEO in safety programs.

Do volunteer to take care of senior management's personal insurance

Do answer questions and advise middle management and co-workers about personal insurance.

Don't be too busy to attend meetings.

Do prepare a policy statement and distribute it to appropriate personnel.

Do insist that the points of the policy statement be observed.

Don't hesitate to distribute copies of the policy statement again when you find conditions are being ignored.

Don't select an insurance broker where you will be the largest or smallest account.

Do pick a broker where you will be an important but not a critical account.

Do insist the broker work with you to provide proper coverage at a fair price.

Don't accept "stop worrying, it's all risk."

Don't stress what is covered. Concentrate on what is not covered.

Do insist that unfair exclusions be deleted when attainable.

Don't allocate premiums by whim. Have a method that can be justified.

Do subscribe to and read trade journals, magazines and other pertinent literature.

Do attend seminars and conferences. Keep informed and aware.

Do join RIMS.

The problems faced by the risk manager in the small- to medium-sized firm are the same as those of the risk manager in a Fortune 500 company. The only difference is the size. When you scale the billions down to millions, the same solutions are required.

Elliot Cohen is risk manager of Fisher Brothers in New York City.

Withdrawal of products

Ala. court upholds CGL exclusion

legal briefs

AN EXCLUSION in a comprehensive general liability insurance policy for the withdrawal, inspection, repair, replacement or loss of use of a policyholder's products did not require that the products be withdrawn by the insured manufacturer itself, the Alabama supreme court ruled.

The Glass Lined Pipe Co. was insured under a policy issued by Commercial Union Assurance Co. which included products hazard coverage. However, a policy provision excluded coverage for the "withdrawal, repair, replacement or loss of use of the named insured's products."

Glass was sued by a contractor for damages based upon negligence, breach of warranties and injuries to its business reputation from the defective installation of glass lining in pipes the contractor installed at a construction site.

Because of the defects, the contractor incurred expenses for transporting the pipe for relining and for the relining itself.

Glass requested Commercial to defend the suit, but the insurer denied to do so. Glass then sued the insurer to determine whether it was obligated to defend. The trial court held that the insurer was obliged to defend.

The appellate court reversed the decision. The court concluded that the damages sought by the contractor were clearly within the exclusionary clause. The court rejected Glass's assertion that the exclusion referred only to situations in which the products are withdrawn by the policyholder. The court stressed that "there are no words of limitation concerning the identity of the party who might withdraw the products or work completed from the market." *Commercial Union Assurance Co.* vs. *Glass Lined Pipe Co.*, Supreme Court of Alabama, June 29, 1979 (*BI*/04/J.-$4).

Widower benefits

The Missouri supreme court has upheld the constitutionality of a provision in the state workers compensation act that presumes dependency of a widow for obtaining benefits upon the death of her spouse but requires a widower to prove actual dependency.

The claimant, Paul Wengler, sought death benefits after his wife's accidental work-related death. Mr. Wengler was not actually dependent for support, in whole or in part, upon his wife's wages at the time of her injury nor was he mentally or physically impaired from wage earning. The industrial relations commission denied him benefits but a state trial court reversed the commission.

The appellate court noted that California, New Jersey and New York had recently invalidated proof-of-dependency requirements for widowers in their workers compensation statutes. However, the court concluded that the provision in Missouri was enforceable. The court believed the statute did not discriminate against women, but rather favored a widow in that it afforded death benefits without further proof of dependency.

The court emphasized that the law did not deprive a widower of death benefits because he was entitled to the same upon proof of dependency. "In our opinion," the court said, "the substantive difference in the economic standing of working men and women justifies the average" that the law gives a widow.

Wengler vs. *Druggists Mutual Insurance Co.*, Supreme Court of Missouri, June 27, 1979, rehearing denied July 17, 1979 (*BI*/05/J.-$4).

Exclusion unclear

A federal appellate court held that where it was unclear whether an exclusion clause in a comprehensive liability insurance policy had any effect on the duty to defend, as opposed to the duty to pay, it would resolve the issue in favor of the policyholder.

Fenix & Scisson signed a contract with the Atomic Energy Commission to provide architectural and engineering services on several projects, including a site in Alaska. FS was insured under a comprehensive liability insurance policy issued by U.S. Fidelity & Guaranty Co. The policy obligated USFG to defend any suit against FS seeking damages on account of bodily injury or property damage. A policy exclusion, however, provided that "the insurance does not apply to bodily injury or property damage arising out of any professional services performed by or for the named insured. . ."

FS was named as the defendant in two bodily injury suits resulting from professional services rendered by the firm on the Alaska job site. FS tendered the defense to USFG, which refused it. FS then retained private counsel and incurred more than $73,000 in expenses in defending and settling the suits. FS assigned its claim against USFG to the U.S. The U.S. sued USFG but lost in the trial court.

The appellate court concluded that under Oklahoma law, where the policy of insurance was executed, a distinction had been made between an insurer's obligation "to pay" and its obligation "to defend." The court said it was not clear the exclusion clause here excused the insurer from a duty to defend its policyholder. *U.S. V. U.S. Fidelity & Guaranty Co.*, Court of Appeals for the 10th Circuit, July 13, 1979 (*BI*/01/F.-$4). ■

These abstracts were prepared by Cases Unlimited Inc. Copies of the entire decision may be obtained by sending a check for $4 made out to Cases Unlimited to Business Insurance, 740 N. Rush St., Chicago, Ill. 60611. Please list the number for each opinion.

perspective

Computers cut time, expense of claims

Continued from page 27

acceptance or delay-in-decision letter is prepared and mailed to the claimant along with both a booklet explaining workers compensation benefits and a drug claim form. (The drug form ensures that dispensed medications are appropriate for the diagnosis of the patient only and not other family members—an important cost control consideration.)

Always available at the touch of a fingertip is the injured worker's updated file, which can include:

- The employer's first report of injury.
- The most recent doctor's report.
- A summary and complete check record of all indemnity payments.
- A summary and complete check record of all medical payments.
- Appended notes on a "remarks screen."

As a further aid to loss prevention, the instant response system generates timely reports on a monthly basis, including the OSHA Injury Log by location, as well as the following reports by division, location and/or department: work injury log; case activity report; safety reports; cost and frequency analysis, and cost and frequency summary.

Additionally, with in-house systems, claims can be reviewed for the appropriateness of treatment as well as over- or underutilization of services by providers. Our model treatment program screens claims in four basic ways:

- Testing the appropriateness of treatment to diagnosis.
- Monitoring the length of hospital stay by diagnosis (with or without surgery).
- Comparing the charges against the prevailing rates in the area.
- Reviewing the miscellaneous charges for every hospital bill.

All claims pended by the model treatment program are eventually resolved by a 23-member council of health professionals, consisting of specialists in each area of medicine who make the final judgments on pended claims.

A fast, computerized system for handling workers compensation claims allows claims examiners to get a better "feel" about the employe, including his attitude, employment history, accident record and personal problems. The result is faster and better informed decisions leading to reduced litigation and claims costs. It's a long way from "I'll get the file and call you back." ■

Treatment check-up

With in-house systems, claims can be reviewed for the appropriateness of treatment as well as for over- or underutilization of services by providers, says Samuel X. Kaplan.

Self-insured employer keeps control

Continued from page 27

tailored to the specific needs of the self-insured employer. An insurance company's loss run leaves much to be desired, and one is rarely able to interpret those runs and thus make them meaningful to the employer's management team.

I do not intend to discuss claims handling under the subject of service because I believe it should come under the heading of administration, as does the continued activity between broker and self-insured employer. Having been employed by some of the largest and most respected insurers over the past 29 years, I believe I speak with authority when I say it is the team of broker/agent, account executive, loss control specialist, underwriter and claims manager that will make the difference in your program, whether it be conventional or self-insured. Without total team involvement and commitment, your program will not meet the standards set by corporate management and you as the risk manager.

Administration of the program is the activity that ties it all together. It is the activity that devises and implements the program's procedures. These include the prompt reporting of accidents; timely payment of benefits; advising injured employes of their rights and benefits under the program, and timely coordination of activities between the employer, administrator, defense attorney and any other person or party of interest.

In California, the administrator must pass a written examination conducted by the manager of the California self-insurance plans. He will handle and supervise the claims until they are settled.

Rather than a number of claims people representing the one insured, as is the usual practice of insurance companies, the self-insured has only one account executive and/or administrator with whom to communicate. There is a closer relationship with management and problems are brought to the management's attention the same day, rather than being channeled to the employer through the agent or broker.

Another advantage of a self-funded account is that the loss-paying fund can be designed so that the check paid to employes can bear the name of the employer and may even be signed by the employer's personnel. Benefit letters can also be printed on company stationery, thus personalizing the program; i.e., "the employer really cares about my welfare." ■

IRS can't tax rent-free corporate loans

By Joseph S. Robinson
Attorney-at-law

benefit tax slants

WHEN A COMPANY offers the free use of an automobile, airplane or other corporate-owned property to selected employes, the employes may be hit with a tax for the economic benefit they enjoy. Reason: It may be viewed by the IRS either as additional compensation or as a dividend (see *Chandler*, 119 F 2d 623; *Matran Corp.*, 70 T C No. 158).

Despite this long-standing rule, the Tax Court has refused to extend it to "rent-free" use of company cash. In a leading case decided in 1961, the court held that a shareholder did not have to report income when his controlled corporation loaned him more than $2 million interest free (*Dean*, 35 T C No. 1083).

In three separate court clashes over the past year, IRS has tried to convince the Tax Court to change its mind, but in each instance it failed (*Suttle*, T C Memo 1978-394; *Greenspan*, 72 T C No. 78; and *Zager*, 72 T C No. 82).

It would appear that interest-free loans to employes may be a valuable benefit to those who can use the money to educate children, purchase property or finance a big ticket item they would otherwise have to pay for with customary loans at today's high interest rates.

Split-dollar insurance

Split-dollar insurance in its most common application allows a company, without risk, to offer an employe extra insurance when he needs it most.

The company pays each premium up to that year's increase in cash surrender value; the employe pays the rest. The company is assured of receiving from death proceeds at least the amount of premiums it has paid. The employe's beneficiary gets the rest.

The employe can keep his beneficiary's part of the proceeds out of his estate by appropriate assignment of his interest in the policy—if he lives another three years.

Where exclusion from the policyholder's estate is a prime objective, there are special problems if the employe is a "controlling stockholder" within the meaning of the applicable estate tax regulations—that is, if he owns more than 50% of the voting stock. In such case, corporate ownership will be attributed to the stockholder. Result: Inclusion in his estate of the proceeds paid to his beneficiary (not of the part payable to the firm).

A recent case shows that even if the policyholder's beneficiary has very substantial rights regarding the policy, the company, and thereby a controlling stockholder, can still be tagged with incidents of ownership.

Under the arrangement, the company had agreed with the beneficiary—to make any change of beneficiary or settlement option that she wanted and had agreed not to exercise any policy rights without her concurrence or an opportunity to buy the policy for its cash value. But the Tax Court pointed out that incidents can cause inclusion, whether exercisable alone or in conjunction with another person (*Estate of Dimen*, 72 T C No. 17).

Ineligible rollover

After negotiating an employment contract in 1975, an employe became a participant in his company's pension plan. After the plan terminated in 1977, the employe was notified that his position was being eliminated. He filed for arbitration of several items owed him.

He ultimately received $4,750 for his pension rights in a negotiated settlement, half of which was attributable to his employer's obligations under the plan. The IRS ruled the amount of his employer's contributions was not eligible for a tax-free rollover into an IRA because it was distributed by the employer rather than by the terminated plan (*Letter ruling* 7934130).

Grace period

If you have a qualified retirement plan, an effective method of reducing your company's taxable income for a particular year is to utilize the tax rule permitting a taxpayer to deduct contributions to a qualified plan made after the close of the taxable year.

If a deduction for the preceding year is desired, however, it is important to make certain any contribution made within the "grace period" is clearly designated as being on account of the earlier year. A recent decision denied a deduction because the contribution was not clearly designated (*Raybestos Manhattan Inc.*, Ct. Cl., 5/16/79). ■

Self-insurance saves city $625,000

By RHONDA L. RUNDLE

EUGENE, Ore.—Halfway through the current fiscal year, Eugene risk manager John Janzen jubilantly hails a $625,000 anticipated premium savings for this city of 1,200 municipal employes, thanks to a new self-insured workers compensation program launched in July.

Figuring fixed costs of $125,000, actual 12-month losses of $100,000, plus another $50,000 for loss development, Eugene is looking at $275,000 in workers compensation costs this year, says Mr. Janzen. The Pacific Northwest city of 105,000 residents would have shelled out $900,000 in standard premium for insurance with the Oregon State Accident Fund.

Although some risk managers would probably call 50% an optimistic estimate on losses yet to develop, the phenomenal performance of Eugene's fledgling workers compensation program is indisputably powerful testimony to the potential gains of self-insurance.

"The real secret to our success has been an aggressive claims management approach," enthuses Mr. Janzen. Average days lost per time-loss claim shrank to 18.6 from 24.6 days in 1978-79. In fiscal 1979-80, that rate has further dropped to an astounding 7.4 days—too low to last through the year, concedes Mr. Janzen. Volume has held steady at about 200 claims.

As soon as possible after an accident, an injured worker in Eugene is coaxed back to the workplace on a light-duty assignment suggested by the supervisor and approved by the physician. During physical rehabilitation, for instance, a garbage collector may be temporarily unfit to lift heavy loads, but can perform valuable interim service as a trainer.

Another light-duty assignment recently given an injured worker was to develop a hazard analysis of her job, recalls Mr. Janzen. By detailing potential dangers step-by-step, she acquired a better sense of safety and also left a report that could be used for future employe training.

Time-loss reductions are especially meaningful in Eugene city jobs because the compensation benefit structure "encourages abuse," stresses Mr. Janzen. Injured workers actually bank bigger paychecks than their working counterparts because the unions have successfully negotiated supplemental payments to make up the difference between compensation benefits and usual wages. Workers compensation benefits are tax free, however, so the injured workers net more than they would healthy.

When Mr. Janzen set up the risk management program in Eugene in March 1978, his first move was to elicit support from the city's line supervisors. He used case histories to illustrate what can go wrong in the claims handling process; he explained what steps employers must take to expedite claims reporting and spare themselves later grief.

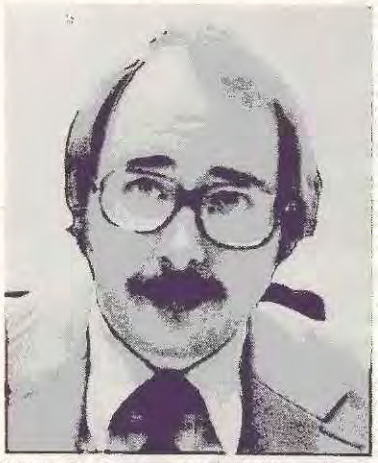
The first day a claim is filed, Eugene's claims examiner phones the injured worker to explain exactly what to expect—medically and financially. "Putting injured workers at ease about money matters takes a big load off their minds," notes Mr. Janzen.

The employe's immediate supervisor lines up a handful of light-duty jobs that are detailed to the treating physician. "We're getting timelier, more complete reports on the condition of hurt employes since we adopted this approach," says Mr. Janzen.

Once claims management was under control, Mr. Janzen was ready to take the big plunge into self-insurance. The incentive to do so was strong: In 1978-79 Eugene paid $530,000 in standard premium to insure workers compensation, but actual losses with a three-month tail totaled only $179,000.

Mr. Janzen runs the program like a mini-insurance company, using a chargeback system for each of the city's 13 separate departments. "My philosophy is that every department understands its losses and exposures best," he explains, "so I make each responsible."

He collects premiums from each department based on loss experience rating. Each department must pay its premium out of an operating budget; it cannot merely up the ante to cover unexpectedly high premium costs. On the other hand, if loss performance is good, the assessment is reduced and the department earns additional money for its operating budget.



"The real secret has been an aggressive claims management approach," says John Janzen.

Eugene maintains a single $800,000 contingency reserve fund for self-insured workers compensation and liability programs. Workers compensation carries a self-insured retention of $150,000, topped with a $2,000,000 excess policy underwritten by Employers Mutual and brokered by Smith & Crakes in Eugene.

Mr. Janzen credits much of his success to third-party claims administrator Adminco, a Portland subsidiary of Frank B. Hall & Co. "We shopped a long time to find an administrator compatible with our claims philosophy," he said. Adminco has been especially effective dealing with doctors, he added.

Before Eugene opted to self-insure its workers compensation benefits, it retained a San Francisco risk management consulting firm, Clifton & Co., to conduct a feasibility study. That report projected a five-year premium savings for Eugene of $650,000. But insurance costs have since skyrocketed and claims management has cut losses. The net result has been an anticipated first-year savings nearly equal to that five-year forecast. ■

MORE THAN A FACELIFT... A COMPLETE TRANSPLANT!

We're now Atlanta International Insurance Company. And we've undergone more than a name change. We've reconstructed our entire corporate "anatomy" with a dexterity and strength of bionic proportions.

Operating on a brokerage basis exclusively, Atlanta International is going to pump new life throughout the complex network of specialty risk needs from commercial lines to customized programs.

Moreover, we've assembled the sharpest team of specialists around, capable of cutting any case down to size with precision. With our finger on the pulse of today's dynamic marketplaces, the new Atlanta International plans to aggressively circulate from Wall Street to Wilshire with a fresh transfusion of energy and resourcefulness ...*and not anemic promises.*

Plus, since we are *risk underwriters,* we can help build, underwrite and provide marketing support —*in house*— for virtually any "vital" idea.

We were Drake; We're now Atlanta International... In between, there's a world of difference.

ATLANTA INTERNATIONAL INSURANCE COMPANY

ATLANTA INTERNATIONAL INSURANCE CO.

1700 Commerce Drive, N.W./Suite 100/P.O. Box 19796/Atlanta, Georgia 30318/404 355-9400

From the Heart of the South... with Arteries Worldwide.

Ask to be put on our mailing list. Inquiries from licensed producers are invited, even if you do not regularly represent us.

Ellis Simon is well-connected.

Ellis is Associate Editor of Business Insurance.

His pad and pencil is a hot line to the New York Insurance Exchange, the Free Trade Zone, reinsurance markets and many other areas of urgent concern to Business Insurance readers.

He's right there on the cutting edge of this vital insurance market-place, making sure that Business Insurance readers will get timely, accurate and detailed information that will influence corporate risk management and insurance decisions for years to come.

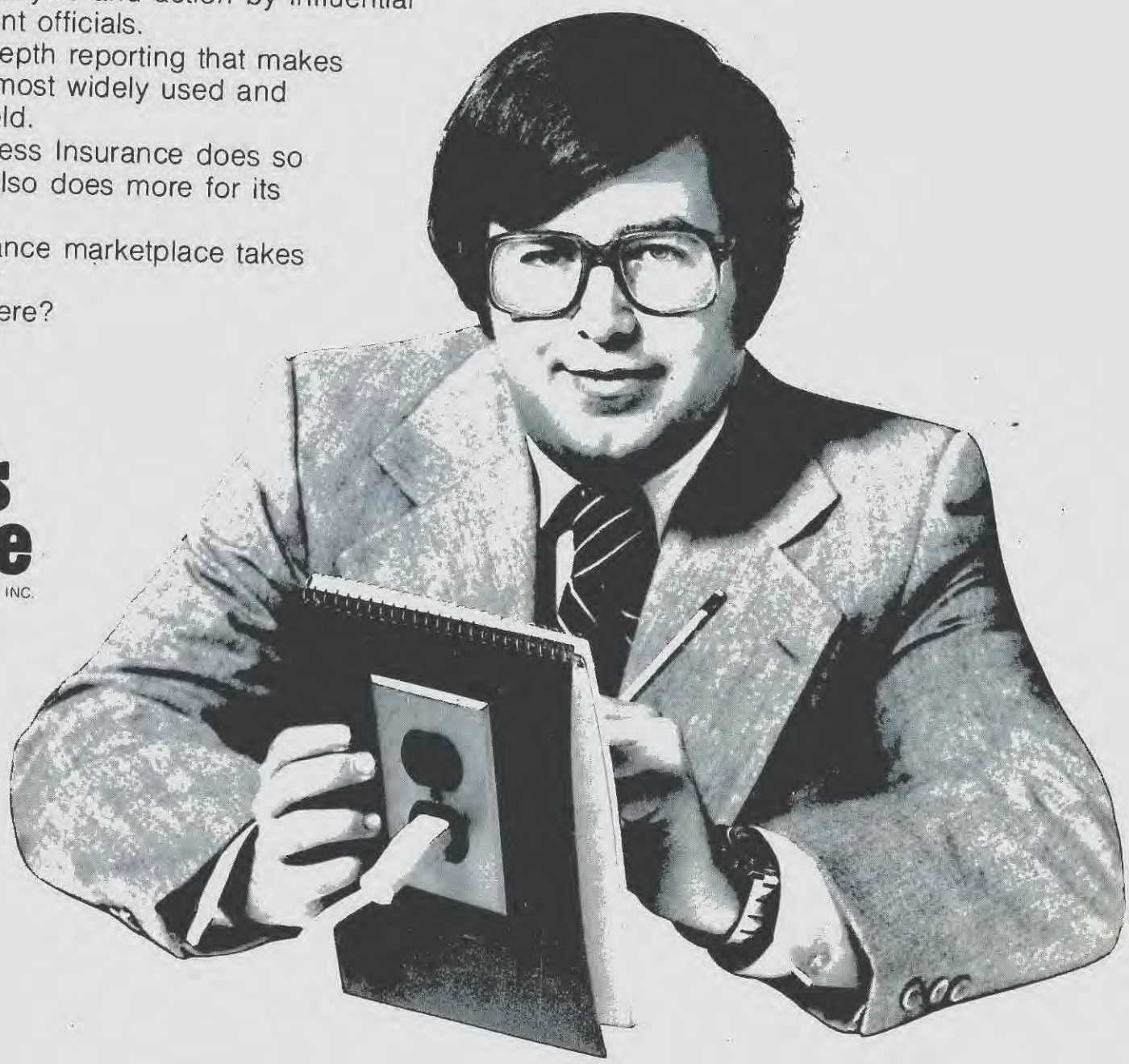
Yet Ellis, like all of our editors and reporters, does not specialize. His stories cover a wide spectrum of insurance, risk management and employe benefits. And his incisive, thorough reports have been the subject of discussion, earnest analysis and *action* by influential corporate and government officials.

It's this kind of in-depth reporting that makes Business Insurance the most widely used and quoted authority in its field.

And because Business Insurance does so much for its readers, it also does more for its advertisers.

It's where the insurance marketplace takes shape, week after week.*

Shouldn't you be there?



business insurance

A PUBLICATION OF CRAIN COMMUNICATIONS INC.

New York: 708 Third Ave., N.Y. 10017 (212) 986-5050 • Chicago: 740 Rush St., Ill. 60611 (312) 649-5275 • Los Angeles: 6404 Wilshire Blvd., CA. 90048 (213) 651-3710

Coming Up!

Spotlight Report:
March 3, 1980

Computers & Quantitative Techniques

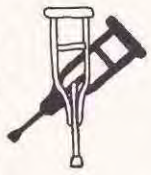
Ad Closing: Feb. 20, 1980

business insurance
a publication of Crain Communications Inc.

The national news weekly of loss prevention, risk financing and employe benefit management.

NEW YORK:
708 Third Ave., NY 10017 (212) 986-5050
CHICAGO:
740 Rush St., IL 60611 (312) 649-5275
LOS ANGELES:
6404 Wilshire Blvd., CA 90048 (213) 651-3710

Wage-loss law floods Florida with paperwork



TALLAHASSEE—The division of workers compensation here is so flooded with paperwork under the new wage-loss law that it doesn't know when it will be able to document that it is cutting employers' costs.

"The paperwork has inundated the people here," said Jim Babb, deputy secretary of labor who is overseeing implementation of the wage-loss law in Florida.

"Every accident must now be reported so 100,000 reports have grown to 600,000. We're now getting the backlog onto the computer," he said.

The Florida wage-loss law, which took effect Aug. 1, 1979, is heralded by its promoters as a way to cut the rising cost of workers compensation programs. Injured workers are reimbursed under the law only for a portion of their wages lost because of the injury—not by virtue of being injured (*BI*, May 28, 1979).

Florida is the first state to adopt such a strict wage-loss law.

Eliminating the requirement that employers file accident and medical reports with the division for every workplace accident is among a list of recommended amendments to the act that the division has just sent the governor, Mr. Babb said.

The division doesn't need reports on injuries that don't involve lost time, he says.

The Florida legislature reconvenes this spring and will take up amendments to the act, Mr. Babb said.

Earlier this month, figures from internal reports of the division leaked to the Florida press seemed to show the new wage-loss law was already cutting workers compensation costs in Florida.

No proof
Lower benefit payments in September don't prove the law is cutting costs.

Deputy commissioners had awarded only $3.2 million in benefits in September 1979 compared with $8.2 billion in September 1978, according to the figures.

"There are a lot of reasons for the difference in those numbers," Mr. Babb said, not the least of which is that the deputy commissioners were off the job for a week of September 1979 attending a meeting. One week of not awarding any benefits substantially cut the month's total benefit payments.

Insurers also appear to have pulled back from agreeing to lump sum settlements since the new wage-loss law was passed—even on cases too old to come under the new law, Mr. Babb said.

Most important, Mr. Babb says, the figures on awards made in September 1979 don't relate to the wage-loss law. The cases handled in September were for accidents that occurred before the law took effect and weren't subject to the wage-loss law, he explained.

Nevertheless, Mr. Babb says he thinks the new law is working to reduce the cost of workers compensation cases. "Attorneys who specialize in work comp are moaning and groaning and going out of business," he says, proving that lawyers aren't making large fees off cases now.

Nor are claimants holding out for lump sum settlements, which are virtually eliminated under the wage-loss law, Mr. Babb notes.

"We'll see the effect as time passes," Mr. Babb said, "but it's hard to say when with all this paperwork." ■

We're adding all the time.

With risks, big and small, that feel secure about the Workers' Compensation and Hospital Professional Liability coverage they get from Argonaut.

There's safety in our numbers:

Assets of close to $1 billion.

Surplus of $200 million.

Security in a solid 30 years of specialized experience; in the expertise of a vital management team.

In our problem-solving underwriting, our cost-cutting and loss control, our commitment to service.

Is that the kind of professionalism you're looking for? With our kind of strength there's still room to grow. We can double the business we're writing now.

What makes us so sure?

The same thing that makes our policyholders sure.

Security.

Argonaut.
Where people take your business seriously.

National Specialists in Workers' Compensation and Hospital Liability.
250 Middlefield Rd., Menlo Park, CA 94025

Lloyd's stitches $8 billion 'safety net'

By JOHN H. MILLER

london line

LONDON—In a move to stitch a "safety net" for policyholders, Lloyd's has compiled a reserve fund of more than $8 billion to pay catastrophic losses and will increase overall reserves to nearly $10 billion in the next five years by requiring members to double the size of their deposits.

The $8 billion fund, which represents twice Lloyd's annual premium income, includes a U.S. reserve fund of $2.5 billion; nearly $2 billion in personal assets members are committed to paying out; Canadian and sterling trust funds of $2.5 billion, and member deposits held by the Corporation of Lloyd's other special reserve funds amounting to more than $1 billion.

"The security offered to all Lloyd's policyholders has been developed and strengthened over the years," said Ian Findlay, retiring Lloyd's chairman, in announcing the latest size of reserves. "This has been achieved by action taken spontaneously within the market itself. It will be seen we have built up a structure which gives formidable protection."

The move to double the size of members' deposits will begin in 1981, but will not affect existing members. The change will mean U.S. businessmen planning to join Lloyd's will have to lodge bank guarantees or letters of credit of up to 35% of the amount of premium they want to underwrite in any one year.

Before they are asked to make actual deposits, they will have to show they are worth $650,000 if they want to write $990,000 in premium or smaller amounts down to $300,000 for $440,000 premium.

Taking a stand

Morris Abbott, chairman of $65 million Lloyd's broking group Hogg Robinson, has become the first leading U.K. insurance broker to take a position on the 20% foreign ownership limit at Lloyd's that Marsh & McLennan Cos. Inc. is trying to overcome.

"We are an international market at Lloyd's and so it is very difficult to defend the rule. Many of us feel it never was a good rule," he told London stock analysts.

"Eventually a bid from Marsh & McLennan is likely to be allowed to go through Lloyd's as that firm provides so much business for London," he said.

Mr. Abbott's directors at Hogg Robinson include current Lloyd's chairman Peter Green, who handles large underwriting business through Janson Green Syndicates. But Mr. Green has stated that his outside interests do not affect his position as Lloyd's chairman, despite Mr. Abbott's views.

Lloyd's has postponed its decision on the foreign ownerhsip rule until April.

D&O policy

Special directors and officers liability coverage is being offered to U.K. executives by Employers Protection Group, which three years ago introduced insurance to protect employers against suits resulting from new U.K. corporate safety and employment legislation.

The new coverage, with a limit of $11 million, is written with Lloyd's and the Sun Alliance. Excess layers have been placed with New Hampshire Insurance Co., part of the American International Group.

"High grade managers are becoming reluctant to serve as directors on the boards of U.K. companies because of the open-ended responsibility such appointments place on them as individuals," said Brian Raincock of Employers Protection Group.

"Their duties will be given statutory authority in a new companies bill which is now going through Parliament, and this may expose them to greater accountability. They need to be indemnified against the huge awards of damages and legal fees which can pile up against them as individuals, if their talents are to be fully available for British industry."

Two directors of a U.K. firm, Newman Industries, are already being sued for $700,000 over a 1975 transaction.

No size limits

The Committee of Lloyd's has postponed plans to limit the size of syndicates until the special commission under Sir Henry Fisher completes its report later this spring on the whole structure of Lloyd's.

The various underwriting associations consulted about the problem of syndicate growth rejected the idea that syndicate size should be limited. Some syndicates are growing so large, with as many as 2,000 members, that it has been feared they might unduly dominate some sections of the market (*BI*, Sept. 17, 1979).

Underwriting ratios

Non-life underwriting ratios should be slightly better for the U.K. domestic market in 1980 unless there is a sharp return of the weather-related bad claims experience the market has faced since 1976, according to a study of eight leading British insurance companies conducted by stockbrokers W. Greenwell & Co.

Severe storm and weather losses produced claims of $120 million in 1976, $60 million in 1977, $40 million in 1978 and $100 million last year, in addition to anticipated normal weather claims.

"If there is a combination of light weather claims in 1980, with little change in fire losses and a modest fall in auto claims frequency, then it's probable that business will return to quite good underwriting profits," the stockbrokers foretell in their report.

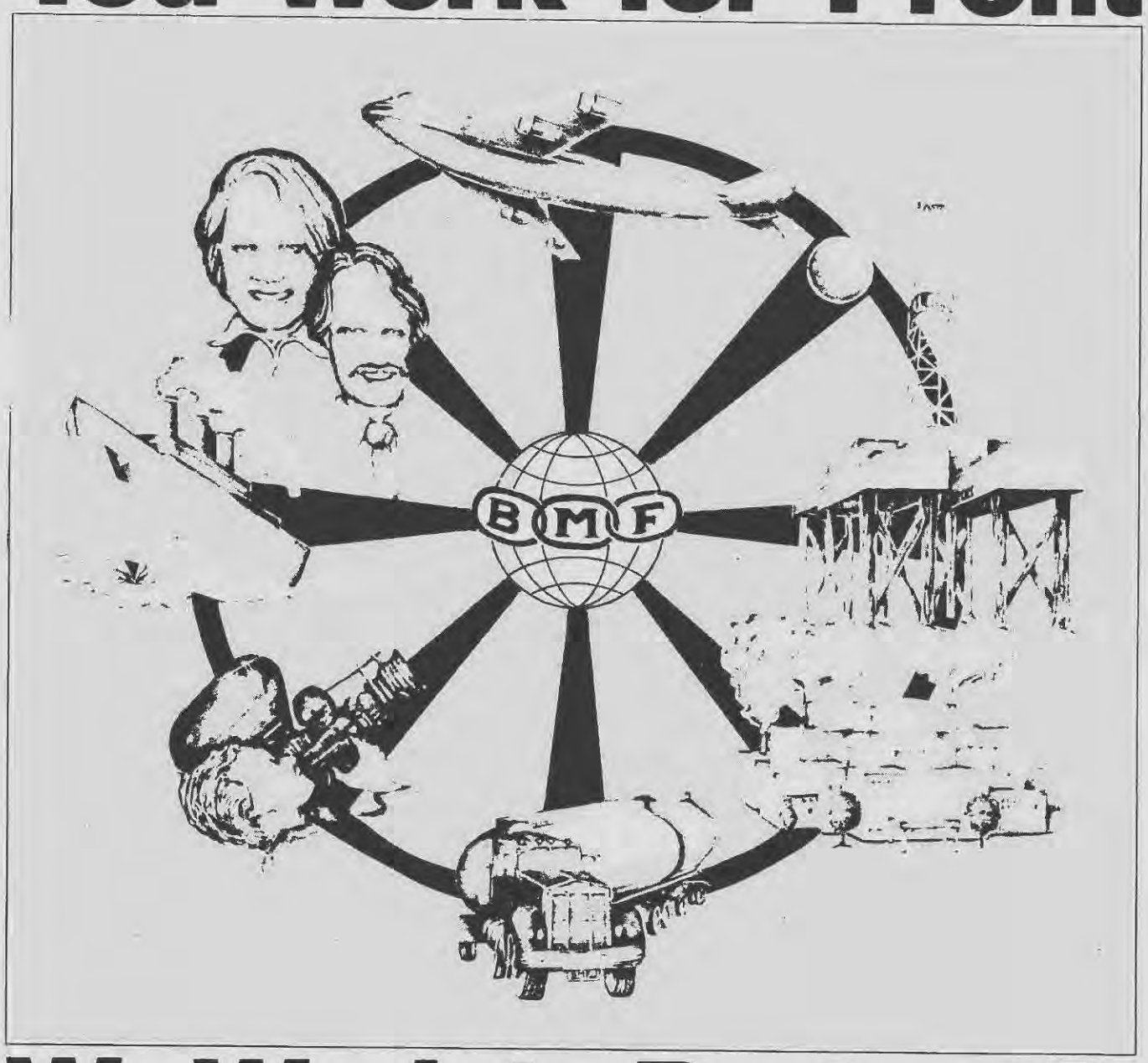
With premium income rising by 20% and investment income by 25% because of current high interest rates and strong cash flow, these companies are likely to see favorable overall profit margins this year. ■

The Houston Rehabilitation Group

• Vocational Rehabilitation • Medical Management
• Disability Determination • Cost Control

6100 Richmond Ave. (713) 780-7281
Houston, Texas 77057 780-7291

You Work for Profit



We Work to Protect It

BMF

Bayly, Martin & Fay International, Inc.
Harlan, Inc.

International Insurance Brokers & Risk Management Consultants

© Copyright 1979

Corporate Headquarters • 3200 Wilshire Boulevard • Los Angeles, California 90010 • (213) 736-9600

Competition lowers INSCO's volume

markets

COMPETITION IN THE insurance marketplace extended its tentacles to Gulf Oil Co.'s INSCO subsidiary in Hamilton, Bermuda, driving casualty underwriting volume for 1979 down about 10% from 1978, said Leslie R. Dew, managing director of Britamco Ltd., the underwriting agency for INSCO.

The average medium- and large-sized risk is getting 15% to 20% reductions on casualty premiums from last year, Mr. Dew told *Business Insurance*. As a result of competition and the inability to collect enough premiums to make a profit on business, INSCO is "declining at least one in every five risks," Mr. Dew added.

Marine insurance rates, he said, are continuing to decline, although "we see a little strengthening in the aviation market where rates are beginning to firm up a bit, a few points maybe."

Virtually no area of casualty insurance is exempt from the fierce rate competition among insurers, he said, except for corporations with particularly difficult product liability risks, where coverage is in short supply and rates remain high.

INSCO, a major third-party underwriter in Bermuda, isn't seeing any demand at all for buffer layers or gap layers, once needed to fill in the spaces between primary and excess layers of coverage, he said.

Despite rate competition and declining premium volume, INSCO isn't experiencing any deterioration in profit margins on casualty lines, Mr. Dew said. "I don't anticipate that we will be down" in profits on underwriting, though property underwriting results "will be weak." Mr. Dew anticipates that INSCO's overall 1979 underwriting results will show a profit of 5% or slightly better.

INSCO's total premium volume for 1979, representing outside business as well as premiums generated by Gulf Oil risks, climbed just over 5%, with a larger portion of business coming from Gulf Oil and in the non-casualty lines. The book of property business increased very slightly, Mr. Dew said, noting he has been underwriting property risks only on a net-line basis but is now being asked by brokers to write business on a gross basis, meaning he would retain more of the risk for INSCO. He hesitates to do that, saying he would "prefer that growth come in other ways" than by changing to gross-line underwriting.

Casualty business generated an estimated $50 million in gross-written premiums for INSCO in 1979, including all of Britamco's book and the Gulf business, Mr. Dew said. This represented about one-third of the $105 million total gross-written premiums for INSCO as of November, he noted. In 1978, gross-written premiums totaled $85 million for INSCO, but that figure didn't include all of the Britamco business.

Mr. Dew, who's been with Gulf Oil's insurance subsidiaries since 1977, says Britamco has achieved its targeted goals for underwriting operations "much quicker than expected," quickly accumulating business that outstripped Gulf's group business. However, 1979 ended up "a bit lower" than Mr. Dew would have liked.

WM&G changes

Two of the principals at the 12-year-old West Coast consulting firm of Warren, McVeigh & Griffin are out of the consulting business.

David Warren exchanged all his stock in the firm for ownership of Practical Risk Management, a newsletter/report he continues to write with Ros McIntosh. Through a contractual agreement. PRM remains a Warren, McVeigh & Griffin publication.

Donn McVeigh sold his shares in the consulting firm and now heads McVeigh Management Seminars.

C.C. Griffin continues as president of the risk management consulting firm, which is keeping its offices in San Francisco and Newport Beach. The following were added as shareholders, directors and officers of the firm: Erin Oberly, also named manager of the San Francisco office; Steve Kahn; Michael Kaddatz, and James Robertson. Ms. Oberly is the only consultant in WM&G's San Francisco office.

Lee VanSlyke joined the firm as manager of actuarial practice.

Thomas G. Briggin, former consultant with Warren, McVeigh & Griffin, joined The Wyatt Co. as one of two risk management consultants in the firm's San Francisco office. Wyatt acquired the pension and actuarial operations of the Zischke Organization Inc. in 1979, expanding the services to include risk management consulting as of January 1980. Allon Green also recently left WM&G, as reported, to start his own firm.

Warren, McVeigh & Griffin now employs 10 consultants, up from nine a year ago. The staff includes two junior consultants.

Risk forecasting

A new crystal ball service to help risk managers plan underwriting strategy for their insurance subsidiaries will be jointly developed and marketed by subsidiaries of Fred S. James & Co. Inc. and Chase Manhattan Bank.

Corporate financial models, corporate and industry data bases, actuarial programs and economic and financial analysis will be integrated to help companies select the proper amount of the right property and casualty risks to underwrite.

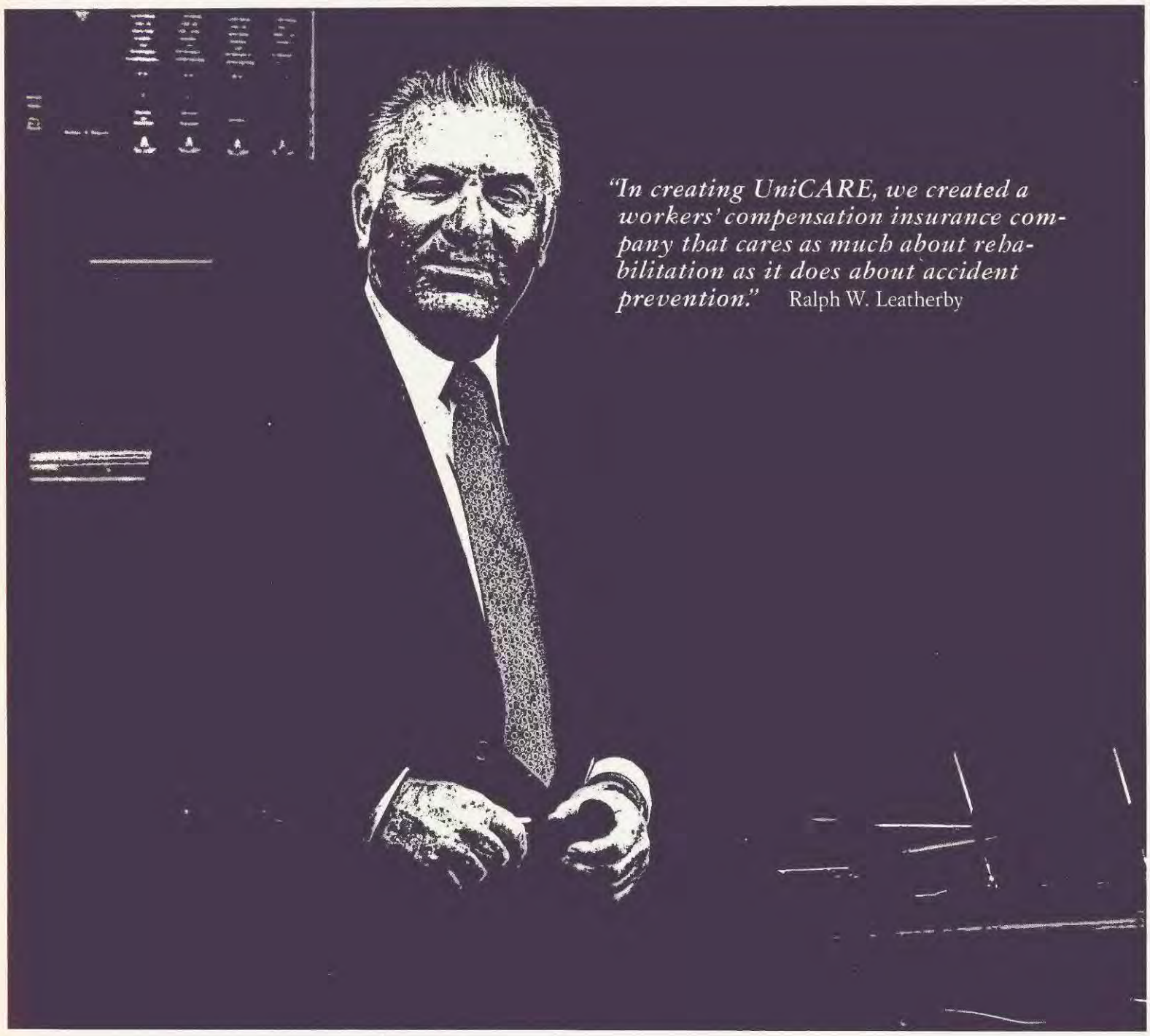
Premium volume, losses and interest rates will be forecast by the program.

The new program will also be marketed to commercial insurance companies.

The Insurance Service of Chase Econometrics will provide an analysis of economic, financial and insurance market trends several times a year. James's financial and research planning division is developing corporate financial models and actuarial techniques to complement the existing economic and financial products of the Chase subsidiaries.

The integrated system will predict the results of different management strategies under a variety of environments.

The computer time sharing facilities of Interactive Data Corp., another Chase subsidiary, can be used to manipulate the models and to store and retrieve information concerning industry and corporate trends. ■



UniCARE will offer a unique concept in workers' compensation to the California market—a concept that will reduce the cost of workers' compensation for our clients.

As our name suggests, universal care will play a major role with us. We are staffed with some of the brightest and most experienced idea people in the field of workers' compensation. They're professionals who are dedicated to the principles of caring, and are well qualified to help employees cope with both the physical and psychological problems associated with injuries.

Of course, UniCARE will also provide a full complement of accident prevention programs to its clients. Yet, we believe that in the complex and changing world of workers' compensation, the cost of insurance will be determined by how fast injured employees can be rehabilitated and returned to productive work.

By giving equal balance to both accident prevention and rehabilitation, UniCARE is pioneering a new era in workers' compensation. An era in which both the employer and employee will benefit.

For more information on UniCARE, and our rehabilitation programs write: UniCARE, 2361 Campus Drive, Irvine, CA 92715.

UniCARE INSURANCE COMPANY

info

• **"Multinational Benefits Assessment"** covers such topics as the need for an international benefit system, corporate benefit planning, local management and employe relations and cost control of benefits abroad. For a free copy, write Multinational Benefit Assns., 980 Post Rd., Darien, Conn. 06820.

• **Employe benefit self-funding** is becoming increasingly attractive to employers. In response to this trend, Jefferson National Life Insurance Co. has compiled a self-funding administrators kit. The kit is designed to give a brief overview of self-funding, an explanation of the variety and flexibility of the company's stop-loss products and a checklist for establishing a new self-funded plan. For a free copy of this administrators kit, write Jefferson National Life Insurance Co., Group Dept., 1 Virginia Ave., Indianapolis, Ind. 46204.

• Are you thinking about adding **prepaid legal** services to your employe benefit package? Personnel Research Associates offers a comprehensive report on prepaid legal plans that describes types, trends and case studies. The report also shows how a typical plan operates and how to form one. Cost is $11. Write Richard D. Quinn, Personnel Research Associates, 49 Oakridge Rd., Verona, N.J. 07044.

• "Which Way Should You Go?" on **health benefit plan** choices is a brochure from The Bankers Life of Des Moines describing self-funded health benefit plans with administrative services for employers paying at least $200,000 annually in health claims. For a free copy, write John Farrington, regional director of group sales, The Banker's Life of Des Moines, 711 High St., Des Moines, Iowa 50307.

• The Gypsum Assn. is offering the third edition of its **industrial safety** manual. The 28-page manual covers most gypsum company industry production operations, outlines several safety programs and presents safety guidelines mandated by government standards. Cost is $1.40. Write the Gypsum Assn., 1603 Orrington Ave., Evanston, Ill. 60201. ■

datebook

FEB. 4-6. The Captive Insurance Company Movement: New Changes and Opportunities Conference in Bermuda, sponsored by American Management Assns; $450 for members, $520 for nonmembers. AMA, 135 W. 50th St., New York, N.Y. 10020; 212-586-8100.

FEB. 4-6. International Security Conference in Los Angeles, sponsored by Security World Magazine; $75 for one day of three seminars, $175 for three days. Executive director, ISC, The Show Co. International, 8687 Melrose Ave., Los Angeles, Calif. 90069; 213-659-2050.

FEB. 4-7. Risk and Insurance Management in Banking seminar in Biloxi, Miss., sponsored by the American Bankers Assn; $275. Debbie Nelson, registrar, Insurance and Protection Division, American Bankers Assn., 1120 Connecticut Ave. N.W., Washington, D.C. 20036; 202-467-4047.

FEB. 4-8 Basic Safety Management Course 1 in Houston, sponsored by the International Safety Academy; $465 or $420 each for three or more from same organization. Also **March 3-7, April 14-18, May 5-9, June 9-13, July 14-18, Aug. 4-8, Sept. 8-12, Oct. 6-10, Nov. 3-7, Dec. 1-5.** ISA, P.O. Box 19600, 10575 Katy Freeway, Houston, Tex. 77024; 713-932-9400.

FEB. 8-9. Toxic Substances Litigation Course in New York, sponsored by the Practising Law Institute; $250. Also **March 21-22** in San Francisco, Practising Law Institute, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700.

FEB. 11-15. Governmental Risk Management seminar in Tucson, sponsored by the College of Business and Public Administration and the Division of Continuing Education of the University of Arizona; $250. Also **Feb. 12-16.** Governmental Risk Management Seminar, Division of Continuing Education, the University of Arizona, 1717 Speedway, Rm. 1201, Tucson, Ariz. 85719; 503-626-3081. ■

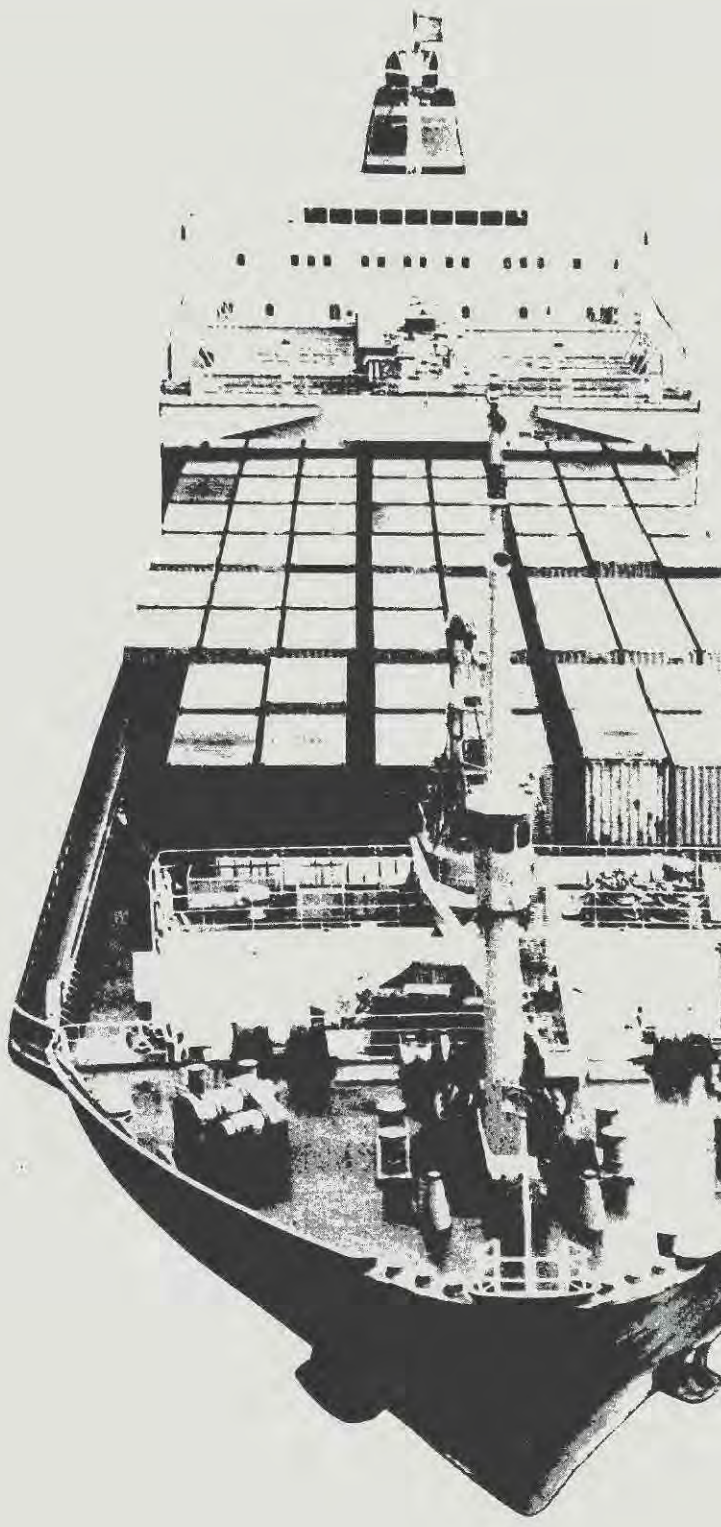
51 YEARS EXPERIENCE IN THE GROUP INSURANCE INDUSTRY

108 YEARS EXPERIENCE IN THE LIFE INSURANCE INDUSTRY

Confederation Life
INSURANCE COMPANY

SPECIALIZING IN SINGLE EMPLOYER GROUPS OF OVER 50 LIVES

SAN FRANCISCO (415) 781-2515
ATLANTA GA. (404) 233-5499
CHICAGO (312) 263-5941
BOSTON (617) 423-0330
PHILADELPHIA (215) 564-2667
SANTURCE P.R. (809) 725-3715
LOS ANGELES (213) 380-5800
DETROIT (313) 872-5583



THE BIGGER THE PROBLEM the more you need us

At Talbot Bird we think marine insurance is a personal business. Here you deal with people, not policies; experts in Ocean and Inland Marine coverage who are among the top professionals in the business. They have the knowledge, experience and capability to prove it. So when problems loom large borrow a little of our talented marine help.

Talbot, Bird & Co., Inc.

Marine underwriters and Managers
156 William Street, New York, N.Y. 10038
Atlanta • Chicago • San Francisco • Los Angeles • Seattle
Tampa • Boston • Dallas • Richmond • Vancouver

Over 100 Years of Experience in the New York Marketplace

TH

Tanenbaum · Harber Co., Inc.
Insurance Specialists
221 West 57 Street, New York NY 10019
212/399-0777

Where is Greenwood, Indiana?

The *leading* Benefit Consultants and Administrators know!

- **Stop Loss for Partially Self Funded Groups Down to 10 Lives**
- **Stop Loss for Self Insured Benefit Plans**
  - Aggregate
  - Specific
  - Catastrophic Coverages
- **Mangement Services for Self Funded Benefit Plans**
- **Stop Loss for Self Funded LTD**
- **E & O Coverages for**
  - Claims Administrators
  - Data Processors
  - Attorneys
  - Actuaries & Pension Consultants
- **Ransom and Kidnap Coverage**
- **Professional Athletes' Coverage**
- **Blanket Bonds for Banks and Other Financial Institutions**
- **Group Life & AD&D**
- **Lump Sum Disability**

BROUGHER AGENCY, INC.

Lloyd's, London Correspondents

10 Downing Street
P.O. Box 485
Greenwood, Indiana 46142
(317) 888-3531 / TWX 8102602230

riskWatch

By LEN STRAZEWSKI

London brigands falling down, falling down . . .

Risk managers around the country are playing a new game their brokers gave them for Christmas, a marvelous distraction to keep them occupied until the brokers show up with tight market rate increases later this year or early next.

The game, for risk managers of all ages, is a kind of second generation to *Business Insurance's* own "London Game," a humorous analysis of the call to consolidate unwritten working agreements between U.S. brokers and Lloyd's of London counterparts.

Strazewski

They call the new game "Brokers & Brigands," in the sophisticated tradition of Dungeons & Dragons, Rayguns & Rocketships and Nasties & Nails (the game for hardware store operators). The goal is to figure out who is the real brigand in the latest London link development: Marsh & McLennan Cos. Inc. or the apple of its eye, Lloyd's brokerage C.T. Bowring.

Rules are simple. One risk manager takes the side of Bowring and another flies to the defense of M&M and the two argue in a polite manner until both parties are satisfied. The game is best played in a spot that simulates U.S. District Court in Manhattan, though any bar that takes credit cards will do.

During a recent session, a buyer who likes to take the British side of things opened play by announcing that Lloyd's has been a viable underwriter for nearly 500 years.

"My dear fellow," he said, completely in character a la Robert Morley, "we in London pursue our business in utmost good faith. We trust our colleagues and patiently place business as we have since our coffeehouse days.

"Throughout the years, we have never failed to serve humanity, in the true British tradition, by providing insurance for risks no other underwriters would handle at times when other insurers were left with hollow lockboxes."

He sipped his brandy, silently praising the day Britain caused the beverage to exist by taxing barrels of wine so heavily that importers had to find a way to concentrate it in order to make a profit. A tight market situation.

"Now," he added, "you American upstarts want to take away both our way of life and the paltry commissions we receive for our innovative work. You have already done us a dastardly deed by not telling us just how powerful those computer-leasing policies were."

The person playing the U.S. broker tapped his pen against his martini glass impatiently, silently praising the day a San Francisco insurance broker invented the drink because it was inexpensive and took effect real fast—though sometimes he paid for it later.

"Sure, sure," he responded. "I give you a ton of business and you take a juicy commission for taking a stroll around the underwriting floor of Lloyd's, visiting a lead underwriter that is married to your wife's cousin Millicent and then letting the others follow his lead.

"Then if you botch it up and place 110% of the risk, you have an assistant readjust the percentages. My checkbook is harder to balance than your underwriting sheet."

He drummed his fingers nervously on the desk and glanced in a mirror. He was in perfect character, too, a la Steve Martin.

"And after all the business we've given you—over 50% of the world's premium comes from us, you know—you have let some big corporate buyers go directly to you and avoid us and our commissions. And hey, don't blame those computer losses on us. Excuuuuuuse me, but we don't have time to give you more than the basic data.

"If you wanted to know whether or not the business was suicide, you should have asked. Insurance is not pretty."

The game seesaws back and forth this way as brokerage firm chairmen politely call each other a lying sneak.

Several press releases are issued at intervals, dodging the issue of exactly how M&M plans to get Lloyd's to rescind its 20% limitation on foreign ownership.

The game reaches a crescendo during a move called the "North Atlantic Impasse," in which both players leap from their chairs and shout in unison:

"WE'RE DOING THIS FOR THE GOOD OF THE BUYER!"

But since both players had their fingers crossed when they said it, the play continues as it was before the impasse—after a brief pause for fresh drinks.

BI Insurance Index

Insurance index sets new high for 1979-80

The *BI* Insurance Index of 70 key stocks set a new high for 1979-80 in the latest two-week period, climbing 3.8% since Jan. 8 to 144.64 on Jan. 22. That's several points above last year's high of 141.06 established Oct. 2.

The price of an average share rose 68 cents during the two-week period.

The *BI* Insurance Index outperformed the Big Board composite index, Standard & Poor's index of 500 stocks and the Dow Jones Industrial average. The New York Stock Exchange composite rose 2.5% in the same period, while Standard & Poor's index rose 2.4% and the Dow Jones Industrials inched ahead 1.7%.

Biggest gainers during the two weeks were Zenith National Insurance Corp., United Services Life Insurance Co., and Bitco Corp., while the biggest losers were Reed Stenhouse Cos. Ltd., General Reinsurance Corp., American International Group and Tokio Marine & Fire Insurance.

Investment dollars aid loss-riddled insurers

By STUART EMMRICH

BI ticker

NEW YORK—Investment income. The words have an almost magic ring for insurers who view them as the panacea for financial ills brought on by twin problems: losses driven up by inflation and premium rates driven down by competition.

That experience was never more evident than in 1979 when insurers reported property and casualty underwriting losses totaled $1.9 billion. Soaring investment income, meanwhile, helped the insurance industry end up in the black for the year by adding an estimated $9 billion to its coffers.

In fact, each year in the past decade has seen investment income become an increasingly important part of insurance company profits. In 1970, investment income equaled 6.6% of the industry's earned premiums. By 1978, that figure rose to 9.2% and is expected to total more than 10% by the time the figures for 1979 are in. Analysts say the same trend should continue in the 1980s.

"Investment income is obviously very important to insurance companies," says analyst Myron Picoult, vp at the New York's Oppenheimer & Co. "It has grown to such an extent that it is very much an offset to underwriting deterioration."

But while most observers agree that investment income is valuable, particularly at a time when underwriting results are getting bleaker, there are those who warn insurers who rely too heavily on it face pitfalls not yet recognized.

The biggest problem, these critics say, is that putting too much faith in investment results can lead to sloppy underwriting practices. Insurers are invariably more willing to underwrite questionable business and cut rates mercilessly to win accounts if they know that, at the bottom line, investment income will make up for losses in other areas. Cash flow becomes an all-important goal.

"There is no question that some companies, particularly small and medium ones, may use it as a crutch," Mr. Picoult argues. Gone are the days when the only way an insurance company could guarantee a good financial year was by keeping its loss ratio below 100.

"In 1972, a one-point rise in the loss ratio would reduce earnings by 7%. Now, that one point would only bring about a 5% reduction. The difference is the increased importance of investment income," he says.

The drive to increase investment income is also credited with encouraging more conservative loss reserving practices by insurers, thereby leaving them with more funds to invest, Mr. Picoult says.

Some observers have argued that giant income from investments will make it difficult, if not impossible, for insurers to get rate increases approved by government regulators.

Mr. Picoult scoffs at this concern, arguing that regulators have always taken investment income into account. Moreover, he is confident the industry can successfully secure rate hikes.

"You can't say that the growth in investment income is bad. But it is incumbent on companies to realize that there are certain pitfalls if their attention gets diverted to just cash flow," he says. "But I think you can say that the reputable, large companies know this and know what they have to watch out for."

* * *

Fred S. James & Co. announced that its net income for the year, before extraordinary gains, went up 15% to $21.1 million. Revenues for 1979 also set a new high, up 16% to $165.6 million from $143 million.

In the fourth quarter of 1979, James's net income rose 14% to $5.1 million from $4.5 million in 1978.

"Commission and fee income increased 16% in the fourth quarter and 13% for the year, principally as a result of new business in direct and reinsurance brokerage operations," reported William E. Burch, president of the Chicago-based firm.

The extraordinary gain reported by the company came from disposition of James's investment in Minet, James International Ltd.

* * *

At Marsh & McLennan Cos. Inc. operating revenues reached a fourth quarter record of $131.9 million, 14% over 1978. For the full year, operating revenues rose 11% to $530.4 million; net income, excluding an extraordinary gain, increased 20% over last year's $82.2 million. ■

British Issues

1/22 Companies	Price £	P/E	Div. £	Yield %	2 Week High—Low £ £
Commercial Union	143	6.8	14.18	9.9	146—135
Eagle Star	165	7.7	10.92	6.6	166—151
General Accident	234	6.7	14.88	6.4	240—222
Guardian Roy Exchange	248	7.5	17.06	6.9	254—230
Phoenix	234	7.1	17.49	7.5	240—218
Royal	338	7.0	28.21	8.3	347—315
Sun Alliance	544	8.8	35.72	6.6	554—524
Brokers:					
CT Bowring	142	10.9	5.45	3.8	142—133
CE Heath	218	8.7	11.83	5.4	223—205
Hogg Robinson	100	9.1	7.48	7.5	102— 86
Alexander Howden	104	8.8	10.00	9.6	109— 99
Minet	108	10.1	5.95	5.5	111—101
Sedgwick Forbes Bland Payne	102	10.2	7.14	7.0	104— 93
Stenhouse Holdings	78	7.4	6.46	8.3	79— 74
Stewart Wrightson	197	8.4	16.15	8.2	200—175
Willis Faber	230	11.5	14.77	6.4	235—217

Source: Kitcat & Aitken, London

BI Industry Stock Report

Company		Jan. 22, 1980 Price	P/E	$ Div.	%Yld.	1-9-80—1-22-80 High	Low	Vol. (000)
Insurance Cos.								
Aetna Life & Cas Co	NYSE	35.13	5.1	1.80	5.1	36.13	33.75	1,310.9
American Bankers Ins Co Fla	OTC	8.75	5.6	0.44	5.0	8.88	8.63	141.8
American Fnl Corp Ohio	OTC	25.75	2.9	0.04	0.2	27.00	23.50	57.7
American Gen Ins Co	NYSE	37.50	5.7	1.00	2.7	37.75	36.63	152.4
American Indty Fnl Corp	OTC	18.75	4.9	1.00	5.3	19.00	17.63	58.6
American Intl Group Inc	OTC	54.75	9.3	0.42	0.8	59.50	54.50	420.9
American Natl Ins Co	OTC	16.00	6.3	0.62	3.9	16.00	15.25	513.1
American Ste Life Ins Co	OTC	20.50	8.5	0.64	3.1	20.50	20.00	133.4
Aneco Reins Ltd	OTC	6.50	0.0	0.00	0.0	7.00	6.50	88.8
Appalachian Natl Corp	OTC	3.12	8.9	0.16	5.1	3.25	2.94	5.2
Avemco Corp	AMEX	11.75	9.8	0.40	3.4	12.25	11.75	59.1
Banks Iowa Inc	OTC	26.75	5.4	1.12	4.2	26.75	26.00	10.1
Bitco Corp	OTC	38.00	5.5	1.60	4.2	39.00	33.25	27.1
Carolina Cas Ins Co	OTC	6.87	4.6	0.32	4.7	7.00	6.38	9.2
Central Natl Fnl Corp	OTC	7.50	3.8	0.35	4.7	7.50	7.50	4.6
Chubb Corp	OTC	38.25	5.0	2.40	6.3	38.63	37.88	246.1
Combined Ins Co Amer	OTC	19.38	6.2	1.40	7.2	19.38	19.00	503.4
Connecticut Gen Ins Corp	NYSE	36.12	5.6	1.32	3.7	38.50	35.75	488.6
Continental Corp	NYSE	28.25	5.3	2.20	7.8	28.38	27.00	372.6
Crawford & Co	OTC	25.25	14.4	0.76	2.9	26.00	25.25	19.7
Crown Life Ins Co	OTC	63.50	46.0	1.80	2.8	63.50	61.50	3.9
Crum & Forster	NYSE	55.00	5.3	2.52	4.6	57.75	54.50	260.0
Employers Cas Co	OTC	46.50	6.3	1.20	2.6	46.50	44.00	11.1
Erc Corp	OTC	72.75	8.4	1.40	1.9	80.25	71.00	1,041.1
Equifax Inc	NYSE	20.75	6.3	2.20	10.6	20.75	20.00	6.4
Farmers Group Inc	OTC	26.75	9.3	0.84	3.1	27.25	26.75	424.9
First Colony Life Ins Co	OTC	27.50	12.3	0.76	2.8	29.00	27.00	3.5
Foremost Corp Amer	OTC	18.13	8.6	0.40	2.2	18.25	16.88	82.2
General Reins Corp Del	OTC	84.50	7.5	2.00	2.4	90.00	83.00	333.5
Globe Life & Acc Ins Co	OTC	28.62	10.2	0.40	1.4	28.63	28.25	136.6
Great West Life Assurn Co	OTC	127.25	5.8	6.00	4.7	127.25	127.25	0.8
Hanover Ins Co	OTC	38.00	4.5	0.52	1.4	42.50	36.00	123.6
Hartford Steam Boiler Insptn	OTC	34.75	7.1	2.20	6.3	35.75	32.00	48.9
Integon Corp	NYSE	26.00	10.8	0.48	1.8	27.50	26.00	120.8
Jefferson Natl Life Ins Co	OTC	31.50	7.0	0.52	1.7	32.00	31.50	11.6
Kemper Corp	OTC	39.50	4.6	1.87	4.7	39.50	37.75	50.7
Lincoln Natl Corp Ind	NYSE	45.75	6.7	2.80	6.1	47.38	42.13	223.9
Mgic Invt Corp	NYSE	26.13	7.9	1.00	3.8	27.88	26.13	911.9
Mission Ins Group Inc	NYSE	30.63	7.6	0.68	2.2	31.38	30.63	95.9
Nationwide Corp Ohio	OTC	17.50	5.3	0.66	3.8	17.50	16.50	8.7
Na Corp	OTC	33.00	8.2	2.00	6.1	33.00	30.00	255.5
Northwestern Natl Life Ins	OTC	34.75	6.7	1.25	3.6	35.63	33.50	125.0
Ohio Cas Corp	OTC	37.00	5.4	1.40	3.8	37.50	35.00	156.2
Old Rep Intl Corp	OTC	19.75	4.7	0.92	4.7	20.50	19.75	138.9
Pinehurst Corp	OTC	6.87	7.2	0.00	0.0	7.13	6.88	49.1
Preferred Risk Life Ins Co	OTC	19.25	6.9	0.50	2.6	19.50	19.00	16.9
Provident Life & Acc Ins Co	OTC	47.00	6.3	1.48	3.1	47.00	45.50	61.2
Republic Natl Life Ins Co	OTC	20.25	11.3	0.60	3.0	21.13	18.38	715.4
Ryan Ins Group Inc	OTC	21.50	5.8	0.12	0.6	21.50	19.00	62.1
St Paul Cos Inc	OTC	41.88	5.6	2.00	4.8	42.25	40.25	215.4
Safeco Corp	OTC	37.00	5.5	1.80	4.9	37.38	36.88	232.0
Sri Corp	OTC	23.00	6.1	0.90	3.9	24.00	22.50	4.3
Seibels Bruce Group Inc	OTC	18.50	6.3	0.80	4.3	18.75	18.00	31.9
Southwestern Life Corp	OTC	41.38	15.7	1.00	2.4	42.00	41.38	780.5
Standard Life Ins Co Ind	OTC	15.75	9.7	0.36	2.3	16.50	15.50	12.7
Statesman Group Inc	OTC	5.25	4.4	0.15	2.9	5.25	5.00	17.6
Tokio Marine & Fire Ins Co	OTC	132.00	14.0	2.49	1.9	137.75	132.00	8.1
Travelers Corp	NYSE	42.37	4.7	2.48	5.9	43.25	38.13	832.3
United Fire & Cas Co	OTC	25.75	8.2	0.72	2.8	25.75	24.25	58.1
United States Fid & Gty Co	NYSE	37.87	4.8	2.40	6.3	40.75	37.88	276.0
United Svcs Life Ins Co	OTC	15.50	5.8	0.80	5.2	15.88	13.63	137.3
Washington Natl Corp	NYSE	28.38	6.1	1.40	4.9	29.50	27.00	32.9
Zenith Natl Ins Corp	OTC	18.75	13.0	0.40	2.1	20.75	16.50	83.8
INSURANCE COMPANIES	AVERAGE		6.8		3.6			
Agents/Brokers								
Alexander & Alexander Svcs	OTC	32.75	11.6	1.40	4.3	34.25	32.25	264.7
Baldwin & Lyons Inc	OTC	27.00	5.2	0.70	2.6	27.88	25.00	36.6
Corroon & Black Corp	NYSE	28.00	10.0	1.56	5.6	28.25	27.50	26.4
Crump E H Cos Inc	OTC	11.62	11.2	0.32	2.8	11.75	10.88	50.5
Hall Frank B & Co Inc	NYSE	26.37	9.3	1.34	5.1	26.50	25.75	73.1
Integrated Res Inc	AMEX	15.00	10.1	0.00	0.0	15.00	12.13	321.2
James Fred S & Co Inc	NYSE	25.13	10.0	1.40	5.6	25.25	24.88	42.7
Marsh & Mclennan Cos Inc	NYSE	66.50	11.3	3.60	5.4	70.00	65.88	143.8
Penn General Agencies Inc	OTC	1.25	9.6	0.00	0.0	1.25	1.13	111.0
Reed Stenhouse Cos Ltd	OTC	8.25	7.5	0.48	5.8	8.75	8.25	102.7
Rollins Burdick Hunter Co	OTC	21.75	9.5	1.24	5.7	21.75	20.75	80.1
AGENTS/BROKERS	AVERAGE		9.4		4.6			
Conglomerates/Holding Cos.								
American Express(Fireman's Fd)	NYSE	31.62	6.7	1.80	5.7	33.25	31.63	908.8
Anderson Clayton(Ranger/PanAm)	NYSE	23.00	6.4	1.12	4.9	23.50	22.50	204.8
City Investing Co. (Home Ins.)	NYSE	17.25	3.5	1.20	7.0	18.00	16.63	829.2
CNA Fnl Corp (CNA)	NYSE	17.37	4.0	0.00	0.0	17.88	17.00	115.4
Control Data (Comml. Credit)	NYSE	56.75	8.5	0.60	1.1	60.13	55.75	1,244.5
IDS Growth Fd (IDS Life Ins.)	OTC	8.66	0.0	0.12	1.4	8.71	8.54	756.0
INA Corp (Ins. Co. of NA)	NYSE	51.75	5.6	3.30	6.4	52.00	48.63	580.1
ITT (Hartford Group)	NYSE	26.63	9.3	2.40	9.0	27.50	26.63	2,038.6
Reliance Group Inc	NYSE	61.00	6.0	2.00	3.3	61.00	58.00	219.2
Sears Roebuck & Co. (Allstate)	NYSE	17.13	6.2	1.28	7.5	18.00	17.13	4,020.5
S & H Co. (Bayly Martin & Fay)	NYSE	15.00	4.5	1.00	6.7	15.13	14.50	134.7
Teledyne Inc (Argonaut)	NYSE	142.00	5.1	10.00	7.0	147.00	139.63	910.2
Transamerica Corp (Occidental)	NYSE	17.13	4.7	1.12	6.5	17.25	17.00	676.0
CONGLOMERATES/HOLDING COS.	AVERAGE		5.8		5.3			

System design: Altman Systems (Mesirow & Co.)

Vp Heiken to take over new Brink's job

comings & goings: buyers

Jerold C. Heiken, 46, has been named to the newly created position of vp-safety at Brink's Inc. in Darien, Conn. Mr. Heiken, who now reports to president H.J. Hartong, was previously corporate safety director at Leaseway Transportation Corp. in Cleveland, where a replacement has not been named. He also served as director of the Institute of Public Safety and executive director of the National Committee for Motor Fleet Supervisor Training at Pennsylvania State University from 1967 to 1978. He serves on the board of directors of the National Safety Council and Western States College of Transportation. Mr. Heiken has a B.S. degree from the University of Northern Iowa and has completed graduate studies at Iowa State University.

* * *

W.R. Grace & Co. in New York has named **Bernard C. Keenan,** 45, senior benefits adviser and **Diane M. Gannon,** 28, benefits adviser in the corporate benefits department. Mr. Keenan, former senior claims management consultant at William M. Mercer Inc., replaces **Ira Irwin,** who has accepted a position at United Jersey Bank. He has a bachelor's degree in English from New York University. Ms. Gannon, former benefits manager for Brooks Brothers Division of Garfinckel, Brooks Brothers, Miller & Rhoades, replaces **Pat Nazmetz,** who is now employed by Xerox. She has a bachelor's degree in English from Mercy College in Dobbs Ferry, N.Y. Both new employes report to Helen Lewis-Wistner, manager of employe insurance.

* * *

American Express Co. in New York has named **Margaret Gagliardi** vp of employe benefits for its U.S. company and subsidiaries. Before accepting this newly created position, Ms. Gagliardi was director of employe benefits and planning and administration. A replacement has not been named. Ms. Gagliardi, who reports to Philip Prince, senior vp of personnel, has been with the company for four years. She has a B.A. degree from Hunter College and an M.B.A. degree from New York University.

* * *

Philip L. DeRosa, 38, has been named assistant director of insurance at Merrill Lynch & Co. in New York. He replaces **William O'Sullivan,** who left the company. Mr. DeRosa, who was formerly insurance manager at Michelin Tire Corp. in Lake Success, N.Y., will be responsible for property/casualty coverages for all the company's non-stock brokered activities. He has a B.S. degree from Fordham University, CPCU credits and reports to Charles M. Mulle, director of insurance and risk. Michelin has not named a replacement for him.

* * *

Valero Energy Corp. in San Antonio, Tex., has named **Rick Tobias,** 24, associate insurance analyst in the business risk and insurance department. Mr. Tobias, who previously worked in the company's gas volume accounting department, will be responsible for insurance accounting and claims. He has a B.B.A. degree in finance from the University of Texas and is working toward an M.B.A. degree there. He reports to Gary W. Spangler, manager of risk insurance.

* * *

Catalytic Inc. in Philadelphia has promoted **T.P. Callahan,** 26, to the position of assistant risk manager and **Paul Monaco,** 26, to risk analyst. Mr. Callahan, who was formerly insurance administrator, replaces **Thomas Troup,** who left Catalytic to become assistant risk manager at Del Marva Power & Light in Delaware. He has B.B.A. and M.B.A. degrees from Temple University and has been with the company since March 1979. Mr. Monaco, who has been with the company for five years, was formerly contracts administrator. His new position includes duties formerly performed by the insurance administrator. He is an M.B.A. candidate at Temple University. Both men report to assistant treasurer Ed Wyatt. ■

Bonds see 2% default rate

WASHINGTON—Hiring ex-offenders apparently isn't very risky. Less than 2% of the 1,254 persons, mostly ex-offenders, who received fidelity bonds last year through the U.S. Department of Labor defaulted on those bonds, the department reports.

The program paid out about $30,000 in claims during the fiscal year that ended Sept. 30, compared with an average monthly bonding level of more than $12 million, said Ernest G. Green, assistant secretary of labor.

Under the program, bonds of up to $10,000 are provided for persons who could not ordinarily obtain them. Aetna Casualty & Surety Co. underwrites the bonds for the nationwide program. Since 1966, the program has had a default rate of one out of every 58 ex-offenders bonded. ■

classified advertising

RATES AND CLOSING TIME: *$3.50 per line, minimum charge $17.50. Cash with order. Figure all cap lines (maximum-two) 30 letters and spaces per line; upper and lower case 40 per line. Add two lines for box number. Replies are forwarded daily. Closing deadline: Copy in written form in Chicago office not later than noon, Monday, 7 days preceding publication date. Published every Monday. Display classified takes card rate of $41.00 per column inch, and card discounts on size and frequency. Mail ads to Business Insurance, classified advertising dept., 740 N. Rush St., Chicago, Illinois 60611. Call (312) 649-5239 for more information.*

HELP WANTED

ACCOUNT EXECUTIVE

Tired of the smog, traffic, community? Expanding medium sized agency has opening for qualified individual. Position involves servicing existing accounts with some sales. Located in progressive northern California Valley city. Excellent salary with opportunity for equity ownership. Send resume to:
Box 292, BUSINESS INSURANCE
740 Rush St., Chicago, Ill. 60611

ACCOUNT EXECUTIVE

Tired of the smog, traffic, community? Expanding medium sized agency has opening for qualified individual. Position involves servicing existing commercial and casualty acounts with some sales. Located in progressive northern California Valley city. Excellent salary with opportunity for equity ownership. Send resume to:
Box 292, BUSINESS INSURANCE
740 Rush St., Chicago, Ill. 60611

WATER MARINE UNDERWRITER

National Broker has immediate opening for senior Blue Water Marine Underwriter. Minimum 20 years experience. Requires expertise in: Hull, P and I, ship Builders, Repairers Wharfingers and Charterers Liabilities, Bumbershoots, Ocean Cargo and Marine Treaties; all international markets, along with sufficient administrative knowledge, production and account servicing experience to oversee and develop marine department. Salary $35,000 per year. Call Fred S. James 305-764-7700.

ACTUARIAL MANAGEMENT POSITION

Actuarial opportunity for qualified individual in the Actuarial and Underwriting area. Degree with emphasis on Math Statistics and Economics required. Prefer five years experience in actuarial field and exposure to a large scale computer installation. One to two exams completed is desirable. Responsibilities of position involve claim reserving, financial forecasting, trend analysis, investigations relating to losses by line of business, and renewal of experience rated business.
Excellent benefit package, dynamic organization offering immediate responsibilities and career opportunities.
Send resume and salary history to:
CEDRIC BROWN, PERSONNEL SPECIALIST
HUMAN RESOURCES
BLUE CROSS & BLUE SHIELD OF ALABAMA
450 RIVERCHASE PARKWAY EAST
BIRMINGHAM, ALABAMA 35298
Equal Opportunity Employer, M/F, Handicapped

"O'Keefe International Adjustment Companies, Inc., P.O. Box 16168, Phoenix, AZ, 85011, area code 602-264-3439, cable address "LOKADCO"
"We Will Handle Your Claim Anyplace In the Free World"

Consulting/Executive Search To the Insurance Industry
Paul E. Runkle Ass. Inc.
Scarsdale, New York 10583
One Chase Road
(914) 725-0773

FIDELIFACTS INC.
FINANCIAL & CREDIT REPORTS ON
Individuals & Corporations
Pre-Employment
Insurance — Pre-Employment
Investigations
U.C.C. & Court Records
25 Broad St. N.Y., N.Y. 10004 | (212) 425-1520

CAREERS 80

PROPERTY MANAGER

This is one of the finest positions of its type to be offered. Your mission will be to mesh two property insurance/risk programs by designing a 150 + plant company wide plan. Full budget authority, plus career tracked. 4 + years corporate, with HPR expr. Interviewing now. Salary open.

INSURANCE ANALYST

This opportunity will put you into one of the most professional domestic and international oil & gas risk mgt. department. A solid academic and 2-4 year corporate, consulting or brokerage career record will draw interest, west coast and So. West candidates encouraged to respond.
Call collect or mail resumes.
DONALD DELANEY
Risk & Benefit Recruiters
3131 Turtle Creek Suite 222
Dallas, Texas 75219
214-559-3820

Unusual opportunity in large Pennsylvania agency supervising account executive activities and marketing to our insurance companies. Applicant must have 5-7 years' demonstrated success in supervisory position with experience in large property and casualty lines including self-insurance, paid loss retros, retention plans and captives.
Position will be #2 in firm and salary is open based on applicant's experience. Position will require a highly professional career individual, with M.B.A. and CPCU degrees considered a plus.
Reply in confidence including complete resume and references to:
Box 299, BUSINESS INSURANCE
740 Rush St., Chicago, Ill. 60611
All resumes will be acknowledged in confidence. We have notified our employees of this opportunity.

INSURANCE RECRUITERS, INC.
3707 Rawlins, Suite 416,
Dallas, Texas 75219
214-528-0090

RISK MANAGEMENT

INSURANCE MANAGER
Texas client with national facilities is seeking top insurance professional to handle multi-million-dollar insurance portfolio for parent and related subsidiaries. Must have solid insurance background with superior knowledge of coverages and contracts. Must be able to design and implement authorative decisions. Will be working with risk managers of subsidiary organizations. Package in the $45,000 to $50,000.

RISK MANAGER
Midwestern client seeks candidate to handle company-wide loss control and claims programs. Preferred candidates will have 3-5 years of HPR experience and possess Industrial Engineering degree. Our client is comfortable in the mid-to-uper $20Ks.

RISK CONSULTANT
Southwestern organization seeks candidate to market risk management programs. Will involve marketing activities, development of new clients and implementation of this firms Risk Management programs.
Contact: Jim Gilbert
ALL FEES EMPLOYER PAID

YOUR AD HERE WILL GET RESULTS

RISK MANAGEMENT POSITIONS
R.M. 500 Co Minn. 35M
Rm Pacific NW Heavy Prop FIA Exp Engr+Rm 32M
Risk Admin NYC Area 20-30M
Risk Mgr NYC fire+cas 35M
FIA Engr Midwest 25M
Asst R.M.'s tristate 18-25M
JOHN HUTTNER (212) 732-3110
david j. hollinger associates, inc.
150 Broadway, New York, N.Y. 10038

BENNETT & BENNETT SUBROGATION ATTORNEYS
Inland and Ocean Marine
Auto Fire Product Liability
Investigation and Adjustment
World Wide Associates
Cable-Subro
769 Northfield Avenue
West Orange, New Jersey 07052
(201) 325-0033

INSURANCE MANAGER CORPORATE

Multinational Fortune 25 Company, Headquarters in Westchester, New York, seeks thoroughly knowledgeable insurance professional to head up worldwide corporate programs.

Successful candidate will be degreed, preferably MBA, and presently in charge of a medium size insurance department, or number 2 man in a medium to large organization, must be able to point to appreciable accomplishments in areas of cost reduction and broadened coverages. While consideration will be given to experience with insurance carrier or brokerage house, corporate experience a must.

Position entails considerable contact with Senior Corporate Management, as well as all levels of operations, therefore, ability to communicate verbally and in writing in articulate manner is essential.

Salary commensurate with experience. We are an equal opportunity employer, M/F. Send resume with complete salary history to:
Box 300, ADVERTISING AGE
740 Rush St., Chicago, Ill. 60611

PROFESSIONAL SERVICE FOR RISK MANAGEMENT EXECUTIVES
Many Outstanding Candidates & Positions for:
RISK MANAGERS and Assistants
SAFETY MANAGERS and Assistants
EMPLOYEE BENEFITS MGRS and Assistants
CORPORATE CAREER ENTRY
CAPTIVE TECHNICIANS
RESUME CONSULTATION
Call, COLLECT:
Marty Hodes, ARM
Walt Scannell
(212) 267-2600
WALL PERSONNEL ASSOCIATES, INC.
170 Broadway
New York. N.Y. 10038

ACCOUNT EXECUTIVE

Corporate Sysetms, the nation's pioneer in the development of risk and insurance managment systems, has an immediate career opportunity for a qualified individual to train as an account executive. Responsibilities include helping present and proground in risk management or casualty and property insurance spective customers implement and operate risk and insurance management systems. Because our customers are large companies throughout the U.S. and Canada, extensive travel is involved.
Experience or academic back- is required. The successful applicant should have a BA or BS degree, preferably in business, finance, accounting, or risk management.
Interested? Write or call Guyon Saunders, President, Corporate Systems. Box 31780, Amarillo, Texas 79120. Phone #806 376-4223.

LOSS CONTROL COORDINATOR

We are currently seeking applicants to develop, implement and supervise a complete loss control program during construction of a large fossile fuel generating station. Applicants should have experience in "heavy construction" and safety. Engineering and/or Safety degrees preferred. Salary commensurate with experience and qualifications.

Send resume to:
IOWA-ILLINOIS GAS AND ELECTRIC COMPANY
Employee Relations Staff
206 East 2nd Street
Davenport, Iowa 52801

Outpatient care cuts health cost: Study

By MARY ANN MATLOCK

Rx for costs

Health care costs were slashed by at least $1.4 million over four years under two affiliated same-day programs, Blue Cross of Rhode Island found in its review.

PROVIDENCE, R.I.—Hospital services cost a lot less when performed in one day at an outpatient center without an overnight stay in the hospital, slashing health care bills.

Blue Cross of Rhode Island was so convinced of this by a recent study it has made outpatient coverage a permanent benefit for its 800,000 subscribers.

Health care costs were slashed by at least $1.4 million over four years under two affiliated same-day surgery programs near here.

Most of the savings, according to a study conducted by Rhode Island Health Services Research Inc., were in ancillary services such as lab work, machine and X-ray costs and costs for use of facilities.

There was no significant difference found in costs for services of surgeons, assistant surgeons and anesthesiologists.

The Rhode Island Hospital Ambulatory Patient Center in Providence cut costs by at least $1 million while Blackstone Valley Surgicare Inc. in Pawtucket accounted for savings of $328,000.

The average savings per procedure at Blackstone were estimated at a minimum of $200 while at the Rhode Island Hospital center the savings were less, $135.

These minimum savings estimates are based on a comparison of procedures performed in the ambulatory facilities and procedures performed on an inpatient basis for short stays. This is the most appropriate basis for comparison, the study said.

But the entire costs for performing additional procedures resulting from new demand should be considered a reduction in these savings, the study noted.

The review of these facilities was authorized by Blue Cross & Blue Shield of Rhode Island, which provided experimental reimbursement for the ambulatory coverage. During the study period—September 1975 to February 1978—Blue Cross saved at least $571,000.

Based on the study, Blue Cross made this coverage a permanent benefit as of Jan. 14.

The study also estimated statewide maximum savings resulting from the same-day surgery programs at $2 million for the Rhode Island Hospital center and $833,000 for Blackstone. However, these estimates assume the alternative to the ambulatory setting to be inpatient care, but not the short stay common for the procedures examined.

The study also found same-day surgery patients are being treated in lieu of inpatient hospitalization. The number of inpatient hospitalizations for 17 procedures examined decreased 19% statewide.

Rhode Island Hospital reported an inpatient reduction of 49% for these procedures and an outpatient case increase of 8.3%.

Most of this change took place in short-stay cases of less than three days, which the study found declined 22% statewide. The same-day surgery programs did not increase the amount of minor elective surgery performed so much as displace such surgery from an inpatient to ambulatory setting, the study concluded.

During the study period 7,054 cases were processed at Rhode Island Hospital center while at Blackstone 1,122 cases were treated from April 1976 to November 1977.

Procedures performed by the same-day facilities included tonsillectomy, adenoidectomy, hernia repair, vasectomy and excisions of skin lesions, lipoma or cysts.

The study also found:

- Patients treated at the ambulatory centers were from the same service area as the traditional area hospitals.
- Overall, nonsurgical cases showed a consistently decreasing trend in average length of hospital stay; surgical cases showed an increase in average length of stay statewide.
- General anesthesia was given to 78% of the patients at Rhode Island Hospital center and to 93% at Blackstone, indicating some complexity in procedures being performed.
- Occupancy rates in hospitals across the state did not change much because of the short-stay nature of cases treated at ambulatory centers.
- At Rhode Island Hospital, the complexity index for inpatient cases rose substantially in 1976 while the statewide index rose only slightly. ■

FASB proposes clarification

STAMFORD, Conn.—The Financial Accounting Standards Board has proposed a statement on "accounting for preacquisition contingencies of purchased enterprises" that would clarify Accounting Principle Board Opinion No. 16 on business combinations.

The proposal would specify criteria for recording contingent assets, liabilities and impairment of assets as part of the cost allocation of an acquired business accounted for by the purchase method, says Paul LePage, project manager.

The proposal would not differentiate between risks assumed by purchase and other business risks, since usual accounting practice is for irregularly occurring costs resulting from risks assumed by an enterprise to be reflected in income when they occur.

Comments on the proposal will be accepted until Feb. 29 by the FASB, High Ridge Park, Stamford, Conn. 06905. ■

We may not be in the plans today, but we could be tomorrow.

Tomorrow, surgical teams will perform feats only hoped for today and thousands of lives will be saved with techniques that are even now emerging.

On that tomorrow, professionals like the team here are apt to turn to another team of professionals—John H. Crowther, Inc.—to meet unusual insurance needs.

John H. Crowther, Inc. has long been a leader in the field of professional liability coverage with the capacity, the expertise and the *flexibility* to handle the difficult risk problems in the surplus lines market.

When the tomorrow comes for excess and surplus lines coverage, be sure John H. Crowther, Inc. is included in the plans.

the Crowther People

Minneapolis 612/333-0361
Des Moines 515/243-1221
Omaha 402/393-2040
Sioux Falls 605/336-0960
Madison 608/271-6500
Springfield 417/887-0354
Bismarck 701/223-1112
Billings 406/248-7183
Topeka 913/267-1222
Boise 208/336-7131
Denver 303/753-0071

Invasion of Afghanistan won't hurt market: Exec

NEW YORK—The Soviet takeover of Afghanistan will hardly affect the American marine insurance market, according to Carroll Dawson, secretary of the American Cargo War Risk Reinsurance Exchange, which includes most of the major U.S. marine underwriters.

Although Afghanistan has become politically important in recent weeks, "Commercially it is not very important," he said. "It hasn't been necessary to raise rates on cargo insurance for goods moving to Afghanistan and I don't think it will be necessary."

There is little trade between the U.S. and the mountainous, landlocked country in central Asia, Mr. Dawson noted, adding that there have been no known requests in recent weeks for war risk coverage on goods moving to Afghanistan.

Many of the goods shipped to Afghanistan are routed through Iran and the troubles there have already affected war risk coverage, Mr. Dawson said. (See page 4.)

Secondhand clothing is the United States' biggest export to Afghanistan, he noted, while Afghanistan's biggest exports to the United States are carpets, certain fruits and semiprecious stones, he added.

There have been virtually no semi-precious stones shipped out of Afghanistan in recent days since few airliners have called on Kabul, the capital, in the aftermath of the Soviet incursion, Mr. Dawson said.

—*Ellis Simon*

Companies fear losses from boycott of Olympics

Continued from page 1

against possible cancellation of the venture, risk manager Robert Mooney said. He has tried to arrange insurance in recent weeks but said Lloyd's of London and just about every other available market has dried up because of publicity about the potential boycott of the games, he said.

American firms anxious about losses resulting from a boycott of the Olympics probably can't count on a bailout from the government similar to the one promised grain exporters whose sales to the Soviet Union were halted by President Carter (*BI*, Jan. 14).

No bail-out

Officials at the Department of Commerce said there has been no suggestion that the government should compensate companies for potentially worthless promotional campaigns or unsold souvenirs resulting from a U.S. withdrawal from the Moscow games, and they said they doubted there would be much support for such a move.

One company that is planning sales promotions around the Olympics but didn't buy insurance is Levi Strauss & Co. Six thousand Olympic outfits to be distributed to the U.S. team will be returned to stock for general sales. An $8 million advertising campaign will run with minor inexpensive changes.

Coca-Cola, which purchased from the Soviets the right to sell its soft drink at the games, and Squibb Corp., which had planned a series of commercials for Life-Savers around Olympic runner Bill Rodgers, say it is too early to judge the economic impact of the President's suggested boycott.

Ninety percent of the $60 million NBC has paid to date to the Russians for the broadcast rights is covered under an insurance policy placed in London two years ago by Marsh & McLennan.

NBC policy

NBC's payments to the Russians would be reimbursed by insurance not only if the games are canceled, which seems unlikely, but also if the U.S. Olympic Committee follows President Carter's directive and boycotts the summer games, a spokesman for NBC said.

"If the U.S. doesn't participate in the games, then we can collect on the policy," the spokesman said.

But NBC still stands to suffer substantial losses if the coverage of the popular ratings attraction is canceled. Besides the 10% risk retention in the policy that would cost NBC $6 million, NBC would also have to count on much lower revenues from whatever it programs in place of the games. Commercial time for the games reportedly has been selling at $165,000 a minute, more than twice the normal rate for summer programs.

Losses of anticipated revenues are not covered by the insurance policy.

The policy also would not take effect if NBC decided not to televise the games because of the President's request, but the U.S. Olympic Committee disregarded it and went ahead and competed, the network spokesman said.

New question

Also unclear at this stage is what would happen to NBC's television rights if the International Olympic Committee took President Carter's suggestion and held the games at an alternative site. NBC's contract to televise the games is with the Soviets, not with the IOC, and it is the Soviet contract that is insured.

The policy, which cost NBC $4 million, was placed in London, with Lloyd's of London taking the biggest share of the risk. Lloyd's sources say the British exchange is liable for $40 million to $45 million of the $60 million paid out by NBC so far. The rest of the coverage is spread among European and British insurers, the sources said.

NBC is said to have sought higher limits on the coverage, but was not able to find them. Besides the $87 million to be paid Russia for television rights, additional expenses in preparation, travel and promotion are expected to bring the total cost of televising the games to $120 million. ■

Letters . . .

Continued from page 8

from previous contracts, the insurance group has historically produced an underwriting profit, particularly the corporate risk department, which had an underwriting profit in 1978, 1979 and expects one in 1980. As the head of that department noted to me, "Stability is an important factor to the knowledgeable broker and risk manager; they know poor underwriting results can be a sign of instability. This well-meant wish is, nevertheless, a negative factor in our marketing efforts with risk managers and brokers."

Enough said. We still highly regard your publication and its readership.

J.A. Herzog
Account supervisor
Bellefonte
Middletown, Ohio

Address sought

To the editor: I would like the contact address of Local 32B Building Services Workers Union to learn what the physicians fee negotiations program is as mentioned in the article "Second surgical opinions cut costs: Study" (*BI*, Oct. 29, 1979).

Peter F. Malen
Assistant administrator-personnel relations
St. Vincent Hospital
Portland, Ore.

Editor's note: Local 32B Building Services Workers Union is at 23 E. 26th St., New York, N.Y. 10010.

Early inquiry

To the editor: Several months ago in reviewing your issue of Aug. 6, 1979, I noted that our agency was not listed. Our 1979 premium volume was in excess of $12 million with gross revenues of nearly $2 million, so we probably should be listed next year.

Eric S. Tachau
Harris & Co.
Louisville, Ky.

M.E.R.I.T.

MEDICAL EXPENSE REIMBURSEMENT INSURANCE TRUST

Medical Expense Reimbursement Insurance Trust provides insured medical benefits for eligible corporate executives.

Plan Features
- Cost Plus Concept
- Group Life Not Required
- Agents/Brokers Fees
- Low Administration Costs
- 85% Stop Loss

For Information Contact:
Group Sales Department
Life Insurance Company of the Southwest
P. O. Box 47421
Dallas, Texas 75247
1 (214) 638-9226

Life Insurance Company of the Southwest · 1300 West Mockingbird Lane · Dallas, Texas 75247
A Halliburton Company

From The Reprint Department Of:
business insurance
The national newsweekly of loss prevention, risk financing and employe benefit management.

Do you need to distribute copies of articles appearing in Business Insurance at your meetings or for your mailings?

Business Insurance has expanded its reprint department to meet your needs.

For fast, low cost* reprints of articles appearing in Business Insurance, or to obtain reprint permission for your own copies, call or write:

Reprint Department
Business Insurance
708 Third Avenue
New York, N.Y. 10017
212/986-5050

*New prices effective 1/15/80

Judge puts brakes on Pinto prosecutor

Continued from page 1

Ford case, fearful that product liability litigation will explode into the realm of criminal law instead of being contained in civil cases, as it has been.

Ford is charged with reckless design of the Pinto that allows gasoline to leak and explode in rear-end crashes and with failing to warn buyers of the danger.

So far, Ford legal workers succeeded in what the prosecutor calls sanitizing the reckless homicide case: keeping the jury from hearing any flesh-and-blood details of the deaths of the girls after the Pinto was hit by a 1972 Chevrolet van.

Evidence narrowed

The court is attempting to keep the jury from hearing things that might arouse passion or prejudice. Gory detail is superfluous because no pain and suffering, personal injury compensation or prison sentence is involved in this case, Judge Staffeldt explained.

The prosecution, led by Elkhart County prosecutor Michael Cosentino, has been stymied by Judge Staffeldt, who has blocked each move to bring forth such details of the accident.

What one girl said after her rescue from the car inferno, for example, was barred from juror's ears. After water was used to extinguish flaming clothing and cool the victim, a firefighter heard the girl say, "I bet I'm ugly. I bet I smell."

It is obvious Mr. Cosentino doesn't have as strong a case now as he had when the trial opened Jan. 7 because Judge Staffeldt has narrowed greatly the amount and type of evidence he will permit.

Mr. Cosentino indicated how much the judge narrowed his case when he said, "My opening remarks were going to take two-and-a-half hours. They took one hour."

He told the jury: "To meet a goal for the Pinto of 2,000 pounds and $2,000, the subframe was removed, producing a lack of structure that makes the 1973 Pinto soft and likely to crush. That's OK, but you don't put a gas tank in that space and Ford engineers knew it.

"Ford had time to change the fuel system design and the sole reason they didn't was to save money."

As he closed one set of remarks, he said, "Ford Motor Co. sacrificed human life for profit."

The trial, if continued, could have far-ranging impact, making new law.

While gory details of the accident weren't released to the jurors, the jury did hear of the bad driving record of Robert Duggar, 22, driver of the van that rear-ended the 1973 Pinto 18 months ago. It was also told of a deal he made with prosecutor Mr. Cosentino.

Witness deal

In ruling that Mr. Duggar might be cross-examined with the likelihood of his record being divulged, Judge Staffeldt said, "He is not connected with the case in any way other than as a witness. He may be cross-examined like any other witness in relation to his demeanor and conduct. Gosh, he was driving the van when this occurred."

Mr. Duggar's pre-August 1978 record included convictions for speeding, running a stop sign and driving while his license was suspended.

Mr. Duggar, who said he doesn't believe marijuana smoking affects vision, perception or reflexes, had five grams of marijuana and two open bottles of beer in the van when it hit the Pinto. He said the beer and marijuana were left from a party the preceding weekend. A plastic bag containing what Mr. Duggar said he thought were amphetamine pills also was found. The pills in that plastic bag were caffeine.

Mr. Duggar said he took what he thought were amphetamines to speed up his production on his job.

He was not charged with any driving offense in the death crash.

Before Mr. Duggar's testimony, Mr. Cosentino made a deal in which Mr. Cosentino would not oppose a probation sentence for Mr. Duggar on what was thought to be a certain conviction for possession of a controlled substance.

Mr. Cosentino said the state police laboratory had not returned an analysis report on the pills until long after the deal was worked out. Mr. Cosentino said Mr. Duggar had not been charged with a driving offense because of action taken by an Elkhart grand jury. Judge Staffeldt said grand jury action is secret, so the Pinto jury didn't hear why no charges were made.

High-priced team

Ford attorney James Neal said he wanted the driving history exposed to give the jury an idea of the scope of the deal and what give Mr. Duggar a motive to testify.

As the trial progresses, it is obvious the prosecution is outgunned in some respects.

For example, Ford has high-priced legal talent able to research issues deeply at high speed. It has a computer terminal in one of its several rented offices.

The Ford legal team includes the large corporate law firm of Hughes, Hubbard & Reed. ■

Flesh and blood

Ford has succeeded in what the prosecution calls sanitizing the case: keeping the jury from hearing gory details of the deaths of the girls.

Counseling Services Northwest

In the Northwest Rehabilitation / Placement of worker's compensation and all other insured disabilities:

Counseling Services Northwest is in principal cities of Insurance Headquarters

c/o Greater Seattle Office
P.O. Box 608
Lynnwood, WA 98036
(206) 775-3661

52 great issues coming up!

ISSUE NUMBER		ISSUE DATE	AD CLOSING
7.	RISK MANAGEMENT SERVICES	FEB 18	FEB 5

more to come:

		ISSUE DATE	AD CLOSING
4.	Spotlight Report: Workers Compensation	JAN 28	Jan 16
5.		FEB 4	Jan 23
6.		FEB 11	Jan 30
7.	RISK MANAGEMENT SERVICES	FEB 18	Feb 5
8.		FEB 25	Feb 12
9.	Spotlight Report: Computers/Quantitative Techniques	MAR 3	Feb 20
10.		MAR 10	Feb 27
11.		MAR 17	Mar 5
12.	SPECIALTY RISKS	MAR 24	Mar 11
13.		MAR 31	Mar 19
14.		APR 7	Mar 26
15.	R.I.M.S. PREVIEW	APR 14	Apr 1
16.	R.I.M.S. Conference Report #1	APR 21	Apr 9

You can now reach the decision makers in the insurance marketplace 52 times a year in the industry's communications leader ... *Business Insurance*. Listed above are upcoming issues, advertising closing dates and special editorial information for the next few months. Be where the action is this week and *every* week. For a full schedule of 1980 issues write or call us.

business insurance

a publication of Crain Communications Inc.

New York: 708 Third Avenue, NY 10017 (212) 986-5050 Chicago: 740 Rush Street, IL 60611 (312) 649-5275 Los Angeles: 6404 Wilshire Blvd., CA 90048 (213) 651-3710

From the editorial page of *Business Insurance*, November 26, 1979.

editorial opinions

Loss control dilemma

THE ECONOMY is shaky, at best, as interest rates soar, borrowing drops off and sales and purchase orders nosedive.

At times like this, companies are faced with difficult decisions about whether to forge ahead with maintenance or improvement of safety, loss prevention and claims control programs, or simply to conserve cash by cutting off funds for these internal programs.

This, of course, poses the classic risk management dilemma—whether to seek a short term advantage by playing the insurance markets, buying coverage broad and cheap and skimping on housekeeping and loss control, or whether to apply the best combination of risk management techniques, making the necessary investment in internal systems to bring about the optimum risk cost over a longer time.

Already there's been talk among some insurance buyers that they're having trouble convincing top management to continue programs that in a stagflationary economy might appear marginal. One company is thinking of cutting its hearing conservation program back or eliminating it. Another company may not keep a safety engineer on staff in the risk management department. A third has considered slashing outlays for machine guards and maintenance in a manufacturing operation.

It has taken years to educate operating managers to several risk management facts of life: Each company will pay for its own losses over time. It's as important to prevent and control losses as it is to finance them with insurance or self-insurance.

It is also during recessions that disabling injuries mysteriously seem to rise, ending up as health benefit or workers compensation claims.

Perhaps the phenomenon shouldn't be baffling at all, given worker concern over possible layoffs and belt-tightening, coupled with increased employer pressure to improve productivity by working harder and faster. The former situation might encourage healthy people to fake injuries or to exaggerate minor aches into major disabilities, while the latter situation legitimately increases stress and interferes with safety-consciousness in high risk operations.

Taken together, all of these factors point to the need for increased vigilance by employers and continued spending for safety and loss prevention programs. Risk management has come too far and accomplished too much to cast its precepts aside now.

We couldn't agree more!

The best protection is prevention.

THE HARTFORD

The Hartford Insurance Group, Hartford, Connecticut 06115.