Self-insurance trends . . . Page 3

JANUARY 31, 1983

business insurance®

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

Entire contents copyright 1983 by Crain Communications Inc. All rights reserved.

update

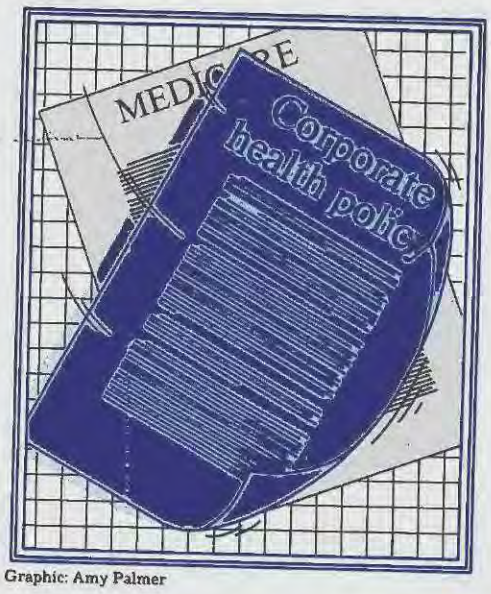
Phillips' Bermuda reinsurer to reduce '83 underwriting

HAMILTON, Bermuda—Walton Insurance Ltd., Phillips Petroleum Co.'s Bermuda insurance subsidiary that has been an active reinsurance underwriter of third-party risks, is cutting back on new business in 1983 and has named a new president.

"Based upon underwriting appraisal of current and market conditions as forecast in the insurance industry, Walton Insurance Ltd. will

Continued on next page

Older workers' health care rules in limbo



Graphic: Amy Palmer

By JERRY GEISEL

WASHINGTON—The Reagan administration is tearing up proposed federal regulations on older workers' health insurance benefits.

And while the rules are being reworked, it is not clear what a prudent employer should do.

The Office of Management and Budget, which has the power to reject or amend pending federal regulations, confirms that the rules proposed by the Equal Employment Opportunity Commission are unacceptable to the administration because they would encourage older workers to stay in the Medicare program.

The proposed EEOC rules, designed to prevent discrimination, will explain how employers are to comply with a provision in the 1982 tax law that requires companies to offer workers ages 65 through 69 a choice of enrolling in the employer's group health insurance plan or keeping the federal Medicare program as their primary health insurer.

The OMB is forcing the EEOC to make changes so the final rules will encourage older workers to choose their employer's health care plan instead of Medicare for their primary health insurance coverage. The final regulations are not expected to be published until late February.

Some employers are waiting for the final EEOC regulations before revamping their health plans, but other employers have begun to cover their older workers in their corporate health insurance plans because the law was effective Jan. 1.

While the employers that move ahead without waiting for the regulations risk the chance of not being in compliance with the final rules, those that wait may find that older workers' health claims filed after Jan. 1 will not automatically be picked up under Medicare and may have to be covered by the corporate policy.

On Jan. 1, American Home Products Corp. extended its group health insurance plan to about 200 older workers.

"This is the law. This is what we had to do," said Nathan Smith, director of employee benefits.

"The law went into effect Jan. 1, so that is when we began to cover our older workers," says Caroline Weir, manager of insured benefits at Foremost-McKesson Inc. in San Francisco.

But other companies are waiting.

"We can't offer a choice (between the employer plan and Medicare) until we know how to present the choice," said Art Young, employee benefits manager at Hewlett Packard Co. in Palo Alto, Calif. "It really is a bizarre situation."

The confusion dates back to August when Congress passed the Tax Equity and Fiscal Responsibility Act. Following the suggestion of the Reagan administration, Congress

Continued on page 77

TMI rebate settlement might not be insured

By DOUGLAS McLEOD

NEW YORK—Nuclear plant manufacturer Babcock & Wilcox Co. probably is not covered under its general liability policy for the $37 million settlement of a lawsuit over the 1979 Three Mile Island nuclear accident.

In fact, the nature of the settlement with General Public Utilities, holding company for the plant owners, suggests Babcock may have faced a "coverage problem," say a number of liability insurance underwriters.

Travelers Indemnity Co., which wrote the first $2 million of a $102 million general liability package for Babcock & Wilcox at the time of the accident, had informed Babcock that it reserved the right to deny coverage on the basis of the policy's nuclear exclusion, sources say (*BI*, Jan. 17).

In addition, losses under the rebate arrangement Babcock finally struck with GPU probably wouldn't be covered under any CGL policy, with or without a nuclear exclusion, liability insurance underwriters say.

Under the terms of the settlement, Babcock, a subsidiary of McDermott Inc., will give GPU rebates on future purchases of equipment and services amounting to a maximum of $37 million over the next 10 years.

The rebates will be determined by applying an agreed-upon formula to Babcock's standard price for the goods or services and will be paid to GPU within 30 days of each purchase, according to James B. Liberman, GPU's general counsel.

The money GPU saves through the rebates will be

Continued on page 78

Investment income

Don't consider in ratemaking if insurers compete: Panel

By JERRY GEISEL

ATLANTA—As long as insurers fiercely compete, regulators need not explicitly recognize investment income in reviewing rates, according to a National Assn. of Insurance Commissioners' advisory committee.

"The controversy between explicit and implicit recognition of investment income disappears in a competitive environment," says the committee, which is advising the NAIC task force on profitability and investment income.

"Workable competition eliminates the need to regulate insurance prices and, concomitantly, eliminates concern over the role of underwriting or investment income in the ratemaking process," it adds.

The 13-member advisory committee, chaired by Richard Haayen, president and chief executive officer of Allstate Insurance Group, and including six other insurer members, found "no evidence of excessive profitability" in the property/casualty insurance industry when all sources of income are considered.

"Prices have not been excessive and policyholders have not been harmed," according to the 190-page advisory committee report, which was presented last week in Atlanta at an NAIC meeting.

Continued on page 79

Large buyers profit unfairly in current system: Critics

By JERRY GEISEL

ATLANTA—Large commercial insurance buyers are getting a break on their premiums at the expense of small-employer and personal-line policyholders, an industry critic says in a new report.

J. Robert Hunter, former head of the Federal Insurance Administration, contends that commercial risks are being subsidized because the manual rates for small businesses and personal lines do not take into account the investment income insurers earn on those policies.

If this subsidy ends, "some of the very large risks would pay more," says Mr. Hunter, now president of the National Insurance Consumer Organization in Alexandria, Va.

"If the investment income associated with personal lines customers paying manual rates is used to subsidize large accounts. . .enjoying what the industry calls 'cutthroat' competition, the need for regulatory concern about who gets the benefit of personal lines investment income is obvious," the report says.

Small employers that rely on manual rates want rates to fall when investment income rises, but property/casualty insurers don't do it, says the report, which was submitted last week to the National Assn. of Insurance Commisioners'

Continued on page 79

NEWSPAPER

INSIDE:

High court D&O ruling might increase settlements
Page 2

Manville now considering reorganization alternatives
Page 2

update

Walton to reduce underwriting

Continued from previous page
substantially reduce its underwriting activities," the company said in a prepared statement.

At the same time, Harold E. Tornquist resigned as chairman and president of Walton, and Treasurer John S. Kemp was named president and general manager.

Mr. Tornquist refused to comment about his resignation, and Mr. Kemp referred all inquiries to Phillips, where a spokesman refused on comment why Mr. Tornquist resigned. He also said he could not specify by how much the company would reduce its premium volume. Walton's 1981 written premiums, the latest figures available, were $215.6 million, 82% of which was generated by risks unrelated to Phillips.

Dalkon class action not valid

WASHINGTON—Dalkon Shield manufacturer A.H. Robins Co. Inc. must defend itself case-by-case rather than at a single trial against punitive damage claims contained in about 1,600 lawsuits brought by women who say the company's interuterine device caused their injuries.

The U.S. Supreme Court last week declined to review and thus let stand a 9th Circuit Court decision that said a federal judge erred in certifying all punitive damage claims against A.H. Robins as a nationwide class action (*BI*, June 28, 1982; Dec. 28, 1981).

Investigators probe record heist

NEW YORK—Authorities investigating certain officials of Sentry Armored Car Courier Co., which was robbed of $11.1 million Dec. 12 in the biggest U.S. cash heist, say the company's insurance was not going to be renewed in January, but Sentry's agent says that is not quite accurate.

Underwriters at Chubb & Son Inc., which wrote a $10 million primary armored car policy through its Federal Insurance Co. subsidiary, told Sentry's agent before the robbery that it did not intend to extend the policy beyond its Jan. 3 expiration, says Peter Grishman, executive assistant to the Bronx district attorney.

Richard C. Seaberg, vp of Poe & Associates Inc., which served as Sentry's agent, says that's not exactly correct. Mr. Seaberg says Sentry officials told him they were planning to sell the company to a competitor before Jan. 3 and the new owner would handle insurance arrangements.

Poe, based in Tampa, Fla., and Chubb had not considered what to do if the company remained independent, he says. Chubb officials could not be reached for comment.

Sentry closed in mid-January, and Chubb has been reimbursing Sentry's clients for its share of the loss (*BI*, Dec. 20, 1982).

Authorities are investigating numerous incidents of cash shortages, misappropriations and larcenies at the independent armored car company that were not reported before the record heist, including a loss of $60,000 on June 29, 1982.

Sentry President John P. Jennings, a former New York city police detective, is free on $25,000 bail on charges he stole $100,000 last June from one of the company's customers, Chemical Bank. Two other company officials face charges in the incident.

State monitors Baldwin units

LITTLE ROCK, Ark.—Regulators are requiring quarterly financial statements from two insurance affiliates of Baldwin-United Corp. so they can monitor their reserves, Insurance Commissioner Linda N. Garner says.

The Insurance Department concluded an exhaustive report on the subsidiaries Dec. 31, declaring they had been "imperiled" until last July 17, when Baldwin agreed to an infusion of more than $200 million in capital (*BI*, Nov. 1, 1982, Jan. 10). Ordinarily, Arkansas requires only annual statements from insurers.

Benefit tax proposal expected

WASHINGTON—The Reagan administration this week is expected to ask Congress to pass legislation that would limit the amount of tax-free health insurance employers can provide to employees. According to the administration's latest plans, health insurance premiums that exceed $2,100 a year would be counted as taxable income to the employee.

Posgate officially suspended

LONDON—Lloyd's of London has officially suspended Ian Posgate from underwriting for six months under the Lloyd's Act of 1982, a special seven-man committee announced last week (*BI*, Jan. 17). Mr. Posgate's suspension may be reviewed in six months under the new regulations (*BI*, Jan. 24).

Lloyd's had suspended Mr. Posgate last year, but a court later said it did not have the power to suspend in its old regulations.

index

Classifieds	78
Comings&goings: buyers	76
Insurance services guide	80
Letters	8
Opinions	8
Perspectives	45
Spotlight report	3
Ticker	81

Vol. 17, No. 5—*Business Insurance* (ISSN 0007-6864) is published weekly at 740 Rush St., Chicago, Ill. 60611. Second-class postage is paid at Chicago, Ill., and at additional mailing offices. Postmaster: Send address changes to *Business Insurance*, circulation department, 740 Rush St., Chicago, Ill., 60611; 312-649-5221. Copyright 1983 by Crain Communications Inc.

Court decision may trigger shareholder suit settlements

By BILL DENSMORE

NEW YORK—More shareholder suits against corporate directors and officers may be settled out of court as a result of a Supreme Court ruling affirming certain shareholder rights.

Insurance underwriters and attorneys analyzing the decision predict there will be more settlements now, but they are not yet sure how directors and officers liability insurance rates will be affected by the Jan. 24 ruling.

The ruling affirms the right of shareholders to sue under Section 10(b)5 of the Securities Exchange Act of 1934. It also affirms that shareholders can sue a company's auditors and attorneys for allegedly misleading statements, and declares that plaintiffs in such suits need only prove allegations based upon the "preponderance of the evidence," as in most other civil matters. The tougher standard in civil cases is "clear and convincing evidence."

Attorneys and insurers are divided over whether this is a real expansion of current liability and so also disagree on whether the ruling will result in more suits from shareholders.

"It ups the ante for defendants, because it makes the determination of liability clearer," says Marvin A. Tenenbaum, a partner with the Chicago law firm of Sachnoff, Weaver & Rubenstein Ltd., which represents both plaintiffs and defendants in securities litigation.

With a definite Supreme Court ruling on the right to sue, defendants and plaintiffs will be less likely to skirmish over whether a claim is actionable during pre-trial proceedings, lawyers agree.

With that issue determined, and with the less stringent standard of proof, defendants and their insurers can more accurately predict their chances of success or failure at trial, the lawyers say. This could result in more frequent out-of-court settlements (*BI*, May 17, 1982).

"For a D&O carrier, it's good because it clarifies some things," said Mr. Tenenbaum, whose firm represented outside directors of Marshall Field & Co. in a shareholder suit stemming from Carter Hawley Hale Stores Inc.'s attempt to take over the then-independent Chicago-based retailer.

The court's unanimous ruling, which surprised some lawyers, holds that investors can file claims against corporations under the broad terms of the 1934 securities act. And, they can base their claims on statements by corporate directors and officers beyond those made in registration statements for stock offerings, including statements by corporate auditors and legal counsel.

"It's bad news for accountants, lawyers, officers and directors—anyone who can be sued under 10(b)5," said Victor M. Earle III, general counsel of accountant Peat, Marwick, Mitchell & Co.

Accountants' only defense now—other than the facts of the case—will be that they were not aiding or abetting the actions of a defendant corporation, rather than arguing that the plaintiff has no standing to sue under 10(b)5. But Mr. Earle doesn't think insurance rates are so

Continued on page 76

Manville considering reorganization alternatives

By STEPHEN TARNOFF

DENVER—Manville Corp., which filed for bankruptcy last August largely because of the overwhelming number of asbestos-related disease claims it faces, is considering a number of alternatives for paying the claims before it submits a reorganization plan.

The alternatives, which company spokesmen say are only in the discussion stage at this point, include:

- Purchasing retroactive insurance to cover outstanding or additional claims.
- Paying a fixed percentage of future earnings to creditors, including asbestos claimants.
- Setting up an arbitration system to settle the claims.

Manville has not yet made a final decision on which alternatives to include in the reorganization plan, according to one of its bankruptcy attorneys.

"There has been no plan propounded to any one at this point," said Barry Seidel, an attorney with the New York firm of Levin & Weintraub & Crames. "Nothing has been reduced to writing at this point."

A spokeswoman for Manville in Denver said two issues will have to be decided before any plan is formally proposed, adding that the company may seek an extension of the Feb. 22 deadline for submitting the plan.

First, the company must estimate the number of valid claims it faces and the amount it will need to pay them. And secondly, Manville must determine how much insurance it has to pay the claims.

"This really must be worked out before we get to the other steps," the spokeswoman said. "Insurance is such a large part of the estate, it's hard to come up with a firm reorganization plan without its resolution."

For example, whether the company would decide to pay a fixed

Continued on page 80

Competition may keep aviation rates low

By STACY SHAPIRO

LONDON—Insurer competition may block any increase in aviation rates this year despite a record $300 million in hull losses in 1982, says Ivor Purdue, chairman of the Aviation Offices Assn.

"Competition from the American and French aviation insurance markets can influence the rating structure despite the losses," Mr. Purdue says.

Last year, 26 Western-built airliners were destroyed, costing underwriters more than $241 million in claims, according to the Aviation Offices Assn. and the Aviation Information Services Ltd.

Underwriters also paid out some $45 million to $50 million for airliners that were only partially damaged, Mr. Purdue said.

In 1981, insurers paid about $150 million in hull claims, compared with $200 million in 1979 and 1980.

None of these figures include liability claims, however, since liability suits from last year's air disasters are, in many cases, still pending.

"With liability claims, things fluctuate," said Mr. Purdue, adding, "You Americans are very expensive."

He said he did not believe, however, that any individual crash in 1982 would trigger liability costs ex-

Continued on page 80

errors & omissions

Air North, an Alaskan airline, purchases passenger liability insurance through the London market and not through U.S. Aviation Insurance Group as previously reported Dec. 6.

Shipping industry's woes hurt marine underwriters

LONDON—The worldwide shipping slump is preventing underwriters from raising marine insurance rates substantially to offset huge losses in 1982, according to the Institute of London Underwriters'.

More than 44 million tons of ships sat idle in drydock last year, a result of the poor world economy, the report stated (*BI*, Sept. 13, 1982). Shipowners whose vessels are idle pay reduced premiums for so-called "lay-up" coverage, which is hurting the marine insurers, the ILU says.

"There is no shortage of worldwide capacity for the greatly reduced amount of business. . .due to the continuing shipping slump," the report stated.

Low marine insurance rates and last year's huge losses have caused some marine underwriters to take drastic action.

At least three ILU members have pulled out of marine underwriting because it is unprofitable, ILU Chairman A.S. Nunn said. They are Provincial Insurance Co. Ltd., British Reserve Insurance Co. Ltd. and Delta-Lloyd Schaderverzekering N.V.

Other marine underwriters may also consider pulling out of the market if they do not see improved underwriting results soon, Mr. Nunn added.

Despite the overabundance of capacity, insurers say rate hikes could be on the horizon, Mr. Nunn said. Some reinsurers have raised their rates "drastically" during recent renewals, he explained, because "their

Continued on page 80

Self-insurance

Soft property/casualty rates slow self-funding growth . . .

By LEN STRAZEWSKI

Commercial insurance competition and the stagnant national economy are letting the air out of the property/casualty self-insurance movement that ballooned during the 1970s, experts say.

But while pure self-insurance—reserving and investing funds to pay your own losses—may be sagging, the cash-flow concepts that form the basis of a self-funded plan design are alive and growing.

"My gut feeling is that there is somewhat of a slowdown in self-funding," says Robert Brian, author of the Conning & Co. landmark study of the commercial and self-insurance market published in 1980. "Risk managers are getting more competitive quotes from commercial insurers and that certainly moderates the value of any self-funded coverage.

"Moreover, insurers are offering more and more cash-flow programs that are priced to compete with pure self-insurance or captive arrangements. A few years ago, these same insurers wouldn't even recognize self-insurance and captive insurahce companies. Now they are aggressively unbundling services to companies that use them."

The nation's economy has also had an impact, he adds. Falling interest rates shrink the cash-flow advantages of self-funded insurance plans.

"Self-insuring at investment returns of 17% is very attractive, but at a 10% return, it is much less so, and maybe not worth the effort," he says.

In 1980, Hartford-based Conning & Co. predicted that the total amount of money spent by industry to fund risks would grow to about $120 billion by 1984, up from about $60 billion that year. Of this "real insurance market," as Conning called it, self-insurance and captive insurance companies would grow to command 28% of that market, or approximately $36 billion.

Self-insurance plans would account for the bulk of this portion—approximately 18%, or $22 billion of the real insurance market—while captive growth would reach about 10%, or $12 billion of the total risk costs.

Although Conning has not done a survey on the real insurance market since 1980, Mr. Brian expects the predictions from that year to be proven accurate eventually because the insurance market scenario is changing, he says. Commercial insurance rates eventually will go up and drive buyers back to self-insurance and captives, though many will continue to use insurer-sold services for claims handling and engineering.

"Insurers have had a terrible underwriting year and there will be some tightening as the interest rates continue to go down," said Mr. Brian. "Some of the reinsurers already are begging for more money and that will eventually affect commercial premiums.

"The price of commercial insurance must rebound and once again self-insurance and captives will be attractive," he says.

Thomas Hallett, senior vp of brokerage Frank B. Hall & Co. Inc. and president of its Risk Science International subsidiary in Briarcliff Manor, N.Y., agrees. Self-funding has shrunk a bit right now, but has the potential for rebirth if rates increase, he says.

"There's absolutely no question that we are seeing people lowering deductibles in response to lower rates from insurers," he explains. "But I don't know if that means

Continued on next page

. . .But 'everybody' is self-funding health benefits

By CAROL CAIN

Everybody's doin' it, doin' it, doin' it,
Everybody's doin' it, doin' it, doin' it.
See that ragtime couple over there?
Watch them throw their shoulders in the air,
Snap their fingers, honey I declare,
It's a bear, it's a bear, it's a bear. There!
—Chorus from "Everybody's Doin' It," Irving Berlin's 1911 turkey trot

Self-funding of health care plans has replaced ragtime dancing as what everybody's doing these days, and the companies doing it are snapping their fingers about impressive savings.

Interviews with 20 employers that started self-funding their health benefits as long as 11 years ago turned up only two employers that switched back to conventional insurance programs. Both were municipalities that were so small that some consultants would not have recommended they self-fund.

The other 18 employers (see chart) that are satisfied with the results of their self-funded plans cited one or more financial advantage, including improved cash flow, interest earned on reserves held to pay claims, elimination of state premium taxes averaging 2.5% to 3% of premiums, reduced administration costs and elimination of insurers' charges.

The last item can be as high as 8% of premium to cover overhead, profit and risk commission.

Many of the self-insurers also said they benefited from more control over claims.

The 18 employers also noted that switching to self-funding is not always easy. And, a self-funded employer must decide whether to self-administer claims and whether to buy stop-loss insurance (see related story, page 11).

A self-funded plan went into effect in 1978 at The Mead Corp. in Dayton, Ohio, to save administrative costs and recapture reserves held by insurers, according to Richard Emrick, director of employee benefits.

"We're figuring we're saving 4% of our funding charges per year," Mr. Emrick said. The paper company uses two insurance companies for administrative services only (ASO) to pay claims.

"We've probably saved in the neighborhood of 15% to 20% of our annual medical expenses," said Armand Villa, director of employee benefits for Warner Communications Inc. in New York. Warner implemented a pilot self-funded program in 1980 for only two of its companies before converting the entire corporation a year later. There are more than 20,000 employees now in the plan.

Holiday Inns Inc. converted to a self-funded plan in 1978 "basically from a cash-

Continued on page 10

Details of 18 self-funded health plans

Name	Number in plan*	Duration of plan	TPA or ASO	Stop-loss limits	Reason for self-funding

Soft market slows growth of self-insurance

Continued from previous page
there is a long-term change in self-insurance.

"We are still doing lots of self-funding alternative studies and risk managers seem to be keeping their options open. Generally, self-funded programs that are already established are substantially unchanged, though retentions may be somewhat smaller."

Corporate bankruptcies and cash-flow problems also may be temporarily slowing self-insurance growth, Mr. Hallett adds.

"Chapter 11 reorganizations are definitely growing around the country and when a company files for bankruptcy, its self-insured program usually returns to the commercial market, at least until the company is back on its feet.

"Other employers may not be in such difficult straits, but they may simply not be able to afford to self-insure right now until their cash-flow improves," he said.

Plant closings and layoffs are also affecting the total volume of money spent on self-funding, others note. Workers compensation, for example, is one of the most commonly self-funded coverages for large corporations but as payrolls shrink, so do workers compensation costs and the programs that fund them.

Also, some employers only self-insure at selected locations to meet varying state requirements. If those locations close, the company is out of the self-funded marketplace.

This was the case for Canadian-based Hiram Walker & Sons, which withdrew from the National Council of Self Insurers because its one large self-insured distillery in the United States closed last year.

Smaller employers, especially those that have successfully resisted the economic recession, are re-examining self-insurance and may begin a resurgence of that option, brokers and service firms say.

Cash-flow devices and stop-loss insurance available from insurers are now making the concept more attractive and available to employers that traditionally lacked the necessary big budget.

"We've seen a cascading effect from insurers and consulants," notes Dr. James Davis, chairman of Corroon & Black Corp.'s Advanced Risk Management subsidiary in Nashville, Tenn.

"We started promoting self-insurance to risk managers from big firms only and now we see that the concept can work well for smaller employers who purchase an aggregate stop-loss."

Many risk managers from large firms also are convinced of the value of self-insurance for qualitative reasons and are taking their companies slowly into self-insured programs as top management's confidence in them grows.

"There's more than cash considerations to a risk management program," he says, "and I have seen cases in which a risk manager has a strong claims or investment background and is reluctant to give up control. These individuals will always seek programs like self-insurance that allow them to control the claims judgment and cash flow."

The nation's largest claims administrators, General Adjusting Bureau Inc. and Crawford & Co., are banking on just such a trend.

GAB in New York, for example, is planning for a 20% increase in revenues derived from self-insured clients, according to Senior Vp Paul Dougherty. Targeting firms with 2,500 employees or more, the company is promoting a customized claims data system to attract sophisticated risk managers.

Crawford & Co. in Atlanta also expects self-insurance to eventually grow, adds Senior Vp C.C. Lefler. "There is a slight but perceptible increase in the amount of quotes we are giving on new self-insured program designs. We know that most companies are in a holding pattern or are playing both ends against the middle, using our quotes in negotiation with insurers, but we also feel that many are legitimate future plans." ■

America, bring your toughest risks to us...

Interstate Insurance Group.
The Backers. Our companies underwrite a wide range of special risks—from municipal umbrellas to All Risk Property coverages to association programs. We're an unusual insurer, growing bigger every day by solving unusual insurance problems for agents and brokers. That's why they call us The Backers.

The Interstate Insurance Group:
Interstate Fire & Casualty Company
Chicago Insurance Company
Interstate Indemnity Company

Geo. F. Brown & Sons, Inc.
The Placement Specialists. Our other unusual company—the broker's broker. For over seventy years, agents and brokers across the nation have been turning to Geo. F. Brown & Sons to find markets for extraordinary property and casualty risks. If it's insurable, we'll find a market. As for our reputation as The Placement Specialists—we've earned it.

Interstate National Corporation
55 East Monroe Street • Chicago, Illinois 60603 • 312/346-6400

Interstate National Corporation is one of the Fireman's Fund Insurance Companies.

Hospitals seek malpractice cover

ST. PAUL, Minn.—Fewer hospitals are beginning to self-insure medical malpractice insurance, according to the nation's largest underwriter of the coverage.

And, other medical groups are bailing out of long-standing self-funding programs by purchasing retroactive insurance.

It's not low rates that are bringing medical institutions back to commercial insurers, it's usually a need to correct the funding problems of the past, says Richard G. Pfeiffer, senior underwriting officer for medical institutions at The St. Paul Cos.

"In the late 1970s, a lot of medical institutions began self-insuring medical practice risks as a way of getting around increasing rates," he explains. "Many of them ignored what the insurance industry was trying to tell them and funded their programs based on premium levels before 1976 when the rates started to go up."

If the institutions attempted to simply match each year's anticipated losses and not plan for long-term claims, the programs may have become quickly underfunded.

Some of these institutions have sought to "sell their liabilities" back to commercial insurers by purchasing retroactive malpractice coverage, says Mr. Pfeiffer.

The retroactive coverage is rated according to the institution's own claims experience and St. Paul's claims data base for its state, the underwriter says.

Though the premium charged is "mostly a swap of dollars" to pay claims, St. Paul's larger spread of risks gives it a slight underwriting advantage. It also receives the institution's new business.

"About 75 (of an estimated 6,000 major medical institutions) have requested some amount of retroactive coverage from us," Mr. Pfeiffer notes, "though not always because their own self-insured plans were underfunded.

"In some cases, the coverage was purchased by a new owner, a hospital group, for example, that was not comfortable with the previous owner's self-insured program or a former owner seeking to cap off its liability.

"In other cases, institutions with captive insurers wanted the coverage out of the captive so it could be used for other purposes."

Though St. Paul has identified this trend, self-insurance is far from dead, Mr. Pfeiffer adds.

"Though a smaller percentage of medical institutions are self-insuring, the ones that are beginning programs are smarter. New hospital groups of 12 to 16 institutions have a large premium base and know a lot more about reserving than the institutions of the past." ■

Baccala & Shoop.

Where the strong and the nimble perform.

In casualty and property, excess and special risks require a rare combination of talents. We have the resources and the resourcefulness to help brokers turn proposals into contracts.

Baccala & Shoop

The crack troop in underwriting management

4400 MacArthur Blvd., Suite 900 • Newport Beach, CA 92660 • Tel: (714) 851-2374

Atlanta • Chicago • Columbus, OH • Dallas • Houston • Los Angeles • Minneapolis • New York • Philadelphia • San Francisco • Seattle

Appeal of comp reserve ruling awaited

By RHONDA L. RUNDLE

SAN FRANCISCO—Kaiser Steel Corp.'s recent court victory against the government may embolden more self-insurers to deduct reserves for unpaid workers compensation claims from their incomes.

However, most self-insurers that do not currently claim the deduction are unlikely to shift gears on the basis of the decision before they know the outcome of the government's appeal to the 9th U.S. Circuit Court of Appeals, which is not expected before the year ends.

A U.S. District Court ruled last summer that Kaiser had been "reasonably accurate" in setting claims reserves and allowed it to use the accrual method of accounting to calculate its taxable income. The decision is the strongest legal precedent to date that supports tax deductions for self-funded workers compensation reserves (*BI*, Oct. 11, 1982).

"There certainly ought to be a vehicle for companies to use to get the same tax benefit from an expected liability that they do paying premiums to an insurance company," declared Sol Coffino, vp-taxes and internal audit for Castle & Cooke Inc. in San Francisco and current president of the Tax Executives Institute, based in Arlington, Va.

Within the next three to six months, Castle & Cooke expects to meet the government in court on a related issue involving tax deductions for premiums paid to a captive insurance company.

"This is another area that is yet to be resolved," Mr. Coffino said.

Nobody knows how many U.S. corporations deduct their workers compensation or other self-funded loss reserves, but there is a strong feeling among tax attorneys and corporate financial executives that the practice is widespread among major corporations with sizable losses to whom the deduction has material value.

"Everybody's having their tax counsel review the Kaiser Steel case," notes Bob Dalton, senior partner with Dalton & McGrath, a commercial insurance brokerage in San Francisco with many large clients. "This is the first breakthrough in the fight against the IRS."

Those companies with a historical picture of their losses are more likely to claim the deduction, observed Mr. Dalton. Experienced self-insurers have more confidence that their original reserving will reasonably estimate the eventual payout, he explained.

Two corporate executives told *Business Insurance* they are deducting workers compensation reserves—or have done so in the past—on the basis of the 1975 Crescent Wharf & Warehouse decision. In that case, the 9th U.S. Circuit Court of Appeals ruled that an employee injury establishes the fact of liability. Before the court could determine if the amount of liability was determined with reasonable accuracy, the taxpayer settled out-of-court.

Under IRS rules, reserves for a contingent liability can be deducted only if the liability is established and the amount of liability can be determined with reasonable accuracy. The IRS has disallowed deductions for self-insured loss reserves arguing both tests can't be met.

"I have always hung my hat on Crescent Wharf," reported Bruce Gibson, insurance manager with Arcata Corp., a lumber and printing company headquartered in Menlo Park, Calif. "Since you have the liability on the books—and it's not a contingent liability—you should be able to take the deduction." Arcata Corp. changed ownership last June and must reapply to the state for authority to self-insure. In the meantime, workers compensation risks are insured through the company's Bermuda captive.

Mr. Gibson stressed that he believes a self-insured company that arrives at a professional estimate of its liabilities should qualify for the tax deduction just as it would if a premium were paid to an insurance company.

"If I couldn't deduct the reserves, I would use an alternative funding approach where I was technically insuring—perhaps a paid-loss retro or a fronting arrangement," he added.

Alan Pierce, assistant treasurer at Foremost-McKesson Inc. in San Francisco, said the Kaiser Steel decision was not critical to his company because it reaffirms the Crescent Wharf ruling. "We are taking the deduction on the basis of Crescent Wharf. I have met with the IRS a number of times on the matter."

More conservative companies that aren't taking the deduction probably will wait to see the result in the government's appeal of the Kaiser Steel decision, he noted.

Paul Dawes, a San Francisco attorney representing Kaiser Steel in its tax dispute, reports considerable interest from self-insurers around the country that have contacted him following the decision in the U.S. District Court for the Northern District of California.

"I've had calls from companies that self-insure with administration internally and externally, companies that are thinking of self-insuring, insurance companies and self-insurance administrators." Mr. Dawes has been asked to speak about the case at the April Risk & Insurance Management Society Conference in Los Angeles.

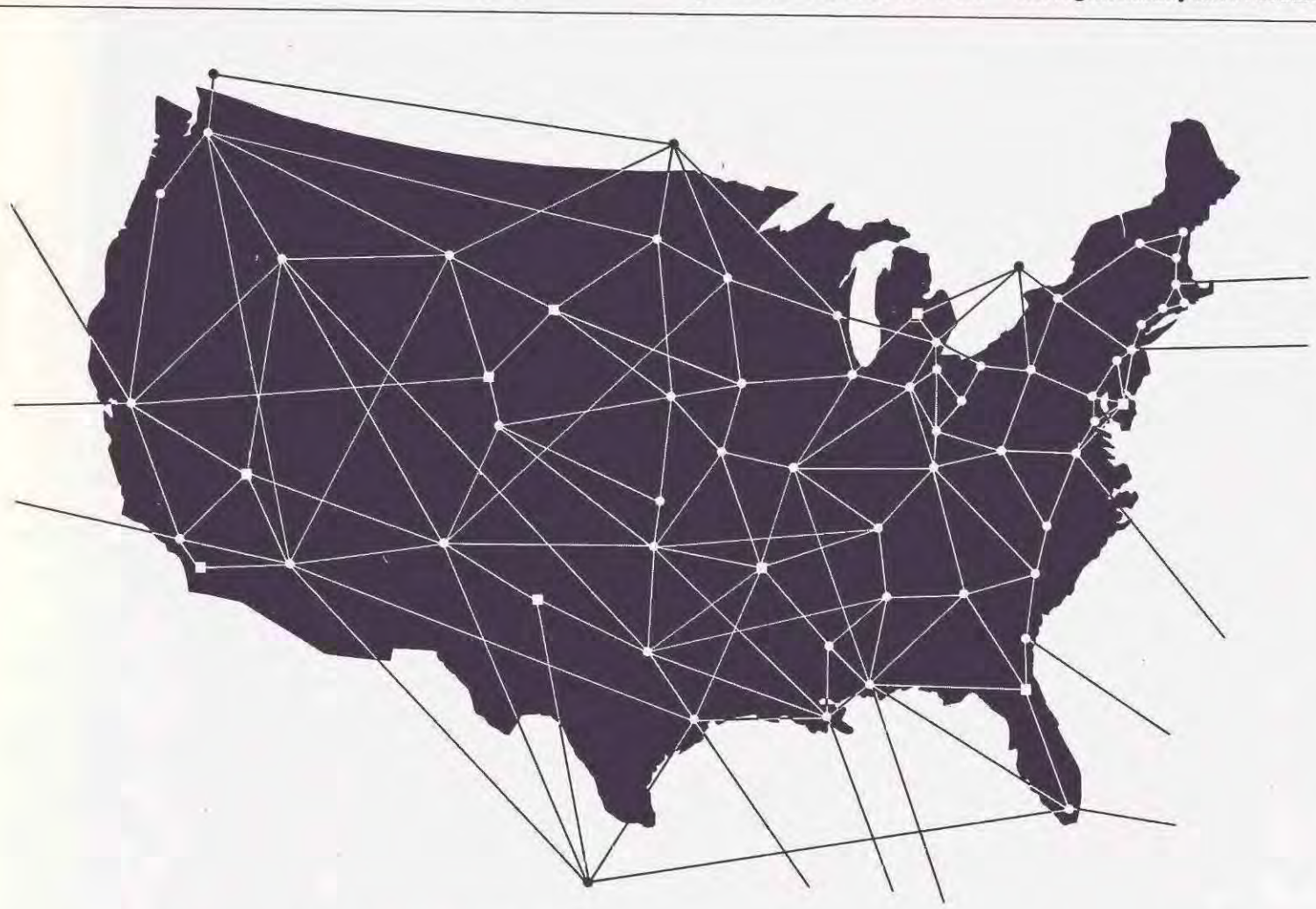
Mr. Dawes also will be busy filing Kaiser's brief in the appeal, which is due May 23 following the government's filing March 28. Within 90 to 150 days after the Kaiser filing, oral arguments will be heard by the 9th Circuit. The court's decision could follow in a matter of weeks or months.

The Kaiser Steel decision will not sidetrack national legislative efforts to establish the tax deductability of self-funded reserves.

"One favorable court decision in San Francisco is great, but we still need legislation which is a lot broader," explains Bob Reeves, president of Hospital Corp. of America's health services group division. Mr. Reeves is a member of the Loss Deduction Reserve Committee, a coalition of risk management interests spearheading the proposed legislation.

"The logic for tax deducting workers compensation reserves should also apply to other types of insurance," he noted.

The Loss Deduction Reserve Committee is in the process of redrafting its bill, introduced in Congress last year as H.R. 6114, and hopes to have it reintroduced before midyear by the same sponsor, Rep. Bill Frenzel, R-Minn. ■



ASSUREX. . . EVERYWHERE

Well, almost everywhere. The dots, 59 of them, show where our current partners are headquartered. In the coming months we'll add partners in areas represented by the squares.

In addition, 64 branch offices (not shown) mean wherever your company has exposure, there's an independently-owned Assurex partner nearby. . . including affiliates in 14 foreign countries. . . ready to work for you.

Over 4,000 professionals. . . experts in reducing your insurance and risk management costs. . . like the ones below:

FARGO INSURANCE AGENCY, INC.
Fargo National Bank Bldg., 12th Floor
Fargo, ND 58102

GENERAL UNDERWRITERS, INC.
730 Buhl Building
Detroit, MI 48226

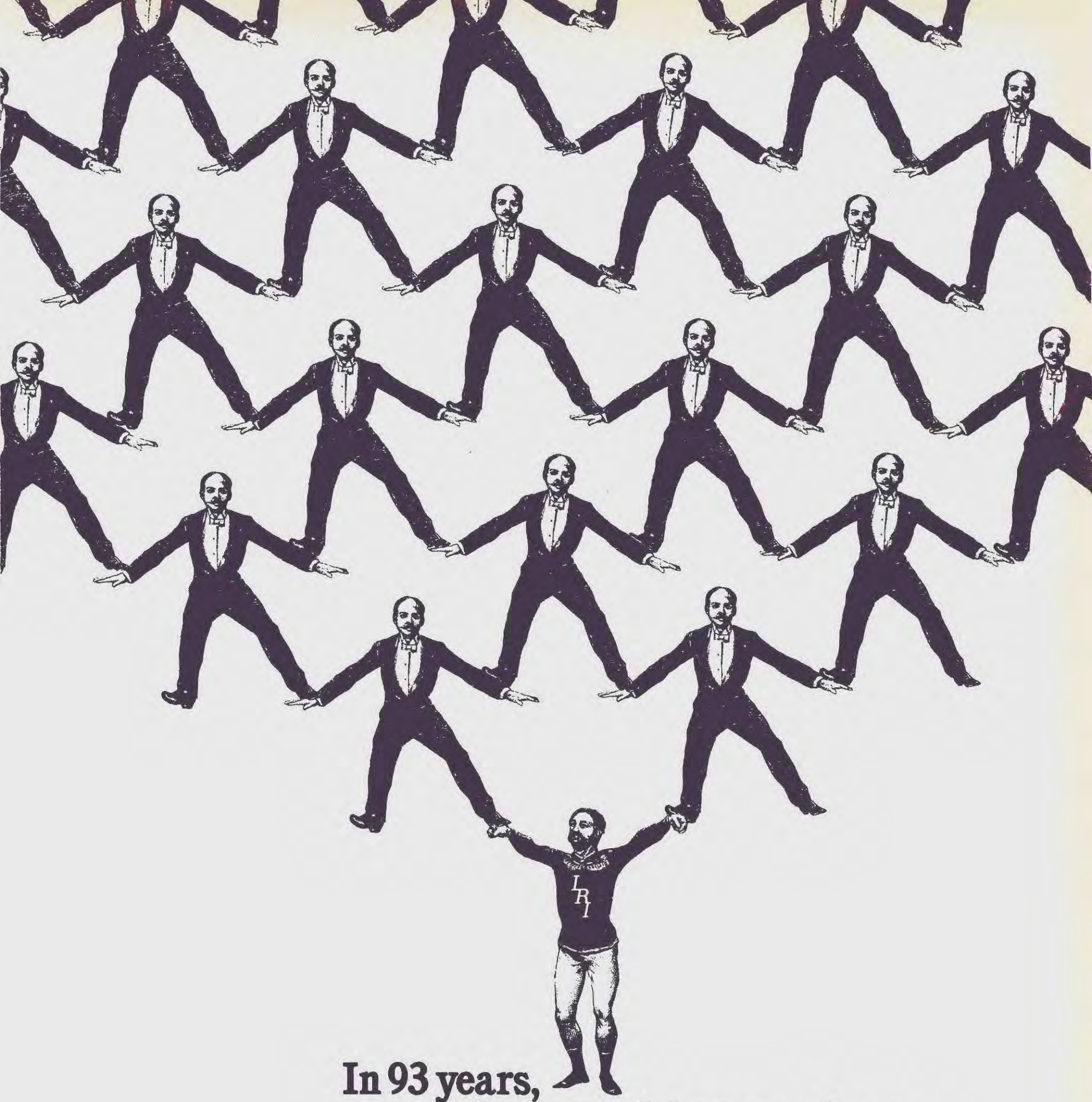
GILLIS, ELLIS & BAKER, INC.
135 St. Charles Avenue, Suite 700
New Orleans, LA 70130

KENDALL INSURANCE INC.
90 South Main Street
Rochester, NH 03867

H.C. KNIGHT & CO.
320 Walnut Street
Philadelphia, PA 19106

LAUB GROUP INC.
324 East Wisconsin Avenue
Milwaukee, WI 53202

Assurex
INTERNATIONAL 6480 Busch Blvd. Columbus, Ohio 43229 (614) 888-4869



In 93 years, we've never let anyone down.

You enjoy that kind of security when your property insurance program is with Industrial Risk Insurers. Others may have lingering questions about their coverage letting them down, but not those who specify IRI. Here's why:

- ☐ Financial stability provided by 45 of the world's best-known insurance companies.
- ☐ Broad property coverage at competitive prices.
- ☐ The finest loss prevention services available anywhere.
- ☐ Claims honored fairly and promptly.

Contact your agent or broker, or call us collect at (203) 525-2601. Ask for Wayne Crawford, Senior Vice-President. He'll tell you why it's good business to do business with IRI. Hartford, CT 06102.

Industrial Risk Insurers

opinions

Losing a round on reforms

IF YOU THINK workers compensation rating and benefit reforms are favoring employers of late, look at California. Employers there are facing big benefit hikes and a new exposure, thanks, in part, to the insurance industry.

Changes in the California workers compensation law were pushed through by a coalition of labor interests in search of bigger benefits for workers and insurers interested in generating a bigger premium volume. California workers compensation insurers don't have to worry about losing their shirts on benefit increases because the state's minimum rate law guarantees them sufficient rates to produce a profit.

For example, California workers compensation rates are going up an average of 15% this year, even though a 9% decline was scheduled before benefits were increased. Next year, benefits are scheduled to increase again, most likely pushing rates even higher (*BI*, Jan. 24).

California employers can fight back.

Those that do not now self-fund workers compensation should examine the option immediately.

All employers should immediately review their part-time workforce and part-time employee hiring procedures now that a part-time employee injured on the job is guaranteed $85 weekly. Providing a minimum workers compensation benefit to a part-time worker exceeding what that worker earns creates, at the very least, a disincentive for injured part-time workers to return to work. It also invites abuse. All employers must now more carefully screen part-time job applicants and require pre-employment physicals to protect themselves from claims for pre-existing injuries.

All employers also should immediately develop policies against settling claims for serious and willful misconduct. Lifting the $10,000 cap on employers' liability for "serious and willful misconduct" was a trade-off for eliminating dual-capacity lawsuits against employers and thus protecting the essence of the workers compensation system, but the trade requires employers to stand tough against questionable as well as frivolous claims for this award. If employers defend themselves against these claims, plaintiffs' lawyers will not pursue unjust demands. But if employers start to settle these claims, every plaintiffs' attorney will make a demand for these damages to increase the final award.

These developments in California prove that business isn't winning all the reforms.

letters

Waking up to the situation

To the editor: It is reported that there will be continued competition among insurance companies for the buyer's premium dollar (*BI*, Jan. 10). I submit that this is not news.

There will be continued competition among alternative vehicles for the investor's dollar. This also is not news. Rather, it is what is to be expected; it has the character of economic law. Given that a buck is created, there will materialize myriad alternatives for its future employment.

Reporters of the insurance scene must change their beat and readjust their focus. On Wall Street, it is not what is available that is news, but what is selling. The man with the buck, the investor, makes the choices, not the purveyors.

So it is with insurance. It is not news that all manner of companies are willing and eager to exchange pieces of paper for dollars. What is news is that any number of otherwise well-managed and sophisticated firms are willing to exchange their dollars for paper with writing on it. This written promise, from a company that has, sometimes admittedly, been playing the harlot for some years, is now often of questionable value. It may be as good as gold, as sound as the paper it is written on or it may be smoke.

The big news in 1983 will be that the buyer will awake to the situation. The hard-won bucks that go to pay insurance premiums will be measured out carefully. The commercial insurance buyer has become significantly more sophisticated. In 1983 he or she will demonstrate that the professional risk manager is not interested in paper or smoke but in solid value.

As a result, the corporate promises of the most fundamentally sound insurers will soar in value while those of the purveyors of paper and smoke will earn what they are worth.

This will be a watershed year, the most critical in the entire history of transferring risk. The aware and the prudent will prosper while a lot of people will be blind sided.

Charles A. McAlear
McAlear Associates Inc.
Grand Rapids, Mich.

It's the employer's job

To the editor: Your editorial opinion, "Inspections you can trust?" (*BI*, Dec. 27, 1982) has the responsibility shoe on the wrong foot.

Each employer is required to furnish to its employees a place of employment free from recognized hazards likely to cause death or physical harm. If this language sounds familiar, it is a paraphrase of the Occupational Safety and Health Administration general duty clause. Clearly, OSHA holds the employer responsible for identifying and correcting loss-producing conditions, not the insurer or broker.

Insurance buyers should expect comprehensive service from their insurer or broker, if the broker provides that service, but there can be a legal difference between "comprehensive" and "complete." (It would be pure folly to indicate a complete inspection was made and every possible loss-producing condition identified.)

If the insurance buyer is not satisfied with the quality of loss-control service from the insurer and broker, he should consider changing insurers. The employer should not be allowed to shift his responsibility for providing a safe workplace to his insurer. Holding the insurer legally liable would encourage many employers to shift this responsibility.

Gordon L. Stewart
Manager
Loss Control Department
H.D. Segur Inc.
Thomaston, Conn.

Forgotten in Brazil

To the editor: We have just received a copy of your Nov. 22, 1982, edition on the Latin American insurance market and would like to congratulate you on a well-written and factual account of the current Brazilian insurance scene.

Unfortunately, there is an omission in the table of leading foreign insurers in Brazil since Yorkshire-Corcovado Companhia de Seguros does not appear. The company, the third largest foreign insurer in Brazil, has annual premiums of 3,3394 billion cruzeiros and assets of 4,4524 billion cruzeiros.

We have operated for more than 60 years in Brazil and are the largest British insurance company operating here.

R.E. Simpson
Vp
Yorkshire-Corcovado Companhia de Seguros
Rio de Janeiro, Brazil

Quick! Give me a light

To the editor: I am writing to you about your Jan. 17 editorial on smoking. As a writer of long experience, I would like to say that it is totally inconceivable to me that I would have been able to function all those years without the comfort and stimulation of the evil weed.

Recently, there have been some mutterings around this place about the hazards and nuisance of smoking. If a ban is imposed, it is comforting to know that a haven for sinners like me does exist. . .even if it is way out in Chicago.

Thomas W. Ellington
Doremus & Co.
New York

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

business insurance®

Reporting weekly for corporate risk, employee benefit and financial executives

Publisher: Alfred Malecki *(New York)*

Editor: Kathryn J. McIntyre, A.R.M. *(Chicago)*
Managing Editor: Lorrie Gawla *(Chicago)*
Assistant Managing Editor: James M. Burcke *(Chicago)*
Senior Editor: Len Strazewski *(Chicago)*
CHICAGO: Eileen Norris *(Associate Editor)*, Stephen Tarnoff *(Associate Editor)*, Donna L. Yanish *(Agent/Broker Topics Associate Editor)*, Claudette Dampier *(Assistant Copy Editor)*, Merrill S. Saltzman *(Graphics Editor)*, Amy Palmer *(Production Assistant)*, Jim Bakasetas *(Production Assistant)*, Dorothy Parr Snowden *(Proofreader)*, Sallie J. Drury *(Editorial Assistant)*
DALLAS: Laurence H. Gross *(Bureau Chief)*
LONDON: Stacy Shapiro *(Associate Editor)*
LOS ANGELES: Rhonda L. Rundle *(Bureau Chief)*, Betsy Sharkey *(Associate Editor)*
NEW YORK: Bill Densmore *(Bureau Chief)*, James C. Lawson *(Associate Editor)*, Douglas McLeod *(Associate Editor)*
WASHINGTON: Jerry Geisel *(Washington Editor)*
Corporate: Todd E. Fandell *(Corporate Editor)*, Joe Faraci (Corporate Art Director)

Advertising Director: Donald A. Walsh *(New York)*
Midwest Sales Manager: Robert L. Niesse *(Chicago)*
CHICAGO: Emily A. Webb (District Manager), Fran Prybylo *(Production Manager)*
LOS ANGELES: Sue Sayre Eisenberg *(District Manager)*
NEW YORK: Charles A. Horvath *(District Manager)*, Jack Forrest *(District Manager)*, Timothy O'Hara *(District Manager)*

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

EDITORIAL: Chicago: 312-649-5398; Dallas: 214-528-3561; London: 01-831-9696; Los Angeles: 213-651-3710; New York: 212-210-0100; Washington: 202-638-5300
ADVERTISING: New York: 212-210-0133; Chicago: 312-649-5276; Los Angeles: 213-651-3710
COMMUNICATIONS: New York: 212-210-0132
CIRCULATION: Chicago: 312-649-5221

Published by Crain Communications Inc., Chicago
G.D. CRAIN JR. founder (1885-1973)
MRS. G.D. CRAIN chairman
KEITH E. CRAIN vice-chairman
S.R. BERNSTEIN chairman/executive committee
RANCE CRAIN president
MARY KAY CRAIN treasurer
MERRILEE P. CRAIN secretary
DAVID J. CLEARY executive vp/general manager
JAMES M. FRANKLIN vp/finance

Published weekly at 740 Rush St., Chicago, Ill. 60611. Offices: 220 East 42nd St., New York, N.Y. 10017; Suite 515, National Press Building, Washington, D.C. 20045; 6404 Wilshire Blvd., Los Angeles, Calif. 90048; 5327 N. Central Expwy., Suite 200, Dallas, Texas 75205; 20-22 Bedford Row, London WC1R 4EB, England. $1 a copy. $40 a year in U.S. Canada and all other foreign add $14 for surface mail. Europe and Middle East only add $35 for air delivery. First-class mail to U. S. and Canada only, add $50. Bermuda only, $85 per year expedited delivery. WILLIAM STRONG, *vp-circulation*. DIANNE WALSH, *circulation manager*. ROGER DiGREGORIO, *fulfillment director*. Four weeks' notice required for change of address. Send subscription correspondence to Circulation Dept., Business Insurance, 740 Rush St., Chicago, Ill. 60611 or phone 312-649-5221. Telex 25-4248; Cable CRAINCOM. Microfilm copies are available from University Microfilms, 300 Zeeb Rd., Ann Arbor, Mich. 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 extent of a bank's commitment to the future is measured by the quality of its achievements in the past.

For the last 184 years, Chase has been firmly committed to developing the financial system that has contributed so greatly to America's astonishing growth.

Of course, merely being around for almost two centuries is no achievement in itself. Chase would rather be judged on how profitably we've used our time.

Twenty years ago we foresaw the increasing need in the insurance industry for specialized financial services. So we formed a division dedicated to the insurance industry. With a full time team of seasoned insurance specialists ready to see our customers through every aspect of this changing business.

Today we provide our insurance customers with the most advanced technology and management tools the insurance world has ever seen.

Tools to help make our customers more skillful portfolio managers. More effective cash managers. More informed decision makers. Tools to make their companies more profitable.

As for the future, our vision will be as farsighted as it has been for the last 184 years. And for innovation and commitment, our history will repeat itself.

CHASE

Self-insurers mostly pleased

Continued from page 3

flow point of view," said Paul Olsen, manager of group benefits. "It also gave us quite a bit of flexibility in administering a plan without going by an insurance company's regulations."

The hotel and gaming corporation, based in Memphis, Tenn., has about 12,000 employees enrolled in the plan.

"It's hard to put a dollar value on the cash-flow savings, but if we looked at it as if we were an insured plan, it would have been something like a $500,000 increase in costs last year," Mr. Olsen said.

Most of a self-funded plan's advantages are in the realm of cost savings, but there are indirect advantages, too.

"We have much greater control over how claims are handled," said Richard Cohen, director of personnel and employee relations at Furr's Cafeterias in Lubbock, Texas.

Speed in handling claims and decisions on whether to pay claims that may be technically covered by the program are important control points, he said.

When Furr's become self-funded in 1979, it was a small company, displeased with the interest and dividends it was getting on reserves from its health insurer.

"We knew we could see anywhere from 15% to 25% savings," noted Mr. Cohen, but it was the control of claims that he stressed as the real bonus.

Furr's operates 100 cafeterias in eight Southwestern states. In 1979, when it introduced its self-funded plan, about 1,500 employees were enrolled. It became a wholly owned subsidiary of K mart Corp. in 1980 and now has about 2,400 employees in the plan.

"We've got a pretty big setup for a small company," Mr. Cohen said, adding that K mart corporate officials have even shown an interest.

Consultants agree that almost all large companies self-fund their health benefits and that the number of small and medium-sized companies, like Furr's Cafeterias, joining the self-funded ranks has grown rapidly since enactment of the Employee Retirement Income Security Act in 1974.

Self-funding, however, is not for everyone. Two counties in Alabama previously self-funded, but they returned to traditional coverage after bad experiences.

"We had an insurance rep convince us that we'd save (by self-funding)," said Mildred Ray, clerk of the Shelby County Commission in Columbiana, Ala. The county dropped the year-old plan in 1981.

"After we got into it, we found that we didn't have enough employees to be self-funded," she said. Among the 200 employees in the plan, several had open heart surgery that year and the savings on healthy employees didn't cover the cost of the illnesses.

Madison County, Ala., pulled out of a self-funded plan last year after finding out it didn't have enough money to pay the claims from its 500 employees.

"We started entertaining the idea two or three years ago, because we faced a 40% increase from our carrier," said Mike Gillespie, chairman of the county commission. "A group approached us with the idea (self-funding) and sold us."

"At 5,000 (employees), self-insurance is probably feasible," said Howard J. Levin, a partner and actuary in Hewitt Associates' Chicago office. "Between one and 5,000 employees, (then) it depends on the company's attitude toward risk."

Claims aren't as predictable with smaller groups and the risks are greater, Mr. Levin said. Groups of that size might look to minimum premium plans for some relief from rising costs, he added.

Third-party administrators (TPAs) often work with companies with as few as 200 employees in a self-funded plan.

"A lot of it depends on the type of coverage, past experience and the volume of claims," said Kenneth Stoudt, president of Susquehanna Administrators Inc. in Lancaster, Pa., and president of the Self Insurance Institute of America. "You wouldn't want to be involved with any loss fund under $100,000," he said.

The average size of plans administered by Leader Administrators Inc. in Wayne, Pa., is 350 employees, said President Bob Hancock.

"Smaller companies don't have risk managers, so they can't figure costs," Mr. Hancock said. "But by the time you get to $400,000 or $500,000, you can take off the gloves and say you're an idiot if you don't go to self-insurance, provided you get proper stop-loss insurance."

Companies switching to self-funding need help designing the plan, which isn't always easy to get.

"We had some rough edges at first," said Steve Schinnerer, personnel director for Santa Barbara County, Calif. "Our old insurance company wouldn't provide us with a schedule of allowance. We had to work closely with a third-party administrator and our employees' group," he said.

Santa Barbara's plan includes about 3,000 active employees and retirees (some are union members). It began in 1979 after eight months of planning.

Many self-insurers use someone from the outside, either a consultant, administrator or insurance broker, to develop their program, though in several cases, the new plan was a rewrite of the previous group insurance policy.

None of the 18 employers satisfied with their self-funding found claims ever exceeded reserves, as the two counties in Alabama did and as critics of self-funding warn can happen. The 18 employers use their claims administrator, or an actuary if they self-administer claims, to set their reserves.

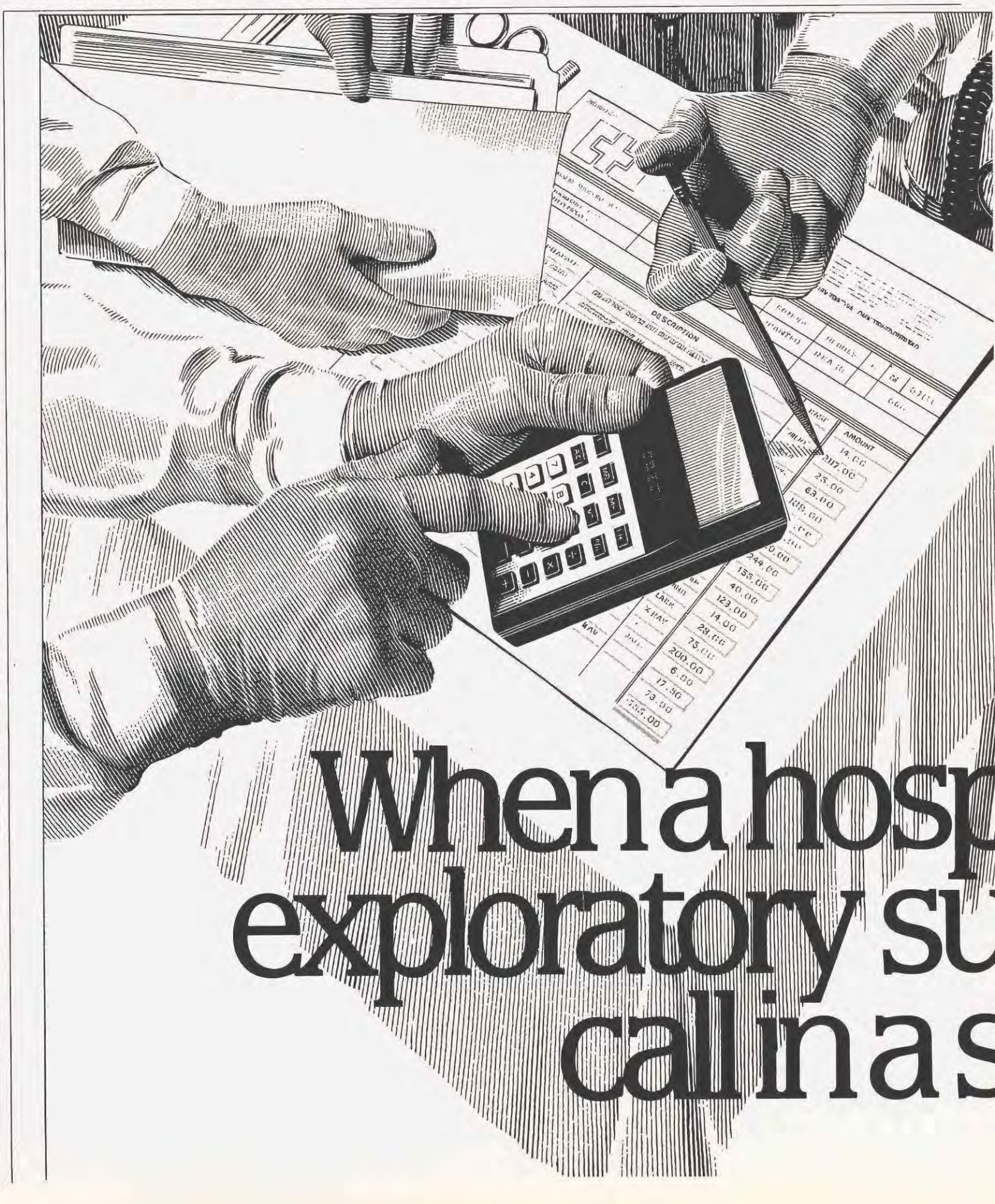
All the firms interviewed that currently self-fund their health plans say they'll stick with it based on experience.

Peggy Gorman, personnel specialist at William Rainey Harper College in Palatine, Ill., which has self-funded benefits for its employees for six years, said it best. With medical costs at the two-year college rising 5% to 10% during the past four years, an increase below the national average, "I can't see switching back (to a traditional plan) unless the entire insured group came down with a strange illness." ■

Health plans share features

The 18 self-funded benefit plans surveyed by *BI* share several interesting similarities:

- Most require $100 deductibles, and a few require deductibles as high as $200. A 20% coinsurance arrangement also is standard, with full coverage kicking in anywhere from $2,500 to $10,000.
- About one-third of the employers require employees to contribute toward the health plan's cost. Those contributions range from 10% to 50%. Almost all plans require a contribution for dependents, ranging from 15% to 100%.
- For most, self-funding was the first step toward curtailing rising health care costs.



Large, small self-insurers' techniques differ

By CAROL CAIN

Once an employer decides to self-fund its health benefits, among the most important decisions to be made are:

- How to administer claims.
- Whether to buy stop-loss insurance.

The 18 employers that self-fund health benefits interviewed by *Business Insurance* explained why 15 of them contract for claims services while three administer in-house, and why 10 buy stop-loss insurance and eight do not.

Only the very largest companies self-administer their health claims. The majority of employers rely on a third-party administrator (TPA) or a national insurance company for either administrative services only (ASO) or administrative services plus consulting and actuarial work.

Many TPAs offer a variety of services in addition to processing claims. Plan design, counseling and employee communication packages are among the more common.

Furr's Cafeterias in Lubbock, Texas, has been self-funded since 1979 and uses Fred S. James & Co. Inc. in Salt Lake City as its TPA to administer claims for its 2,400 employees.

"We probably could do it for a little less money, but we couldn't match the complexity of their program. . .on their computer. It's beyond the capacity of our system, so if we had to expand, it then would cost us more," said Richard Cohen, director of personnel and employee relations.

Peggy Gorman, personnel specialist at William Rainey Harper College in Palatine, Ill., believes her organization could never match the backup staff, computer facility and training time provided by Northwestern National Life Insurance Co.

Processing claims involves specialized skills and more data and information than one employee usually can collect, said Howard J. Levin, a partner and actuary with Hewitt Associates in its Chicago office.

Most companies have recognized that TPAs and insurance companies have heavily invested in claims systems—both hardware and software, said John Hickey, a partner and head of the group benefits division at consultant Kwasha Lipton in Fort Lee, N.J.

"In some cases an in-house (administration program) is just as effective and efficient, but if you do the things we do, you can't compare," said Samuel X. Kaplan, president of U.S. Administrators Inc., a 20-year-old, Los Angeles-based TPA.

USA's system will not process a bill unless it has a four-digit diagnostic code and a five-digit procedure code. If a claim doesn't have those codes or if the two codes reveal the procedure is inappropriate for the diagnosis, the claim is singled out for special attention.

USA also employs physicians that step in when a procedure is disallowed. "Our beneficiaries are held harmless with respect to disallowed charges," Mr. Kaplan said. When such a claim is denied or reduced, USA sends letters to the patient and the physician saying the claim will not be paid and the patient will be defended by USA in any action.

USA is one of the largest independent TPAs in the country, handling about 13 million claims in 1982 and about $600 million in employer contributions, Mr. Kaplan said.

"I think you'll find that very few (companies) have an internal claims processing staff, and if they do, they're not pleased," said Robert Kelly Jr., president of Kelly & Associates Inc. in Chicago, the largest independent TPA in the Midwest.

He compared a TPA's job to a recent Kentucky Fried Chicken advertisement. "It's a general business principle—you should do what you do best. A manufacturer should spend its best efforts manufacturing its product," Mr. Kelly said.

Training is time-consuming, Mr. Kelly said, adding that most companies couldn't afford specialists in setting claim reserves.

TPAs and ASO agents set claims reserves and bill clients, usually twice a month but as frequently as twice a week.

The TPA for Furr's Cafeterias lets them know twice a month how much money they will need within the next 20 days to pay claims.

Employers that do not pay claims out of cash flow often use a 501(c)(9) trust to accumulate employers' and any employees' contributions toward the cost of the benefit.

The trusts, which are named for the section of the Internal Revenue Code authorizing their use, provide the employer with tax deductions for contributions to the trust and allow contributions to accumulate interest tax-free. The use of a 501(c)(9) trust also satisfies government regulations on the handling of employee contributions.

With more health care plans requiring employee contributions as a cost-containment measure, 501(c)(9) trusts are gaining popularity. One consultant estimates that half of the employers self-funding benefits use these trusts.

Continued on next page

ANNOUNCING MEDEX SERVICES. MEDICAL SPECIALISTS WHO REVIEW AND REDUCE PROBLEM HOSPITAL BILLS.

Nobody knows insurance procedures better than you do.

But when a hospital bill is unaccountably high—when charges appear redundant or just plain impossible to understand—why not call in a medical specialist?

Medex will send a registered nurse straight to the hospital to carefully analyze the patient's chart. Make sure every charge is correct and consistent with coverage. Then work personally with the business office to clear up any errors.

Our results to date have shown that about 90% of all bills reviewed required adjustments, resulting in an average savings of 7% per bill...a return to Medex customers of $9.00 for every $1.00 invested.

And with our national network of 84 offices you can be assured that our people will always be available to work *inside* the hospital, where they can do the most good.

There's a free information package waiting for you. Call us today, toll-free, at 1-800-345-1075.

medex services

We're taking a long, hard look at the cost of medical claims.

Medex is an affiliate of International Rehabilitation Associates, Inc. The nation's oldest and largest rehabilitation management organization.

ital bill needs
rgery, it pays to
pecialist.

SIAA to certify administrators

The Self-Insurance Institute of America is developing a certification program for third-party administrators.

"In 1983, we'll have established some form of a certification program and also a rating system," said Jim Kinder, the SIIA's executive director.

The 2-year-old SIIA does more than just represent third-party health benefit administrators. Its concerns spread over all types of risks, and the 200-member national association includes consumers as well as agents and brokers.

"Even students and consultants belong," said Marvin Draper, director of membership development.

The SIIA will hold a convention Sept. 28 through Oct. 1 in San Diego where issues will be discussed and the automated tools of the trade displayed.

The group also produces a regular newsletter, special reports and regional seminars.

For more information, contact the SIIA at P.O. Box 15466, Santa Ana, Calif. 92705.

501(c)(9) trusts prove popular

Continued from previous page

A 501(c)(9) trust also allows an employer to pre-fund costs in good earnings years, says Lamar Madsen, compensation department manager of The Arizona Bank in Phoenix.

The annual cost of third-party claims administration can be calculated in numerous ways, but three are most common:

- A cost per employee per month, based on the type of services rendered.
- A flat fee.
- A percentage of the projected claims or claims paid.

"It's ludicrous to charge a percentage of claims," said Mr. Kaplan of U.S. Administrators. "There's no incentive to reduce costs."

"I feel it's counterproductive," said Kenneth Stoudt, president of Susquehanna Administrators Inc. in Lancaster, Pa., and president of the Self-Insurance Institute of America. "That's a good way of giving yourself an automatic raise."

The employers surveyed by *Business Insurance* noted that charges for administrative services have gone up an average of 7% to 20% per year in the past five years. Fees cited ranged from $3.99 to $5 per employee per month.

Employers are not hesitant about switching administrators when dissatisified with the service.

Santa Barbara County, Calif., had used USA, but wanted a local administrator, according to Personnel Director Steve Schinnerer. The county sought bids and secured a local administrator. Eight months later, it canceled that contract and went back to USA, which processed the claims in a timely fashion, said Mr. Schinnerer.

TPAs say claims should be cleared within two to five days. Lengthy claim processing was cited over and over by companies as a main reason for switching administrators, or in some cases, for dropping a traditional insurance plan and self-funding.

Some employers use a TPA as a buffer benefit. Emotional claims are turned down by a third party "rather than us," said Mr. Cohen of Furr's Cafeterias.

Employers that choose to also self-administer their self-funded programs defend their decision.

The Automobile Club of Southern California has self-funded its medical plan since 1972 for 4,900 employees and 1,000 retirees and has self-administered since 1977 to gain additional savings, according to Brenda Welsh, manager of employee benefits and services.

Before the plan was administered in-house, the automobile insurance club and travel agency had a staff of counselors who worked with the TPAs.

Becoming self-administered gave the club an opportunity to train the counselors and upgrade those positions, improve services and reduce costs even more, Ms. Welsh said.

The auto club has a large legal staff and relies on a consultant to keep it up-to-date on federal regulations. Most of the staff members have five to 10 years of claims adjusting experience, which might exceed some TPA staffs, she noted.

"I think what the TPAs are saying is valid, but we're right on top of things. We also have our own communications and our own print shop," she said.

Software for the auto club's system was purchased from System Development Corp. in Santa Monica, Calif. Several larger companies in Southern California also purchased similar software and have formed a users' group.

"We meet annually and quarterly to share information," Ms. Welsh said, noting there are several such regional groups in the United States.

"We save in excess of a half-million dollars a year (in administrative costs) by paying our own claims," said Mary Sacre, manager of corporate group benefits for Denny's Inc., a restaurant and food service corporation based in La Mirada, Calif.

About 22,000 employees are enrolled in Denny's plan, which began in July 1977.

Whether to buy stop-loss insurance is another important decision to be made by an employer that is self-funding its benefits. Ten of the 18 employers interviewed by *Business Insurance* buy it.

Large companies, like Denny's, don't need individual stop-loss coverage because of the size of the group, Ms. Sacre said. "But we are considering aggregate coverage."

Holiday Inns also self-funds without purchasing a stop-loss policy covering the 12,000-person plan. "For the size of our group, the costs are pretty predictable," said Paul Olsen, manager of group benefits.

"What used to be catastrophic years ago is commonplace today. We haven't had any monster (claims)," he noted, adding, however, that there have been a couple of $100,000 claims since the self-funded plan began five years ago.

A company with 10,000 or more employees in a self-funded plan doesn't need stop-loss coverage, according to Gary Ward, a senior manager and consultant with Peat, Marwick, Mitchell & Co. in Los Angeles. "Why get rid of one form of insurance and take another?" he asked.

Companies that buy stop-loss insurance note it is inexpensive for the comfort. The 10 companies surveyed by *BI* that buy the coverage had fewer than 3,000 employees.

Many of the smaller companies that work with Peat, Marwick Mitchell & Co. fund the incurred claims reserve instead of buying stop-loss, Mr. Ward said.

"To me, specific stop-loss is very often overpriced," said Mr. Hickey of Kwasha Lipton. Most companies look to aggregate coverage, which has limits so high that the premium is reasonable, Mr. Hickey said.

Furr's Cafeterias has an aggregate stop-loss with a limit set at 125% of the projected annual claims. It pays $7,500 for the coverage. "Hopefully, by next year we're going to quit, but now it's kind of a peace-of-mind coverage," said Mr. Cohen.

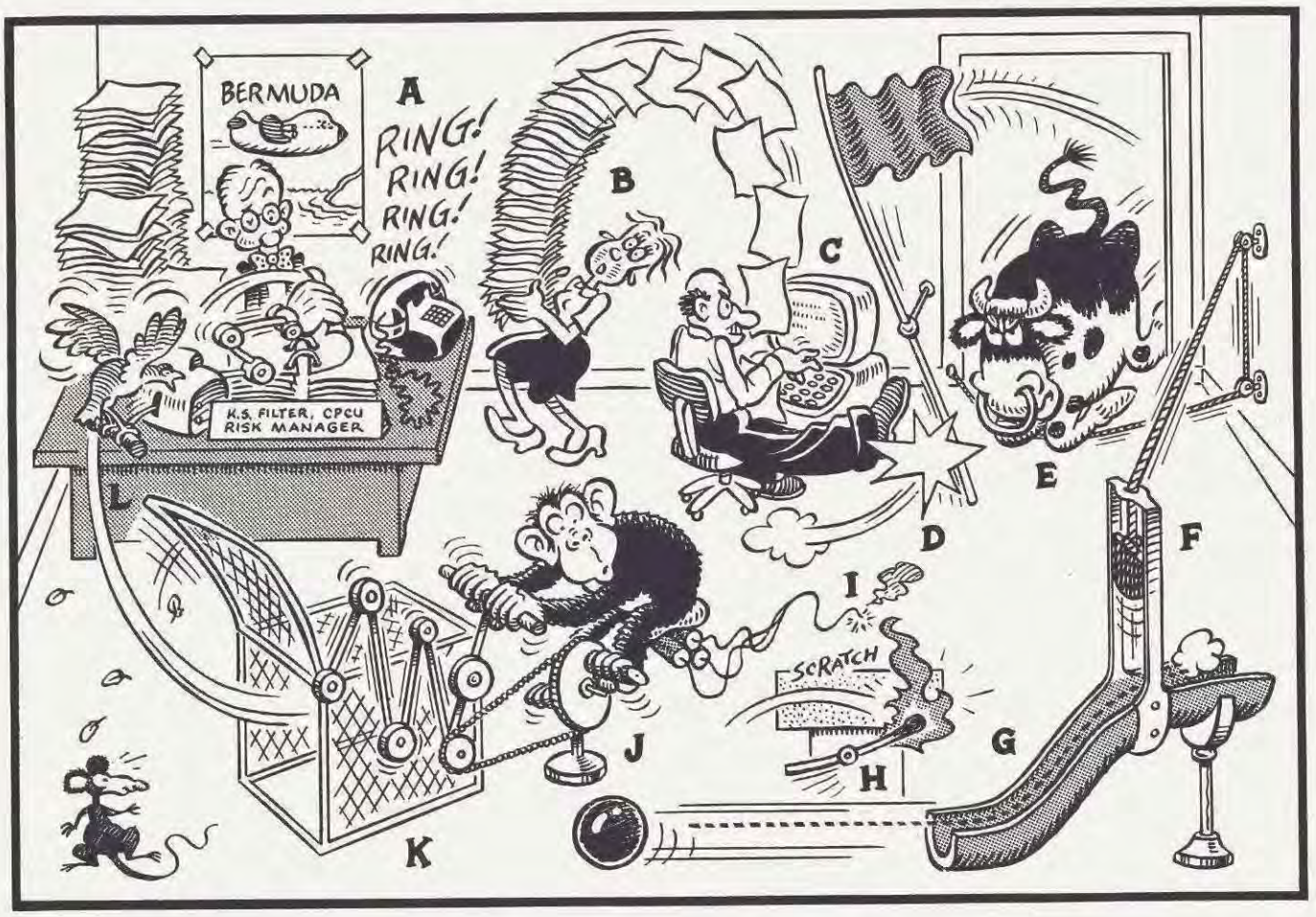
Rates for stop-loss insurance paid by surveyed companies remained flat or went up only slightly during the past five years. Most of these companies have both specific and aggregate coverage, ranging from $15,000 to $25,000 for individuals and an aggregate limit that varies from a percentage of claims (usually 120% or 125%) to a flat figure of up to $2 million.

"It's a protection that we feel most comfortable with," said Calvin Stilwell, vp of the First National Bank of Sioux Falls, S.D. The bank's self-funded plan, which was started in 1978, covers about 170 employees.

Sometimes it can be difficult to find stop-loss insurance as Sahara Coal Co. Inc., a 75-year-old Illinois mining company, found. The self-funded program covering about 135 employees went into effect Jan. 1, but had been delayed for more than a year. "It took us (that long) to find someone to give stop-loss insurance to a company our size," said John Peck, vp-finance and administration.

Underwriters at Lloyd's of London wrote the policy, providing both specific and aggregate stop-loss insurance above $25,000 per claim and 125% of projected claims for a premium of $27,000. ■

Self Insurance Is No Do-It-Yourself Project.



Ironically, a company's decision to manage its own risks does not eliminate the need for risk management experts. It intensifies that need. And that's where we come in.

We're Parker Services, Inc., a member of the Sentry Insurance family of companies. Our experts can help you choose the right services and tailor a program that's best for your company. We offer a complete line of risk management services including claims administration, loss control, industrial hygiene and loss experience reports.

We can also help establish and administer captives and optional segregated accounts.

So call us collect for our brochure. And if you ever need one of our services, call us again. Because without the help of experts, risk management can be a risky proposition.

Call collect (715) 346-7357.

Sentry Insurance

PARKER SERVICES, INC.

The Risk Management Experts.

We've been at the head of the class for over 50 years.

When there are questions about group life, health, or disability insurance, people like to call on us. Because we've been providing the right answers for more than half a century. In fact, Washington National was a pioneer in the Group field back in the 1920's. So we've become specialists in insuring groups with plans as unique as the individuals in them.

The Group Agency Department of Washington National is a select team of highly trained professionals with the sensitivity and expertise to meet the specific needs of your business.

We provide the best service possible. And we're backed by a company with resources of over 15 billion dollars of life insurance in force.

Washington National. When it comes to insuring groups, we're in a class by ourselves.

If you'd like more information, call the Group Agency Department, 312/866-3410.

Washington National
INSURANCE COMPANY
EVANSTON, ILLINOIS 60201

An Equal Opportunity Employer

THE SOUTH STREET SEAPORT REALLY STANDS BY ITS EMPLOYEES.

AND METROPOLITAN REALLY STANDS BY THE SEAPORT WITH A GROUP LIFE PLAN THAT MAKES FOR SMOOTH SAILING.

The maritime history of a bygone era is alive at New York City's South Street Seaport Museum. But unlike their seafaring mates of years ago, today's small, select group of Museum workers have one of the most up-to-date group life insurance plans available. That's because the Seaport Museum looked to the authority in group life insurance–Metropolitan.

As a leader in group benefits, we offer even small-size companies group life insurance plans that are both innovative and cost-effective.

WE DO THE SAME FOR LARGER COMPANIES, TOO.

At Metropolitan, we design group life plans for companies ranging in size from small family businesses to some of the largest corporations in America. All told, we provide group life insurance to over 16 million people. No matter how big or small your company, we're flexible enough to build a plan that will balance your employee needs with your company's budget.

Metropolitan Insurance Companies

Group Life/Health Insurance

METROPOLITAN REALLY STANDS BY YOU.

©1983 Metropolitan Life Insurance Co., New York, N.Y.

Dallas self-funds new flexible benefits plan

By LAURENCE H. GROSS

DALLAS—The city of Dallas is hoping its new self-insured flexible benefits plan will make employees happier while holding the line on health costs.

The city decided to switch to a flexible plan after employee attitude surveys showed that city workers were more dissatisfied with their benefits than any other aspect of their jobs.

Only half of the 13,500 workers said last year that they were pleased with their benefits, compared with 79% in a 1975 poll.

The city is hoping the new flexible plan, which went into effect on Jan. 1, will change that. It is spending $2.6 million more on insurance-related benefits this year than it did in 1982, but hopes that built-in health care cost-containment features will prove to be money savers.

The extra money devoted to benefits won't be felt by city taxpayers, says Norman W. Murphy, the city's assistant director of personnel.

"We saved about $3 million last year from reorganization of city government and increases in productivity. Of that amount, about $2.6 million were plowed back into benefits."

The city is not purchasing stop-loss coverage to cap plan costs.

City employees now have the option of choosing different self-insured health, dental and vision plans and health maintenance organization options.

The 25,000 participants in the city's plan did not receive dental or vision coverage in the city's former self-insured plan, says Mr. Murphy (*BI*, Aug. 2).

The basic medical plan requires employees to pay a $250 annual deductible. The plan pays 70% of eligible expenses up to $5,000, after which it pays all health costs up to $2 million maximum. The plan caps an employee's annual out-of-pocket expenses at $1,750.

The high-grade medical plan requires only a $100 deductible and pays 80% of eligible costs up to $5,000, capping out-of-pocket expenses at $1,100.

Both plans, however, contain three cost-containment features:

- They pay 100% of covered expenses for outpatient surgical procedures instead of the 70% or 80% coverage for other costs.
- They pay 100% of pre-admission testing costs.
- They pay the full costs of optional second surgical opinions for non-emergency surgery.

City workers also have the option of joining two area health maintenance organizations.

Besides the medical options, employees also can choose between two self-insured dental plans.

The basic plan pays the full cost of preventive care like examinations, X-rays, cleaning and children's fluoride treatment. It also pays the full cost of routine procedures like oral surgery, extractions, fillings, root canal therapy and gum treatments. However, it does not cover any other procedures.

No deductible is required for preventive care, while a $50 annual deductible is required for the other covered services. There is a $1,000 per-person annual limit.

The deluxe plan provides the same coverage, but also fully covers items like crowns, caps, bridges, dentures, inlays and medically necessary orthodontics. The maximum benefit is increased to $2,000 a year, but the deductible is $100.

A basic vision care plan is included with either dental plan. The plan pays up to $25 for an eye examination every two years. It also pays up to $45 for lenses and frames, plus an additional $10 if bifocals are required, and pays up to $45 for contact lenses. There are no other vision care options.

Under the flexible plan, the city will pay $73 toward an employee's medical, vision and dental care benefits, with the employee picking up any extra cost through payroll deductions.

For example, an employee opting for individual coverage would not have to contribute toward premiums if he or she chose the most popular combination: the high-grade medical plan and the basic dental and vision plan. An employee wanting coverage for two or more dependents would pay $159 a month for the same coverages.

Despite the various options, city officials say more than 75% of the employees have opted for just two combinations: About 44% chose high-grade medical and basic dental and vision, while 31% chose basic medical and high-grade dental and vision.

In addition to the self-insured benefits, the city also provides workers with $15,000 in life insurance coverage underwritten by Hartford Life Insurance Co. Employees can also purchase additional coverage that equals one or two times their annual salary.

Mr. Murphy says that one of the greatest problems in introducing the flexible plan was communicating the changes to employees.

"We had to reach those with a high level of education as well as those lower on thge scale," he said, adding that the communications strategy was mapped out as carefully as the benefits plan itself.

To make employees aware of benefits changes, more than 75 departmental meetings were conducted by city personnel officials in locations around Dallas. Many of the seminars were conducted in Spanish and English since 10% of the city's employees are Hispanic.

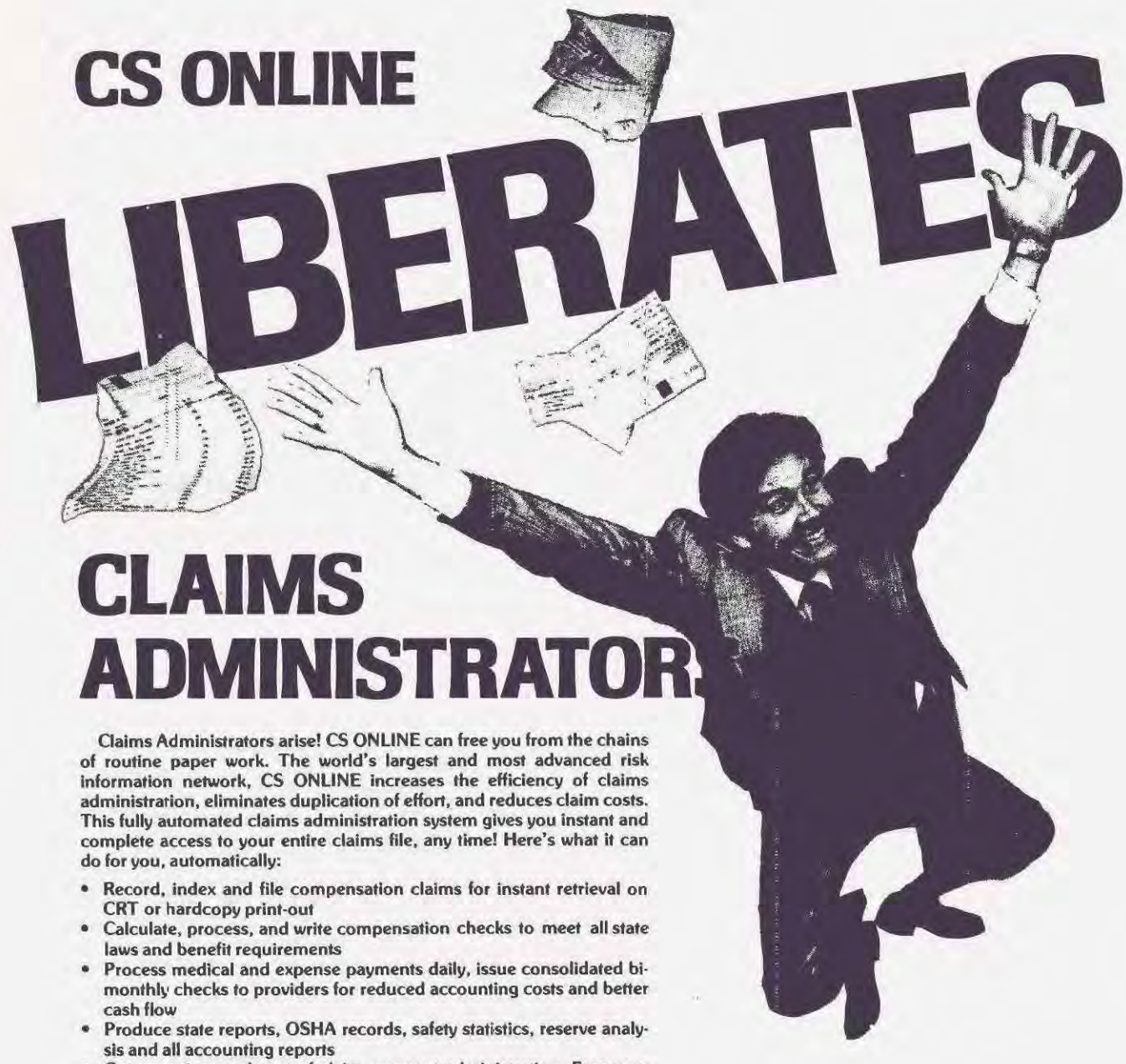
The city placed messages in paycheck envelopes, distributed detailed booklets, placed articles in newsletters printed by city departments, began issuing personalized benefits statements and placed posters in city offices.

Overall, the city distributed more than 200,000 pieces of printed material to explain the benefits.

The medical, dental, vision and life insurance options are just the first phase of a three-tier plan to increase city workers' benefits.

The city hopes to provide more benefit choices in 1984, including accidental death and dismemberment coverage, long-term disability coverage and vacation options.

In 1985, it will consider day care benefits and free parking. ■



Claims Administrators arise! CS ONLINE can free you from the chains of routine paper work. The world's largest and most advanced risk information network, CS ONLINE increases the efficiency of claims administration, eliminates duplication of effort, and reduces claim costs. This fully automated claims administration system gives you instant and complete access to your entire claims file, any time! Here's what it can do for you, automatically:

- Record, index and file compensation claims for instant retrieval on CRT or hardcopy print-out
- Calculate, process, and write compensation checks to meet all state laws and benefit requirements
- Process medical and expense payments daily, issue consolidated bi-monthly checks to providers for reduced accounting costs and better cash flow
- Produce state reports, OSHA records, safety statistics, reserve analysis and all accounting reports
- Cut your time and cost of claim payment administration. Free your staff to improve relations with injured employees

Don't settle for less than the most advanced in risk information technology. Find out what CS ONLINE can do for you. Call toll free in the U.S. and Canada, (800) 858-4351 or (806) 376-4223 in Texas. Or send the coupon below.

corporate systems

Leadership in Risk Information Technology

Tell me more about CS ONLINE, Corporate Systems' new technological advance in risk management communication.

Name _____ Position _____

Company _____

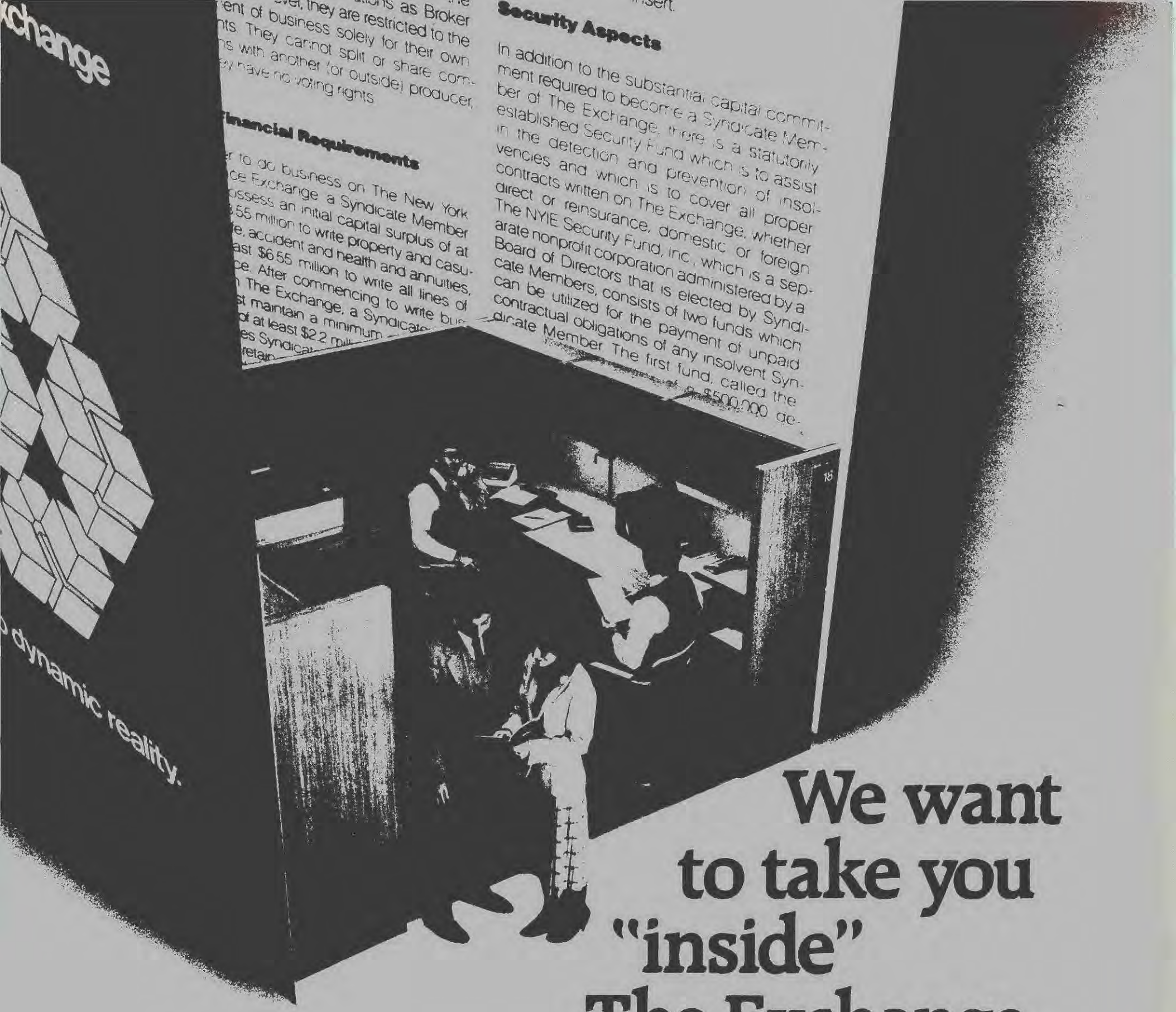
Address _____

City _____ State _____ Zip _____ Phone (____) _____

Mail to:
CS ONLINE
Corporate Systems
P. O. Box 31780
Amarillo, Texas 79120

CA

©CS 1983



We want to take you "inside" The Exchange

What does The New York Insurance Exchange do? How does it work? What can it do for you? You'll find the answers in our new brochure.

In just two years The Exchange has proved to be a most versatile and sophisticated addition to the worldwide resources of the insurance industry. In "boxes" on The Exchange floor, well-capitalized underwriting syndicates stand ready to protect virtually any risk anywhere in the world.

Now The Exchange can accept: reinsurance of all kinds, domestic and international; direct business of all kinds outside of the United States; direct New York State business rejected by the Free Trade Zone; and, direct excess/surplus lines business from 22 states, with applications for approval pending in many others.

If you are an agent, or broker, you should know how to use this helpful facility. If you are an international risk manager, The Exchange offers a convenient alternative to other major underwriters. If you would like a more detailed, "inside" look at The Exchange, fill out and mail the coupon below for a copy of our brochure.

NYINSURANCE XCHANGE

For information on The Exchange, contact: Donald E. Reutershan, President. New York Insurance Exchange
59 John Street, New York, NY 10038 (212) 791-0700

New York Insurance Exchange
Department BI
59 John Street
New York, New York 10038

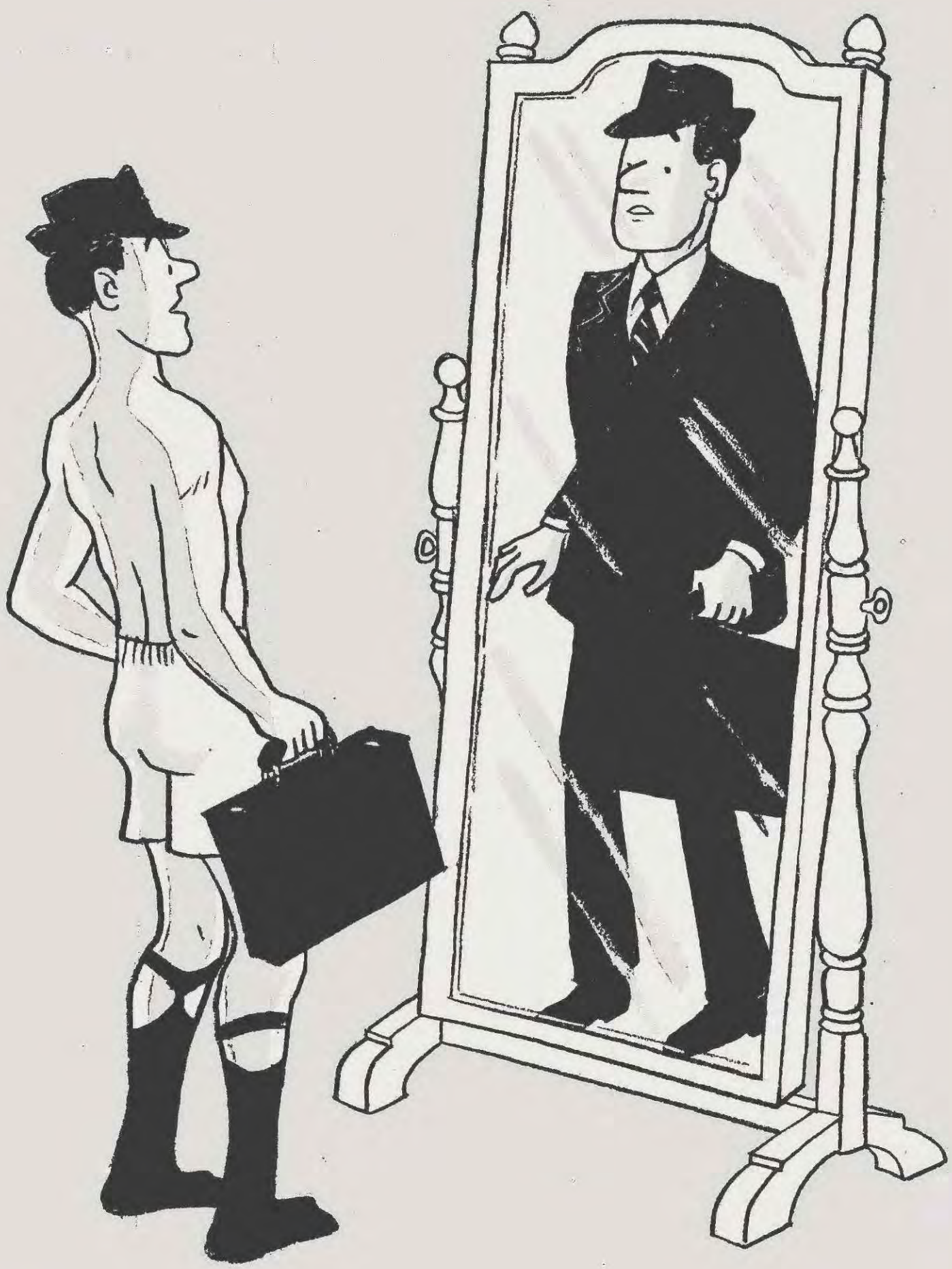
YES. . . I'd like an up-to-the-minute perspective on The Exchange. Send me your brochure.

Name_____

Company_____ Title_____

Street_____

City_____ State_____ Zip_____



I say I'm covered. They say I'm not!

PROBABLY, THE MOST CONTROVERSIAL POLICY EVER OFFERED!

If you don't understand the crisis now raging in the insurance industry, you needn't read further.

The intense competition for your company's insurance business coupled with a lack of qualified professionals in the insurance industry has resulted in a deterioration of company services—causing a great deal of instability in the industry.

Risk managers are seriously hampered in their insurance negotiations and are more likely to suffer significant increases in misunderstandings and misinterpretations of the coverages that their policies actually provide. This is what causes a coverage dispute.

The legal cost of pursuing a claim of this nature can be astronomical. Regardless of how rightful the insured's position is, the effect on cash flow forces a company to exercise restraint and sometimes to even compromise situations with most serious consequences.

PIA's Legal Expense Insurance for Coverage Disputes has been created to make it possible for the insured to pursue a rightful claim without regard for reasonable legal costs.

The climate of economic stress has brought about aggressive competition within the insurance industry, resulting in the cost of premium becoming the prime consideration for many companies when buying coverage. As a consequence, more policies are being prepared and hastily written without attention to the basic essentials of underwriting. Ambiguous wordings are being used more frequently; intricate terminology is glossed over. Then, when a claim is presented to an insurance company, these obscurities raise the question of applicability—because the exact coverage intended is obscured to the purchaser, the broker and the insurance company.

When a policyholder feels his claim should be honored and the insurance company feels it has cause to deny it, the only recourse remaining may be litigation. As a result, there has been a substantial increase in coverage disputes and many insured corporations are now discovering the potential costs and hazards of such suits: the larger the claim, the more likely the chance of denial.

1. Coverage disputes should be litigated by those few attorneys who specialize in this area of law, since effective litigation requires a keen understanding of the procedures and intricacies. In preparing a coverage dispute case, the bulk of the funds expended by the plaintiff will undoubtedly be during the discovery period or the first six months in which the insured is preparing his case. This is not a one-time corporate expense. These costs must be understood and looked at as the loss of the *use* of corporate cash flow monies.

2. A coverage dispute trial could drag on for years since constant postponement is a key defense maneuver. The monies the insured is using for legal expenses now becomes tied up for years. This is far more expensive than it appears. The insured has lost his money for investment purposes. The insured may have to borrow money to meet the obligations of the unpaid claim. Now a large indebtedness has to be contended with. Compute these factors over four or five years and you begin to understand how unproductively spent money has a very high replacement cost that could approach the value of the claim.

3. If, under these conditions, the insured compromises his position, the legal fees already spent are lost and the cash flow problems have compounded the cost, and the insured now must meet the cost of the claim itself—with depleted corporate funds or expensive borrowed dollars. The total cost of a coverage dispute could greatly exceed the claim in question.

4. If the company is successful, in their claim and does recover, as part of its judgment, the legal fees expended in pursuing the claim, the company has, in the loss of the use of monies over the years, could have lost almost as much as it has been able to recover. This, then, is not effectively putting the insured in the position he should have been in. While the insured may have been successful in collecting his claim, plus his legal fees, he still may, in reality, be in a loss position.

In response to these conditions, PIA, innovators of specialized insurance for the specific needs of business and industry, offers you Coverage for Dispute Legal Expense Coverage with two options in the event of a coverage dispute either with your insurance company, your broker, or your consultant:

OPTION 1

The corporation selects an attorney. The attorney and fee schedule are subject to approval by the underwriter. Under this option, the corporation pays a deductible based on the size of its insurance budget. It is also responsible for a 20% participation in the legal costs incurred, in excess of the deductible, with a maximum coverage of $5 million on aggregate annual legal costs for an unlimited number of cases.

Example: CORPORATION SELECTS ATTORNEY

Legal fees total	$1,000,000
*Deductible	100,000
20% corporate participation (20% × $900,000)	180,000
Total cost assumed by insured	280,000
Total cost assumed by PIA	$ 720,000

**Deductible based upon corporate insurance budget.*

OPTION 2

The insured may request the underwriters to select legal counsel. If the underwriters agree, they will reduce the deductible by 50% and wave the corporate participation in its entirety, absorb all legal expenses up to the ceiling of $5 million annually on an unlimited number of cases. The policy is *non-cancellable by the underwriters* except for non-payment of the premium.

Example: CORPORATION USES PIA's ATTORNEY

Legal fees total	$1,000,000
Deductible (50% of Option 1)	50,000
Total cost assumed by insured	50,000
Total cost assumed by PIA	$ 950,000

Specialized legal services can be of great significance in resolving a dispute quickly—and to your satisfaction.

PIA Insurance Coverage Dispute—Legal Expense Insurance is available only through your agent or broker. For more information and a specimen policy, contact your broker or call or write PIA.

pia

The Broker's Broker.

Professional Indemnity Agency, Inc.
409 Manville Road
P.O. Box 130
Pleasantville, NY 10570
(914) 747-1818 Telex: 646929 TWX: 710-572-2197

Most firms plan to insure gradual pollution risks

By DOUGLAS McLEOD

NEW YORK—Most companies will not self-insure their non-sudden pollution liability risks.

However, they are finding the option a handy tool for meeting federal Environmental Protection Agency deadlines while they shop the environmental impairment liability insurance market.

On Jan. 16, the federal government began phasing in rules requiring insurance against gradual or non-sudden pollution liability. Companies that can pass a financial strength test can either self-insure their exposures or buy the insurance from one of about a dozen insurers offering it.

Under the EPA regulations published last July, companies that own or operate hazardous waste landfills or storage impoundments where wastes are kept for more than 90 days must buy insurance for non-sudden pollution liability with limits of $3 million per occurrence and $6 million annual aggregate.

Companies with more than $10 million in annual sales had to demonstrate coverage by Jan. 16. Companies with sales between $5 million and $10 million must meet the requirement by 1984 and those with sales of less than $5 million must meet a 1985 deadline.

The EPA also has granted a number of states interim authorization to manage their own pollution liability regulations, which in some cases differ from the EPA's.

About 2,200 landfills and surface impoundments, including those under state regulation, eventually will be required to have non-sudden coverage.

About 80% are operated by manufacturers and constitute on-site storage facilities, and about 1,000 of these facilities are expected to have met this year's non-sudden pollution liability insurance deadline. However, because companies file with regional federal EPA offices, the EPA won't have an accurate count of who is insuring or self-insuring for possibly two or three months.

But, the EPA estimates that when all pollution insurance regulations are in effect in two years—including coverage for non-sudden pollution, sudden pollution and closure/post-closure costs—about 25% of the total will be self-insured.

And, the EPA expects that fewer companies will self-insure non-sudden pollution liability than are self-insuring sudden pollution risks and closure/post-closure costs.

The sudden pollution and closure regulations took effect last July.

The EPA requires hazardous waste treatment, storage and disposal facilities to carry insurance against sudden and accidental pollution liability with limits of $1 million per occurrence and $2 million annual aggregate.

Sudden and accidental pollution liability is covered under most comprehensive general liability policies, but companies are allowed to self-insure the exposure by passing the same financial test applied in the non-sudden pollution regulations.

Of an estimated 10,000 treatment, storage and disposal facilities required to meet the sudden pollution liability regulations, about half filed the financial test to self-insure, the spokeswoman said.

The closure/post-closure regulations require companies with hazardous waste sites to show "financial responsibility" for closing the sites and maintaining them safely after closure.

Companies could demonstrate coverage of closure/post-closure costs through a number of means, including insurance, passing a financial test, setting up a trust fund, posting surety, trust fund or performance bonds or establishing an irrevocable letter of credit to cover anticipated costs.

According to an EPA spokeswoman in Washington, about 80% of the companies required to meet the closure/post-closure regulations filed a financial test to self-insure all or part of their exposures.

But when it comes to non-sudden pollution coverage, the companies are apparently planning to buy. And, the Jan. 16 deadline brought a last-minute crush.

"We're swamped," said Cynthia A. Gable, manager of the environmental liability department for Stewart Smith Mid-America Inc. in Chicago. Ms. Gable added that she has seen a "huge influx" of Fortune 1,000 companies looking for quotes on non-sudden liability coverage since December.

Other major EIL underwriters, including The Hartford Steam Boiler Inspection & Insurance Co. and the Pollution Liability Insurance Assn., have seen similar upswings in business.

The same trend is apparent to risk management consultants like Environmental Risk Assessment Service (USA) Ltd. of Boston and Risk Science International of Washington, a subsidiary of broker Frank B. Hall & Co. Inc.

"We've been absolutely inundated," said Lynne M. Miller, RSI's president.

While broker Marsh & McLennan Inc. has not seen the "flurry" of activity reported by others, this may well be due to the fact that companies are self-insuring to buy time while they investigate the EIL insurance marketplace, said William A. Mahoney, an M&M vp.

"A majority of companies are probably taking that route," Mr. Mahoney said.

Most insurers and consultants agree that because of the last-minute crush of applicants, many companies required to meet January's deadline won't make it.

A Chicago-based manufacturing and transportation company with more than $1 billion in annual sales has asked EPA to extend its deadline because of delays in binding non-sudden pollution insurance for eight of its facilities.

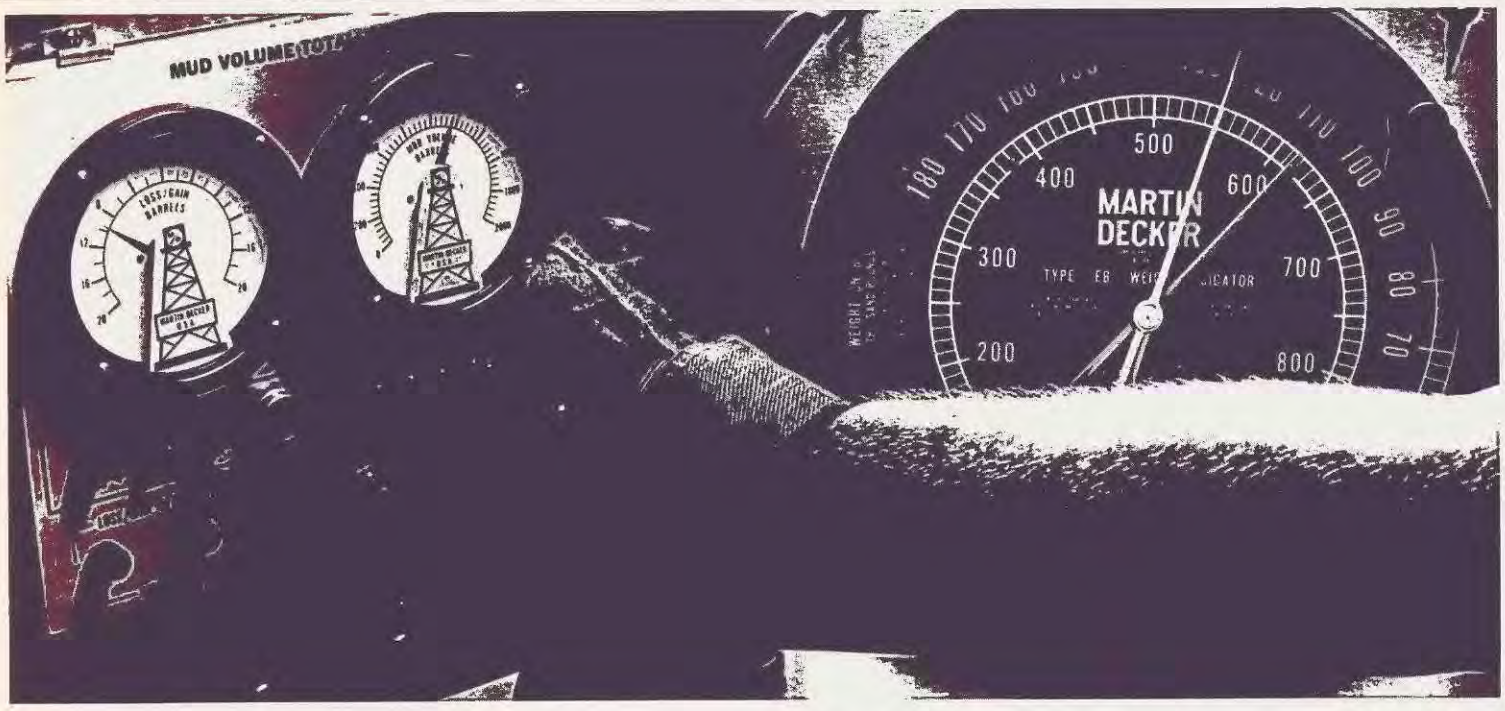
"There's such a backlog with insurers, and we're stuck in that backlog," the company's insurance representative said.

Meanwhile, many of the companies that intend to buy EIL coverage are avoiding the crunch and not rushing into an insurance contract they might not like later by self-insuring temporarily while they shop.

In many cases, the decision to switch to an EIL policy later will depend on how expensive that policy will be.

San Francisco-based Hexcel Corp. has filed a financial test to temporarily self-insure "two or three" locations where it stores drums of chemicals, said Assistant Treasurer Mark A. Young.

Continued on page 22



HOW WILL YOU HANDLE THE PRESSURE AFTER THE BLOW OUT?

When drilling for oil or gas, the pros "making hole" have to be ready for emergencies. They must know what to look for, and move quickly to prevent blowouts.

When an accident does occur, the pressure increases. It's not enough to have experts working at prevention. You need experts to handle protection.

That's why so many people turn to Swett & Crawford. Because no one's been covering energy risks longer. And no one scrutinizes changes in the energy field more scrupulously.

Now, more than ever before, energy companies need protection that's cost-effective, comprehensive, and flexible. And brokers need resources they can call on to help define exposures in complex contracts and operations, particularly where non-operators need protection, too.

Swett & Crawford's Operators' Extra Expense program satisfies these needs. Our economical OEE basic coverage includes the cost of well control, seepage and pollution, clean-up and containment, and the cost of redrilling. The maximum limit under this program is $20 million. And policies can be extended to cover underground blowouts, "unlimited" re-drilling and some offshore operations.

For more information about Operator's Extra Expense coverage, call the Swett & Crawford office nearest you. Our experience can relieve a lot of your pressure.

Swett & Crawford
a subsidiary of The Continental Corporation

OEE marketed exclusively through agents and brokers.

Atlanta, Boston, Chicago, Columbus, Dallas, Denver, Greensboro, Hartford, Houston, Los Angeles, New Orleans, Newport Beach, New York, Philadelphia, Portland, San Diego, San Fernando Valley, San Francisco, Seattle, Tampa.

BECAUSE HEALTH CARE NEEDS COME IN ALL SHAPES AND SIZES, SO DO OUR BENEFIT PACKAGES.

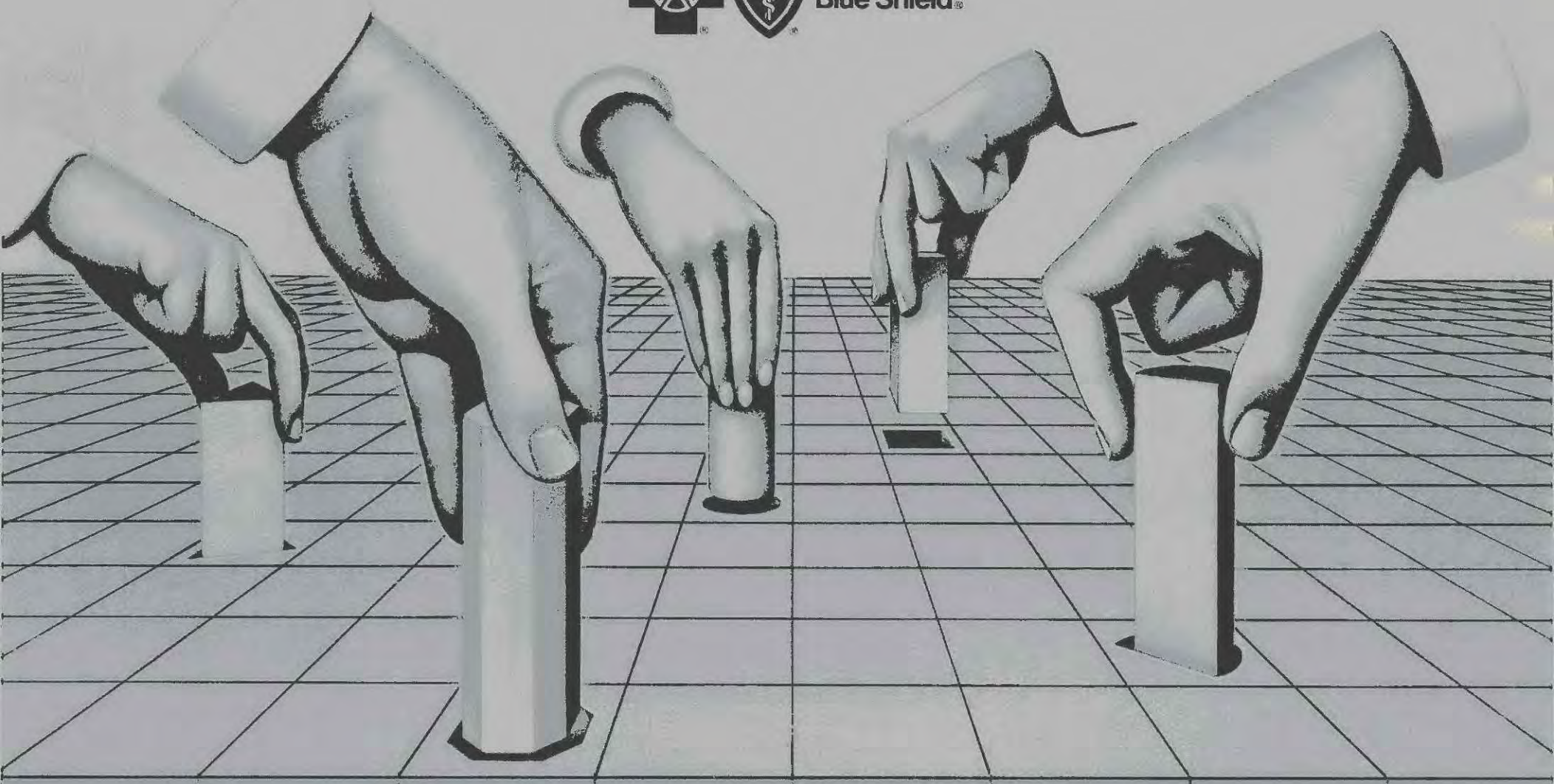
When it comes to choosing employee health care coverage, every company has its own set of needs. To meet these needs, while satisfying cash flow objectives, we developed a bold new approach called the Blue Cross and Blue Shield Metamatrix System.

With greater flexibility in the size and shape of health care packages, the Metamatrix System allows you the freedom to have the most effective, cost-efficient program. For example, with options in covered services, deductibles, and copayment amounts, you can shape major medical benefits to your specifications. In addition, you're allowed flexible approaches to "stop-loss" and "out-of-pocket-limit" features.

Yet product flexibility is only one dimension of the Metamatrix System. With flexible financing, improved service, uniform delivery and strengthened cost containment programs, this highly adaptable system can accommodate any company's needs. Exactly.

The Blue Cross and Blue Shield Metamatrix System. Find out how you fit in. Contact your local Blue Cross and Blue Shield Plan for more information on America's leader in health care protection. **AMERICA'S #1 GET WELL CARD.**

Blue Cross®
Blue Shield®



® Registered Marks Blue Cross and Blue Shield Association

Most planning to insure gradual pollution risks

Continued from page 20

"Meanwhile, we have the time to approach the (insurance) marketplace and get a handle on what's out there," he said.

Hexcel might consider a combination of a high self-insured retention and an EIL policy.

"We might have a higher level of SIR and use the funds we save to buy more insurance up top of that," Mr. Young said.

A petroleum and chemical company with more than $1 billion in sales has filed a financial test to self-insure one of the three sites for which it must purchase non-sudden coverage.

"We're waiting six months to see how many (insurance) companies get into this (line), and what that does to the price," said the insurance manager. "We had quotes from London, and they were expensive as hell."

The company's self-insured facility is located in Texas. The company also has one Louisiana facility which, according to state requirements, already carries non-sudden liability insurance with limits of $5 million per occurrence and $10 million annual aggregate on the policy.

Another facility, located in South Carolina, is not yet insured.

South Carolina, one of the states granted interim authorization by EPA, hasn't completed preparations to implement its own pollution liability regulations, and the first deadline for non-sudden coverage has been put off for at least six months, according to a spokesman for the state Department of Health and Environmental Control.

Pittsburgh-based Koppers Co. Inc. has filed the financial test to self-insure non-sudden liability at 10 to 15 facilities where it stores hazardous wastes for more than 90 days.

Koppers has already completed EIL insurance applications, and will be submitting them to a number of underwriters shortly, said Ronald J. Parry, the company's manager of corporate insurance services.

Whether the company continues to self-insure, buys insurance or combines a policy with a self-insured retention depends on how much the insurers ask for EIL coverage, Mr. Parry explained.

"It all gets down to the economics," he said.

A subsidiary of the Chicago-based manufacturing and transportation company also has filed a financial test to self-insure the seven impoundment facilities that it operates.

The company's senior insurance representative said that the subsidiary is self-insuring the risk temporarily, and that all the company's waste facilities will eventually be insured by EIL policies.

She added that she does not expect to see much long-term self-insurance of gradual pollution risks.

Companies that have decided to buy insurance to cover their non-sudden pollution risks cite the size of their exposures and standard risk management procedures.

United Technologies Corp. of Hartford, Conn., with eight hazardous waste surface impoundments, is insuring non-sudden liability over a $250,000 self-insured retention with Liberty Mutual Insurance Co.

"That's normally what we do with all our liability anyway," said Assistant Treasurer Robert Hugel.

Some companies, however, are going to permanently self-insure their EIL risks.

"We as a company are operating on a philosophy of a high level of self-assumption," said the insurance manager of one of the nation's largest chemical manufacturers, which is self-insuring sudden and non-sudden pollution exposures as well as closure/post-closure costs.

"It's much less expensive," said the risk manager of a large Pennsylvania manufacturer that is self-insuring sudden and non-sudden pollution risks using a fronting arrangement. "We were capable of meeting the federal test, and it was a fairly simple procedure to follow."

To pass the financial test to self-insure, a company must show:

- Tangible net worth of at least six times the amount of liability to be self-insured, but no less than $10 million.
- Domestic U.S. assets equaling at least 90% of total assets or domestic assets of six times the amount of liability self-insured.
- A current bond rating not lower than BBB (Standard & Poor's) or Baa (Moody's); or net working capital of at least six times the amount of liability self-insured. ■

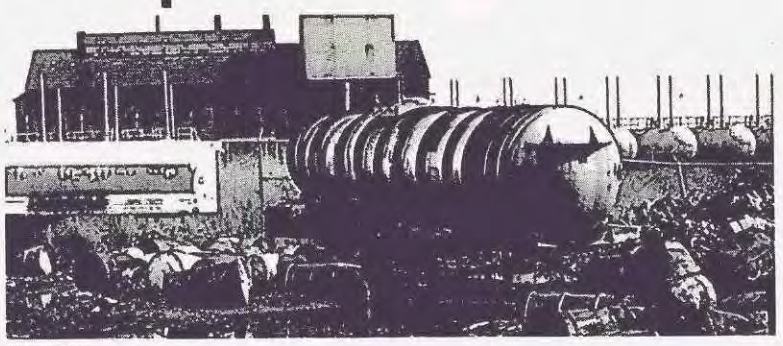


Photo: EPA

There's keeping insurance through

The state of

GAB is the one company that really combines man and machine to keep insurance costs down.

We have the ability to manage claims anywhere in the U.S. —and we can do it with remarkable speed and efficiency.

The key is our network of 3,400 highly trained adjusters and supervisors in 650 nationwide offices, plus 28 strategically located claims processing centers around the country.

This network can help you manage claims and losses more cost-effectively, whether you're insured by outside companies or self-insured. And whether you're administering casualty insurance, auto fleet, workers' compensation or employee benefits.

How do we help? With an on-line system that features the most up-to-date computer technology available for claims management. Input comes through the 28 centers and is directly

Report on comp pool rules expected soon

By BILL DENSMORE

Members of self-insured workers compensation pools will soon learn whether increased state regulation could be forthcoming.

A long-awaited study of the pools, which could serve as the basis for additional state regulations, is scheduled to be released in late March.

The study was requested by the National Assn. of Insurance Commissioners' workers compensation task force headed by Arizona Insurance Commissioner J. Michael Low.

"Obviously, group self-insurance poses some pretty significant problems and questions with relation to solvency," says Mr. Low.

The committee that is preparing the study has been told to "organize a body of knowledge" about private work comp pools around the nation, a subject about which little hard data now exists, he added.

Private workers compensation pools have become increasingly popular since 1980. That year, only seven states permitted private employers to pool their work comp risks. By the end of 1982, 18 to 24 states permitted pooling, depending upon who is doing the counting.

"We're talking about a concept that really began in 1980," says Patricia A. Borowski, an executive of the Washington-based National Assn. of Professional Insurance Agents. "That's not a lot of time to tell whether these programs are going to go up the river or not."

Ms. Borowski estimates that 25% to 30% of the workers compensation market is now self-funded through either individual programs or pools. A major work comp insurer says 2% to 3% of the self-funded risks are insured through pools.

Officials are hoping that the study, to be released at the NAIC meeting to be held March 27-30 in Baltimore, will supply more definitive figures.

The report is designed to answer three key questions:

- What are the legal, financial and operational requirements that private work comp pools should meet?
- Should industrial accident commissioners or insurance departments regulate the solvency of employer work comp pools?
- Should the pools be subject to some or all of the solvency and rating requirements applied to traditional insurers?

Besides these three primary question, the committee will also focus on:

- Whether the pools should be required to maintain loss-control, loss-reserve and/or rehabilitation programs.
- How much excess insurance a pool should be required to carry.
- Setting a minimum total premium volume a pool must write to stay in business. Current laws range from about $100,000 to about $500,000.
- Whether to adopt a minimum allowable premium for a pool member. One suggestion is $2,000.
- What minimum capital and surplus requirements should be required.
- Whether to restrict pool membership to related businesses.
- Whether to require pools to participate in state guaranty funds or ask them to finance a separate self-insurer guaranty fund.
- How to establish experience-rating and premiums for a former self-insurer that decides to return to the commercial market (see story, page 25).

Employers, especially small companies, say that they should be free to pool their work comp risks without solvency regulations, just as they are free to independently self-insure such risks in most states.

But, commercial workers compensation insurers strongly favor increased regulation of the pools, explaining that a work comp pool is in reality a mutual insurer.

"It's our basic position that (pools) should be subjected to the same basic regulation that we are subjected to," says John W. Purkis, vp and manager of intercompany and governmental relations for Boston-based Liberty Mutual Insurance Co., the nation's largest commercial work comp insurer.

"We feel they are basically a mutual insurance company as we are," Mr. Purkis adds.

Insurers argue the pools charge inadequate premiums and have little long-term stability, according to a 1982 report by consultant Risk Planning Group Inc. of Darien, Conn.

That report adds, "The actual performance to date, however, indicates that (pools) have been cost-effective and that they are financially stable."

"I think there have been some private sector pools that shouldn't have gotten into it. They were too small," says John Lewis, a Miami attorney who has drafted pooling legislation in several states and a member of the study committee.

However, Mr. Lewis cannot cite an example of a employer-sponsored pool that has failed.

Ironically, insurance regulators say that large corporate self-insurers tend to agree with the need for stronger pooling regulation.

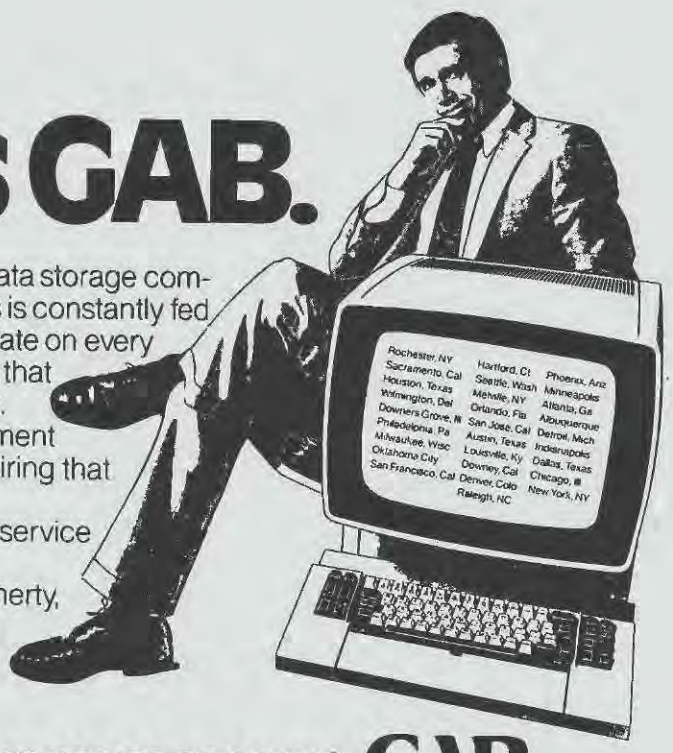
"They don't want (unregulated) pools," says Newton P. Black, manager of the self-insurance division of the Tennessee Insurance Department, "because everybody gets a black eye when one of these pools goes wrong."

Mr. Black and others say that self-insurer associations in various

Continued on next page

there's an art to the cost of your claims from going the roof.

the art is GAB.



entered (no batch processing) into a central data storage computer. Data developed by GAB's field adjusters is constantly fed into our system to keep risk managers up-to-date on every claim. The reporting system generates reports that alert you to opportunities for cost containment.

Quite frankly, no other claims management company has the unique people-computer pairing that so effectively controls your costs.

Which is why our claims management service is the essence of state of the art.

For more information, write Paul Dougherty, Senior VP, Claims Management Division, GAB 123 William Street, New York, NY 10038. Or call him at (212) 306-8390.

The state of the art of claims management. GAB

Report on comp pool rules expected soon

Continued from previous page
states tend to be dominated by large corporate sponsors and tend to side with insurers in favoring pooling regulation.

On the other hand, says Richard R. Rousselot, director of the Missouri Division of Workers Compensation, pool administrators "want things as lax as possible."

Mr. Rousselot, who serves on the committee issuing the report along with Mr. Black, says his department has approved three pools since Missouri's pooling law took effect July 1, 1982, and a fourth is in the application stage.

Commercial insurers are leading the drive to regulate the pools and they are also financing and preparing the NAIC-ordered study.

Mr. Low says that former Virginia Insurance Commissioner James W. Newman Jr. came to him with the idea for the study committee. Mr. Newman is now senior vp of policy development and research at the American Insurance Assn., a major industry trade group.

Although the committee staff is headed by Mr. Newman and others at the AIA, the committee itself includes state insurance regulators, labor union officials, agents and brokers, risk managers, corporate officers, consultants and others.

Mr. Newman says the panel has been given a tough task.

"The diversity of these (pools) and of regulation across the country is just overwhelming," he says. "It's almost mind-boggling for somebody who wants to sit down and find out what's going on.

"I had someone do a literature search on group work comp pools and there is almost nothing," Mr. Newman adds. "Mostly you'll find stuff about single self-insurers."

Although there is a lack of central information about the pools, most everyone agrees that they are becoming more popular with employers.

"Everybody thinks that it's growing and I'm sure that it is, but nobody is keeping track," says Eric J. Oxfeld, an employee benefits attorney with the U.S. Chamber of Commerce in Washington.

Reliable information about the number of pools, their members and their loss experience is notoriously difficult to come by on a nationwide basis, experts say.

Mr. Lewis, estimates that about 100 private-employer pools are operating around the nation. Most restrict membership to employers engaged in a specific industry.

There may be as many as 200 pools nationwide, says Gilbert Waters, administrator of the Florida Construction, Commerce & Industry Self Insurers Fund and a member of the study committee. FCCI, which insures more than 3,000 Florida employers with 100,000 workers, is one of the nation's oldest and largest pools (see story, page 28).

"The news, essentially, is that it is an unknown phenomenon," he says. "I've been doing it for 20 years and its only been in the last four years that I've ever talked to anyone outside Florida about it."

Florida appears to be the state with the largest number of employers participating in work comp pools and has also developed the the most detailed legislation authorizing them.

For example, Florida requires pools to contribute to a guaranty fund that would pay injured worker's claims if a pool becomes insolvent, much like commercial workers compensation insurers.

Tennessee's Mr. Black says states typically require pool members to sign indemnity agreements making each liable for all the others' workers compensation losses but do not require contributions to a guaranty fund.

States also usually set maximum levels for self-insured retentions and some minimum for the triggering of excess coverage, he said. In addition, the laws sometimes include requirements governing pool trustees, claims procedures, distribution of excess premiums and claims handling should the pool fold.

There is no central source of information about what requirements exist in the states that allow pooling because no one is really sure how many states allow employers to pool workers compensation risks. The NAIC hopes the committee's report will clarify.

According to a 1982 study by Risk Planning Group Inc., 18 states currently allow private employers to pool work comp risks: Connecticut, Delaware, Florida, Louisiana, Georgia, Illinois, Iowa, Kentucky, Maine, Michigan, Minnesota, Missouri, New Hampshire, New York, Oregon, Rhode Island, South Carolina and Virginia.

The U.S. Chamber of Commerce, however, says five additional states —Alabama, Arkansas, North Carolina, South Dakota and Tennessee —allow employer pools.

The two groups do not agree on the number of states that allow pooling because they interpret the laws of the five states differently.

Risk Planning Group's study listed the following 21 states, plus the District of Columbia, as among those which do not permit formation of employer work comp pools: Alaska, California, Colorado, Idaho, Indiana, Kansas, Maryland, Massachusetts, Montana, Nebraska, New Jersey, Ohio, Oklahoma, Pennsylvania, Tennessee, Vermont, Washington, West Virginia, Wisconsin, Texas and Wyoming.

In addition: Arizona, Utah, Hawaii, Mississippi, and Nevada do not allow pooling, regulators told *BI*. New Mexico allows them, but none have been formed. ■

Thousands of professionals behind us work to put quality Insurance Services behind you.

Claims personnel. Engineering consultants. Loss Information professionals. Whatever insurance services you require, Bob Greenberg and George Addona at Constitution State Service Company can put thousands to work for you.

As an affiliate of The Travelers, we are able to offer you a wide variety of resources, facilities, and personnel. Yet as an independent company, we specialize only in providing insurance services. So you can buy the expertise you want, whenever or wherever you need it.

High quality, professional services at Constitution State Service Company begin with highly qualified people. With over forty years of combined experience, Bob Greenberg and George Addona are better able to handle your specific needs. We can provide qualified personnel to solve complex problems in many areas with the broad capability of The Travelers. For example, a sophisticated network of over 3600 claim professionals in over 200 locations allows for the unique capability to respond to the immediate demands of all types of claims. Loss prevention services are handled by a knowledgeable and effective engineering department that was the first established in the industry. And with one of the industries largest data processing centers we can process and display your loss information efficiently and accurately.

Put Bob, George, and thousands of professionals to work for you. Call us for the expertise you need at (203) 277-5489. We're ready to serve you.

The Travelers

Constitution State Service Company is one of The Travelers Companies

Penalty may await former comp self-insurers

By BILL DENSMORE

NEW YORK—If your company is on shaky financial ground or faces possible occupational disease claims, you might think twice before self-insuring your workers compensation risks.

You may have to pay a 60% deposit on top of the standard premium should you stop self-funding and are forced to buy commercial workers compensation insurance in the residual market.

That's the basic effect of a two-page endorsement to standard workers compensation policies that the National Council on Compensation Insurance has persuaded regulators in 19 states to adopt over the last two years.

The endorsement "has not been used," says Joseph R. Volman, secretary-underwriting operations at the NCCI, the ratemaking group that represents many major workers compensation insurers.

But, the endorsement is ready and waiting if the insurance market turns and insurers start turning away employers with poor workers compensation risks.

The NCCI says the endorsement will allow insurers underwriting risks of former self-insurers in the residual market to compensate for the fact that a former self-insurer's loss experience isn't part of a state's statutory rating structure and that they have no experience modification factor insurers can use.

Past and present insurance regulators say the endorsement could mean trouble for self-insurers if the current insurance market ever tightens. However, another regulator says he sees no likelihood that the regulation would ever be used in his state.

"For someone who is wondering about going self-insured, it's something to think about," says Michael D. Markman, the former Minnesota insurance commissioner who is now a senior workers compensation underwriting officer at The St. Paul Cos. Inc. in St. Paul, Minn.

"It could create problems for a self-insurer trying to get out."

"It sounds like a specific solution to enable insurers to dilute possible large losses," says George A. Chaffee, insurance and banking commissioner in Vermont, a state in which the NCCI says the endorsement has been approved.

"I would expect this would have a major impact on some industries," says Martin Minkowitz, deputy superintendent and general counsel of the New York Insurance Department. "You might also preclude some self-insureds from getting out of self-insurance."

But in Tennessee, another state in which the endorsement has been approved, Newton B. Black, manager of the state Insurance Department's self-insurance division, says that since the 60% surcharge applies only to risks handled in the residual market, "it's moot here."

"Unless things were a great deal different than they are here now in Tennessee, I'd very much doubt there would ever be a residual market" because of intense insurer competition, Mr. Black says.

The endorsement, called the Premium Determination Endorsement —Former Self Insurers, differs somewhat from state to state, but works essentially the same in all.

Suppose an employer that self-funded its workers compensation exposures, either individually or through a pool, decides to buy commercial insurance instead. In the current competitive market, the company would likely have no difficulty finding insurers to bid for its risks.

Suppose, however, that the self-insured employer is near bankruptcy or is going to experience a period of severe work comp claims for some reason.

Under such conditions, the employer might have trouble finding insurers to voluntarily take its business. Its coverage would then be underwritten by the state's assigned risk pool or residual market.

Historically, the number of risks forced to join the residual market ebbs and flows with the underwriting cycle. As insurers increase rates and decline all but high-quality work comp risks, the residual market grows.

If the former self-insurer is placed in the residual market, the endorsement may then be added to its coverage by the insurer forced by the state to write its workers compensation exposures.

Under the endorsement, the employer's premium is based upon standard, regulated rating formulas in that state. Such formulas take into account size of payroll, previous loss experience and appropriate levels of underwriting profit for the insurer.

The endorsement then permits the insurer to tack on an additional deposit premium equal to up to 60% of the standard premium. This "rating plan deposit" must be posted by the employer as a letter of credit or an escrow account.

The insurer may draw on the deposit to pay any unexpected losses. It must return any unused balance to the employer, but not until 2½ years after the policy period ends. In the meantime, the employer loses the use of that money.

"This endorsement must be used when insuring employers for exposures which have been self-insured within the 12 months immediately preceding the date of application for initial coverage, or which were subject to this endorsement on the employers' expiring policy," footnotes to the endorsement say.

The footnotes also say, however, that the endorsement can't be used for more than three consecutive years for the same employer. And it can't apply to any employers whose standard premium would be less than $5,000.

The endorsement is a byproduct of Chrysler Corp.'s serious financial troubles several years ago.

Insurers were concerned that if Chrysler went bankrupt, workers comp claims against the company would increase markedly.

At one point during Chrysler's struggle against bankruptcy, Michigan regulators wanted Chrysler, which self-insured its workers compensation risks, to obtain commercial coverage in the state's residual market.

The insurers found there was no way they could legally charge enough additional premium to account for the possibility of bankruptcy-induced claims nor any way to assign an experience modification factor to Chrysler's past claims.

The NCCI devised the endorsement as a solution to the problem. However, Michigan regulators later backed down, and Chrysler remains self-insured.

Continued on next page

WHERE IS GREENWOOD, INDIANA?

The Leading Agents, Brokers and Administrators Know!

Why? Because of our diverse, competitive and expanding portfolio of products and services.

■ EMPLOYEE BENEFITS DIVISION

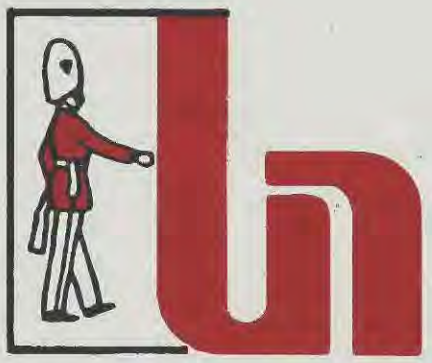
Aggregate Stop Loss/Specific Stop Loss/ Group Life & AD&D

■ SPECIAL RISKS DIVISION

Personal Accident & Sickness/Substandard Disability/
Catastrophic Disability

■ REINSURANCE INTERMEDIARY FACILITIES

Automatic/Facultative



BROUGHER AGENCY, INC.
Lloyd's, London, Correspondent
P.O. Box BAI
Greenwood, Indiana 46142
(317) 535-8212/TWX 8102602230

Branch Locations: Philadelphia, PA / Washington, D.C./ Cincinnati, OH / Beverly Hills, CA / London, England / St. Petersburg, FL / Waterloo, IA

Endorsement requires deposit

Continued from previous page

Of the 19 states that have approved a version of the endorsement, Connecticut, Hawaii, South Carolina, Tennessee and Vermont adopted a 60% rating surcharge deposit for former self-insurers in the residual market, the NCCI says.

In the rest of the states where the endorsement has been approved, an earlier version of the same concept was adopted. It provides a surcharge deposit of only 50% but requires the employer to pay a 10% non-refundable charge, the NCCI's Mr. Volman says.

Those states approving this version of the endorsement are Alabama, Arizona, Arkansas, Iowa, Maryland, Massachusetts, Michigan, Mississippi, Nebraska, New Hampshire, New Jersey, New Mexico, Pennsylvania and South Dakota, the NCCI says.

Vermont approved the 60% deposit only after rejecting the endorsement with the 50% deposit and 10% non-refundable surcharge, says Thomas F. Prindiville, chief of insurance analysis for the Vermont Banking and Insurance Department.

"We originally turned it down because they had an unrefundable insurance charge of 10% tacked on there," he says. "We didn't like that at all." He says the NCCI advanced the endorsement as a solution to the Chrysler situation, adding that the state approved the endorsement without a public hearing.

California municipalities adopt standards for self-insurance

By DANIEL BRIGHAM

SACRAMENTO, Calif.—A group of California government entities is voluntarily submitting its self-insurance programs to accreditation standards written by its peers.

The California Assn. of Joint Powers Authorities, at its first annual meeting Jan. 19, unanimously adopted a set of six mandatory and seven advisory self-insurance guidelines for those who seek accreditation.

The program, which was first proposed last year (*BI*, Jan. 25, 1982), is an attempt to head off threatened state regulation for municipal self-insurers.

The guidelines will be used by committees of the CAOJPA to conduct annual solvency reviews of members' liability, property and workers compensation self-insurance programs.

Self-funded employee benefit programs will not be reviewed by the group for now.

"What we're trying to do is... cut off any state efforts in this area," says Gregory L. Trout, the group's president.

The rules were adopted unanimously by representatives of 50 CAOJPA members that attended the meeting. The CAOJPA has about 90 members that represent 400 different government entities in the state.

The term "joint power authority" is unique to California. Under state law, county and municipal agencies are permitted to band together and pool specific operations, like insurance and risk management, through a separate entity in which they share management and ownership.

JPAs for insurance purposes grew out out of the liability coverage crunch of the mid-1970s. Experts have estimated that as many as 100 California JPAs handle risk management or insurance functions for public entities.

Under the program, CAOJPA members may apply to the group to have their self-insurance programs accredited for a year.

Members turned aside a suggestion that the reviews be conducted less frequently. "This is a very fluid industry and the accreditation program would be compromised if renewal were less frequent," said Jeffrey Pettegrew, risk manager for the Contra Costa County Municipal Risk Management Insurance Authority and a CAOJPA director.

Under the voluntary accreditation program:

- Each submission for accreditation will be reviewed by an ad-hoc committee of at least three risk managers representing public entities. Committee members would be appointed by a chairman from a list of volunteers. The chairman, in turn, is appointed by the CAOJPA board.
- A JPA must show proof of self-funding a particular coverage for at least three years to be eligible for accreditation. JPAs that have self-funded an exposure for less than three years are encouraged to implement the association's guidelines as demonstration of their intent to ultimately participate in the accreditation program.
- Initial application fees will range from a low of $750 for reviewing a single coverage like workers compensation to $1,000 for an analysis of a JPA's workers compensation, liability and property coverages. Annual renewal fees will range from $250 to $450.

The committee will review 13 different aspects of each self-insurance program. Accreditation will not be granted if a program is found lacking in any of these six areas:

- Adequacy of claims administration audit reports.
- Procedures for handling investments pursuant to government code restrictions.
- Actuarial studies.
- Financial audits and required state filings.
- Employee fidelity bonds.
- Adequacy and accountability of reserves.

Mr. Pettegrew described the review of reserves as "a sensitive subject, but an area that would be a disservice to ignore."

The committees will review seven other areas, but failure to win approval in one of these areas would not, in most cases, automatically disqualify a JPA from obtaining accreditation. These areas are:

- Provisions for risk-management services.
- Loss-prevention services.
- Risk-management audits.
- License requirements.
- Accounting functions.
- Funding of reserves.
- The extent to which the JPA pursues innovative approaches to the risk-management process. ■

With all the attention we pay our clients, it's no wonder they pay less for insurance.

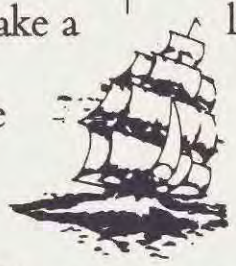
In a service business like insurance, it's not the amount of time you spend with your clients, it's how you spend the time.

At Dale & Company, we know our clients have particular risks that need fast, efficient solutions to reduce their premiums. That's why we're so particular about the people we put to work for you. From account managers and engineers, to the person who will best present your needs to insurance companies, we match the right people to your requirements.

That's because we always make a practice of hiring some of the brightest, most innovative people in the industry. And keeping them. Attention to detail, and dedication to excellence are the mainstays of our firm. There are no half-milers at Dale & Company. We go the distance for you every time.

It is said you can always tell a broker by its client list. One look at ours will tell you we're one of the most diversified: testimony to our multi-talented staff. No problem is too big or too small for them to handle. And you can always rely on our experience. We've been saving insurance dollars since 1851.

So look for us if you're looking to lower your premiums. We've got offices right across Canada you can call. We're Dale & Company. The largest, solely Canadian-owned broker in the business.



Dale & Company Limited
Insurance Brokers

Offices at: *St. John's–Corner Brook–Grand Falls–Halifax–Montreal–Ottawa–Toronto Hamilton–London–Windsor–Winnipeg–Calgary–Edmonton–Vancouver*
Head Office: Box 18, Toronto-Dominion Centre, Toronto, Ontario M5K 1B2.
Telephone: (416) 366-4645

FREE

The 1983 UAC Directory of Service Locations is here. For your free copy, use the coupon below.

UAC®

We are where you need us.

UAC
Marketing Department
80 Maiden Lane
New York, N.Y. 10038

Please send me _____ copies of the new UAC Directory.

Name (please print) Title

Company

Street

City State Zip

BI 3183

Florida comp pool stresses loss control

By LAURENCE H. GROSS

SARASOTA, Fla.—The computer of the Florida Construction Commerce & Industry Self Insurers Fund spits out a danger list every month.

To FCCI, any company named on the danger list has shown a loss ratio that is too high, and the company may need loss-control or safety counseling.

But to the company named on the list, there is a different danger —the chance of losing its membership in FCCI and having its workers compensation insurance canceled.

"Last year, we had about 30% of the 3,000 employers we insure on the danger list at one time or another," says Gilbert Waters, administrator of FCCI. "By year-end, only 14% would have qualified."

The danger list, which used to be tediously hand-calculated but now is part of FCCI's data processing system, includes any company insured by FCCI that demonstrates a loss ratio of more than 65% of manual premium although members pay less than manual premium.

Members receive several discounts: an advance discount of up to 15% on manual premium, an additional year-end discount of up to 5% as a safety bonus and unused premium is distributed to members that are still in the program 12 months after the end of a reporting year. In 1982, the discount for 1980 was 35% for members with no losses.

In 1982, half of FCCI's members had no losses and only 12% had loss ratios in excess of 65%.

Finally, members receive an additional 7% to 15% discount on rates attributable to investment income made in the last quarter of the calendar year.

Mr. Waters, who likes to call the Sarasota-based self-insurance fund a "test-tube experiment" for workers compensation coverage, views the danger list as one of the fund's latest techniques for controlling losses and keeping premiums low.

"The difference between us and other carriers is our three-pronged attack on keeping (insurance) costs low," says Mr. Waters. "We focus on intensive loss control, cost containment of medical expenses and getting the employee back to the work force as soon as possible."

FCCI is organized and perceives itself as a not-for-profit insurance company. Mr. Waters brags that the fund's annual premium volume of $26 million in 1982 gives it 3% of the Florida workers compensation insurance market and makes it the sixth-largest workers compensation insurer in the state.

But what sets it aside from conventional insurers, Mr. Waters says, is the funds's dedication to giving more than lip service to loss control and employee rehabilitation.

The fund has 15 safety counselors and 10 rehabilitation nurses among its fewer than 60 employees. The safety counselors are assigned no more than 300 accounts and are required to visit "problem companies" monthly. The rehab nurses work with about 80 cases per year, allowing each nurse to devote substantial amounts of time to injured workers.

The payoff for FCCI has been a 47% loss ratio for its 3,000 members and $8 million in advance discounts, refunds and bonuses in 1982.

Low prices have fed an explosive rate of growth for the fund, from less than $1 million annually in premiums through 1975 to an estimated $30 million this year. FCCI is the largest of Florida's 26 self-insurance funds, surpassing Associated Industries Self Insurers Fund, which has about 60% of FCCI's premium volume.

FCCI officials predict the fund will collect more than $50 million in annual premiums within the next three years. Premium volume for this January already exceeds last year's premium volume by more than 20%.

The growth is from a pool of employers in riskier business. Most employers covered by FCCI pay more than $2,500 annually in workers compensation premiums, but the insurer generally seeks employers whose job classifications produce premiums of $2 per $100 of payroll.

"That eliminates banks, real estate companies and most general office trades," says Mr. Waters. "We go for the higher risks."

But the fund doesn't want bad risks. Don't bother applying if you have a 1.6 modification (on state ratings) and $100,000 in losses last year.

FCCI also will throw members out.

Among the 27 companies whose workers compensation insurance was canceled by FCCI last year was B&P Roofing Inc., a Longwood, Fla., construction company.

George Vincent, a principal in the small residential roofing firm, complained that FCCI canceled his policy too quickly, without offering the safety counseling that the insurer apparently has offered to others.

"It's the same old story. I bought insurance to protect myself against catastrophic losses," says Mr. Vincent. "But when I have the loss, the insurance company cancels me. Why buy the insurance if you get canceled with a few small claims?"

Mr. Vincent, who says his insurance premiums average $11,000 a year, said he had no trouble finding another insurer after being canceled by FCCI, although the self-insurance fund had given him only a month's notice.

Mr. Waters, the FCCI administrator, said companies' policies are canceled only for continued high losses and failure to comply with prescribed safety procedures. He said B&P Roofing's cancellation was fair.

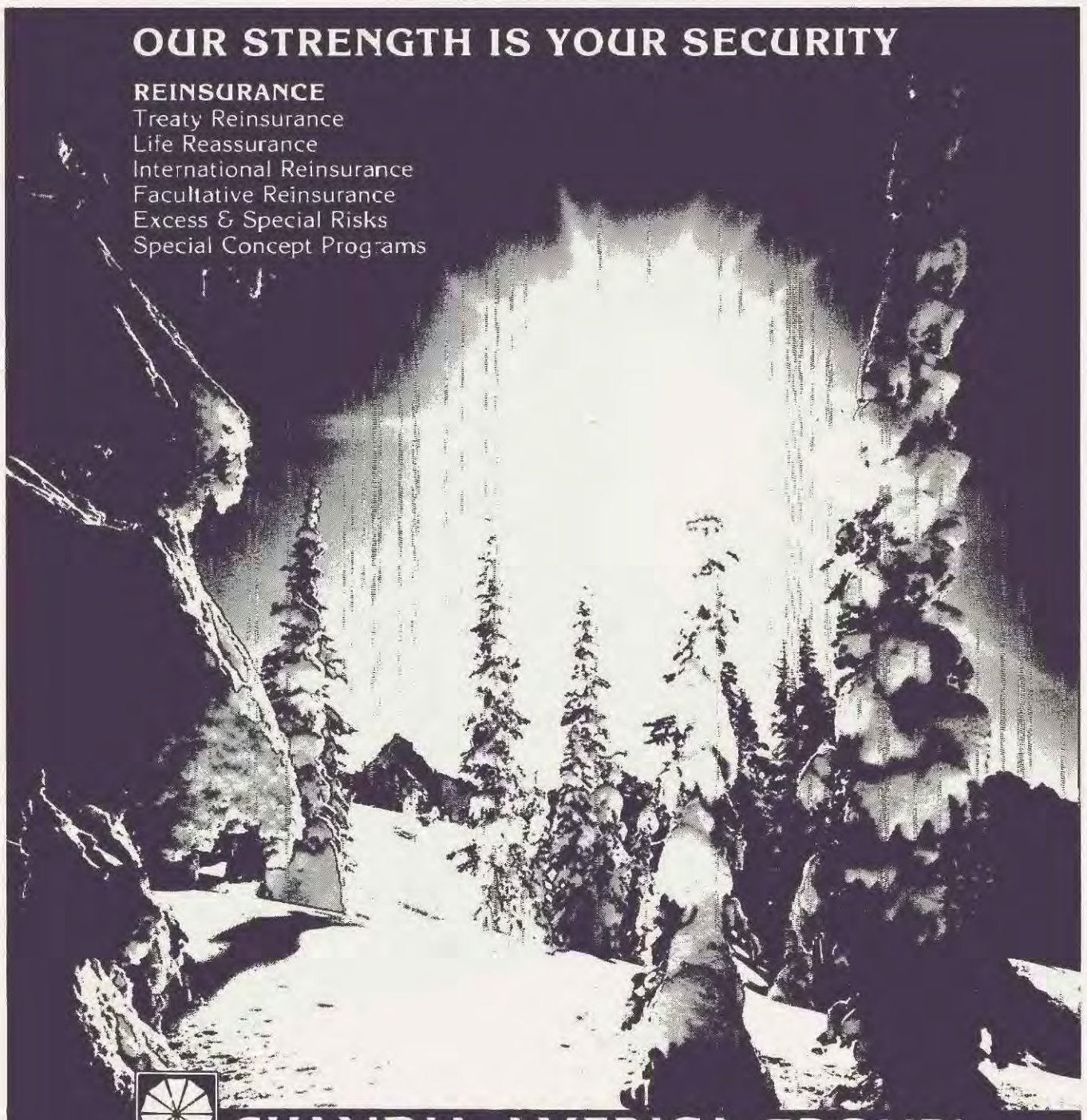
John P. LeCroy, vp and safety director for Forest Products Supply Inc. of Sarasota, may be one of the best examples of an FCCI member who almost was canceled but is now a satisifed client.

"We've been with FCCI about four years, and three years ago our loss experience was very, very high," says Mr. LeCroy. "With the help of FCCI, we brought the losses down. I can't emphasize enough the assistance they gave us."

Mr. LeCroy, whose 80-employee company manufactures and sells building supplies to construction companies, said the FCCI safety program concentrated on three areas.

First, top and middle-level management let employees know they were concerned about safety on the job. Second, the company began

Continued on page 32



SKANDIA AMERICA GROUP®

☐Atlanta ☐Chicago ☐Houston ☐Los Angeles ☐New York ☐San Francisco ☐Sarasota
☐Hamilton, Bermuda ☐Toronto, Canada

HEAD OFFICE: 280 Park Avenue, New York, N.Y. 10017

GROUP COMPANIES
Skandia Corporation
Skandia America Reinsurance Corporation
American-European Reinsurance Corporation
Hudson Insurance Company
Hudson Life Reassurance Corporation
Skandia Advisory Service Corporation

IN BERMUDA:
Hudson Underwriting Limited

IN CANADA:
Skandia Insurance Company, Ltd. (Canadian Branch)

Risk managers don't need a stadium full of casualty sources anymore.

All they need is one: Shand, Morahan & Company.

That's because we can custom tailor a casualty program that can include diverse exposures (environmental impairment, professional liability, captive insurance company E&O, etc.)

At the same time we are able to offer more traditional casualty coverages such as corporate D&O, excess workers' compensation and umbrellas.

The benefits of this approach are many. The insured often gains coverages not included, or too highly priced, when purchased on an individual policy basis. Many E&O exposures not previously covered are wrapped in a blanket E&O policy. The client and broker avoid many of the problems caused by gaps in coverage resulting from numerous individual policies and deal with one knowledgeable source for all questions and claims. And the overall premium may actually be lower than the total present individual premiums.

Multi-national conglomerates, large professional firms, major manufacturers, service companies, financial institutions all can benefit from this new, improved concept in casualty insurance. Now available from Shand, Morahan, where innovation and insurance program improvement is our number one specialty.

Shand, Morahan & Company, Inc.

One American Plaza, Evanston IL 60201
312/866-2800, Telex 72-4328

In business generally, it's tough to succeed unless you take risks. And nowhere is that more true than in the energy business.

We understand the energy industry and that risk is a necessary part of the business. We also understand that it's our business to take those risks. At AFIA, we've been involved in insuring the energy industry and taking those risks abroad since 1918. And now, through AFIA's Global capabilities, we can include, in one program, your energy exposures in North America with those overseas.

We spend a lot of energy helping companies take some of the uncertainty out of finding and producing energy. We're involved in insuring virtually every aspect of the energy industry both offshore and on land.

Take, for example, mobile offshore drilling units and fixed platforms. We're insuring construction, towing, installation and operation, including such exposures as control of well, seepage and pollution and cost of re-drill.

And we're doing more. We can insure pipelines, refineries, petrochemical and fertilizer plants, geothermal and hydroelectric plants, gasification and liquefaction plants, solar power generating units and windmills, to name but a few.

Our underwriters and engineers have the experience, knowledge and expertise to help you whatever your energy needs are. And when your needs are unusual–when it would be easy to say no–we'll try to find a way to say yes. We'll look for a way to help.

That philosophy reflects the aggressive, young-thinking attitude characteristic of the new AFIA. And it's combined with the stable, hard-working, diligent attitude AFIA has always had.

Get in touch with AFIA. We have no trouble finding the energy to help you when you're searching for the energy to help everyone else.

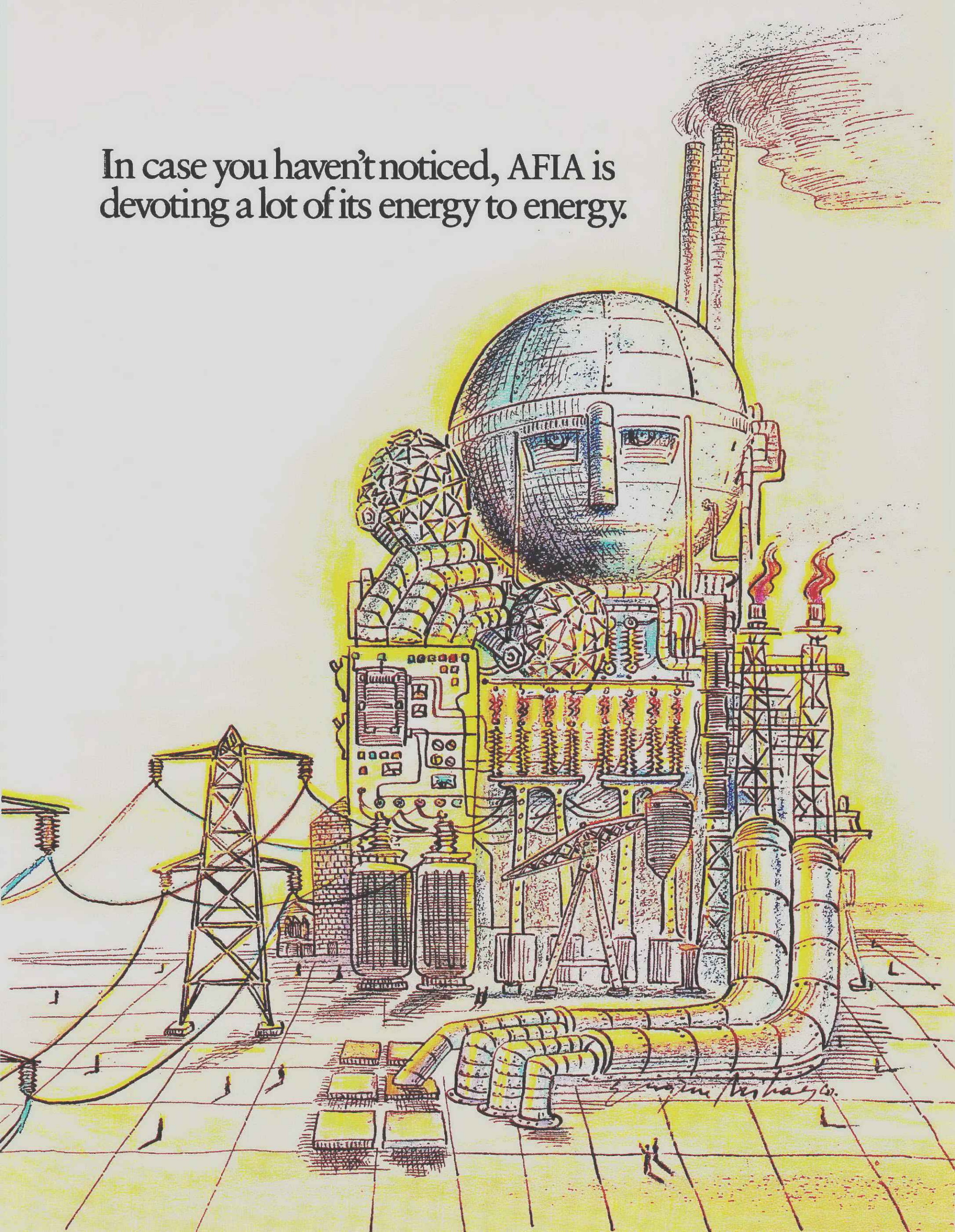
AFIA

WORLDWIDE INSURANCE

The older we get the younger we think.

AFIA Worldwide Insurance, 110 William Street, New York, NY 10038, Atlanta, Boston, Chicago, Cleveland, Dallas, Houston, Los Angeles, Miami, Minneapolis, San Francisco, Seattle, Washington, D.C. and 230 other cities around the world.

In case you haven't noticed, AFIA is devoting a lot of its energy to energy.



Pool rejects members with high losses

Continued from page 28

holding monthly safety meetings for all workers. The last part of the program focused on health care cost containment, including retaining a physician to examine injured workers immediately after the injury occurred.

Mr. Waters

Mr. LeCroy said workers compensation insurance premiums for Forest Products have declined more than 40% in the past three years.

"A few years ago, our employees claimed about $36,000 in medical expenses," says Mr. LeCroy. "In 1982, it was about $350."

Despite instituting FCCI recommendations in 1979, Mr. LeCroy said losses from workers claims did not begin to decline until late 1981.

"We got a letter from FCCI in July 1981, and they told us that if we didn't get our act together, we would be canceled," says Mr. LeCroy. "I really can't blame them. We had not shown much improvement until that point."

Another FCCI client, R.W. Burch Inc., also received a letter of warning of impending cancellation, but that notification was not due to bad claims experience.

"They told us they could not find somebody in charge of safety for Burch," says Jim Shump, controller for the firm. But, after Mr. Shump showed he was the safety officer, "FCCI told us it was a misunderstanding."

Mr. Shump, who also serves as insurance manager for the small citrus grove caretaking company, has found FCCI to be 'very aggressive" in claims management, but doesn't blame the fund. "The people managing the fund are trying to protect its assets. They're very hard-nosed about claims, but that's not bad."

Mr. Shump says other citrus caretakers and growers near the Plant City-based R.W. Burch have been wary of joining FCCI because of the rigorous screening procedures before the insurer accepts a client.

"Old-time fruit growers don't take questions from insurance companies very well. They just don't like people nosing around their business," says Mr. Shump. "Obviously, FCCI helps keep their cost down, but the old-timers don't see it that way."

FCCI didn't always appeal to those in riskier businesses. In 1980, participation in FCCI offered employers $5 million of coverage per occurrence and $7.5 million in the aggregate. "When we had the limited cover, it helped the other companies sell against us," says Mr. Waters. "Then we negotiated the unlimited cover. It was a real help in terms of growth."

FCCI, through its reinsurance broker, Interocean Inc., a subsidiary of Frank B. Hall & Co. Inc., was the first workers compensation pool in the nation to purchase an unlimited catastrophe cover, says Mr. Waters. The reinsurance, first purchased in 1981, is underwritten by National Union Insurance Co. of Pittsburgh, Pa., an American International Group Inc. unit.

Offering unlimited coverage, a product that has been copied around the nation, FCCI's premiums jumped from about $19 million in 1980 to more than $22 million in 1981. By 1982, FCCI was collecting about $26 million in premiums—all in the face of a 42% decline in workers compensation rates in Florida during the same time.

Mr. Waters also attributes such rapid growth to increased productivity and efficiency by FCCI staff members and its marketing efforts.

"We use an agency system and have 300 agents getting business for us, but we tell them to be selective on risks," Mr. Waters says.

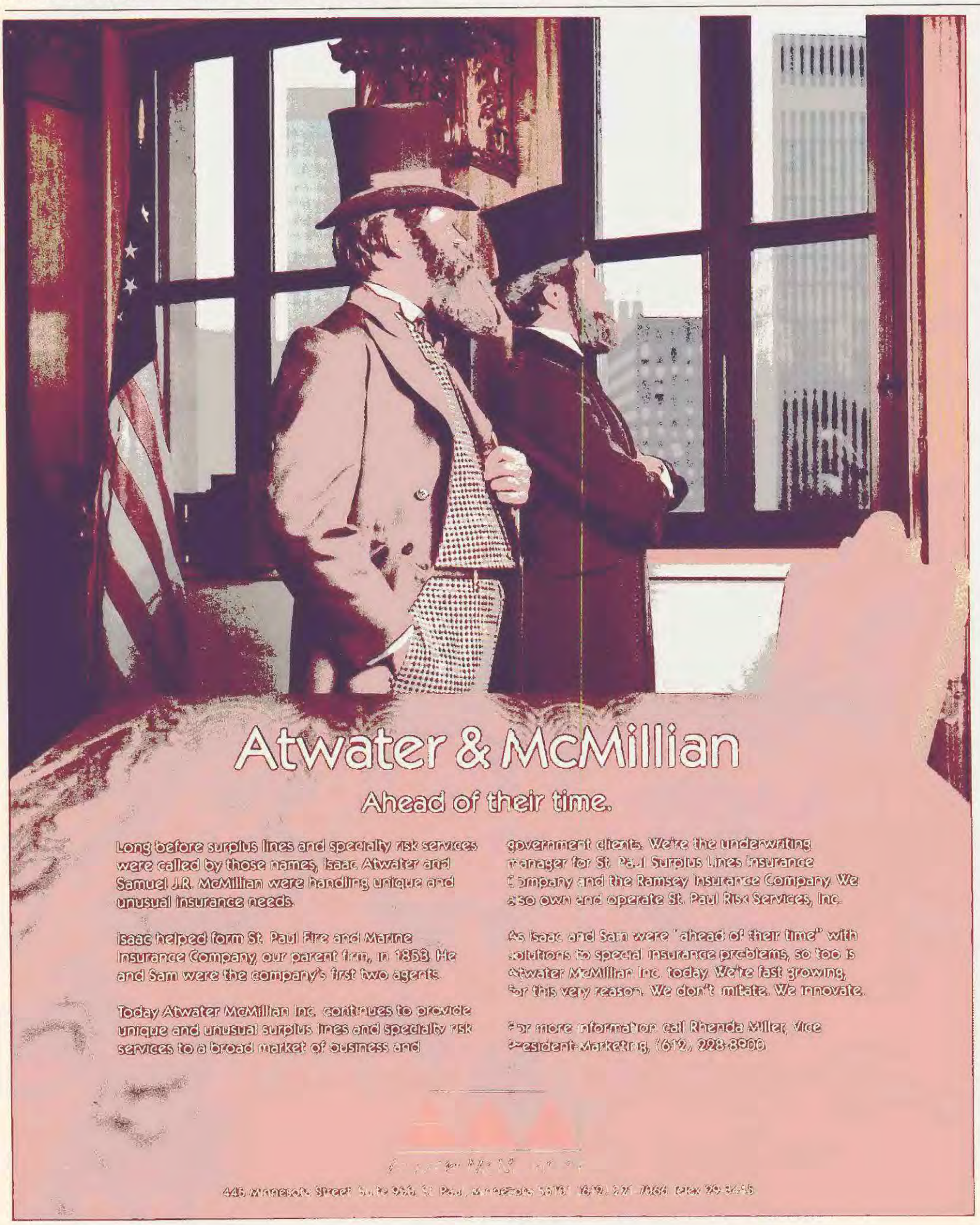
Running the 23-year-old fund for all its years hasn't always been easy for Mr. Waters. In 1977, the self-insurance fund had difficulty in purchasing excess coverage in the tight reinsurance market, so Mr. Waters founded Florida Employers Insurance Co. of the Cayman Islands. He remains its largest single shareholder.

"Florida Employers was our opener into the reinsurance poker game," says Mr. Waters. "We formed the company as a captive of FCCI."

But Mr. Waters said Florida Employers had difficulty in building surplus from FCCI members' premiums, so Florida Employers sold stock to 1,400 members of the FCCI fund who remain the captive's owners. An additional stock offering to the original owners is now being made, giving those members a chance to buy more shares. The outstanding shares unclaimed by the current members will be sold to the public.

About 75% of Florida Employers' premium volume comes from reinsurance of FCCI. Florida Employers reinsures National Union for the first $1 million excess of $100,000 of aggregate excess and the $100,000 to $300,000 specific excess insurance for an aggregate of $500,000, which attaches after claims made to the reinsurer exceed $850,000. The other 25% of the premiums comes from third-party risks. In 1981, Florida Employers collected $764,000 in earned premiums.

Florida Employers is managed by Transnational Risk Management Ltd. in Cayman. ■



Now There's A Book That Will Guide You Through Workers' Compensation and Disability Benefits Law

IF YOU ARE THE PERSON RESPONSIBLE FOR MAKING DECISIONS REGARDING WORKERS' COMPENSATION AND DISABILITY BENEFITS LAW, BUT DON'T ALWAYS HAVE THE NECESSARY INFORMATION ON HAND IN ORDER TO ARRIVE AT THE PROPER DECISION: THEN WERBEL'S NEW WORKERS' COMPENSATION AND DISABILITY BENEFITS GUIDE IS FOR YOU, WIDELY USED BY STATE INSURANCE FUNDS, BROKERS, AGENTS, RISK MANAGERS, UNDERWRITERS, GOVERNMENTAL AGENCIES AND OTHERS.

Covering Such Topics as:

- POLICY COVERAGES
- ENDORSEMENTS
- PREMIUM DETERMINATION RULES
- CLAIMS PROCEDURES
- CASE LAW ON HUNDREDS OF SUBJECTS
- VOLUNTEER FIREMENS' BENEFIT LAW
- THE EXPERIENCE RATING PLAN
- THE RETROSPECTIVE RULING PLAN

THIS GUIDE IS COMPLETE AND COMPREHENSIVE. IT IS WRITTEN AND UPDATED THROUGHOUT THE YEAR BY ACKNOWLEDGED EXPERTS.

INTRODUCTORY PRICES

. . . . . WORKERS' COMPENSATION AND DISABILITY BENEFITS GUIDE $30
(INCLUDES FIRST YEAR'S REVISION SERVICE AT NO CHARGE. THEREAFTER, ANNUAL SUBSCRIPTION SERVICE . . . . . $18).
* PLUS N.Y. SALES TAX (IF APPLICABLE) *

CLIP THIS AD TO YOUR PREPAID ORDER OR CALL (516) 234-1114 AND CHARGE IT TO YOUR VISA OR MASTER CHARGE.

Werbel Publishing Co., Inc.
DEPT. BI-1, 595 OLD WILLETS PATH
SMITHTOWN, N.Y. 11788

STRANGE THINGS CAN HAPPEN WHEN YOU DON'T HAVE THE PROTECTION CONNECTION.™

Frank B. Hall is The Protection Connection™ for the global business community. Our inventiveness, our creativity and our resourcefulness connect significant corporations, both large and small, to the most progressive insurance coverages. And the most advanced risk management services. Don't let strange things happen to your hard-earned business assets. Make Frank B. Hall your Protection Connection™ to the new world of corporate insurance.

FRANK B. HALL & CO.

The Protection Connection™

Coming Up!
Risk Management Services

Issue Date: February 21, 1983
Ad Closing: February 8, 1983

New York:
220 East 42nd Street, N.Y. 10017 (212) 210-0133
Chicago:
740 Rush Street, IL 60611 (312) 649-5275
Los Angeles:
6404 Wilshire Blvd., CA 90048 (213) 651-3710

Reporting weekly for corporate risk, employee benefits and financial executives.

business insurance
a publication of Crain Communications Inc.

Insurer opposes Texas bill to allow comp self-funding

By LAURENCE H. GROSS

DALLAS—Several times every month, William H. Ruff III finds himself on yet another trip to the Texas state capitol in Austin.

Mr. Huff, senior vp and chief lobbyist for Texas Employers Insurance Assn., a commercial workers compensation insurer, is on the front line of the battle against easing the state's prohibition on self-insurance of workers compensation risks.

"We're not against self-insurance, per se," says Mr. Huff. "But if companies are allowed to self-insure, they should have the same burdens that insurance companies do."

For example, Mr. Huff says that his company would not oppose group self-insurance in the state if a self-insurance pool were required to pay premium taxes, establish a guaranty fund and contribute to an assigned risk pool (*BI*, April 6, 1981).

Although Mr. Huff says there is little chance a self-insurance bill will be passed by the Texas Legislature this year, "You can never take anything for granted.

"The Texas Senate is a little more moderate-liberal this year," he explains. "That's a mark against self-insurance."

Technically, self-insurance is allowed in Texas because it is one of three states that do not require employers to have workers compensation coverage.

However, Texas employers that do not purchase the coverage are not covered by the state's workers compensation law and are liable to employee suits and face unlimited judgments.

In addition, Texas law allows only municipalities and other government entities to create self-insurance pools.

While the movement to legalize self-insurance has sputtered every time it has come before the Legislature (*BI*, June 8, 1981), Mr. Huff has good reason to make his frequent visits to Austin.

With more than $236 million in earned premiums in 1981, Dallas-based Texas Employers' Insurance Assn. is the largest provider of workers compensation coverage in the state.

The company, which was created 69 years ago by an act of the Texas Legislature and limited to writing workers compensation coverage exclusively, has maintained an 18% market share in the $1.5 billion Texas work comp market.

This year, however, major corporations with operations in Texas have organized a non-profit lobby group called the Texas Self Insurance Assn. and are armed with a war chest exceeding $100,000 to lobby on behalf of a liberalized self-insurance law.

Larry York, Austin partner in the Houston-based law firm of Baker & Botts, is leading the self-insurance group's fight.

"Our strongest opposition to the self-insurance funds is coming from the trial lawyers and insurance companies (like Texas Employers'), which is quite a strange coalition considering they face each other in the courtroom everyday," says Mr. York.

But, he adds, "We think this new bill has a good chance for passage."

The bill, which Mr. York says will be introduced in the Legislature soon, would strip away the barriers to self-insurance, although it would not allow private employers to form self-insured pools.

Continued on facing page

There is a difference

INSURANCE PROFIT CENTER **VS** RENT A CAPTIVE

The Insurance Profit Center (IPC) approach to insuring a corporation's Workers' Compensation, General Liability and Auto Liability is similar to Rent-A-Captive in several ways. Both the IPC and Rent-A-Captive programs are designed to provide all the benefits of a captive without the inherent administrative cost and legal problems of establishing and managing an insurance subsidiary. However, there are differences separating the two programs. Understanding these differences could save you money.

The Insurance Profit Center is structured as a conventional retrospectively rated policy. However, with the IPC the insured corporation rather than the insurance company earns the investment income on the loss reserves.

IPC vs. Rent-A-Captive

Your or your client's premium dollars will be managed by a non-owned entity. This means the IPC approach provides you structure and contractual agreements to return your underwriting profits and investment income to you . . . not promises related to future reduced premiums.

Ease of Use

Any agent/broker can receive an IPC quote by submitting the underwriting information necessary for a conventional retro to the carrier of your choice.

Other Benefits

- The IPC's parent company is publicly-held and manages the program in the same domicile
- The IPC fees are minimal compared to Rent-A-Captives
- The IPC is structured to defer taxes
- The IPC provides flexibility: it is not affiliated/owned by one broker or domestic carrier
- The IPC provides free brochures explaining the program

Contact us. We'll give you straight facts, not promises on the insurance alternative that could save you money or close the sale.

The Insurance Profit Center . . . so advanced, it's simple

Call **(215) 569-1800** or fill out the coupon and mail it today.

ANECOM

ANECO MARKETING CO., LTD.
1900 Market Street
Philadelphia, PA 19103

I'd like to know more on how to sell or receive a quote on the IPC program.

NAME _____ TITLE _____

COMPANY _____ PHONE _____

ADDRESS _____

CITY _____ STATE _____ ZIP _____

Rac/1

Continued from facing page

The proposal, which would mainly benefit large employers, will require employers to place a security deposit with the state Industrial Accident Board equal to the amount of risk retained by the employer.

"If a company chooses to self-insure its first $500,000, it will have to provide a $500,000 irrevocable leter of credit or cash to the state," says Mr. York. "Even if the company went bankrupt, employees would be covered."

Supporters of the bill say the strict security requirements and the lack of a pooling provision mean that self-insurance will probably not be economically feasible for small employers even if the bill is passed.

Supporters estimate an employer will need either 500 employees or annual workers compensation premiums of $500,000 before self-insurance under the bill would pay off.

Mr. York says Texas Employers' would like state lawmakers to believe they only want self-insurers to have the same restrictions as insurance companies, "but even if that was included in the bill, Texas Employers' would oppose it."

"Texas Employers' will lose huge amounts of premium dollars if the self-insurance bill is passed," Mr. York says. "We know that the self-insurance association's 80 to 90 members are paying at least $25 million in premiums each year."

Although Texas Employers' opposes changes in Texas law to ease self-insurance, the company currently fronts for state employers that want to retain some of their work comp risks.

Most employers paying more than $750,000 in workers compensation premiums choose to use the company as a fronting insurer, says Patrick Whatley, manager of Texas Employers' actuarial services. The employer may either retain all the risk or purchase stop-loss insurance.

"It's perfectly legal under Texas law, and most of the large employers choose to use us as a claims administrator and direct writer," says Mr. Whatley. "In some of the arrangements, we'll cede the risk to the employer's captive and for others it's a direct arrangement with reduced premiums."

Texas Employers' charges the employer a fronting fee of about 10% of the normal premium, but the fee can vary several percentage points depending on what services the insurer is asked to provide.

"It's a tailored program to the employer's needs," says Mr. Whatley, adding that many large employers buy stop-loss coverage that kicks in at $100,000 to $250,000 per-occurrence.

Although using Texas Employers' as a fronting company may resemble self-insurance, Mr. York says employers believe they can save money by not having to go through an insurer.

"The risk managers of the larger companies in the coalition just don't seem to realize that using a fronting company is the same as self-insuring," says Gerald Dorsey, general counsel of the Texas Assn. of Business, another employers' group that favors self-insurance, although it would like to see it made available to both large and small employers.

Mr. Dorsey, who praises Texas Employers' as "one of the most efficient workers comp insurers around," notes that previous attempts to liberalize the state's self-insurance laws, especially the attempt to legalize pooling, have failed.

"The political reality is that group self-insurance for small employers is not feasible for passage," says Mr. Dorsey.

"If the large employers' self-insurance issue passes, there will be a better chance for all employers to be allowed some day to self-insure in Texas."

Mr. Huff of Texas Employers', while conceding that his company would lose premium if the state's self-insurance rules are liberalized, says the security of injured workers at a self-insured company is the real issue.

"Self-insurance always looks good in the first few years," says Mr. Huff, "But the total and permanent disability cases don't come from those first years." ■

Some hospital bills are too hard to swallow.

PCC clients save an average of 40% on the hospital bills we analyze. If your bills need a thorough check-up, call PCC. Our experts don't just identify unreasonable charges. We challenge them.

PCC
Suite K
4020 Magnolia Blvd.
Burbank, CA 91505
(213) 843-8551

We don't just claim we've simply solved problems for growing claims processors.

We ProClaim it.

Introducing an affordable packaged software system for medical, dental and disability claims.

Its name is ProClaim.

Lawson Associates designed it to give you an inexpensive but effective alternative to service bureaus, manual systems and limited capacity automated systems. An alternative that simply solves problems.

ProClaim helps your clients contain health care costs. By providing coordination of benefits, verification of coverage at multiple levels, duplicate expense checking, historical tracking of deductibles and benefits, verification of charges using reasonable and customary data, and calculation and payment of claims with full audit capability for claim check and account history.

ProClaim holds down processing costs. By enabling you to buy an internal, turnkey solution for no more than several months of service bureau fees. Yet, at only a fraction of the cost of expensive systems that deliver the features you need, but also a lot of frills you don't need.

And ProClaim grows as you grow. Unlike other systems, it easily adapts to bigger, faster hardware. Or you can add clients without additional programming, because ProClaim is fully parameterized.

Other features? Full data security. Fund account procedures. Extensive prompting and edit checks. And complete documentation, source code and onsite training are included in the price of this online system written in COBOL.

Want to know more?

Phone Norm Ziesman at (612) 379-2633.

Or write:
Norm Ziesman
Lawson Associates, Inc.
2021 East Hennepin Avenue
Minneapolis, MN 55413

LAWSON ASSOCIATES
WE SIMPLY SOLVE PROBLEMS.

Few trying to form risk retention groups

By JERRY GEISEL

WASHINGTON—In 1979 when the Carter administration asked Congress to pass the Risk Retention Act, the Commerce Department predicted that 30 to 40 groups would be set up if the bill were enacted.

That hasn't happened.

Sixteen months after Congress passed the legislation that makes it easier for businesses to set up product liability captives, only one group has been set up and that one has been snarled in controversy.

"There has been a lot of talk, but not much action," said Lyndon Olson, a member of the Texas Board of Insurance and past president of the National Assn. of Insurance Commissioners.

"The groups don't exist. Where are they?" Mr. Olson and other insurance regulators are asking.

For now, risk retention groups appear to be casualties of the soft commercial insurance market.

"The market has been very soft. There is little incentive to self-insure," said Victor Schwartz, a Washington attorney who helped draft the Risk Retention Act when he headed a special federal government task force on product liability during the 1970s.

Only one state—Kansas—reports a significant number of inquiries from employers on how they can take advantage of the act.

Rod Todd, Kansas' assistant insurance commissioner, says the department has received about half-dozen inquiries.

But only two of those turned out to be serious. One unnamed trade association wanted to take advantage of the second part of the federal law that allows different employers to buy product liability insurance as a group from commercial insurers.

But the Kansas department rejected the association request because it didn't meet the qualifications of a purchasing group laid out in the Risk Retention Act.

"Their primary purpose was not making or distributing a product," Mr. Todd explained. "They were a service organization."

The other inquiry was from a group of manufacturers that are considering setting up a risk retention group. "They are only in the planning stage," Mr. Todd said.

But while employers in Kansas may be nibbling, they aren't biting at all in other states.

For example, Vermont, the only state to enact its own law since the passage of the Risk Retention Act to make it easier to set up such a group, is still waiting for its first call.

"We haven't received any inquiries," said George Chaffee, commissioner of the Vermont Department of Banking and Insurance. "It is kind of surprising."

Under Vermont law, a risk retention group would have to put up only $500,000 in capital and surplus to be chartered. That is the lowest capital and surplus requirement of any state.

Some state regulators remain hostile to the act because it preempted some of their control over insurance operations.

For example, under the federal law, a risk retention group that receives an insurance charter in Bermuda, the Cayman Islands or a state and meets the insurance capitalization requirements of any domestic state can serve members in 50 states without meeting the insurance requirements of each state.

Donald Gabay, deputy superintendent of the New York Insurance Department, says that exemption from state insurance laws is "an insult" to the state insurance code.

These groups set up in Bermuda and the Cayman Islands would not even be allowed to insure local risks and yet are allowed to operate in the states, says Mr. Gabay. While many regulators were bitterly opposed to the act when it was considered by Congress, officials say they will not try to obstruct any groups that want to be chartered in their states.

"If a group wants to set up in our state—fine. . .go ahead and do it. We have no problems at all," said Nancy Baerwaldt, Michigan's insurance commissioner.

"The issue isn't whether it is a good law or a bad law. It's there and we have to live with it," said Ken Smith, deputy director of the property/casualty lines division of the Illinois Insurance Department.

Texas' Mr. Olson says candidly: "We fought our fight. We were against it. But the act is now law. Come on down. We'll try to make things work out. I would not want to be a barrier as long as it is a bona fide risk retention group."

But there is still controversy over just what a bona fide risk retention group is. For example, The Home Owners Warranty Corp., a national home association, is locking horns with Delaware's insurance commissioner on whether the builder's insurance captive, HOW Insurance Co., is a risk retention group (*BI*, June 28, 1982).

Delaware Commissioner David Elliott says the warranty risks that HOW would cover are not product liability risks. He says home builders' exposures for defective products are surety and property exposures under Delaware law.

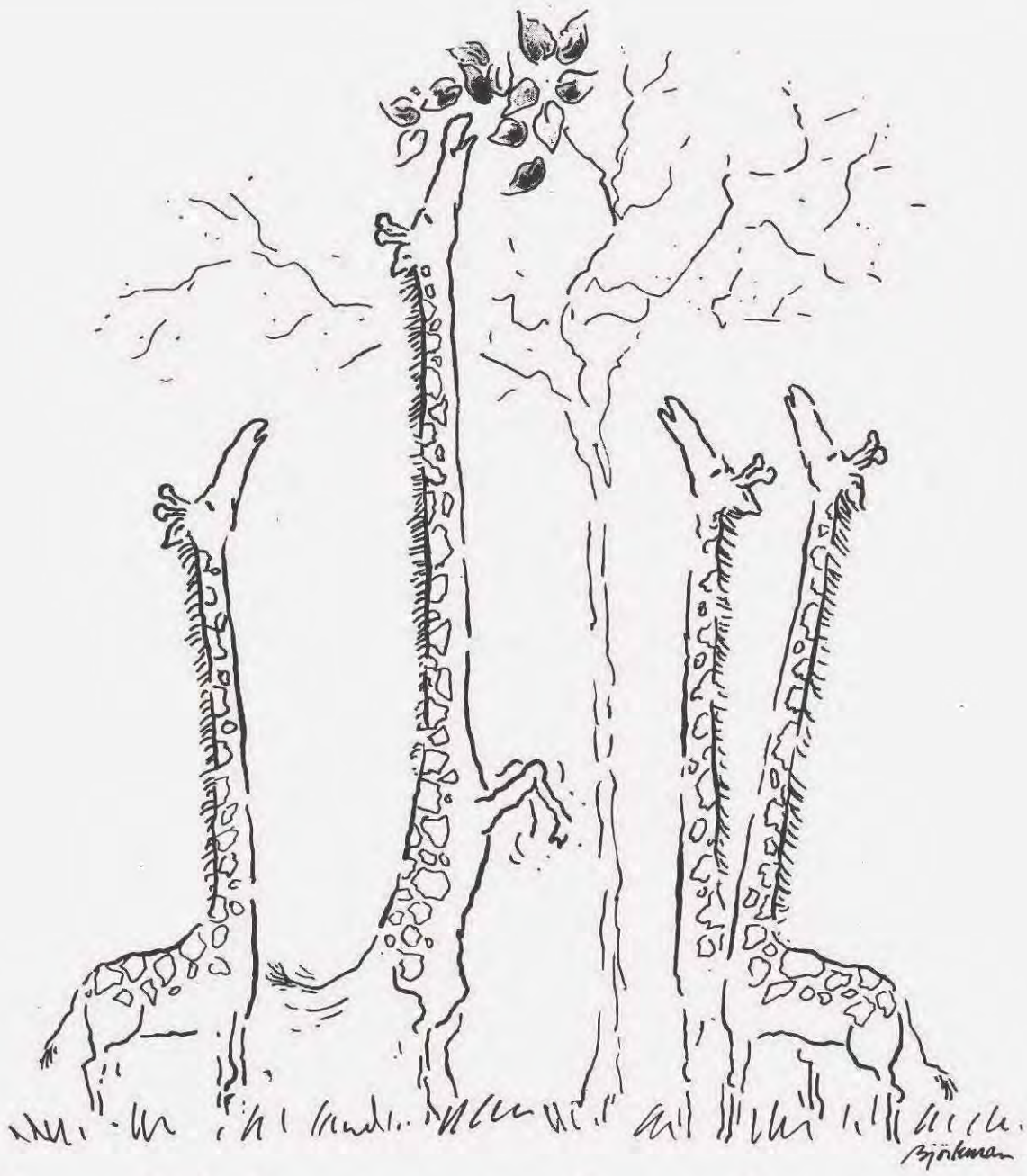
HOW President Robert Reid has argued that under the Risk Retention Act damage to a product itself is a product liability risk rather than just damage caused by the product. HOW and the Delaware commissioner are still negotiating.

But other regulators support Mr. Elliott's contention. "It doesn't matter if a federal or state definition applies, the HOW coverage is property coverage—not product liability," one Midwest state regulator said, stressing that product liability risks are the only ones a risk retention group can cover.

Even though buyers aren't yet tapping the Risk Retention Act, some regulators say the fact that the law is on the books has forced insurers to price product liability insurance more competitively because they know buyers have new options to commercial insurance.

"The law has had a salutary effect," said Michigan's Ms. Baerwaldt. "It may have made the market more competitive and discouraged insurers from raising premiums," she said.

"The law protects the chickens in the hen house," said Risk Retention Act author Mr. Schwartz. "I don't think insurers will ever raise their product liability rates 300% as some did in 1976 and 1977." One insurance commissioner believes regulators should learn a lesson from the passage of the act: states have to do a better job of working with employers to reduce problems to forestall federal action. ■



When it's just out of reach... *stretch!*

Many insurance brokers offer adequate solutions to risk management problems. But providing a commonplace solution isn't the end in itself. The best answers take perseverance and a willingness to stick your neck out.

At BMF we're committed to excellence, we look beyond the apparent solution—we stretch. We exceed the commonplace by extending every aspect of our professional expertise and achieve superior risk protection for our clients.

Excellence in Insurance Brokerage

BMF
Bayly, Martin & Fay International

CORPORATE HEADQUARTERS: 660 Newport Center Drive / Newport Beach, CA 92660 / TELEX: 692-306
(714) 644-7940

Do you know who your reinsurer is?

How financially stable is your reinsurer?

Is your reinsurance retroceded?

Do you know where it goes?

Are the details of your reinsurance readily available to you?

At North American Re, we believe it's one thing to think you have reinsurance.

And quite another to know you have it.

NORTH AMERICAN RE

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

NORTH AMERICAN REINSURANCE CORPORATION 100 EAST 46TH STREET NEW YORK, NEW YORK 10017 TELEPHONE 212-907-8000
ATLANTA, BOSTON, CHICAGO, DALLAS, DENVER, HOUSTON, KANSAS CITY, LOS ANGELES, NEW YORK, PHILADELPHIA, SAN FRANCISCO, SEATTLE

State regulators applaud federal MET law

By JERRY GEISEL

WASHINGTON—The new federal law giving states the power to regulate self-funded multiple employer trusts is just what the state regulators say they needed.

Signed earlier this month by President Reagan, the law forces self-funded trusts providing comprehensive medical benefits to abide by state insurance laws, including reserve requirements.

"Our life and health people are elated. They believe we have the teeth to go after them (the trusts)," said Richard Carlson, Illinois' assistant insurance director.

"It removes the void that allowed the trusts to slip in between the cracks of state and federal regulation. The ability to make a quick buck has been shut off," Mr. Carlson added.

"The new law can only help," said Frank Damon, the former chief deputy insurance commissioner in California, a state where a large number of trusts have failed since 1977.

A regulatory void is the reason why the trusts have continued to collapse—despite the pleas for more than six years from state regulators for help.

The new law, proposed by Rep. John Erlenborn, R-Ill., and Rep. Phillip Burton, D-Calif., and passed by Congress Dec. 21, will fill that void, regulators say.

Since 1977, state insurance departments have urged Congress to give them the power to shut down mismanaged self-funded METs, which are supposed to bring the advantages of group health insurance to small employers.

The regulators have said that the METs are no more than unauthorized insurance operations. But the administrators of the self-funded trusts say the trusts are employee benefit plans protected from state regulation by the Employee Retirement Income Security Act.

Once a state found a mismanaged self-funded MET, it often tried to shut the trust down, arguing that its administrators, who usually have an insurance sales background, engaged in unauthorized insurance mass marketing.

But state actions often got bogged down in the courts that were reluctant to close a MET until the Labor Department decided whether the trust was a benefit plan.

By the time the Labor Department or a court decided if a MET was an ERISA benefit plan, the trust, in many cases, had gone bankrupt.

"Frankly, the U.S. Labor Department virtually abdicated its responsibility in this area," said Florida Commissioner Bill Gunter. "Because ERISA pre-empted state insurance laws, METs were almost unregulated by anyone."

Unscrupulous MET administrators knew they often could operate their trusts for a year or two before a state could shut them down.

In that brief time, MET administrators could attract an enormous premium flow from small employers lured by the trust's promise of rates much lower than those charged by commercial insurers.

The premiums, in many cases, were used to pay excessive service fees to administrators and high commissions to agents bringing new policyholders to the trusts. As a result, reserves often were inadequate.

But state officials say the new federal law will allow them to shut down a mismanaged self-funded MET before it collapses. "I doubt whether a MET could operate for more than 30 days after a state hears about them and takes action," said Utah Insurance Commissioner Roger Day.

Under the law, which amends ERISA, METs still can apply to the Labor Department for ERISA certification, but even if it is granted, the trust still is subject to state rules on reserves and contributions.

While Labor Department approval is pending, the MET must meet all state insurance regulations, like capitalization requirements, or the state can force it out of business. Under the law, a self-funded MET is presumed not to be an ERISA plan until it is certified as such.

For the Labor Department to recognize a self-funded MET as a bona fide employee benefit plan, the MET must prove, among other things, that it is controlled by participating employers, not a third-party administrator. Few self-funded METs can meet this test.

State regulators say the state's new authority to close down a self-funded MET while it is awaiting ERISA certification is one of the law's most important features.

"We can move quickly and not have to wait for a year and a half for the Labor Department to act," said Illinois' Mr. Carlson.

And state regulators say they will move faster to curb mismanaged trusts before they collapse and leave policyholders with a mountain of unpaid claims.

"We can take a course of action much sooner. We can say you are not an ERISA plan. Cease and desist. The burden of proof now is on them (the trust administrators)," Utah's Mr. Day said.

The new law does not, however, solve all the problems. Because of limited resources, regulators will have to rely on the public to let them know about the trusts.

"There still could be trusts out there that we don't know about," said one regulator.

"It will be up to the states to do their job," adds Jeffrey Clayton, the U.S. pension administrator at the Department of Labor. ■

Photographed at "Tour of Nutley 1982" courtesy of Peloton Sports.

Winning isn't an easy thing to do in today's economic climate. Not with insurers cutting rates. Not with revenues at the lowest rate of growth since **Business Insurance** began following brokers' performance.

BRI Coverage Corp. is winning. Our gross revenues grew 21.4%, nearly 50% above the industry growth rate. And we achieved that growth without acquisitions or mergers. Instead we relied upon plann.ng and execution. For example, we established the Risk Management Economics division to specialize in workers compensation and liability and claims management. And we developed the revolutionary Employers Compensation Program.

We designed insurance programs that offered the most coverage for the smallest premiums to the building trades and the ocean marine industry. We offered international services, underwriting facilities, and expertise in federal and international tax codes. We offered clients the maximum coverage in the most cost effective manner.

The result? BRI Coverage Corp. moved up to 21st in this year's Brokers Profiles issue of **Business Insurance.** We became the sixth largest privately held brokerage firm. And with progressive thinking, thoughtful planning, and client responsive programs, that growth will continue.

BRI Coverage Corp. We're doing more than just making a name for ourselves.

BRI

WE'RE BREAKING AWAY.

BRI Coverage Corp. 156 William Street, New York, N.Y. 10038 212-233-7171

Banks to expand claims services to serve corporate customers

By BETSY SHARKEY

NEW YORK—Two major money-center banks are finding a fertile field in the emerging and rapidly expanding arena of automated self-insurance claims services.

Citibank, and most recently Chase Manhattan Bank, have initiated systems designed to ease and organize claims handling for administrators of self-insurance benefit plans.

Although the current systems are one step removed from directly serving risk and benefit managers at self-insured corporations that administer their claims in-house, Citibank is poised to bring its first corporate customer on line and Chase Manhattan has identified large corporate clients as a long-term marketing goal.

SIMMS, Citibank's "self-insurance money management system," was introduced in 1977 in response to one of the bank's major insurance clients that wanted to offer administrative services to self-insurers.

"I have to say honestly that when we began the program, we didn't know what we were doing and we probably had a good year of problems," said Dick Martin, Citibank's vp of insurance checking service. "But we sat down a second time with our major client, resolved the operating problems and from 1978 on, we've had very few problems."

By the end of 1982, nine administrators, including both insurers and third-party administrators, used

'All that is paid out of the omnibus account is funded by the self-insurer,' Mr. Martin says.

the Citibank system. Those administrators serve some 400 self-insured clients. An estimated 7 million claim checks flowed through the system last year.

"The system is beneficial primarily when there are multiple (bank) accounts or multiple claims-paying locations involved," Mr. Martin said.

"We have one (corporate) client that administers its own claims through multiple claims offices throughout the country. They've asked us to look at their problems," he adds.

Citibank is now developing a single-banking system for the company, which currently disburses claim checks out of separate offices using separate accounts at different banks throughout the country.

"What they envision is a SIMMS-like operation where each of these claims offices would disburse off a single Citibank account," Mr. Martin explained. "And we would provide all of the claims services for each of their offices through that one account."

The SIMMS system, a basic claims administration system that could be used directly by corporations with large in-house self-insuring claims administration, sets up a funding network to simplify the way claims are paid.

The system is centered around an omnibus account, where all checks are issued. This account is in the name of the administrator.

Then there is a subaccount set up for each of the self-insuring companies the administrator serves. Citibank requires that this account be pre-funded in an amount approximately equal to three days of claims payments.

"On a daily basis, the administrator either sends or transmits (via computer) an issuing tape to us, which tells us the check number, the dollar amount, the issue date and a number that identifies the self-insurer," Mr. Martin explained.

Citibank has a daily funding mechanism to assure that adequate levels of money flow through the omnibus account. Each night, the bank aggregates all checks paid out of the omnibus account during the day for each of the self-insured companies. Then a single transfer is made, shifting money from

Continued on next page

Group Life/Group Disability

Stop Loss For Self-Funded Plans

Contact: Mike Dow, CLU/CEBS
Group Sales Director
Security Life of Denver
Security Life Building
Denver, Colo. 80202

(800) 525-9852 (303) 534-1861

Risk Management Services should be tailored to meet specific needs.

Flexibility is the key to our unique unbundled approach to captive reinsurance programs. It permits us to tailor our services to address specific client needs, avoiding costly bundling.

Our clients may choose to purchase only the services they deem necessary, usually from the contractor of their choice.

As underwriting managers for the A+ rated Northwestern National Insurance Company, we can provide primary policies admitted in all 50 states.

For more information have your agent or broker contact Jim Kellogg, Vice President, at 731 N. Jackson St., Milwaukee, WI 53201. Or call him directly at (414) 765-8660.

NN Risk Management Services
Member Armco Insurance Group

Banks expanding their claims services

Continued from previous page
the self-insurers' Citibank account to the administrator's account.

"The administrator is able to maintain a zero-balance account," he said. "All that is paid out of the omnibus account is actually funded by the self-insurer out of his own account."

Although Citibank is adjusting the SIMMS system to meet the needs of a large corporate client, Mr. Martin believes that the system is only practical for large corporations that pay claims from numerous locations.

The way the corporate system is being developed, the company treasurer would have a terminal in his office allowing him total flexibility in accessing the Citibank account.

"Each morning we would identify the total number of claims paid, and the treasurer could come in via the terminal and identify how much money it would take to fund the account that day," Mr. Martin said.

> 'We are looking at self-insurance as a continuing trend in the marketplace. This system will help the administrator control his or her costs, and that is a major reason to self-insure,' says Chase Manhattan's Diane Wiley.

Chase Manhattan's CATALYST (claims administration techniques alleviating your self-insurance troubles) is the outgrowth of nearly 10 years of working individually with claims administrators.

"We are looking at self-insurance as a continuing trend in the marketplace," said Diane Wiley, Chase Manhattan's vp of marketing planning for insurance services and new product development. "This system will help the administrator control his or her costs, and that is a major reason to self-insure."

Chase envisions self-insurance administrators as the primary, short-term market for CATALYST. However, serving corporate clients that administer their own claims in-house is on the long-term horizon.

"Each year we process approximately 30 million checks," said Ms. Wiley. "But we've been doing it (the check processing) for these administrators on a very customized basis. CATALYST is the generic version of that."

CATALYST has been fully operational for just more than a year, with Massachusetts Mutual Life Insurance Co.'s self-insurance administration unit the first client.

Mass Mutual was looking for a good cash management system that could be incorporated into its total self-insurance claims administration package.

"We were finding in going to our clients, especially with high interest rates and tight money, that we're dealing more and more with the financial managers of the company," said Jim Miller, senior vp of Mass Mutual's group life and health operation. "Benefits in a corporation have become such a large-dollar budget they are no longer relegated to a corner in the personnel department.

"And when you have financial officers involved, they're very concerned about how money flows, what the availability of money is, operating at the lowest end cost, etc."

After reviewing five different money management systems, Mass Mutual selected Chase's system. Flexibilty was the major underpinning of their decision.

"The Chase system allowed us a lot of flexibility in terms of how we fund our (client) accounts," Mr. Miller said. "We can fund them when we issue the check, on a two-day impress fund balance or fund them on a zero balance."

Much like Citibank's SIMMS, all activity within the CATALYST system revolves around an omnibus account for the administrator, with subaccounts set up for each of the administrator's clients.

Most of the self-insurers Mass Mutual serves have chosen to fund their accounts as a claim check is issued rather than establish a prefunded balance, according to Mr. Miller.

Using Chase's standard system, once a $50 claim check is issued, Chase would electronically contact the self-insurer's primary bank and request it to transfer $50 into the self-insurer's subaccount at Chase.

That subaccount then feeds into Mass Mutual's omnibus account when it is time to finally pay the check.

In addition to simply moving the funds around, CATALYST generates a number of reports that can be used both by the administrator and the self-insurer. The reports detail basic banking information such as reconciling the omnibus account as well as the individual sub-accounts and more sophisticated reports that would, for example, track how rapidly checks are clearing.

These reports are included in the standard package.

"Through InfoCash (a computer access system), we have a daily reporting system so the administrator can see exactly what was charged to their account and the allocation of debits for each one of their corporate clients," said Ms. Wiley. "They need this information in constructing cash-flow programs for their clients. . . . Secondly, it allows them greater control and the ability to develop the proper level of balances.

"They need to know exactly what their liabilities are so they don't leave too much on balance, but also have an adequate amount to cover what the bank has paid and monthly bank charges."

CATALYST also has a "cap" calculation. If a self-insurer has a stop-loss arrangement with the administrator, once an established dollar level is reached the system automatically begins drawing money from the administrator's account rather than from the self-insurer's subaccount.

"The Chase system allows a lot of flexibilities and there were a lot of trade-offs available depending on where the financial manager was coming from," said Mass Mutual's Mr. Miller. "It gives us and our clients a whole range of options."

5 REASONS CONTROL DATA TECHNOLOGY GIVES YOU BETTER HEALTH BENEFITS MANAGEMENT.

We pioneered fully-automated claims processing systems more than a decade ago. Control Data's Benefit Services can help you manage your self-insurance programs more effectively and efficiently than ever before—in five important areas. With technology that delivers accuracy, consistency, and timeliness in claims processing, valuable management information and real cost savings.

1. Computerized accuracy.
Through state-of-the-art computer technology and exact interpretations of benefit plan provisions, legitimate claims are paid accurately and consistently. Benefit Services' error rate is a fraction of the industry average. This more accurate processing means less cost and better employee relations.

2. Consistency in claims processing.
This system automatically checks eligibility, determines the fee allowance, computes deductibles and coinsurance. It also checks history for duplicate claims and coverage, applies special benefits rules, generates payments and explains those payments to both employee and providers. We think communication of benefits is important. When needed, our highly qualified claims examiners are there to explain and assure a full and fair review of outstanding claims.

3. Timeliness of payments.
Employees file directly with Benefit Services, sending a short form along with itemized bills. Eligibility is determined from data supplied by you. Routine claims are typically turned around in less than a week. At client option we can cycle payments every two to three weeks to retain operating capital.

4. Management information reports.
We can help you capture the essence of how your health plan is being used, and how healthcare is being delivered to your employees. Problem areas can be pinpointed—in procedures, diagnosis, treatment and delivery of healthcare. Benefit Services uses more than 8,000 diagnosis and procedure codes (vs. the usual 25-100) including CPT-4, ICD-9, UB-16 and ADA protocols. We believe health costs should be managed, so we supply you with the detailed information you need to help control your benefit funds. We can also prepare customized evaluations for you or your consultants.

5. Cost savings.
Benefit Services can help you save money on health and dental claims through the consistent coordination of benefits and the monitoring of prevailing fees in your area. You can also realize genuine cost savings through the accuracy of Benefit Services fully-automated claims processing system.

Call us today.
Let us show you how to better manage *your* self-insured benefits programs through applied computer technology.
Call us collect at: 214-385-5666.

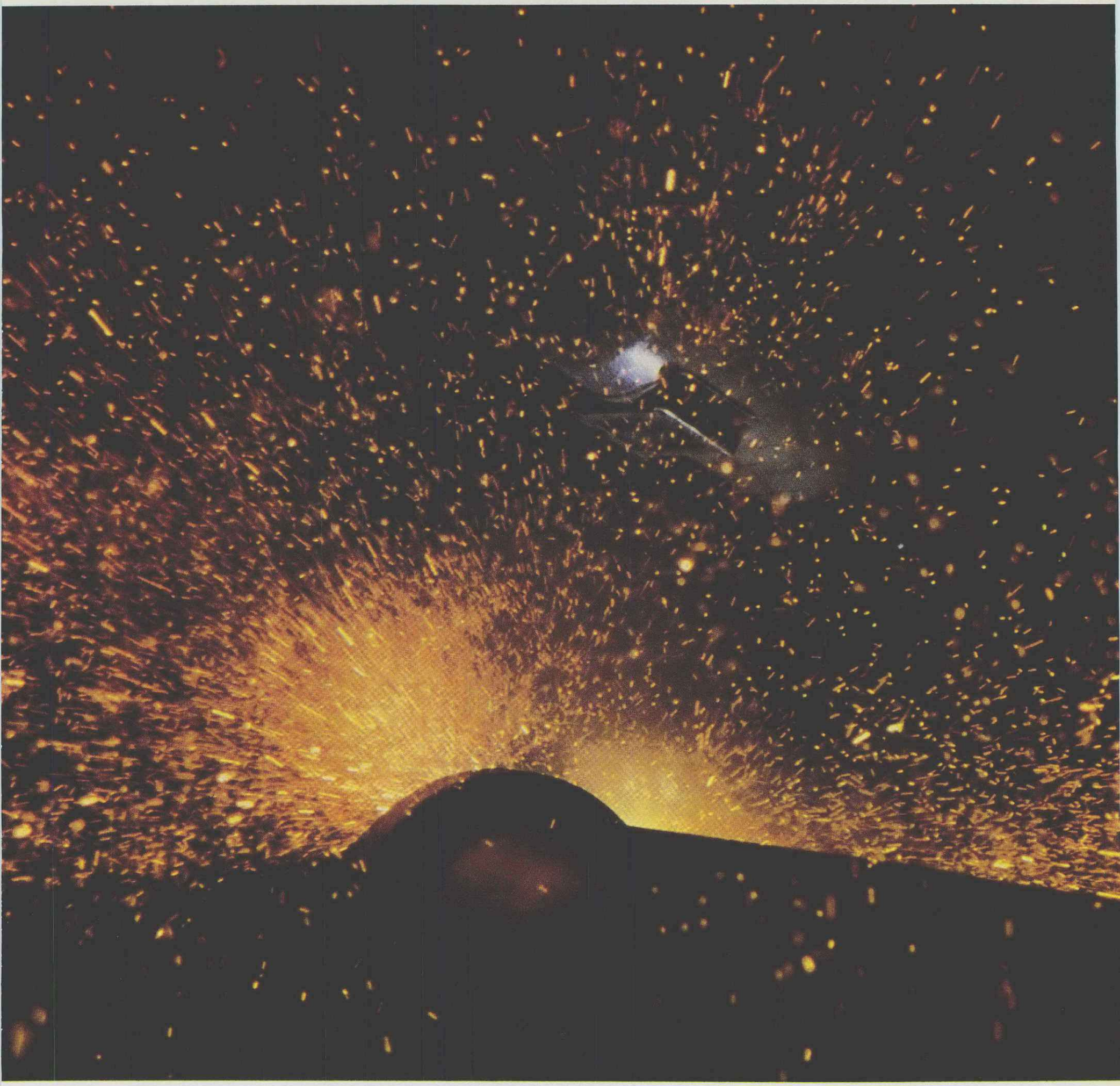
Or mail this coupon to: Benefit Services Division
Control Data Corporation
14801 Quorum Drive, Suite 301
Dallas, Texas 75240

Name_____
Title_____
Company_____
Address_____
City_____ State_____ Zip_____
Phone_____

CONTROL DATA

Addressing society's major unmet needs as profitable business opportunities

Equipment Manufacturing.



We understand the risks, because we understand the business.

Everything works better when an insurance company knows your business.

You get expert help with loss control. Claims are processed more efficiently. And, most important, you get imaginative rating techniques that effectively match your premiums to exposures.

You'd expect an insurance company to know the insurance business.

We've taken the time to learn the equipment manufacturing business.

As one of the nation's largest insurers, we can design programs for all of your casualty, property, life and health insurance needs.

If you'd like to see the benefits of working with people who understand your business, give our business a call.

Call our National Accounts office at 715/346-6863.

Sentry®
National Accounts Department
Sentry World Headquarters
1800 North Point Drive
Stevens Point, WI 54481

How Far Do You Have To Go To Meet Your Foreign Insurance Needs?

Some people go to extraordinary lengths to get insurance overseas.

They send themselves everywhere they need coverage. Encountering underwriter after underwriter. While trying to unravel the mysteries of countless foreign regulations.

Other people simply come to American International Underwriters.

At AIU, you get a world of insurance from just one underwriter. Who writes insurance one way. Your way.

Our branch offices span 130 countries and jurisdictions. And we have direct control over all of them.

We also employ more people here in the United States than any other American insurer of foreign business. Over 350 people. In 14 locations. Backed by a powerful home office.

They can write, implement and service your insurance on the spot.

As for claims, we go to great lengths to settle them. Our three regional claim offices in the U.S. coordinate the activities of over 1000 people around the world.

Now you know why we write more insurance overseas than any other American insurance company.

So contact your nearest AIU branch office.

Unless, of course, you're currently dealing with another insurer. In that case, just send us a postcard from wherever you are.

Once Again The Answer Is AIG.

A.I.U. Offices in: Washington, D.C., Dallas, San Francisco, New York, Houston, New Orleans, Atlanta, Chicago, Los Angeles, Tulsa, Minneapolis, Seattle, Cleveland, Toronto.

Don't be trapped by cheap reinsurance.

Saving a few dollars on reinsurance premiums can be a very tempting but false economy.

Poorly planned reinsurance programs or late payment of claims put a clamp on your company's profits.

That's why financial stability, prompt payment of claims and personal contact are so important in selecting your reinsurer.

General Re offers a depth of skill, experience and financial resources unsurpassed by any other domestic reinsurer.

For reinsurance you can trust, call General Re today.

General Re

America's Largest Reinsurer

General Reinsurance Corporation, Greenwich, Connecticut

© 1983 GRC

Atlanta, Chicago, Columbus, Dallas, Des Moines, Hartford, Houston, Kansas City, Los Angeles, New York, Philadelphia, San Francisco, Seattle, Washington, D.C., Montreal, Toronto, and London

SETTING RESERVE LEVELS

The perils and pleasures faced by self-insurers

By James F. Cerone

SOME DEGREE of excitement surrounds the financial deliberations that precede the decision to self-insure. Forecasts of a bottom-line advantage to the company are always attractive. Often there is a feeling of triumph over the displacement of an insurance company.

Beyond the immediate decision, the company's long-range plans may include formation of a captive insurance company and, eventually, the forecast of additional revenue from sales of insurance to others.

Once the financial decision to self-insure is made, the action usually shifts to the company's insurance department where critical operating decisions are to be made, such as whether to self-administer claims or hire an outside claims service provider. Thereafter, the claim process itself is (or can be) a fascinating experience; investigating accidents to determine what happened and decision making as to liability and figuring how much money, if any, is owed can be heady stuff. Best of all, negotiation of claims or the drama of a trial or compensation hearing are both challenging and intriguing.

By comparison, the subject of reserving can be boring. Setting reserves is a unilateral act and lacks the excitement of the give-and-take of claims handling.

Given the constraints of accountants and the Internal Revenue Service, there is a debate on the need to reserve at all by self-insurers.

Self-insurers who reserve usually do so for one or more of these reasons:

- To measure and monitor the financial integrity of the program.
- To provide a basis to periodically test the financial advantages of continuing self-insurance.
- To obtain accurate and current distribution of loss costs by operating divisions.
- To monitor severity and frequency trends by location and product lines.
- To provide cash-flow forecasts.

Reserving decisions may be initially postponed but cannot be avoided since a firm that self-insures is in the insurance business. Moreover, the importance and size of the company's reserve position grows as the program matures and the number of open claims increases.

The overall objective of the case-reserve process is to provide for the ultimate cost of reported cases so that at any given time, the sum of case reserves is equal to the subsequent loss and loss expense payments necessary to dispose of those cases. While there is general agreement on the overall objective of reserving, various approaches are used for its accomplishment.

Some companies set specific reserves for each case and depend solely on these case reserves to provide for the ultimate costs of their claims. Other companies, in addition to their case reserves, maintain a bulk supplemental reserve that is periodically adjusted to maintain overall conformity to the forecast of ultimate cost.

James F. Cerone is a vp of Tillinghast, Nelson & Warren Inc. in Boston.

Since case reserves are forecasts of future costs based on current and often incomplete information, the chance of achieving a fully accurate reserve position solely on the basis of case reserves is remote. The combination of case reserves and a bulk reserve is the surest way to obtain overall reserve adequacy.

In practice, the variety of case-reserving approaches does produce disagreement on the best way to reserve. A variety of reserve techniques and philosophies is practiced by companies that self-administer claims as well as claims departments of insurers and adjusting companies that service self-insurers. What follows are the intentional and sometimes unintentional practices by which case reserves are established.

A mathematical technique that seeks to quantify the elements affecting the ultimate cost of a claim is a popular and effective approach to establishing specific case reserves.

This technique begins with a gross estimate based on the full value of the injury, and then reductions are applied based on liability and the existence, if any, of additional defendants to produce a net estimate that is used as the case reserve. Some companies extend the calculations to include adjustments for general economic inflation and the presence of an attorney representing the claimant. Throughout the pendency of the claim, calculations are updated as additional information is obtained that changes the facts on which reserves are based.

Another strategy, most often applied to workers compensation claims, operates much like a checkbook. Reserve balances are maintained to cover short-term needs such as the expected payouts for 12 months. During the year, the reserve balance is reduced as payments are made against it. As the balance approaches zero, additions are made to the reserve to fund the succeeding period. This approach fits the annual cash-planning process of some firms. It also diverges from the concept of ultimate cost reserving.

The number of participants in the reserve process will also color and shape the reserve position of the firm since diverse interests and backgrounds are represented. Reserves set by committee strategy involving members of the operating divisions or the human resources department in addition to the insurance personnel department will reflect their particular perspectives. The personnel department may view workers compensation as an employee benefit and, depending on their general perspective, may argue for liberal reserves. A division manager whose incentive bonus includes consideration of loss experience may be influenced to set reserves low.

The utopian approach is much more philosophical. Instead of considering and calculating the exposure elements of a particular claim, the reserve setter focuses more on the attributes of the company. The company makes good products, or their safety program is top-notch; therefore, the claim value is secondary to maintaining this image and, accordingly, reserves are set unrealistically low.

Or, consider an announcement of more resistive or "get-tough" claims programs and the potential shift to more optimistic reserves as claims adjusters implement the programs and anticipate a reduction in settlement amounts. In both cases, the need to realistically reserve cases is crowded out by a stronger commitment to conform to an idealistic objective.

Firms differ also in their view of reserve changes during the life of a claim. There is support for the supposition that for a large number of claims, the underreserved claims will be balanced in the aggregate by the overreserved claims. By extension, this view suggests values of reserve increases will approximate the values of reserve decreases. Visualized, this strategy can be described as the snake, or wave, theory. The outcome is similar to the expected number of heads and tails resulting from flipping coins.

Arguing against this theory is the fact that setting case reserves is not a random process. It is a deliberate decision subject to the variables of a specific claim and the skill of the particular reserve setter and is further limited by the information currently available.

Future uncertainties of specific claims and various approaches to reserving produce the dilemma faced by the firm that self-administers claims. The difficulty in maintaining accurate case reserves is not necessarily reduced when the firm hires an outside service to handle claims.

The fact that a service provider is selected on the basis of greater claims expertise does not necessarily mean that the level of case reserves will be closer to ultimate value.

For example, assume the service provider has on its staff the best reserve setter in the claims business and the reserve setter was responsible for establishing reserve values on a specific-case basis for all open files. Is it safe to assume that at any given time the sum of specific case reserves on open cases would represent the ultimate cost of those cases? In my view, the answer is no and, in fact, the potential for future upward development would increase due to the lack of perfect information.

The reserve setter bases the valuation on current information but it is often incomplete. Future events in the claims process, certainly in injury claims, develop adversely. For instance, a change in accident facts may alter the assessment of liability, i.e., a "new" witness is identified or a current witness is no longer available. While changes in liability may evenly distribute between improvement and deterioration, the potential for adverse development is present.

Changes in the extent of injury is a second major reason for reserve revisions. Common examples include back and neck strains that ultimately are diagnosed as disk herniations requiring surgery; fractures that do not heal properly and produce permanent disabilities; extended treatment of chronic soft-tissue or muscular injuries that generate large levels of medical expenses; and extended periods of disability. The changes in the physical conditions of claimants do not evenly distribute. A change in injury status is almost always adverse.

In this scenario, the top reserve setter would be very accurate in establishing reserve today, based on *current* information. Theoretically, if he assesses perfectly current information, he'll be neither deficient nor redundant. However, if the facts on one case change tomorrow, then today's total reserves will be inaccurate and probably deficient.

Reserving is, after all, exciting!

perspective

FINDING THE FORMULA

Using computers to establish accurate reserves

By Lawrence J. Walters

MANY STRESS the effect of accurate reserves on a company's financial well-being.

The Reinsurance Assn. of America proclaims: "Adequate loss-reserve levels are the foundation of a successful insurance or reinsurance operation."

Business Insurance emphasizes challenges to risk managers with captives and self-insured programs that ". . .may face some new difficulties as time and long-tail exposures finally test their expectations and loss-reserving practices."

The auditing community expands on different practices within the traditional insurance company environment.

Despite the express importance of reserves, a lack of clarity remains as to their operational functions. To some, a reserve is often considered synonymous with settlement value, a shortcoming that I hope to alleviate here. Once an agreement exists as to function or purpose, reserving success or lack thereof is easily quantified. I'll describe how that quantification works.

A reserve represents the best estimate of the eventual cost of an identified, claimed obligation. Its lifespan is limited—beginning with receipt of loss and terminating when the obligation is paid or negated. The singular purpose is to fill a void in financial data, the significance of which ultimately affects employment circumstance:

- The bonus of a division manager may depend on reserves attributable to his profit center; a $500,000 reserve might nullify a healthy bonus.
- The risk manager relies on reserves for all divisions or profit centers when making decisions affecting budgets, insurance purchase, limits of liability, etc.
- The underwriter examines reserves attributable to his "book of business" in establishing premium.
- The insurance company chief executive officer is dependent upon accuracy of reserves for the balance sheet and income statements, lest wealth of the owners or profit by line be overstated.

When searching for a reserve philosophy, one learns of two divergent approaches that respectively create a grossly inadequate or excessive financial posture. At one extreme is the philosophy where a reserve is regarded as synonymous with claim value, or settlement range. Evaluation, however, occurs only after the facts are known—a process requiring several years to accomplish.

By definition, a reserve is anticipatory, yet awaiting developments before increasing a reserve can be self-destructive. There is little value in waiting years, until trial or settlement is near, to increase a reserve from $100,000 to $500,000. This practice serves only to overstate assets or income for those years.

The other extreme is the philosophy to reserve at ultimate potential loss, which will create an excessive reserving posture. Disposition of some claims may require full potential cost, such as large adverse verdicts. However, if several claims result in a defense verdict or a compromise, the exposure year or line of coverage is substantially less than what is reserved.

Between those two extremes lies the elusive optimum estimate that can be called reserving at ultimate probable loss. Reserving at ultimate probable loss describes a workable philosophy that encompasses two necessary ingredients:

- Proof of liability or damage that might be outstanding.
- The estimate targets, or most likely cost, rather than the highest possible cost.

For example, let's assume a sports equipment manufacturer has had successful defense in the past in most product liability cases. Yet in one case, the injury involves quadriplegia and this "exception" results in a verdict between $2 million and $5 million.

A suit is filed Jan. 1, 1982, with the usual allegations of defective manufacture, failure to warn and strict liability. Final disposition is three to five years away. The claims person should not await the medical reports, expert testimony regarding a $750,000 to $1 million present value of lost wages, plaintiff's proof as to liability or other testimony. If the claims person thinks the chance of verdict for the defendant is two out of three or three out of four, a $1 million reserve is close to correct. Given a midrange verdict of $3.5 million, a $1 million reserve on each claim (three or four) has total reserves at $3 million or $4 million. Financial integrity is maintained and in no single instance is the reserve equal to the cost; there is only approximation.

While discrepancies exist, the common goal is that total reserves equal total costs. Given this focal point, we can identify, control and correct reserve shortcomings.

The ability to reserve accurately varies directly with the number of losses, or exposures, under consideration. The Central Limit Theorem (law of large numbers) dictates high variability with a limited number of observations, but more stability as the size of the group or field increases. With this, the risk manager should have more confidence in reserve statements for his entire company, rather than a particular subsidiary, or division.

Recognizing that error exists with reserves, a risk manager or executive should ask the question: How certain am I that reserves are adequate? The highly leveraged company might adopt an attitude of indifference on whether reserves are too high or too low in any one year. They only want them to be correct. In this case, if reserves are high in one year, or division, the expectation exists that they will be offset by inadequate reserves in the next.

Alternately, a conservative executive might state: If reserves are not on target, they should be too high. Then, the degree of adversity to reserve inadequacy governs. Would the decision maker want to be confident that reserves are satisfactory in two of three cases like divisions, lines of coverage or exposure years? Or, does he wish to be supremely confident that reserves are adequate in nine of 10 instances?

By juggling the elements, some individual choice is allowed:

- What rate of return is generated by reserve dollars vs. alternate investments?
- What external characteristics exist, such as history of dividends or advertising efforts, that stress premium-to-surplus ratios, etc.?
- What retro premium might depend on reserved losses?

The range for most firms likely will be 60% to 80%. That is, in six to eight of 10 instances reserves are adequate.

Certain exposures by nature dictate greater variability of error, as shown by comparing a trucking risk to the product manufacturer.

The trucking company has drivers who normally report a loss promptly. If they fail to do so, state financial responsibility laws require notice to the employer within two to three months. General rules of the road govern liability questions, and severe injuries are obvious. Within two to three months after the close of the exposure year, most major liability and damage incidents are known.

The product manufacturer, on the other hand, often gets first notice via a suit filed two to three years after the accident. Further, even though a prompt reserve is indicated, there is no eyewitness, no truck driver providing liability and damage information. Discovery often takes two to three years before basic accident and injury facts are available. Accordingly, one might expect reasonably accurate reserves within 90 days after a loss is reported on the trucking risk. Yet the product manufacturer might require several years to have accurate reserves.

A computer, if programmed properly, quickly performs an exercise that a risk manager seldom observes. With its virtually instantaneous arithmetic capability, the computer easily differentiates between changes in total incurred (attributable to previously reported) losses and changes caused by true incurred-but-not-reported losses. As such, a comprehensive measure of pure reserve activity is reduced to a concise format, freeing the observer from complicating and unnecessary details such as date of loss or date of first notice.

The exercise correctly assumes that reserves on all reported claims at the end of the first target year reflect the best estimate of eventual cost. (Closed files implicitly carry a zero reserve.) Annually thereafter, the total incurred for the same files is calculated. Independently, the computer calculates total incurred for all reported losses at the close of the second target year, and measures changes annually thereafter. The process continues with perhaps the following results that include four target years and a comparison at the end of the fifth year (see chart 1).

The development factor, when combined with evaluations in prior years, forms a matrix that might exhibit some healthy results (see chart 2).

The above data has no predominant tendency to inaccurately reserve losses. In a single target year, 1978, losses were underreserved initially. However, corrections were made within two years, by year-end evaluation in 1980. Also,

Continued on page 48

Chart 1

Reserve development

(as of Dec. 31, 1982)

Target year	Value at year-end	Identical losses today	Development factor*
1978	$5,000,000	$5,500,000	−10%
1979	7,000,000	7,000,000	0%
1980	8,500,000	8,100,000	5%
1981	9,300,000	9,000,000	3%

*Development factor = (Value at year-end — identical losses today) / value at year-end

Chart 2

Development factor

(as of Dec. 31, 1982)

Target year	Year-end evaluation			
	79	80	81	82
1978	−5%	−14%	−9%	−10%
1979		6%	−2%	0%
1980			3%	5%
1981				3%

Chart 3

Development factor

(as of Dec. 31, 1982)

Target year	Year-end evaluation			
	79	80	81	82
1978	−5%	−6%	−14%	−22%
1979		4%	−3%	−12%
1980			−4%	−11%
1981				−2%

Lawrence J. Walters is casualty claims administrator at American Risk Management Inc. in Cleveland.

RISK MANAGERS: WE KNOW WHAT IT'S LIKE. THAT'S WHY WE'RE THE BEST BACKUP IN SELF-INSURANCE.

More and more businesses today are enjoying the cashflow advantages of self-insurance. But workers' comp can be full of pitfalls for the risk manager. You need the most dependable, authoritative backup you can get.

Introducing EBI Services, Inc.

We've earned our credentials, with more than a decade of unsurpassed achievement in workers' comp through EBI Companies. These proven services now are available to risk managers for self-insurance, in custom packages or unbundled form. Prompt claims management. Instant, computer-based record access. Consultative™ loss control, and monthly loss analysis statements. Thorough reporting to regulatory agencies. Ultimately, lower net cost to the self-insured.

In short, EBI Services means comprehensive backup to end the anxiety of self-insurance administration.

Call collect: Jack Powell, President, (408) 288-6011.

EBI SERVICES, INC.

ORION GROUP, INC.

San Jose, California 95112

perspective

RUNNING A WORK COMP SELF-INSURANCE FUND

By Gilbert Waters

WHAT DOES IT take to establish and run a successful group self-insurance fund for workers compensation?

After 23 years of refining the fundamentals of workers compensation as the administrator of the Florida Construction, Commerce & Industry Self-Insurers Fund, I think I have some answers.

My helpful hints are based on my experience in finding what works for the now 3,100 employers that pay more than $30 million annually to the fund to cover their workers compensation risks.

Here are the principal policies, programs and procedures I have developed to operate a group self-insurers fund for workers compensation:

- Do careful underwriting. Reviewing at least the past three years' claims history of a prospective member is an operating necessity. More than one claim per $1,500 premium or habitual loss ratios in excess of 65% of premium should keep applicants out of a carefully operated fund. Inspection of an applicant's current credit report is also helpful in identifying payment habits.
- Use independent agents. The highly competitive workers compensation market requires a high degree of sales expertise. A fund generally does best if it uses its state's independent agent system. Even when an association-related fund uses paid field representatives to build membership, they should be encouraged to be licensed—even if it's not required by law.
- Provide advance discounts. Where permitted by state law, advance discounts should be made whenever possible. Make them contingent on prompt payment of premium. Advance discounts keyed to prompt payment aids cash flow. Discounts can be increased for larger members.
- Collect premium in advance. Annual, semiannual, quarterly or even monthly billing is desirable. Premium should be established based on size of account and should be collected in advance. Cancellation for non-payment should be automatic and publicized. Members may be reinstated upon payment of the non-discounted premium.
- Build a bad-debt reserve. Delinquent premium payments are a problem for a fund because an aggregate retention is usually specified by the reinsurer. Bad debts leave a gap in that retention obligation which, without a reserve, could act to restrict access to aggregate excess recovery. Such a reserve also could assist a fund in the event of a reinsurer failure.
- Refund premium carefully. The essence of a self-insurers fund is its ability to refund members' premium after the coverage year is completed and after payment of expenses and establishment of proper reserves for both reported and incurred-but-not-reported claims. These refunds are best delayed at least one year, should include investment income and be based on a formula that gives weight to safety performance.

Since members are like stockholders in a business venture, these "refund dividends" are best paid to members of record of the fund at the time the payment is made.

- Get lots of good reinsurance. Since a principal characteristic of a fund insuring private employers is the "joint and several liability" of its participating members, reinsurance is critical. A fronting carrier or a recognized reinsurer or reinsurers are essential. Maximum coverage, up to "unlimited" liability, is recommended both for aggregate and specific excess insurance; it's especially important for specific excess in view of recent industrial/construction catastrophies and huge awards. Funds should take over negotiating their reinsurance as quickly as possible and demand assurances of the security of the reinsurance. Florida funds have seen at least three reinsurers "go bad" in the past 15 years.
- Reserve properly. Since refunds of premium and investment income take place, adequate procedures to fund long-tail loss development are necessary. Conservative reserving based on a fund's—or the state's—loss history should be programmed.

Inadequate reserving is the most dangerous pitfall in the workers compensation line. We check reserves three ways—based on our historical pattern of aggregate loss development, our history of loss costs by type and our experience with the costs to close remaining open cases as a proportion of total cases at varying intervals in the life of the coverage year. Our statistician has developed typical expense curves and average loss costs, which we have programmed effectively.

- Improve productivity. A low expense ratio is essential to keep combined ratios below 100%. Applying these has produced a five-year "combined" for the FCCI fund of under 80%—made up of 48% incurred loss ratio and an approximate 25% expense ratio.
- Safety is paramount. Each new member must receive a loss-control manual and instruction by the fund's loss-control specialist. One safety counselor, who is cooperative with and trusted by the employer, should be provided for every 300 accounts (premium of about $2 million). Frequent visits, remedial reports and member participation in loss-control procedures should be mandatory, especially for those with high frequency and severity.
- Do remedial loss control. A monthly report—best done with a computer program—should identify and mark all members with excess claims, severity or frequency. This report identifies members needing a loss-control counselor's attention and will measure progress. Our data processing system has been programmed to present monthly reports of progress in improving high-loss accounts.
- Review all major bills. Scrutiny by computer of medical and hospital bills compared with approved charges can routinely disclose accidental excess charges, which for the FCCI fund has exceeded 10% in many months.
- Do rehabilitation from Day One. As many as possible of the most serious lost-time claims should go into rehabilitation within days or weeks of first report. Reassuring contact with the injured employee, family and physician encourage improved morale and a return to work. Contract rehabilitation sources are useful and a full-time rehabilitation nurse can be employed for every 100 expected cases within a 25-mile radius. Our program places 25% to 30% of our worst lost-time cases with a rehab nurse. Certain cases are automatically assigned to a rehabilitation nurse.
- Use a team effort to expedite return to work. Establish procedures for the rehabilitation nurse and the loss-control counselor to work with the injured worker's employer to structure a new job. If this is not successful, the fund must work to find a new job through vocational placement, retraining or using targeted jobs tax credit, which is a federal program offering tax credits of up to $3,000 per year for a rehabilitated worker hired by an employer.
- Get on the computer early. Early computerization of these procedures will aid in developing maximum productivity, speed and flexibility with minimum manual labor. Integrated workers compensation systems employing such procedures have recently become available.
- Continually communicate with and educate your insureds. Early on it is necessary that a fund member be encouraged to realize, through a continuing communication program, that the fund's activities are for its benefit, its active cooperation is needed and the money it helps save goes back in its pocket.
- Study your competition before starting a fund. Before forming a self-insurers fund in 1983, conduct a market study. See if the prospective segment of the market is not adequately served by commercial insurers or an established fund with a larger spread of risk, better performance, and proven track record for the prudent reinsurer to evaluate, and previous years' reserves to help swell investment income. All these competitive factors have prevented in at least two new Florida funds from succeeding in establishing a foothold in the market in the past few years. ■

Gilbert Waters has been administrator of Florida Construction, Commerce & Industry Self-Insurers Fund in Sarasota since its inception in 1959.

> 'My helpful hints are based on my experience in finding what works for the now 3,100 employers who pay more than $30 million annually to the fund to cover their workers compensation risks.'

Establishing accurate reserves

Continued from page 46

two target years, 1980 and 1981, have overadequate reserves, satisfying our earlier maxim that singular low reserves are offset by high reserves in other years (a 66.6% confidence level).

If we define a tolerance range of 10% as accurate, only 1978 reserves as evaluated in 1980 are exceptional; those 1978 reserves evaluated in 1982 fall at the bottom boundary of our tolerance range.

The deteriorating reserve situation clearly can be seen (see chart 3, page 46).

In this deteriorating case what happens to our criteria?

- Not a single year, with year-end evaluation at 1982, shows a positive development factor existing to offset negative factors.
- Our 10% tolerance range is violated frequently.

The most sobering thought is that deterioration would likely continue.

In time, an actuarial adjustment factor, reflecting a tendency to overreserve, can be applied to the data, providing an actuarial adjustment to a claim shortcoming. Unfortunately, the adjustment factor is helpful only with the particular losses under consideration; there is no improvement in determining claims reserving. Then, as environmental, legal and business factors change its exposure, in each instance the risk bearer must again endure reserving failures that require several years to actuarially adjust.

A better approach relies on integral claim knowledge of past weaknesses to provide the background for improvement. The reserve development and development factor exhibits should be scrutinized by claims personnel, along with computer-identified individual losses that show reserving inaccuracies. This can minimize repetition of error. Frankly, given a self-correcting process, a firm's development factor will likely resemble the second chart, rather than the third.

Considering the ease of implementation, it is quite surprising that most firms, like insurers, self-insureds and service companies, fail to extract the effect of IBNR from total incurred changes that result solely from known-loss deficiency. The latter is a shortcoming that is readily definable, and usually correctable.

The goal of this measurement process is creditability of present reserves costs that, once established, might gain for the firm a competitive edge in decisions affecting future profit and loss.

Few states regulate benefit administrators

By LEN STRAZEWSKI

Should companies that administer claims for self-insurers be regulated as carefully as agents, brokers and insurers?

The National Assn. of Insurance Commissioners thinks so, but only eight states agree.

A model regulation for life and health claims administrators, developed more than five years ago by the NAIC, has been almost completely ignored since its inception, the NAIC says. And in the eight states that have chosen to regulate administrators, only registration fees and documentation of agreements are required.

"In most states, including my own, there is almost no regulation of self-insurance claims administrators," explains Colorado Insurance Commissioner J. Richard Barnes, former chairman of the NAIC agents licensing task force.

"If my office gets a consumer complaint, there's not a whole lot that we can do about it.

"And we do receive complaints. Recently, I tried to follow up on one problem as a courtesy to a consumer who had a disability claim unpaid for over three months. I called the administrator's office and was basically told to mind my own business."

A call to a principal of the claims company did bring results and an apology, Mr. Barnes notes, but mainly because he knew one of the officers personally.

"He apologized for the attitude of the employee, but generally that is the kind of response insurance departments get when trying to deal with some administrators," he says.

Employee benefits claims administrators are the main subject of concern, Mr. Barnes adds. In the wake of self-funded multiple employer trust failures and a trend toward more self-funded programs by smaller employers, administrators have become a subject of regulator discussion.

"Regulation of employee benefit third-party administrators is far more necessary than regulation of property/casualty claims firms because generally self-insured property/casualty programs are monitored carefully by a competent risk manager," Mr. Barnes explains.

Mr. Barnes, however, is particularly concerned about the effect employee benefit administrators can have on consumers since they pay claims directly to individuals. Although the employer is directly responsible for the claims payment, action against the employer is usually slow and difficult, he says.

Administrators are also paying claims for smaller employers that have been advised to self-fund their benefits. These employers are particularly vulnerable to large losses and mismanagement of claims, but lack the expertise to properly evaluate their administrators, Mr. Barnes says.

Administrators argue that regulation is inappropriate and that claims-processing companies are more like data processing services firms or consultants. The contract between the administrator and the client should be the basis of their relationship and recourse should be contract law and the firm's errors and omissions insurance.

Administrator groups, including the Society of Professional Benefit Administrators, which represents about 200 employee benefits claims administrators, believe that self-regulation and a code of ethics are necessary, but formal state regulation is not.

"We try to be careful with our membership requirements," explains SPBA Executive Director Frederick D. Hunt Jr. "We do not permit administrators of self-insured multiple employer trusts and membership is limited to independent contract firms that derive at least 50% of their revenues from employee benefits claims administration services."

Subsidiaries of insurers, brokerages and other organizations are not eligible.

"When an employer deals with one of our members, it knows it is contracting with a company that is a specialist in the field," Mr. Hunt notes.

In the face of a generally anti-regulation sentiment, regulation has stalled in most states. When it has appeared, it is generally considered to be ineffective at combating problems of mismanagement or fraud.

The NAIC model regulation for life and health administrators, adopted in Arizona, California, Indiana, Kansas, Minnesota, Montana, Nevada and Tennessee, would give insurance departments the authority to register administrators, set records requirements and demand written contracts be signed by administrators and clients. It does not provide states with the power to demand employee dishonesty bonds or financial statements from administrators.

But even if states do adopt the NAIC model law for life and health administrators, it is not be enough to stop all administrator fraud.

In California, for example, two workers compensation administrators allegedly deserted their company, Fitzgerald Self-Insurance Administrators Inc. in Upland. Calif, with company funds (*BI*, Sept.13, 1982).

The individuals still have not been located, according to state officials, and criminal charges have not been filed.

Though the investigation continues, acccording to Los Angeles District Attorney Hershel Aaron, investigators are not releasing estimates of unpaid claims or an accounting of missing funds once thought to be as much as $250,000.

The company, primarily a workers compensation administrator, was not covered by California's employee benefit administrator regulations nor has there been any attempt to bring similar companies under any regulation. Fitzgerald had not kept up payments on the company's fidelity bond so losses are not likely to be covered by the bonding company.

"I thought for sure something would happen in the state Assembly after the Fitzgerald case," remarks John Buck, supervising consulant for self-insurance plans in California. "Many of the Fitzgerald clients were municipalities and I thought assemblymen from their districts would attempt regulatory bills. They haven't yet and it doesn't appear they will."

Mr. Buck recommends that self-insurers remember that they are responsible for claims unpaid by administrators and carefully monitor the activities of administrators to make sure their funds are spent properly. ■

If it's insurable,
we'll find a market.

Call us.

Geo. F. Brown & Sons, Inc.
The Placement Specialists

ATLANTA • 404/396-7620
BOSTON • 617/367-8260
CHICAGO • 312/977-9400
HOUSTON • 713/578-7222
KANSAS CITY • 816/474-7327
LOS ANGELES • 213/383-7501
NORTH NEW JERSEY • 201/263-8770
PHILADELPHIA • 215/592-0560
SAN FRANCISCO • 415/777-3278

A subsidiary of Interstate National Corporation,
one of the Fireman's Fund Insurance Companies

Directory of benefit claims specialists

A

Administrative Service Consultants Inc.

3301 E. Royalton Road, Building B, Broadview Heights, Ohio 44147; 216-526-2730

Services provided: Claims administration.
Region served: Ohio.
Specialty: Employee benefits/group insurance claims: 100% health insurance.
Number of claims: 70,410 total claims administered, 52,910 for self-insurers.
Staff: 28 total staff. Administration staff of 12.
Workload: Average number of claims administered monthly by one administrator, 750.
Clients: Total administration clients, 75; self-insured, 62.
Compensation: Percent of paid claims, per covered employee for administration services.
1982 gross revenues: Not reported.
Auditing procedures: Claims are audited on request by in-house staff and independent firms hired by self-insurers.
Reports: Self-insurers are supplied with free monthly reports within 10 to 14 days of the end of the month.
Computer: Apple II, with input document terminal located in home office.
Principal officers: Albin Tercek, Robert O'Leary, William Morris.

Allied Benefit Systems

401 N. Michigan Ave., Chicago, Ill. 60606; 312-321-5071

Services provided: Claims administration.
Region served: Nationwide.
Specialty: Employee benefits/group insurance claims; 85% health insurance, 15% weekly income and dental.
Number of claims: 25,000 total claims administered, all for self-insurers.
Staff: Eight total staff. Administration staff of five.
Clients: Total administration clients, 135.
Compensation: Percent of annual premium, 2% to 3% average charge; per covered employee, $2-$3 for administration services.
1982 gross revenues: Not reported.
Auditing procedures: Claims are audited monthly by in-house staff with annual audit by reinsurers.
Reports: Self-insurers are supplied with free monthly reports within 10 days of the end of the month.
Computer: WANG 2200MP, with input document terminal located in central location.
Principal officers: Lawrence Wilneff, Ben D. Schenker.

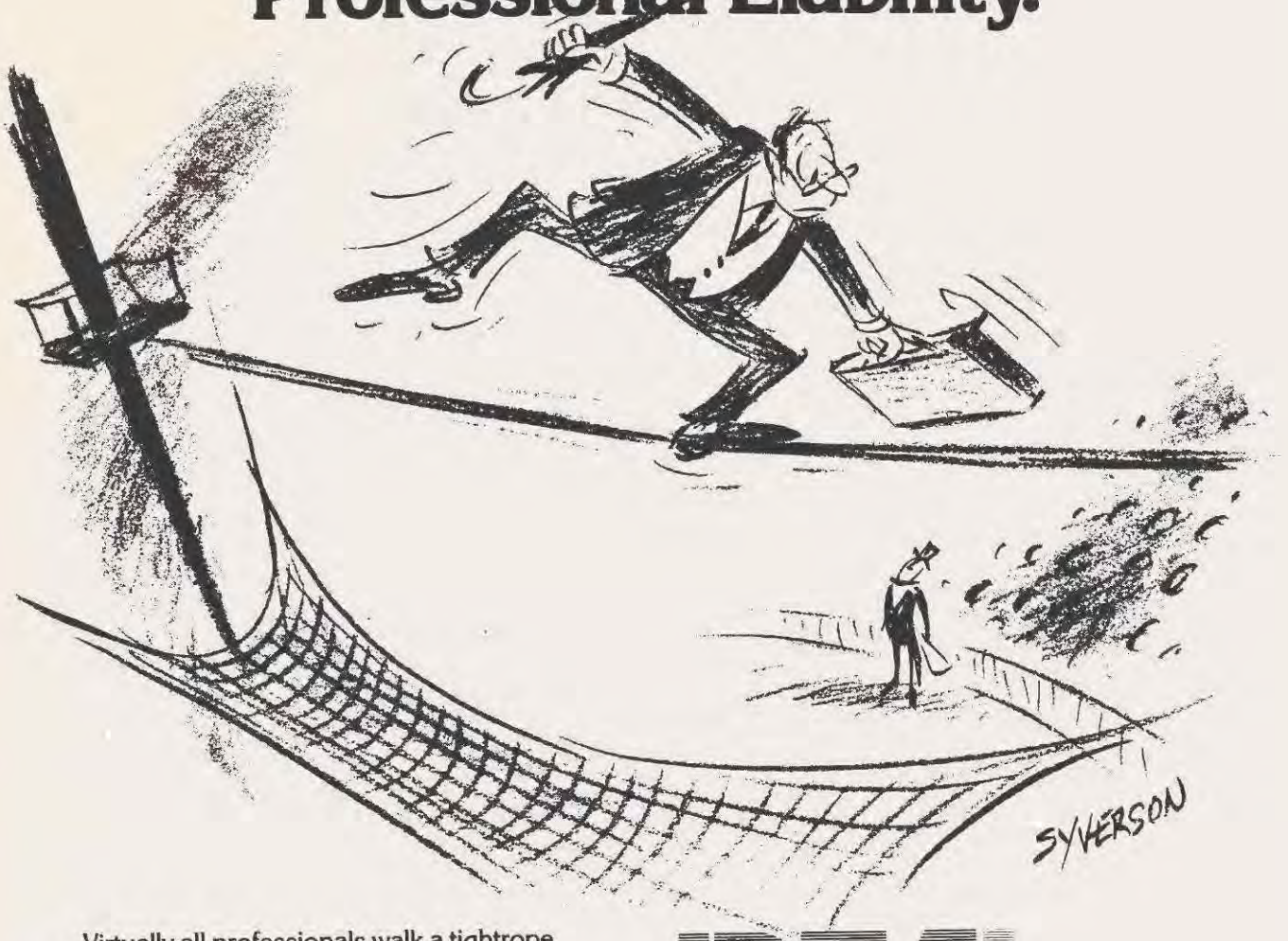
American Insurance Administrators Inc.

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

Services provided: Claims adjusting, administration, auditing.
Region served: Nationwide.
Specialty: Employee benefits/group insurance claims: 100% health insurance.
Number of claims: 120,000 total claims administered, all for self-insurers.
Staff: 15 total staff, including adjusting staff of four. Administration staff of four.
Workload: Average number of multiline claims handled monthly by each adjuster, 60.
Clients: Total administration clients, six; self-insured, five.
Compensation: Per covered employee for adjusting services. Per covered employee for administration services.
1982 gross revenues: Not reported.
Reports: Self-insurers are supplied with free reports weekly, monthly and quarterly within 10 working days of the end of the month; claims progression tracked.
Computer: IBM 4341, with input document terminal located in home office. Self-insurers are offered CRTs for local inputting; two use this capability.

Continued on next page

The Ideal combination begins with the idea: Professional Liability.



Virtually all professionals walk a tightrope every day in the course of their careers. One misstep and a negligence or malpractice lawsuit is likely to befall them.

In the face of multi-million-dollar judgments not uncommon today, most professionals know they need a safety net.

At Ideal Mutual we provide the kind of safety net they ought to have—coverage on a claims-made basis and, in addition, *prior* acts coverage is available. We are an especially well-qualified marketplace for associations of Accountants, Lawyers, Insurance Agents and Brokers, among others.

For more information on our professional liability coverage—plus the Ideal combination of innovative ideas and solid dependability—please call or send the coupon.

IDEAL
MUTUAL INSURANCE COMPANY
AND THE OPTIMUM COMPANIES

To: Marketing Department BI-1/31
Ideal Mutual Insurance Company
260 Madison Avenue, New York, N.Y. 10016
Telephone: 1-212-685-3300

Yes, I'm interested in the Ideal Professional Liability Insurance program.

NAME_____
TITLE_____
COMPANY_____
ADDRESS_____
CITY_____ STATE_____ ZIP_____

How to locate specialists

Looking for a claims specialist? This directory lists the services of claims adjusters, administrators and auditors that responded to a comprehensive questionnaire prepared by *Business Insurance*.

The listings are organized according to the types of claims handled:

- Employee benefits/group insurance claims specialists begin on this page.
- Property/casualty claims specialists begin on page **58**.
- Property/casualty and group insurance claims specialists begin on page **70**.

The listings include whether the claims specialist provides regional or nationwide service, the number of claims adjusted or administered, the staff size and workload of staff members and how the company is compensated.

The services the claims specialists provide also are listed:

- Adjusting, which involves investigating claims and making recommendations to the claims administrator.
- Administration, which involves overseeing quality control of claims files, directing adjusters and paying claims.
- Auditing, which involves reviewing the overall integrity of the claims file operation, verifying the accuracy and direction of claims payments and recommending solutions to claims administration problems.

Continued from previous page

Principal officers: F.N. Dastur, Herbert Schaffer, H.P. Dalal, Robert Bassin.

Claims auditing: Five audits conducted, four for self-insurers.

Claims adjusting/administration audits: Include reporting claims, processing claims, investigating claims, adjusting claims, claims documentation and verification, accuracy of payments, personnel qualifications, case load of examiners.

Claims auditing charges: Time and expense.

American SelfCare Corp.

American Family Center, 1932 Wynnton Road, Columbus, Ga. 31999; 404-324-1170

Parent company: American Family Corp.

Services provided: Claims administration, auditing.

Region served: Nationwide.

Specialty: Employee benefits/group insurance claims; 100% health insurance.

Number of claims: More than 150,000 total claims administered, all for self-insurers.

Staff: 52 total staff. Administration staff of 21, including supervisors and communications personnel. Auditing staff of two.

Workload: Average number of claims administered monthly by one administrator, 1,300 to 1,700.

Clients: Total administration clients, 30; self-insured, 30.

Compensation: Per covered employee for administration services.

1982 gross revenues: Not reported.

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

Reports: Self-insurers are supplied with free monthly reports within seven to 10 working days of the end of the month; claims progression tracked.

Computer: Datapoint system, with input document terminals located in each office. Self-insurers are offered CRTs for local inquiry; one uses this capability.

Locations: Carol Stream, Ill.; Concord, Calif.

Principal officers: Sal Diaz-Verson, president; Ken Kaczmarke, secretary/treasurer; Ken Woerman, executive vp; John Heuer, vp-operations, Pat Finnigan, vp-support services; Wilbur Hughart, vp-administration.

Claims adjusting/administration audits: Include reporting claims, processing claims, investigating claims, claims documentation and verification, accuracy of payments, personnel qualifications, case load of examiners.

Claims auditing charges: Time and expense.

Apex Data Systems/Babcock Insurance Corp.

6464 E. Grant Road, Tucson, Ariz. 85715; 602-298-1991

Parent company: Babcock Insurance Corp.

Services provided: Claims adjusting, administration, auditing.

Region served: Nationwide.

Specialty: Employee benefits/group insurance: 90% health insurance, 10% dental, vision, long-term disability.

Number of claims: 22,000 total claims adjusted, 7,500 for self-insurers; 100% by field adjuster. 22,000 total claims administered, 7,500 for self-insurers.

Staff: 60 total staff, including adjusting staff of 12, which includes four administrative supervisors. Administration staff of 16. Auditing staff of six.

Clients: Total adjusting clients, 400; self-insured, 25. Total administration clients, 400; self-insured, 25.

Compensation: Per claim, 5% to 7%; per covered employee, $2-$5 for adjusting services. Per claim, 5% to 7%; per covered employee, $2-$5 per employee for administrating services.

1982 gross revenues: Not reported.

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

Reports: Self-insurers are supplied with free monthly reports within 10 days of the end of the month; claims progression tracked.

Computer: Via Apex Data Systems, PRIME in-house computer equipment, with input document terminal located in home office and central location. Self-insurers are offered CRTs for local inputting; 15 use this capability.

Principal officers: Dwight W. Babcock, president; James Cowan, executive vp; Frank Sharp, controller.

Claims auditing: Five audits conducted, all for self-insurers.

Claims adjusting/administration audits: Include reporting claims, processing claims, adjusting claims, claims documentation and verification, accuracy of reserves, accuracy of payments, accuracy of loss reports, personnel qualifications, case load of examiners.

Claims auditing charges: Flat fee.

B

Benefit Plan Administrators Inc.

P.O. Box 3208, Wichita, Kan. 67201; 316-262-3578

Parent company: Armfield-Cole Consultants Inc.

Services provided: Claims administration.

Regions served: Colorado, Kansas, Nebraska, Iowa, Missouri, Arkansas, Oklahoma, Texas and New Mexico.

Specialty: Employee benefits/group insurance claims; 75% health insurance, 25% life insurance, pension plan.

Number of claims: 72,660 total claims administered, 32,750 for self-insurers.

Staff: 12 total staff. Administration staff of five. Auditing staff of one.

Workload: Average number of claims administered monthly by one administrator, 1,200.

Clients: Total administration clients, eight; self-insured, three.

Compensation: Percent of annual premium, 3.5% average charge; per covered employee, $2.50-$7.50 per month per employee; time and expense, $70 for senior consultant for administration services.

1982 gross revenues: $300,000.

Auditing procedures: Claims are audited quarterly and annually by in-house staff, independent firms hired by self-insurers and auditor from insurance company on insured plans.

Reports: Self-insurers are supplied with free reports weekly, monthly and quarterly within two working days of the end of the month; claims progression tracked.

Computer: Altos 40.

Principal officers: Jerry W. Cole, president; Larry J. Armfield, vp/treasurer; Pat Bybee, secretary.

Claims auditing: No audits conducted during 1982.

Claims adjusting/administration audits: Include reporting claims, processing claims, investigating claims, adjusting claims, claims documentation and verification, accuracy of payments, accuracy of loss reports, case load of examiners.

Continued on next page

Continued from previous page

C

Claims Administration Services Inc.

662 First Bank Drive, Palatine, Ill. 60067; 312-934-7772

Services provided: Claims adjusting, administration, auditing.
Region served: Illinois, Indiana, Wisconsin.
Specialty: Employee benefits/group insurance claims: 100% health insurance.
Staff: Four total staff, including adjusting staff of four, which includes one administrative supervisor. Administration staff of three. Auditing staff of one.
Workload: Average number of claims administered monthly by one administrator, 1,000.
Clients: Total administration clients, four; all self-insured.
Compensation: Per covered employee, $1.50-$7 per employee for administrating services.
1982 gross revenues: Not reported.
Auditing procedures: Claims are audited monthly by in-house staff.
Reports: Self-insurers are supplied with free monthly reports within one week of the end of the month; claims progression tracked.
Computer: Quantel 2320 system, with an input document terminal located in a central location. Self-insurers are offered CRTs for local inputting; one uses this capability.
Principal officers: Stephen F. Rasnick, president.
Claims auditing: Two audits conducted, all for self-insurers.
Claims adjusting/administration audits: Include reporting claims, processing claims, investigating claims, claims documentation and verification, accuracy of reserves, accuracy of payments, accuracy of loss reports, personnel qualifications.
Claims auditing charges: Time and expense, $50-$70 per hour.

Control Data Benefit Services

14801 Quorum Drive, Suite 301, Dallas, Texas 75240; 214-385-5666

Parent company: Control Data Corp.
Services provided: Claims administration.
Region served: Nationwide.
Specialty: Employee benefits/group insurance claims: 75% health insurance, 25% dental insurance.
Number of claims: 420,000 total claims administered, all for self-insurers.
Staff: 110 total staff. Administration staff of 90.
Clients: Total administration clients, five; all self-insured.
Compensation: Percent of incurred claims, 3%-4%; percent of paid claims, 3%-4%; percent of payroll; percent of annual premium, 3.5%; per claim, $8.20-$9.60; per covered employee, $3-$5 for administration services.
1982 gross revenues: $4 million.
Auditing procedures: Claims are audited quarterly by in-house staff and independent firms hired by self-insurers.
Reports: Self-insurers are supplied with free reports as requested within 15 days of the end of the month.
Computer: IBM 4341, with input document terminal located in home office.
Principal officers: Don Shovein, general manager; Lowell Moore, claims operations manager; Eric Hornquist, data processing manager/financial manager.

E

Eastern Benefits Systems Inc.

200 Freeway Drive E., East Orange, N.J. 07018; 201-676-3333

Parent company: W.S. Vogel Agency Inc.
Services provided: Claims adjusting, administration, auditing.
Region served: Nationwide.
Specialty: Employee benefits/group insurance claims: 100% health insurance.
Number of claims: 49,980 total claims adjusted, all for self-insurers; 100% by telephone adjuster. 49,980 total claims administered, all for self-insurers.
Staff: 13 total staff, including adjusting staff of six, which includes four telephone adjusters and three administrative supervisors. Administration staff of 10. Auditing staff of three.
Workload: Average number of claims administered monthly by one administrator, 1,365.
Clients: Total adjusting clients, nine; all self-insured. Total administration clients, nine; all self-insured.
Compensation: Per covered employee per month, $2.50-$5 per employee for adjusting services. Bonus for reduced losses is negotiable. Per covered employee per month for administrating services.
1982 gross revenues: Not reported.
Auditing procedures: Claims are audited daily by in-house staff and outside auditors.
Reports: Self-insurers are supplied with free reports monthly, quarterly and annually within 10 days of the end of the month; claims progression tracked.
Computer: PRIME 750 and Intertec systems, with input document terminals located in home and field offices. Self-insurers are offered CRTs for local inputting.
Locations: Culver City, Calif.
Principal officers: William Vogel, chairman, vp, treasurer; Frank J. Pignataro, president; Antonio Lim, manager.

Employee Services Inc.

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

Services provided: Claims adjusting, administration.
Region served: Upper Midwest.
Specialty: Employee benefits/group insurance claims; 100% health insurance.
Number of claims: 32,000 total claims adjusted, all for self-insurers. 32,000 total claims adminis-

Continued on facing page

In rehab, who is in demand by the most demanding?

Continued from facing page
tered, all for self-insurers.

Staff: 14 total staff. Administration staff of seven. Auditing staff of seven.

Clients: Total administration clients, 26; all self-insured.

Compensation: Per covered employee for administration services.

1982 gross revenues: Not reported.

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

Reports: Self-insurers are supplied with free monthly reports within two to three days of the end of the month.

Principal officers: John Timmer, Marvin Jensen.

Erisco Inc.

1700 Broadway, New York, N.Y. 10019; 212-247-2444

Parent company: Thomas National Group.

Services provided: Claims administration.

Region served: Nationwide.

Specialty: Employee benefits/group insurance claims: 50% health insurance, 50% deferred benefits record keeping.

Staff: 150 total staff.

1982 gross revenues: Not reported.

Reports: Self-insurers are supplied with free reports as requested; delivered on-line to client's office.

Computer: IBM 4341. Self-insurers are offered CRTs for local inputting; 50% perform own data processing.

Executive & Employee Benefit Plans Inc.

2025 Riverside Drive, Columbus, Ohio 43221; 614-486-7188

Services provided: Claims administration, auditing.

Region served: Nationwide.

Specialty: Employee benefits/group insurance claims: 85% health insurance, 15% miscellaneous.

Number of claims: 531,000 total claims administered, 477,000 for self-insurers.

Staff: 135 total staff.

Compensation: Per covered employee for administration services.

1982 gross revenues: Not reported.

Reports: Self-insurers are supplied with reports monthly at a charge included in the fee.

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

Locations: Atlanta; Boston; Charlotte, N.C.; Cincinnati; Cleveland; Dallas; Houston; Orlando, Fla.

Principal officers: Carmon E. Cobe, chairman; W. Richard Perkins, president; E.A. Hightower and C.J. Wintersteller, vps.

Claims adjusting/administration audits: Include reporting claims, processing claims, investigating claims, claims documentation and verification, accuracy of payments, accuracy of loss reports, personnel qualifications, case load of examiners.

Claims auditing charges: Time and expense.

G

Genelco Inc.

1201 Macklind Ave., St. Louis, Mo. 63110; 314-644-3200

Parent company: General American Life Insurance Co.

Services provided: Claims adjusting, administration, auditing.

Region served: Nationwide.

Specialty: Employee benefits/group insurance claims: 100% health insurance.

Number of claims: 100 total claims adjusted, all for self-insurers; 100% by telephone adjuster. 500,000 total claims administered, all for self-insurers.

Staff: 110 total staff, including adjusting staff of two, which includes two telephone adjusters. Administration staff of 56. Auditing staff of two.

Workload: Average number of claims administered monthly by one administrator, 800 to 1,000.

Clients: Total adjusting clients, four; all self-insured. Total administration clients, 45; all self-insured.

Compensation: Time and expense, $35-$50 for inside adjuster for adjusting services. Per covered employee, $2-$10 per employee charge range for administrating services.

1982 gross revenues: More than $4 million.

Auditing procedures: Claims are audited quarterly by in-house staff and parent company auditing staff.

Reports: Self-insurers are supplied with reports monthly free within 10 days of the end of the month; claims progression tracked.

Computer: IBM 3032 and Wang VS 100, with input document terminal located in home office. Self-insurers are offered CRTs for local inputing; one uses this capability.

Locations: Atlanta; Chicago; Columbus, Ohio; Dallas; Denver; Los Angeles; Louisville, Ky.; Memphis, Tenn.; Oklahoma City, Okla.; Philadelphia; Pittsburgh; San Antonio, Texas; San Francisco.

Principal officers: David Johnson, Ben Allen, Tom Hiegel, Russ Korte, Dale Skelton.

Claims auditing: Five audits conducted, all for self-insurers.

Claims adjusting/administration audits: Include processing claims, investigating claims, adjusting claims, claims documentation and verification, accuracy of payments.

Claims auditing charges: Time and expense, $35-$100 per hour.

Group Plans Inc.

11231 Cornell Park Drive, Box 42124, Cincinnati, Ohio 45242; 513-489-7474

Services provided: Claims administration.

Region served: Nationwide.

Specialty: Employee benefits/group insurance claims; 90% health insurance, 10% dental and disability income.

Number of claims: 35,000 total claims administered, all for self-insurers.

Staff: 10 total staff. Administration staff of five. Auditing staff of one.

Continued on next page

IRA, the rehabilitation experts.

IRA professionals serve more insurance companies, self-insured corporations, claims administration organizations, government agencies, attorneys and physicians than any other company in the industry.

Why? Because they pioneered the independent rehab service business and are the recognized industry leaders. They are also uniquely equipped to serve you. Here's how.

Any case, anywhere

With over 80 offices in the U.S., along with others in Canada and Australia, its capabilities are broader than any other provider's.

There's also no limit to the type of disabilities IRA can handle. Not only have dramatic results been achieved in workers' comp and auto no-fault cases, but liability and long-term disability cases are now benefiting as well.

Best of all, IRA customers have saved an average of ten dollars for every dollar invested in an IRA program.

Just think about that— an average 1000% return.

Experience at work

IRA has put its unmatched experience to work for you in a computerized system with a data base of over 100,000 cases.

It's called the IRA IDENTIFIER, and it evaluates every important case characteristic and determines its likelihood for success.

Tap into it, at no charge, through your IRA account representative and receive fast, accurate analyses to help you make objective decisions.

Helping is our business

No wonder IRA is in demand. Its combination of state-of-the-art systems and its dedication to restoring pride, dignity and the ability to work to injured and disabled individuals has produced unprecedented success.

IRA's method of rehab, quite simply, works.

Let IRA make it work for you.

For more information

IRA has prepared a series of in-depth brochures on its rehab services. For a complete set, fill out and return the coupon below, or call Gordon Clemons, President, at 800-IRA-HELP.

IRA. Rehabilitation that works.

international rehabilitation associates, inc.

Mr. Gordon Clemons, President
International Rehabilitation Associates, Inc.
985 Old Eagle School Road, Wayne, Pennsylvania 19087

Please send me your complete set of rehab brochures.

Name_____ Title_____

Company_____ Street_____

City_____ State_____ Zip_____

Leader Administrators, Inc.

Self-funded Employee Benefit Administrators

Medical • Dental • Disability
Offered Through
Benefit & Financial Consultants

994 Old Eagle School Road
Suite 1016
Wayne, PA 19087
(Suburban Philadelphia)
(215) 687-5924
Telex: 846199

Continued from previous page

Workload: Average number of claims administered monthly by one administrator, 750.

Clients: Total administration clients, 21; all self-insured.

Compensation: Per covered employee, $2.50-$6.50 per employee for administration services.

1982 gross revenues: $200,000.

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

Reports: Self-insurers are supplied with free monthly reports within 10 days of the end of the month.

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

Principal officers: Larry Sheakley, chairman; Jack Hunter, president; Ray Sheakley, treasurer; Bill Weatherholt, vp/general manager.

Knowledgeable advice and counsel.
Was there ever a time when you needed it more?

Employers Reinsurance Corporation
5200 Metcalf, Overland Park, Kansas 66201

Atlanta Boston Chicago Columbus Houston Los Angeles New York San Francisco Toronto Zurich

Group Services & Administration Inc.

3113 Classen Blvd., Oklahoma City, Okla. 73118; 405-528-4400

Services provided: Claims adjusting, administration.

Region served: Nationwide.

Specialty: Employee benefits/group insurance claims: 100% health insurance.

Number of claims: 9,430 total claims administered, 5,270 for self-insurers.

Staff: Four total staff, including adjusting staff of three, which includes one field adjuster, one telephone adjuster and one administrative supervisor. Administration staff of three. Auditing staff of one.

Workload: Average number of claims administered monthly by one administrator, 600.

Clients: Total administration clients, 42; self-insured, seven.

Compensation: Per covered employee for adjusting services. Per covered employee, $3-$10 per employee for administration services.

1982 gross revenues: $176,000.

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

Reports: Self-insurers are supplied with free monthly reports within 15 days of the end of the month; claims progression tracked.

Computer: Datapoint 1500, with input document terminal located in home office.

Principal officers: Ronald R. Stephenson, R. Denning Crowe, Gary R. Stephenson.

I

IBA

5600 S. Wolf Road, Western Springs, Ill. 60558; 312-246-4900

Services provided: Claims adjusting, administration, auditing.

Region served: Nationwide.

Specialty: Employee benefits/group insurance: 100% health insurance, includes life, dental, vision, prescription card service and disability income.

Number of claims: 112,000 total claims adjusted, 40,000 for self-insurers. 115,000 total claims administered, 40,000 for self-insurers.

Staff: 60 total staff, including adjusting staff of 14, which includes one administrative supervisor. Administration staff of 12. Auditing staff of two.

Workload: Average number of multiline claims handled monthly by each adjuster, 550. Average number of claims administered monthly by one administrator, 1,750.

Clients: Total adjusting clients, 55; self-insured, 25. Total administration clients, 900; self-insured, 25.

Compensation: Per covered employee, $2-$6 per employee for adjusting services. Per covered employee, 25 cents-$1 per employee for administration services.

1982 gross revenues: $20 million.

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

Reports: Self-insurers are supplied with free monthly reports within five to 10 days of the end of the month; claims progression tracked.

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

Locations: Oak Brook, Ill.

Principal officers: Casey Gaik, Fran Gaik, Mark Becker.

Claims adjusting/administration audits: Include processing claims, investigating claims, adjusting claims, claims documentation and verification, accuracy of payments, case load of examiners.

Continued on facing page

Continued from facing page

Independent Benefit Plans Inc.

Box 1976, Beech Grove, Ind. 46107; 317-787-5373

Services provided: Claims adjusting, administration, auditing.
Region served: Nationwide.
Specialty: Employee benefits/group insurance claims: 100% health insurance.
Number of claims: 80,000 total claims adjusted.
Staff: 36 total staff, including adjusting staff of 10, which includes one field adjuster and one administrative supervisor.
Workload: Average number of claims administered monthly by one administrator, 1,000.
Clients: Total administration clients, more than 200; all self-insured.
Compensation: Per covered employee for adjusting services. Per covered employee for administration services.
1982 gross revenues: Not reported.
Auditing procedures: Claims are audited continually by in-house staff, independent firms hired by self-insurers and stop-loss insurers.
Reports: Self-insurers are supplied with free reports daily, monthly and annually within two days of the end of the month.
Computer: Texas Instruments 990, with input document terminal located in central location.
Locations: Indianapolis.
Principal officers: W.B. Davenport, president; Peter Hansen, vp; R. Foster, vp/treasurer.
Claims auditing: 10 audits conducted, all for self-insurers.
Claims adjusting/administration audits: Include processing claims, adjusting claims, claims documentation and verification, accuracy of payments, accuracy of loss reports.
Claims auditing charges: Flat fee.

M

M.M. Administrators Inc.

2060 Oak Mountain Drive, Pelham, Ala. 35124; 205-663-4000

Parent company: Marketing Management Inc.
Services provided: Claims adjusting, administration.
Region served: Nationwide.
Specialty: Employee benefits/group insurance claims: 100% health insurance.
Number of claims: 22,000 total claims adjusted. 22,000 total claims administered, all for self-insurers.
Staff: 83 total staff, including adjusting staff of six, which includes two administrative supervisors. Administration staff of six. Auditing staff of one.
Workload: Average number of claims administered monthly by one administrator, 320.
Clients: Total administration clients, 24; all self-insured.
Compensation: Per covered employee for adjusting services. Per covered employee for administration services.
1982 gross revenues: Not reported.
Auditing procedures: Claims are audited monthly by in-house staff.
Reports: Self-insurers are supplied with free monthly reports within 15 days of the end of the month; claims progression tracked.
Computer: IBM System 34 and IBM 8100, with input document terminals located in central location.
Locations: Birmingham, Ala.
Principal officers: K.L. Williams, president; Robert K. Williams, vp/general manager; Russell Farmer, claims manager; Steve K. Williams, executive vp; Jacques Isbell, comptroller.

N

NIA/Simons Group Programs Inc.

563 Broad St., Newark, N.J. 07102; 201-623-8100

Parent company: NIA Ltd.
Services provided: Claims auditing, administration.
Region served: New Jersey, New York.
Specialty: Employee benefits/group insurance claims: 100% health insurance, group insurance, temporary disability benefits.
Staff: 10 total staff, including adjusting staff of six, which includes two field adjusters, two telephone adjusters and two administrative supervisors. Administration staff of one. Auditing staff of one.
Clients: Total adjusting clients, 20.
Compensation: Percent of annual premium, 3% average charge for adjusting services. Percent of annual premium, 4% average charge for administration services.
1982 gross revenues: More than $300,000.
Auditing procedures: Claims are audited monthly by in-house staff and insurers.
Principal officers: Paul L. Gross, chairman; Donald G. Hamm, president; Margaret B. Mullin, vp/administration.
Claims adjusting/administration audits: Include processing claims, investigating claims, adjusting claims, claims documentation and verification, accuracy of payments.

National Healthcare Administrators/ADP

300 Ellin Wood Way, Suite 300, Pleasant Hill, Calif. 94523; 415-827-5870

Parent company: Automatic Data Processing.
Services provided: Claims adjusting, administration.
Region served: Nationwide.
Specialty: Employee benefits/group insurance claims: 100% health insurance.
Number of claims: 180,000 total claims adjusted, all for self-insurers; 100% by field adjuster.
Staff: 50 total staff, including adjusting staff of 12, which includes 12 field adjusters. Auditing staff of two.
Workload: Average number of claims administered monthly by one administrator, 1250.
Clients: Total adjusting clients, 300; all self-insured. Total administration clients, 300; all self-insured.
Compensation: Per covered employee, $4-$6 per employee for adjusting services.
1982 gross revenues: Not reported.
Auditing procedures: Claims are audited weekly by in-house staff, independent firms hired by self-insurers and appointed reinsurer.
Reports: Self-insurers are supplied with reports free.
Computer: IBM 4341.
Locations: Encino, Anaheim, Calif.; Clifton, N.J.
Principal officers: Paul Clancy, John Higgins, Frank Edelstein, Dick Patterson, Fred Lafer.

R

Reed Stenhouse Inc. of Illinois

One S. Wacker Drive, Chicago, Ill. 60606; 312-621-2500

Parent company: Reed Stenhouse Inc.
Services provided: Claims administration, auditing.
Region served: Nationwide.

Continued on page 58

Which route should you take? Insurance? Self Insurance? Captive Company?

The wrong choice may be a costly and painful departure from your goal of effective, economical protection against financial loss or disaster.

Ebasco Risk Management Consultants has fully explored all the avenues. We serve clients throughout this country and abroad. Our experts will analyze your operations, survey risk exposures, and evaluate loss potentials. We know the up-to-the minute underwriting and pricing practices of the commercial insurance and reinsurance markets here and overseas. We advise, organize, and administer practical self-funding mechanisms for diverse clients of many different sizes. We determine the feasibility of captive company insurance, and plan, establish and manage captives on and off shore.

No organization is equally staffed or better qualified to help you find your way in maximizing protection and minimizing loss.

EBASCO

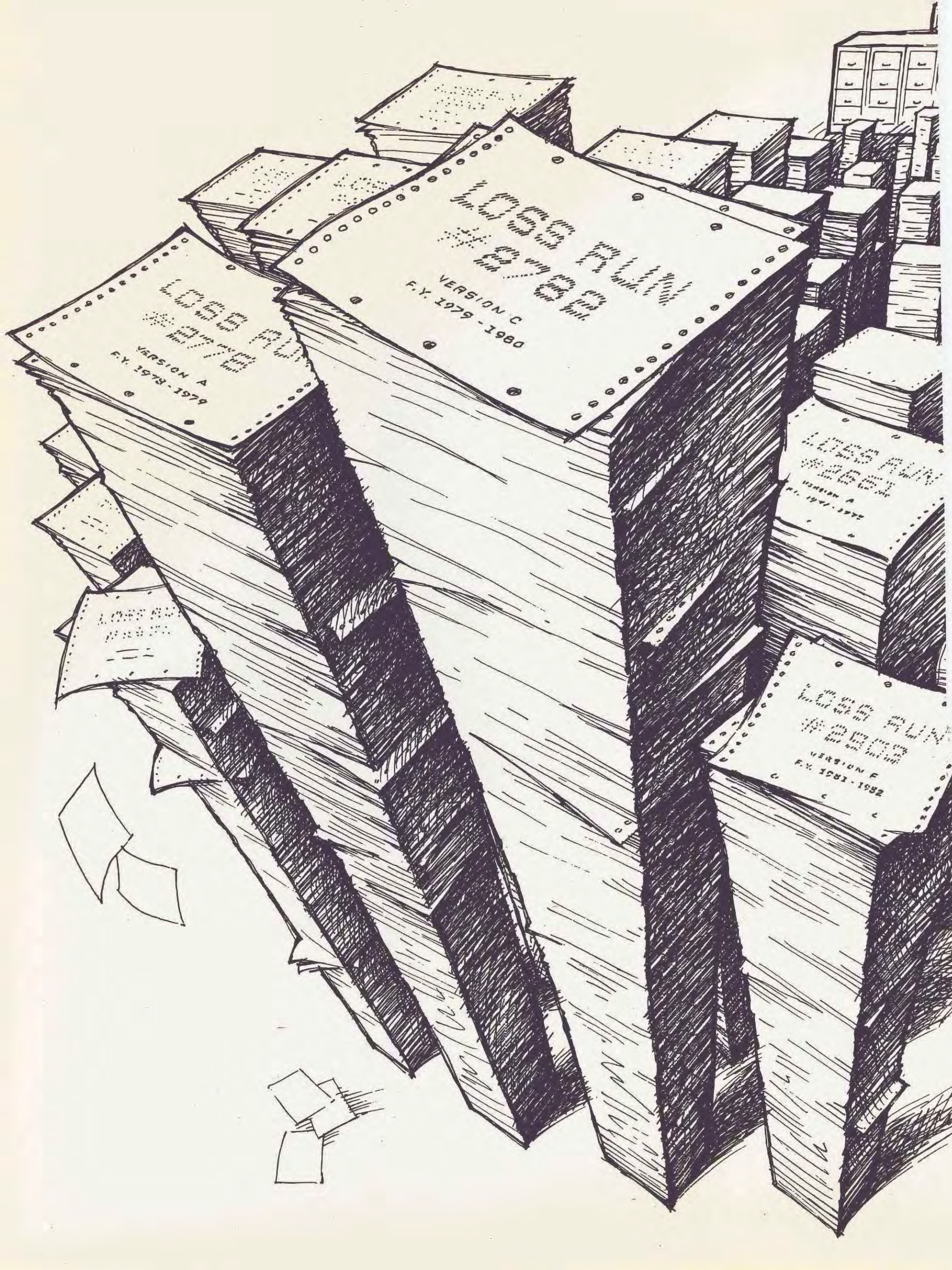
EBASCO RISK MANAGEMENT CONSULTANTS, INC.
A Subsidiary of EBASCO SERVICES INCORPORATED

New York: Two World Trade Center, New York, NY 10048. Tel. (212) 839-1334.
Chicago: 150 North Wacker Drive, Chicago, IL 60606. Tel. (312) 346-3438.
Newport Beach: Gateway Plaza, 130 Newport Center Drive, Newport Beach, CA 92660. Tel. (714) 759-7100. **Bermuda:** Airlie House, P.O. Box 1617, Hamilton 5-24, Bermuda. Tel. (809) 292-0124.

Ebasco Risk Management Consultants, Inc.
Two World Trade Center, New York, N.Y. 10048
(212) 839-1333

Gentlemen: Please send me more information on selecting the right route.

NAME _____
COMPANY _____
ADDRESS _____
CITY _____ STATE _____ ZIP _____


VERSION C
F.Y. 1979 - 1980
VERSION A
F.Y. 1978 - 1979
VERSION F
F.Y. 1981 - 1982

DON'T LET YOUR BIGGEST CLAIMS PROBLEM BE YOUR CLAIMS MANAGEMENT PROGRAM.

If your business is self-insured, you know that managing claims can turn into managing mountains of paper. Loss runs that can bury you with unnecessary details. Which can make the already unpleasant business of claims even more unpleasant. And very complicated.

At Fireman's Fund Risk Management Services we think there's a better way.

To begin with, we don't force a "packaged" service on you.

Instead, we work with you to learn your business. Your claims history. And your needs.

Then we develop a unique claims service that's tailored to fit your business and no other. Without extra paper, costs or extraneous services.

Unlike many claims management programs, we work with you locally. A claims coordinator is assigned to your account from the nearest of our more than 100 offices. Someone you get to know and who gets to know you. Someone backed by one of the most experienced staffs in the industry.

And our people and services are in turn backed by one of the most powerful claims management tools ever devised—our Information Management System. What this on-line computer system does is separate the wheat from the chaff by managing claims information through a sophisticated data base. Giving you precisely the information you need. And nothing more.

So if your biggest claims problem has been your claims management program, give us a call at (415) 899-3810, collect. Or write us at P.O. Box 777, Novato, California 94998.

We'll give you exactly what a claims management service should give you.

Solutions, not problems.

FIREMAN'S FUND RISK MANAGEMENT SERVICES, INC.

Continued from page 55

Specialty: Employee benefits/group insurance claims: 100% health insurance.

Number of claims: 52,000 total claims administered, 40,000 for self-insurers.

Staff: 60 total staff. Administration staff of 10. Auditing staff of two.

Workload: Average number of claims administered monthly by one administrator, 1,000.

Clients: Total administration clients, 35; self-insured, 30.

Compensation: Per covered employee, $1.50-$8 per employee for administration services.

1982 gross revenues: Not reported.

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

Reports: Self-insurers are supplied with free monthly reports within one week of the end of the month; claims progression tracked.

Computer: Quantel 360, with input document terminal located in central location.

Locations: 28 offices throughout United States.

Principal officers: John Stimpson, senior vp.

Claims auditing: Two audits conducted, all for self-insurers.

Claims adjusting/administration audits: Include reporting claims, processing claims, investigating claims, adjusting claims, claims documentation and verification, accuracy of reserves, accuracy of payments, accuracy of loss reports.

Claims auditing charges: Time and expense, $82.50 per hour.

S

Southwest Health Claims Service Inc./Preferred Group Administrators Inc.

Box 29098, San Antonio, Texas 78229; 512-692-3881

Services provided: Claims administration, auditing.

Region served: Texas.

Specialty: Employee benefits/group insurance claims: 100% health insurance.

Staff: 16 total staff. Administration staff of six. Auditing staff of five.

Workload: Average number of claims administered by one administrator, 40 claims per day.

Clients: Total administration clients, 1,450.

Compensation: Percent of annual premium, per covered employee for administration services.

1982 gross revenues: $3.6 million.

Auditing procedures: Claims are audited monthly and annually by in-house staff and insurance companies.

Reports: Self-insurers are supplied with free monthly reports within 10 days of the end of the month; claims progression tracked.

Computer: Datapoint system, with input document terminal located in San Antonio office.

Principal officers: Dan Heims, president; Ron Wartes, vp.

Claims adjusting/administration audits: Include processing claims, investigating claims, claims documentation and verification, accuracy of reserves, accuracy of payments, personnel qualifications, case load of examiners, defense effectiveness, bank depositor account.

V

Voluntary Plan Administrators Inc.

18321 Ventura Blvd., Suite 815, Tarzana, Calif. 91356; 213-705-3463

Services provided: Claims adjusting, administration, auditing.

Region served: Nationwide.

Specialty: Employee benefits/group insurance claims: 100% disability insurance, sick pay plans.

Staff: 17 total staff. Administration staff of 14. Auditing staff of three.

Clients: Total administration clients, 100; all self-insured.

Compensation: Percent of payroll, per covered employee for administrating services.

1982 gross revenues: Not reported.

Auditing procedures: Claims are audited quarterly and annually by in-house staff, independent firms hired by self-insurers and state auditors.

Reports: Self-insurers are supplied with free monthly reports within 10 days of the end of the month; claims progression tracked.

Computer: Raytheon Data Systems VT1303, with input document terminal located in home office.

Locations: Newport Beach, Calif.

Principal officers: Jack H. Bredehorn, president; Ralph D. Hurley, vp.

Claims auditing: Five audits conducted, all for self-insurers.

Claims adjusting/administration audits: Include reporting claims, processing claims, investigating claims, adjusting claims, claims documentation and verification, accuracy of reserves, accuracy of payments, accuracy of loss reports, personnel qualifications, case load of examiners, defense effectiveness, staff turnover, turnaround time on payments.

Claims auditing charges: Flat fee.

W

Western Reserve Administrative Services Inc.

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

Parent company: WR Management Group.

Services provided: Claims administration.

Region served: Nationwide.

Specialty: Employee benefits/group insurance claims: 100% health insurance.

Number of claims: 15,600 total claims administered, all for self-insurers.

Staff: Six total staff. Administration staff of six.

Workload: Average number of claims administered monthly by one administrator varies.

Clients: Total administration clients, 15; all self-insured.

Compensation: Per covered employee for administration services.

1982 gross revenues: Not reported.

Auditing procedures: Claims are audited quarterly by independent firms hired by self-insurers and in-house client auditor.

Reports: Self-insurers are supplied with free reports weekly, monthly and quarterly within 10 to 20 days for quarterly report of the end of the month; claims progression tracked.

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

Principal officers: Joan L. Mack, president; David L. Adams, vp.

Proud of our past / Confident of our future

THE TEMPLETON FUNDS

Investing in U.S. & foreign securities since 1954

Total Assets Under Management— in excess of $1½ billion.

TEMPLETON GROWTH FUND
A Canadian Mutual Fund (established in 1954)

TEMPLETON WORLD FUND
A U.S. Mutual Fund (established in 1978) investing in U.S. & foreign companies.

TEMPLETON FOREIGN FUND
A U.S. Mutual Fund (established in 1982) investing in foreign companies only.

For more complete information about the Templeton Funds, including charges and expenses, send this coupon for a prospectus. Read it carefully before you invest.

Institutional Marketing
Securities Fund Investors, Inc.
P.O. Box 3942/St. Petersburg, FL 33731

Please send prospectus and other descriptive material.

BI 1/31/83

Name Title
c/o Name of Company
Address
City, State, Zip

Property/casualty specialists

NEW MEDICAL STOP LOSS FACILITY

CIG

COX INSURANCE GROUP, INC.

Medical Stop Loss
ARAS Program (25+ Participants)
Specific & Aggregate

Group Life & AD&D
Disability Income (WI & LTD)
Medical Conversion

High Limit Disability
PTD & TTD (Monthly and/or Lump Sum)

Ray Cox
Terri Ross **Harriet Henry** **Julie Tolliver**

at
P.O. BOX 27766
3711 E. SOUTHPORT RD.
INDIANAPOLIS, INDIANA 46227
(317) 887-0030 Telex 276252

Correspondent with Lloyds of London

A

AASC Claim Management Specialists

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

Parent company: NAVCO Corp.

Services provided: Claims adjusting, administration, auditing.

Region served: Nationwide.

Specialty: Property/casualty claims: 85% aviation, 10% general liability, 5% workers compensation.

Number of claims: 1,500 total claims adjusted, 150 for self-insurers; 75% by field adjuster and 25% by telephone adjuster. 1,500 total claims administered, 100 for self-insurers.

Staff: 16 total staff including adjusting staff of 10, which includes three field adjusters and seven administrative supervisors. Administration staff of two. Auditing staff of two.

Workload: Average number of multiline claims handled monthly by each adjuster, 15 to 20. Average number of workers compensation claims handled monthly by one adjusting supervisor, five. Average number of claims administered monthy by one administrator, 90 to 110.

Clients: Eight adjusting clients, of which two are self-insured. One administration client that is not self-insured.

Compensation: Time and expense for adjusting: $60 per hour for senior/field adjuster, $50 per hour for general for adjusting services. Time and and expense for administration services.

1982 gross revenues: $927,785.

Auditing procedures: Claims are audited biannually by claims professional and attorney.

Locations: San Ramon, Calif.; Trenton, N.J.

Principal officers: Leo Howe, president; Ed Jamison, director of claims.

Claims auditing: Two conducted, none for self-insurers.

Claims adjusting/administration audits: Include reporting claims, processing claims, investigating claims, adjusting claims, claims documentation and verification, accuracy of reserves, accuracy of payments, accuracy of loss reports, personnel qualifications, case load of examiners, defense effectiveness, workflow analysis, effectiveness of training programs and overall quality of claims operation.

Claims auditing charges: Flat fee.

Aetna Technical Services Inc. (Aetnatec)

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

Parent company: Aetna Life & Casualty Co..

Services provided: Claims adjusting, administration, auditing.

Region served: Nationwide.

Specialty: Property/casualty claims: 60% workers compensation, 10% general liability, 10% automobile, 10% professional liability, 5% property damage, 2% bonds, 2% travelers' assistance, 1% inland marine.

Number of claims: Data not available.

Staff: As wholly owned subsidiary of Aetna Life & Casualty, Aetnatec has access to all employees of

Continued on facing page

Continued from facing page
the company.

Compensation: Percent of incurred claims, percent of paid claims, per claim, time and expense and retro for adjusting services. Percent of incurred claims, percent of paid claims, per claim, time and expense for administration services.

1982 gross revenues: Not reported.

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

Reports: Self-insurers are supplied with reports monthly at a charge that varies within 20 days of the end of the month; claims progression tracked.

Computer: IBM and Wang systems, with input document terminals located in home office. Self-insurers that perform own data processing, 2%.

Locations: All cities with Aetna Life & Casualty offices.

Principal officers: Robertson Mackay, president; R.C. McDaniel, R.F. Warner, John J. Kearney, Irwin J. Sitkin, Henry C. Halliday, James L. Bradley, vps.

Claims adjusting/administration audits: Include reporting claims, processing claims, investigating claims, adjusting claims, claims documentation and verification, accuracy of reserves, accuracy of payments, accuracy of loss reports, defense effectiveness.

Claims auditing charges: Time and expense.

Allied Claim Services Inc.

237 Main St., 11th Floor, Buffalo, N.Y. 14203; 716-853-7939

Services provided: Claims adjusting, administration, auditing.

Region served: New York state.

Specialty: Property/casualty claims: 45% workers compensation, 24% general liability, 18% automobile, 12% property damage, 1% property damage.

Number of claims: 12,563 total claims adjusted, 5,000 for self-insurers; 70% by field adjusters and 30% by telephone adjusters. 12,563 total claims administered, 5,000 for self-insurers.

Staff: 31 total staff, including adjusting staff of 21, which includes 15 field adjusters, three telephone adjusters and three administrative supervisors. Administration staff of seven. Auditing staff of five.

Workload: Average number of multiline claims handled monthly by each adjuster varies. Average number of workers compensation claims handled monthly by one adjusting supervisor varies. Average number of claims administered monthly by one administrator varies.

Clients: Total adjusting clients, 126; self-insured, 25. Total administration clients, 25; all self-insured.

Compensation: Per claim, time and expense for adjusting services. Per claim, time and expense for administration services.

1982 gross revenues: Not reported.

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

Reports: Self-insurers are supplied with reports monthly at a charge included in fee within five working days of the end of the month; claims progression tracked.

Computer: Univac 90/30 on time-sharing basis, with input document terminal located in central location.

Locations: Venice, Fla.; Dunkirk, N.Y.

Principal officers: Henry E.B. Dendler, president/treasurer; Patricia A. Dendler, corporate secretary; Gregory J. Dendler, executive vp; Richard A. Robb and Gail G. Prange, vps.

Claims auditing: Seven audits conducted, all for self-insurers.

Claims adjusting/administration audits: Include reporting claims, processing claims, investigating claims, adjusting claims, claims documentation and verification, accuracy of reserves, accuracy of payments, accuracy of loss reports, case load of examiners.

Claims auditing charges: Time and expense.

B

Jerry Barber's Eaglewing Insurance Claims Service

12235 Beach Blvd., Stanton, Calif. 90680; 714-895-1223

Services provided: Claims adjusting.

Regions served: Los Angeles, Orange County, San Francisco, Riverside-San Bernardino, Calif.; Phoenix, Ariz.; nationwide service through associated companies.

Specialty: Property/casualty claims: 50% general liability, 35% workers compensation, 5% automobile, 5% property damage, 5% professional liability.

Number of claims: 1,436 total claims adjusted, all for self-insurers; 60% by field adjuster and 40% by telephone adjuster.

Staff: 11 total staff, including adjusting staff of eight.

Workload: Average number of multiline claims handled monthly by each adjuster, 15. Average number of workers compensation claims handled monthly by one adjusting supervisor, 12.

Clients: Total adjusting clients, 12, all of which are self-insured.

Compensation: Per claim; time and expense, $27.50 per hour for senior/field adjusting, $22.50 per hour for general adjusting, $20 per hour for inside adjuster.

1982 gross revenues: Not available.

Reports: Self-insurers are supplied with free reports monthly within 12 days of the end of the month; claims progression tracked.

Computer: IBM System 34, with input document terminal located in home office. Nine clients perform own data processing.

Locations: Los Angeles, Orange County, San Francisco, Riverside-San Bernardino, Calif.; Phoenix, Ariz.

Principal officers: James Gerald Barber, president.

C

John T. Cantlon & Associates Inc.

920 Michigan Ave., Box 119, Columbus, Ohio 43216; 614-221-4147

Services provided: Claims adjusting, administration.

Region served: Great Lakes.

Specialty: Property/casualty claims: 90% workers compensation, 10% unemployment compensation.

Number of claims: 13,162 total claims administered, 6,672 for self-insurers.

Staff: 62 total staff. Administration staff of 15. In-house auditing staff of five.

Workload: Average number of workers compensation claims handled monthly by one adjusting supervisor, 20. Average number of claims administered monthly by one administrator, 60.

Clients: Total administration clients, 385; self-insured, 36.

Compensation: Percent of payroll, percent of annual premium for administrating services.

1982 gross revenues: Not reported.

Auditing procedures: Claims are audited annually, by independent firm hired by self-insurers and the Ohio Industrial Commission.

Continued on next page

JAMES IS HERE

PARTNERS IN PROVIDING A COMPLETE SELF-INSURANCE PACKAGE.

When you discuss self-insurance with Fred.S.James—the leading broker in this field—you won't face a take-it-or-leave-it decision. Our "package" is so flexible you can select the exact combination of services or coverages you need.

Working as your partner, James can develop the total program or offer individual elements. For example, you may wish to self-insure your worker's compensation and not your general liability.

Our complete services include claims administration, on-line interactive claims processing, and management information to produce data, trends and analyses. James also offers the finest, most comprehensive excess coverage available, surety bonds when required, and complementary coverages for operations not qualified to self-insure.

Let a Fred.S.James representative design—without obligation—the self-insurance package that fits your company's unique requirements. Or, for more information, write: Communications Dept., Fred.S.James & Co., Inc., 55 Water Street, New York, NY 10041.

James
FRED. S. JAMES & CO., INC.
YOUR PARTNERS IN RISK MANAGEMENT
Member National Association of Insurance Brokers

CEBS

Take Charge of Your Career in Employee Benefits

Become a Certified Employee Benefit Specialist

In today's highly competitive job market, the successful candidate is one who sets himself apart from the rest of the field. In employee benefits, the best way to distinguish yourself is through attainment of the Certified Employee Benefit Specialist (CEBS) designation. More and more employers with openings in benefits are looking for individuals with CEBS credentials. Why? Because it says a lot about a candidate's knowledge, professionalism and commitment to excellence.

Join the thousands who are using CEBS as their pathway to professionalism.

The CEBS program is cosponsored by the International Foundation of Employee Benefit Plans and the Wharton School of the University of Pennsylvania.

For more information contact:
CEBS Department
International Foundation of Employee Benefit Plans
P.O. Box 69
Brookfield, WI 53005
(414) 786-6700

Please send me the CEBS Catalog of Information.
Name_____
Company_____
Address_____
City/State/Zip_____
BI-1/83

Continued from previous page.

Specialty: Property/casualty claims: 32% workers compensation, 30% general liability, 23% automobile, 15% property damage.

Number of claims: More than 20,000 total claims administered, all for self-insurers.

Staff: Approximately 1,650 total adjusting and administration staff.

Clients: Total administration clients, approximately 75; all self-insured.

Compensation: Percent of incurred claims, percent of paid claims, per claim, time and expense for administration services.

1982 gross revenues: Not reported.

Auditing procedures: Claims are audited annually by in-house staff and independent firms hired by self-insurers and brokers.

Reports: Self-insurers are supplied with reports monthly at a charge included in the administration charge within two to three weeks of the end of the month; claims progression tracked.

Computer: National Advanced Systems AS/7031 and AS/5000E, with input document terminals located in home office. Self-insurers are offered CRTs for local inputting; none use this capability.

Locations: More than 90 branch offices in United States.

Principal officers: Albert H. Jackson, president; Richard T. Lapham, senior vp; Jackson L. Hockman, G. Gregory Tooker, assistant vps.

Claims auditing: Six audits conducted, all for self-insurers.

Claims adjusting/administration audits: Include investigating claims, adjusting claims, claims documentation and verification, accuracy of reserves, accuracy of payments, accuracy of loss reports, defense effectiveness.

Claims auditing charges: Time and expense.

Constitution State Service Co.

100 Constitution Plaza, Suite 1632,
Hartford, Conn. 06115;
203-277-5489

Parent company: The Travelers Corp.

Services provided: Claims adjusting, administration, auditing.

Region served: Nationwide.

Specialty: Property/casualty claims: 65% workers compensation, 10% general liability, 10% automobile, 6% products liability, 3% property damage, 3% professional liability, 3% ocean marine.

Number of claims: 40,000 total claims adjusted.

Staff: 15 total staff, including adjusting staff of 3,000 (from Travelers Insurance Co.), which includes 1,200 field adjusters, 300 telephone adjusters and 1,500 administrative supervisors. Administration staff of 300. Auditing staff of 50.

Workload: Average number of multiline claims handled monthly by each adjuster, varies. Average number of workers compensation claims handled monthly by one adjusting supervisor, varies by state. Average number of claims administered monthly by one administrator, varies.

Clients: Total adjusting clients, 100; self-insured, 50. Total administration clients, 100; self-insured, 50.

Compensation: Per claim, time and expense for adjusting services. Per claim, time and expense for administration services.

1982 gross revenues: $11 million.

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

Reports: Self-insurers are supplied with reports monthly at a charge within 20 days of the end of the month; claims progression tracked.

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

Locations: Nationwide.

Principal officers: Sheldon L. Rothbart, president/chief operating officer; Lyndsay R. deManbey, vp-operations; George E. Addona, vp-engineering; Robert D. Greenberg, vp-marketing; Dennis A. Petruzzi, treasurer.

Claims auditing: Two audits conducted, one for self-insurer.

Claims adjusting/administration audits: Include reporting claims, processing claims, investigating claims, adjusting claims, claims documentation and verification, accuracy of reserves, accuracy of payments, accuracy of loss reports, personnel qualifications, case load of examiners, defense effectiveness, medical and vocational rehabilitation.

Claims auditing charges: Time and expense and flat fee.

Corroon & Black Management Inc.

301 Plus Park Blvd., Box 78,
Nashville, Tenn. 37202;
615-367-9702

Parent company: Corroon & Black Corp.

Services provided: Claims adjusting, administration, auditing.

Region served: Nationwide.

Specialty: Property/casualty claims: 95% workers compensation, 4% general liability, 1% automobile.

Number of claims: 16,200 total claims adjusted, 15,150 for self-insurers; 29% by field adjuster and 71% by telephone adjuster. 16,200 total claims administered, 15,150 for self-insurers.

Staff: 49 total staff, including adjusting staff of 35, which includes 13 field adjusters, 20 telephone adjusters and two administrative supervisors. Administration staff of 21. Auditing staff of six.

Workload: Average number of multiline claims handled monthly by each adjuster, 40. Average number of workers compensation claims handled monthly by one adjusting supervisor, 175. Average number of claims administered monthly by one administrator, 100.

Clients: Total adjusting clients, 686; self-insured, 583.

Compensation: Percent of payroll, percent of annual premium, per claim for adjusting services. Percent of payroll, percent of annual premium, per claim for administrating services.

1982 gross revenues: $1.38 million (for claims only).

Auditing procedures: Claims are audited semiannually by in-house staff and independent firms hired by self-insurers.

Reports: Self-insurers are supplied with free reports monthly (as requested) within 12 days of the end of the month; claims progression tracked.

Computer: Digital VAX 11-780, in Nashville office. Self-insurers are offered CRTs for local inputting; none use this capability.

Locations: Boston; Chicago; Springfield, Ill.; Louisville and Pikeville, Ky.; San Diego, San Jose, Merced and Stockton, Calif.; Phoeniz, Ariz.; Albuquerque, N.M.; Washington.

Principal officers: Thomas N. Perez, president; James R. McMasters, senior vp; Robert Cornelius, executive vp; Ian McGregor and Richard D. Hammer, vps.

Claims auditing: None conducted in 1982.

Claims adjusting/administration audits: Include reporting claims, processing claims, investigating claims, adjusting claims, claims documentation and verification, accuracy of reserves, accuracy of payments, accuracy of loss reports, personnel qualifications, case load of examiners, defense effectiveness.

Claims auditing charges: Time and expense.

Continued on facing page

Reinsurance

INTEROCEAN AGENCY, INC.

Specializing in all forms of life, accident and health reinsurance.

FACULTATIVE/TREATY

Underwriting and loss adjusting intermediary for LLOYDS of LONDON for over 30 years.

- Stop Loss for Self-Funded Employee Benefit Plans
- Stop Loss for Aviation Workers' Compensation
- Catastrophe Excess Treaties
- Special Risks
- Admitted Liability
- Aviation Accident
- Group Travel
- Life

JOHN W. PARKER, JR.
SAMUEL W. DOUGLASS, III
DEBORAH PERNA
WILLIAM R. GUCKES, JR.

215-569-9595

1760 MARKET STREET
PHILADELPHIA, PA. 19103

Offices in New York, Dallas, Coral Gables, London, Paris, Milan and other principal cities worldwide.

A Dependable Market For Aggregate & Specific Excess Reinsurance for Self Insured A&H Plans

Quotations are available promptly and directly from our Kansas City offices. We are managing underwriters for this facility.

Contact us by letter, telephone or telex

D&A Darby and Associates, Inc.

Penntower, Suite 1118 • 3:00 Broadway • Kansas City, Missouri 64111
Phone: (816) 753-8775 • Telex: DARBY, INC. 434471

Continued from facing page

Crawford & Co.

5620 Glenridge Drive N.E., Box 5047, Atlanta, Ga. 30302; 404-256-0830

Services provided: Claims adjusting, administration.

Region served: Nationwide, also Canada and Puerto Rico.

Specialty: Property/casualty claims: 30% workers compensation, 18% general liability, 22% automobile, 24% property damage, 2% professional liability, 1% bonds, 1% inland marine, 1% miscellaneous.

Number of claims: 890,919 total claims adjusted, 191,000 for self-insurers. 154,000 total claims administered, all for self-insurers.

Staff: Approximately 4,000 total staff, including adjusting staff of 2,450, which includes 1,900 field adjusters, 265 telephone adjusters and 285 administrative supervisors. Administration staff of 850.

Clients: Total adjusting clients, 3,500; self-insured, 300. Total administration clients, 275; all self-insured.

Compensation: Percent of incurred claims, percent of annual premium, per claim, time and expense (each account is analyzed individually for average charge) for adjusting services. Percent of incurred claims, percent of annual premium, time and expense (each account is analyzed individually for average charge) for administrating services.

1982 gross revenues: $116 million for first nine months.

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

Reports: Self-insurers are supplied with reports monthly at a charge that varies with each account within 20 days of the end of the month; claims progression tracked.

Computer: IBM 4341 and Entrex disk system, Burroughs B1885, Honeywell page printer, with input document terminals located in home and field offices. Self-insurers are offered CRTs for local inputing; 5% use this capability; minimal amount of clients perform own data processing.

Locations: More than 750 locations throughout the United States, Canada and Puerto Rico.

Principal officers: T.G. Germany, chairman; F.L. Minix, president; D.R. Chapman, senior vp-finance; C.C. Lefler, senior vp-risk management services; P.A. Bolinger, senior vp-property/casualty.

(Note: Claims and financial results are for the first nine months of 1982 only.)

E

Equifax Risk Management Systems

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

Parent company: Equifax Services Inc.

Services provided: Claims administras **provided:** Claims administration.

Region served: Nationwide.

Specialty: Property/casualty claims: 73% workers compensation, 23% general liability, 3% automobile, 1% inland marine.

Staff: Administration staff of one account coordinator and adjuster for each client.

Compensation: Percent of incurred claims, percent of paid claims, percent of payroll, per claim, time and expense for administration services.

1982 gross revenues: Not reported.

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

Reports: Self-insurers are supplied with reports as requested at a charge depending on number and type usually within six days (or as requested) of the end of the month; claims progression tracked.

Computer: Input document terminal located in home office. Self-insurers are offered CRTs for local inputing; none use this capability.

Locations: All major U.S. cities.

Principal officers: W.L. Burge, chairman/chief executive officer; J.V. White, president; E.T. Merrigan, president-Equifax Services; J.M. Drennan, executive vp-Equifax Services.

ESIS Inc.

1600 Arch St., Phildelphia, Pa. 19101; 215-241-2100

Parent company: INA Corp.

Services provided: Claims adjusting, administration, auditing.

Region served: Nationwide.

Specialty: Property/casualty claims: 40% workers compensation, 30% general liability, 20% automobile, 5% property damage, 5% professional liability.

Number of claims: More than 100,000 total claims adjusted, all for self-insurers. More than 100,000 total claims administered, all for self-insurers.

Staff: More than 4,000 total staff.

Clients: Total adjusting clients, more than 1,000; all self-insured. Total administration clients, more than 1,000; all self-insured.

Compensation: Combined with administration charge for adjusting services. Percent of annual premium, per claim, time and expense for administration services.

1982 gross revenues: Not reported.

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

Reports: Self-insurers are supplied with reports monthly and quarterly at a charge within 15 days of the end of the month; claims progression tracked.

Computer: Four IBM 370 computers, with input document terminal located in claims offices nationwide. Self-insurers are offered CRTs for local inputting.

Locations: More than 80 locations.

Principal officers: J. Carpenter, E. Holleran, G. Mulligan, J. Miller.

Claims auditing: 50 audits conducted, all for self-insurers.

Claims adjusting/administration audits: Include reporting claims, processing claims, investigating claims, adjusting claims, claims documentation and verification, accuracy of reserves, accuracy of payments, accuracy of loss reports, personnel qualifications, case

Continued on next page

THE HCI SYSTEM: A DENTAL CARE PLAN THAT PROTECTS MORE THAN TEETH.

HEALTH CORPORATION OF AMERICA

It protects budgets. Because the HCI System has a stop-loss clause that prevents any paying for claims that exceed a pre-arranged annual fee. For more information call: Bill Camp at 215-687-8680, Health Corporation of America, 680 E. Swedesford Road, Wayne, PA 19087.

As Times Change You Re-Evaluate The Sources Of Security.

Today it's more important than ever to consider your insurer and reinsurer carefully, look more closely at their experience, flexibility, responsiveness, financial strength. You'll like what you see at Walton because we're uniquely prepared to meet your changing needs.

Our underwriting guidelines are flexible to allow the kind of considerations you want. Walton offers an expanded staff of experienced underwriters who make decisions quickly. They recognize the kinds of risks Walton can work with, not just today, but in the future. What's more, they're backed by a new data management system that keeps them up to date with accurate information about every insured. And Walton's financial strength provides a degree of capacity you will find most reassuring.

Isn't It Time You Looked Into Walton?

Walton Insurance Limited
Global House, Church St.,
PO Box 1833,
Hamilton 5, Bermuda
Cable: INSURAN BERMUDA
Telex: 3457 INSUR BA
Telephone: (809) 292-3304

WALTON
Insurance Limited

Continued from previous page
load of examiners, defense effectiveness, administrative office procedures.

Claims auditing charges: Time and expense, flat fee.

F

Fireman's Fund Risk Management Services Inc.

Box 777, Novato, Calif. 94998; 415-899-3810

Parent company: Fireman's Fund Insurance Cos.

Services provided: Claims administration, auditing.

Region served: Nationwide.

Specialty: Property/casualty claims: 75% workers compensation, 15% general liability, 10% automobile.

Number of claims: Claims adjusted 15% by field adjuster and 85% by telephone adjuster.

Staff: Total adjusting staff of 1,875.

Compensation: Per claim, time and expense for adjusting services. Per claim, time and expense for administrating services.

1982 gross revenues: Not reported.

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

Reports: Self-insurers are supplied with free monthly reports within 10 days of the end of the month; claims progression tracked.

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

Locations: More than 100 adjusting locations nationwide and 50 branch offices.

Principal officers: O.D. Oliphant, chairman/chief executive officer; Edwin F. Cutler, vice chairman; James J. Meenaghan, president/chief operating officer; James B. Runyan, executive vp; Francis W. Benedict, senior vp/secretary.

Claims auditing: Four audits conducted, all for self-insurers.

Claims adjusting/administration audits: Include reporting claims, processing claims, investigating claims, adjusting claims, claims documentation and verification, accuracy of reserves, accuracy of payments, accuracy of loss reports, personnel qualifications, case load of examiners, defense effectiveness.

Claims auditing charges: Time and expense.

G

Gay & Taylor Inc.

Box 1410, Winston-Salem, N.C. 27102; 919-743-9631

Parent company: Equifax Inc.

Services provided: Claims adjusting, administration, auditing.

Regions served: Southeast, Mid-Atlantic, Midwest.

Specialty: Property/casualty claims: 32% automobile, 28% property damage, 15% workers compensation, 13% professional liability, 12% general liability.

Number of claims: 144,000 total claims adjusted, 35,000 for self-insurers; 80% by field adjuster and 20% by telephone adjuster. 12,000 total claims administered, all for self-insurers.

Staff: 430 total staff, including adjusting staff of 363, which includes 315 field adjusters, 48 telephone adjusters and nine administrative supervisors. Administration staff of 12. Auditing staff of three.

Workload: Average number of multiline claims handled monthly by each adjuster, 33. Average number of workers compensation claims handled monthly by one adjusting supervisor, 90. Average number of claims administered monthly by one administrator, 90.

Clients: Total adjusting clients, 3,500; self-insured, 462. Total administration clients, 126; self-insured, 32.

Compensation: Percent of annual premium, per claim, time and expense for adjusting services. Per claim, time and expense for administrating services.

1982 gross revenues: Not reported.

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

Reports: Self-insurers are supplied with reports monthly at a charge included in fee, within six days of the end of the month; claims progression tracked.

Computer: Input document terminal located in home office. Self-insurers are offered CRTs for local inputting; four use this capability.

Locations: 124 locations.

Principal officers: W.J. Browning, president; F.A Uphoff, T.B. Tilley and J.D. Swanson, vps; W.L.Orr, controller.

Claims auditing: Five audits conducted, 20% for self-insurers.

Claims adjusting/administration audits: Include reporting claims, processing claims, investigating claims, adjusting claims, claims documentation and verification, accuracy of reserves, accuracy of payments, accuracy of loss reports, personnel qualifications, defense effectiveness, ratio of suits to open claims.

Claims auditing charges: Time and expense, $50 per hour.

Group VII Services Inc.

116 John St., New York, N.Y. 10038; 212-349-3390

Services provided: Claims adjusting, administration.

Region served: Eastern states.

Specialty: Property/casualty claims: 95% workers compensation, 5% general liability.

Number of claims: 1,000 total claims adjusted, all for self-insurers; 5% by field adjuster and 95% by telephone adjuster. 1,000 total claims administered, all for self-insurers.

Staff: Seven total staff, including adjusting staff of three, which includes one field adjuster, one telephone adjuster and one administrative supervisor. Administration staff of three.

Workload: Average of workers compensation claims handled monthly by one adjusting supervisor, 100. Average number of claims administered monthly by one administrator, 100.

Clients: Total administration clients, six; all self-insured.

Compensation: Flat fee for adjusting and administrating services.

1982 gross revenues: $100,000.

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

Reports: Self-insurers are supplied with reports quarterly at a charge included in fee within 15 days of the end of the month; claims progression tracked.

Computer: Off-premises, with input document terminal located in central location.

Locations: Philadelphia; Coral Gables, Fla.

Principal officers: Peter Hjelm, president; Roy Hjelm, George Saunders, Harry Gordon, Frank Pennartz, Michael Haybecht, vps.

H

Homeland Industrial Corp.

4050 Moorpark Ave., San Jose, Calif. 95117; 408-984-8000

Parent company: Homeland General Corp.

Services provided: Claims administration, auditing.

Region served: California.

Specialty: Property/casualty claims: 90% workers compensation, 10% automobile.

Number of claims: 3,000 total claims administered, 1,250 for self-insurers.

Staff: 15 total staff. Administration staff of 12. Auditing staff of one.

Workload: Average number of claims administered monthly by one administrator, 175.

Clients: Total administration clients, 16; self-insured, six.

Compensation: Annual premium, per claim for administration services.

1982 gross revenues: $250,000.

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

Reports: Self-insurers are supplied with free reports monthly and quarterly within 10 days of the end of the month; claims progression tracked.

Computer: IPL 4443, with input document terminal located in home office. Self-insurers are offered CRTs for local inputting; none use this capability.

Principal officers: David S. Williams, president; Michael G. Herberger, executive vp; William B. Sharer, regional vp.

Claims auditing: Two audits conducted, all for self-insurers.

Claims adjusting/administration audits: Include reporting claims, processing claims, investigating claims, adjusting claims, claims documentation and verification, accuracy of reserves, accuracy of payments, accuracy of loss reports, personnel qualifications, case load of examiners, defense effectiveness.

Claims auditing charges: Time and expense, flat fee.

I

Industrial Indemnity Insurance Services Inc.

201 California St., San Francisco, Calif. 94941; 415-434-4850

Parent company: Industrial Underwriters Inc.

Services provided: Claims administration, auditing.

Region served: Western states.

Specialty: Property/casualty claims: 75% workers compensation, approximately 8% general liability, 8% automobile, 8% property damage.

Number of claims: 4,000 total claims administered, all for self-insurers.

Staff: More than 17 total staff. Auditing staff of two.

Workload: Average number of claims administered monthly by one administrator, 225.

Clients: Total administration clients, six; all self-insured.

Compensation: Percent of incurred claims, percent of paid claims, percent of payroll, percent of annual premium, per claim, time and expense for administration services.

1982 gross revenues: Not reported.

Auditing procedures: Claims are audited annually by in-house staff. Thrity-day supervisor's diary used to review adjusters' performance.

Reports: Self-insurers are supplied with reports monthly at a charge included in the adminstration fee within seven days of the end of the month; claims progression tracked.

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

Locations: Seattle; Portland, Ore.; San Jose, Stockton and Orange, Calif.

Principal officers: D. Johnson, R. Derr, R. Gowdy, J. LaPlante, L. Mulryan.

Claims auditing: None performed in 1982.

Claims adjusting/admihistration audits: Include reporting claims, processing claims, investigating claims, adjusting claims, claims documentation and verification, accuracy of reserves, accuracy of payments, accuracy of loss reports, personnel qualifications, case load of examiners, defense effectiveness.

Claims auditing charges: Time and expense, charges vary depending on line of business.

Continued on facing page

4th Annual Petroleum Insurance Conference

March 2-4, 1983 Sheraton Hotel New Orleans, Louisiana

Learning better ways to protect the property, people, investments and future of the oil & gas industry.

For: Operators, Producers, Service Contractors, Agents, Brokers, Risk Managers and serious Industry Investors.

Twenty-Three Major Topics, Including: Anatomy of a Blowout; Control of Well Coverage; Maritime Exposures; Care, Custody, Control; Umbrella and General Liability; Cash Flow Plans; Machinery and Equipment Exposures; Risk Management Administration.

Special Feature: Suggested Learning Tracks developed by the PIC '83 Advisory Board to help you make the most of your time and effort. Attendance guidelines for all sessions: Which are basic, which are advanced, what's the focus of each.

For more information, call:
PDI Conference Center
Toll-Free Outside Texas 1-800-433-5676
In Texas 1-817-565-3344
D/FW Metro 267-5671

Presented by
RIMCO Risk Management of Dallas
and
Professional Development Institute
of North Texas State University

Continued from facing page

Inservco Insurance Services Inc.
Box 2361, 1900 Derry St.,
Harrisburg, Pa. 17105;
717-255-6819

Parent company: Pennsylvania National Insurance.

Services provided: Claims adjusting, administration.

Regions served: Pennsylvania, New Jersey, Maryland, Virginia, North Carolina, South Carolina, Georgia, Tennessee, Kentucky, Florida, Michigan.

Specialty: Property/casualty claims: 60% workers compensation, 20% property damage, 10% general liability, 10% automobile.

Number of claims: 500 total claims adjusted, 300 for self-insurers; 80% by field adjuster and 20% by telephone adjuster. 2,000 total claims administered, 300 for self-insurers.

Staff: Total adjusting staff of 150, which includes 95 field adjusters, 25 telephone adjusters and 30 administrative supervisors. Administration staff of 20.

Workload: Average number of multiline claims handled monthly by each adjuster, 20 to 25. Average number of workers compensation claims handled monthly by one adjusting supervisor, 40 to 50. Average number of claims administered monthly by one administrator, 50.

Clients: Total adjusting clients, 25; self-insured, four. Total administration clients, 10; self-insured, four.

Compensation: Percent of annual premium, 3% to 5% average charge; per claim, $30-$250 claim charge range; time and expense, $20-$30 per hour for senior/field adjuster for adjusting services. Percent of annual premium, 3% to 5% average charge; per claim, $75-$100 per claim charge; time and expense, $20-$30 per hour for administration services.

1982 gross revenues: Not reported.

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

Reports: Self-insurers are supplied with free reports monthly within two weeks of the end of the month; claims progression tracked.

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

Locations: Pittsburgh, Erie, Altoona, Kingston, Pa.; Trenton, N.J.; Baltimore; Chesapeake, Va.; Greenville, S.C.; Macon, Ga.; Greensboro, N.C.; Orlando, Fla.; Nashville, Tenn.; Houston; Kansas City, Mo.

Principal officers: John L. Longnaker, president; Charles Magill, W.T. Allen, vps; Robert L. Conrad, vp/operations; Marlin Wilbert, secretary.

J

Johns Eastern Co. Inc.
Box 4175, Sarasota, Fla. 33578;
813-924-1301

Services provided: Claims adjusting, administration, auditing.

Regions served: Florida, Maryland, District of Columbia, northern Virginia, Delaware, southern New Jersey, eastern Pennsylvania, southwestern Ohio, northeastern Kentucky, southeastern Indiana.

Specialty: Property/casualty claims: 55% workers compensation, 25% general liability, 7% professional liability, 5% automobile, 5% property damage, 2% bonds, 1% inland marine.

Number of claims: 20,841 total claims adjusted, 11,600 for self-insurers; 75% by field adjuster and 25% by telephone adjuster. 20,841 total claims administered, 11,600 for self-insurers.

Staff: 135 total staff, including adjusting staff of 86, which includes 70 field adjusters, 10 telephone adjusters and six administrative supervisors. Administration staff of 16. Auditing staff of 16.

Workload: Average number of multiline claims handled monthly by each adjuster, 25 to 30. Average number of workers compensation claims handled monthly by one adjusting supervisor, 10. Average number of claims administered monthly by one administrator, 100.

Clients: Total adjusting clients, 500; self-insured, 10. Total administration clients, 500; self-insured 12.

Compensation: Percent of annual premium, 4% average charge; per claim, $50-$300; time and expense, $26 per hour for senior/field, general and inside adjuster for adjusting services. Also lump-sum charges with bonus for reduced losses reflected in base rate. Percent of annual premium, 4% average charge; per claim, $50-$300; time and expense, $26 per

Continued on next page

Business Insurance puts more into it so you'll get more out of it.

Use this form, or the card in this issue, to enter your subscription to Business Insurance. Or call (312) 649-5221.

Business Insurance
Circulation Dept. 740 Rush Street Chicago, IL 60611

Business Insurance gives you total news coverage of loss prevention, risk financing and benefit management. Every week. Annual subscription (52 issues) in U.S. dollars.

(Check here.)	Surface Mail.	By Air.
USA	☐ $40	
Canada	☐ $54	☐ $90
Bermuda *(Air only)*		☐ $85
Europe/Middle East *(Air only)*		☐ $75
All other foreign	☐ $54	Rates on request.

☐ new subscription. ☐ renewal. ☐ payment enclosed.
☐ bill me. ☐ bill company.

name (please print)

title

company

nature of business

☐ business or ☐ home address

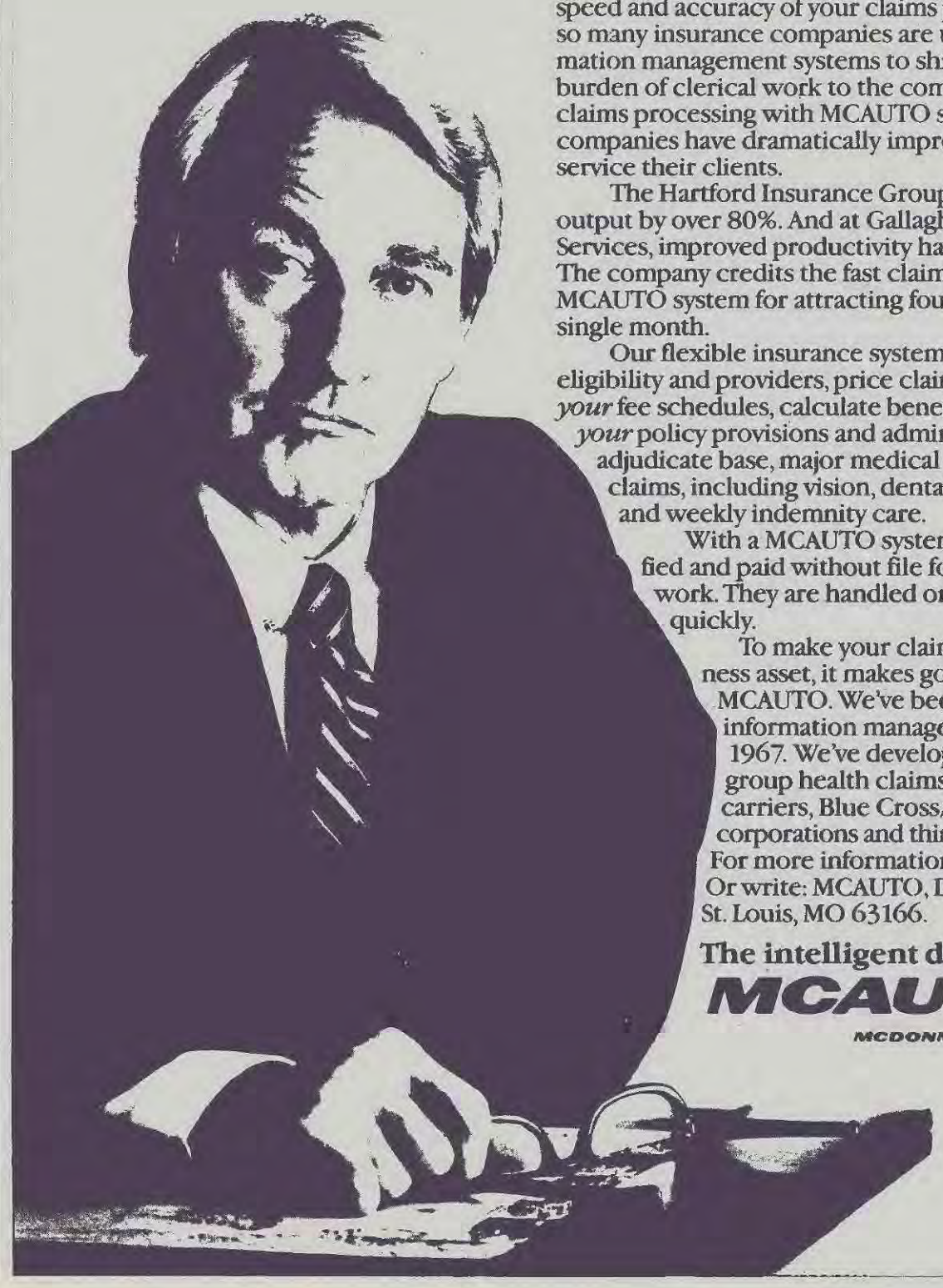
city state/country zip/postal code

☐ Please send information on your special 25%-off group rate for five or more subscriptions.
☐ I prefer not to receive information or advertising by mail from companies not affiliated with Crain Communications.

Mail to: Business Insurance
Circulation Dept. 740 Rush Street Chicago, IL 60611

You realize that efficient claims processing is vital to the success of your business.

MCAUTO can help you make it a powerful marketing tool.



Nothing is more important to your clients than the speed and accuracy of your claims processing. That's why so many insurance companies are using MCAUTO information management systems to shift the increasing burden of clerical work to the computer. By automating claims processing with MCAUTO systems, a number of companies have dramatically improved their ability to service their clients.

The Hartford Insurance Group increased processing output by over 80%. And at Gallagher Bassett Insurance Services, improved productivity has meant new business. The company credits the fast claims turnaround of their MCAUTO system for attracting four new clients in a single month.

Our flexible insurance systems verify claimant eligibility and providers, price claims according to *your* fee schedules, calculate benefits based on *your* policy provisions and administer COB. They also adjudicate base, major medical and comprehensive claims, including vision, dental, drug, orthodontia and weekly indemnity care.

With a MCAUTO system, claims can be verified and paid without file folders or other paperwork. They are handled once – and settled quickly.

To make your claims processing a business asset, it makes good sense to talk to MCAUTO. We've been a leader in insurance information management services since 1967. We've developed reporting and group health claims systems for insurance carriers, Blue Cross/Blue Shield plans, corporations and third party administrators. For more information, call (800) 325-1551. Or write: MCAUTO, Dept. KK-702, Box 516, St. Louis, MO 63166.

The intelligent decision.

MCAUTO.
MCDONNELL DOUGLAS

Continued from previous page
hour for administration services.

1982 gross revenues: $5.1 million.

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

Reports: Self-insurers are supplied with reports monthly or quarterly at a charge included in fee within one to 10 days of the end of the month; claims progression tracked.

Computer: NCR 8555M, with input document terminals located in home and field offices. Self-insurers are offered CRTs for local inputting; one uses this capability.

Locations: St. Petersburg/Clearwater, Tampa, Lakeland, Orlando, West Palm Beach, Miami and Sarasota, Fla.; Washington; Baltimore; Philadelphia; Columbus, Cincinnati and Dayton, Ohio.

Principal officers: C.T. Johns, chairman; D.L. Johns, president; K.M. Johns III, executive vp; Norman Sensigner, vp/regional manager; K.V. Keller, comptroller.

Claims auditing: Two audits conducted, both for self-insurers.

Claims adjusting/administration audits: Include reporting claims, processing claims, investigating claims, adjusting claims, claims documentation and verification, accuracy of reserves, accuracy of payments, accuracy of loss reports, personnel qualifications, case load of examiners, defense effectiveness.

Claims auditing charges: Time and expense, $26 per hour.

"E & E is the only employee benefits administrator in the country which guarantees direct results. Either you save money with E & E or you pay absolutely nothing."

Carmon E. Cobe, Chairman Executive and Employee Benefit Plans, Inc.

In the past twenty-five years, we've set up self-funded programs for over 300 corporations, ranging in size from as many as 30,000 employees to as few as 200.

We design, implement, and administer medical, hospitalization, dental, group life insurance plans.

We're experts on benefits. But we're not an insurance company, nor are we affiliated with any insurance company. And right away, that gives you an important advantage.

We're the only employee benefits consultants in the country that guarantee direct results.

We've done it for all our other clients and we can do it for you!

Our 25th Year of Self-Funding

EXECUTIVE & EMPLOYEE BENEFIT PLANS, INC.

Pioneers in our field, yesterday and today.

For information in cities not listed call C. J. Wintersteller at (614) 486-7188.

Atlanta: E. A. Hightower (404) 256-2900
Orlando: Paul Holderbaum (305) 849-6020
Columbus: C. J. Wintersteller (614) 486-7188
Cincinnati: L. S. McCrosky (513) 772-0700
Cleveland: Joseph Kral (216) 886-6800
Dallas: J. M. Bransford (214) 221-2584

L

Lindsey & Newsom Insurance Adjusters Inc.

Box 6810, Tyler, Texas 75711; 214-561-6700

Services provided: Claims adjusting.

Regions served: Texas and portions of Louisiana, Arkansas, Oklahoma, New Mexico and Mexico.

Specialty: Property/casualty claims: 30% property damage, 20% automobile, 18% workers compensation, 15% general liability, 7% aviation, truck and heavy equipment, mobile homes, 5% professional liability, 3% inland marine, 1% bonds, 1% ocean marine.

Number of claims: 15% of total claims adjusted for self-insurers; 90% by field adjuster and 10% by telephone adjuster.

Staff: 350 total staff, including adjusting staff of 235, which includes 220 field adjusters, five telephone adjusters and 10 administrative supervisors.

Clients: Total adjusting clients, more than 700; self-insured, more than 700.

Compensation: Percent of incurred claims; percent of annual premium; per claim; time and expense, $20-$25 per hour for senior/field adjuster for adjusting services.

1982 gross revenues: Not reported.

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

Reports: Self-insurers are supplied with free reports monthly and quarterly within 10 days of the end of the month; claims progression tracked.

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

Locations: Abilene, Amarillo, Austin, Bay City, Beaumont, Brownsville, Corpus Christi, Corsicana, Dallas, Fort Worth, Galveston, Greenville, Harlingen, Houston, Jasper, Longview, Lubbock, Lufkin, Marshall, McAllen, Nacogdoches, Orange, Palestine, Port Arthur, San Angelo, San Antonio, Sherman, Texarkana, Victoria, Waco and Wichita Falls, Texas.

Principal officers: Robert B. Irwin, Terry Grant, Don Guin, Pat O'Neal, William Hilliard.

Loss Control Management Corp.

6320 Augusta Drive, Springfield, Va. 22150; 703-451-6100

Services provided: Claims adjusting, administration.

Regions served: Virginia, Maryland, Washington, D.C.

Specialty: Property/casualty claims: 70% workers compensation, 15% property damage, 10% automobile, 5% general liability.

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

Staff: 15 total staff, including adjusting staff of seven, which includes one field adjuster, five telephone adjusters and one administrative supervisor. Administration staff of three.

Clients: Total adjusting clients, 15; all self-insured. Total administration clients, 15; all self-insured.

Compensation: Adjusting services included as part of annual fixed administration fee.

1982 gross revenues: Not reported.

Auditing procedures: Claims are audited monthly by in-house staff and client auditors or excess insurers.

Reports: Self-insurers are supplied with free monthly reports within one week of the end of the month; claims progression tracked.

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

Locations: Baltimore.

Principal officers: William U. MacBrayne, president/treasurer; Peter G. Baldwin, vp.

M

Michigan Claims Service Inc./MCS Inc. Wisconsin Claim Service

Box 19069, Lansing, Mich. 48901; 517-321-5565

Services provided: Claims adjusting, administration, auditing.

Regions served: Michigan, Ohio, Wisconsin.

Specialty: Property/casualty claims: 30% workers compensation, 30% property, 10% general liability, 10% automobile, 10% professional liability, 5% bonds, 5% ocean marine.

Number of claims: 30,000 total claims adjusted, 3,000 for self-insurers; 75% by field adjuster and 25% by telephone adjuster. 7,500 total claims administered, 3,000 for self-insurers.

Staff: 178 total staff, including adjusting staff of 104, which includes 95 field adjusters, five telephone adjusters and four administrative supervisors. Administration staff of 10. Auditing staff of 15.

Clients: Total adjusting clients, 613; self-insured, three. Total administration clients, 30; all self-insured.

Compensation: Percent of paid claims; percent of payroll; per claim; time and expense, $35 per hour for senior/field adjuster, $45 per hour for general adjuster, $25 for inside adjuster for adjusting services. Percent of paid claims, percent of annual premium, per claim, time and expense for administration services.

1982 gross revenues: $6.5 million.

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

Reports: Self-insurers are supplied with reports as required for a charge that varies with size of workload within 10 days of the end of the month; claims progression tracked.

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

Locations: 40 branch offices in Michigan, Ohio and Wisconsin.

Principal officers: R.J. Young, president; T.M. Kelly, executive vp/general manager; C.C. Shotwell, treasurer.

Claims auditing: 15 audits conducted, all for self-insurers.

Claims adjusting/administration audits: Include reporting claims, processing claims, investigating claims, adjusting claims, claims documentation and verification, accuracy of reserves, accuracy of payments, accuracy of loss reports, personnel qualifications, case load of examiners, defense effectiveness.

Claims auditing charges: Time and expense.

N

National Loss Control Service Corp.

Long Grove, Ill. 60049; 312-540-2400

Parent company: Kemper Corp.

Services provided: Claims adjusting, administration, auditing.

Region served: Nationwide.

Specialty: Property/casualty claims: 69% workers compensation, 15% general liability, 11% automobile, 5% property damage.

Number of claims: 87,000 total claims adjusted, approximately 25% for self-insurers. 87,000 total claims administered, 25% for self-insurers.

Staff: 1,900 total adjusting staff. Administration staff of 3,000. Auditing staff of three.

Workload: Average number of multiline claims handled monthly by each adjuster, approximately 33. Average number of claims administered monthly by one administrator, approximately 33.

Clients: Total administration clients, 155.

Compensation: Percent of incurred claims, experienced rated for average percent charge; percent of payroll, experienced rated for average percent charge; per claim, $80-$120; time and expense for claim auditing and asbestosis only, $55 per hour for senior/field adjuster for adjusting services. Time

Continued on facing page

GROUP INSURANCE

Administration and Claims

Apex Data is proud to present Version 2 of COGNAC — Consolidated On-line Group Insurance Administration and Claims system.

Version 2 not only supports the needs of insurance companies as did Version 1, but also the growing market of Self-Insured Corporations and Third Party Administrators. With its enhanced flexibility you can now offer "cafeteria style" benefits selection.

COGNAC is written in COBOL utilizing a relational data base structure and processes totally on-line. The system is operational on PRIME computers with an IBM version available in the near future.

COGNAC is available on a timeshared or licensed basis with a variety of payment programs to suit any size company.

Administration
Proposal Generation
Pending System
Rating and Underwriting
Employee Enrollment
Policy Issue
Premium and Cash Receipts
Financial Reporting
Commission Reporting
Year End ERISA Reporting

Claims
Pending System
On-line Claims Calculation
Reasonable and Customary HIAA Testing
Coordination of Benefits
Explanation of Benefits
Check Issue
Claim Modeling
Management Information

Call Charles Lutz, Marketing Director (602) 298-1991

APEX DATA SYSTEMS 6464 East Grant Road Tucson, Arizona 85715

Bermuda Insurance Week

The International Insurance and Reinsurance Forum
March 7, 8, 1983

Workshop on Risk Financing and Captives
March 9, 1983

7th International Captive Insurance Company Conference
March 10, 11, 1983

For information: Director of Conferences—Risk Planning Group, Inc. 722 Post Road, Darien, CT 06820, (203) 655-9791

Continued from facing page
and expense, $55 per hour for administration services.

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

Reports: Self-insurers are supplied with reports monthly or quarterly at a charge included in claim fee within two to four weeks of the end of the month; claims progression tracked.

Computer: In-house loss run system, CARES, with input document terminal located in home office. Four self-insurers perform own data processing.

Locations: Akron, Ohio; Fairfax, Va.; and 100 Kemper Group branch offices.

Principal officers: Robert W. Satterfield, president; Frederick G. Minchk, George Krafcisin and A.D. Odom, vps; Daniel F. Benevich, secretary.

Claims auditing: 12 audits conducted, all for self-insurers.

Claims adjusting/administration audits: Include processing claims, claims documentation and verification, accuracy of reserves, accuracy of payments, personnel qualifications, defense effectiveness.

Claims auditing charges: Time and expense, $55 per hour.

P

Parker Services Inc.

1800 N. Point Drive, Stevens Point, Wis. 54481; 715-346-7357

Parent company: Sentry Insurance.

Services provided: Claims adjusting, administration, auditing.

Region served: Nationwide.

Specialty: Property/casualty claims: 70% workers compensation, 15% professional liability, 10% general liability, 5% automobile.

Number of claims: 1,600 total claims adjusted, 1,000 for self-insurers; 40% by field adjuster and 60% by telephone adjuster. 1,600 total claims administered, 1,000 for self-insurers.

Staff: 1,317 total staff, including adjusting staff of 709, which includes 276 field adjusters, 183 telephone adjusters and 250 administrative supervisors. Administration staff of 140. Auditing staff of 75.

Workload: Average number of multiline claims handled monthly by each adjuster, 40. Average number of indemnity workers compensation claims handled monthly by one adjusting supervisor, 35 to 40. Average number of claims administered monthly by one administrator, 250.

Clients: Total adjusting clients, 11; self-insured, five. Total administration clients, 10; self-insured, five.

Compensation: Percent annual premium, 6% to 7.5% average percent charge; per claim, charge varies by line and volume; time and expense, $40-$50 per hour for senior/field adjuster, $35-$40 per hour for general adjuster, $30-$35 per hour for inside adjuster for adjusting services. Percent of annual premium, 6% to 7.5% average charge; per claim; time and expense, $30-$50 per hour for administration services.

1982 gross revenues: Not reported.

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

Reports: Self-insurers are supplied with reports monthly at a charge of $10-$15 per claim within 20 days of the end of the month; claims progression tracked.

Computer: Input document terminal located in home office.

Locations: All major U.S. cities.

Principal officers: Wayne Ashenberg, president; Dave Entwistle, vp-marketing; Dick Fee, vp-services; Kent Foster, vp-EHD.

Claims auditing: Two audits conducted, none for self-insurers.

Claims adjusting/administration audits: Include reporting claims, processing claims, investigating claims, adjusting claims, claims documentation and verification, accuracy of reserves, accuracy of payments, accuracy of loss reports, personnel qualifications, case load of examiners, defense effectiveness, medical management and cost controls.

Claims auditing charges: Time and expense, $30-$50 per hour.

R

Reinserco

334 Madison Ave., CN1922, Morristown, N.J. 07960; 201-539-3764

Parent company: W.R. Berkley.

Continued on next page

W. J. HAYNES AND COMPANY

SINCE 1950

THIRD PARTY ADMINISTRATOR

Experienced Reliable Prompt

OVER $250,000,000 IN CLAIMS PROCESSED

7045 NORTH WESTERN AVE. CHICAGO, ILL. 60645

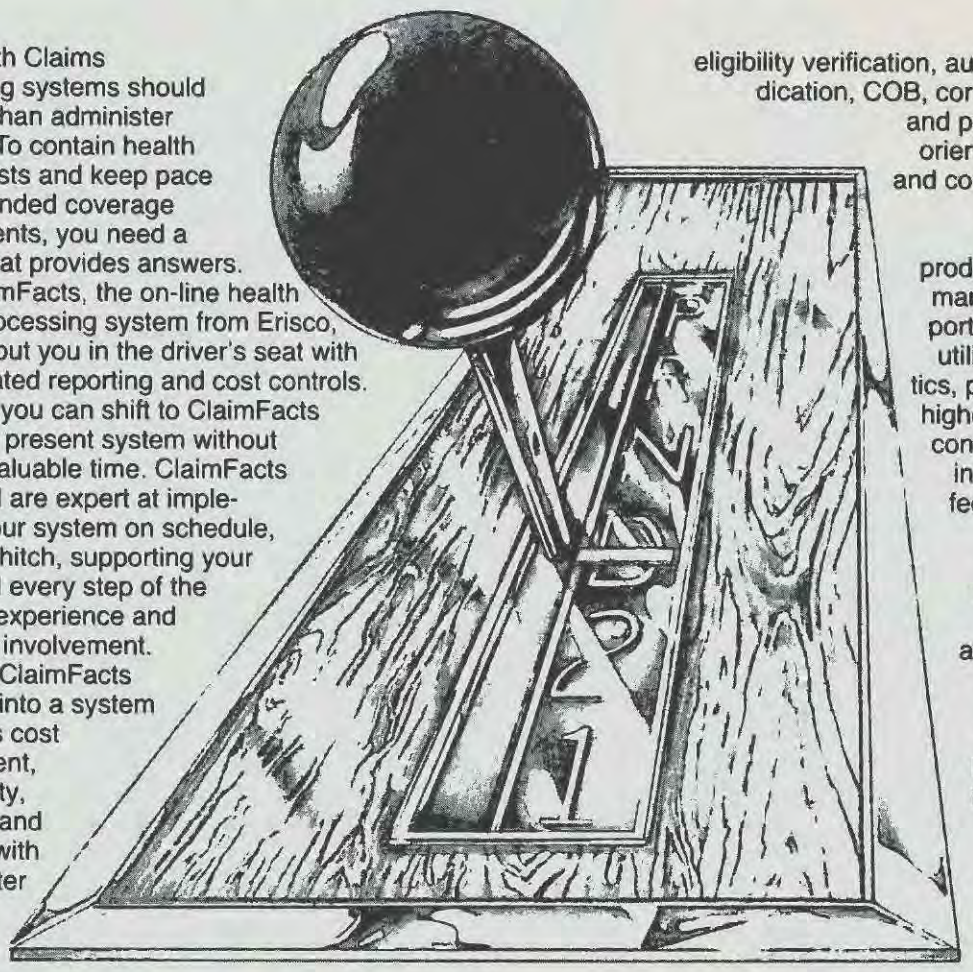
WE WOULD LIKE TO PROCESS *YOUR* CLAIMS

CONTACT:

MR. HOWARD LUECKE, VICE PRES.

(312) 338-8500

HOW TO SHIFT YOUR HEALTH CLAIMS SYSTEM WITHOUT A HITCH.



Health Claims processing systems should do more than administer and pay. To contain health claims costs and keep pace with expanded coverage requirements, you need a system that provides answers. And, ClaimFacts, the on-line health claims processing system from Erisco, can help put you in the driver's seat with sophisticated reporting and cost controls.

And, you can shift to ClaimFacts from your present system without wasting valuable time. ClaimFacts personnel are expert at implementing our system on schedule, without a hitch, supporting your personnel every step of the way with experience and hands-on involvement.

With ClaimFacts you glide into a system that offers cost containment, productivity, accuracy and flexibility with a parameter driven system designed to meet your increasing health claims processing needs. ClaimFacts offers automatic eligibility verification, automatic adjudication, COB, correspondence and payment, user oriented displays, and complete financial control. ClaimFacts produces concise management reports and benefit utilization statistics, permitting the highest degree of control, resulting in truly cost effective benefits packages. ClaimFacts for: Corporations, Insurance Carriers, Blue Cross/Blue Shield Plans, Third Party Administrators, Taft Hartley Funds. ClaimFacts: available for lease, purchase or service provided through Erisco's Data Center. Shift to ClaimFacts now.

Get back in the driver's seat on containing health claims costs. Send today for the free ClaimFacts Information Package, "ClaimFacts Health Claims Processing."

ClaimFacts Erisco Inc. ... For Your Benefit

1700 BROADWAY, NEW YORK, NY 10019, (212) 247-2444

A Thomas National Group Subsidiary TN

B10

ERISCO INC.
Att: Wayne J. Ferrentino, Sr.V.P.
1700 Broadway, New York, NY 10019

☐ Yes, I'd like to get back in the driver's seat on health claim costs. Send me the ClaimFacts Information Package today.

Name/Company _____

Address _____

City _____ State _____ Zip _____

Maximum Performance in Workers' Compensation...

WITH OUR **NEW PERFORMANCE MANAGEMENT DATA PROCESSING SYSTEM**

NOW YOU MAY BUY OR LEASE a completely integrated softwear system that stresses productivity in managing the workers' compensation line. It includes automatic reserving, early warnings and monitoring for serious claims and unusual loss areas.

IT IS IDEAL for the corporate self insurer, service company or carrier that is genuinely seeking to improve its workers' compensation results.

OUR COMPANY has 23 years of experience in counseling on W.C. rehabilitation, loss control, reinsurance, statistical development and administration.

For Brochure, call GILBERT WATERS 813/365-1898 or write:

Waters Insurance Management Corp.
2540 South Tamiami Trail
Sarasota, Florida 33579

Continued from previous page

Services provided: Claims auditing.

Region served: Nationwide.

Specialty: Property/casualty claims; 35% professional liability, 25% automobile, 10% general liability, 10% inland marine, 10% reinsurance, 5% workers compensation, 5% property damage.

Staff: Seven total staff, including two administrative supervisors. Auditing staff of three.

1982 gross revenues: Not reported.

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

Reports: Self-insurers are supplied with reports as needed at a charge that varies by account within 10 days of the end of the month; claims progression tracked.

Computer: WANG VS 80, with input document terminal located in home office.

Principal officers: Kenneth D. Johnson, president; John M. Monahan, executive vp/secretary; Charles S. Stacey, vp.

Claims auditing: 25 audits conducted, none for self-insurers.

Claims adjusting/administration audits: Include reporting claims, processing claims, investigating claims, adjusting claims, claims documentation and verification, accuracy of reserves, accuracy of payments, accuracy of loss reports, personnel qualifications, case load of examiners, defense effectiveness, accounting and premium records.

Claims auditing charges: Time and expense.

Risk Management Service Co.

209 Stemmons Tower West, 2730 Stemmons Freeway, Dallas, Texas 75207; 214-630-3730

Parent company: Lindsey & Newsom Insurance Adjusters Inc.

Services provided: Claims adjusting, administration, auditing.

Region served: Nationwide.

Specialty: Property/casualty claims; 85% workers compensation, 10% truck and heavy equipment, 5% general liability.

Number of claims: 425 total claims adjusted, none for self-insurers; 100% by field adjuster. 2,108 total claims administered, all for self-insurers.

Staff: Seven total staff, including adjusting staff of three, which includes two field adjusters, one telephone adjuster and two administrative supervisors. Administration staff of two. Auditing staff of two.

Workload: Average number of multiline claims handled monthly by each adjuster, 18. Average number of workers compensation claims handled monthly by one adjusting supervisor, 100. Average number of claims administered monthly by one administrator, 100.

Clients: Total adjusting clients, 15 to 20; none self-insured. Total administration clients, three; self-insured, three.

Compensation: Time and expense for adjusting services. Percent of paid claims, 12% average charge; percent of annual premium, 5% average charge for administrating services.

1982 gross revenues: Not reported.

Auditing procedures: Claims are audited annually by in-house staff and independent firms hired by self-insurers.

Reports: Self-insurers are supplied with free monthly reports within 15 days of the end of the month; claims progression tracked.

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

Principal officers: Robert B. Irwin, president; Terry A. Grant, vp.

Claims auditing: Two audits conducted, none for self-insurers.

Claims adjusting/administration audits: Include reporting claims, processing claims, investigating claims, adjusting claims, claims documentation and verification, accuracy of reserves, accuracy of payments, case load of examiners, defense effectiveness.

Claims auditing charges: Time and expense, $25 per hour.

S

St. Paul Risk Services Inc.

275 Lowry Building, 355 Wabasha St., St. Paul, Minn, 55102; 612-221-7957

Parent company: Atwater McMillian Inc.

Services provided: Claims adjusting, administration, auditing.

Region served: Nationwide.

Specialty: Property/casualty claims: 50% workers compensation, 15% general liability, 15% automobile, 15% professional liability, 5% property damage.

Number of claims: 950 total claims adjusted, all for self-insurers; 90% by field adjuster and 10% by telephone adjuster. 950 total claims administered, 950 for self-insurers.

Staff: 1,749 total claims staff, including adjusting staff of 1,069, which includes 483 field adjusters, 390 telephone adjusters and 196 administrative supervisors. Administration staff of 1,069. Auditing staff of 223.

Workload: Average number of multiline claims handled monthly by each adjuster, 150. Average number of workers compensation claims handled monthly by one adjusting supervisor, 450. Average number of claims administered monthly by one administrator, 150.

Clients: Total adjusting clients, 44; all self-insured. Total administration clients, 44; all self-insured.

Compensation: Percent of incurred claims, 5% to 10% average charge; percent of paid claims, 5% to 10% average charge; percent of annual premium, 3% to 8% average charge; per claim, $60-$800; time and expense, $45-$90 per hour for senior/field, general and inside adjuster for adjusting services. Percent of incurred claims, 5% to 10% average charge; percent of paid claims, 5% to 10%; percent of annual premium, 3% to 8% average charge; per claim, $60-$800; time and expense for administration services.

1982 gross revenues: Not reported.

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

Reports: Self-insurers are supplied with reports monthly and annually at a charge within 15 days of the end of the month; claims progression tracked.

Computer: IBM 3081 and IBM 3033 systems, with input document terminal located in central location.

Locations: 135 offices.

Principal officers: James Duffy, president, Atwater McMillian Inc.; Jon A. Roeder, senior vp, Atwater McMillian Inc.; Rhenda L. Miller, vp-marketing, Atwater McMillian Inc.; O.V. Baker, manager, St. Paul Risk Services Inc.

Claims auditing: 44 audits conducted, all for self-insurers.

Claims adjusting/administration audits: Include reporting claims, processing claims, investigating claims, adjusting claims, claims documentation and verification, accuracy of reserves, accuracy of payments, accuracy of loss reports, personnel qualifications, case load of examiners, defense effectiveness.

Claims auditing charges: Time and expense, included in contract fee; flat fee, percent of claims.

Self Insurance Administrators Inc.

3580 Fifth Ave., San Diego, Calif. 92103; 619-297-7550

Parent company: Corroon & Black Corp.

Services provided: Claims adjusting, administration.

Region served: Nationwide.

Specialty: Property/casualty claims: 78% workers compensation, 20% general liability, 1% automobile, 1% property damage.

Number of claims: 6,851 total claims adjusted, all for self-insurers; 20% by field adjuster and 80% by telephone adjuster. 6,851 total claims administered, all for self-insurers.

Staff: 17 total staff, including adjusting staff of seven, which includes one field adjuster, five telephone adjusters and one adminis-

Continued on facing page

LAVERACK & HAINES, INC.
135 Delaware Avenue, Buffalo, N.Y. 14202 716/852-3065

PROFESSIONAL INSURANCE SERVICE
COMMERCIAL-INDUSTRIAL COVERAGES

Self-Insured Workers' Compensation Administration
Self-Insured Disability Benefits Administration
Safety Group Plans / Loss Control Programs
Employee Benefit Plans / All Personal Lines

Over 75 Years Experience / Founded In 1907

BRANCH OFFICES: SYRACUSE, N.Y.
ALBANY, N.Y.
NEW YORK, N.Y.

Continued from facing page
trative supervisor. Administration staff of eight.

Workload: Average number of multiline claims handled monthly by each adjuster, 200. Average number of workers compensation claims handled monthly by one adjusting supervisor, 125. Average number of claims administered monthly by one administrator, 1,600.

Clients: Total adjusting clients, 19; all self-insured. Total administration clients, 39; all self-insured.

Compensation: Percent of annual premium, 5% average charge for adjusting services. Percent of annual premium, 5% average charge for administrating services.

1982 gross revenues: $500,000.

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

Reports: Self-insurers are supplied with free monthly reports within one week of the end of the month; claims progression tracked.

Computer: Input document terminal located in central location.

Principal officers: Paul T. Carter, Verne G. Watts, Robert Cornelius, Craig P. Helm, Frank A. Donahue.

U

Underwriters Adjusting Co.

80 Maiden Lane, New York, N.Y. 10038; 212-440-2364

Parent company: Continental Corp.

Services provided: Claims adjusting, administration, auditor.

Region served: Nationwide.

Specialty: Property/casualty claims: 23% workers compensation, 23% general liability, 20% automobile, 15% property damage, 8% professional liability, 5% bonds, 5% inland marine, 1% ocean marine.

Number of claims: 1.2 million total claims adjusted, 250,000 for self-insurers; 50% by field adjuster and 50% by telephone adjuster. 100,000 total claims administered, 30,000 for self-insurers.

Staff: 4,100 total staff, including adjusting staff of 2,500, which includes 1,000 field adjusters, 1,200 telephone adjusters and 300 administrative supervisors. Administration staff of 300. Auditing staff of 100.

Workload: Average number of multiline claims handled monthly by each adjuster, 50. Average number of workers compensation claims handled monthly by one adjusting supervisor, 1,000. Average number of claims administered monthly by one administrator, 80 to 100.

Clients: Total adjusting clients, 10,000; self-insured, 1,500. Total administration clients, 500; self-insured, 450.

Compensation: Percent of incurred claims, percent of paid claims, percent of payroll, percent of annual premium, per claim, per covered employee, time and expense for adjusting services. Percent of incurred claims, percent of paid claims, percent of payroll, percent of annual premium, per claim, per covered employee, time and expense for administrating services.

1982 gross revenues: $150 million.

Auditing procedures: Claims are audited monthly by local supervisors, annually by home office review team and also by in-house staff, independent firms hired by self-insurers or by clients themselves.

Reports: Self-insurers are supplied with reports monthly or quarterly at a charge included in claims handling within 15 days of the end of the month; claims progression tracked.

Computer: IBM, with input document terminal located in home office. A few self-insurers perform own data processing.

Locations: More than 300 offices throughout the United States.

Principal officers: R.A. Simon, chairman; D.K. Stone, executive vp; A.M. Tocklin and K.P. Campbell, vps.

Claims auditing: 100 audits conducted, 50% for self-insurers.

Claims adjusting/administration audits: Include reporting claims, processing claims, investigating claims, adjusting claims, claims documentation and verification, accuracy of reserves, accuracy of payments, accuracy of loss reports, personnel qualifications, case load of examiners, defense effectiveness.

Claims auditing charges: Time and expense, $45-$50 per hour; flat fee, $300-$500 per day.

W

Waite Hill Services Inc.

Suite 201, 1954 Airport Road, Atlanta, Ga. 30341; 404-455-8319

Parent company: Figgie International Inc.

Region served: Nationwide.

Specialty: Property/casualty claims: 80% general liability, 15% workers compensation, 5% professional liability.

Number of claims: 5,000 total claims adjusted, 850 for self-insurers. 5,000 total claims administered, 1,150 for self-insurers.

Staff: 52 total staff, including adjusting staff of 18, which includes nine field adjusters and nine administrative supervisors. Administration staff of five. Auditing staff of five.

Workload: Average number of workers compensation claims handled monthly by one adjusting supervisor, 150. Average number of claims administered monthly by one administrator, 225.

Clients: Total adjusting clients, 14; self-insured, four. Total administration clients, five; self-insured, two.

Compensation: Time and expense, $40 per hour for senior field adjuster for adjusting services. Per claim and contractual for administrating services.

1982 gross revenues: $1.55 million.

Auditing procedures: Claims are audited quarterly by in-house staff and independent firms hired by self-insurers.

Reports: Self-insurers are supplied with reports monthly at a charge that varies within three working days of the end of the month; claims progression tracked.

Computer: Honeywell VIP 7301, Honeywell PRT 7005 and Honeywell DP 56 systems, with input document terminals located in home office. Self-insurers are offered CRTs for local inputting; one uses this capability.

Locations: Cleveland; Chicago; San Francisco; Warwick, R.I.

Principal officers: Bruce Fowler, president; Donald Garlock, executive vp; Jack A. Mangus, William Murtagh, Howard J. Lutz, vps.

Claims auditing: Seven audits conducted, 60% for self-insurers.

Claims adjusting/administration audits: Include reporting claims, processing claims, investigating claims, adjusting claims, claims documentation and verification, accuracy of reserves, accuracy of payments, accuracy of loss reports, personnel qualifications, case load of examiners, defense effectiveness, promptness of reporting.

Claims auditing charges: Time and expense, $40-$60 per hour.

Continued on next page

A different kind of software system for Health Claims Processing:

Parameter-driven claim calculations

Fund accounting and cost containment reporting & analysis

QicClaim T.M.

Inquiry & Denial letters

Aggregate & specific reinsurance statistics

Compare QicClaim today. You'll find a proven record of efficient operation in a mini-computer environment backed by extensive in-house training and on-going support. **Call or write for details . . .**

RIMS RESOURCE INFORMATION MANAGEMENT SYSTEMS, INC.

7800 W. College Drive Palos Heights, IL 60463 Phone: 312/448-5911

Endorsed by MDS QANTEL a Mohawk Data Sciences Company

REINSURANCE
PROPERTY
Excess of Loss & Pro Rata
Treaty and Facultative
CASUALTY
Excess of Loss
Treaty and Facultative
Dominion Insurance Company of America
A strength in the United States market
127 John Street, New York, N.Y. 10038
Telephone: (212) 635-2700 TWX: 710-581-3981

Continued from previous page

The Workers Compensation Service Co.
525 National City Bank Building, Cleveland, Ohio 44114; 216-621-7551

Parent company: Robinson-Conner Inc.
Services provided: Claims adjusting, adminstration, auditing.
Regions served: Ohio, Pennsylvania, Kentucky, New York, Illinois.
Specialty: Property/casualty claims: 85% workers compensation, 15% unemployment insurance.
Number of claims: 16,000 total claims administered, 5,000 for self-insurers.
Staff: 50 total staff; administration staff of 12; auditing staff of 16.
Workload: Average number of claims administered monthly by one administrator, 100 to 125.
Clients: Total administration clients, 600; self-insured, 50.
Compensation: Per claim, annual flat fee for adjusting services. Annual flat fee for administration services.
1982 gross revenues: Not reported.
Auditing procedures: Claims are audited quarterly by in-house staff.
Reports: Self-insurers are supplied with free reports monthly, quarterly, semiannually and annually within seven to 10 days of the end of the month; claims progression tracked.
Computer: Inforex 5000, with input document terminal located in home office. Self-insurers are offered CRTs for local inputting; none use this capability.
Locations: Cincinnati, Columbus, Ohio.
Principal officers: Patrick J. Casey, president; Michael D. Arnold, vp.
Claims auditing: No audits performed in 1982.
Claims adjusting/administration audits: Include reporting claims, processing claims, investigating claims, adjusting claims, claims documentation and verification, accuracy of reserves, accuracy of payments, accuracy of loss reports, personnel qualifications, case load of examiners.
Claims auditing charges: Flat fee. ■

Firms that service property/casualty and benefit claims

A

Alexsis Inc.
29500 Five Mile Road, Livonia, Mich. 48154; 313-525-4540

Parent company: Alexander & Alexander Services Inc.
Services provided: Claims adjusting, administration, auditing.
Region served: Nationwide.
Specialty: Property/casualty and group insurance claims: 75% workers compensation, 15% general liability, 5% health insurance, 3% professional liability, 2% automobile.
Number of claims: 85,000 total claims adjusted.
Staff: 450 total staff, including adjusting staff of 300.
Workload: Average number of workers compensation claims handled monthly by one adjusting supervisor, 450.
Clients: Adjusting clients, 650.
Compensation: Percent of paid claims, percent of payroll, percent of annual premium, per claim, per covered employee, time and expense for adjusting services. Percent of paid claims, percent of payroll, percent of annual premium, per claim, per covered employee, time and expense for administration services.
1982 gross rev.: $25 million.
Auditing procedures: Claims are audited annually (or as needed) by in-house staff.
Reports: Self-insurers given reports monthly at a charge within 30 days of the end of the month; claims progression tracked.
Computer: Dec 20/60, with input document terminal located in central location. Self-insurers are offered CRTs for local inputting; 23 use this capability.
Locations: New York; Boston; Philadelphia; Baltimore; Pittsburgh; Richmond, Va.; Winston-Salem, N.C.; Altanta; Miami; Syracuse, N.Y.; Detroit; Chicago; Louisville, Ky.; St. Louis; Kansas City, Kan.; Omaha, Neb.; Minneapolis; Boise, Idaho; Portland, Ore.; Los Angeles; Cleveland; Hartford, Conn.; New Orleans; Dallas.
Principal officers: John Malasky, E.C. Fackler, O. Parker, J. Giampetro, J. Kammerer.
Claims auditing: 12 audits conducted, 10 for self-insurers.
Claims adjusting/administration audits: Include processing claims, investigating claims, adjusting claims, claims documentation and verification, accuracy of reserves, case load of examiners.
Claims auditing charges: Time and expense, flat fee.

C

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

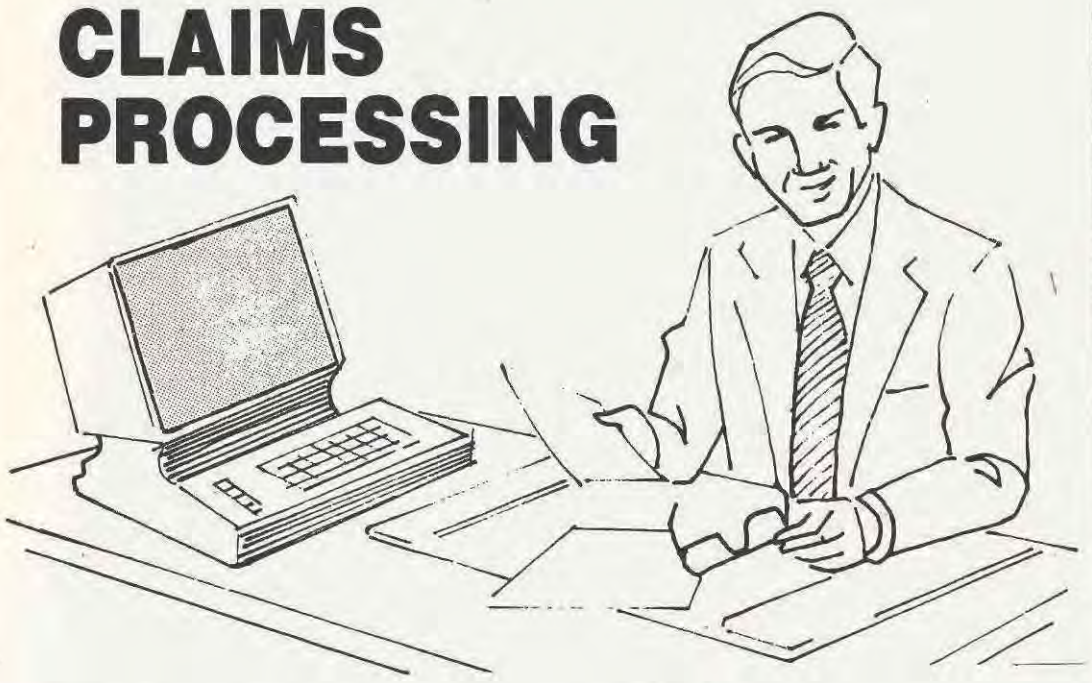
Services provided: Claims administration.
Regions served: Montana, Wyoming, North Dakota, South Dakota, Idaho.
Specialty: Property/casualty and group insurance claims; 90% health insurance, 10% workers compensation.
Number of claims: 23,500 total claims administered, all for self-insurers.
Staff: Five total staff. Administration staff of three. Auditing staff of two.
Workload: Average number of clients administered monthly by one administrator, 1,200.
Clients: Total administration clients, six; all self-insured.
Compensation: Percent of paid claims, 5% average charge; per covered employee, $3 and up per employee charge for administration services.
1982 gross revenues: Not reported.
Auditing procedures: Claims are audited monthly by in-house staff with periodic auditing by reinsurance companies.
Reports: Self-insurers are supplied with free monthly reports within five working days of the end of the month.
Computer: IBM 34, with input document terminal located in home office.
Principal officers: Frederick H. Larson, president.

Corporate Systems Administration Inc.
Box 1036, Johnson City, Tenn. 37601; 615-282-3420

Parent company: Jones, Hill & Mercer Insurance.
Services provided: Claims administration, auditing.
Region served: Nationwide.
Specialty: Property/casualty and group insurance claims: 80% health insurance, 20% workers compensation.
Number of claims: 180,000 total claims administered, 90,000 for self-insurers.
Staff: 27 total staff. Administration staff of 22. Auditing staff of four.
Workload: Average number of claims administered monthly by one administrator, 760.
Clients: Total administration clients, 85; self-insured, 40.
Compensation: Per covered employee, $2-$5 per employee for administration services.
1982 gross revenues: Not reported.
Auditing procedures: Claims are audited twice a year by independent hired by company.
Reports: Self-insurers are supplied with reports monthly at a charge included in fixed fee within

Continued on facing page

CLAIMS PROCESSING



the Quick, Easy Way!

Why do it the hard way? You can easily handle a greater volume of claims . . . faster, reduce errors, avoid complaints, simplify procedures, save time and money with modern computerized processing. *Let us show you how.*

HERE'S WHAT YOU GET with Automated Health Services:

- Eligibility Verification
- Benefit Calculations
- Report Preparation
- Check with Full EOB
- Duplicate Checking
- Record Keeping
- Check Reconciliation
- Correspondence Handling
- Ease in Making Benefit Changes
- and More, MUCH More!

We will install our system on your computer, or your adjusters can use our computer facilities to process your claims.

Your inquiry will receive prompt response from qualified principals who can supply complete information about our ON-LINE claims and Pension Systems.
Phone or write us now.

AHS AUTOMATED HEALTH SERVICES INC.
Phone 312/ 352-1894
9711 W. 55th St. Countryside, Il. 60525

Continued from facing page
one week of the end of the month; claims progression tracked.

Computer: Quantel, with input document terminal located in central location in Savannah office.

Locations: Savannah, Atlanta, Ga.

Principal officers: Thomas H. Repass, president; Cecil Buyers, vp.

Claims auditing: 200 audits conducted, all for self-insurers.

Claims adjusting/administration audits: Conducted by outside firm.

Creative Risk Management Corp.

34820 Harper Ave., Mt. Clemens, Mich. 48043; 313-792-6355

Services provided: Property/casualty and group insurance claims: 75% workers compensation, 15% health insurance, 10% general liability.

Regions served: Nationwide; Midwest and South for work comp claims.

Specialty: Claims adjusting, claims administration.

Number of claims: 20,000 total claims adjusted, all for self-insurers; 25% by field adjuster and 75% by telephone adjuster. 20,000 total claims administered, all for self-insurers.

Staff: 50, total staff, plus 20 affiliates, including adjusting staff of 39, which includes six field adjusters, 25 telephone adjusters and eight administrative supervisors. Administration staff of 39.

Workload: Average number of multiline claims handled monthly by each adjuster, 100. Average number of workers compensation claims handled monthly by one adjusting supervisor, 300.

Compensation: Percent of annual premium, per claim, per covered employee (for health claims), time and expense for adjusting services.

1982 gross revenues: $3.9 million.

Auditing procedures: Claims are audited quarterly and annually by in-house staff, independent firms hired by self-insurers, state regulators and excess insurers.

Reports: Self-insurers are supplied with reports monthly at a charge included in the standard fee within 15 days of the end of the month; claims progression tracked.

Computer: Itel 6000 and Lear Siegler ADM-31 systems, with input document terminals located in home office. Self-insurers are offered CRTs for local inputting; none use this capability.

Locations: Affiliates throughout the nation.

Principal officers: James W. Duff, president; Thomas D. Mather, senior vp; Lisabeth A. Schafer, vp; Rosemary Lendzion, vp-claims; James F. Weyhing, secretary.

E

EBI Services Inc.

66 E. Rosemary St., San Jose, Calif. 95112; 408-288-6011

Parent company: Employee Benefits Inc.

Services provided: Claims administration, auditing.

Regions served: West Coast, Chicago, Hartford, Conn.

Specialty: Property/casualty and group insurance claims: 95% workers compensation, 5% long-term disability and disability, retirement management.

Number of claims: 13,032 total claims administered, all for self-insurers.

Staff: 88 total staff, including adjusting staff of 37, which includes four field adjusters, 25 telephone adjusters and eight administrative supervisors. Administration staff of 33.

Workload: Average number of claims administered monthly by one administrator, 227.

Clients: Total administration clients, 90; all self-insured.

Compensation: Percent of incurred claims, percent of paid claims, percent of payroll, percent of annual premium, per claim, per covered employee, time and and expense for administration services.

1982 gross revenues: $2.5 million.

Auditing procedures: Claims are audited quarterly by in-house staff, independent firms hired by self-insurers and state regulatory agencies.

Reports: Self-insurers are supplied with reports monthly at a charge included in the package price within 15 days of the end of the month; claims progression tracked.

Computer: Hewlett Packard 3000, with input document terminals located in home and all offices. Self-insurers will be offered CRTs for local inputting in 1983.

Locations: Sacramento, Santa Monica, Calif.; Seattle; Portland, Ore.; Chicago; Farmington, Conn.

Principal officers: Jack R. Powell, president; James L. Johnson, senior vp/treasurer; Dana P. Brown, vp-data processing; Brian R. Shutts, vp-California region; Gerald A. Johnston, vp-Northwest region; Patrick C. McDonald, vp-claims.

G

GAB Business Services Inc.

123 William St., New York, N.Y. 10038; 212-306-8000

Parent company: UAL Inc.

Services provided: Claims adjusting, administration, auditing.

Region served: Nationwide.

Specialty: Property/casualty and group insurance claims: workers compensation, general liability, automobile, property damage, professional liability, bonds, ocean marine, inland marine, health insurance.

Number of claims: 1.2 million total claims adjusted, 200,000 for self-insurers; 100% by field adjusters. 200,000 total claims administered, all for self-insurers.

Staff: 4,500 total staff, including adjusting staff of 3,300, which includes 300 administrative supervisors. Administration staff of approximately 500. Auditing staff of approximately 100.

Clients: Total adjusting clients, 3,100; self-insured, 200. Total administration clients, 200; all self-insured.

Compensation: Time and expense, negotiated contract price, standard charge for adjusting services. Time and expense, negotiated contract price, standard charge for administration services.

1982 gross revenues: $162 million.

Auditing procedures: Claims are audited daily by in-house staff and designated supervisors.

Reports: Self-insurers are supplied with reports monthly, quarterly and semiannually at a charge within 17 to 25 days of the end of the month.

Computer: IBM system, with input document terminals located in home office and 44 other locations.

Locations: More than 600 offices nationwide.

Principal officers: Irvin E. Williamson, chairman/chief executive officer; John P. Holloway, executive vp/chief operations officer; Paul K. Dougherty, Robert F. Roland and H. William Scholl, senior vps.

Continued on next page

ASSUREX. . . EVERYWHERE

Well, almost everywhere. The dots, 59 of them, show where our current partners are headquartered. In the coming months we'll add partners in areas represented by the squares.

In addition, 64 branch offices (not shown) mean wherever your company has exposure, there's an independently-owned Assurex partner nearby. . . including affiliates in 14 foreign countries. . . ready to work for you.

Over 4,000 professionals. . . experts in reducing your insurance and risk management costs. . . like the ones below:

THE FRANKEL COMPANY LIEBERMAN/ FRANKEL ASSOCIATES
1051 Brinton Road
Pittsburgh PA 15221

THE HARRY A. KOCH CO.
2121 South 44th Street
Omaha, NB 68105

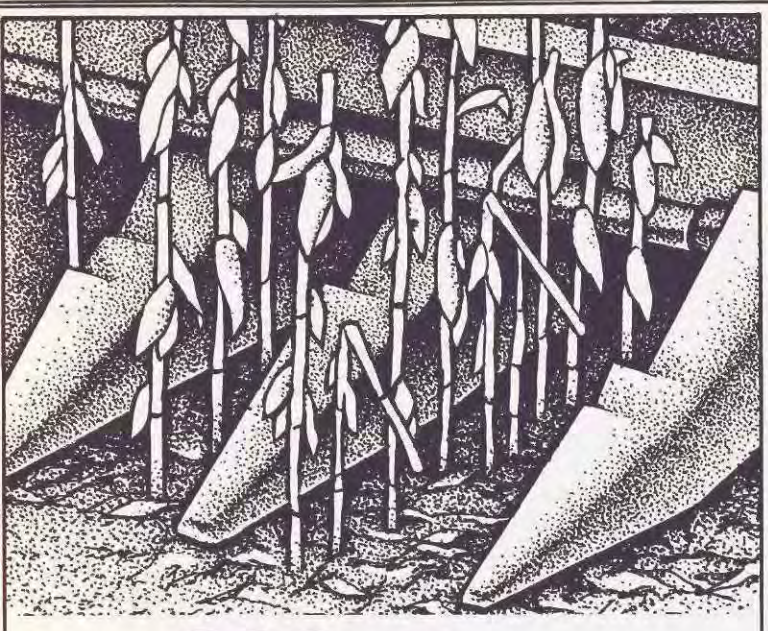
LaMAIR-MULOCK-CONDON CO.
907 Walnut Street
Des Moines, IA 50309

MORSE, PAYSON & NOYES
130 Middle Street
Portland, ME 04112

THE JAMES B. OSWALD COMPANY
1718 Bond Court
Cleveland, OH 44114

ROACH-HOWARD-SMITH & HUNTER, INC.
1661 Northwest Highway
Garland, TX 75041

Assurex
INTERNATIONAL 6480 Busch Blvd. Columbus, Ohio 43229 (614) 888-4869



The Case of the Collapsing Cornpicker

The lawsuit was unusually complex. A self-propelled threshing machine had collapsed while its corn header was being bolted on. The injuries were fatal.

Why did the machine collapse? Was the product misused? Did the manufacturer use reasonable foresight in designing the machine? Were warnings posted properly? Countrywide investigators amassed facts, secured expert testimony, and researched competitive products. They discovered all warnings and safety features had been bypassed and that the product reflected the latest technology. The case was won.

Details have been disguised to protect the confidentiality of our client. But this case typifies our claims management work for major self-insured manufacturers throughout America and abroad. Unlike insurance investigators, we are not settlement oriented. Our primary concern is to help you defend the integrity of your product.

Please write down our phone number. We'll manage your most sensitive cases.

Countrywide Services Corporation

Specializing in product liability claims management

11933 Westline Drive, St. Louis, MO 63141, 314/878-3306

Continued from previous page

Claims adjusting/administration audits: Include reporting claims, processing claims, investigating claims, adjusting claims, claims documentation and verification, accuracy of reserves, accuracy of payments, defense effectiveness.

Claims auditing charges: Time and expense.

Gallagher Bassett Insurance Service

60 Gould Center, Rolling Meadows, Ill. 60008; 312-640-8555

Parent company: Arthur J. Gallagher & Co.

Services provided: Claims adjusting, administration, auditing.

Region served: Nationwide.

Specialty: Property/casualty and group insurance claims: 45% workers compensation, 20% general liability, 16% property damage, 10% health insurance, 8% automobile, 1% professional liability.

Number of claims: More than 350,000 total claims adjusted, all for self-insurers; 85% by field adjuster and 15% by telephone adjuster. More than 350,000 total claims administered, all for self-insurers.

Staff: 444 total staff, including adjusting staff of 240. Administration staff of 240. Auditing staff of 21.

Workload: Average number of multiline claims handled monthly by each adjuster, 35. Average number of workers compensation claims handled monthly by one adjusting supervisor, 250. Average number of claims administered monthly by one administrator, 35.

Clients: Total adjusting clients, 358; all self-insured. Total administration clients, 358; all self-insured.

Compensation: Percent of payroll; per claim; per covered employee, $25-$45 per employee; time and expense, $40-$50 per hour for senior/field adjuster, $25-$35 per hour for general adjuster; annual fee for adjusting services. Percent of payroll; per claim; per covered employee, $25-$45; time and expense, $25-$50 per hour; annual fee for administrating services.

1982 gross revenues: $18.9 million.

Auditing procedures: Claims are audited quarterly and annually by in-house staff and independent firms hired by self-insurers.

Reports: Self-insurers are supplied with reports monthly at a charge included in the fee within 15 to 25 days of the end of the month; claims progression tracked.

Computer: System 3, Model 150, El Tandam Non-stop 2 with input document terminal located in home office. Self-insurers will be offered CRTs for local inputting in 1983.

Locations: 64 branches throughout the nation.

Principal officers: R.E. Gallagher, J.P. Gallagher, J.G. Campbell, R. McKenna, R. Strom.

Claims auditing: 10 audits conducted, 75% for self-insurers.

Claims adjusting/administration audits: Include reporting claims, processing claims, investigating claims, adjusting claims, claims documentation and verification accuracy of reserves, accuracy of payments, accuracy of loss reports, personnel qualifications, case load of examiners, defense effectiveness, active medical management, subrogation, report to excess insurers, litigation management.

Claims auditing charges: Time and expense, $40-$50 per hour.

H

Hartford Specialty Co.

Hartford Plaza, Hartford, Conn. 06115; 203-547-4700

Parent company: Hartford Insurance Group.

Services provided: Claims adjusting, administration, auditing.

Regions served: United States, Great Britain, West Germany and the Netherlands.

Specialty: Property/casualty and group insurance claims: 40% workers compensation, 20% general liability, 20% automobile, 5% professional liability, 4% property damage, 4% health insurance, 3% inland marine, 2.5% errors and omissions retrospective and excess/surplus, 1% bonds, 0.5% ocean marine.

Number of claims: 1.6 million total claims adjusted, 5% for self-insurers; 60% by field adjusters and 30% by telephone adjusters. 32,000 total claims administered, 4% for self-insurers.

Staff: 18,500 total staff, including adjusting staff of 4,200, which includes 1,800 field adjusters, 225 telephone adjusters and 2,175 administrative supervisors. Administration staff of 400. Auditing staff of 24.

Workload: Average number of multiline claims handled monthly by each adjuster, 20 to 30. Average number of workers compensation claims handled monthly by one adjusting supervisor, 200 to 350. Average number of claims administered monthly by one administrator, varies by line of business.

Compensation: Percent of incurred claims, percent of paid claims, percent of annual premium, per claim, time and expense for adjusting services. Percent of paid claims for administration services.

1982 gross revenues: Not reported.

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

Reports: Self-insurers are supplied with reports daily, monthly and quarterly within seven to 10 days of the end of the month; claims progression tracked.

Computer: IBM 360 and OSCAR, an on-line claims service, with input document terminals located in 242 field offices.

Locations: 242 field, 50 regional and four divisional offices.

Principal officers: J. Quinn, president-Hartford Specialty; C.E. Glaser, senior vp-Hartford Insurance Group; H.E. Martini, senior vp-Hartford Specialty; J. Hill, vp-Hartford Insurance Group; C. Allen, assistant vp-Hartford Specialty.

Claims auditing: Eight audits conducted, all for self-insurers.

Claims adjusting/administration audits: Include reporting claims, processing claims, investigating claims, adjusting claims, claims documentation and verification, accuracy of reserves, accuracy of payments, accuracy of loss reports, personnel qualifications, case load of examiners, defense effectiveness, promptness of payments, customer and claimant public relations.

Claims auditing charges: Time and expense.

Hewitt Coleman & Associates Inc.

Box 3665, 2717 Poinsett Highway, Greenville, S.C. 29608; 803-242-4350

Parent company: Continental Group Inc.

Services provided: Claims adjusting, administration.

Region served: Nationwide.

Specialty: Property/casualty and group insurance claims: 80% workers compensation, 10% health insurance, 5% general liability, 5% automobile.

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

Staff: 150 total staff. Administration staff of 70.

Workload: Average number of claims administered monthly by one administrator, 36.

Clients: Total administration clients, 1,500; all self-insured.

Compensation: Percent of annual premium, 6% average charge; per claim, $40-$250 for administration services.

1982 gross revenues: Not reported.

Auditing procedures: Claims are audited semiannually by in-house staff and independent firms

Continued on facing page

K,R & E

In today's society Kidnap, Ransom and Extortion insurance has taken on new and greater importance. Act now, your clients who require this protection will benefit from broader coverage and more attractive rates.

The Wetzel Company, Inc.
3003 West Alabama
Mailing Address: P.O. Box 66452
Houston, Texas 77006
Telephone: 713/523-3003
Telex: 76-2053

Only through agents/brokers/insurance companies

Continued from facing page
hired by self-insurers.

Reports: Self-insurers are supplied with reports monthly at a charge included in administration fee within seven days of the end of the month; claims progression tracked.

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

Locations: Richmond, Va.; Raleigh, N.C.; Orlando, Fla.; Jackson, Miss.; Versailles, Ky.; Little Rock, Ark.; Oklahoma City, Okla.; Santa Ana and San Bruno, Calif.

Principal officers: J.G. Lane, president; E.J. Kaminski, James E. Cady, William T. Whitley, vps; Dennis C. Ballentine, vp/finance.

J

Fred S. James & Co. Inc.

55 Water St., New York, N.Y. 10041; 212-747-6600

Parent company: Transamerica Corp.

Services provided: Claims adjusting, administration, auditing.

Region served: Nationwide.

Specialty: Property/casualty and group insurance claims: 50% health insurance, 40% workers compensation, 5% automobile, 3% general liability, 1% property damage, 1% professional liability.

Number of claims: 100,000 total claims adjusted.

Staff: 300 total adjusting staff, which includes 160 field adjusters, 100 telephone adjusters and 40 administrative supervisors. Administration staff of 320. Auditing staff of 20.

Compensation: Percent of incurred claims, percent of paid claims, percent of payroll, percent of annual premium, per claim, per covered employee, time and expense for adjusting services. Percent of incurred claims, percent of paid claims, percent of payroll, percent of annual premium, per claim, per covered employee, time and expense for administration services.

1982 gross revenues: Not reported.

Auditing procedures: Claims are audited monthly, quarterly and annually, as requested by client, by in-house staff and independent firms hired by self-insurers.

Reports: Self-insurers are supplied with reports monthly, quarterly and as needed at a charge within fewer than 10 days of the end of the month; claims progression tracked.

Computer: Three Burroughs 6810, Onyx, Data General and other systems, with input document terminals located at claims personnel desks. Self-insurers are offered CRTs for local inputting.

Locations: Combined services offered in more than 50 offices nationwide.

Principal officers: Charles Ruoff, Richard Galbraith, senior vps; Robert Young, vp.

Claims adjusting/administration audits: Include reporting claims, processing claims, investigating claims, adjusting claims, claims documentation and verification, accuracy of reserves, accuracy of payments, accuracy of loss reports, personnel qualifications, case load of examiners, defense effectiveness, procedures, systems, philosophy, management.

Claims auditing charges: Time and expense, flat fee.

K

R.L. Kautz & Co.

1800 Ave. of the Stars, Los Angeles, Calif. 90067; 213-556-1111

Parent company: Emett & Chandler Cos. Inc.

Services provided: Claims adjusting, administration, auditing.

Region served: Nationwide.

Specialty: Property/casualty and group insurance claims: 65% workers compensation, 15% health insurance, 7% general liability, 6% electronic data processsing, 3% automobile, 2% property damage, 2% professional liability.

Number of claims: Approximately 160,000 total claims adjusted and administered, 95% for self-insurers.

Staff: 275 total staff, including adjusting and administration staff of 162. Auditing staff of five.

Workload: Average number of claims administered monthly by one administrator, 250 pending indemnity files.

Clients: Total adjusting and administration clients, 355.

Compensation: Percent of paid claims, percent of payroll, percent of annual premium, per claim, per covered employee, time and expense for adjusting services. Percent of incurred claims, percent of paid claims, percent of payroll, percent of annual premium, per claim, per covered employee, time and expense, flat fee for administrating services.

1982 gross revenues: Not reported.

Auditing procedures: Claims are audited annually by in-house staff, independent firms hired by self-insurers, government agencies and insurers.

Reports: Self-insurers are supplied with reports monthly at a charge included in the fee within 15 days of the end of the month; claims progression tracked.

Computer: Prime and Microdata systems, with input document terminals located in regional offices. Self-insurers are offered CRTs for local inputting; 10 use this capability.

Locations: Chicago; New York; San Francisco; Orlando, Fla.; Detroit; Milwaukee; Pittsburgh; Buffalo, N.Y.; San Diego, Bakersfield and Irvine, Calif.; Albany and Syracuse, N.Y.

Principal officers: E.V. Schmidt, chairman; James C. Brooks, president; Don Huggins, Jack Perry and Ronald A. Bruce, senior vps.

Claims auditing: Five audits conducted, 80% for self-insurers.

Claims adjusting/administration audits: Include reporting claims, processing claims, investigating claims, adjusting claims, claims documentation and verification, accuracy of reserves, accuracy of payments, accuracy of loss reports, personnel qualifications, case load of examiners, defense effectiveness, medical and legal cost control.

Claims auditing charges: Time and expense, flat fee.

L

LJR Insurance Services Inc.

5801 Christie Ave., Suite 300, Emeryville, Calif. 94608; 415-547-3110

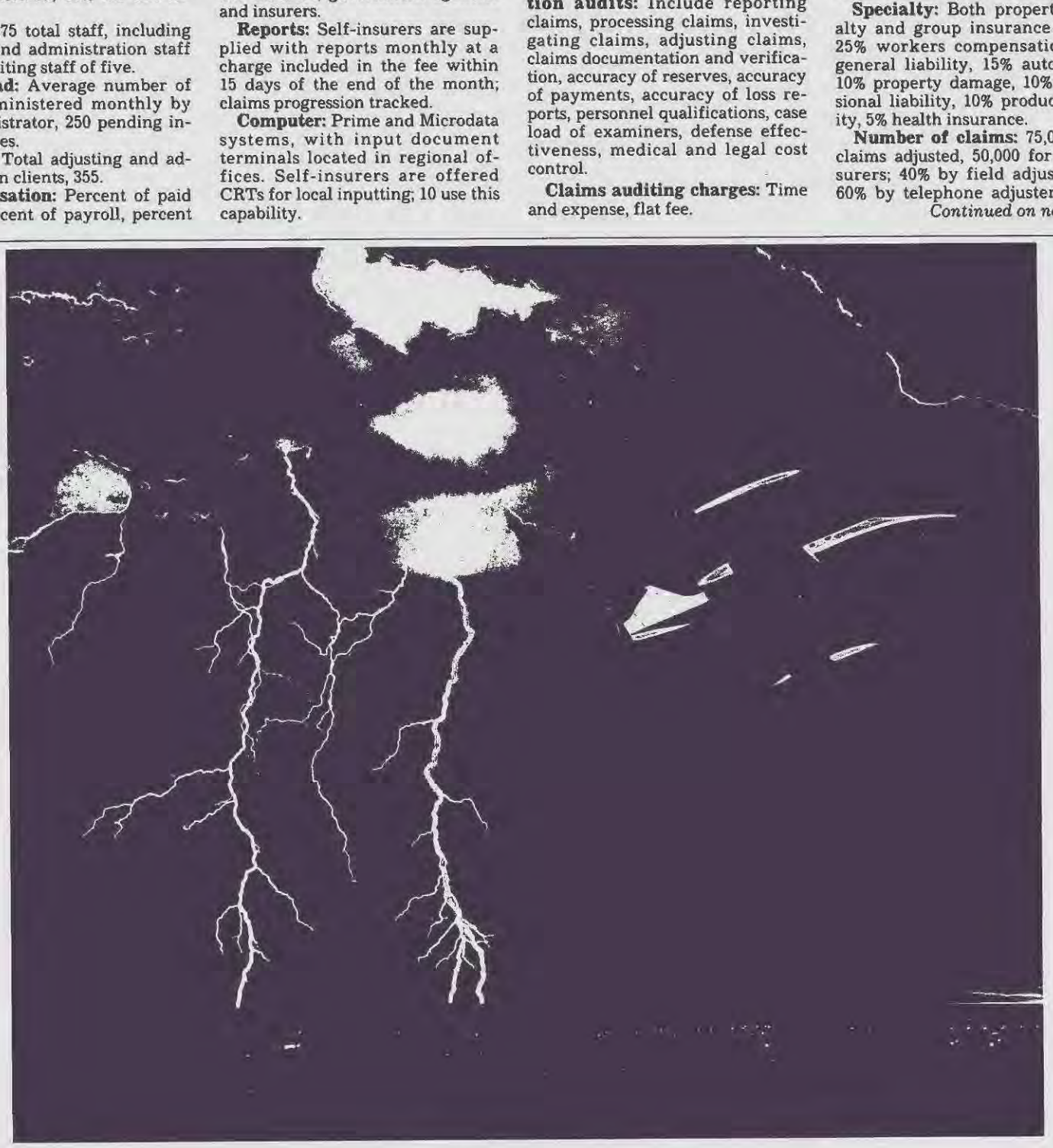
Services provided: Claims adjusting, administration.

Region served: Nationwide; workers compensation only in Hawaii.

Specialty: Both property/casualty and group insurance claims: 25% workers compensation, 25% general liability, 15% automobile, 10% property damage, 10% professional liability, 10% product liability, 5% health insurance.

Number of claims: 75,000 total claims adjusted, 50,000 for self-insurers; 40% by field adjuster and 60% by telephone adjuster. 50,000

Continued on next page



SAFETY.
BETTER TO THINK ABOUT IT DOWN HERE
THAN WORRY ABOUT IT UP THERE. Safety is no accident. It takes a dedicated effort to ensure the total integrity of your client's corporate aircraft program. That's why Associated Aviation Underwriters, on request, offers a comprehensive, independent flight department evaluation, at no cost to your client. The evaluation provides a thorough review of a company's aircraft operations, flight management, maintenance procedures, personnel, and ground facilities. We think that being the leader in corporate aviation insurance means even more than broad coverage and professional claims service. It also means taking an active role to help identify potential hazards before they result in tragic mishaps or unnecessary claims.

AAU FLYING FIRST CLASS

ASSOCIATED AVIATION UNDERWRITERS 90 John Street, New York, New York 10038 • ATLANTA • CHICAGO • DALLAS • DENVER • DETROIT • KANSAS CITY • LOS ANGELES • SAN FRANCISCO • SEATTLE

Continued from previous page
total claims administered, all for self-insurers.

Staff: 250 total staff, including adjusting staff of 175, which includes 60 field adjusters, 105 telephone adjusters and 10 administrative supervisors. Administration staff of 115.

Workload: Average number of multiline claims handled monthly by each adjuster, 60 to 65 for field adjuster, 180 to 225 for liability adjuster. Average number of workers compensation claims handled monthly by one adjusting supervisor, 180 to 225. Average number of claims administered monthly by one administrator, 180 to 225.

Clients: Total adjusting clients, 350 to 500; self-insured, 75. Total administration clients, 75; all self-insured.

Compensation: Per claim, per covered employee, time and expense, cost per claimant for adjusting services. Percent of incurred claims, percent of paid claims, percent of payroll, per claim, per covered employee, time and expense, per claimant for administration services.

1982 gross revenues: $6 million.

Auditing procedures: Claims are audited monthly by outside auditors when requested by client, by in-house staff, and independent firms hired by self-insurers.

Reports: Self-insurers are supplied with reports monthly at a charge included in fees within 15 days of the end of the month; claims progression tracked.

Computer: On-line ITT Courier system, with input document terminals located in home office and Los Angeles office. Self-insurers are offered CRTs for local inputting; five use this capability; two perform own data processing.

Locations: San Jose, San Francisco, San Rafael, Sacramento, Redding, Riverside, Orange and Los Angeles, Calif.; Portland, Ore., Honolulu.

Principal officers: Leonard J. Russo, president; Edward F. Pinger, executive vp; James L. Thompson, chief financial officer; Deborah Greenfield, Stephen Anderson, vps-marketing

Laverack & Haines Inc.

135 Delaware Ave., Buffalo, N.Y. 14202; 716-852-3065

Parent company: R.L. Kautz Inc.

ARE YOUR MEDICAL RATES "OVER THE HILL"?

They may well be. Your current coverage may be costing too much.

Self-Insurance with Stop-Loss protection may put "new life" in your employee benefit plan.

Come back "over the hill" and see how we can help you in cost containment. Contact us for details.

Summit National Life Insurance Company

GARY K. VALLEY, 1815 West Market Street, Akron, Ohio 44313 Phone (216) 836-9551

"founded in this generation for this generation"

Services provided: Claims adjusting, administration, auditing.

Region served: New York state.

Specialty: Property/casualty and group insurance claims: 95% workers compensation, 5% health insurance.

Number of claims: 12,000 total claims adjusted, all for self-insurers. 12,000 total claims administered, all for self-insurers.

Staff: 36 total staff, including adjusting staff of 18, which includes seven field adjusters, 10 telephone adjusters and one administrative supervisor. Administration staff of 18. Auditing staff of four.

Workload: Average number of workers compensation claims handled monthly by one adjusting supervisor varies. Average number of claims administered monthly by one administrator varies.

Clients: Total adjusting clients, 60; all self-insured. Total administration clients, 60; all self-insured.

Compensation: Percent of payroll, percent of annual premium, per claim, per covered employee, yearly flat fee for adjusting services. Percent of payroll, percent of annual premium, per claim, per covered employee, time and expense, flat yearly fee for administration services.

1982 gross revenues: Not reported.

Auditing procedures: Claims are audited annually and as requested by client, by in-house staff and excess insurers.

Reports: Self-insurers are supplied with reports monthly at a charge built into fees within five days of the end of the month; claims progression tracked.

Computer: Leased IBM 300, with input document terminals located in home office and branches.

Locations: Syracuse, Albany and New York, N.Y.

Principal officers: Donald D. Rae, chairman; Jack H. Perry, president; William E. Neuman, Fred F. Richter, vps; Ann E. Martinec, controller.

Claims auditing: Five audits conducted, 80% for self-insurers.

Claims adjusting/administration audits: Include reporting claims, processing claims, investigating claims, adjusting claims, claims documentation and verification, accuracy of reserves, accuracy of payments, accuracy of loss reports, defense effectiveness, any law or procedure peculiar to the state or locale.

Claims auditing charges: Time and expense, $50 or more per hour.

M

MRM/Multi-Risk Management Inc.

180 N. LaSalle St., Chicago, Ill. 60601; 312-782-3139

Services provided: Claims adjusting, administration, auditing.

Region served: Nationwide.

Specialty: Property/casualty and group insurance claims: 50% professional liability, 30% workers compensation, 20% health insurance.

Number of claims: 30,000 total claims adjusted, 19,000 for self-insurers. 30,000 total claims administered, 18,000 for self-insurers.

Staff: 21 total staff, including adjusting staff of 14, which includes two field adjusters, 10 telephone adjusters and two administrative supervisors. Administration staff of four. Auditing staff of three.

Clients: Total adjusting clients, 90; all self-insured. Total administration clients, 30; all self-insured.

Compensation: Per claim for adjusting services. Per claim for administration services.

1982 gross revenues: Not reported.

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

Reports: Self-insurers are supplied with free reports monthly within 15 days of the end of the month; claims progression tracked.

Computer: IBM system.

Locations: Boston.

Principal officers: Michael Burack, president; Robert Moysey, Amy Cohen, vps.

Claims auditing: Seven audits conducted, all for self-insurers.

Claims adjusting/administration audits: Include reporting claims, processing claims, investigating claims, adjusting claims, claims documentation and verification, accuracy of reserves, accuracy of payments, accuracy of loss reports, personnel qualifications, case load of examiners, defense effectiveness.

Claims auditing charges: Time and expense, flat fee.

Management Services Inc.

326 N. Vermilion, Danville, Ill. 61832; 217-446-1089

Regions served: Illinois, Missouri, California and other areas through associates.

Services provided: Claims adjusting, administration, auditing.

Specialty: Property/casualty and group insurance claims: 45% workers compensation, 40% health insurance, 5% general liability, 5% automobile, 5% property damage.

Number of claims: 1,800 total claims adjusted, 1,600 for self-insurers; 20% by field adjuster and 80% by telephone adjuster. 500 total claims administered, all for self-insurers.

Staff: 21 total staff, including adjusting staff of 10, which includes four field adjusters, five telephone adjusters and one administrative supervisor. Administration staff of 10. Auditing staff of two.

Workload: Average number of multiline claims handled monthly by each adjuster, 10. Average number of workers compensation claims handled monthly by one adjusting supervisor, 100. Average number of claims administered monthly by one administrator, 100.

Clients: Total adjusting clients, 25; self-insured, 18. Total administration clients, 15; self-insured, 15.

Compensation: Per claim, per covered employee, time and expense for adjusting services. Per claim, per covered employee, time and expense for administration services.

1982 gross revenues: Not reported.

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

Reports: Self-insurers are supplied with reports monthly at a charge included in contract within three days of the end of the month; claims progression tracked.

Computer: Microdata system, with input document terminals located in home office and central location. Self-insurers are offered CRTs for local inputting; one uses this capability.

Locations: Peoria, Champaign, Chicago, Ill.; St. Louis, Mo.; Palm Springs, Calif.

Principal officers: Robert L. Cowgill.

Claims auditing: Two audits conducted, both for self-insurers.

Claims adjusting/administration audits: Include reporting claims, processing claims, investigating claims, adjusting claims, claims documentation and verification, accuracy of reserves, accuracy of payments, accuracy of loss reports, personnel qualifications, case load of examiners, defense effectiveness, control of legal and outside expense.

Claims auditing charges: Flat fee.

Joseph P. Minardi, Attorney-at-Law P.C.

1500 Main St., Springfield, Mass. 01115; 413-734-1562

Services provided: Claims adjusting, administration.

Region served: Western Massachusetts and northern Connecticut.

Specialty: Property/casualty and group insurance claims: 75% workers compensation, 20% health insurance, 5% general insurance claims.

Number of claims: 400 total claims adjusted, 350 for self-insurers; 5% by field adjusters and 95% by telephone adjusters. 500 total claims administered, 450 for self-insurers.

Staff: Five total staff, including adjusting staff of two, which includes one part-time field adjuster and two telephone adjusters. Administration staff of five.

Workload: Average number of workers compensation claims handled monthly by one adjusting supervisor, 50.

Clients: Total adjusting clients, 15; self-insured, 10.

Compensation: Negotiable by number of claims, percent of normal premium for adjusting services.

1982 gross revenues: $130,000.

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

Reports: Self-insurers are supplied with free monthly reports within 15 days of the end of the month; claims progression tracked.

Computer: Compudata, with input document terminal located in central location.

Principal officers: Joseph P. Minardi.

N

The NBA Group Inc.

1225 Franklin Ave., Garden City, N.Y. 11530; 516-747-7177

Services provided: Claims adjusting, administration, auditing.

Region served: Nationwide.

Specialty: Property/casualty and group insurance claims: 70% health insurance, 20% dental, life, accidental death and disability and long-term disability, 10% workers compensation.

Staff: Eight total staff, including adjusting staff of two, which includes two administrative supervi-

Continued on facing page

Reserve Management Specialists

- Discounted Reserve Programs
- Run-off and Portfolio Coverages
- Aggregate Excess and Stop-loss

Providing Capacity and Consulting to Self-Insurers, Captives, and Companies.

PRS **Professional Reinsurance Services, Inc.**
6868 North Seventh Avenue, Suite 204
Phoenix, Arizona 85013
Phone: (602) 234-0946

Continued from facing page

sors. Administration staff of two. Auditing staff of one.

Workload: Average number of multiline claims handled monthly by each adjuster, 400. Average number of claims administered monthly by one administrator, 500.

Compensation: Per covered employee for adjusting services. Time and expense, annual retainer for administration services.

1982 gross revenues: Not reported.

Auditing procedures: Claims are audited quarterly by in-house staff and independent firm hired by self-insurers.

Reports: Self-insurers are supplied with reports monthly free within 10 days of the end of the month; claims progression tracked.

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

Locations: Columbus, Ohio; Los Angeles; Houston.

Principal officers: Roger M. Slotkin, Michael Kooper, Thomas Lindsey, Douglas Hanson.

Claims auditing: Two audits conducted, all for self-insurers.

Claims adjusting/administration audits: Include reporting claims, processing claims, adjusting claims, claims documentation and verification, accuracy of reserves, accuracy of payments, accuracy of loss reports.

Claims auditing charges: Time and expense.

R

Rasmussen Agency Inc.

60 Evergreen Place, East Orange, N.J. 07019; 201-675-3940

Services provided: Claims adjusting, administration, auditing.

Regions served: New Jersey and Pennsylvania.

Specialty: Property/casualty and group insurance claims; 60% workers compensation, 15% general liability, 15% health insurance, 10% automobile.

Number of claims: 27,000 total claims adjusted, 25,500 for self-insurers; 10% by field adjustor and 90% by telephone adjuster. 35,000 total claims administered, 34,250 for self-insurers.

Staff: 97 total staff, including adjusting staff of 40, which includes five field adjusters, 29 telephone adjusters, four loss-prevention specialists and six administrative supervisors. Administration staff of 42. Auditing staff of five.

Workload: Average number of multiline claims handled monthly by each adjuster, 75 to 90. Average number of workers compensation claims handled monthly by one adjusting supervisor, 250 to 300. Average number of claims administered monthly by one administrator, 450 to 500.

Clients: Total adjusting clients, 82; self-insured, 80. Total administration clients, 80; all self-insured.

Compensation: Percent of annual premium, 7% to 10% average charge; per covered employee, $3.50-$5 for adjusting services. Percent of annual premium, per covered employee (as part of adjusting charge) for administrating services.

1982 gross revenues: $9.5 million.

Auditing procedures: Claims are audited quarterly by in-house staff and independent firms hired by self-insurers.

Reports: Self-insurers are supplied with reports monthly at a charge within 10 days of the end of the month; claims progression tracked.

Computer: Hewlitt Packard 3000, with input document terminal located in home office.

Locations: Atlantic City, N.J.; Havertown, Pa.

Principal officers: Richard H. Rasmussen, president; Robert F. Hughes, C. David Martin, Lawrence E. Small, senior vps; Anthony J. Constantino, vp/claims.

Claims auditing: Five audits conducted, all for self-insurers.

Claims adjusting/administration audits: Include reporting claims, processing claims, investigating claims, adjusting claims, claims documentation and verification, accuracy of reserves, accuracy of payments, accuracy of loss reports, personnel qualifications, case load of examiners.

Claims auditing charges: Time and expense, $20 per hour.

S

Self Insurance Programs Inc.

2029 Century Park E., Suite 740, Los Angeles, Calif. 90067; 213-553-4611

Parent company: Frank B. Hall & Co. Inc.

Services provided: Claims administration.

Region served: Nationwide.

Specialty: Property/casualty and group insurance claims; 60% workers compensation, 40% short- and long-term disability.

Number of claims: 26,000 total claims administered, all for self-insurers.

Staff: 72 total staff. Administration staff of 52.

Clients: Total administration clients, 65; all self-insured.

Compensation: Percent of payroll, per claim for administration services.

1982 gross revenues: Not reported.

Auditing procedures: Claims are audited every three years by in-house staff, independent firms hired by self-insurers and state of California.

Reports: Self-insurers are supplied with free reports monthly and quarterly within 12 days of the end of the month; fee charged for special reports; claims progression tracked.

Computer: Time-sharing system with input document terminal located in central location.

Locations: Burbank, Santa Clara and Walnut Creek, Calif.; Portland, Ore.

Principal officers: J.H. Payne, president; T.E. Sitter, executive vp; L.A. Roman, corporate secretary; D.F. Nolan, vp-claims.

T

Toplis & Harding Inc.

222 S. Riverside Plaza, Chicago, Ill. 60606; 312-648-1300

Parent company: ERC Management Corp.

Services provided: Claims adjusting, administration, auditing.

Region served: Nationwide and worldwide.

Specialty: Property/casualty and group insurance claims: 50% ocean marine, 25% property damage, 10% inland marine, 5% general liability, 5% professional liability, 2% health insurance, 1% workers compensation, 1% automobile, 1% bonds.

Number of claims: 21,500 total claims adjusted, 500 for self-insurers; 98% by field adjuster and 2% by telephone adjuster. 20,500 total claims administered, 500 for self-insurers.

Staff: 325 total staff, including adjusting staff of 120, which includes 98 field adjusters, 10 telephone adjusters and 12 administrative supervisors. Administration staff of 40. Auditing staff of 10.

Workload: Average number of multiline claims handled monthly by each adjuster, 15. Average number of workers compensation claims handled monthly by one adjusting supervisor, five. Average number of claims administered monthly by one administrator, 60.

Clients: Total adjusting clients, 650; self-insured, 50. Total administration clients, 60; self-insured, 20.

Compensation: Time and expense, $75 per hour for senior/field adjusters, $50 per hour for general adjusters, $45 per hour for inside adjusters for adjusting services. Time and expense for administration services.

1982 gross revenues: Not reported.

Auditing procedures: Claims are audited monthly, quarterly and semiannually by in-house staff.

Reports: Self-insurers are supplied with reports as requested at a charge within the time requested by client; claims progression tracked.

Computer: In-house unit and units at parent company, with input document terminal located in home office.

Locations: Anchorage, Alaska; Atlanta; Baltimore; Boston; Detroit; Honolulu; Houston; Jacksonville, Fla.; Los Angeles; New Orleans; New York; Portland, Ore.; San Francisco; Seattle; Tampa; Edmonton, Alberta; Montreal; Toronto.

Principal officers: M.G. Fitt, W.B. Remdt, R.E. Trompeter, R.K. Tisdall, F.D. Ratcliff.

Claims auditing: 14 audits conducted, 5% for self-insurers.

Claims adjusting/administration audits: Include reporting claims, processing claims, investigating claims, adjusting claims, claims documentation and verification, accuracy of reserves, accuracy of payments, accuracy of loss reports, personnel qualifications, case load of examiners, defense effectiveness.

Claims auditing charges: Time and expense, $45-$75 per hour.

U

U.S. Administrators Inc.

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

Services provided: Claims adjusting, administration.

Region served: Nationwide.

Specialty: Property/casualty and group insurance claims; 90% health insurance, 5% workers compensation, 5% prepaid legal and pensions.

Number of claims: 12.68 million total claims administered, 12.1 million for self-insurers.

Staff: 440 total staff. Administration staff of 339.

Clients: Total administration clients, 103; self-insured, 92.

Compensation: Per covered employee for adjusting services. Per covered employee for administration services.

1982 gross revenues: Not reported.

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

Reports: Self-insurers are supplied with reports monthly at a charge included in administration fee within five working days of the end of the month; claims progression tracked.

Computer: 370/3031. Self-insurers are offered CRTs for local inquiry only; two use this capability.

Locations: Shrewsbury, N.J.; Montreal.

Principal officers: Samuel X. Kaplan, president; Sue M. Kaplan, vp/secretary; Bron Wlecial, treasurer.

W

Scott Wetzel Services Inc.

500 Pacific Ave., Box 418, Bremerton, Wash. 98310; 206-479-0200

Parent company: The Home Group Inc.

Services provided: Claims adjusting, administration, auditing.

Region served: Nationwide.

Specialty: Property/casualty and group insurance claims: 70% workers compensation, 15% general liability, 8% automobile, 5% health insurance, 2% professional liability.

Number of claims: 150,000 total claims adjusted, all for self-insurers; 15% by field adjusters and 85% by telephone adjusters. 186,000 total claims administered, 150,000 for self-insurers.

Staff: 470 total staff, including adjusting staff of 325, which includes 115 field adjusters, 180 telephone adjusters and 30 administrative supervisors. Administration staff of 30. Auditing staff of 11.

Workload: Average number of multiline claims handled monthly by each adjuster: employee benefits, 600; workers compensation, 250; workers compensation-medical, 450; liability, 200. Average number of workers compensation claims handled monthly by one adjusting supervisor, 300. Average number of claims administered monthly by one administrator, 250.

Clients: Total adjusting clients, more than 400; self-insured, 380. Total administration clients, 25.

Compensation: Per claim, per covered employee, time and expense for adjusting services. Per claim, per covered employee, time and expense for administration services.

Continued on next page

HOMELAND

...the *Household Name* in CAPTIVE INSURANCE

As one of the first organizations to develop expertise in this field, HOMELAND is one of the leading administrators of captive companies. Specializing in formation and management of onshore and offshore insurers on a regional and national basis, it provides skilled administration, policy-issuing reinsurance, claims and loss control facilities. In addition, its affiliated data processing company has originated and designed programs specifically for the captive insurance field. In addition to substantial growth in a relatively short period, HOMELAND has shown a profit in every quarter since inception.

HOMELAND COMPANIES

Homeland Insurance Company • Homeland General Corporation
Homeland Industrial Corporation • On-Line Insurance Systems, Inc.
4050 Moorpark Ave., San Jose, CA 95117 (408) 984-8000 Telex 171579
Homeland Insurance Management (Cayman) Ltd.
Aall Building, P.O. Box 1051 Grand Cayman, British West Indies (809) 94-95163

Claims specialists

Continued from previous page

1982 gross revenues: Not reported.

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

Reports: Self-insurers are supplied with reports monthly and quarterly at a charge included in the negotiated fee within 15 days of the end of the month; claims progression tracked.

Computer: IBM System 34, with input document terminals located in home office. Self-insurers are offered CRTs for local inputting; five use this capability.

Locations: Anchorage and Juneau, Alaska; Boise, Idaho; Boston; Chicago; Dallas; Las Vegas and Reno, Nev.; Los Angeles and Orange, Calif.; New York; Omaha, Neb.; Phoenix, Ariz.; Portland, Ore.; Salt Lake City; Seattle and Spokane, Wash.; Tampa, Fla.; Cleveland and Twinsburg, Ohio; Washington; Philadelphia; Englewood, Colo.; Springfield, N.J.

Principal officers: E. Scott Wetzel Jr., president; Donald W. Mulliner, executive vp; Robert B. Spratt, Myron A. Soltau, senior vps.

Claims auditing: 200 audits conducted, 50% for self-insurers.

Claims adjusting/administration audits: Include reporting claims, processing claims, investigating claims, adjusting claims, claims documentation and verification, accuracy of reserves, accuracy of payments, accuracy of loss reports, personnel qualifications, case load of examiners, defense effectiveness.

Claims auditing charges: Time and expense, flat fee.

Sphere Drake unit fined

NEW YORK—The New York Insurance Department has fined Atlanta International Insurance Co., the U.S. underwriting subsidiary of Sphere Drake Insurance Co. Ltd., $55,000 for violations of rate and policy regulations and for failing to report holding company transactions to the department.

Sphere Drake is a subsidiary of Alexader Howden Group P.L.C., which is a unit of Alexander & Alexander Services Inc.

New York regulators refused to explain the nature of the transactions not reported by Atlanta International, but a source said the violations probably dealt with the 1981 merger of Drake Insurance Co. and Sphere Insurance Co.

The rate and form violations cited by the department included:

- Failing to obtain department approval for rates charged on fire insurance policies.
- Failing to correctly rate or classify casualty insurance policies.
- Failing to adhere to rate verification procedures.
- Issuing 70 Free Trade Zone policies without notifying the Insurance Department and failing to maintain statistics on those policies according to classification codes. ■

GROUP BENEFITS ADMINISTRATION AND CLAIMS ADMINISTRATION *IN ONE INTEGRATED SYSTEM!*

The EBS System is a parameter driven database management system which permits exceptional flexibility and control. The parameters of each plan are entered into the system. The calculation of rates, benefits and payments are then controlled by these parameters.

The maintenance of an on-line database of all plan participants with instant access for inquiry or update and the automatic determination of benefits, including duplicate charge detection capability, automatic COB procedures and many other internal audits, provide the ultimate capability for minimizing errors and controlling the cost of benefits.

The EBS system allows an unlimited number of management reports to be formulated utilizing any combination of the information in the database. Thus, in addition to the standard reports, special reports may be generated that are critical to effective cost containment measures, monitoring abuses and understanding the cost implications of benefit charges.

EBS services are available through your consultant or broker.

ebe

eastern benefit systems, inc.

200 FREEWAY DRIVE, EAST • EAST ORANGE, NEW JERSEY 07018
(201) 676-3333

Ruling may ease settlement of claims by shareholders

Continued from page 2

sensitive to court decisions to go up as a result of the decision.

Carl D. Liggio, general counsel for Arthur Young & Co., is less concerned by the ruling. "I don't think there has been any expansion of what was going on. That's where the law was."

Lower courts have upheld the right of shareholders to sue corporate officers and directors on these grounds, but the right had been contested by defendants. Accountants and other potential defendants in securities litigation had hoped that the Supreme Court would narrow the ability of shareholders to sue in its first ruling on the subject.

"...We have repeatedly recognized that securities laws combating fraud should be construed not technically and restrictively, but flexibly to effectuate their remedial purposes," Justice Thurgood Marshall wrote.

"I thought the decision was so predictable that I always expected it to be the law anyway," says D&O defense lawyer Samuel Weisbard, a partner with the Chicago law firm of McDermott, Will & Emery.

Mr. Weisbard successfully represented accountants Seidman & Seidman before a federal appeals court in Chicago in a D&O action brought by former holders of Cenco Inc. stock (*BI*, April 12, 1982).

Major D&O underwriters were awaiting official copies of the ruling last week to study its nuances.

"It looks like its going to add to the complexity of D&O, but I don't think it will be that dramatic an effect," said one key underwriter of such coverage who asked not to be quoted by name until he read the full opinion.

He explained that underwriters had previously thought the court was moving away from encouraging suits against corporations by private citizens.

The latest ruling, he says, also means that corporate anti-fraud statutes will continue to be enforced not only by the Securities and Exchange Commission but also by corporate shareholders.

The decision may cut two ways for defendants and insurers.

On one hand, an insurer recommending early settlement of a securities case might realize significant savings in legal fees, which are estimated to represent about half of the claims expense of D&O insurers.

"Anytime you're involved in securities litigation, it's six figures in defense costs," says Thomas F. Sheehan, president of Thomas F. Sheehan & Associates Inc. of Schaumberg, Ill., an underwriting manager for D&O insurers.

On the other hand, the court opinion seems to weaken the bargaining position of defendants seeking to negotiate settlements.

In the past, defense lawyers could threaten the plaintiff with months or years of tedious and expensive litigation over the plaintiff's right to sue and the standard of proof. The plaintiff, faced with the uncertainty of those questions, might elect to settle.

With a clear mandate from the Supreme Court, plaintiffs will be less likely to respond to such arguments, and that could mean trouble for defendants and insurers, one securities lawyer says.

"Now there is a real encouragement to implied private right of action," says Daniel A. Bailey, a senior associate with the firm of Knepper, White, Arter & Hadden, of Columbus, Ohio.

Mr. Bailey says this is the second case in less than a year in which the Supreme Court has allowed private citizens to sue under fraud statutes. The first was a case, Merrill Lynch v. Curran, decided May 4, 1982, involving commodities, not securities, laws.

"What you're getting is a clear indication that the court has swung around," he adds. "I think it's going to create some concerns for D&O carriers."

But D&O defense lawyer Mr. Weisbard says he doesn't expect a change in the number of D&O claims filed because of the ruling. The general economy and the number of corporate bankruptcies affect the number of D&O liability suits more than anything else, he says. ■

Lilly names Arbogast risk manager

comings & goings buyers

Donald C. Arbogast, 47, has been named director of risk management, a new position, at Eli Lilly & Co. in Indianapolis. Mr. Arbogast will coordinate the company's worldwide property/casualty, workers compensation and loss-control activities. He has been corporate insurance manager for Lilly since 1968. Prior to that, he was corporate insurance administrator for subsidiary Eli Lilly International Corp. Mr. Arbogast received a bachelor of science degree in business administration from the University of Florida in Gainesville and a bachelor of law degree from the Nashville, Tenn., Night Law School. He is a member of the American Bar Assn. and the Tennessee Bar Assn. and a deputy member of the Risk & Insurance Management Society. Mr. Arbogast reports to James M. Cornelius, vp of finance.

Mr. Arbogast

* * *

J. Michael Doyle was promoted to manager of insurance, foreign exchange and investment at Phillips Petroleum Co. in Bartlesville, Okla., a new position. He replaces **R.J. Stein**, former manager of insurance, who retired after 35 years with the company. Mr. Doyle received a bachelor of arts degree in mathematics from the University of Kansas in Lawrence and a master of business administration degree from the Wharton School of Finance at the University of Pennsylvania in Philadelphia. He joined Phillips in 1975 as a treasury management trainee, served three years in the company's London office as foreign exchange manager and then as finance manager for Europe-Africa operations. He returned to the United States as manager of foreign exchange and investments, a position he held until his recent promotion. Mr. Doyle reports to R.E. Bonnell, company treasurer.

* * *

James M. Daly, 28, is the new manager of insurance at C-E Lummus, a subsidiary of Combustion Engineering Inc. in Bloomfield, N.J. Mr. Daly will supervise all risk and insurance programs for the company. Prior to his promotion, Mr. Daly was an insurance analyst and tax accountant with the company. Before that, he was a property/casualty underwriter with Aetna Casualty & Surety Co. He received a bachelor of business administration degree from Montclair State College in Montclair, N.J., and is now pursuing graduate work at Seton Hall University in South Orange, N.J. He replaces **Arthur H. Seitter,** who moved to Florida to pursue insurance and real estate interests. Mr. Daly reports to Assistant Treasurer Harold L. Rutheford.

•

We'd like to report on staff changes in your risk management or employee benefits department. Just drop a note to Sallie J. Drury, Editorial Assistant, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611, or call 312-649-5398. We would also like to receive photographs.

Older workers' health coverage rules in limbo

Continued from page 1
added a provision in TEFRA to give workers between the ages of 65 and 69 a choice of enrolling in their employers' health insurance plan or sticking with Medicare.

Because employers' plans are much more generous than the federal Medicare program, Congress believed that most of the 375,000 older workers affected by the provision would switch to corporate plans, saving the federal government about $350 million.

The EEOC was supposed to issue regulations guiding companies when they give their older workers the choice of Medicare or the corporate health plans. Those regulations were expected to be published in December so that employees who wanted to switch to corporate plans could do so by Jan. 1, the effective date of the Medicare provision in TEFRA.

But, the OMB's opposition stopped the EEOC from publishing regulations it had approved Dec. 14.

Those regulations would have required an employer to spend the same amount of health care dollars on older workers who select Medicare for primary coverage as they do on other employees (*BI*, Dec. 27, 1982). And, this would have made it more advantageous for employees to choose Medicare as their primary coverage.

For example, a company that spends $60 a month per employee for individual coverage would have to spend $60 a month on health-related benefits for older workers who stay in the Medicare program.

Because the EEOC rules prohibit an employer from directly supplementing any coverage provided by Medicare, it's doubtful whether employers could offer enough supplemental health benefits to equal the amount the company spends on health insurance benefits.

And even if employers could somehow add enough health-related benefits, like dental care, for older workers to bring the cost of their benefits up to the amount spent on younger employees, the older worker would most likely select Medicare as the primary payer to take advantage of the extra benefits the employer would be forced to give him.

As a result, the federal government would not be able to cut Medicare costs.

Now, under the OMB's direction, the revised regulations will encourage employees to select the employer plan for primary coverage, an OMB spokesman told *Business Insurance*.

One way this could be done is to give older workers a simple choice: select the employer plan, with Medicare providing some supplemental benefits, or stay with Medicare and not allow employers to supplement Medicare.

"Since employer plans are more generous, most employees would opt for corporate plans rather than Medicare, which was congressional intent," said Art Gribbin, a vp and attorney with Johnson & Higgins in New York.

The only people who might keep Medicare as their primary payer would be workers employed at companies that make employees pay all or a major chunk of their health insurance premium.

While final regulations are being hammered out, the EEOC is telling employers not to make changes in their coverage of older workers. The agency says there would be a "grace period" before new regulations take effect.

But experts question if the EEOC has the authority to impose a grace period. They say the tax law clearly states that employers had to give employees the choice of using the corporate health insurance plan as their primary insurer by Jan. 1.

"The OMB is counting on a Jan. 1 starting date to save the $350 million in the first year," said Andrew Webber, vp at the Washington Business Group on Health. "I'm not sure that the government is financially liable (for older workers' health care costs) during this grace period."

The government could balk at picking up health claims after Jan. 1 if employers did not give employees the choice to switch to the corporate health care plan. "You have to start with the assumption that the employer's plan is primary as of Jan. 1," a consultant said, unless the employee chooses Medicare.

To avoid the possibility that they may get stuck with employees' health care bills months later when the issue is finally settled, a growing number of companies are scrapping health plans that supplement Medicare and are extending corporate plans to older employees, Mr. Webber said.

And companies that are making the change say the cost of covering older workers won't be prohibitive.

Many employers say their group health insurance costs should only increase by 1% to 2% when full health insurance coverage is offered to older workers since few employees stay on the job after 65.

For example, Foremost-McKesson has only about 200 employees between 65 and 69 in a workforce of 17,000.

In addition, many companies say their older workers do not run up bigger medical and hospital bills than employees 50 to 65 years old.

"If they are still on the job after 65, they are going to be a pretty healthy bunch," said a spokesman for American Standard Inc. in New York. ■

Bill introduced to offer jobless health cover

HARRISBURG, Pa.—Under legislation introduced Jan. 25, Pennsylvania's unemployed would be eligible as a group for basic health insurance.

Tentatively called "Medic-Un," which stands for Medical Health Care Benefits for the Unemployed, the bill was introduced by Rep. Joseph R. Pitts, R-Chester County.

The insurer to underwrite the program will be selected through bids.

The proposal would allow the unemployed to elect to have health insurance premiums automatically deducted from their unemployment checks by the state's department of labor and industry. Cost would be under $10 a week.

Coverage would include basic medical and hospital insurance similar to the no-option plans offered under Medicaid.

Blue Cross/Blue Shield of Pennsylvania is providing the state with cost and design features for the program, but says it doesn't know if it will bid for the contract.

More than 400,000 unemployed and their families are eligible to to participate. ■

IMMEDIATE ACCESS TO INDUSTRY INFLUENTIALS

UPCOMING ISSUES

	ISSUE DATE	AD CLOSING
	JAN 24	Jan 12
SELF INSURANCE FINANCIAL SERVICES	JAN 31	Jan 18
	FEB 7	Jan 26
	FEB 14	Feb 2
RISK MANAGEMENT SERVICES	FEB 21	Feb 8
Employee Benefits Board Survey	FEB 28	Feb 15
	MAR 7	Feb 23
EMPLOYEE BENEFITS: CONTROLLING COSTS	MAR 14	Mar 1
	MAR 21	Mar 9
SPECIALTY RISKS	MAR 28	Mar 15
	APR 4	Mar 23
Risk Management Board Survey	APR 11	Mar 30
	APR 18	Apr 6

These issues of BI will reach more than 100,000 readers, including pass-along, every week—a prominent audience of corporate financial and top executives risk and employee benefits managers, as well as leading agents and brokers, consultants, and commercial insurance underwriters. BI is there first . . . reporting all the vital news and trends in this dynamic, multi-billion dollar marketplace.

Plug into BI with your fall advertising program. Your ad, placed in this exciting editorial environment, will position your products and services squarely in the minds of the decision makers you need to reach. Be where the action is this week and *every* week. Call or write for your reservations.

business insurance
a publication of Crain Communications Inc.

New York: 220 East 42nd St., NY 10017 (212) 210-0133 **Chicago:** 740 Rush St., IL 60611 (312) 649-5275
Los Angeles: 6404 Wilshire Blvd., CA 90048 (213) 651-3710

TMI settlement might not be insured

Continued from page 1
applied to any gap between the actual clean-up costs at the TMI Unit No. 2 reactor—estimated at more than $1 billion—and the amounts contributed under a cost-sharing plan that would spread the burden among GPU, the federal government, the states of Pennsylvania and New Jersey and the utility industry.

GPU also is still pressing its $4 billion suit against the Nuclear Regulatory Commission.

A GPU spokesman said the utility probably will buy enough from Babcock in the coming decade for the rebates to reach the $37 million maximum.

Babcock expects the agreement to have "a beneficial effect on its present and future operating performance," according to a joint announcement released by the two companies.

"We are not paying anything," said Robert B. Fiske Jr., Babcock's attorney. "We are entering into a business agreement that benefits us and benefits them."

The "business agreement" ends GPU's $4 billion lawsuit against Babcock, which has been on trial in the U.S. District Court for the Southern District of New York in Manhattan since Nov. 1.

GPU claimed that Babcock failed to warn it of alleged defects in the plant and failed to issue adequate safety instructions for the plant's operation. Babcock contended that the utility had the information it needed to prevent the accident, but failed to follow established safety procedures.

Neither Travelers nor Babcock would comment on the company's liability insurance.

But sources in London confirm that Travelers had the $2 million primary layer of a $102 million CGL package. The remaining $100 million is divided in $5 million layers among 20 London markets, which H.S. Weavers (Underwriting) Agencies Ltd. led.

Sources at Travelers said that after GPU's original complaint against Babcock was filed in March 1980, the insurer notified Babcock that the nuclear exclusion on its CGL policy might preclude coverage if it were found at fault.

London underwriters contacted by *Business Insurance* also say that the nuclear exclusion will bar recovery under the policy.

Both Babcock and McDermott were insured by Travelers when McDermott acquired Babcock in 1978, but McDermott renewed the CGL cover with another primary underwriter in 1982. The change had nothing to do with liability questions raised by the TMI accident, said Raymond W. Stahl, a Travelers senior vp.

No legal action has been taken against Travelers over Babcock's coverage under the policy, a source at McDermott said.

The fact that the settlement took the form of rebates to be paid over a 10-year period—reducing Babcock's profits on each sale by the amount of the rebates—indicates that Babcock may have realized it had no coverage.

"It sounds to me like there must be some coverage problem in the first place, or Babcock would not be settling in this manner," said Darrell K. Porath, a vp for commercial general liability with Fireman's Fund Insurance Cos.

"It sounds like the insurance company said, 'Hey, there's no coverage. You figure out the best way to settle this,'" Mr. Porath said. "They wouldn't have dipped into their own profits otherwise."

"The nature of the settlement may indicate there isn't any insurance," said Fred P. Themmes, senior underwriting officer for general liability with St. Paul Fire & Marine Insurance Co. "I would think that if there were insurance, that would have come in up front."

The underwriters agreed that any profits lost by Babcock under the settlement would probably not constitute a claim under a standard comprehensive general liability policy.

"The CGL policy is limited to tangible property, and profits fall into that intangible area," Mr. Themmes said.

Attorneys for Babcock and GPU said settlement negotiations had been under way since late last year, but that "substantive negotiations" began only a week before the agreement was announced Jan. 24.

In their joint announcement of the agreement, Babcock and GPU cited a number of reasons for the settlement, including the "mutual interest" of the two companies in maintaining their business relationship and "the difficult questions of fact and law presented in the case."

In its five contracts with Babcock for construction and service of the TMI plant and long-term training of its operators, GPU had waived its right of recovery against Babcock for property damage resulting from a nuclear accident.

The two companies agreed that neither had established that the other was responsible for the accident, and settlement of this action will not affect GPU's $4 billion suit against the commission.

The suit against the NRC—like that against Babcock—claims negligence in failing to inform GPU of possible hazardous defects in the reactor system after a similar accident occurred in 1977 at Toledo Edison Co.'s Davis-Besse nuclear plant, also manufactured by Babcock.

In addition to approximately $1 billion in clean-up costs, the suit against the commission seeks $1.6 billion to cover costs of replacement power while both TMI reactors are shut down; $430 million to repair and refuel the Unit No. 2 reactor; $950 million in lost revenues, representing the capital costs of the Unit No. 2 reactor which GPU has not been allowed to pass on to customers in the form of higher rates; and $40 million to cover the increased cost of borrowing capital at higher interest rates.

In unrelated TMI litigation, Judge Sylvia H. Rambo of U.S. Middle District Court in Pennsylvania approved Jan. 25 partial distribution from a $25 million economic loss fund to pay 11,277 evacuation and wage-loss claims filed by residents within a 25-mile radius of the TMI plant.

The claims totaled $2.7 million. ■

Washington storm damage estimated

NEW YORK—Windstorms and flooding that hit portions of Washington state Jan. 8-10 caused $6.5 million in estimated property damage, according to C.E. Hermanson, vp of property claims services for the American Insurance Assn.

The estimate does not include damage covered by the National Flood Insurance Program.

The storm was assigned Catastrophe No. 81. ■

classified advertising

RATES AND CLOSING TIME:

Rates: Display classified is $60.00 per column inch, minimum of one inch. Straight classified is $5.50 per line, minimum of 5 lines. Count 34 characters per line (include each space and punctuation as a character). Additional $11.00 charge for blind box ads. Responses to blind box ads must fit into business size envelope. Responses are forwarded daily.

Closing: Published every Monday. Copy must be in written form by noon Tuesday, 6 days preceding publishing date. No verbal phone copy accepted. Prepayment required. Mail ads to: Emily Webb, Classified Advertising, 740 N. Rush St., Chicago, IL 60611. For more information call 312-649-5340.

OUTSIDE SALES—PUBLIC RELATIONS PERSON

To coordinate own division with an expanding national leader in its field. Must be **SHARP, PERSONABLE,** and **SELF-STARTER.** Construction experience and/or insurance adjusting experience helpful. Contact Mark at 312-239-1600 for interview.

POSITIONS WANTED

Early retiree, CPCU/ARM, seeks part time position in Balto/DC area. Prefer Risk Mgr., will consider other.
Box 507, BUSINESS INSURANCE 740 Rush St. Chicago, Ill. 60611

POSITIONS AVAILABLE

SALES OPPORTUNITY

Growing DALLAS agency with solid and long-terms markets can offer complete support to proven producer of medium to large commercial accounts. Experience in Nat'l. Accounts will be beneficial. Stable employment with successful sales record a must. Our client is comfortable at a *starting* salary in the $50,000 range. Contact Insurance Recruiters, Inc., P.O. Box 190597, Dallas, Tx. 75219 or call 214-528-0090.

AGENCY IN LOUISIANA

Specializing in const. accounts, needs account executive to produce and market casualty-property lines. Heavy casualty experience preferred. Excellent benefits and salary. Send resume in confidence to:
Box 516, BUSINESS INSURANCE 740 Rush St., Chicago, Ill. 60611

GROUP SALES REPRESENTATIVE POSITION IN BOSTON

A growing claims administration firm in Boston has a unique opportunity for an individual with at least two years of successful selling experience in group life and health products. Our base salary range is $20,000 to $30,000 with *realistic income potential of $50,000 to $100,000 plus.*

The concept of self-funding of medical benefits has won wide acceptance from our established organization. Our growth rate last year exceeded 60%. If you enjoy current success but would like to increase your income potential, please call or write to:

William G. McKelvey, Pres.
Medical Claims Service, Inc.
100 Franklin Street, Boston, MA 02110
(617) 426-8660

Position Wanted Risk Management

11 yrs. carrier and brokerage experience. Property and Casualty Claims background. Managed large nat'l non-profit account. Will relocate.
6101 N. Sheridan Rd. #F1
Chicago, IL 60660 312-743-8729

RISK MANAGER
POSITION WANTED

8 years' experience managing multi-million $ corporate insurance program for worldwide coverage. Self motivator. Excellent analytical and organizational skills.
Box 517, BUSINESS INSURANCE 740 Rush St., Chicago, Ill. 60611

Business Insurance
Circulation Breakdown*

Commercial Consumers

Administrative Management: owners, presidents, vps, etc.	6,483
Financial Management: chief financial officers, vps of finance, secretaries, treasurers, etc.	10,138
Insurance Management: vps, directors, managers of insurance, risk, benefits, compensation, safety, security, etc.	5,299
Government, Associations, Unions, Educational Institutions	1,034
Commercial Consumers Sub-total	**22,954**
Insurance Agents & Brokers	9,771
Insurance Cos.	5,217
Financial Institutions	352
Actuaries, Attorneys, Adjusters, Appraisers & Consultants	2,603
Others allied to the field	937
TOTAL	**41,834**

*Source: Business/Occupational breakdown of qualified circulation, November 1, 1982 issue, as submitted to BPA for December 1982, BPA Publisher's Statement.

For a *Concise* and *Logical* Approach to Risk Management Recruiting

LOGIC
Associates, Inc.
170 Broadway
New York, N.Y. 10038
(212) 227-8000

MANAGER—SAFETY/RISK

GOLD CIRCLE STORES is a Columbus, Ohio retail division of Federated Department Stores, with 50 stores in 4 states, sales in excess of $600 million annually, and growing.

Responsibilities: Control of Public Liability and Workers Comp loss expense through development and administration of safety/claims management programs; also responsible for property, automobile and other insurance policies.

Requirements: BS-BA or risk management or equivalent experience, 3-5 years experience in Workers Comp/Public Liability claims, safety and/or loss prevention training, and supervisory experience.

Please send resume to: NAS Reply Service, Box 108, 50 W. Broad St., Columbus, OH 43215. An EOE

ACCOUNT EXECUTIVES

The outstanding results of E&C Los Angeles & Orange County offices have created a need for:

Los Angeles & Orange County
Account Producer
Account Executive
Jr. Account Executive
Account Executive Assistant

QUALIFICATIONS

Applicants will be considered based upon the following criteria:
Education
Technical Knowledge
Problem Solving Ability
Communication Skills
Experience

SALARY & INCENTIVES

For both positions in accordance with proven abilities.
These are rare opportunities for the right people.
SEND RESUMES TO: ROBERT F. DUNCAN

EMETT & CHANDLER
1800 Ave of the Stars, Suite 400
Los Angeles, CA 90067
(213) 553-2711

UNDERWRITERS

YOUR FUTURE IS WITH US!

We are a FORTUNE 500 international insurance company and we are looking for DYNAMIC and AGGRESSIVE insurance professionals.

EXCESS AND SURPLUS CASUALTY UNDERWRITER

Minimum of 3-5 years previous underwriting exposure is required. Experience in EXCESS and SURPLUS lines, UMBRELLAS or REINSURANCE is preferred but we will train a primary candidate with a strong company background.

SENIOR SMP UNDERWRITER

4 years experience in package underwriting with a heavy exposure to casualty and a strong desire to excell with a major insurance company will qualify you for this career growth opportunity.

SENIOR INLAND MARINE UNDERWRITER

A minimum of 5 years IM experience will qualify you for this position. Must have a working knowledge of IM, DIC, MOP and Builders Risk. Supervisory experience is a plus.

EXCESS AND SURPLUS CASUALTY MANAGER
(Southfield, Michigan)

Must have a minimum of 5 years experience and thorough working knowledge of umbrellas and buffer layers. Will supervise two others.

All the above positions are highly visible in our corporate structure, require some travel and a strong exposure to the insurance brokerage marketplace.

Please send resume to D. Parulis.

AMERICAN INTERNATIONAL GROUP
222 S. Riverside Plaza
Chicago Illinois 60606
Equal Opportunity Employer M/F

Investment income need not be reviewed

Continued from page 1

However, two members of the advisory committee—J. Robert Hunter, former administrator of the federal insurance administration, and John Wilson, president of the Washington-based economic consulting firm bearing his name—delivered their own report, which dissented from the majority's point of view.

For example, the Hunter-Wilson report found that the insurance industry earned a higher rate of return than many other industries and said that competition is blunted by cartel-like rate bureaus (see accompanying story).

The NAIC task force, which began meeting in early 1981 to study the role of investment income in ratemaking, last week reviewed both the advisory committee and the Hunter-Wilson reports. However, the NAIC task force is not expected to make any recommendations on the subject for several months.

Although procedures vary from state to state, the traditional basis for judging whether rates are fair dates back to 1921 when the National Convention of Insurance Commissioners, a predecessor of the NAIC, adopted a "standard profit formula." Under that formula, a rate is considered reasonable if it produces an underwriting profit of 5%.

Investment income, under the 1921 formula, is not considered when determining an underwriting profit.

More than 60 years later, the advisory committee says there still is no need for regulators to give explicit recognition to investment income.

"We believe the answer is 'no' since insurers do consider investment income when implementing rate changes in the various states," the advisory committee report commented.

Traditional ratemaking practices have not led to excessive prices, the report says. In fact, the advisory committee report says that 80% of American industries are more profitable than the insurance industry.

The report suggests that insurer's investment income provides an important safety cushion that protects policyholders and, thus, should not be considered by regulators in reviewing rates.

For example, it points out that between 1973 and 1976 insurers simultaneously incurred underwriting and investment losses.

"Had a second period equally bad occurred immediately afterward, major insolvencies would have resulted," according to the advisory report.

The report says regulators should weigh the advantage gained by policyholders from lower rates with the disadvantage of increased risks of insolvency.

"The very nature of the insurance product emphasizes the importance of minimizing the risk of insolvency."

The advisory committee contends that if the era of "sidestepping investment income" is over, regulators would find it exceedingly difficult, costly and complex to review rates with an investment income component.

"Not a single insurance department maintains the staff to implement this approach," the report said.

Other members of the advisory task force in addition to Messrs. Haayen, Hunter and Wilson are: John Popp, an accountant with Peat, Marwick, Mitchell & Co. in Hartford, Conn.; Zvi Benderly, vp of the National Economic Research Associates Inc. in New York; Maurice Greenberg, president and chief executive officer of American International Group Inc. in New York; Rodger Lawson, assistant vp at the Alliance of American Insurers in Chicago; George Lehr, executive director of the Central States Teamsters Pension Fund in Chicago; Stephen Martin, vp-government relations at Hartford Accident & Indemnity Co. in Hartford; Robert Miller III, vp and corporate actuary of Aetna Life & Casualty Co. in Hartford; Jack Moseley, chairman and chief executive officer of United States Fidelity & Guaranty Co. in Baltimore; Robert Picarello, vp-government relations at CIGNA Corp. in Philadelphia; and Irving Plotkin, a vp at Arthur D. Little Inc., a Cambridge, Mass., consulting firm. ■

info

• A dictionary of 675 **anagrams and abbreviations in the life/health industry** is available from Washington National Insurance Co. For a free copy of "Alphabet Soup," write Public Relations Department, Washington National Insurance Co., 1603 Chicago Ave., Evanston, Ill. 60201.

• The National Society to Prevent Blindness has published "A Guide for Controlling Eye Injuries in Industries," which identifies hazards and offers solutions in **setting up an eye safety program** for any industry. The 24-page guide is available for $4 per copy by writing NSPB, 79 Madison Ave., New York, N.Y. 10016.

• Complying with Occupational Safety and Health Administration regulations on **flammable/combustible liquid handling** can be time-consuming. A free detailed flowchart with accompanying text is available to help spell out the details. Write Carmel Industrial Health, 607 Wrightwood Ave., Suite 504, Chicago, Ill. 60614.

• Correspondence programs for the **Insurance Institute of America and Chartered Property & Casualty Underwriters courses** are available from The College of Insurance. For a free brochure describing the programs, write the College of Insurance, 123 William St., New York, N.Y. 10038.

• A brochure describing various **employee savings plans,** like cash or deferred arrangements and Individual Retirement Accounts, is available from Buck Consultants. The brochures are $1 each with a minimum order of 30. Write Louise Russo Chin, Buck Consultants Inc., Two Pennsylvania Plaza, New York, N.Y. 10121.

• The services of the **rehabilitation consultants** of Vocational Placement Services are described in a free brochure. For a copy, write Vocational Placement Services Inc., Box K-131, Richmond, Va. 23288.

• The 1983 **safety management seminars and consultations** brochure is available from the International Safety Academy, a division of INA Loss Control Services Inc. For a free copy, write ISA, 10575 Katy Freeway, Box 19600, Houston, Texas 77024.

• A brochure from ARMAC Inc., rehabilitation service specialists, contains an **overview on rehabilitation.** For a free copy of "Rehabilitation Outlook," write ARMAC Inc., Box 239, Beverly, N.J. 08010.

• A booklet describing the **supervisor's role in controlling workplace hazards** is available from M&M Protection Consultants, a division of Marsh & McLennan Inc. It shows how supervisors can help prevent injuries and illnesses. Booklets are $1 each with quantity discounts available. To order, write Nancy Jakes, M&M Protection Consultants, 222 South Riverside Plaza, Chicago, Ill. 60606.

• "Risk Management Commentary" from D.A. Betterley Risk Consultants Inc. is an aid to **planning risk and insurance strategies,** with regard to availability and cost of insurance and comparison of various self-insurance methods. Copies are available for $15 each. To order, write D.A. Betterley Risk Consultants Inc., 446 Main St., Worcester, Mass. 01608.

• A booklet from the National Council on Compensation Insurance examines the **impact of asbestosis on workers compensation** and general liability insurers. For a copy of the 57-page book "The Asbestos Crisis: Yesterday, Today and Tomorrow," send $5 to the NCCI Information Office, One Penn Plaza, New York, N.Y. 10119.

• An **overview of risk management** is in the book, "An Introduction to Risk Management," by Neil Crockford, a British risk management consultant. The 112-page book is written for the non-technical manager. Copies are $17.50 each and can be obtained by writing Herman Publishing Inc., 45 Newbury St., Boston, Mass. 02116.

• A free catalog of **security equipment,** listing more than 2,000 items, has been published by Mountain West Alarm Supply. For a copy of the 1983 catalog, write Mountain West, 4215 N. 16th Street, Box 10780, Phoenix, Ariz. 85064.

• Scott Wetzel Services offers a summary of the federal revisions of the laws on **noise exposure and hearing conservation.** It also offers a brochure on OSHA's **respiratory program.** For free copies of one or both brochures, write Robert G. Holt, Vp of Loss Control, Scott Wetzel Services Inc., 500 Pacific Ave., Bremerton, Wash. 98310.

•

Have a new report, booklet or promotional brochure you'd like to send to buyers of insurance? Business Insurance will describe material costing less than $20 as an editorial service in the weekly Info for Buyers column. Simply send us a short description of the material to be offered, along with the cost and a mailing address. Address all contributions to Info for Buyers, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611.

Critics say large buyers profit unfairly

Continued from page 1

task force on profitability and investment income.

Instead, rates for small firms and individuals are maintained or even raised to subsidize commercial lines, "where buyer savvy and more meaningful market options mandate a higher level of price responsiveness."

The report does not specify what premium volume constitutes a large risk or what size employer is forced to accept manual rates.

The report, which was co-authored by Washington economist John W. Wilson, is the product of two years of research. Both Messrs. Hunter and Wilson are members of a committee comprised mostly of insurers that is advising the task force. They offered their report as an independent view.

The Hunter-Wilson report comes at a time when insurers' investment income is at record levels—an estimated $14.9 billion last year—while the industry has been racking up huge underwriting losses (*BI*, Jan. 10).

While a companion report submitted by the full advisory committee says investment income need not be taken into account by ratemakers because the industry is competitive (see accompanying story), the Hunter-Wilson report disagrees.

"Investment income now constitutes most or all of the return on net worth for most property/casualty underwriters," the report says. As a result, "the time has clearly come for insurance industry regulators to explictly include investment income in the ratemaking and approval process."

The report dismisses insurers' contention that they fiercely compete for business, particularly for small employers' risks and personal lines. It maintains that:

• Giant underwriters, while falling short of being monopolies in a technical sense, have the financial resources to "outbid" and "outspend" smaller rivals and thus exert substantial influence over smaller insurers in local markets.

• Industry rating bureaus, rather than "merely rendering attentive service to the needs of a competitive marketplace. . .actually stifle market rivalry with a suffocating obsequiousness that is characteristic of traditional collective restraints on competitive trade."

Rather than fostering an "intelligent business rivalry," rating bureaus help insurers coordinate market policy to earn profits at the expense of buyers, the report adds.

While the counter-report submitted by insurers says the property/casualty industry's profitability is low compared with other U.S. industries, the Hunter report says insurers are turning in "remarkable" economic performances.

Between 1976 and 1980, property/casualty insurers averaged a 19.3% return on equity, compared with a 13.3% return for Fortune 500 companies, the Hunter-Wilson report says. The reports contends that red underwriting ink does not necessarily mean that insurers' rates are too low.

"If the business objective is to maximize profits, and that can be done by reducing underwriting standards so as to increase revenues and thus build investment income. . .carriers with low or negative underwriting profits are earning the greatest overall profits for their stockholders," the report says.

"To conclude that this industry's profits have been low in the modern era of high investment income requires a great leap indeed," the report says.

The Hunter report acknowledges that insurers among themselves consider how much investment income they will earn when they quote a premium to a large commercial risk.

"Enriched by growing investment income, carriers have generally elected to relax underwriting standards and subsidize commercial markets," according to the report.

The report also contends:

• The property/casualty insurance industry does not exhibit greater business or financial risks than other industries in the economy.

• Because of the prevailing level of investment income, zero or negative underwriting profits are warranted in the ratemaking process for property/casualty lines.

• Property/casualty insurers' total earnings levels have exceeded the industry's cost of capital. ■

want help ? ! in finding a better EXCESS AUTO LIABILITY MARKET

Large and unpredictable jury awards have necessitated the purchase of adequate auto liability limits. At J. H. Ferguson & Associates, we have the finest facilities for all of your Excess Auto Liability needs. Depending on your requirements, we can provide limits up to $1,000,000.

Our flexible underwriting in a top-rated market has been a problem solver for producers with unique and hard-to-place Excess Auto risks. Some of the many different classes of business we write include Celebrities, Emergency Vehicles, Garage Liability, Livery Services, Municipalities, Risks Excess of SIR, Taxis and Truckmen.

For a competitive quotation and additional information regarding this coverage, please contact your local wholesaler.

J. H. FERGUSON & ASSOCIATES

SURPLUS LINES UNDERWRITING MANAGERS

P.O. Box 3016 • Evanston, Ill. 60204
Telex 206-585

datebook

FEB. 17-19. National Assn. of Rehabilitation Professionals in the Private Sector annual conference in Lake Buena Vista, Fla.; members, $175; non-members, $200. John Gruber, Rehabilitation Management Services Inc., Suite 101, Two Parkway Center, Pittsburgh, Pa. 15220; 412-921-7783.

FEB. 17-19. Life & Health institute in Los Angeles, sponsored by Certified Insurance Counselors and the Professional Insurance Agents of California & Nevada; $195. PIA of California & Nevada, 14114 Victory Blvd., Van Nuys, Calif. 91401; 213-988-9500.

FEB. 21. Confined Space Entry Safety workshop in Los Angeles, sponsored by Loss Prevention Associates; $185. Also **March 7** in Houston. Loss Prevention Associates, P.O. Box 59888, Dallas, Texas 75229; 214-241-0396.

FEB. 21-24. Inspector Training seminar in Houston, sponsored by the International Safety Academy; $490. ISA, 10575 Katy Freeway, Box 19600, Houston, Texas 77224; 713-932-9400.

FEB. 21-25. Professional Consulting in Safety and Loss Control course in Atlanta, sponsored by the International Loss Control Institute; $625. ILCI, Box 345, Loganville, Ga. 30249; 404-466-2208.

FEB. 22-23. Risk Management Concepts for the Safety Professional and Insurance Buyer course in Los Angeles, sponsored by the University of Southern California; $225. USC, Institute of Safety & Systems Management, Office of Extension & In-Service Programs, Los Angeles, Calif. 90089; 213-743-6523.

FEB. 23. Risk Management Information Systems conference in Detroit, sponsored by Corporate Systems; $50. Also **Feb. 24** in Cleveland. Chuck Allen, Corporate Systems, P.O. Box 31780, Amarillo, Texas 79120; 806-376-4223.

FEB. 23-25. Retirement Planning workshop in Houston, sponsored by Retirement Advisors Inc.; $425. Also **April 18-20** in Chicago. RAI, 919 Third Ave., New York, N.Y. 10022; 212-421-2400.

FEB. 24-25. Key Issues in Asian Insurance 1983 conference in Hong Kong, sponsored by the Institute for International Research Ltd.; $545; $475 for more than one registrant from the same company. IIR Ltd., 14th Floor, Golden Star Building, 20 Lockhart Road, Hong Kong; 5 291229; telex 62172.

FEB. 27-MARCH 2. Bank Security annual conference in New Orleans, sponsored by Bank Administration Institute; $425 for members; $550 for non-members; $250 for law enforcement personnel. Keith Marshall, Bank Administration Institute, 60 Gould Center, Rolling Meadows, Ill. 60008; 312-228-6200.

FEB. 28-MARCH 2. Safety for the Oil Field seminar in Houston, sponsored by the International Safety Academy; $395. ISA, 10575 Katy Freeway, Box 19600, Houston, Texas 77224; 713-932-9400.

MARCH 2-4. Petroleum Insurance fourth annual conference in New Orleans, sponsored by the Professional Development Institute and RIMCO Risk Management; $395. Joanne Paulman, PDI, P.O. Box 13288, North Texas State University Station, Denton, Texas 76201; 817-565-3344.

MARCH 4. Reducing Employee Benefits Costs seminar in Columbus, Ohio, sponsored by the Municipal Finance Officers Assn.; $125 for MFOA members; $175 for non-members. International MFOA Career Development Center, 180 N. Michigan Ave., Suite 800, Chicago, Ill. 60601; 312-977-9700.

MARCH 7-11. Bermuda Insurance Week in Hamilton, Bermuda, sponsored by Risk Planning Group Inc.; $550 for the international insurance and reinsurance conference; $550 for the second annual captive conference; $200 for the risk financing and captives conference. Eileen B. Callahan, Conference Coordinator, RPG, 722 Post Road, Darien, Conn. 06820; 203-655-9791.

MARCH 7-11. Assets Protection course in Dallas, sponsored by the American Society for Industrial Security; members, $595; non-members. $650. ASIS, 2000 K St. N.W., Suite 651, Washington, D.C. 20006; 202-331-7887.

MARCH 7-11. Basic Safety Management seminar in Los Angeles, sponsored by the International Safety Academy; $570. ISA, 10575 Katy Freeway, Box 19600, Houston, Texas 77224; 713-932-9400.

MARCH 10-11. Business Errors and Omissions Insurance seminar in New York, sponsored by the Practising Law Institute; $325. PLI, Department CJC, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700.

MARCH 14-18. OSHA Guide to Voluntary Compliance course in Los Angeles, sponsored by the University of Southern California; $500. USC, Institute of Safety & Systems Management, Office of Extension & In-Service Programs, Los Angeles, Calif. 90089; 213-743-6523. ■

Manville considering alternatives

Continued from page 2
percentage of future earnings to creditors depends on how much insurance is ultimately available.

The level of available insurance would also be crucial in determining whether there is a need to purchase retroactive insurance to pay claims, the spokeswoman added.

Manville is currently involved in litigation in California with its primary and excess liability insurers over the nature and extent of its coverage. The company had sought to have this action transferred to U.S. Bankruptcy Court in New York, where it could be considered with the reorganization plan.

However, a U.S. District Court Judge ruled Jan. 21 that the case would be heard in San Francisco Superior Court as part of a coordinated action with three other asbestos defendants. Manville was seeking a reconsideration of the judge's decision late last week.

Manville is believed to have between $500 million and $600 million in insurance to cover the claims. It has also sought $5 billion in punitive damages from its insurers in the California action.

Acknowledging that the insurance litigation is unresolved, "We may have seek another extension" for submitting the reorganization plan, the spokeswoman said.

She added that it is unlikely a formal plan would be drafted or submitted to the court until major Manville creditors agree to it. So far, no creditors have agreed to any of the alternatives, she said.

Manville, which is the world's largest asbestos producer, has also been in the forefront of a push for a federal legislative solution to the mountain of claims facing it and other asbestos defendants.

Manville is proposing that the federal government pick up 50% of any awards and/or settlements with asbestos victims, but the spokeswoman said that the possibility of federal relief could not be included in the reorganization plan (*BI*, June 7, 1982).

It is possible, however, for the reorganization plan to be "melded into" a legislative solution, she said. If Congress enacts such legislation, Manville's participation could also lead to a resolution of the company's problems, she added.

Some of the alternatives that Manville could include in the reorganization plan are similar to some of proposals currently in Congress, she said.

For example, a system to convert suits into non-tort claims or tying claims payments to future earnings is not inconsistent with proposed legislation, she said.

"It's not all that different from what we've been saying all along," the spokeswoman explained.

Manville filed for reorganization under Chapter 11 of the Federal Bankruptcy Act on Aug. 26, 1982. All litigation against it, including the asbestos disease claims, was stayed until the bankruptcy proceeding is completed.

Manville contends it is facing 20,000 current claims and would likely see an additional 30,000 at a cost of $2 billion over the next 20 years.

In a related matter, three asbestos defendants are asking the U.S. Supreme Court to strike down rulings by U.S. Bankruptcy Court Judge Buton R. Lifland that said asbestos cases must go forward without Manville (*BI*, Jan. 17).

Keene Corp., GAF Corp. and Pacor Inc. contend that recent decisions by the bankruptcy court constitute an unconstitutional exercise of power in light of a Supreme Court decision last year.

The high court gave Congress until Dec. 24 to remedy a consititutional defect in the Federal Bankruptcy Act of 1978, but legislators failed to take any action. Bankruptcy courts have since been working under interim rules.

Earlier this month, Judge Lifland ruled that an automatic stay against Manville would not apply to other defendants in asbestos litigation. The court also failed to lift the freeze on lawsuits against Manville. ■

Shipping woes hurt marine insurers

Continued from page 2
results have inevitably been even worse than those of direct-writing organizations."

Higher reinsurance rates could help underwriters justify a rate hike by the end of the year, he said.

Mr. Nunn advised ILU members, however, to carefully monitor their reinsurers to make sure that they will still be around to pay future claims.

The Institute of London Underwriters, composed of 106 non-Lloyd's of London insurers, each year estimates the cost of marine losses from the previous year in hull, offshore, aviation and war risks. Although the ILU has not yet totaled up the losses in 1982, the claims submitted in some classes are bound to set records, it said.

For example, the ILU says that the offshore oil industry submitted record losses last year. The avalanche of offshore claims is a combination of major losses and a growing volume of relatively small claims from structural damage to wells, platforms and blowouts, the ILU explains.

"Taken together, these claims are seriously eroding the premium base, leaving little in reserve to cover the potentially catastrophic concentration of the huge values at risk in the North Sea," the ILU report states.

Last year's largest marine claim, according to the ILU, was the Feb. 15 sinking of the Ocean Ranger drilling platform off the coast of Newfoundland, which killed 84 people and cost insurers more than $100 million, according to ILU estimates.

The largest hull loss of the 248 vessels destroyed last year was the 88,000-ton tanker Unirea, which broke in half in the Black Sea in October and cost marine insurers more than $40 million.

War risks were also a major expense for marine insurers in 1982 as fighting broke out between Britain and Argentina over the Falkland Islands and tensions flared in the Middle East, the ILU reports.

For example, British insurers will probably have to pay most of the $14 million claim for the six commercial airliners parked at the Beirut airport that were destroyed during the Israeli invasion of Lebanon (see story, page 2). The risks were insured in the French market but reinsured in London, the ILU said.

Underwriters paid very few claims for damage suffered by commercial ships in the Falkland Islands war because the British government paid the claims of ships that were requisitioned to help serve the British fleet.

Underwriters did, however, pay a $20 million claim for a British vessel, the Hercules, which was bombed by an Argentine fighter while sailing off the coast of South America and later scuttled. ■

Competition holds aviation rates down

Continued from page 2
ceeding the estimated $100 million paid for the 1979 American Airlines DC-10 crash in Chicago, which killed 274 people.

Ten fatal commercial airline accidents killed about 1,000 people in 1982, including two major accidents in the United States: the January crash of an Air Florida Boeing 737 in Washington, D.C., which killed 70 people, and the July crash of a Pan American World Airways Boeing 727 near New Orleans, which killed 138.

So far this year, according to the Aviation Information Services spokesman, hull losses have totaled $17 million, including the recent crash of a Turkish Airlines 727 jetliner (*BI*, Jan. 24).

If aviation insurance rates do hold steady as Mr. Purdue predicts, it will be a welcome relief for U.S. airlines, which were hit with rate increases ranging between 20% and 25% during last July's renewals (BI, July 5, 1982).

College to offer reinsurance course

NEW YORK—The College of Insurance will present its "Brief Course in Reinsurance" seven times in the next six months.

The six-hour course is designed for new reinsurance personnel, underwriters, agents and brokers and risk managers who know little about the reinsurance market. It covers the purposes of reinsurance and explains different types of coverages.

The course will be presented in New York City at the college's headquarters at 123 William St. on Feb. 24-25, March 24-25, May 19-20 and June 23-24.

The course will be presented in Los Angeles at the college's building at 3142 Wilshire Blvd. on April 14-15 and July 21-22.

In Chicago, the course will be presented on March 28 at a location yet to be determined.

The fee for the course if taken in New York is $105, while the fee in Los Angeles is $95 and the fee in Chicago is $135.

For information on the Chicago and New York courses, contact Margaret Wilder, The College of Insurance, 123 William St., New York, N.Y. 10038. For information on the courses to be held in Los Angeles, contact Gilda Hazan, The College of Insurance, Western Division, 3142 Wilshire Blvd., Los Angeles, Calif. 90010. ■

insurance services guide

AN EMPLOYER'S GUIDE FOR DEALING WITH HMO FAILURES
How and why of HMO failures — Warning signs of an HMO in trouble —Evaluating an HMO—HMO financial plans-Protecting the company— Much more—$25.00 per copy. Personnel Research Associates, 49 Oakridge Rd., Verona, N.J. 07044.

JOE P. MOSS, President PHONE 615-329-2311 TLX 786546
The Tennessee Company
ADJUSTERS AND SURVEYORS
TN. AND ATLANTA, GA.
HOME OFFICE - 1720 WEST END BLDG. NASHVILLE, TN. 37203
35 YEARS

Safety Engineering Consultants, Inc.
65 SHORE ROAD
LAKE HOPATCONG, N.J. 07849 • 201-663-0567
- PROPERTY UNDERWRITING SURVEYS
- LOSS INVESTIGATIONS
- EXPERT ENGINEERING TESTIMONY
- BUSINESS INTERRUPTION ANALYSIS
- INSPECTION SERVICES FOR CAPTIVES
- LOSS CONTROL PROGRAMS

LOSS RESERVE CERTIFICATION
Merger/Acquisition
Total Claim Management & Technical Services
John J. O'Connor, B.A., L.L.B., I.I.A.
J. J. O'Connor & Co.
Watch Hill Road
Watch Hill, RI 02891
(401) 348-8386 24 hour service

- Fire Protection Engineering
- Sprinkler System Design
- Underwriting Reports
- Fire and Security Alarm System Design
- Building and Fire Code Consultation
- OSHA—Safety Engineering

Schirmer
SCHIRMER ENGINEERING CORPORATION
707 Lake Cook Road • Deerfield, IL 60015 • 312 272-8340

ATWOOD & CO.
Consulting Actuaries
Claim Reviews
Reinsurance and Reserve Analysis
for Captives and Self Insurers
5000 Ambrose Ave.
Los Angeles, CA 90027
(213) 661-9260

FIREMAN & KRAMER
Defense Counsel
All N.Y.C. Area Courts
Contact: Anthony LaBella, Esq.
305 Avenue U
Brooklyn, New York 11223
(212) 996-9600

GYORY ASSOCIATES, INC.
PROFESSIONAL RISK MANAGERS
Risk Financing
Insurance-Risk Consulting
Latent Disease Product Liability Management
172 Franklin Avenue, Ridgewood,
N.J. 07450 (201) 445-8350

CHAPIN Associates
compensation insurance consultants to California buyers
Captive studies Dividends
Associations Xmod audits
Claims Self-ins studies
415/283 7850
Box 1444, Lafayette, CA 94549

CASUALTY ACTUARIES, INC.
Robert F. Lowe F.C.A.S., M.A.A.A., F.C.A
- Loss Reserve and Rate Evaluations for Insurance Companies and Self-Insureds.
- Statutory letters of opinion on loss and loss expense reserves.

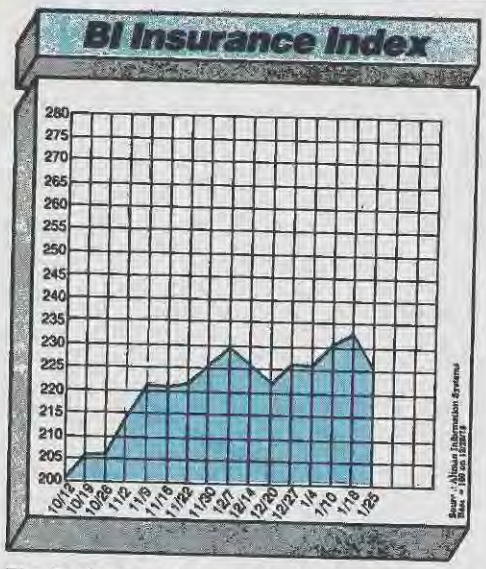
12300 Olive Boulevard
St. Louis, MO 63141
(314) 878-5002

Loss Prevention Surveys "PLUS"
Rolf Jensen & Associates, Inc.
Fire Protection Engineers
Building Code Consultants
For Information Nationwide:
Mr. Peter Schontag, P.E.
Rolf Jensen & Associates, Inc.
620 Contra Costa Boulevard
Pleasant Hill, California 94523
(415) 680-0350

SMART'S HEALTH & SAFETY MANUAL for PUBLIC AGENCIES
- $150. ANNUALLY
- MANUAL
- 10 MONTHLY UPDATES
- 10 MONTHLY NEWSLETTERS

SMART'S
154 Sunnyside Drive
San Leandro, Ca. 94577

For advertising information in the INSURANCE SERVICES GUIDE Contact: Emily Webb, 740 Rush Street, Chicago, Illinois 60611. Telephone (312) 649-5340.



The *Business Insurance* stock index dipped 7.8 points to 225.5 during the week ending Jan. 25. Eight stocks gained, 14 were unchanged and 44 declined. The largest gains were reported by Statesman Group Inc., 3.4%; Gulf United Corp., 3.1%; Bitco Corp., 1.7%; Employers Casualty Co., 1.4%; and Lincoln National Corp., 1.4%. The largest loss, 23.2%, was reported by Alexander & Alexander Services Inc. after it announced a sharp reduction in its quarterly dividend (*BI*, Jan. 24). Other large declines were posted by American Indemnity Financial Corp., 21.9%; Excelsior Insurance Co., 9.5%; Integrated Resources Inc., 7.7%; and Hartford Steam Boiler Inspection & Insurance Co., 7.3%. Overall, the *BI* index posted a 3.3% decline.

British Issues

25 Jan Companies	Price pence	P/E	Div. pence	Yield %	1 Week High—Low pence	pence
Comml Union	142	23.6	16.86	12.0	144—141	
Eagle Star	350	14.1	21.43	6.2	360—348	
Genl Accident	404	13.7	23.21	5.8	404—382	
Gdn Royal Exch	418	12.0	25.00	6.0	418—394	
Phoenix	320	16.9	24.00	7.5	320—316	
Royal	492	12.1	36.07	7.7	492—480	
Sun Alliance	1012	16.9	61.43	6.1	1012—988	
Brokers						
CE Heath	325	9.3	18.71	5.8	337—325	
Hogg Robinson	100	7.7	8.57	8.6	104—100	
JH Minet	111	10.1	5.43	4.9	117—110	
Sedg Grp	212	12.1	8.57	4.0	214—210	
Stenhouse Hldg	101	9.4	7.86	7.2	103—100	
Stew Wrightson	250	8.9	18.57	7.4	255—250	
Willis Faber	520	13.0	21.43	4.1	540—520	

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

ISU trying new approach to lure agency franchises

By LEN STRAZEWSKI

ISU COS. INC., which once promised "insurance systems unlimited," is now selling insurance services quite limited. But despite years of financial losses and a major philosophical upheaval, Merrill Lynch Corp.'s major investment in the insurance distribution system keeps growing.

However, the San Francisco-based insurance agency franchise company, which is just beginning its sales promotions to agents in Chicago and New York, seems to be much humbled by its slow growth and a generally negative reaction to the advanced risk management services it has offered over the past three years.

The new operating structure, referred to by some of its executives as ISU/InsurorsGroup to reflect its merger with another California agency organization (*BI*, Nov. 8, 1982), is much less a risk manager's company and much more a traditional agency marketing vehicle.

Its new approach, emphasizing the knowledge and skills of independent agents rather than the intellectual resources of ISU, is quite a turnaround from two years ago. The company then actively promoted its services with the slogan, "Because knowledge is the best insurance" and an illustration of Chairman Thomas J. Ryan looking up at the stars.

The new slogan, sans Mr. Ryan, reads, "Because *your* knowledge is the best insurance" and reflects a new willingness to let the franchise concept be molded by its participants.

"What we are trying to to tell you is that we are honest and sincere guys who are trying to provide you with the products and services you say you need to make money in return for your franchise fees," Tom Williams, the new executive vp of ISU/InsurorsGroup and a former agency president told 10 selected agents at a recent Chicago presentation.

"When you talk to us, we will listen," he said.

ISU has also changed what an agent needs to get the franchisor's attention.

Partly in response to complaints from its original 100 or so members in the Western states and partly to accommodate the more than 200 agents nationwide it acquired when it merged with Santa Monica, Calif.,-based InsurorsGroup, the franchisor has lowered its franchise fees substantially. An agent now must pay $1,500 plus $250 a month to belong to ISU, compared with the former $5,000 and 6% of monthly revenues.

Although the company is keeping risk-management and loss-prevention consultants on retainer for simple queries, the consulting services once available free must now be purchased by a member. The mass-marketing techniques previously shunned by the franchisor are now being promoted to provide specialty insurance products for agency franchisees and management fees for ISU.

In lieu of giving services to each franchisee, the company is investing more energy in helping the members help themselves, says A. Russell Chaney, ISU's vp-education and training.

The company is sponsoring a "network brokerage" technique that it derived from InsurorsGroup that allows members to find insurers and countersignatures through other members or to place coverage directly into the excess/surplus markets through the franchise's first E/S brokerage member, Babcock Co. of Omaha, Neb.

If an ISU agent has an idea for a mass-marketed coverage that many members can use, ISU will also help the agent develop the program and market it to the other members.

"We are promoting the strength and resources of size," Mr. Chaney said, "because ISU agents representing a combined premium of $3.5 billion have more clout with insurers than one agent with $500,000 in premium."

National advertising and promotion, once a keystone of the ISU approach, has proved less important to agents, Mr. Chaney said, and therefore has been eliminated until the network is complete or until agents once again ask for it.

The changes in cost and philosophy had to come, ISU executives and insurance industry observers say, because the franchise network just wasn't growing as fast as promised and wasn't yet producing signs of a return on the $15 million in capital supplied by Merrill Lynch and individual investors.

According to ISU's most recent uniform franchise-offering circular, the company has lost more than $8.9 million since it was officially launched, including thousands of dollars on advertising and promotion campaigns later scrapped by the company.

In the fiscal year ending June 30, 1982, ISU Cos. Inc. reported net loss of a bit less than $3.3 million and expenses of about $4.5 million. A sign of its slow growth, ISU actually made more money on the investment of its reserve capital than it made on all of its service and program fees. Investment income totaled $473,000, or nearly 40% of its $1.2 million in revenues for 1982. Initial franchise fees generated only $249,000 and the monthly service fees and program income generated only $471,000.

There was one positive sign: The percentage of revenues derived from franchise fees was up from 1981, even though the company had produced overall revenues and a smaller net loss that year. In 1981, interest income provided almost 53% of ISU's total $1.5 million income against about $4 million in expenses and a net loss of about $2.6 million.

Reflecting ISU's new emphasis on personal contact, the 1982 expense mixture also changed. Salaries and payroll taxes increased 21% in 1981, to about $2.4 million from about $1.9 million, while advertising and promotion expenses dropped by 61%, to $230,000 in 1982 from $583,000 in 1981. Executive recruiting and consulting fees, which cost the company $266,000 in 1981, aren't even listed as significant line items on the 1982 financial statement.

ISU's biggest new expense items in 1982 were related to its new geographic spread: Occupancy costs grew 59% to $863,000 in 1982 and travel expanded 28.7% to $443,000.

For the 1983 fiscal year, ISU's finances seem to be improving on the strength of more modest expenses, according to an unaudited financial statement for the first five months contained in the franchise circular.

The net loss for five months is reported at a little more than $1.1 million, with expenses of about $1.4 million. Revenues, reflecting a delay as ISU and InsurorsGroup integrated their operations, seem signficantly off the pace at about $263,000. Advertising and promotion expenses, however, continue to decline. In the first five months, the company spent only about $28,000 on these items.

Have Merrill Lynch and other investors complained about a history of losses rather than gains? ISU executives have repeatedly denied that any change in the ISU structure has been the result of pressure from investors, and Sales Vp Terry M. Borchers told prospective members in Chicago that losses were to be expected from such a new and ambitious project.

How long will that answer satisfy franchisees and investors? No one knows or is willing to speculate, but at least Merrill Lynch can afford to wait. The financial services company recently posted its best fourth quarter ever, with profits tripling to $142.5 million and revenues growing 40% to $1.56 billion. ■

BI Industry Stock Report

JAN. 25, 1983 1/19/83 THRU 1/25/83

Insurance Cos.		Price	Chg	P E	S Div	Yld	High	Low	Vol (000)
Aetna Life & Cas Co	NYSE	35.00	-4.4	5.7	2.52	7.2	35.38	34.00	1,621.7
American Bankers Ins Group	OTC	10.75	0.0	8.4	0.50	4.7	11.00	10.75	158.3
American Gen Ins Co	NYSE	61.00	1.2	8.4	2.20	3.6	63.00*	60.75	295.0
American Indty Finl Corp	OTC	19.13	-21.9	14.6	1.12	5.9	24.50	19.13	58.6
American Intl Group Inc	OTC	71.50	-5.0	10.6	0.24	0.3	74.50	69.75	499.5
American Natl Ins Co	OTC	15.38	-4.7	6.8	0.84	5.5	16.13	15.38	58.9
American Sts Life Ins Co	OTC	21.50	-6.5	6.5	0.88	4.1	23.00	21.50	4.2
Aneco Reins Ltd	OTC	2.63	0.0	0.0	0.00	0.0	2.63	2.63	4.8
Avemco Corp	AMEX	14.75	-7.1	8.5	0.58	3.9	15.38	14.75	17.3
Banks Iowa Inc	OTC	40.00	0.0	9.8	1.48	3.7	40.00	40.00	1.9
Bitco Corp	OTC	30.50	1.7	5.0	1.92	6.3	30.50	30.00	14.1
Carolina Cas Ins Co	OTC	7.38	0.0	8.9	0.32	4.3	7.38	7.38	1.5
Chubb Corp	OTC	47.50	-7.1	7.7	2.92	6.1	51.13	46.75	113.7
Combined Intl Corp	NYSE	29.00	-1.7	8.7	2.00	6.9	29.13	27.75	273.6
Continental Corp	NYSE	27.50	-5.2	8.7	2.60	9.5	28.75	26.75	318.4
Crawford & Co	OTC	18.50	-2.6	13.8	0.57	3.1	18.75	18.50	81.0
Crown Life Ins Co	OTC	88.38	0.0	5.8	3.10	3.5	88.38	88.38	0.0
Crum & Forster	NYSE	55.38	0.0	11.4	1.76	3.2	55.38	55.38	1,426.5
Employers Cas Co	OTC	35.50	1.4	16.1	1.20	3.4	35.50*	34.75	12.2
Equifax Inc	NYSE	27.00	-5.3	14.3	1.32	4.9	28.25	27.00	29.6
Excelsior Ins Co	OTC	9.50	-9.5	0.0	0.70	7.4	10.50	9.50	4.1
Farmers Group Inc	OTC	36.00	-5.3	10.0	1.24	3.4	37.75	36.00	390.2
Foremost Corp Amer	OTC	39.00	-6.0	11.9	1.12	2.9	40.50	38.75	43.7
Great West Life Assurn Co	OTC	200.00	0.0	16.3	10.00	5.0	200.00	200.00	0.0
Hanover Ins Co	OTC	34.75	-1.4	5.1	0.88	2.5	35.00	34.50	23.0
Hartford Steam Boiler Insptn	OTC	41.00	-7.3	8.7	2.80	6.8	43.75	41.00	8.8
Jefferson Natl Life Ins Co	OTC	43.00	-5.5	12.0	0.76	1.8	45.50	43.00	6.7
Kemper Corp	OTC	38.25	-2.5	7.3	1.80	4.7	39.25	37.88	123.5
Lincoln Natl Corp Ind	NYSE	46.00	1.4	8.3	3.00	6.5	46.88	43.75	135.3
Mission Ins Group Inc	NYSE	29.50	-3.3	7.0	0.80	2.7	30.38	27.50	97.5
Nationwide Corp Ohio	OTC	40.75	0.6	12.1	0.70	1.7	41.00*	40.75	4.5
Northwestern Natl Life Ins	OTC	30.63	-4.3	16.7	1.50	4.9	31.63	30.63	50.2
Ohio Cas Corp	OTC	43.63	-6.2	8.2	2.36	5.4	46.25	43.25	78.1
Old Rep Intl Corp	OTC	21.75	-4.4	5.0	0.92	4.2	22.75	21.00	73.4
Preferred Risk Life Ins Co	OTC	23.50	-3.1	6.9	0.92	3.9	23.88	23.50	7.0
Provident Life & Acc Ins Co	OTC	46.00	-5.2	7.0	2.44	5.3	48.50	46.00	42.0
St Paul Cos Inc	OTC	56.75	-2.6	7.1	2.60	4.6	58.38	55.50	367.6
Safeco Corp	OTC	46.63	-7.0	8.1	2.40	5.1	49.00	45.88	89.5
Sri Corp	OTC	37.50	-0.7	7.8	1.12	3.0	38.00	37.50	106.6
Seibels Bruce Group Inc	OTC	24.75	-6.8	22.7	0.80	3.2	25.75	24.63	100.9
Statesman Group Inc	OTC	7.50	3.4	6.7	0.15	2.0	7.50	7.38	43.3
Tokio Marine & Fire Ins Co	OTC	94.50	-6.2	15.1	0.92	1.0	99.00	94.00	5.0
Travelers Corp	NYSE	23.88	-3.0	6.5	1.80	7.5	24.75	23.88	928.8

JAN. 25, 1983 1/19/83 THRU 1/25/83

		Price	Chg	P E	S Div	Yld	High	Low	Vol (000)
United Fire & Cas Co	OTC	29.25	-3.3	7.8	0.88	3.0	29.75	29.25	3.2
United States Fid & Gty Co	NYSE	40.00	-4.5	9.8	3.60	9.0	41.25	39.38	327.3
United Svcs Life Ins Co	OTC	18.00	-2.8	6.4	1.00	5.6	18.66*	18.00	54.0
Ustife Corp	NYSE	23.13	0.5	5.1	0.88	3.8	23.25	22.50	169.9
Washington Natl Corp	NYSE	23.00	-7.1	11.3	1.08	4.7	24.50	22.88	114.7
Zenith Natl Ins Corp	OTC	20.00	0.0	10.0	0.80	4.0	20.00	19.00	54.7
INSURANCE COMPANIES	AVERAGE			9.0		4.3			
Agents/Brokers									
Alexander & Alexander Svcs	NYSE	19.00	-23.2	8.5	1.94	10.2	23.75	19.00*	1,230.4
Baldwin & Lyons Inc	OTC	40.00	0.0	6.6	0.80	2.0	40.00	40.00	1.7
Corroon & Black Corp	NYSE	31.00	-0.8	15.3	1.80	5.8	31.38*	30.75	118.4
Crump E H Cos Inc	OTC	10.00	0.0	16.9	0.40	4.0	10.00	10.00	36.4
Emett & Chandler Cos Inc	OTC	10.88	0.0	35.4	0.00	0.0	10.88	10.88	1.4
Hall Frank B & Co Inc	NYSE	32.88	-1.5	14.2	1.70	5.2	34.63*	32.88	424.6
Integrated Res Inc	AMEX	32.75	-7.7	9.9	0.00	0.0	35.50	32.50	134.8
James Fred S & Co Inc	NYSE	33.25	0.0	16.8	1.60	4.8	33.25	33.25	0.0
Marsh & Mclennan Cos Inc	NYSE	40.38	-0.9	12.5	2.20	5.4	41.50	39.75	198.3
Penncorp Finct Inc	NYSE	13.50	0.0	8.4	0.16	1.2	0.00	DID NOT TRADE	
Poe & Assoc Inc	OTC	10.00	0.0	9.8	0.80	8.0	10.00	10.00	1.5
Reed Stenhouse Cos Ltd	OTC	13.75	-3.5	13.6	0.60	4.4	14.00	13.75	17.6
AGENTS/BROKERS	AVERAGE			11.2		4.2			
Conglomerates/Holding Cos.									
American Express(Fireman's Fd)	NYSE	63.13	-4.9	10.5	2.40	3.8	65.00	61.25	1,793.4
Anderson Clayton(Ranger/PanAm)	NYSE	26.83	1.4	7.4	1.32	4.9	27.38	26.38	44.5
Armco Inc	NYSE	16.75	-6.3	0.0	1.20	7.2	17.75	16.75	366.4
City Investing Co. (Home Ins.)	NYSE	29.25	-5.6	9.1	1.70	5.8	30.63	28.88	376.3
CNA Finl Corp (CNA)	NYSE	17.63	-2.1	6.9	0.00	0.0	18.25	17.63	44.0
Control Data (Comml. Credit)	NYSE	41.50	-1.8	10.2	0.60	1.4	41.50	38.88	735.3
General Re Corp	NYSE	55.50	-5.1	12.2	1.08	1.9	58.00	54.25	278.9
Gulf Utd Corp	NYSE	29.25	3.1	10.3	1.32	4.5	29.25*	28.38	462.3
Cigna Corp	NYSE	39.50	-6.2	5.8	2.30	5.8	42.00	39.50	745.6
ITT (Hartford Group)	NYSE	32.25	-1.9	7.3	2.76	8.6	32.50	31.25	1,302.7
Optimum Hldg Corp	OTC	8.25	-2.9	7.9	0.00	0.0	8.50	8.25	6.5
Sears Roebuck & Co. (Allstate)	NYSE	28.38	-1.7	12.9	1.36	4.8	28.50	27.63	2,078.6
Baldwin Utd Corp	NYSE	28.50	-13.3	5.6	0.88	3.1	32.50	28.50	723.4
Teledyne Inc (Argonaut)	NYSE	144.38	-1.6	11.4	0.00	0.0	145.00	140.25	973.2
Transamerica Corp (Occidental)	NYSE	21.38	-3.9	7.5	1.50	7.0	22.38	21.38	505.7
CONGLOMERATES/HOLDING COS.	AVERAGE			9.6		3.2			

*Record high/low since Jan. 1, 1982

System design: Altman Information Systems

Financial briefs

Catastrophe losses

Property/casualty insurance companies paid more than $1.5 billion in catastrophe claims in 1982, according to the American Insurance Assn.

The 1982 catastrophe payout was the second-highest in history, following 1979 when the industry paid $1.65 billion for damage caused by Hurricane Frederic and other disasters. The 1982 figure was about double the amount of catastrophe claims paid in 1981.

Most of the 1982 disaster claims—$1.1 billion—were incurred in the first half of 1982. The worst incident, an April 2-4 storm system that hit 24 states with high winds, tornadoes, hailstorms, blizzards and ice storms, caused $224 million in property damage. A Jan. 8-14 winter storm caused $220 million of damage in 26 states.

The AIA defines a catastrophe as an incident or series of incidents that causes insured property damage of more than $5 million. ■

"Hey Fred, I think we just found a quality source for those tough specialty problems."

Alexander & Alexander has discovered a quality source for tough specialty problems: Hartford Specialty. You can, too. Don't make a decision on *any* specialty business without a quote from Hartford Specialty.

HARTFORD SPECIALTY

Performance is our specialty.

Hartford Specialty Company. An affiliate of The Hartford Insurance Group, Hartford, Conn. 06115. Products and services: underwriting and risk financing programs. Claim, loss control and captive services. Global marketing and worldwide coverages.