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business insurance®

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update:

Amendment would dilute N.J. deregulation bill

TRENTON, N.J.—State lawmakers are considering an amendment that would seriously weaken efforts to deregulate New Jersey's large commercial and special risk lines, despite of the threat of a governor's veto.

Under the proposal, only conventional single-line insurance policies costing less

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Zooming in on the market

New products let buyer fund more risks but cap the costs

By LISA BERGSON and KATHRYN J. McINTYRE

New insurance products born of price and product rivalry among insurers appeal to companies that want to fund more of their own risk and yet cap their annual out-of-pocket expenses.

Although different insurers offer different products to accomplish this goal, these products can be generally categorized as:

- An aggregate stop-loss insurance policy that will cut across all lines of property and casualty insurance to cap annual retained losses.
- An aggregate deductible program, which adds one aggregate deductible for several lines of insurance written by the same insurer, each with its own per occurrence deductible.
- Combined deductibles under property programs, in which one deductible applies when a loss involves what traditionally have been separate insurance policies.

These products all aim to accomplish one goal: create predictable self-funded loss costs.

In addition, the aggregate deductible program, as it is called by one of its underwriters, is a potential competitor of the paid-loss retrospectively rated insurance policy.

Some hail these three products as providing the kind of certain protection for corporate earnings that has long been lacking under multiple policies with varying and multiple deductibles. Many a risk manager and consultant has puzzled and worried over the accumulation of deductible or self-insured retention costs should a loss strike several corporate operations and more than one policy must respond with their varying deductibles or SIRs.

Others say these developing products are unnecessary if the total insurance program is properly structured. They also fear these products will disappear if the insurance market tightens and insurers can put their money at risk on more lucrative lines of insurance.

Written as a separate excess insurance policy that will pay losses accumulating under various other policies with self-insured retentions and deductibles, the product is most often called just "aggregate stop-loss" insurance.

Written as a kind of super deductible that will stop losses under

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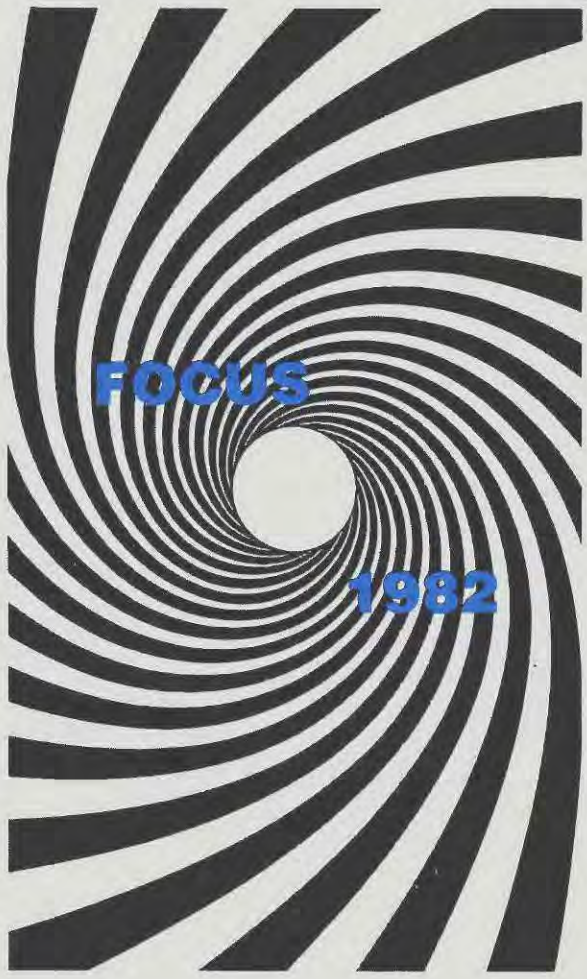

End of cheap rates is near, but bargains are still plentiful

BI Roundup

The end is near for cheap insurance rates, brokers and insurers say.

But before the rate increases finally hit by the end of 1982 or beginning of 1983, buyers can still find some bargains and prepare for rate increases and coverage problems in commercial auto and environmental impairment insurance.

For most of this year, insurer competition may be like the last days of the Roman Empire: extravagant, but bothered by a growing malaise that will take its toll only when change is absolutely necessary.

That's the picture that seems to be painted by brokers who regularly shop the markets.

Insurance Management Corp. President Robert Hilb foresees only a slight increase in insurance rates during 1982.

"I think rates have pretty much bottomed out, but I don't think we'll see any real turnover in the next year," he says. "We (the industry) will be fortunate if they go up 5% to 6%. I hope I'm wrong and they go up more, but I doubt it."

Commercial trucking and automobile coverages, comprehensive general liability, medical malpractice and professional liability insurance are all showing signs of future rate increases, he says.

"We see within our system a slight firming of rates. Normal property and liability rates are beginning an upward creep."

He sees little change in surety bond rates since they are highly structured. But performance bonds for major construction work, while having stable rates, are not easy to place because insurers are cautious about the high incidence of bankruptcy among building contractors.

"Frankly, I thought starting 1981 that the rates would level off," remarks John McCaffrey, executive vp of Frank B. Hall & Co. Inc. "Starting 1982, I don't know. I don't know how much lower you can go. I don't think anyone would have said there would be as much price-cutting this year as there was," he says.

Rates, however, pivot on how well insurers are prepared to face growing loses.

"I think they're preparing for it because they realize that a

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Iowa firms team up to trim hospital costs

By STEVE SHERWOOD

NEWTON, Iowa—"I don't believe Iowans are any sicker than other Americans," says Ray Storey, vp of personnel for Maytag Co.

"I believe that for some reason people here have gotten into the habit of using hospitals more frequently," he adds. For some Iowa companies, employee hospital admission rates are 30% to 40% higher than the national average.

Maytag and four other large Des Moines-area employers—Meredith Corp., the Des Moines Register & Tribune Co., Pioneer Hi-Bred International Inc. and Northwestern Bell Telephone Co.—want to break this expensive habit.

They have banded together in an informal alliance with their health plan insurer and administrator, Blue Cross & Blue Shield of Iowa, to fight excessive hospitalization, encourage the use of outpatient alternatives and teach employees to be better medical care consumers.

At their urging, Blue Cross has provided the companies with detailed information they need for health care cost-containment efforts. It is giving them data that shows how much each company is spending on inpatient vs. outpatient treatment, certain types of surgical procedures and other medical procedures.

The companies are considering changing benefit plans to make employees share more of the cost of their health care and are working with other Iowa employers to form a health maintanence organization in Des Moines to reduce use of inpatient hospital services.

Another large company, farm implement manufacturer Deere & Co., has been monitoring hospital use for three years and has reduced its employees' utilization rate by 26%.

And Blue Cross has taken successful action of its own. It started a hospital utilization review program for commercial policyholders in January 1981 to assure that all hospital admittances are medically necessary and to screen out those that are not.

In 1980 Blue Cross group members were admitted to Iowa and Des Moines hospitals at rates exceeding the national Blue Cross plan average by 34% and 44% respectively, Blue Cross records show. At the same time, the number of patient days per 1,000 participants exceeded the national average by 26% and 30%. The use of outpatient services was about 29% below the national average in both the state and Des Moines.

Employers say previous years were no better. Total annual expenses at five Des Moines hospitals jumped 398% to $159 million from

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N.J. deregulation bill threatened

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than $10,000 or multiperil policies costing less than $25,000 would be regulated by the state.

Those lines that are designated special risks by the state insurance commissioner also would be exempt from regulation.

Yet an amendment, tacked on by the Assembly's Banking and Insurance Committee after a request from the Professional Insurance Agents of New Jersey, would require the Insurance Department to approve all policy forms regardless of their cost.

An aide to Gov. Brendan Byrne says the governor, who supports deregulation, probably would veto a bill containing the amendment.

DC-10 maker, airlines to meet

CHICAGO—McDonnell Douglas Corp. has told airlines flying its DC-10 jetliner that it plans a mid-January "all operators meeting" to discuss problems with the aircraft's leading-edge slat system, industry and government sources say.

"We know they have some redesign in hand," said an FAA official familiar with the Douglas-FAA studies.

The FAA and Douglas have been conducting detailed engineering and probability studies on the slat system since a Sept. 22 incident involving an Air Florida DC-10 at the Miami airport. An engine disintegrated during the craft's takeoff roll and shards of metal severed a hydraulic line and a metal cable, National Transportation Safety Board investigators have found. The pilot was able to stop the plane well before takeoff and there were no injuries.

As a result of the damage, the slats on one wing of the craft were found to have retracted in a manner similar to what occurred in the May 25, 1979, crash of a DC-10 near Chicago, which killed 273.

Industry and government officials are concerned about whether a DC-10 would be controllable should a massive engine failure occur at a point when the aircraft must lift off.

One source said the meeting was planned for for Jan. 14 or Jan. 15 and had been announced in a teletype message from Douglas.

Exchange director named

CHICAGO—James M. Skelton, 42, has been named executive director of the Illinois Insurance Exchange. Mr. Skelton, a former Champaign, Ill., insurance broker, has been interim executive director since the exchange was authorized in 1980. He formerly was an assistant director of the Illinois Department of Insurance.

MGM may scrap film

LOS ANGELES—Metro-Goldwyn-Mayer Inc. probably will scrap Natalie Wood's unfinished film "Brainstorm", leaving insurers to settle the total loss.

According to a Lloyd's of London underwriter, "$12 million is the maximum insurers could pay if MGM wanted to abandon it and are able to get all their money back from insurers."

But artists, lawyers and insurers, including Lloyd's, Excess Insurance Co.in London and Pacific Indemnity in Los Angeles, were still debating last week how much to pay on MGM's film producer's indemnity policy. Lloyd's, through Stewart Wrightson Holdings Inc.'s film pool, insured the first $5 million, and Pacific Indemnity has a $10 million excess layer over $5 million, MGM's broker Bayly, Martin & Fay confirmed (*BI*, Dec. 7).

Truck tire rim rule dropped

WASHINGTON—The National Highway Traffic Safety Administration has dropped plans to require manufacturers to change the design of multipiece rims used on tube-truck tires.

In announcing its decision, the agency noted that an Occupational Safety and Health Administration regulation for tire shops that service the rims provides adequate protection for workers.

In addition, it said multipiece rims are gradually being phased out as truckers switch to radial tires that use single-piece rims.

Several manufacturers of multipiece rims face dozens of product liability suits from plaintiffs who charge that defectively designed rims have caused tires to explode with enormous force. The manufacturers deny the charges and say they have not lost a tire rim lawsuit yet.

Court reduces taverns' liability

ANNAPOLIS, Md.—Tavern owners cannot be held liable for accidents caused by intoxicated customers to whom they serve drinks, the state Court of Appeals has ruled.

The appeals court said since the state has not enacted legislation making bar owners liable for the actions of drunken patrons, it would be overstepping its judicial authority if it ruled against the tavern owner, who was sued after a 1977 traffic accident involving a drunk driver.

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Bill would hold asbestos, tobacco companies liable

By EILEEN NORRIS

WASHINGTON—Asbestos manufacturers, employers who use their products and the tobacco industry would foot the entire tab for asbestos-related disease claims under a new bill introduced in Congress.

The government would have no financial responsibility under H.B. 5224, but the Department of Labor would administer the proposed compensation fund and have authority over adjusting costs between the responsible parties.

This newest asbestos legislation, which was introduced Dec. 15 by Rep. Millicent Fenwick, R-N.J., puts the burden of paying asbestos-related claims squarely on the back of asbestos manufacturers, employers that use the cancer-causing fiber in their products and t tobacco industry. Defendants in asbestos lawsuits cla that smoking increases the chances of a worker dev oping asbestosis and, therefore, the tobacco indu should share the liability.

The Fenwick bill sits across the congressional ai from a measure proposed by Sen. Gary Hart, D-Col which would set a federal benefit standard for bestos-related disease claims for each state's work compensation system to administer.

Both bills share the same name—the Asbestos Hea Hazards Compensation Act—but there are major d ferences between the two pieces of legislation.

Sen. Hart's bill would have the government sha

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Lloyd's, Itel draft final settlement

Itel Corp.'s three-part agreement with Lloyd's of London to settle outstanding computer leasing losses could help the financially troubled company back to its feet if the agreement is approved by a federal bankruptcy court in San Francisco as expected.

"The liability for the company's maximum potential obligations of $100 million has been a major problem for the company and creditors have been worried about it," says an Itel spokeswoman. "The settlement is a major step to bringing the company back on its feet."

Itel is asking the court to approve the three-part settlement with Lloyd's that includes:

- A continuation of the settlement program that Lloyd's and Itel set up in 1980 to pay for more than $300 million in computer-leasing insurance claims. Lloyd's will continue to pay claims directly to the owner/lessor of the leased computer instead of through Itel, as originally set out in the policy. And Itel will continue to help Lloyd's remarket the leased computers, with proceeds applied to claims.
- Itel receiving $4 million from Lloyd's insurers as a cash settlement for the outstanding claims the company has against underwriters. As of Jan. 15, 1980, Itel claimed $11.4 million for its own outstanding losses and received about $1.4 million from Lloyd's, said the Itel spokeswoman.

In addition Lloyd's will release to Itel $2 million that had been held in escrow in a New York bank for some of the computer-leasing losses.

- Lloyd's and Itel also will mutually release each other of any further claims they might make, which accounts for the bulk of any outstanding liabilities Itel may have, said the spokeswoman. Under a reservation of right clause in the computer leasing insurance policies, Lloyd's paid all computer leasing settlements, but had reserved the right to ask Itel for payment if Lloyd's disputed the claim. The settlement removes the clause and its consequences.

The leasing losses stem from a dramatic drop in the value of leased computers. When leases were not renewed, the resale value was far below the anticipated lease revenue, a loss insured by Lloyd's.

The settlement also releases Itel from reserving $81.3 million for losses Lloyd's might have asked for. "The $81.3 million reserve was set up for future payments Itel might have had to make," said John C. Kingery, president of Itel's lease finance division. With the settlement approved, Itel can move this reserve—which is just in the books and not in the bank—back into the income bracket.

It is hoped that this settlement will not only help troubled Itel out of financial hot water, but also will insure all payments are made to the owner/lessors on the computer leasing losses by March 1982.

"We anticipate that our obligation will be substantially eliminated by the settlement," said Mr. Kingery. And by March, "the payments will be made and the program will be over."

—By Stacy Shapiro

2 Lloyd's syndicates' umbrellas to exclude long-latent injuries

By STACY SHAPIRO

LONDON—Two leading Lloyd's of London syndicates no longer will cover long-latent injury claims under umbrella liability insurance policies.

Janson, Green Ltd. and P.C.W. Underwriting Agencies Ltd. have jointly written a health hazard exclusion clause into their umbrella liability insurance policies. The exclusion, which will be written into new policies and renewals, eliminates all umbrella insurance coverage for long-latent diseases.

No other syndicates, however, have said yet they will follow the lead of P.C.W. and Janson, Green, whose chairman is Peter Green, chairman of Lloyd's. And, most Lloyd's sources predict insurance buyers will refuse to accept a policy with such an exclusion.

The syndicate underwriters counter that the estimated $1 billion paid for asbestosis claims is just the "tip of the iceberg" in latent disease claims. And they want to protect the Lloyd's names on their large marine syndicates from future losses.

The exclusion targets non-sudden injuries but the policy would still provide coverage for injuries caused by a sudden accident like a major explosion that releases toxic gas or cancer-causing agents, said Peter Lowsely-Williams, a director of Janson, Green.

The clause says that no coverage will be granted for any claims or expenses (including but not limited to defense costs) for personal injury "on account of continuous, intermittent or repeated exposure to ingestion, inhalation or absorption of any substance, material, produc waste, emission, noise or enviro mental disturbance where the a sured is or may be liable as a resu of the manufacture, production, e traction, sale, handling, utilizatio distribution, disposal or creation

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BI promotes Dampier; Drury, Bakasetas join staff

Editorial/Research Assistant Claudette Dampier has been promoted to assistant copy editor of *Business Insurance*, Editor Kathryn J. McIntyre announces.

In her new post, Ms. Dampier will have added responsibilities for compiling directories run in *BI* throughout the year and will edit the Perspective section of the magazine, plus assist with other editing.

Ms. Dampier

Ms. Dampier, 25, joined *BI* in 1980 as an editorial typist and became an editorial assistant in January 1981. In July, she was promoted to editorial/research assistant.

Sallie J. Drury will become the new editorial assistant. She will assist in compilation of *BI* surveys and listings and monitor the *BI* newsroom switchboard. She is a 1981 graduate of Ohio Wesleyan University where she earned a bachelor of arts degree in journalism and English.

Jim Bakasetas has joined the *BI* graphics staff as editorial production assistant. He will work closely with the typesetting department and assist in designing pages. Mr. Bakasetas is a 1981 graduate of the University of Illinois at Champaign-Urbana with a bachelor of fine arts degree in graphic design.

EPA to OK coverage for dumps' closure costs

By JOHN W. MILLIGAN

WASHINGTON—The Environmental Protection Agency, despite an apparent in-house squabble, will allow hazardous waste disposal facilities to fund their closure/post-closure costs with insurance.

At least one insurer, St. Paul Fire & Marine Insurance Co., has shown some interest in this particular coverage. It cooperated with the EPA in developing a possible insurance program.

In a related issue, the agency still plans on dropping third-party liability insurance requirements for hazardous waste treatment, storage and disposal facilities (TSDFs).

The EPA hopes to announce both moves in the form of proposals that it will publish in the Federal Register.

Under the Resource Conservation and Recovery Act of 1976, the EPA was authorized to establish financial responsibility standards for TSDF operators.

The term "financial responsibility" applies to a TSDF operator's ability to respond financially to a third-party liability claim.

It also deals with the ability of a disposal facility operator to pay for the costs of closing and/or monitoring a site once its useful life has passed. These are closure/post-closure costs.

Several regulations, which were scheduled to take effect Jan. 12, contained financial responsibility requirements for both third-party liability and closure/post-closure costs.

Photo: Springfield EPA

Hazardous waste sites rules are still pending.

The third-party liability requirements have been postponed until April, and insurance and industry officials are awaiting the EPA's proposal to drop the rules altogether.

EPA officials had planned on making that proposal last October (*BI*, Oct. 5, 1981), but this move has been delayed several times.

The reason, based on interviews with EPA and other federal officials, apparently stems from an in-house disagreement between regional and Washington EPA officials over the closure/post-closure proposal.

And since the agency wants to announce both proposals at the same time, this has delayed the long awaited announcement on third-party liability requirements.

George Garland, chief of the economic and policy branch of the EPA's solid waste division, says the new rules on closure/post-closure costs will allow these expenses to be funded with insurance coverage.

The rules also will provide for a financial strength test, allowing disposal facilities to guarantee these costs against their own financial strength. This approach, one insurance official says, would amount to self-insurance and would be most attractive to large corporations.

In the original regulations under the 1976 law, disposal facilities were permitted to guarantee such costs with a trust fund, bond or letter of credit. These alternatives are still available, too.

While he would not reveal the nature of the disagreement, Mr. Garland notes that "questions have been raised" about the rules by agency officials in EPA Region 8.

Based in Denver, this region includes Colorado and five contiguous states.

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Payroll-deduction IRA plans need not comply with ERISA

By JERRY GEISEL

WASHINGTON—Employers that want to help workers set up Individual Retirement Accounts through payroll deductions won't have to comply with Employee Retirement Income Security Act rules.

As long as a few basic procedures are followed, IRAs established through payroll deductions won't be considered pension plans covered by ERISA, the Labor Department said in an advisory opinion letter released last week.

The Economic Recovery Tax Act of 1981 allows employees to make tax-deductible voluntary contributions of up to $2,000 a year to an IRA or a company-sponsored qualified pension plan.

The number of employers interested in helping employees take advantage of the new IRA option could be substantial. A Hewitt Associates survey found that 36% of 422 employers planned to offer employees the opportunity to set up an IRA with their contributions to be made automatically through payroll deductions (*BI*, Dec. 28, 1981).

But some employers may have put their plans to set up an employee IRA payroll-deduction program on hold until the Labor Department made it clear that the new IRAs were not ERISA pension plans, consultants say.

Individual Retirement Accounts established through a payroll-deduction program will not be considered pension plans if certain conditions are met, according to the Labor Department. These include:

- Employers distributing materials describing the IRA payroll-deduction program must make it clear, in language that can be readily understood by the average employee, that participation in the program is voluntary.
- Employers must explain that an IRA may not be appropriate for all individuals. In addition, the employer must tell its employees that the company is not endorsing the sponsor of the IRA or the investment options offered by the sponsor.
- The employer cannot be the sponsor or an affiliate of the IRA sponsor.
- The funding medium is not identified to employees as having as one of its purposes investment in securities of the employer.

In addition, employers must promptly transfer withheld employee contributions to the IRA sponsor. Employers also cannot have any influence over investments of the IRA sponsor.

For example, arrangements in which the employer agrees to permit IRA payroll deductions on the condition that the IRA sponsor agrees to make a particular investment are barred under the Labor Department advisory opinion letter.

Finally, employers must explain that employees have the option of setting up IRAs on their own, independent of a payroll-deduction program. ■

Ideal Mutual to write Dart & Kraft's program

By KATHRYN J. McINTYRE

NORTHBROOK, Ill.—The entire primary casualty insurance program of recently merged Dart & Kraft Inc. is being underwritten this year by Ideal Mutual Insurance Co. of New York.

The renewal, effective Jan. 1, includes comprehensive general liability, workers compensation and auto liability insurance.

Underwritten on a loss-sensitive basis, the annual premium is expected to be around $20 million, including losses. Any redundant premium is returned via dividends in keeping with the mutual insurance company tradition.

Ideal Mutual is the long-standing underwriter of Kraft's casualty insurance. Ideal was once a captive of Kraft and maintained the account even after 1972 when it was decontrolled as a mutual insurer.

Ideal competed for the renewal against Continental Insurance Cos., Dart's former insurer, and the group captive program in Bermuda organized by the Grocery Manufacturers of America.

Although the GMA captive has attracted 15 to 18 grocery and food processors with an annualized premium volume of about $35 million, the sponsors weren't surprised they didn't win the account.

Considering Kraft's long association with Ideal Mutual, "we figured we had a 10% chance," said one person close to the GMA program.

Dart & Kraft's recently appointed director of risk management, Joseph G. Holwerda, declined to elaborate on why Ideal Mutual won the account. It was a direct renewal, he confirmed. An excess liability insurance program continues undisturbed.

Mr. Holwerda, 52, came to Dart & Kraft from Colt Industries, where he had worked for 11 years, most recently as director of risk management. He holds a bachelor of science degree in electrical engineering from Purdue University and is a registered professional engineer.

He says he intends to become involved in the Chicago area RIMS chapter.

Mr. Holwerda fills the merged company's top risk management spot, which had been vacant. Fred Johnson, formerly in charge of risk management at Kraft, is now with Johnson & Higgins in Chicago. Eugene Johnson, formerly in charge of risk management at Dart, is now an independent risk management consultant in Thousand Oaks, Calif.

Continuing from the previous risk management departments as corporate risk managers for the merged company are S. Nathan Williams, who was with Kraft, and Clifford C. Searcy, who was with Dart.

A recent addition to the department as corporate risk analyst is Geoffrey T. Smith, who had been with Chubb Group.

Utah dental plan under rehabilitation

By STEPHEN TARNOFF

SALT LAKE CITY—The underwriting of medical insurance played a big role in the financial problems of a Utah dental insurance plan.

Delta Plan, based in Salt Lake City, was placed into receivership under the control of the state insurance commissioner Dec. 11.

California Dental Services, a large dental insurer based in California, and the state insurance commissioner's office are attempting to rehabilitate the plan, which covered employees in Utah, Montana and Nevada.

Approximately 100,000 people were covered by the plan, which provided medical and dental insurance for about 500 employers.

As of Sept. 30, the plan had $570,000 more in liabilities than in assets, said Hyrum S. Gentner, a senior examiner for the Utah Insurance Department.

A five-year management agreement is being worked out with California Dental Services and its subsidiary Dental Service Plans Insurance Co. of Chicago, under which they reportedly will infuse $700,000 into the plan and share their managerial experience.

Burt Gottfredson, chief examiner of the insurance commissioner's office, said an insurer or several in-

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Hyatt, Hallmark oppose class action trial

By BILL DENSMORE

KANSAS CITY, Mo.—Hyatt Corp. and Crown Center Redevelopment Corp./Hallmark Cards Inc., whose insurers are slugging it out over who will pay for the skywalk disaster at the Kansas City Hyatt Regency Hotel, are backing each other on a key legal issue they fear could bring additional claims against them.

Both companies filed papers just before Christmas in federal court in Kansas City opposing—for now—efforts by lawyers for one disaster victim to establish an immediate class action and a single trial on damage questions.

However, they argue that a class action approach "may well be the appropriate solution" later.

The corporate lawyers argue that class certification should be delayed because it would halt settlement negotiations with injured plaintiffs and delay compensation to victims willing to settle.

The lawyers for Molly Riley, a 33-year-old nurse slightly injured in the July skywalk collapse that killed 113 people, are seeking the class action. They say it would allow dozens of additional victims of the collapse to seek compensation for injuries too small to justify hiring a lawyer on their own.

If the class action were allowed, the defendants probably would face more claims than they do now.

Hyatt says in its response: "Certification at this time. . .would vastly multiply the number of individual cases that would necessarily have to be tried after the determination of the class action issues. . ."

U.S. District Judge Scott O. Wright, who is presiding over the skywalk cases in federal court, is expected to rule before Jan. 15 on the class question.

A committee of plaintiffs' lawyers headed by Kansas City attorney C. Patrick McLarney also opposes establishing a class for skywalk victims—but not for the same reasons as Hyatt and Crown Center/Hallmark.

In its brief, the committee argues that one prerequisite for such a class—limited availability of funds for damage compensation—does not exist in the skywalk case.

One reason the committee wants cases tried separately involves lawyers' fees. Plaintiffs' lawyers can generally obtain whatever fee they can negotiate with the client in an individual case. In class actions, the judge supervises fee awards.

If Judge Wright certifies a class, the legal method of instituting a class action, "such an order would result in a total cessation of the negotiations and settlements taking place" and an "intolerable delay of justice to those willing to settle and needful of settlement compensation," Hyatt argues in a Dec. 24 response to Ms. Riley's request for an immediate class certification.

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Insurers cap deductible, self-insured losses

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several designated lines of casualty insurance with separate deductibles, it is known most generally as an aggregate deductible, although the term basket aggregate deductible is gaining use.

And written in a property insurance program to combine separate line deductibles to limit per occurrence losses, it is aptly called combined deductibles.

In its first year of marketing the self-described "only" total multiline aggregate stop-loss insurance using an admitted insurer, Donald F. Muldoon Inc., a New York managing general agency specializing in services for captives and self-insurers, reports selling 26 programs for annual premiums of $25,000 to $200,000.

The policy pays when the buyer's total self-retained losses under deductibles, self-insured retentions and even captive insurance company retentions reach the agreed-to aggregate limit.

"We've attached as low as $500,000," said principal Donald F. Muldoon. But that was an exceptional program in which the per occurrence retentions were about $25,000.

More customary, says Mr. Muldoon, is for the buyer to set $2 million to $3 million as its maximum self-funded loss costs, with individual line deductibles or SIRs in the $200,000 to $250,000 range.

The smaller the deductibles or self-insured retentions, the less the aggregate stop-loss insurance costs because the risk of big accumulations of self-funded losses is smaller.

One potential buyer had to purchase an additional excess "buffer layer" to cut down the size of one large deductible to qualify for the aggregate stop-loss insurance, which Mr. Muldoon underwrites for Transit Casualty Co.

Although Mr. Muldoon says his facility is the only admitted insurance market in the U.S. writing this annual aggregate stop-loss insurance, London underwriters will provide it on a surplus lines basis.

The state of Alaska two years ago, with help from the London market, fashioned a multiline aggregate stop-loss to cap its self-funded losses at $7.5 million for casualty, workers compensation, marine and property risks. This multiline stop-loss picks up above varying per occurrence retentions ranging from $100,000 for marine to $300,000 for workers compensation.

Many consider this aggregate stop-loss product that cuts across all lines of insurance most appropriate for government entities. Mr. Muldoon confirms that many of his quotes have been to political subdivisions. The broker for Alaska's program, David Carlson of Marsh & McLennan in Seattle, has also sold aggregates to the City of Juno and and the county of Thurston, Washington.

"They're all on a tight budget," he says of the various governments' need to put a ceiling on loss outlays.

What can be viewed as stopping losses from the other direction are aggregate deductible programs.

Under this program, the insurer will underwrite various casualty coverages—usually auto, workers compensation and comprehensive general liability—all with separate deductibles but then add an aggregate deductible feature. Once losses under the insured lines together reach the aggregate deductible, the insurer starts paying the losses.

Susan Alt, a risk management consultant for The Wyatt Co. in Chicago, estimates that the number of companies using this type of aggregate basket deductible for casualty insurance has grown tenfold in the last year, sparking a trend.

"This will become a standard in the industry," she predicts. They reduce the paperwork that comes with multiple policies and the chance a loss will fall between gaps in coverage.

Insurers are more willing than ever to underwrite aggregate deductible programs at a good rate for the guaranteed premium income.

"These aren't brand new," Ms. Alt admits, but there is more interest on the part of buyers now that insurers are more willing to underwrite them, she explained. Wyatt, too, is advising all its clients to at least seek quotes on an aggregate deductible casualty program when casualty lines come up for renewal.

Fireman's Fund Insurance Cos. is among the underwriters of these aggregate deductible programs. While the three casualty lines are most commonly combined, "There's no reason property insurance couldn't be added, too," notes senior vp Creighton White. Although Fireman's Fund is one of the few underwriters to offer to include property with liability insurance for one aggregate deductible, it has yet to write such a combination. Other insurers contend the combination is impossible to properly price.

Fireman's Fund also wants a policyholder who would generate at least $500,000 in premiums under a conventionally insured program for this deductible plan, he added.

Interestingly, some insurance buyers prefer to design a deductible plan such as this rather than buy a paid-loss retrospectively rated insurance program for their casualty lines, which with a maximum premium feature can also stop a policyholder's losses under combined casualty lines.

Taking large deductibles affords the insurance buyer the cash-flow advantages of the paid-loss retro and yet there is no premium tax due on the deductible payments.

A company must be a qualified self-insurer to wrap workers compensation into this deductible program.

Other buyers, however, are concerned about the tax implications of this deductible plan. They would rather expense premiums for tax purposes than wait until the loss is actually paid to expense the deductible.

More common has been the development over the last few years of combined deductibles for various types of property insurance.

It's typical to purchase direct damage and business interruption insurance with a combined deductible to avoid the double deductible cost that, say, a fire at a plant could create if the owner had one direct damage policy and another business interruption policy and the fire creates a business interruption loss, too.

But now, insurers are willing to add extra expense, boiler and machinery and cargo coverage to these combined deductibles, notes Manuel Sporn, vp of the property

Continued on page 6

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1866

Aggregate policy is for small company, too

Continued from page 4
department at New York broker Johnson & Higgins.

While companies can thus trim and limit their per occurrence deductibles, the problem of multiple occurrences remains. Even a $100,000 per occurrence deductible can start hurting if it must be paid 10 times during the year. An annual aggregate can be added.

Headquartered in Greenwich, Conn., American Can, for example, has an annual aggregate loss retention of $2 million capping its combined deductible of $500,000 per occurrence on its layered all-risk property insurance program encompassing property damage and business interruption, including fire and extended coverage and difference-in-conditions.

The package, which cost a little more than $3 million, was put together in early 1981 with the Wausau Insurance Cos. underwriting the primary layer of $25 million and Kemper Insurance providing excess coverage.

Companies smaller than American Can can benefit from combining deductibles, notes Christine LaSala, the J&H account executive who assembled the package.

"This method can serve smaller companies—you just reduce the scale to a smaller per occurrence and a smaller aggregate."

A minimum annual premium of $75,000 for a company with $100 million in sales would suffice, she declares, with the caveat that five to 10 years of loss experience must be evaluated.

Some experts say aggregate stop-loss insurance and aggregate deductibles could be short-lived products and even question the very need for aggregate protection.

Charles Tagman, a consultant with George Betterley Consulting Group in Boston, says once a company uses an aggregate policy, it will pay more for aggregate insurance the next year.

And, he worries, that an aggregate retention limit removes some of the psychological incentive to prevent losses that benefit self-insurers. "I'm aggressive on risk retention," he says

But, a firm with an occupational disease exposure ought to buy some aggregate stop-loss insurance, he advises, picking up at perhaps three times expected losses.

Smaller companies, to whom many of these products are being marketed, may benefit more from aggregate insurance protection than larger companies, he says.

A smaller company, with $500,000 to $1 million in premiums, needs each dollar more and an aggregate stop-loss policy might make it more appropriately aggressive in its risk-taking, he notes.

Anyone should be sure there is real protection under an aggregate stop-loss policy. "Some aggregates are set so high that they only give psychological peace of mind," Mr. Tagman says.

Mr. White at Fireman's Fund recommends that under the aggregate deductible a conservative company consider setting the aggregate deductible at 115% to 120% of expected losses but a company more interested in smoothing losses over time choose 130%.

Even proponents of aggregate stop-loss insurance concede it can be difficult to get and often expensive. Alaska pays 10% or $400,000 of its overall premium just for the aggregate stop-loss protection. Whether an aggregate deductible or separate stop-loss policy is purchased, many experts recommend it be non-cancellable for the year, which insurers don't like to offer.

Richard M. Inserra, director of risk management at American Can purchased this "very attractive" feature from Wausau, but admits "This probably will be good for only one bad year; after that, the deductible or the premium would be raised."

Cancellation of an aggregate deductible program also could take a toll. "It could jeopardize your coverage for three lines, instead of just one," warns Myra Tobin, senior vp at Marsh & McLennan.

Small comfort may be derived from the knowledge that if aggregates are, in fact, canceled before term, the precedent is for the insurer to make a prorated adjustment on the retention level. So, if a $2 million annual aggregate is dropped after six months, the insurer must make good on half that amount or $1 million.

By the same token, if the market for insurance tightens, many doubt that existing aggregate programs will be renewed or new ones placed. "In a hard market, insurers tend to write things that are more predictable," Ms. Tobin notes.

"It is a fringe coverage that will become less available," agrees Mr. Tagman. ■

Firms lower deductibles: INA exec

NEW YORK—Although most experts predict a continued growth of self-insurance and high deductible plans, John Morrison, senior executive vp of INA Corp., says the industry is seeing a trend toward lower deductibles.

Buyers are reacting to the competitive environment and taking advantage of lower deductible opportunities offered by insurers who want to win their business, he explains.

For example, INA lost a major utility account over the deductible alone, according to Mr. Morrison. INA offered a $1 million deductible, but the account went to another insurer that offered a $500,000 deductible.

Mr. Morrison also says some companies with policies with other insurers have dropped from a $100,000 deductible to a $10,000 deductible on renewals.

This trend toward lower deductibles is evident in every line of commercial insurance "where there's room for competition," he says, including workers compensation where rates are state regulated.

Mr. Morrison does not expect to see any greater use of self-insured programs in 1982, though buyers who have self-insured programs, especially the larger risks, will tend to stay with self-insurance despite the low rates available today.

Which employee costs more

The desk on the left: One look at the debris and it's a good guess this worker is nervous, jumpy and overweight. And who wouldn't be, with all that caffeine, nicotine and sugar?

This person is also a prime candidate for more than his/her share of sick days and medical bills—driving up the cost of insurance for everyone in the company.

The desk on the right: Ah, here is evidence of a much healthier lifestyle. This employee eats wisely, exercises regularly and rarely calls in sick. That means fewer medical bills. Smaller insurance premiums. And, as you might guess, this person is much more productive.

Now comes the surprise: Both of these desks belong to the same worker. The change for the better came with an exciting new program marketed by NWNL —STAYWELL.®

Designed and administered by Control Data, STAYWELL® teaches and encourages healthier lifestyles for all employees. And the program is an effective, long-term method for containing health care costs.

No immediate rate crisis expected in 1982

Continued from page 1

series of large catastrophes around the country—lower interest rates, a large hurricane-type loss, a change in litigation—could cause serious problems," Mr. McCaffrey says.

"But the reinsurers seem to still be there and whether they would fall back and leave the primary companies vulnerable, I don't know."

The president of Fireman's Fund Insurance Cos.' U.S. property and liability insurance operation also foresees no major rate changes before June 1982, if at all this year.

"It all depends on the 1981 year-end financial figures on insurers," says James J. Meenaghan.

"Over the last eight quarters, U.S. insurers have shown steady drops in profit, but few have done much to correct this. Hopefully, some pressure will be built on those figures, but we don't see much happening until midyear, if then."

The first signs of change should appear in the excess/surplus lines market, generally the first to tighten up in hard times, he says. "You might get a big increase there long before the bread-and-butter lines correct their rates."

Until the red ink finally gets too deep, all types of coverages should remain available at relatively low prices, Mr. Meenaghan says. "There's all sorts of talk about insurers writing for the cash flow, but if you look at premium growth among major insurers, you'll see it ranges from about 1% to 3% plus and minus. We're all running like mad just to stay even."

Comprehensive general liability coverage costs should go up dramatically when the market hardens, but much depends on the perceptions of insurers, he says.

"When you write fire policies, you operate from a known factual base. You know your losses for the year. But in general liability, you don't know what's out there. Rates have come down drastically in the soft market and I think they will go up again just as drastically when the market turns."

Insurance rates will likely rise 15% to 30% across the board when the increase finally comes, agrees Richard Miller, president of brokerage Corroon & Black.

Just when this will occur is unknown but he, too, doubts it will be before the end of 1982.

"If I knew exactly when, I'd be qualified to be president of the United States," he says.

No one from the largest conglomerate to the smallest mom-and-pop operation will entirely escape the impact of rate increases, he says.

The key is interest rates, since insurers now can recoup underwriting losses through investment income, brokers and insurers note.

As interest rates drop, underwriting returns will have to keep up with inflation and claims.

"Personal lines insurers have kept rates up to date, but we will see dramatic changes in commercial lines because they have been kept down."

The market already has shown a modest average rate increase of 1% to 3% for 1981, Mr. Miller says.

"General liability rates have to be increased. It has been a real buyers' market and is carrying the worst loss ratio of any line now."

Buyers also will see a general increase in professional liability coverage due to a greater public awareness of the ability to sue and to the willingness of courts to allow large awards, Mr. Miller says (see related story page 14).

"It is an area where insurance can still be bought, but losses are way up and premiums have to go up, too."

Although they aren't denying coverage, insurers are also worried about their ability to provide commercial auto insurance at the rates buyers have come to expect.

"The line that gives me the greatest worry is commercial auto because insurers in that line haven't been passing on the ISO rate increases for the last couple of years," confirms John M. Bowdish, commercial lines underwriting officer for the Kemper Group.

Most insurers note that commercial auto insurance rates have already gone up under 10%, but should have been been increased much more.

When Aetna Life & Casualty Insurance Co. announced a tighter pricing policy this spring, commercial auto rates were the first to go up and bodily injury coverage for commercial auto risks are still a problem, the insurer says.

Further rate increases are probably inescapable, though bigger deductibles could bring rates down, says Donald Frahm, executive vp of the Hartford Group.

"But that's just passing it back to the individuals. Instead, we're pressing for better loss prevention. Traffic and safety fleet activities work quite well in many cases."

The larger the risk, the less likely increases will be dramatic.

"In larger risks, where you have competent risk managers, they aren't seeing their loss costs go up as much as middle-size risks. Larger risks are very loss sensitive," he notes.

Medium-sized risks, however, have seen a lot of price competition, and underwriters may not have done as good a job in calculating the risk, Mr. Frahm says.

"I see a gradual increase in rates by 10% to 12% in keeping with loss costs in 1982. But, I've been saying that for two years running. Still, I think there will be an upward rate and pricing movement that will lead to more premium per risk. I see most of the increase coming in the second quarter," he says.

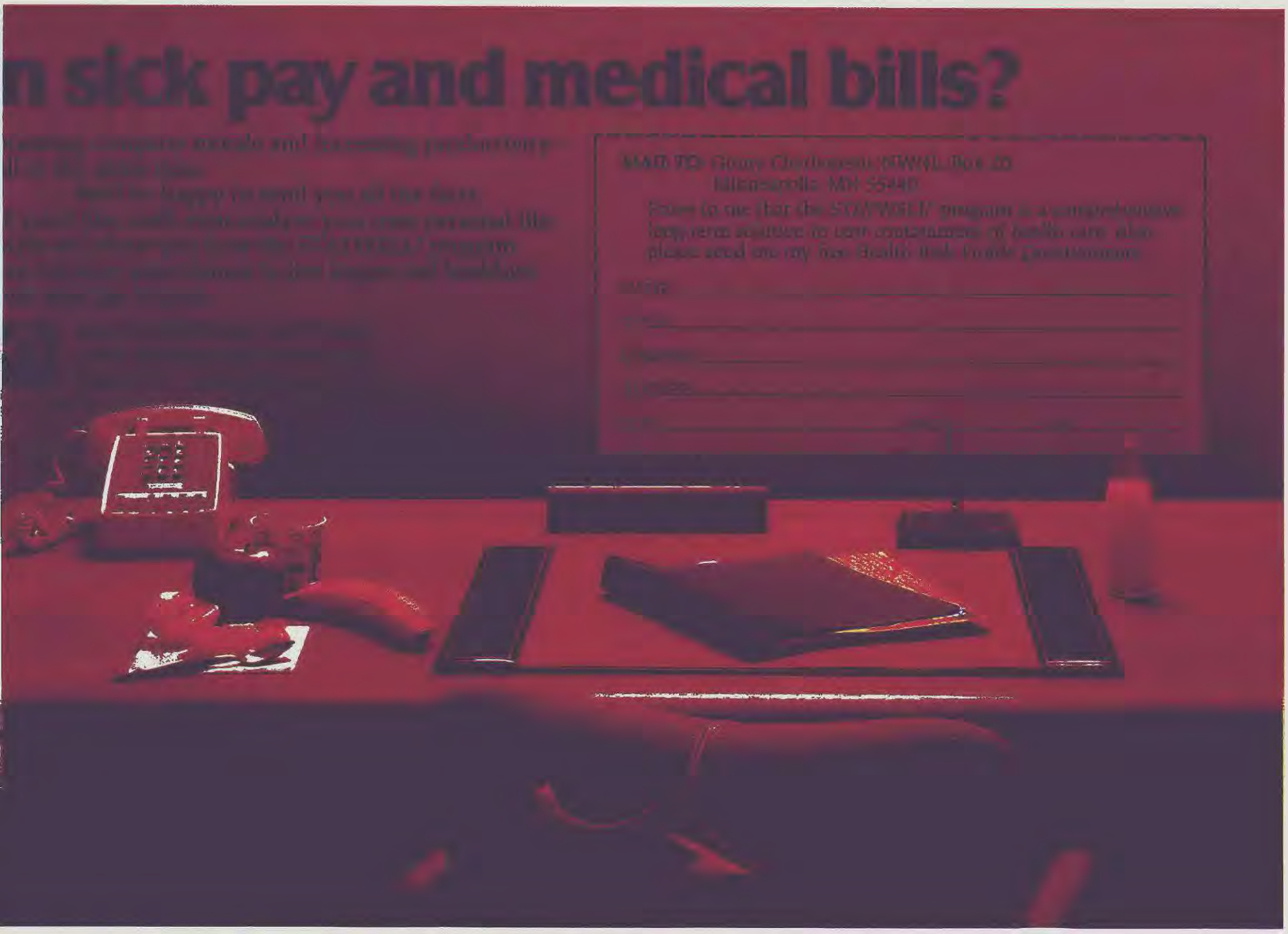
Ross C. Cowan, president of the special underwriting group at Commerical Union Insurance Co., says environmental impairment liability insurance is likely to pose a problem this year, too.

The Environmental Protection Agency's move to put "statutory liabilities" on hazardous waste treatment, storage and disposal facilities (TSDFs), which in turn places them before juries, raises the potential for losses in an incalculable way.

As pressure for rate increases grows and markets tighten standards, the coverage will be even more difficult to get.

Mr. Cowan says that all insurers are "getting to a nervous time" in which risks must be evaluated on an "item-by-item basis" to decide what accounts are important to keep and which one they will let go.

Insurers will have to "get closer to risk managers," and have "heart-to-heart talks on what they're really trying to accomplish," Mr. Cowan says. ■



editorial opinions

A resolution to keep

COPING WITH POST-HOLIDAY depression will be nothing compared to the depression that could hit insurance buyers by the end of this year.

Once again, brokers and insurers predict continued rate competition that will end suddenly—with dramatic increases in commercial insurance rates sometime in 1983. Despite all the industry talk of more capacity and lots of investment income, rates will hit bottom hard and rebound upward strongly, according to our special report in this issue.

This could be wishful thinking on the part of underwriters who haven't adjusted to high combined ratios and fear negative cash flow if investment income starts to decline. Given continued high returns on investments, insurers are likely to maintain their rates wars at least at today's prices, we predict.

If, however, the insurance industry holds true to a course of roller-coaster rates and prices shoot up again, no one is predicting it will be the same ride of the mid-1970s. Product liability and professional liability insurance probably will remain available for a price, but the old horror stories of no coverage probably will involve environmental and occupational disease exposures.

Although buyers have learned to cope with insurance market problems by funding more of their own predictable risks through captive insurers and self-insured programs, they, too, may face some new difficulties as time and long-tail exposures finally test their expectations and loss-reserving practices.

We have said it before, but it is worth saying again during the season of New Year's resolutions: The insurance industry must develop more consistent pricing.

An insurance expert whose wisdom we admire reminds us in response to this pleading that the price of insurance must always be wrong, too high or too low, because it is the nature of the business. Consolation is to be found, he says, in the knowledge that the market forces eventually correct the inequities.

But can't we expect the ride on the roller coaster to be a little less wild? Can't insurers better forecast the premium needed today to pay tomorrow's losses?

We think yes, but see among the obstacles to more consistent pricing in today's market the unpredictable nature of investment income and the inconsistent application of investment income to ratemaking.

It's agreed that insurers don't need to underwrite at a combined ratio of less than 100% to make money. But no one today is willing to say what the acceptable ratio is. And no one seems to care. Our reporters asked industry leaders if a new yardstick to measure insurer profitablity is needed since the combined ratio appears less meaningful. No one was very excited about the concept, let alone willing to suggest a new yardstick.

It's tough, though, to become excited about insurers' high combined ratios when no one understands what they mean anymore. It's too difficult to gauge how far investment income will stretch to fill in the gap between premiums paid and losses due.

If insurers discounted loss reserves, even at half the prevailing prime rate, it would certainly give a truer picture of actual losses and restore some credibility to the combined ratio yardstick. Then buyers of insurance and regulators would be more apt to believe a high combined ratio signals the need for higher rates.

We offer this suggestion as one way to improve insurer ratemaking and introduce more stability to pricing. Reports from the market that the prices are going to go up again—and a lot—reminds us of the penalties everyone suffers in the throes of a market change.

Insurance buyers' budgets are thrown into tailspins. Insurers pay profit penalties for their overzealous underwriting during competitive periods and market share penalties when markets tighten. Insurance company stockholders pay through inconsistent earnings.

A stable market is a serious resolution. It's not a toy to be played with until it breaks.

Our new look

THE NEW LOOK OF our editorial page is intended not only to be more attractive, but also to make the staff of *Business Insurance* more accessible to you, our readers.

You can find in the masthead to the right the names of all the full-time staffers who work week-in and week-out to bring you this weekly publication. And you can find their office location and the phone numbers where they can be reached. When you need us, give a ring.

letters

CTA considering a new program

To the editor: The Dec. 7 issue of *Business Insurance* contained a brief item regarding the Chicago Transit Authority's workers compensation program.

For the record, Gallagher Bassett Insurance Services did not lose the three-year contract with the CTA, but rather the three-year contract was due to expire on Dec. 31. This contract was limited to claims administration and loss-adjusting services.

We have requested that the contract with Gallagher Bassett be extended with the same terms and conditions for a few months into the new year in order to give the CTA additional time to prepare a new request for a proposal and award a contract.

It is contemplated that the CTA will contract for services that not only include the claims administration and loss adjusting currently provided by Gallagher Basset, but will also include loss-control programs, rehabilitation and a detailed electronic data processing system.

As a result of working with Gallagher Bassett over the last three years, as confirmed in a study performed by M&M Protection Consultants, the CTA is convinced it needs a total program with all the above components in place and operating in order to control and reduce the frequency and severity of workers compensation claims at the CTA. At that time Gallagher Bassett and several other qualified firms will be invited to prepare proposals for one or more of the components outlined.

By way of clarification, I wish to emphasize the use of the term "shortcomings" should refer to the absence of an aggressive investigating function in the Gallagher Bassett contract and does not characterize Gallagher Bassett's performance under the contract. This point was specifically expressed by Theodore Schuster, the CTA's executive director, in his report to the CTA board on Dec. 4.

The statement contained in your report erroneously creates that Gallagher Bassett's performance was substandard and should be clarified.

S.M. Bianchi
Risk manager
Chicago Transit Authority
Chicago

■ *The Dec. 7 Business Insurance article did point out that the CTA's contract with Gallagher Bassett didn't require investigative services, even though Mr. Bianchi referred to "certain shortcomings" in the way Gallagher Bassett administered claims.*

An Aussie speaks

To the editor: I noticed an error in the Dec. 7 issue of your magazine in the article "Victoria Parliament takes up safety act."

As a former Aussie, I must mention that Victoria is not, nor has it ever been a province, as the article mentions. It is a state.

The only provinces found in the British Commonwealth are in Canada.

I realize this is a minor point, but when Australia is concerned, I like to keep the record straight.

Bruce McKay
Western Reinsurance Brokers Inc.
Los Angeles

Misplaced decimal

To the editor: Your article on the construction industry-owned captive, American Risk Transfer Insurance Co. Ltd., was very concise and exact (*BI*, Nov. 23).

However, there was a decimal point misplaced in respect to our catastrophe reinsurance. The cost for such reinsurance is 1.25% not the 12.5% as reported.

William S. McIntyre
President
American Risk Transfer Insurance Co. Ltd.
Hamilton, Bermuda

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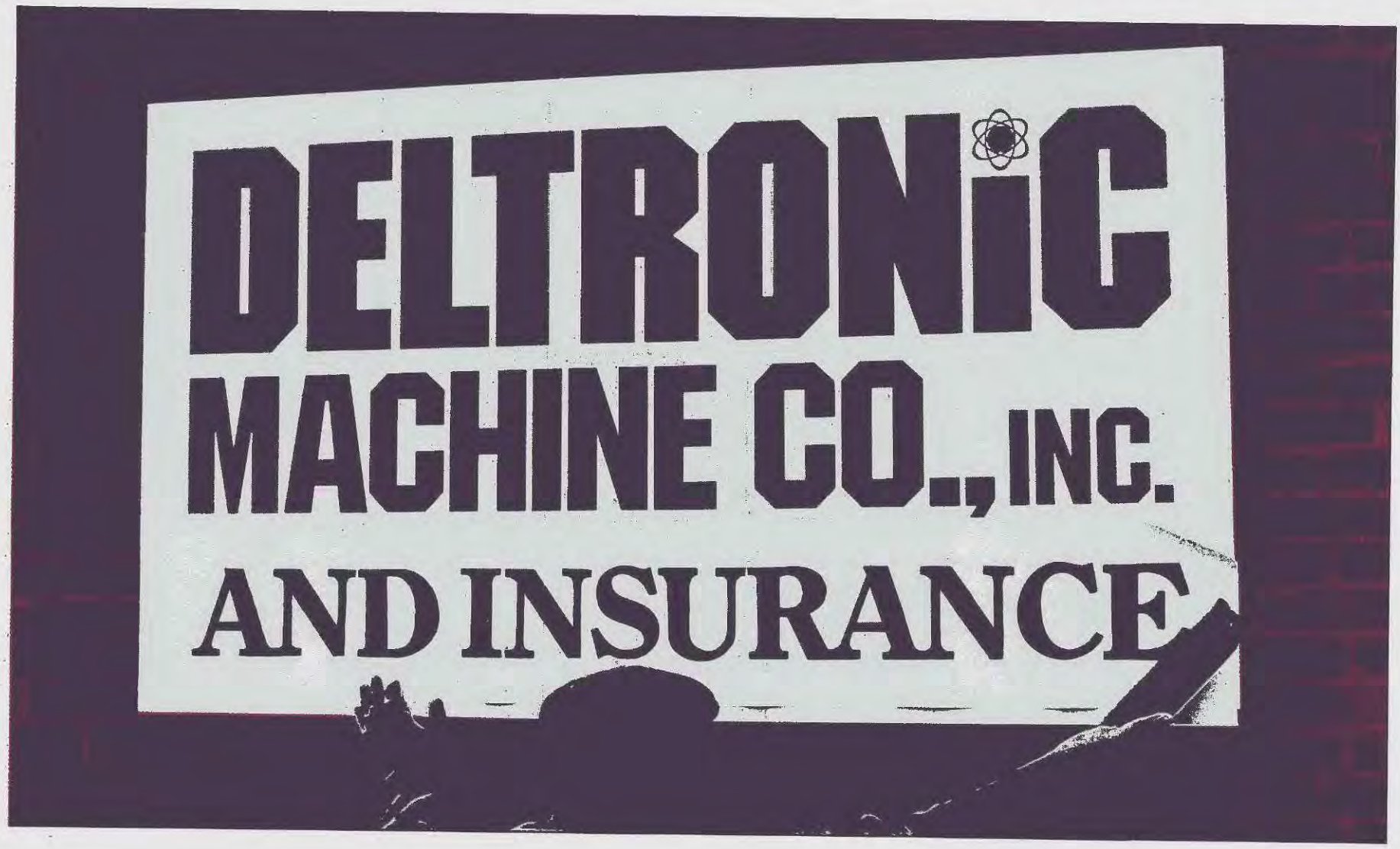

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Lloyd's brokers, insurers expect market changes

By STACY SHAPIRO

LONDON—The winter of insurers' discontent, fraught with slashed premiums and high loss ratios, may reach its finale in 1982.

No one is sure, however, when rates will freeze or rise for the first time in years.

"When are we expecting a turnaround in the market? If I could predict that it would be at 10 a.m. on Nov. 3, 1982, I'd be a very rich man," said a Lloyd's non-marine broker.

"And if I'd been asked two years ago, I would have said now."

Fierce competition reigns again this year, with large risks being quoted at 20% below last year's premium, and insurers scrambling to match previous years' premium income levels.

The end of 1982, however, is a different matter, London sources say. By then claims will be so high and angry reinsurers so abundant that rates and premiums must go up during renewal season, Lloyd's brokers and underwriters agree.

"If there isn't a change in 1982, the insurance industry will face serious financial problems," says Robin Jackson, director of Merrett Syndicates Ltd.

"I just have to pray that when the half-year results come out around the end of July or the middle of August, that the underwriting results will be so bad that competition will begin to crack," agrees Tony Cassidy, lead Lloyd's underwriter for Cassidy Davis Ltd.

The first signs of a permanent turn toward a tight market will be when the "cowboy" reinsurers—recent entries to the reinsurance market with weak loss reserves—finally close up shop during the 1982 to 1983 renewal season, London sources say. Next, the sound reinsurers that remain will have to raise rates to insurers and the insurers will jack up the prices to the buyers.

Even now Lloyd's underwriters are reinsuring for quality and not quantity, says Mr. Cassidy.

During the 1981 renewal season, Lloyd's underwriters sought and paid for top security with reinsurers they knew and trusted. And they cut out about 10% of other reinsurers to make sure security on their excess of loss reinsurance programs was tight.

"Those are the programs that you construct with great care," says Mr. Cassidy. "You are extremely certain about the quality of security they provide and you are in there knowing that you are buying reinsurance for the precise reason that reinsurance should be bought—as a tool whereby you even out the peaks and troughs."

But the upturn in the insurance cycle, when it comes, will not be as dramatic as the last change in the mid-1970s, sources here say. There is more world insurance capacity and with higher interest rates, insurers are making more money on investment income than before.

The likelihood of the increased capacity shrinking because of some earthquake or natural disaster is unlikely, sources agree.

"The insurance market will never be as tight as it was before, but it certainly will not continue to be as soft as it is now," said Mr. Jackson. "All things indicate that the market ought to turn next year. If it doesn't, the insurance industry will be in a serious, serious situation."

However, signs that the soft insurance market is humming its swan song have already appeared, *Business Insurance* learned during an informal survey of Lloyd's brokers and underwriters.

Rate increases are already being seen in certain classes of business. For example, rates have shot up in jewelers block insurance because loss experience has risen sharply and some insurers have pulled out.

When a leader in the field—like Jewelers Mutual Insurance Co.—pulls out of the U.S. market, the insurer that stays in must protect itself against eventual losses, brokers note.

"All it takes is a company dominant in one field of insurance to get out of it and the rates go up," says a Lloyd's non-marine broker.

Rate hikes also have hit in the medical malpractice and professional indemnity areas and probably will continue to do so in 1982, insurers also predict.

Coverages that saw rate increases last year will probably remain stable in 1982, sources agree.

"Rates have flattened out, basically," said Colin Bird, chief executive of the North American division of Alexander Howden Group Ltd. "There is no pressure on the broker to reduce premium in some areas."

For example, aviation hull and liability, both less competitive last year, will probably maintain their 1981 rates in 1982.

"Rates in the past went down to levels that were uneconomical and unreal," said Lloyd's aviation underwriter David Dann. "Aviation has tried the utmost to get insurance rates up in comparison with the national index of inflation, the bad loss records and the increased values of aircraft."

Deductibles have gone up on wide-body jets to $600,000 while rates have also shot up in aviation classes. And rates probably will continue to increase for smaller commercial aircraft that have continued to suffer losses, he said.

The large air fleets, however, may only have to pay the same rates they paid last year because their loss records have been so good, said another aviation source.

"Certainly, rates have moved upward, but there are a few notable exceptions," he said. "In 1982, however, we will see a similar trend if there are any losses."

Some marine hull and liability insurance areas are also stabilizing after a slight increase in 1981. Hull rates may continue to rise by as much as 5% in 1982 as they did in 1981, said Lloyd's marine underwriter Henry Chester.

Rates are also going up "significantly" for marine liability risks, which are insured through P&I clubs, he says.

Oil rigs and oil cargo are still dirt cheap to insure, but otherwise marine policies have bottomed out on rate cuts.

"I might not think that rates would be going up in 1982. Competition is still fierce in other areas of marine insurance," said Mr. Chester. "But rates cannot get any lower."

Stabilizing or increasing rates, however, isn't the only method insurers use these days to combat underwriting losses and force buyers into a tighter market.

Underwriters here are now look-

Continued on page 12

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Bargains still available in London market

Continued from page 10
ing carefully at the insurance policy wording to make sure they can avoid future expensive legal battles that they've had in the past.

The Institute of London Underwriters will introduce new marine cargo insurance forms that clarify what cargo is and is not covered. Those forms update ones that Lloyd's and London insurers have used for 200 years.

And any non-marine insurer holding any type of comprehensive general liability policy is wondering how he can avoid paying latent disease insurance awards in the future.

Asbestosis claims may run as high as $1 billion, "or twice as much or 10 times as much," one source says. The increase in U.S. liabilty awards with wide-reaching court decisions like the one in the Keene Corp. vs. INA asbestos case will escalate latent disease insurance losses beyond all comprehension, sources agree.

"We've got to go straight to the claims-made policies for all general liability," said Mr. Jackson.

Other Lloyd's underwriters have found another solution. They want to exclude health hazards altogether in their umbrella layer to eliminate paying for unknown diseases. The health hazard exclusion clause in the umbrella has been written by Lloyd's syndicates Janson, Green Ltd. and P.C.W. Underwriting Agencies Ltd.(See related story, page 2.)

Although rates seem to be stabilizing in some areas of insurance as the new year arrives and insurers are rewording policies to reduce coverage, buyers can still find bargains in the London market.

Anyone with a $2 billion oil rig will find underwriters scrambling in a hungry market where insurers have the capacity to write more insurance than clients are asking to buy.The Lloyd's market is searching for large stable risks to give 20% cuts.

'High rates are difficult to maintain," says Mr. Chester. "There is a tremendous amount of competition for a tremendous amount of premium. There could be as much as a 20% cut in premium."

Airlines that have good records in '81 may also see a few "hiccups" in the otherwise hard aviation market, an aviation source says, and some premiums may be lowered.

Property insurance is still "ridiculously" cheap and must come upward in the next year, insurers say.

Underwriters are actually encouraging companies to buy now before the price goes up.

Buyers should go out and pick up all those deductibles and exclusions and excess layers that are lying around and streamline them into one huge all-risks insurance policy while the market is cheap, some Lloyd's sources say.

And while competition holds, policy forms can be improved, with even standard exclusions removed, such as for nuclear disasters.

Pick up retroactive insurance for just about any risk for a price in the Lloyd's market, they say.

"It's difficult to look ahead when you are insuring retroactively," says one Lloyd's broker. "But once you correct the situation backward, you affect it forward." ■

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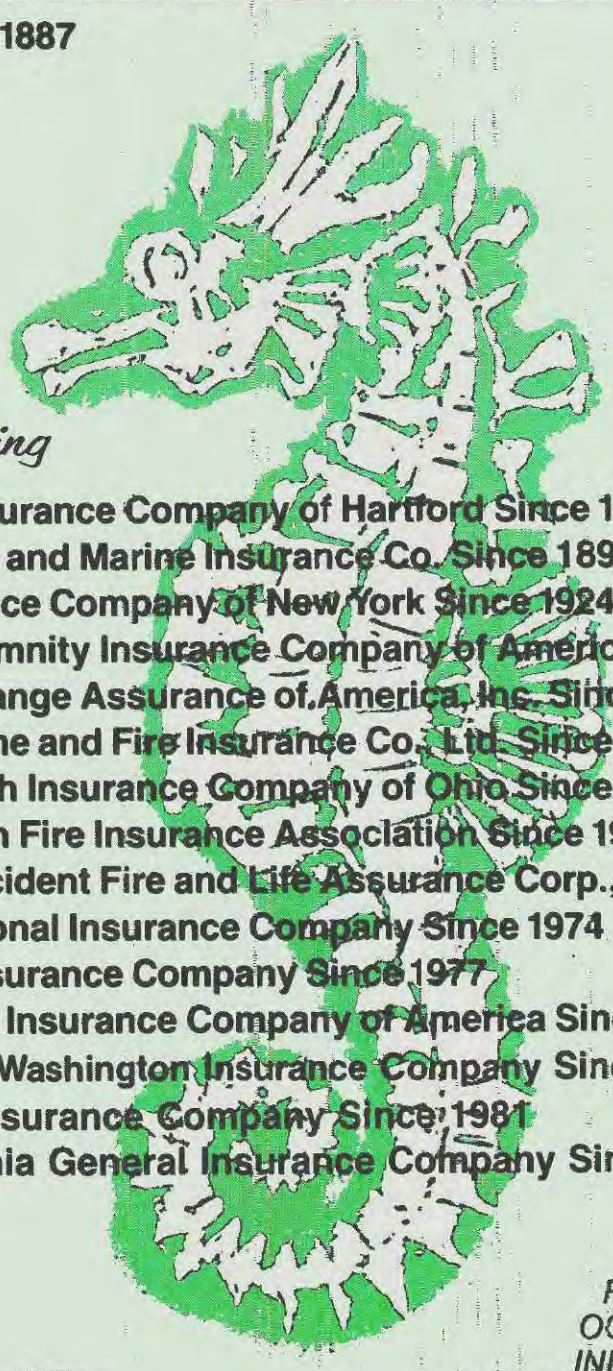

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Lloyd's insurer fights back

By STACY SHAPIRO

LONDON—A Lloyd's of London underwriter can be pushed just so far in a cutthroat insurance cycle.

In 1975, when the insurance market last hardened, Lloyd's began selling specific and aggregate excess-of-loss insurance on self-funded medical plans.

U.S. insurance companies were turned off on stop-loss coverage as self-insured losses grew. Also, troubles with multiple employer trusts, which were designed especially to give small employers a chance at the lower rates enjoyed by large purchasers of group health insurance, gave all small employers self-funding medical benefits a bad risk reputation.

So Lloyd's, led in part by Cassidy Davis Ltd., moved in to insure the self-funded plans that were springing up.

"We were very early in on providing insurance by way of specific excess-of-loss coverage and aggregate excess-of-loss coverage to those who had gone self-funded," said Tony Cassidy, lead underwriter for Cassidy Davis.

For the next three years there was little competition, and what there was was "sensible and cautious" with several U.S. insurers.

But the high levels of inflation and accelerating medical costs forced Cassidy and Lloyd's to move premiums up frequently.

"So two years ago, we introduced an inflation factor into the rate scale," said Mr. Cassidy.

But over the last 18 months, competition has resumed from U.S. companies that will provide excess-of-loss coverage on self-funded plans if they can also insure group life insurance.

"They are now all diving in and I can tell you that there are people out there who are quoting for 1982 something less than two-thirds of the rates we were charging in 1981," said Mr. Cassidy.

And cutting rates to meet competitors is almost like cutting your own throat, Mr. Cassidy implied.

If an insurer hasn't doubled the premium and the deductible on excess-of-loss specific and aggregate on self-funded medical plans in the last four years, "we are on to a loser," said Mr. Cassidy.

Claims of $50,000, which used to be seen perhaps once a year, are now coming in at least three times a week.

"You cannot make investment income fast enough to make up the difference between what we were charging last year and what we recognize is necessary to charge this year," he says.

Being a Lloyd's underwriter, however, means sticking with clients through thick and thin, Mr. Cassidy said. So he and Lloyd's are staying in this class of business and charging trusted clients enough premium to meet costs.

"I'm in the marketplace because I have relationships with producers and have established loyalties with them," he explained.

But until the market wises up on excess-of-loss insurance for self-funded medical plans and premiums start to rise again, Lloyd's might just as well stay out of it, he said.

This is an absolutely classic example of how a risk can be profitable at the top of the insurance cycle but "at the bottom of an insurance cycle you might just as well pack up your bags and go home," Mr. Cassidy said. ■

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Small claims could push rates upward

BI Roundup

Giant hotel disasters, occupational health hazards, big lawsuits and high jury awards are all losses that insurers fear. But it's the steady flow of higher and higher small claims that cut profits and force rate increases.

It's the everyday losses that can be the buyer's bane, brokers and insurers say, and 1981 had more than its share.

"Damage claims are trending upward," says Richard Miller, president of Corroon & Black Corp. of New York and Nashville, Tenn.

"Anytime you have a recession you seem to get more claims. People are out of work and seeking ways to make ends meet."

They turn to workers compensation, disability coverage and third-party liability lawsuits in search of a nest egg, Mr. Miller explains. This has sent judgments skyrocketing and should pull up insurance rates.

"It looked as if claims were being settled at a stable level for the past few years but now are on an upswing. These things are trendy. Over the past year and a half, settlements have been trending upward."

Small property losses are also linked to the economy, he says.

"It gets worse in a recession when business is bad and there are a lot of suspect fires," he says. "Knowing the people you deal with is about the best way to avoid it."

Though aggregate losses, an accumulation of claims that eventually eats away the investment income holding down rates, seem to be the most important underwriting factors, catastrophic losses are the most heartrending.

> 'Anytime you have a recession you seem to get more claims. People are out of work and seeking ways to make ends meet,' says Richard Miller, president of Corroon & Black.

Publicity, complexity and the seeming failure of loss control all add to the impact of catastrophes on the marketplace. Every broker and insurer tends to be touched by any major loss, making them all the more wary during renewals.

Corroon & Black has been involved in a number of major claims during the past year, Mr. Miller says, as have most of the large commercial insurance brokers.

"In major catastrophes like the 1980 and 1981 hotel fires and disasters, which bring along large liability settlements, I think you will find most all the alphabet brokers are involved to some extent," he notes.

Preventing such catastrophic losses is difficult.

"I think we always need to be working toward improved loss prevention and broader loss-prevention techniques. But the MGM was arson. It has been a bad year for arson and I don't know how you prevent things like that," he says.

The Kansas City Hyatt Regency Hotel walkway collapse should teach a lesson to the insurance industry because of the conflict over coverage, adds John A. Schoneman, chairman and chief executive officer of the Wausau Insurance Cos. of Wausau, Wis.

"The lesson is after you've decided to write a risk, don't turn your policywriting over to a trainee—issuing the policy is the most important thing," he says. Poorly written policies confuse coverage and lead to poor client relations.

One of Wausau Insurance Cos.' biggest losses this year was the $47 million Lynn, Mass., fire last month, where it is the primary insurer on an apartment building that was destroyed, according to Mr. Schoneman.

"The payments we make will read like a "Who's Who" in terms of reinsurers" and the gross loss will be in the millions, he says. Wausau's coverage limit is $10 million.

"We have had multimillion-dollar judgments—not over $10 million, but at least one over $3 million," says David Frahm, executive vp of the Hartford Insurance Group.

"It was a medical malpractice loss greater than our limit of liability. There was no renewal. In fact, we'd been off the program for five years. It was one of these late developing claims we talk about," he notes.

In spite of the big losses, most insurance industry executives return to the smaller, steady losses as this year's target for improvement. Stronger professional standards, tort reform and generally better claims defense and control may be able to keep down costs and the resulting rates.

"I think that the era of huge awards had its peak a couple of years ago. You still have Hyatt Hotel- and MGM Grand-like catastrophes from time to time, but it's not a daily occurrence the way it used to be," notes Michael I.D. Morrison, president of American Home Insurance Co., part of the American International Group.

"I think we have to concentrate on reform of the tort system. The problems are that we have more lawyers that have to make a living and more liberal court interpretations.

"I think there should be a continuing discussion of whether the injured should be recompensed or rewarded and also discussion of what exactly is the culpability of an insured. Sometimes the insured caused the accident," he says.

Sam Alcorn, senior vp of Los Angeles-based broker Bayly, Martin & Fay, also recommends tort reform.

A tort reform law at the federal level is needed to take out the variability existing now due to various state laws, he says. This would be particularly helpful for product liability cases.

Mr. Alcorn also says that professional groups—especially doctors—will have to tighten their professional standards if they want to avoid higher rates for professional liability.

"The professional groups are going to have to take a long hard look at how they're operating and put their houses in order," he says.■

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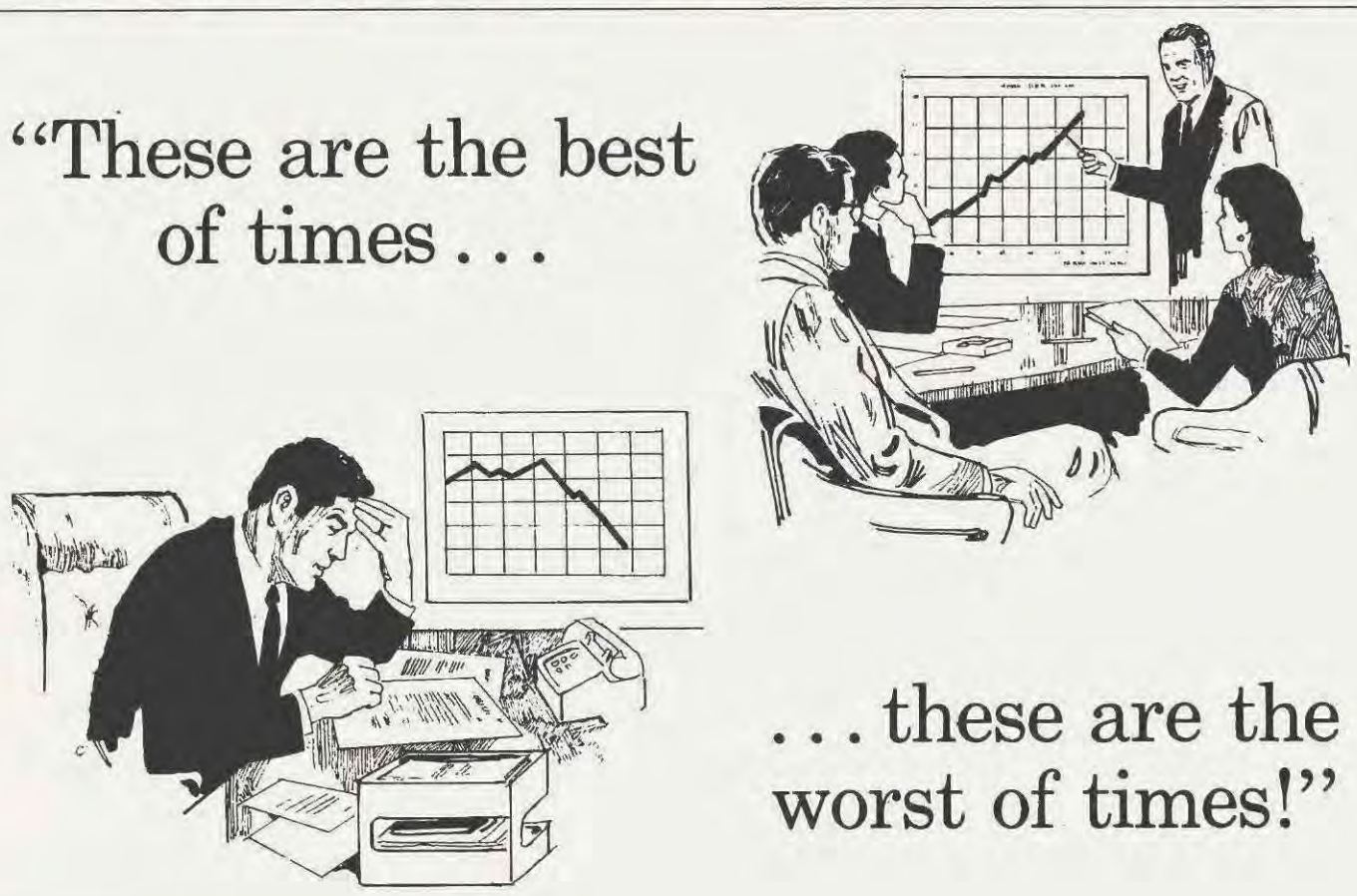

. . . these are the worst of times!"

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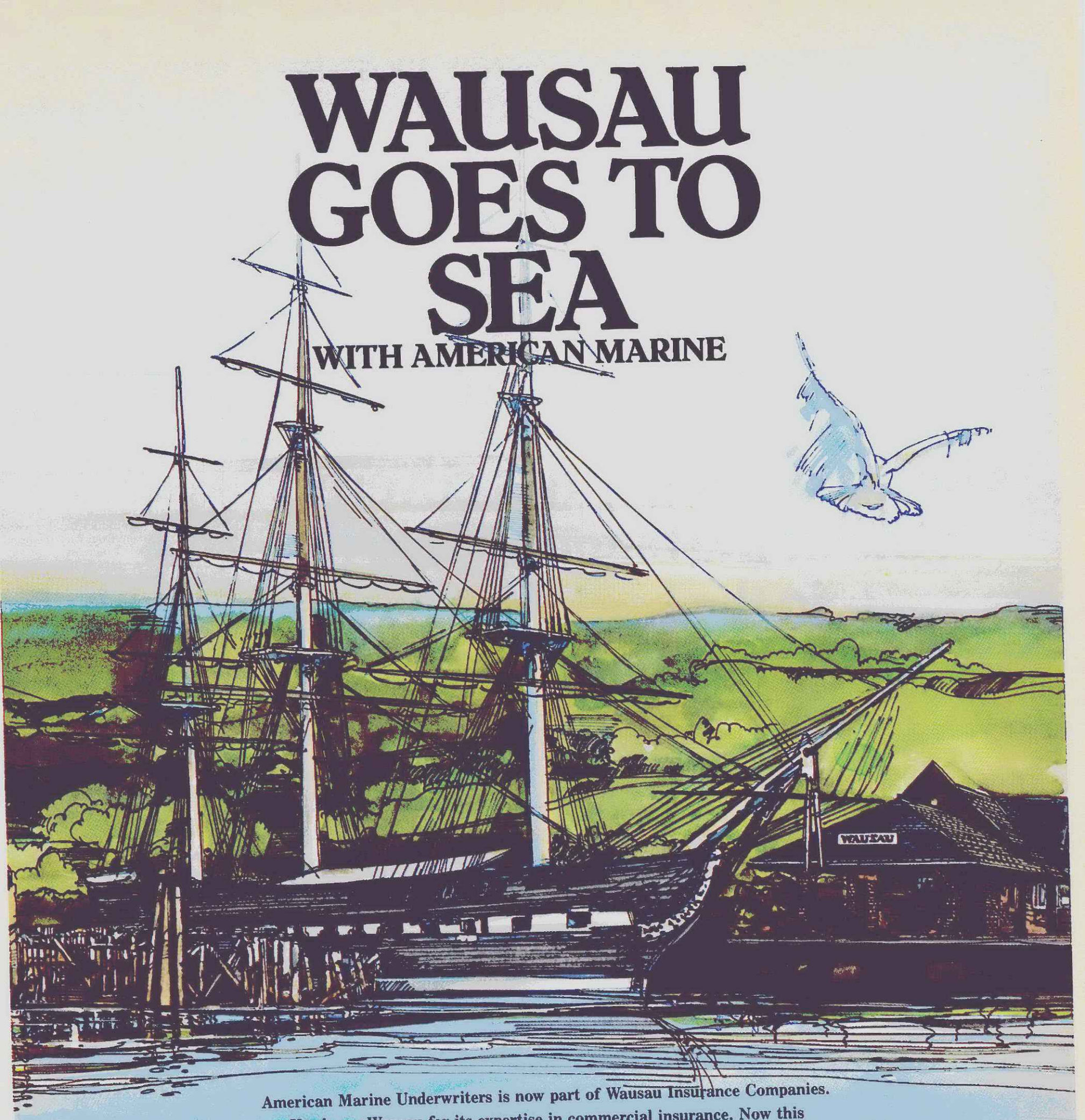

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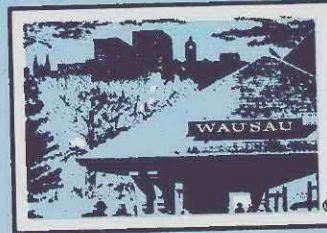

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Product liability, malpractice 'crises' not seen

By BILL DENSMORE

Despite record numbers of lawsuits and unfavorable court rulings, major insurers and brokers do not predict "crises" in product liability or professional malpractice insurance during 1982, a *Business Insurance* survey has found.

Although they were the first coverages to become unavailable at reasonable rates during the last market downturn, product and professional liability protection now seems secure.

"Nobody ever says he can't get product liability coverage," says Mark A. Presser, an associate insurance examiner for New York state. "It's there."

"Around mid-1979 the market became competitive and since then rates have become fiercely competitive," explains Dennis A. Busti, executive vp for casualty insurance at American Home and National Union, two American International Group insurers.

"I would venture a guess that rates are half now what they were then," he says.

He estimates that product coverage accounts for 10% to 15% of the overall casualty market of about $50 billion in premium, though much of the coverage is underwritten as part of excess or umbrella liability insurance.

"Rates have been dropping very dramatically," he adds. "However, there is no indication that losses are abating or for that matter that verdicts are abating."

Most major brokers and insurers predict stable rates for product liability and medical malpractice insurance in 1982, and no one predicts a shortage of underwriting capacity.

Product liability, however, is one of few coverage areas in which rates will not drop an average of 10% to 15%, says Sam Alcorn, senior vp at Bayly, Martin & Fay International in Los Angeles.

Product liability coverage rates could increase 3% to 5%, Mr. Alcorn estimates, and medical practitioners probably will face some higher rates for malpractice coverage.

Robert Roberts, a vp in the casualty department of Johnson & Higgins, agrees. Medical mutual insurers in New York will be subject to a 21% to 24% increase, he notes.

The difficult risks in the products category involve chemical or enviromental hazards, several insurance company and brokerage executives note.

"OK, there are still some hard-to-place risks: oral contraceptives, herbicides, pesticides," says Mr. Roberts. "But here you're buying catastrophe coverage, not your day-to-day, nickel-and-dime stuff."

Asbestosis, the curse of workers compensation insurers in the past few years, will continue to be a problem, according to John M. Bowdish, commercial lines underwriting officer for Kemper Group. "That's going to continue to be a very significant problem and maybe grow more than most people anticipate," he says. "A lot of things are coming to a head more quickly than some companies expect.

"You can call occupational diseases a crisis, but people are working on it," he adds. "But if everything had to be paid out all at once, the industry would go bankrupt."

James J. Meenaghan, president of Fireman's Fund Insurance Cos.' U.S. property and liability operation, also forecasts little change for product liability rates and coverage.

"In the short term, it should continue to be available," he says. "Rates are very competitive in the face of huge underwriting losses."

In the long term, however, rates and availability will hinge on the legal system. As long as courts increasingly insist on a doctrine of strict liability for manufacturers, it is inevitable that rates will rise eventually, he says.

Federal court officials in Washington, D.C., track product liability cases filed for each 12-month period ending June 30.

In the period ended June 30, 1981, 9,071 product liability cases were filed, up from 7,755 the previous year, a 17% increase.

Just five years ago, the number of suits filed in federal courts was 2,886.

Of the 1981 cases, 407 were appealed and 188 decided by U.S. Court of Appeals, compared with 309 appealed and 86 decided in the 1980 period.

Although official state court statistics are not available, Jury Verdict Research Inc., a private firm in Solon, Ohio, compiles records of personal injury judgments for use by attorneys. Many result from product liability claims and others involve professional or medical malpractice suits.

"The size and number of awards in product liability and medical malpractice suits is on the rise," says the firm's research director, Janet E. Elder.

"While these increases are not as dramatic as might be imagined, they are greater than those for personal injury suits in general," she says.

The firm obtains its information from attorneys who voluntarily send in judgment records. Statistics for 1980 and 1981 have not yet been reported by the company, but from 1978 to 1979, the size of jury awards in personal injury litigation grew an average of 17.7%.

The largest award was a $128.5 million judgment, including $125 million in punitive damages in 1978 against Ford Motor Co. involving a Pinto gas tank claim. The award was later reduced to $6.5 million.

In 1979, Jury Verdict Research found that the midpoint product liability verdict was $125,000, up from $118,000 in 1978. Incomplete statistics for 1980 put the midpoint at $128,000.

These figures exclude verdicts exceeding $1 million as non-typical.

Insurers' loss experience, however, is dropping over the long term, at least for product risks.

The Insurance Service Office, the industry-sponsored rating bureau, collects loss data from insurers who participate in its rating program for that line.

Although the data doesn't include all product liability insurers, the ISO considers its sample representative enough for rating analysis.

From the policy years 1975 through 1979, the pure loss ratio on bodily injury claims dropped from 295% to 87% while earned collected premiums more than quadrupled. The trend means insurers reporting data to ISO appear to be drawing closer to a break-even combined ratio. ■

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Insurance exchanges

New York counts on more growth in 1982

By JAMES LAWSON

NEW YORK—The market that wasn't supposed to budge its competition in 1981 may be picking up steam in 1982.

Despite obstacles like hotly competitive insurance and reinsurance markets and a lack of legislative support, the New York Insurance Exchange enjoyed a banner year in 1981, officials say.

And the new marketplace may even perform better in the future if state legislators finally open the exchange's doors to direct surplus lines risks, as supporters expect.

Surplus lines underwritings, once expected to be the exchange's mainstay but sidetracked by rejection requirements, could generate up to $10 million in premiums—if the state legislature finally passes a bill allowing the exchange to directly underwrite specials risks from outside the state, exchange watchers say.

By 1984, surplus lines premiums could reach $40 million with help from the lawmakers, according to President Donald E. Reutershan.

The legislation, expected to go before the state Assembly early this year, could be quickly passed, some syndicate managers say. If adopted by the Assembly, it returns to the state Senate, which supported the measure last year.

The bill, which would allow the exchange to seek approved surplus lines insurer status in states other than New York, was held up in the Assembly when legislators disputed employment and tax projections that were used to support the bill. This data, however, has been revised.

Depending primarily upon reinsurance underwriting, the New York Insurance Exchange has generated $93 million in premiums—considerably more than the $60 million to $80 million its officers predicted.

The 24 syndicates at the 19-month-old exchange earned more than $61 million in premiums during just the first 12 months of operation—50% more than projected. And total premiums for the first six months of 1981 topped $63.5 million—70% more than original projections.

The results were even more gratifying because they came during a soft insurance and reinsurance market that had some brokers, insurers and industry watchers concerned about its financial results.

Mr. Reutershan attributes much of last year's success to increased exposure to exchange syndicates, realization that the exchange is a good marketplace and heavy soliciting of business by syndicate and brokerage management.

While officials are happy about last year's results as they enter another economically uncertain year, they predict even better results for 1982.

The number of syndicates will increase to 27 this year with 56 broker members and 14 associate brokers.

"We expect to double the volume in premiums next year," says Mr. Reutershan.

"I will triple my volume in 1982," predicts Walter S. Groden, past president of the New York Excess and Surplus Lines Assn. and president of the David C. White Agency, a wholesale broker at the exchange.

The White agency total premium volume, he says, will be between $4 million and $6 million.

While some other syndicate and broker members are reluctant to make financial predictions, they all say they're optimistic about their 1982 results and further growth in the reinsurance business.

"The exchange is proving itself under fire," says Donald Kramer, president of Kramer Capital Consults, an underwriting syndicate at the exchange.

"By and large this has been a year of getting use to the insurance exchange and this has been one of the softest years for reinsurance.

"But brokers are finding that it's a viable marketplace," adds Mr. Kramer.

"Public perception will change as it becomes more active and as volume continues to increase. You can expect to see 50% to 100% permium growth for the next several years," he says.

Much of the volume growth is expected to be in reinsurance premiums, the main line of business at the exchange. Treaty reinsurance premiums once again are expected to be higher than facultative reinsurance premiums.

In early December, more than $30 million in premiums was generated from facultative underwritings. Non-proportional treaty premiums totaled $15.8 million while proportional treaty reinsurance premiums generated $41.6 million.

Based on these results, Mr. Reutershan denies that 1981 was a bad year to be in the reinsurance business.

"The past year (results) has been generated in a relatively normal marketplace," he explains. Because of the substantial hardening of rates several years ago, rate-cutting in the reinsurance markets was just a return to normal levels.

In fact, the low rates were good for exchange development business.

"I don't want us to be in a real hard marketplace (when rates increase) because we're still in the formative stages," he says.

Part of the 1982 reinsurance premium volume growth is expected to come from renewal business.

"They'll (exchange syndicates) start with $100 million in renewals this year. In the past, the exchange had no renewal business. There was no historic volume," notes Mr. Kramer.

Mr. Groden agrees. He also sees 100% of last year's reinsurance business returning.

"Security is being moved around," he explains. "Companies are looking for better security—old treaties and facultative arrangements are being moved to higher quality security," he adds.

Therefore, insurers will be back to the New York Insurance Exchange to buy more reinsurance. And service will be better—a further encouragement, brokers say. ■

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Illinois Exchange syndicates wait for market needs

By BILL DENSMORE

CHICAGO—When underwriter John A. Dore sits down at the Illinois Insurance Exchange, the surroundings aren't plush.

A plain desk, a telephone and a cubicle-like office overlooking Chicago's Jackson Boulevard are all he seems to have.

But he's one of the lucky people inhabiting the exchange; he got a corner cubicle —and $4 million to put at risk.

Mr. Dore, manager for LWB Syndicate Inc., is one syndicate manager spending a lot of time these days at the exchange hoping that he is presiding over a sleeping giant that could one day be a major force in the excess/surplus lines insurance business nationwide.

"I think intially it's going to be reinsurance, however," he predicts.

Mr. Dore works for L. W. Biegler Inc., a Chicago-based subsidiary of Crum & Forster that is backing the LWB Syndicate.

Of nine syndicates whose applications have been approved by the exchange, three have obtained start-up capital and are already lining up risks. Their total capitalization is $9 million, including LWB's $4 million.

'I think initially it's going to be reinsurance,' says LWB Syndicate's John Dore.

Although the Illinois exchange was chartered Nov. 20, the first risks weren't effective until Jan. 1. Thus it will show no premium volume for calendar 1981.

In 1982, Mr. Dore predicts his syndicate will underwrite risks representing about $2 million in premium volume. He makes no prediction for the exchange as a whole.

The exchange had 17 broker members in mid-December and at least two risks already lined up for Jan. 1—a portion of the excess casualty insurance coverage of the Tribune Co. media conglomerate and an excess portion of the property insurance written for the Roman Catholic Archdiocese of Chicago (*BI*, Nov 30).

Mr. Dore says another dozen risk submissions that have been authorized by the syndicates have not yet been bound by the client.

Of these submissions, about one-third are treaty reinsurance agreements, two are facultative reinsurance contracts, and the rest are direct risks that couldn't be handled through admitted markets.

He says the submissions represent principally liability insurance for utilities and corporate product liability insurance.

Before underwriters like Mr. Dore can generate the volume his backers seek, the Illinois Insurance Exchange has several bridges to cross. The man trying to build those bridges is James M. Skelton, executive director.

Mr. Skelton, a small-town insurance broker and former county treasurer who worked for the Illinois Insurance Department, is equally shy about predicting premium volume for the whole exchange.

But he thinks premium volume might reach $200 million during 1982, with the exchange attracting

Continued on page 22

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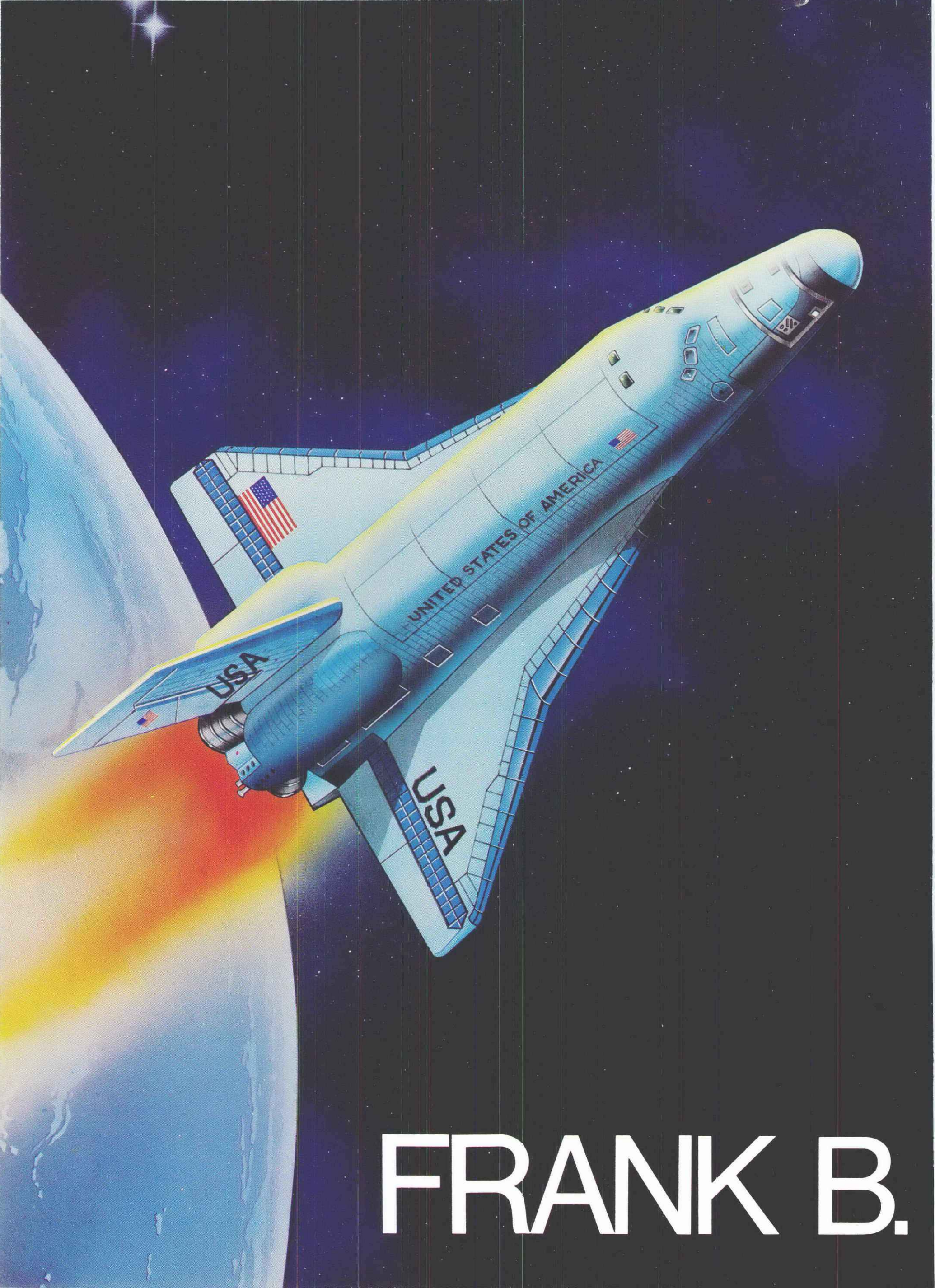

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Exchange's staff must win respect outside of Illinois

Continued from page 19
25 syndicates and 75 broker members.

"I think it will simply be very gradual growth depending on market conditions and on tax rulings," says Mr. Skelton.

In 1982, he says, the exchange will have to focus on building recognition outside of Illinois and attracting business from around the nation.

"We have the capability of doing direct business under our statute," he notes. "What is needed is a statute outside of Illinois and that is a bridge we have yet to cross."

One tax ruling Mr.Skelton would like to see resolved is an Internal Revenue Service decision on whether individuals who form a syndicate-partnership are entitled to the same favorable tax treatment as insurance companies.

If the IRS answers yes, it would be a boon for the exchange, whose enabling statute and bylaws permit such syndicates.

Another bridge to cross is the selection of an executive director for the exchange when volume and membership grows to the point of requiring one full-time. Mr. Skelton, only a part-time executive now, wants the job but has been given no assurance he will get it.

A third bridge the exchange must cross is the development of a computer-based data system. James H. Ryan, former director of financial services for the National Assn. of Insurance Commissioners, will be helping with the task.

Mr. Ryan joined the NAIC on Dec. 21 as comptroller—the exchange's second full-time employee. The first was an office manager.

> Expect gradual growth depending on market conditions and tax rulings, says James Skelton.

Premium volume on the Illinois exchange should take off once Mr. Ryan's efforts to set up computerized handling of submissions, slips and cash accounting bear fruit, says another syndicate executive Paul H. Inderbitzen, an assistant vp for Reliance Insurance Cos. He is managing Reliance's Midwest General Syndicate Inc., capitalized at $2.5 million.

"We have some business strategies and things we can do as soon as the procedures are in place," he said. Midwest hopes to have a resident syndicate manager in Chicago by the end of the March, Mr. Inderbitzen said.

"Then the momentum will take off well," he predicts. "We'll see great strikes in 1982, I think."

Mr. Inderbitzen predicts premium volume "in the $3 million to $5 million range" for 1982. He also predicted 1982 will see formation of Illinois syndicates by Canadian or European interests.

"Our concentration will be in surplus lines and facultative," he noted. ■

Fla. advisers

Florida Insurance Commissioner Bill Gunter has appointed two new members to his advisory committee on insurer investment income.

The new members of the committee are Irving Plotkin of Arthur D. Little & Co. and Zvi Benderly, vp of National Research Associates. ■

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Florida exchange sets goals

By STEVE SHERWOOD

MIAMI, Fla.—The Insurance Exchange of the Americas is past the point where critics and skeptics can doubt it will fly, says Alan Teale, its chief executive officer.

"We are over the hump that the damn thing won't go," Mr. Teale says. "It is now obvious that we will have enough syndicates to begin on schedule."

With 21 underwriting syndicates in various stages of formation and 32 others seriously considering membership in the exchange, Mr. Teale says the IEA will be writing business in the 1983 policy year.

"Realistically, it looks as if we are heading for our original goal of 25 to 30 syndicates and 40 to 50 brokers," he says. "We need to get the syndicates formed by April and May so a board can be elected by June."

The exchange itself should open in October.

Of the 21 syndicates now forming, six are from Latin America, 11 are from the United States and four are from other parts of the world, he says.

Mr. Teale recently returned from promoting the exchange in Europe, finding interest in Spain where potential syndicates are eyeing the Latin American market.

Latin America, Mr. Teale says, will be one of the major sources of the IEA's business.

The exchange, empowered to cover a broad spectrum of risks, aims to bite off a portion of the world's international insurance and reinsurance business. It will provide Florida with a badly needed market for reinsurance, excess/surplus lines, marine and aviation transport and other coverages, Mr. Teale says.

He doubts, however, it will be a treaty reinsurance market at first. "The treaty world is a very special one and the exchange must approach it in that light," Mr. Teale says. "Any outfit breaking into that world must do so slowly and carefully."

IEA will be seeking its own business niche different from the exchanges in New York and Illinois, says Mr. Teale.

"We have a different role with our insurance commissioner," he says. Florida Insurance Commissioner Bill Gunter wants the IEA to be substantially self-regulated, within a framework of minimum reserve levels, underwriting-surplus ratios and other requirements, while the New York exchange is guided by more specific regulations.

"As I understand it, New York will be primarily a treaty reinsurance market and the Illinois Insurance Exchange a surplus lines market," he says.

IEA will be looking for a more diversified bag of risks and is allowed to do so by state law.

"We are at the hub of the Caribbean," Mr. Teale says. "Different people will be coming here to do business than go to New York, and they won't have to go further. We will provide a focal point for the insurance and reinsurance community in the region." ■

Regulation 41 still pains E/S brokers

NEW YORK—Regulation 41 of the New York Insurance Department still has surplus lines brokers here gnashing their teeth and soon buyers may share the frustration.

Brokers say the revised regulation is not only costing them business now but also may hamper their ability to handle a surge of business that would follow changes in coverage availability.

The rule requires that five admitted insurers must turn down a risk before a broker may place it with a surplus lines insurer.

The five admitted insurers must evaluate each risk separately and also comply with time-consuming filing requirements that include maintaining records for five years.

If they ignore the complex filing requirements, as some insurers have, brokers have even more trouble placing the risk in the surplus market.

However, Walter S. Groden, president of David C. White Agency Inc. and former president of the New York Excess & Surplus Lines Assn., concedes that the competitive admitted market is the biggest reason why the surplus lines business is doing poorly.

Admitted insurers, he says, are taking some risks that they would not have touched a few years ago. And with prices so low, buyers don't have to pay the traditionally high premiums that surplus lines insurers charge.

But it could be a different story if the long-anticipated hard market ever returns.

The complexity of Regulation 41 may keep brokers from responding to the buyers' needs quickly, which is just what they would have to do if rates in the admitted market head upward and cancellation notices start piling up on insurance buyers' desks.

"There's going to be a significant horror story to be told," he says.

The surplus lines market, which acts as a "safety valve" for the industry, would not be able to handle the gush of new business.

Surplus business in New York is "virtually down to a trickle," agrees William Lynch, president of Sovereign Facilities Inc., a managing general agent and broker and the new president of New York's surplus lines association.

Product liability insurance, some medical malpractice and professional liability insurance and buffer layers have all gone back to the admitted insurers, Mr. Lynch says. Also jewelry and commercial fur storage risks have slipped away from surplus lines insurers.

Although these kinds of policyholders do not currently require non-admitted insurers, Regulation 41 is still hurting other buyers who continue to need surplus lines coverage, Mr. Lynch says.

"It's hurting those people who can least afford to be hurt."

Buyers also may find fewer surplus lines brokers to place their risks when they once again need surplus lines insurers.

Regulation 41 and competition "have hurt surplus lines brokers throughout the state," observes Earl C. Ostroff, executive vp of the Boston-based Saval Group, a trio of three insurance companies that underwrites both excess/surplus and admitted insurance. ■

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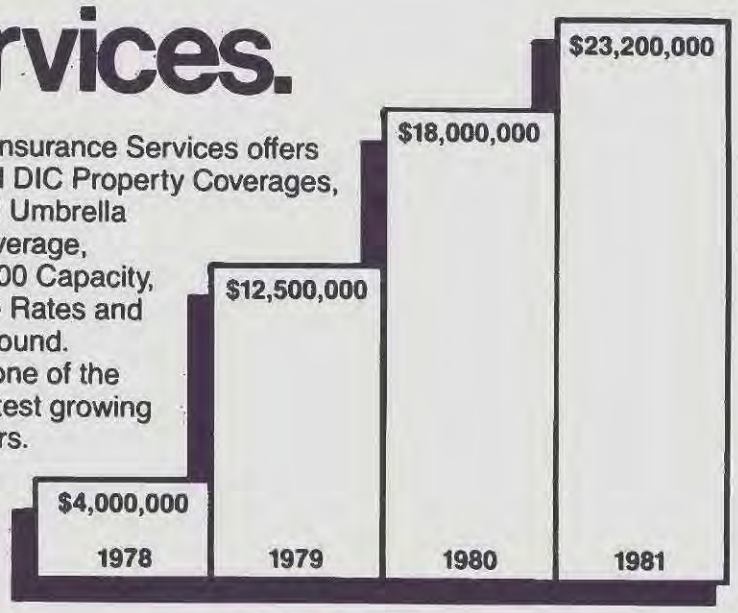

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• A promotional pamphlet on Interstate Insurance Group's **umbrella coverage plans** are described in "Don't Laugh When Someone Mentions Umbrella Coverages." For a free pamphlet write 41 in the box on the reder service coupon.

• **Directors and officers liability insurance and errors and omissions insurance for non-profit organizations** are the subject of "Non-Profit Boards Under Fire," a reprint from Dun's Review, available from Professional Indemnity Agency Inc. For a free reprint write 42 in the box on the reader service coupon.

• "What You Should Kow About Horse Insurance" is a promotional pamphlet for buyers of horse mortality, or **animal life insurance,** from the Rhulen Agency. For a free pamphlet write 43 in the box on the reader service coupon.

• **Medical malpractice insurance and hospital risk management** are the topics covered in the reprint, "Getting Ready for the Next Malpractice Insurance Crisis" from Trustee Magazine, available from Risk Planning Group Inc. For a free reprint write 44 in the box on the reader service coupon.

• **"Lawyer's Professional Liability Insurance"** is a free brochure from Victor O. Schinnerer & Co. that describes what the basic policy covers. For a free copy write 45 in the box on the reader service coupon.

• An explanation of the **California workers compensation insurance system** is outlined in the pamphlet, "Facts for the California Employer," from the State Compensation Insurance Fund. For a free pamphlet write 46 in the box on the reader service coupon.

• "Selling Extortion, Kidnap and Ransom Insurance" is a brochure from Professional Indemnity Agency Inc. that **explains kidnap and ransom and other coverages** to agents and brokers. For a free

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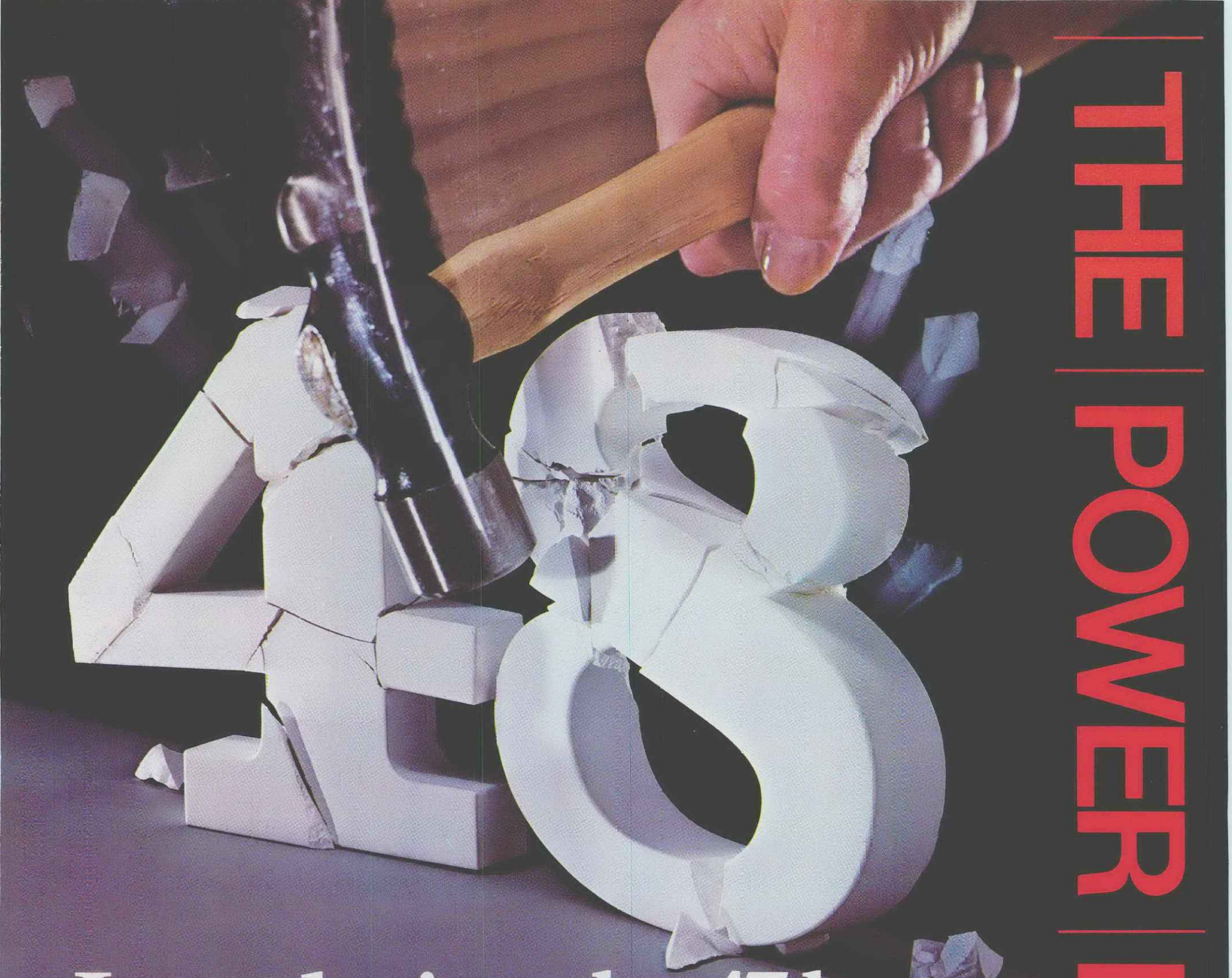

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copy write 47 in the box on the reader service coupon.

• "Workers Compensation Experience Rating" is a free pamphlet from Argonaut Insurance Co. that reviews **workers compensation experience rating** and how it responds to the employer's accident record. For a free pamphlet write 48 in the box on the reader service coupon.

• Information on **legal coverage for banks and savings and loan institutions** is in the brochure, "Consumer Credit Class Action Insurance," from Victor O. Schinnerer & Co. Inc. For a free brochure write 49 in the box on the reader service coupon.

• Brochures on **insurance publications** are available from Weibel Publishing Co. Inc. Among the titles are "General Insurance Guide," "General Insurance Primer," "Life Insurance Primer," and "Health Insurance Primer." For free information on the brochures write 50 in the box on the reader service coupon.

• A free pamphlet from the State Compensation Insurance Fund, "Experience Modification," outlines an explanation of how California employers can use **experience rating with the state workers compensation insurance program.** For a free pamphlet write 51 in the box on the reader service coupon.

• The PIC Newsletter is a monthly publication from Professional Insurance Consultants Inc. that **informs agents and brokers of specialized programs** available through their agency. For a free copy write 52 in the box on the reader service coupon.

• A 12-page guide to the new easy-to-read **garage policy, Auto 8400A**, is the "Simplified Language Garage Policy" brochure, available from UAC, a subsidiary of The Continental Corp. For a free brochure write 53 in the box on the reader service coupon.

• A free booklet, "Outline of Service (Ohio)," is a summary of a **workers compensation cost-control program** as related to the Ohio State Fund from Gates, McDonald. For a free copy write 54 in the box on the reader service coupon.

• The **workers compensation system** is examined in brochure from INA Corp. "What Ails Workers Compensation?" For a free copy write 55 in the box on the reader service coupon.

• A description of the Fremont Indemnity **workers compensation safety groups** program, including a listing of established safety groups, is in "Workers Compensation Safety Groups," a brochure from Fremont. For a free brochure write 56 in the box on the reader service coupon.

• "Wescott Workable Solutions" is a brochure describing a nationwide settlement service for **long-term recipients of workers compensation benefits.** For a free copy write 57 in the box on the reader service coupon.

• "When It Comes To Insurance, We'll Help You Make The Right Moves" is a four-page promotional brochure listing **questions to ask about your insurance plan** by The American Appraisal Co. For your free copy write 58 in the box on the reader service coupon.

• Three fliers from NAS Ltd. contain a policy copy, explanation and application on the "Ultimate Umbrella" **liability coverage**. For a free set of fliers write 59 in the box on the reader service coupon.

• Products and **services of the Fremont Indemnity property/casualty department** are described in "Property and Casualty," a free promotional brochure. For a free copy of the brochure write 60 in the box on the reader service coupon.

• A two-part flier on **IBNR coverage** from NAS Ltd. describes its policy to cover incurred-but-not-reported claims under self-insured or large deductible programs. For a free set of fliers write 61 in the box on the reader service coupon.

• A promotional pamphlet on the **commercial and personal surplus lines** of Comstock Insurance Co., "Excess & Surplus Casualty Lines" is available. For a free pamphlet write 62 in the box on the reader service coupon.

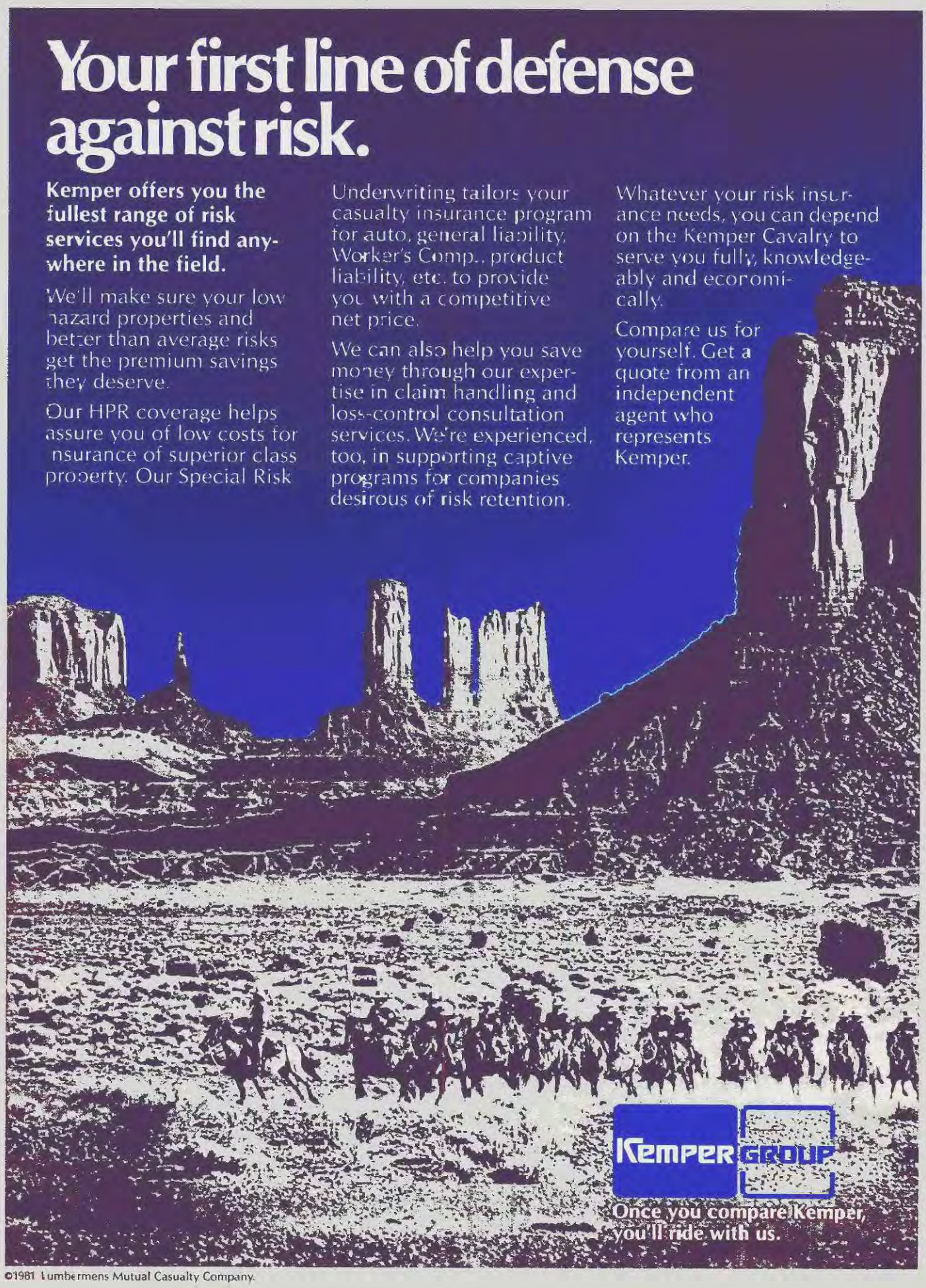
• The **fundamentals of retrospective rating** using various line, state and wrapup calculations are in "Retrospective Rating" by John R. Stafford. For a copy of this book send $10.50 prepaid to J&M Publications, P.O. Box 338, Palatine, Ill.

• "Excess and Surplus Lines Manual" is a **guide on the specialty, excess and surplus lines markets.** The manual is updated monthly. The two volumes cost $227. For more information write Harry Borowka, The Merritt Co., 1661 Ninth St., Box 955, Santa Monica, Calif. 90406.

• The 1981 edition of "Workers Compensation Experience Rating" features the National Council on Compensation Insurance's **experience rating plan.** The book costs $8.25 prepaid. For a copy write J&M Publications, Box 338, Palatine, Ill. 60067.

• The Insurance Litigation Reporter is a monthly publication that covers policy coverage and interpretation, insurers' duties and responsibilities and other **important issues in insurance law.** Subscriptions are $150 a year. To order write Litigation Research Group, 651 Brannan St., San Francisco, Calif. 94107.

• "Smart's Insurance Bulletin" reviews **insurance issues of importance in the Western United States.** A yearly subscription is $60. To subscribe write Darrell Heppner, Smart's Insurance Bulletin, 1120 E. 14th St., Suite F, San Leandro, Calif. 94577.



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Employee benefits

• The prescription drug plan leaflet describes Provident Mutual's **pharmaceutical card system** and how it works for group policyholders. For a free pamphlet write 100 in the box on the reader service coupon.

• **"Group Legal Service Plans"** discusses the plans available from Group Legal Plans Corp. to corporations as a 'pay-as-you-go' employee benefit. For a free copy of the brochure write 101 in the box on the reader service coupon.

• "What Should Your Company Get for Its Health Benefit Dollar?" is a free pamphlet from Jay Wolfson Associates that gives **an overview of the health benefit cost issues** facing most companies. For a copy of this employee benefit pamphlet write 102 in the box on the reader service coupon.

• Mutual Benefit Life offers a four-page pamphlet outlining its professional **long-term disability plan for groups of 10 or more**. For a free copy of this pamphlet write 103 in the box on the reader service coupon.

• "Masterplan" is the name of an insurance plan and a brochure offered by The Travelers Insurance Co. Masterplan is a **payroll-deduction automobile, home, personal property and life insurance program.** For a free brochure write 104 in the box on the reader service coupon.

• A **vision program**, its features and advantages are described in "Vision Claim Processing," a pamphlet from Paid Prescriptions. For a free copy of this employee benefits pamphlet write 105 in the box on the reader service coupon.

• "Features of the Charter Series" is the free Mutual Benefit Life brochure on **group insurance plans for three to 50 employees.** For a copy write 106 in the box on the reader service coupon.

• "Auto Insurance Plan" is a promotional pamphlet on the Provident General employer-sponsored **automobile and homeowners insurance plans.** For a free copy write 107 in the box on the reader service coupon.

• Group life and health **package plans available to sponsoring associations** are described in "The Multiplier," a promotional pamphlet by Mutual Benefit Life. For a free pamphlet write 108 in the box on the reader service coupon.

• Provident Mutual offers a leaflet on their **retired lives reserve life insurance** program, "Retired Lives Reserve." For a free leaflet write 109 in the box on the reader service coupon.

• Creative concepts in Qualified Retirement Plans is a collection of nine brochures from Bankers Life Nebraska. The brochures range from **plan design** and **proposal services** to **fixed-income contractor information**. For free copies write 110 in the box on the reader service coupon.

• **Prepaid health care programs** are reviewed in the promotional brochure, "A New Option in Health Care," from INA. For a free copy write 111 in the box on the reader service coupon.

• "An Apple a Day" is a free brochure from Mutual of New York on what employees can do to help **lower health care costs**. For a copy write 112 in the box on the reader service coupon.

• A promotional pamphlet, "Money Market Fund," describes the Provident Mutual Life Insurance Co. **money market fund for qualified retirement plans** sponsored by employers. To obtain a free copy write 113 in the box on the reader service coupon.

• A quarterly newsletter published by Mutual of New York, MONYGRAM, keeps brokers and clients informed of **current group insurance topics.** To obtain a free newsletter write 114 in the box on the reader service coupon.

• **"The Multiemployer Pension Plan Amendments Act of 1980"** by Meidinger Inc., is a 43-page report summarizing the law and guidelines for employers making decisions in relation to it. For a free report write 115 in the box on

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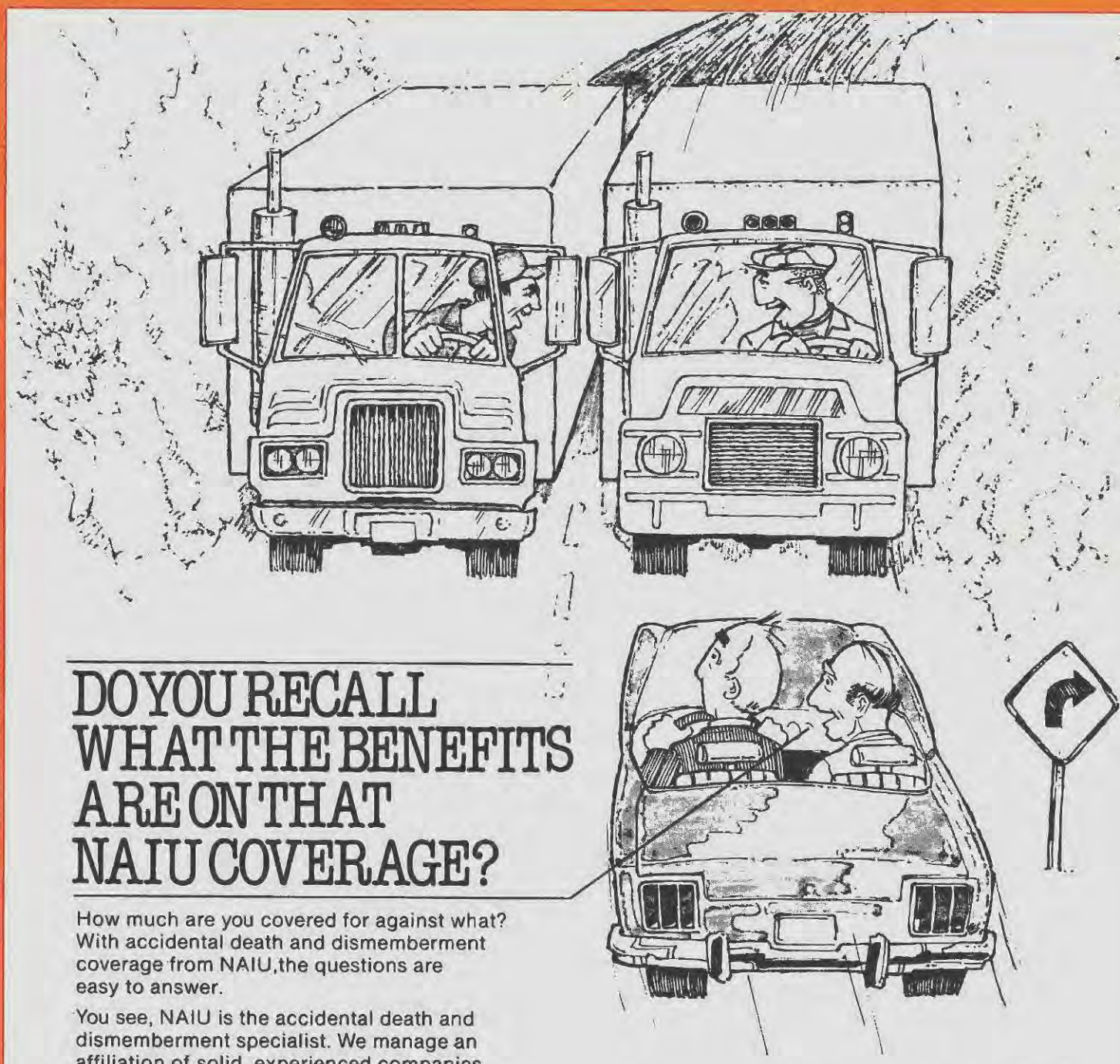

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the reader service coupon.

• A promotional brochure on the tax advantages of a **qualified retirement plan,** "Corporate Retirement Planning with Sentry," is available from Sentry Insurance. For a free copy write 116 in the box on the reader service coupon.

• "VisionCare" is the title of a free brochure from John Hancock Mutual Life Insurance Co. It describes Hancock's **vision plan** and the claims processing system that is part of it. For a free brochure write 117 in the box on the reader service coupon.

• The IAA Trust Co. has published a brochure and fee schedule on the benefits of a **tax-sheltered Keogh plan** in "Tax MiniMisers." For a free brochure write 118 in the box on the reader service coupon.

• A **medical, dental and optical plan designed for key personnel** is in the brochure, "XS Executive Medical Insurance" by RLI Insurance. This program complies with federal regulations for executive medical insurance. For a free brochure write 119 in the box on the reader service coupon.

• "Sentry Life Group 2000" is a promotional pamphlet that discusses the benefits of a Sentry Insurance **group health and life insurance program,** including the claims and administrative options. For a free pamphlet write 120 in the box on the reader service coupon.

• A booklet, "John Hancock Association Services," describes **group insurance programs for trade and professional associations** available from John Hancock Mutual Life Insurance Co. To obtain a free booklet write 121 in the box on the reader service coupon.

• "Money-saving Ideas for Building and Protecting Your Family's Wealth" by IAA Trust Co. discusses the **application of personal trusts** to reduce probate expenses and estate taxes. For a free booklet write 122 in the box on the reader service coupon.

• The **retired lives reserve plan** and advantages of the plan are described in a free pamphlet from Sentry Insurance, "Retired Lives Reserve." For a free pamphlet write 123 in the box on the reader service coupon.

• A brochure on the features and advantages of a **paid prescription drug plan** are outlined in "Prescription Drug Claim Processing" from Paid Prescriptions, a subsidiary of Computer Sciences Corp. For a free brochure write 124 in the box on the reader service coupon.

• A catalog of **courses for the Certified Employee Benefit Specialist** designation is free from the International Foundation of Employee Benefit Plans. The catalog lists 10 courses co-sponsored by the IFEBP with the Wharton School of the University of Pennsylvania. For a free catalog write 125 in the box on the reader service coupon.

• A folder of booklets, "Managing Your Health" from the American Hardware Mutual Insurance Co., contains information on **health maintenance, safety and wellness programs** and personal health. For a free folder write 126 in the box on the reader service coupon.

• "Health Care Plus" is a brochure on a **group insurance plan designed for corporate officers, executives and key personnel** by American Medical Plans Inc. For a free brochure write 127 in the box on the reader service coupon.

• "Brokers' Market Value Providers Sales Kit" includes marketing guides for the **group life, long-term disability and accidental death coverages** available from Combined Insurance Co. of America. For a free kit write 128 in the box on the reader service coupon.

• "Employee Life Cycle," a brochure describing an **annuity savings life insurance program** for 50 lives or more, is available from Fireman's Fund American Life. For a free copy write 129 in the box on the reader service coupon.

• "An Employer's Guide to MONY's Minimum Premium Plan" is a six-page pamphlet describing Mutual of New York's **group insurance plan** for 200 or more em-

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perspective

Setting precedents

Implications of court decisions can stretch further than is obvious

By Henry Salfeld

WHETHER YOU READ an excerpt of a court decision in a trade publicaton or in its complete form, you may be surprised by its conclusions and its implication for the future.

The following two cases will prove those points. Both are liability cases, one concerning general liability and the other concerning the family auto policy:

- In Cole's Restaurant Inc. vs. The North River Insurance Co. et al (432 N.Y.S. 2d 844), the Supreme Court of Erie County, N.Y., held Nov. 6, 1980, in a dramshop suit "that the insurer was required to defend its insured without regard to ultimate liability."

For many years it has been the rule of the New York courts that under a general liability policy the obligation to defend is broader than that to pay (St. Paul Fire & Marine Insurance Co. vs. Clarence Rainess & Co., 335 N.Y. 2d 159) and that liability insurance is "litigation in insurance" as well (De Luca vs. Atlantic Mutual Insurance Co., 373 N.Y.S. 2d 630).

The question, whether the insurer must defend, depends upon the allegations of the plaintiff (Goldberg vs. Lumbermen's Mutual Casualty Insurance Co., 297 N.Y. 153, Niagara County vs. Utica Mutual Insurance Co., 427 N.Y.S 2d 171—the Love Canal case). If "it is manifestly clear that the negligence complaint did not allege facts sufficient to find on its face that it was subject to. . .policy exclusions," the company must defend (International Paper Co. vs. Continental, 361 N.Y.S. 2d 873.).

Henry Salfeld is a consultant with Frenkel & Co. Inc., a New York insurance brokerage.

In this case it appears the plaintiffs only said that Cole's "became liable for negligence and violation of the Dramshop Act." Allegedly, "Coles continued to serve the patron liquor even after they knew or should have known she had become intoxicated."

According to the exclusions under a general liability policy, the insurance does not apply "to bodily injury or property damage for which the insured may be held liable. . .by reason of the selling, serving or giving of any alcoholic beverage to a minor or to a person under the influence of alcohol or which causes or contributes to the intoxication of any person."

If the plaintiffs did not allege any facts besides those mentioned, the exclusion would apply, not only to the obligation to pay but also to defend.

- In Dutton vs. State Farm Mutual (Ala. 383 So. 2d 519), the Supreme Court of Alabama on Feb. 8, 1980, affirmed a judgment in favor of the insurer that denied its obligation to defend an policyholder's son who had lent the car without authorization to a young girl subsequently involved in an accident.

There was no question that the son, a resident of the policyholder's household, was an insured, but the court concluded that the policy covers claims "arising out of the ownership, maintenance or use of the owned automobile." It said the son, in lending the car, did not "use" it.

In its decision the court quoted parts of the definition of the word "use" from various dictionaries, which define the word to mean: "to employ for some purpose, put into service or make use of. . .apply to one's own purpose." (See also Samuels v. American Automobile Insurance Co., 150 F 2d 221.)

Mike, the son, in this case had no permission to let another person operate the car, but let us assume that he had permission. Logically, the situation would not be different because according to the court he would not have "used" the vehicle and would, therefore, not have coverage. As a matter of fact, had the girl stolen the car and the injured third party would include Mike as a defendant in a lawsuit, the company, according to its interpretation, could deny liability for Mike's defense. This solution is neither in the interest of the insured or the general public.

But even if we follow the court's conclusion that coverage depends upon their interpretation of the word "use," a careful review of the dictionaries quoted as well as the 1979 edition of Black's Law Dictionary and the Random House Dictionary of the English Language disclose that the word includes the employment of something for any purpose or availing one's self of the item.

By turning over the vehicle to the girl, Mike availed himself of it. Even if one should go as far as the court did and require a "beneficial" interest by Mike, this interest may be of any kind. Nowhere is it stated that the user must have a financial or economic interest.

It, therefore, appears that Mike was insured under the policy and the company obligated to assume its defense.

This, however, does not apply to the girl who operated the car without permission of the named insured. The conclusion might be different if the car had been insured under the new personal auto policy, which insures any person using a covered automobile unless he or she is "without a reasonable belief" that he or she is entitled to use the car.

Based on these two cases, readers are cautioned to read decisions carefully and not "jump to conclusions."

Failure to invoke an arbitration clause does not affect insured's right to recovery

A California appelate court ruled that the failure of a policyholder to invoke an arbitration clause in a theft policy when advised of its right to do so was not a breach of the policy.

Overland Plumbing Inc. sustained a break-in and theft in February 1977. Materials allegedly costing $33,000 were missing.

Overland was covered by a theft policy issued by Transamerica Insurance Co. containing a $1,000 deductible clause. The policy provided that should the parties fail to agree as to the actual cash value or the amount of the loss, then "on the written demand of either, each shall select a competent and disinterested appraiser. . ."

Transamerica tendered Overland $1,100, claiming that the total loss did not exceed $2,100. Overland sued and recovered a judgment for $32,000.

On appeal, Transamerica claimed that Overland had breached the insurance contract because Overland, when advised of its right to do so, failed to invoke the arbitration provision. But, the court said, there was no evidence that Transamerica exercised its option to invoke the provision. Since the provision was expressly optional, the court said Overland had no duty to invoke the clause. *Overland Plumbing Inc. vs. Transamerica Insurance Co.*, California Court of Appeals, March 20, 1981 (*BI*/04/N.-$5).

legal briefs

Group dental

A group dental insurance policy providing that "as part of the basis of determining benefits payable, X-rays and other appropriate diagnostic and evaluative material may be required" did not require that X-rays be taken, according to an Alabama appellate court.

William Persons was covered under a group dental expense insurance policy issued by Provident Life & Accident Insurance Co. Mr. Persons underwent various dental procedures.

However, his dentist did not complete a "pre-determination of benefits" form, an analysis by the dentist of the patient's condition and the necessary work that must be done.

No X-rays of Mr. Persons' mouth were made prior to a crown restoration because the dentist knew his condition and what was needed.

A claim for $968 was rejected by Provident. Mr. Persons sued and recovered a $614 judgment.

On appeal, Provident argued that the "pre-determination" form was a prerequisite to payment of benefits.

The court disagreed. The court said that the policy provisions with regard to diagnostic and evaluative material envisioned such requests to come after the policyholder had the work done and had submitted a request for payment to the insurance company.

But, the court reduced the award to $500, the maximum payable under the policy per person per year. *Provident Life & Accident Insurance Co. vs. Persons*, Court of Civil Appeals of Alabama, March 18, 1981 (BI/01/D.-$5). ■

These abstracts were prepared by Cases Unlimited Inc. A copy of an entire decision may be obtained by sending a check for $5 made out to Cases Unlimited to Business Insurance, 740 N. Rush St., Chicago, Ill. 60611. Please list the number for each opinion.

management

Don't ignore your managers' unhappiness

By Kenneth P. Shapiro

LAST MONTH, I noted studies that show increasing discontent among managers (*BI*, Dec. 7). Middle managers, especially, are less happy in their jobs, partly because the gap that separates them from their subordinates is becoming smaller and smaller.

While it is dangerous not to keep abreast of management attitudes, it can be disastrous to ignore discoveries of general management discontent.

Neglecting to act promptly can result in a company losing high performers while keeping the more complacent managers. Eventually, the organization will begin to stagnate.

According to Dr. Michael Cooper, vp of Research for Management, a division of Hay Associates, "The challenge now facing organizations is to channel middle-management frustration into renewed commitment to their company and their job.

"The first step in dealing with the general problem is to diagnose the attitudes of employees at all levels," he says.

This employee attitude diagnosis can be conducted through an employee relations survey program, a tool to identify strengths and weaknesses for management decision making.

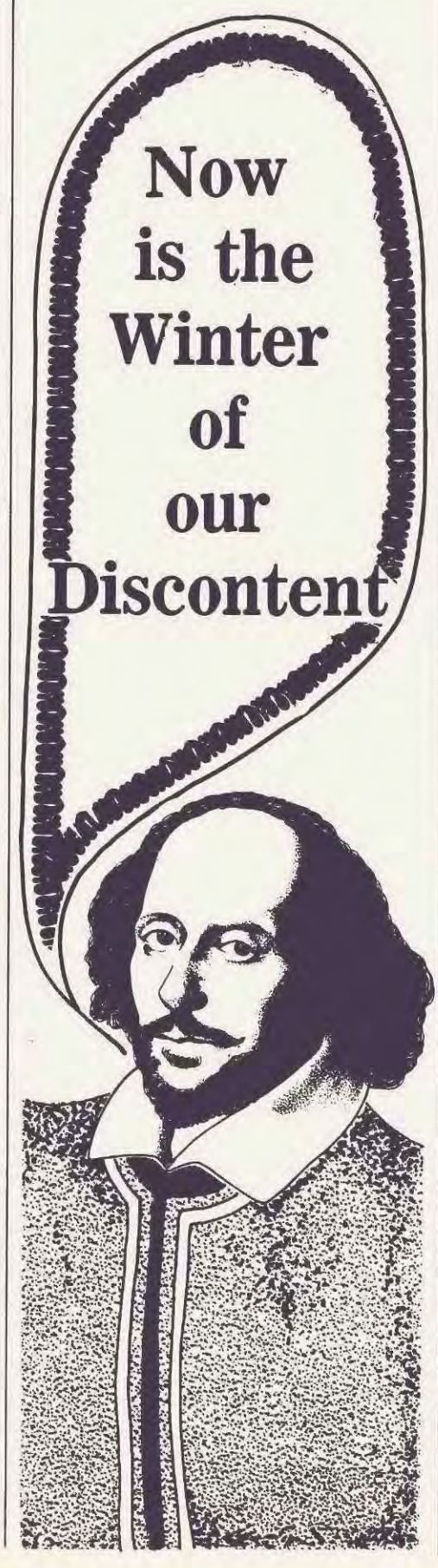
The following five steps should be included in such a program:

- Interviews with managers on a one-to-one basis to elicit important information about the company's operations and potential problems, as well as to ensure the senior management commitment vital to the success of any employee security program.
- Focused group sessions with employees from different departments and company levels to identify specific perceived problems, as well as to create an atmosphere of employee involvement in the survey process.
- Development of questionnaire administration, if possible, to acquaint employees with the benefits of the survey and to assure them that their responses will be confidential.
- Analysis—including comparisons to formative data bases—by job level and industry to provide a full understanding of attitudes and problems.

To increase the impact of the survey process, these three steps should be taken following the survey:

- Establish priorities to establish or clarify human resource objectives based upon survey results.
- Offer feedback to the employees to reinforce the importance of the process.
- Plan, design and implement programs to promote necessary change within the organization.

Finally, in addition to providing insights into the company's strengths and weaknesses, an employee relations survey program should identify communications and productivity barriers, supervisory problems and the reasons for employee turnover.



Kenneth P. Shapiro is a vp at Hay Huggins & Co. in Philadelphia. His column on management appears monthly in Business Insurance.

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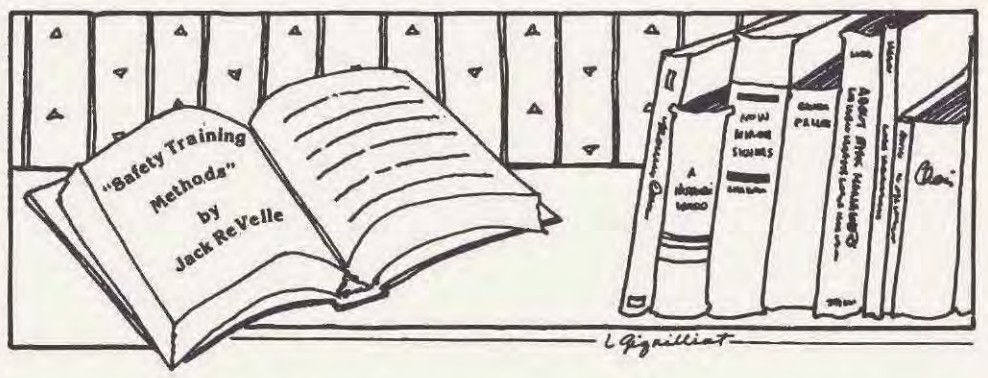

Safety training should never cease, according to author

By Z'ev Kronish

"Safety Training Methods"
By Jack B. ReVelle
John Wiley & Sons, 605 Third Ave., New York, N.Y. 10158
248 pages, $26

INNOCUOUS LANGUAGE is the hallmark of insurance, ultimately influencing the public attitude toward risk.

Death is covered by life insurance, and disability comes under the label of health insurance. Sugar coating risks is a clumsy way of awakening people to danger. Worse, this rose-colored terminology brings on euphoria extending all the way to the workplace, from top management down. Nobody, except the lonely risk manager, wants to bite the bullet.

Is it any wonder that promotion of industrial safety is caught in a credibility gap? By every indication, hazards don't rate top priority on the corporate agenda.

For Mr. ReVelle "training" is the overall plan for accident prevention—from good housekeeping habits (clean work areas) to the danger of open light bulbs (they should be encased). His theme is that safety requires a continuous effort; vigilance never takes a rest. Training never ceases, either.

Effective training falls flat when it isn't taken seriously. Even when someone is assigned responsibility for teaching safety, it is by no means certain that the location, equipment and qualifications will meet accepted standards.

The author recommends the use of a blackboard and pointer. Sounds elementary? Take nothing for granted. Due to budget restraints, management training is regulated to a back seat and training for safety usually winds up as a perfunctory duty.

"The most important assets of an instructor are sincerity, enthusiasm and a knowledge of the subject," he writes. For good results, active employee involvement is crucial.

It should not surprise us to read in "Safety Training Methods" that companies with strong commitments to safety still face problems in achieving the cooperation of the rank and file. Except for those who suffer injury, safety strikes many employees as sissy and tedious. And it is just possible that the listener's boredom increases with the intensity of the appeal from safety directors.

Mr. ReVelle captures the nitty-gritty of the issue: Carrying out management's mandate to reduce accidents requires a stimulus from the lower-level manager—so much hinges on the ability of a supervisor to set the correct tone.

Safety success begins with managerial skill in establishing a rapport with subordinates, yet maintaining a somber atmosphere. Implementation of goals comes about through instruction, whether formal or informal, by the supervisor directly. The author holds up the supervisor as the catalyst.

He expects this administrator to generate enthusiasm, to set an example, to be the watchdog. Is a supervisor likely to get excited about safety? Safety managers have been grappling with this problem for years. It is usually at the level of the lower manager that safety gets shoved aside because of other pressing demands.

Alert reactions by supervisors to unsafe acts and conditions can reduce accidents as much as 50%, Mr. ReVelle writes. Contributing heavily to the accident toll, slipshod conduct needs a firm response.

Employees don't ask questions for fear of appearing stupid, the author writes. Make few assumptions, he advises, about employee competence in matters of safety. Repetition of accident warnings are helpful; he compares them to broadcast advertisements that, while irritating, are nonetheless remembered. Since behavior modification is central to the struggle, his stress on indoctrination against carelessness is near the mark.

As part of the training program, the author recommends preliminary discussions as a means of motivating undivided participation. Introspection can lay the groundwork for a positive attitude.

It is highly practical of Mr. ReVelle to urge those in charge of training to concentrate on eliminating the worst accidents as these cut deeply into a company's performance. Noting that safety training should extend to off-the-job exposures, he describes this approach as an "emerging area of concern."

Right on! ■

Z'ev Kronish is in the claims department at National Health & Welfare Mutual Life Insurance Assn. His reviews of management books appear regularly in BI.

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ployees. For a free copy of this pamphlet write 130 in the box on the reader service coupon.

• "MONY's Minimum Premium Plan" is the companion booklet from the Mutual of New York that describes the **group insurance plan** and how it and the stop-loss aspect of the plan works. For a free copy of this booklet write 131 in the box on the reader service coupon.

• "How Long Is Your Lifeline?" is a set of employee and employer brochures describing a **payroll-deduction life insurance plan** available from North American Co. for Life & Health Insurance. For free copies write 132 in the box on the reader service coupon.

• "Retirement Income Opportunities in an Aging America," to be published in February, discusses **the income of the elderly in the United States.** The book will cost $10. For a copy write Debra Ann Stark, Employee Benefit Research Institute, 1920 N St. N.W., Suite 520, Washington, D.C. 20036.

• "Retirement Income and the Economy: Policy Directions in the '80s" covers **current retirement issues and policy initiatives.** A hardback edition costs $18; a paperback edition costs $10. To order write Debra Ann Stark, Employee Benefit Research Institute, 1920 N St. N.W., Suite 520, Washington, D.C. 20036.

• "Blue Book of Pension Funds, 1982" **lists more than 18,000 pension funds,** all with more than $1 million in assets. The book, divided into four regional volumes, costs $175. For information write Judy C. Diamond, ERISA Benefit Funds Inc., 1341 G St. N.W., Suite 909, Washington, D.C. 20005.

• "The Stay/Pay Salary Continuation Plan" is a **fringe benefit for selected employees** that requires no vesting and is exempt from ERISA requirements. The book costs $5. For information write Glenn Pollack, Confidential Planning Services, 7400 N. Caldwell Ave., Niles, Ill. 60648.

• Two bibliographies, one on **retirement income and capital accumulation programs,** the other on **health care programs,** are available from the Employee Benefit Research Institute for $25 each. To purchase write Debra Ann Stark, EBRI, Education and Research Fund, 1920 N. St. N.W., Suite 520, Washington, D.C. 20036.

• "Case History of a 20-Year Success" is a booklet that describes the FHP **health maintenance organization** in California. The booklet costs $1. To order contact Burke Gumbiner, FHP, 9930 Talbert Ave., Fountain Valley, Calif. 92708.

Self-insurance

• **Claims data processing and support services** available from Meridian-American Inc. are described in the brochure, "At Your Service." For a free brochure write 200 in the box on the reader service coupon.

• A six-page paper, "The Key to Self-Funding Long Term Disability Benefits," is available to companies that self-fund or are considering **self-funding LTD plans.** To obtain a free copy write 201 in the box on the reader service coupon.

• "The Travelers Risk Management Services" is the name of a series of publications outlining **risk management, engineering and claims services** available for self-insurance programs offered by The Constitution State Service Co., a subsidiary of The Travelers Corp. For a free copy write 202 in the box on the reader service coupon.

• A promotional booklet from R.L. Kautz & Co. provides an overview of the Kautz & Co.'s Pinetek **claims management services for workers compensation, liability and group benefits.** For a free booklet write 203 in the box on the reader service coupon.

• An eight-page booklet, "The ABCs of Selecting and Working with Claims Management Consultants," on **choosing and working with claims management firms** is available from the National Loss Control Service Corp. For this free booklet write 204 in the box on the reader service coupon. .

• "Alternative Funding" is a booklet from Genelco Inc. that ex-

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plores the **self-funding of health plans** and its advantages and disadvantages. For a free copy write 205 in the box on the reader service coupon.

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• A corporate promotional brochure describes the **insurance claims and computer services** provided by Meridian-American Inc. and its affiliates. For a free copy of this brochure write 207 in the box on the reader service coupon.

• The free brochure, "Asbestos-related diseases," from UAC, a subsidiary of The Continental Corp., describes different **asbestos-related diseases and coverage and claims** resulting from this hazard. For a free copy write 208 in the box on the reader service coupon.

• "To Unbundle or Not to Unbundle" is a free booklet from Genelco Inc. that investigates **unbundled group medical plans.** For a free booklet write 209 in the box on the reader service coupon.

• Independent Actuarial Services Inc. has published a free brochure that outlines the **actuarial services available to self-insureds, captives, risk managers and insurance companies.** For a free copy write 210 in the box on the reader service coupon.

• "Risk Retention and Your New Banking Needs" is a 14-page booklet for corporate risk managers with self-insurance programs that describes Citibank's **financial and banking services for self-insurers.** For a free booklet write 211 in the box on the reader service coupon.

• On-line **claims adjudication systems designed for large commercial health insurance companies** are described in the brochure "Group Claims Processing System" by McDonnell Douglas Automation Co. For a free copy write 212 in the box on the reader service coupon.

• The advantages of a **self-funded trust plan** are discussed in the seven-page booklet, "A Guide to Self-Funding Employee Benefits through a 501 (c)(9) Trust," from Mutual of New York. For a free booklet write 213 in the box on the reader service coupon.

• "Risk Management Service Co." is the name of the company and the title of the promotional booklet outlining the **services available to self-insureds.** For a free copy write 214 in the box on the reader service coupon.

• A promotional pamphlet, "Self-funding and Administrative Services Only," contains **questions and answers on self-funding and related services** from Mutual of New York. For a free copy write 215 in the box on the reader service coupon.

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• The capabilities and **services available to self-insurers** from Unigard Risk Technology, a subsidiary of Unigard Insurance Group, are described in a free brochure of the same name. For a brochure write 217 in the box on the reader service coupon.

• "We Are the System" describes the American Insurance Administrators Inc.'s on-line **computer claims administration** system. For a free brochure write 218 in the box on the reader service coupon.

• The concepts of **self-funding for the employer of 25 or more people** are outlined in "Self-funding" from Medical Claims Service Inc. For a free brochure write 219 in the box on the reader service coupon.

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• "Keying on Claims and Costs" is a promotional pamphlet that outlines the **computerized claims system** of New York Life Insurance Co. For a free pamphlet write 223 in the box on the reader service coupon.

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• A booklet on the **organization and operation of a Vermont-domiciled captive** insurer is available from Thomas G. Littell, Risk & Benefit Management Systems Inc. For a free booklet write 305 in the box on the reader service coupon.

• "Captive Insurance Company Reports" is a monthly publication that covers **international developments in captive insurance.** Yearly subscriptions are $125; the foreign rate is $150. A subscription to back issues is $60 per year. For information write Dorothy M. Scott, Risk Planning Group, 722 Post Road, Darien, Conn. 06820.

• **A collection of selected papers** from the Risk Planning Group's fifth annual International Captive Insurance Company Conference, held in Bermuda in March 1980, is available for $50. For a set write Micki Briskin, Risk Planning Group Inc., 722 Post Road, Darien, Conn. 06820.

• "How to Form and Operate an Association Captive Insurance Company" explains **the concept of captive insurance** as a service to trade and professional association members. The book costs $20 for members of the American Society of Assns. and $30 for non-members. For information write John J. Matternas, Chairman, Insurance Management Cos., 8401 Connecticut Ave., Chevy Chase, Md. 20815.

• "Bermuda Insurer Reports," to be published early this year, will include **financial data and business profiles of major Bermuda insurers.** The book will cost $65. For information contact Dorothy M. Scott, Risk Managment Group Inc., 722 Post Road, Darien, Conn. 06820.

• "1982 Captive Insurance Company Directory," to be published soon, contains **lists of all known captives** in all domiciles. The directory, to cost $80, is available from Dorothy M. Scott, Risk Planning Group Inc., 722 Post Road, Darien, Conn. 06820.

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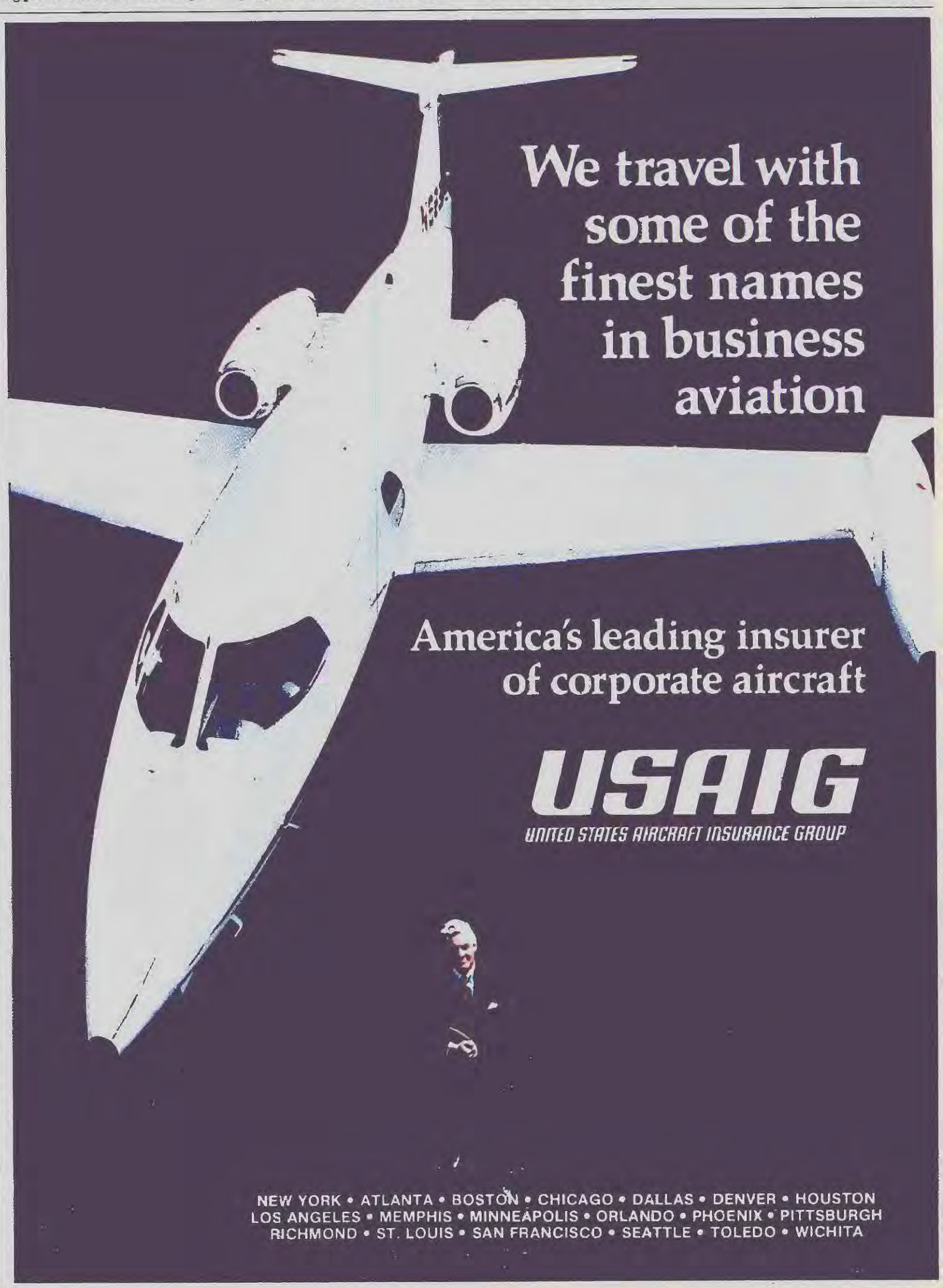

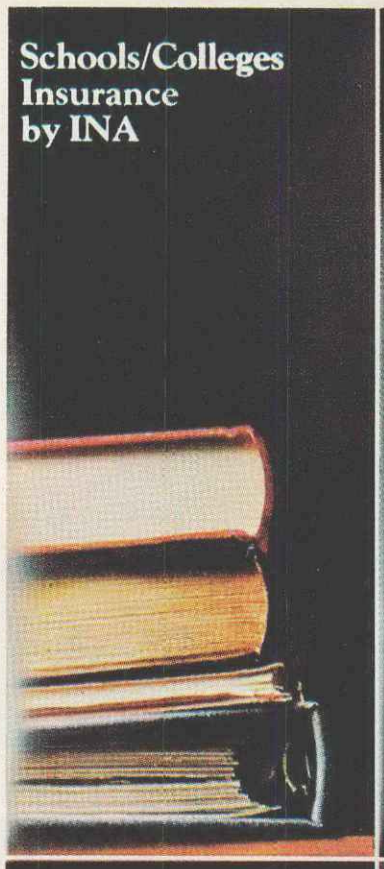
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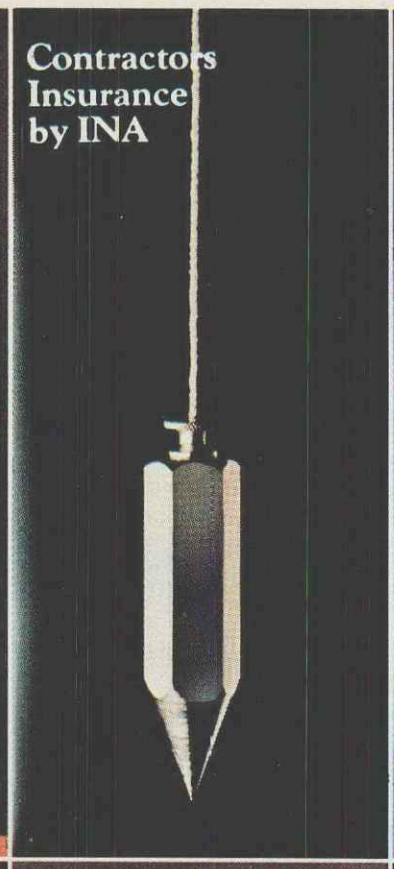
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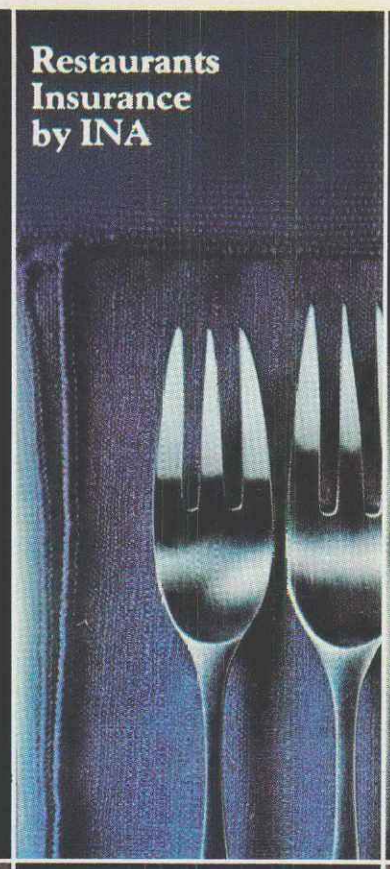
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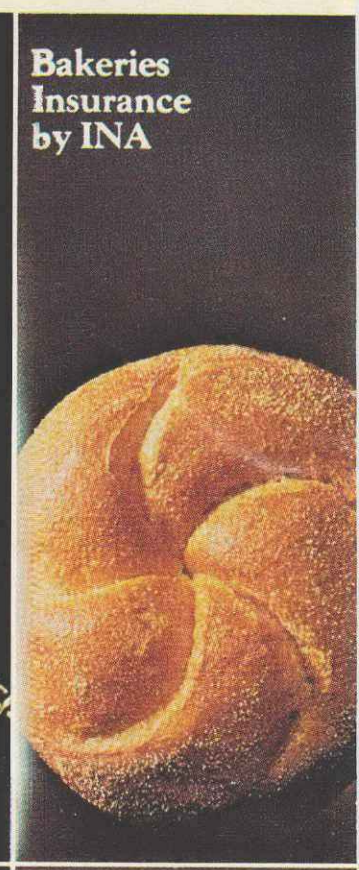
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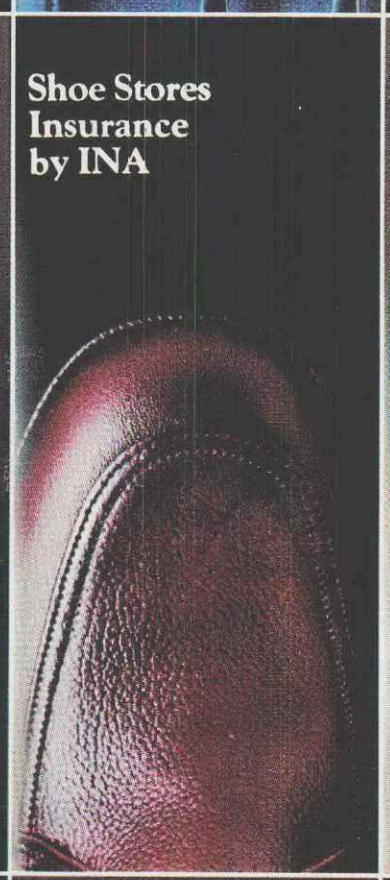
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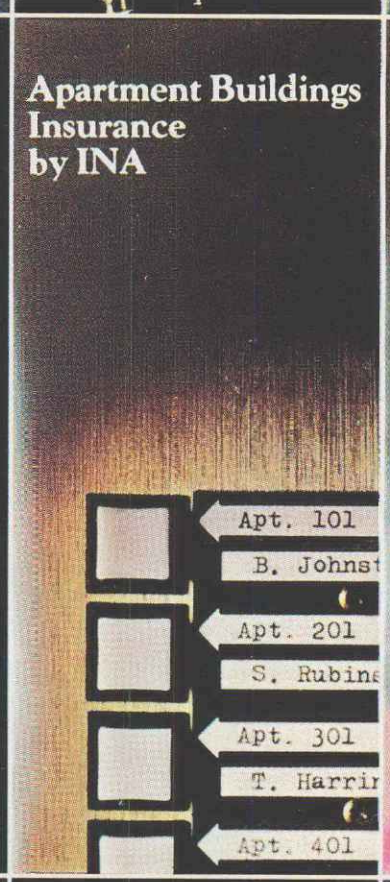
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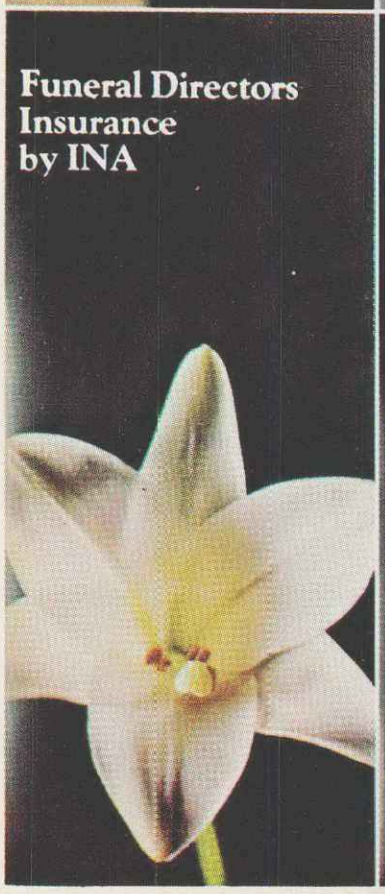
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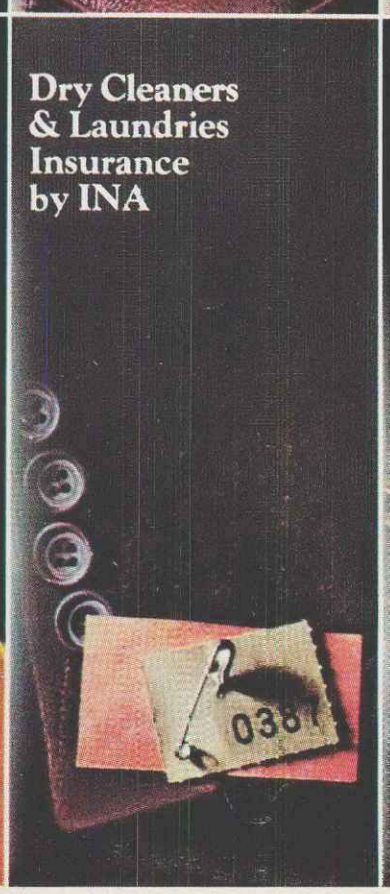
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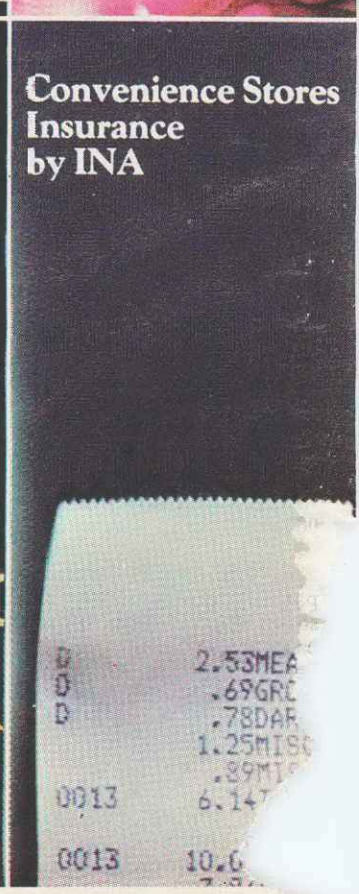
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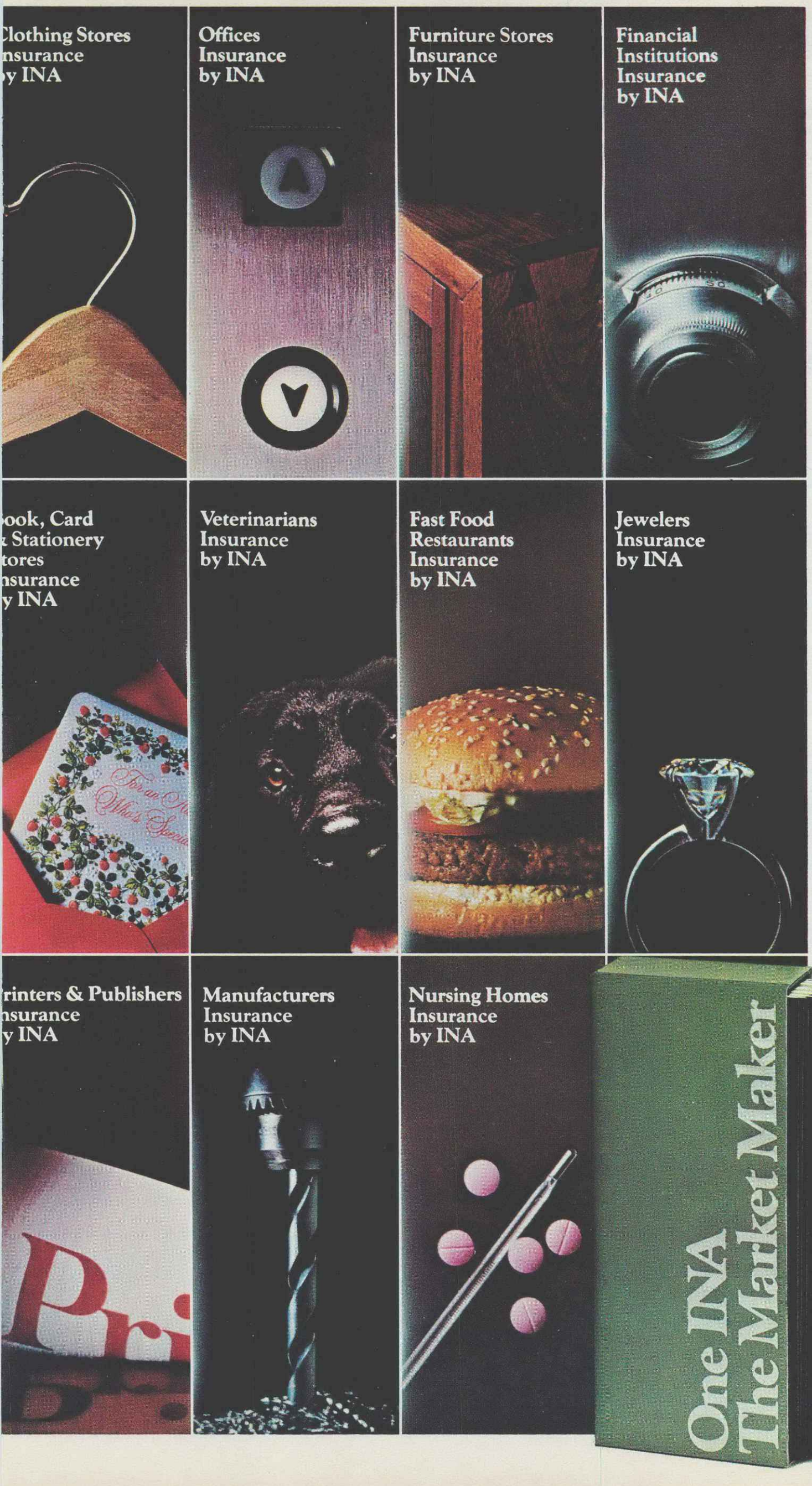

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• Services offered to **third-party employee benefit administrators** by Paid Prescriptions are described in a free brochure, "Benefit Administration Firms & Paid Prescriptions." For a copy write 419 in the box on the reader service coupon.

• Published by INA Corp., "Insurance Decisions: New Pension Options for Smaller Firms" describes how regulations and lack of flexibility have kept **many growing firms from forming pension plans.** For a free copy of this brochure write 420 in the box on the reader service coupon.

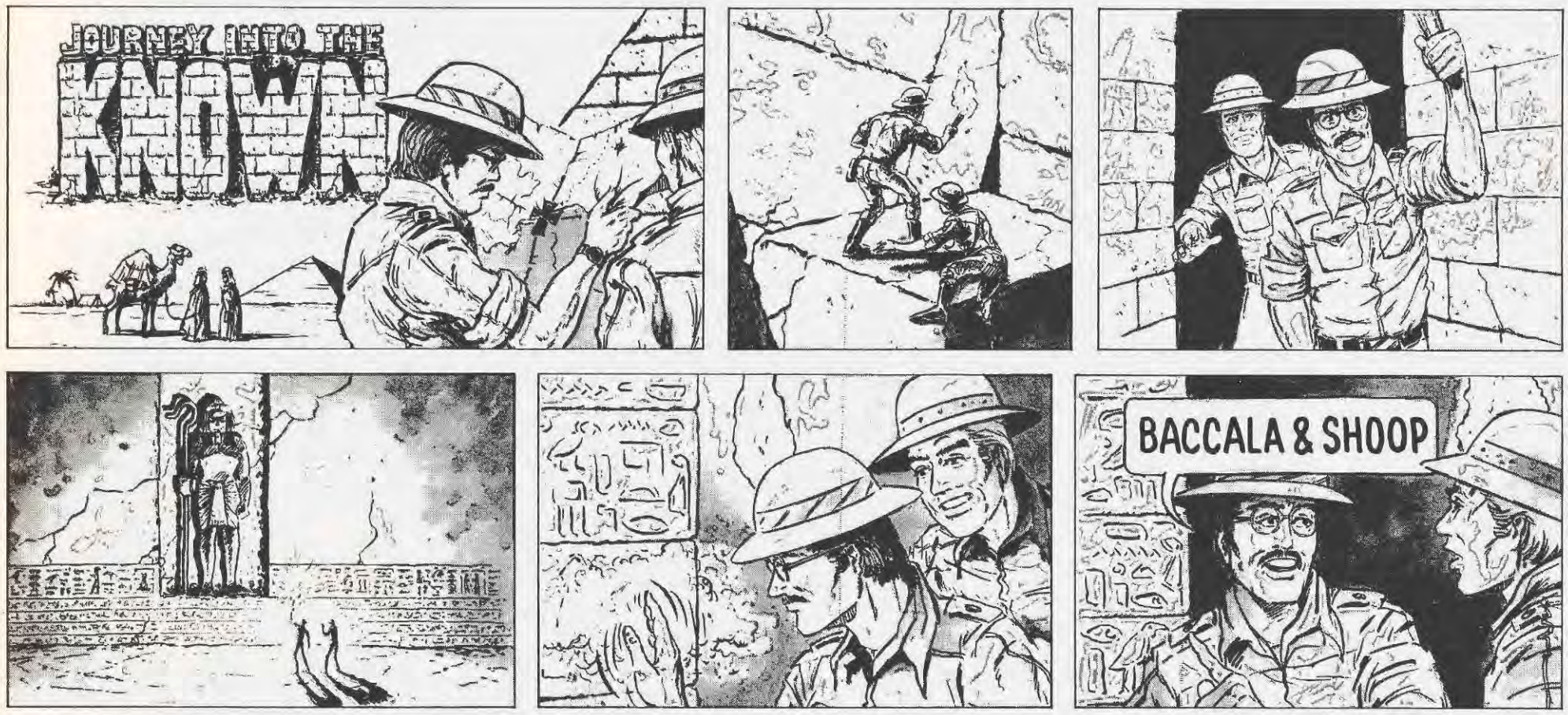
• "Issues and Answers: Sex Discrimination in Employment" is a guide for employers on **sex discrimination in employment** from Buck Consultants Inc. For a free 64-page booklet write 421 in the box on the reader service coupon.

• Kwasha Lipton offers a booklet of its views on issues raised by the **Financial Accounting Standards Board discussion of employers' accounting for pensions.** For this free booklet write 422 in the box on the reader service coupon.

• An **employee wellness and cost containment program** by Healthier Life is covered in the bimonthly newsletter, "Healthier Life." For a free copy of the newsletter write 423 in the box on the reader service coupon.

• "Deductible Employee Contributions" is a 10-page paper from Meidinger Inc. on the **1981 tax law** that allows employees to deduct contributions to IRAs or qualified employer plans. To obtain a free copy write 424 in the box on the reader service coupon.

• A newsletter, "Employee Communications: Going Beyond the Benefit Program," from Kwasha Lipton discusses the importance of good **employee communi-**



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cations. For a free newsletter write 425 in the box on the reader service coupon.

• The Mutual of New York **computer analyses of employee benefit plans** available to policyholders are outlined in the brochure "MONY's Claim Analyses." For a free brochure write 426 in the box on the reader service coupon.

• **Renegotiating insured contracts** is the topic of "Time to Renegotiate," a brochure from Meidinger Inc. The brochure explains insured contracts and how to improve terms and yields. For a free brochure write 427 in the box on the reader service coupon.

• A 14-page report on the **Multiemployer Pension Plan Amendments Act of 1980** is available from Kwasha Lipton. For your free report write 428 in the box on the reader service coupon.

• "JSK CCTV Today" describes the **closed-circuit television service** of James S. Kemper & Co. for employee or other communications. For a free pamphlet write 429 in the box on the reader service coupon.

• A 10-page booklet on pension liability is available free from Meidinger Inc. "The Pension Road Map" discusses **planning and monitoring pension plan management.** For a free copy write 430 in the box on the reader service coupon.

• The advantages and **cost saving potentials of Section 501(c)(9),** plus a full text of the law, regulations and rulings are in "Section 501(c)(9) Programs" from Kwasha Lipton. For a free copy of this brochure write 431 in the box on the reader service coupon.

• A free brochure, "Retirement Communication Services," describes Benefacts Inc.'s **pre-retirement planning services.** To obtain a free copy write 432 in the box on the reader service coupon.

• A primer from Hewitt Associates on **pension funding,** "Paying for Pensions," is designed to acquaint executives with pension matters. For a free copy of this booklet write 433 in the box on the reader service coupon.

• The Advanced Underwriter is a **monthly tax and law digest,** covering judicial and IRS rulings, published by Connecticut Mutual Life Insurance Co. For a free one year subscription write 434 in the box on the reader service coupon.

• A brochure, "Corporate Retirement Plan Services," explains how IAA Trust Co. can provide a single source for **corporate retirement plan design, implementation, statements and investment analysis.** For a free brochure write 435 in the box on the reader service coupon.

• "ClearWrite" is the name of a brochure that describes Benefacts Inc. **services that teach employees to write in simple English.** For a free copy write 436 in the box on the reader service coupon.

• The **"EBRI General Information Folder"** outlines the purpose and services available, plus a listing of publications from the Employee Benefit Research Institute. For a free folder write 437 in the box on the reader service coupon.

• A new book, "The Effect of Changing Family Relationships on Employee Benefit Programs," will be published next month. It discusses **how changing social trends will affect benefit plans.** The book costs $10. For information write Debra Ann Stark, Employee Benefit Research Institute, 1920 N St. N.W., Suite 520, Washington, D.C. 20036.

• "Age in Employment: The Effects of ADEA" is a booklet on **pension plan funding;** medical, dental, life and disability coverages; and hiring and promotion. It costs $15. For more information contact the New York Chamber of Commerce & Industry, Third Floor, 200 Madison Ave., New York, N.Y. 10016.

• The Retirement Enrichment Awareness Program is a **retirement planning program** for single- or multiple-session group meetings. The program, including slides, leader's guide and nine modules, costs $450. The preview fee is $35. For information write John Migliaccio, Retirement Advisors, 919 Third Ave., New York, N.Y. 10022.

• Amendments made in 1978 to the 1967 Age Discrimination in Employment Act are discussed in **"Age in Employment: The Effects of ADEA,"** a 40-page booklet from Buck Consultants Inc. and the New York Chamber of Commerce. The booklet is $15. per copy from the New York Chamber of Commerce & Industry, Third Floor, 200 Madison Ave., New York, N.Y. 10016.

• The Employee Benefit Research Institute offers 22 educa-

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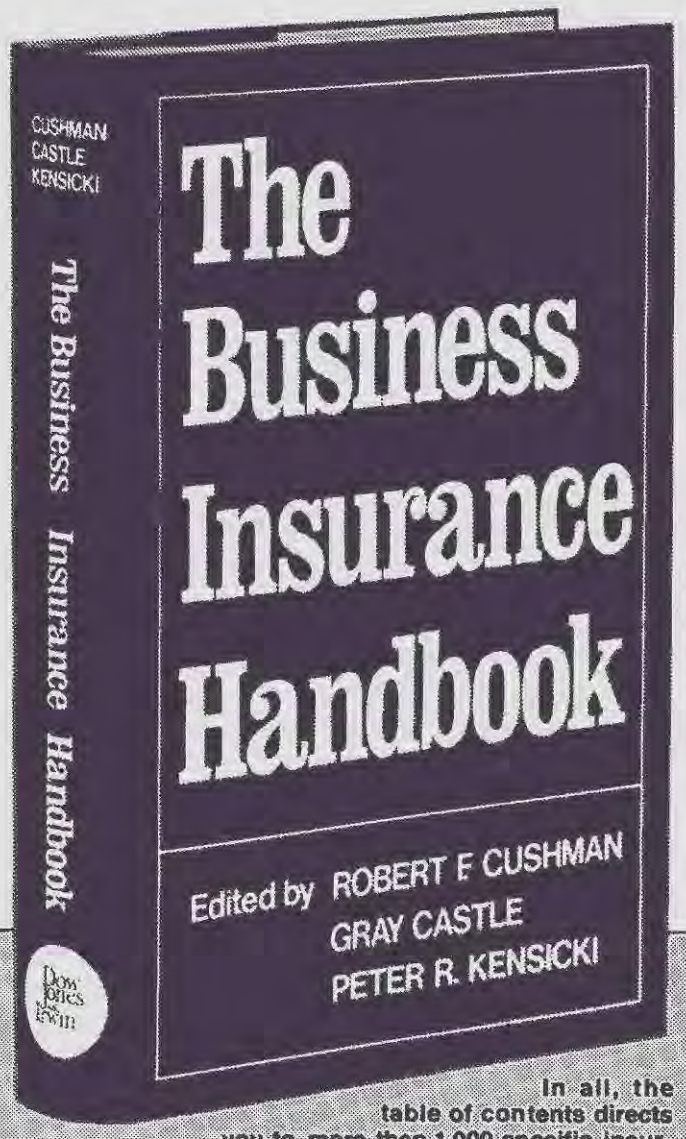

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Financial services (Risk management)

• Reed Risk Management Inc. has prepared a pamphlet on **approaches and resources used in risk management** entitled "Your Risk Management Problems are Unique." For a free pamphlet write 500 in the box on the reader service coupon.

• RIMCO Risk Report, published by the International Risk Management Institute Inc., is a **monthly newsletter focusing on risk management, loss financing and employee benefits.** For a free brochure write 501 in the box on the reader service coupon.

• A free brochure describing the **services and facilities** of Risk & Benefit Management Systems Inc. is available. For a copy write 502 in the box on the reader service coupon.

• "An Attempt at Change—Bankers Blanket Bond Form 24" is a paper from Booke & Co./McNeary Insurance Consulting Services Inc., comparing **the April 1969 and July 1980 versions of the blanket bond** and the effect on insureds. For a free copy write 503 in the box on the reader service coupon.

• The 1982 Risk Management Calendar includes a **monthly checklist of risk management functions** from Darrell Heppner and Smart's Insurance Bulletin. For a free copy write 504 in the box on the reader service coupon.

• "Institutional Risk Management Services" is a promotional brochure by Arthur J. Gallagher & Co. outlining the **risk management services available to institutions** like churches, schools and public entities. For a free brochure write 505 in the box on the reader service coupon.

• "When the Wrong Decision Could Bankrupt Your Business" is a brochure describing **risk management services available to construction companies** from RIMCO Risk Management Inc. For a free copy of the brochure write 506 in the box on the reader service coupon.

• "Insurance Decisions: Pitfalls of Mergers and Acquisitions" is a pamphlet detailing **risk management techniques during the acquisition process** from INA Corp. For a free pamphlet write 507 in the box on the reader service coupon.

• "How to Select and Work with Your Broker" is a paper from Haig Neville Associates that discusses the **process and criteria used to select agents, brokers and consultants.** For a free copy of this paper write 508 in the box on the reader service coupon.

• A promotional flier, "Here's How Corporations Save 30% or More on Insurance Costs," describes **insurance cost reduction programs** offered by Corporate Risk Management Inc. For a free flier write 509 in the box on the reader service coupon.

• "Designing Specifications and Negotiating for Insurance" is a reprint from the CPCU Journal. The article outlines data needed for **preparing insurance specifications** for quotations and proposals and is available from Haig Neville Associates. For a free reprint write 510 in the box on the reader service coupon.

• "The Risk Management Review," a brochure by The Wyatt Co., describes the objectives of **reviewing a risk management and insurance program** and what the goals of such programs should be. For a free copy write 511 in the box on the reader service coupon.

• A division of The Continental Cos., Continental Special Risk Underwriters, is offering a promotional booklet on the **services of CSRU**. For a free booklet write 512 in the box on the reader service coupon.

• "Special Risks and Services" is a promotional pamphlet describing the **special risks and services** division of Fremont Indemnity Co. For a free pamphlet write 513 in the box on the reader service coupon.

• **How to select a risk management adviser** is the subject of a five-page paper from The Wyatt Co. "Finding and Choosing a Risk Management Consultant" offers basic advice on consultants. For a free copy write 514 in the box on the reader service coupon.

• The Betterley Consulting Group, a division of Tillinghast, Nelson & Warren Inc., has a 14-page promotional booklet on their **risk management consulting services.** For a free copy write 515 in the box on the reader service coupon.

• "Tender Offer Defense Expense Insurance" is a brochure by NAS Insurance Services describing the policy, benefits, covered expenses and exclusions of **tender offer insurance.** For a free brochure write 516 in the box on the reader service coupon.

• The Wyatt Co. offers a three-page report on the **ideal role and duties of the risk management consultant.** For a free copy of this report write 517 in the box on the reader service coupon.

• The "Bibliography of Cost Indexes," from the American Appraisal Co., summarizes and describes **cost index sources for construction, buildings, machinery and equipment.** For a free bibliography write 518 in the box on the reader service coupon.

•Reprints of the section from Fortune magazine, **"Corporate Risk Management Comes of Age,"** are available free from The Wyatt Co. For a free reprint write 519 in the box on the reader service coupon.

• A promotional brochure describing the **valuation services** available to corporations is available from American Appraisal. The "Digest of Professional Services to Assist Corporate Decision Makers" is available free. For a copy write 520 in the box on the reader service coupon.

• "The Dawn of a New Age in Risk Management Information Systems" describes the **on-line computer facilities** of Corporate Systems. For a free copy of this brochure write 521 in the box on the reader service coupon.

• A free booklet, "Professionals in Loss and Value Accounting," describes the **property claims services** that Mattson, Driscoll & D'Amico provide. For a booklet write 522 in the box on the reader service coupon.

•"AFCO Insurance Premium Financing" from AFCO Credit Corp. explains ways a risk manager can **finance insurance premiums** to keep cash flow while retaining working capital. For a free brochure write 523 in the box on the reader service coupon.

• "Serving Needs" is a series of free folders from American Merchants Life Insurance Co. that describes the **business life insurance needs of proprietors, partnerships and closely held corporations.** For a free copy write 524 in the box on the reader service coupon.

• A free brochure gives background information on RIMCO Risk Management Inc., a **risk management consulting firm.** For a free copy write 525 in the box on the reader service coupon.

• A free booklet, "Rewarding Careers in Risk Management," provides suggestions for the most effective paths for **career change, growth or renewal and the risk management profession** from the insurance/risk management division of Career Guide. For a free booklet write 526 in the box on the reader service coupon.

• Corroon & Black Corp. is offering a new marketing package about its REACT Risk Management Information System, which converts data into information that can be used to **make better risk management decisions.** For a free brochure write 527 in the box on the reader service coupon.

• Capabilities of the Fremont Indemnity Co. subsidiary, **Premium Finance Corp.**, are described in its promotional brochure. For a free copy of the brochure write 528 in the box on the reader service coupon.

• "Rimcospecs—Insurance Specifications" is a brochure that describes a service to help buyers obtain **broader coverage and lower premiums** available from the International Risk Management Institute Inc. For a free brochure write 529 in the box on the reader service coupon.

• A descriptive brochure of rehabilitation, medical records review, labor market surveys and **consulting services available from Remedi Inc.**, a Lindsey & Newsom company, is available free. For a copy write 530 in the box on the reader service coupon.

• A six-page report on problems found in the **language of claims-made insurance policies** by The Wyatt Co. is available free. For a copy write 531 in the box on the reader service coupon.

• RESOURCE is the name of the brochure listing, with short descriptions, the **non-reinsurance subsidiaries** of the Fremont General Corp. For a free copy write 532 in the box on the reader service coupon.

• "Lindsey & Newsom Insurance Adjusters" is a booklet on the **services, branch offices and service territories of the company's adjusters**. Lindsey & Newsom serves most of Texas. For a free booklet write 533 in the box on the reader service coupon.

• A promotional brochure, "The Structured Settlements Co.," describes the services this company performs to resolve **catastrophic injury and wrongful death cases.** For a free brochure write 534 in the box on the reader service coupon.

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erty/casualty claims at McDonnell Douglas Automation Co. is outlined in the pamphlet, "Property-Casualty Claims Management System." For a free copy write 535 in the box on the reader service coupon.

• **Questions to ask your company risk manager** on insurance, coverage and limits are listed in "26 Questions" by Emett & Chandler. For a free booklet write 536 in the box on the reader service coupon.

• The reprint, "Challenging the Insurance Industry to Change" from Risk Management magazine, proposing **ways to make the insurance system more efficient** is offered by Risk Planning Group Inc. For a free reprint write 537 on the reader service coupon.

• **"Tax Interruption Protection"** is a three-flier set of information from NAS Ltd. The set contains a policy copy and application, explanation of coverage and a reprint from NAS News. For a free set write 538 in the box on the reader service coupon.

• "Workers Compensation Processing System" is a brochure that describes the McDonnell Douglas automated computer facility that collects and stores **workers compensation claim information**. For a free brochure write 539 in the box on the reader service coupon.

• "Analysis of Fiduciary Liability Insurance Policies" is a 59-page report discussing various **fiduciary liability coverages**. The report costs $15. For a copy write Evelyn Kasbohm, The Wyatt Co., 233 S. Wacker Drive, Suite 5600, Chicago, Ill. 60606.

• "Business Interruption Insurance—How It Works" is a booklet that describes in plain language the **coverage and pricing of standard forms of business interruption insurance.** The booklet costs $5.95 prepaid, including postage. For a copy write BJ Publications, Box 203, Mt. Prospect, Ill. 60056.

• "Evaluating Factory Mutual Deposit Options" is a publication that presents a method to compare **costs of the recently introduced Factory Mutual System deposit options.** The publications costs $15. For a copy write Richard S. Betterley, D.A. Betterley Risk Consultants Inc., 446 Main St., Worcester, Mass. 01608.

• "Risk Management Manual" is a **risk management reference service and working guide** on dealing with risks in the most economical way. The three volumes, plus updates and newsletters, cost $230. For information contact Harry Borowka, The Merritt Co., 1661 Ninth St., Box 955, Santa Monica, Calif. 90406.

• "The Cost-of-Risk Survey, 1981," to be published soon, includes figures you can use to **compare your insurance and risk management costs.** The cost of the book is $40 to RIMS members, $65 to others. For information write Bernard M. Brown, Risk Planning Group Inc., 722 Post Road, Darien, Conn. 06840.

• The Asbestos Litigation Reporter is the national **journal of asbestos-related litigation.** Subscriptions cost $660 per year. For information write ALR Subscriptions, Andrew Publications Inc., Box 200, Edgemont, Pa. 19028.

• Risk Management Reports is the bimonthly publication that covers subjects such as costs, compensation, international insurance and other **risk management topics.** Annual subscriptions are $125; the foreign rate is $140. To subscribe write Dorothy M. Scott, Risk Planning Group Inc., 722 Post Road, Darien, Conn. 06820.

• Risk Management Commentary is a quarterly publication offering **practical information and detailed analysis of current risk management subjects.** The annual subscription rate is $50. Write Richard S. Betterley, D.A. Betterley Risk Consultants Inc., 446 Main St., Worcester, Mass. 01608.

• "The Importance of Reporting an Unusual Occurrence and Preparing an Unusual Occurrence Form" is a two-part program to enhance **development of hospital risk management information systems.** A filmstrip costs $90; a slide presentation costs $145. The preview charge is $25. For information contact David Sniff, Illinois Hospital Research and Educational Foundation, 1200 Jorie Blvd., Oak Brook, Ill. 60521.

• With Penn in Hand is a monthly **risk management guide** that keeps readers aware of workers compensation reforms and loss-prevention developments. First-year subscriptions cost $39.90. Write Mary Frankfurth, Penn General Services of Michigan Inc., 4000 Town Center, Suite 800, Box 5007, Southfield, Mich. 48037.

• "Governmental Risk Management Reports" covers insurance topics of special interest to **risk and insurance managers in government entities.** The annual subscription price is $60. Write Dorothy M. Scott, Risk Planning Group Inc., 722 Post Road, Darien, Conn. 06820.

Safety

• The nine-page brochure, "Loss Control Programs. . .the 10 Most Significant Flaws," from the National Loss Control Services Corp., describes the 10 most **common problems that can affect the success of a loss-control program.** For a free brochure write 600 in the box on the reader service coupon.

• **Accident prevention sessions** conducted by loss-control professionals are described in the brochure, "Accident Prevention Training Conferences," from Fremont Indemnity Co. For a free copy of this brochure write 601 in the box on the reader service coupon.

• "We've Got You Covered" is a free flier from Ad-X Corp. that describes and lists specifications for **automatic Halon or powder fire extinguishers** for use where sprinkler systems can't be used. For a free flier write 602 in the box on the reader service coupon.

• "Insurance Decisions: The Impact of Health Hazards at Work" is a booklet from INA Corp. describing **how health hazards in the workplace are leading to a rise in workers compensation claims.** For a free booklet write 603 in the box on the reader service coupon.

• A booklet, "Disability Management System," is an outline of a newly developed system to **prevent and manage work-related back injuries** from Gates, McDonald. For a free booklet write 604 in the box on the reader service coupon.

• Markel Service Inc. offers a free folder on its nationwide safety patrol and inspection service for commercial fleets. Its network of inspectors throughout the country **reports driver conduct and aids in loss control** and Transportation Department compliance. Vehicles are also inspected for safety defects and log violations. For a free folder write 605 in the box on the reader service coupon.

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• Fremont Indemnity Co. offers a free pamphlet on their **safety training courses** conducted by loss-control professionals. For a copy write 607 in the box on the reader service coupon.

• A promotional folder, "SAFER, a Management Information System for the Safety Professional," describes an automated time-sharing system developed by the Citibank safety department for **safety reporting and analysis.** SAFER is available to safety professionals responsible for improving safety records and meeting OSHA requirements. For your free folder write 608 in the box on the reader service coupon.

• "Summary of OSHA Services" is a free booklet that briefly summarizes services Gates, McDonald provides to assist companies in **complying with OSHA regulations.** For a free booklet write 609 in the box on the reader service coupon.

• A free technical booklet, "Foam Protection for Power Generating Stations" from National Foam System Inc., discusses **fire protection for hazardous areas** in oil, coal, nuclear and gas turbine-powered electricity producing plants. For a free booklet write 610 in the box on the reader service coupon.

• Fremont Indemnity's three-part hearing conservation program is outlined in the pamphlet **"Hear-**

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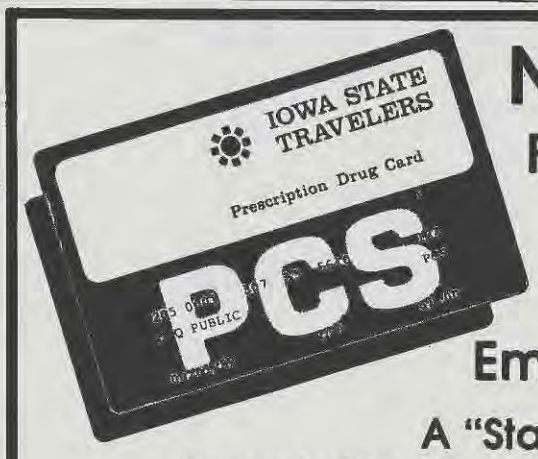

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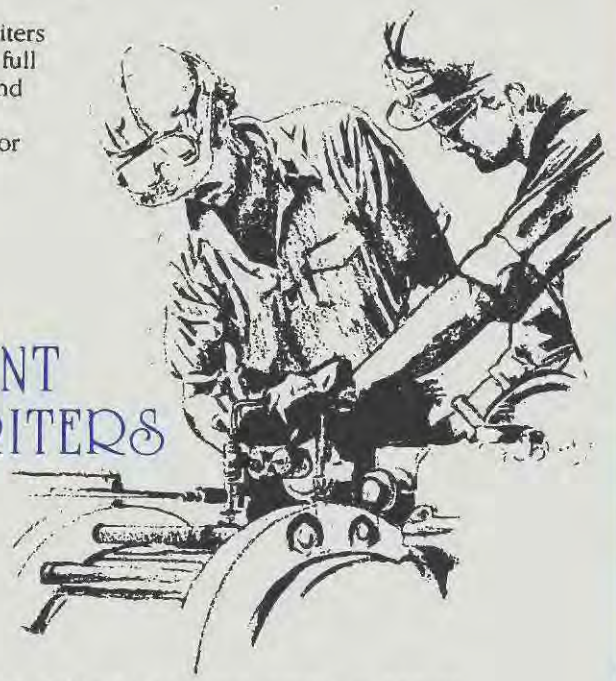

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ing Conservation Program." For a free pamphlet write 611 in the box on the reader service coupon.

• Back Dynamics Institute offers information on occupational **back injury prevention training programs** developed and implemented by physical therapists and safety technicians in "We Have the Solution. . ." For a free pamphlet write 612 in the box on the reader service coupon.

• A promotional pamphlet from Wirt & Knox, a division of National Foam System Inc., "Hose-handling Equipment, Carts and Metal Specialties," has specifications and descriptions of **firefighting equipment** for industry. For a free pamphlet write 613 in the box on the reader service coupon.

• Fremont Indemnity Co. offers a brochure, "Respiratory Protection Program," with guidelines for maintaining the health and safety of employees exposed to **respiratory hazards.** For a free brochure write 614 in the box on the reader service coupon.

• "Ohio Workers Compensation Service Bulletin" is a free quarterly publication with timely facts concerning **workers compensation and safety in Ohio** from Gates, McDonald. For a free bulletin write 615 in the box on the reader service coupon.

• "Willson Faceshields" contains information on **protective visors and headgear** for a variety of industrial uses from Willson Safety Products. For a free pamphlet write 616 in the box on the reader service coupon.

• "Safety, Health and Communications Programs" is a brochure outlining the benefits of **safety, health and communications programs and techniques** used by R.L. Kautz & Co., a subsidiary of Pinehurst Corp., to implement these programs. For a free brochure write 617 in the box on the reader service coupon.

• A promotional brochure with a fee schedule of **environmental health division services** is available from the Continental Technical Services, a subsidiary of The Continental Corp. For a free listing of fees write 618 in the box on the reader service coupon.

• Initiating and **maintaining a company safety program** is discussed in "Seven Steps to Safety," a brochure from Fremont Indemnity Co. For a free brochure write 619 in the box on the reader service coupon.

• "Benefits of Loss Control Services" is a free pamphlet from Gates, McDonald that outlines a **management approach for accident prevention.** For a free pamphlet write 620 in the box on the reader service coupon.

• The National Foam System Inc. has prepared a free booklet on the basics of **firefighting foams,** how they work, general rules on application, proportioning and design requirements. This booklet is available in English, Spanish and Arabic. For a free booklet write 621 in the box on the reader service coupon.

• NATLSCO Rehabilitation Management Inc. offers details on services provided by NRM to **rehabilitate injured workers.** The NRM approach, case management strategy, methods and processes, and cost-effectiveness are discussed. For a free brochure write 622 in the box on the reader service coupon.

• A free brochure describes **industrial hygiene services** available from Parker Services Inc., including professional consulting, analytical and training services. For a free copy write 623 in the box on the reader service coupon.

• "Tool Box Safety Meetings," from Fremont Indemnity Co., describes how company supervisors can organize and conduct effective "toolbox" **safety meetings for employees.** For this free pamphlet write 624 in the box on the reader service coupon.

• R.L. Kautz & Co., a subsidiary of Pinehurst Corp., has a free booklet listing items a company should look for when considering hiring a **safety and loss-control consulting firm.** For this free booklet write 625 in the box on the reader service coupon.

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• "A Guide to Industrial Fire Protection" is a 20-page booklet that explains the **basics of industial fire protection.** It also describes services offered by ANSUL distributors. For a free booklet write 639 in the box on the reader service coupon.

• "Judging the Fire Risk" is a 59-page booklet that discusses **fire protection and prevention, exposure hazards and building construction.** To obtain a copy send $4.75 to the Loss Control Department, Alliance of American Insurers, 20 N. Wacker Drive, Chicago, Ill. 60606.

• A series of **loss-prevention and control** articles for practicing architects and engineers is contained in "Guidelines for Improving Practice," published by Victor O. Schinnerer and Co. The series is $30 to $50 annually and is available by writing Douglas C. Dolan Jr., Victor O. Schinnerer & Co. Inc., 5028 Wisconsin Ave. N.W., Washington, D.C. 20016.

• Wallet-size information cards on the **Heimlich maneuver, CPR and correct lifting** are available in English, French and Spanish from Darrell Heppner & Associates. For a sample set of four cards send $5. to D. Heppner, Darrell Heppner & Associates, 1120 E. 14th St., Suite F, San Leandro, Calif. 94577.

• "Occupational Health Reports" are guides to establishing adequate **occupational health programs.** The set of 10 reports is $5 prepaid, or 75 cents per report. For copies write Julian B. Olishifski, Loss Control Department, Alliance of American Insurers, 20 N. Wacker Drive, Chicago, Ill. 60606.

• A loss-control guidebook, "Hazardous Waste Exposure: Assessment and Control" has tips for property and casualty insurers on **assessing hazardous waste management problems.** Copies are 93 cents each, prepaid; for 10 or more, 45 cents each plus shipping. Write Julian B. Olishifski, Loss Control Department, Alliance of American Insurers, 20 N. Wacker Drive, Chicago, Ill. 60606.

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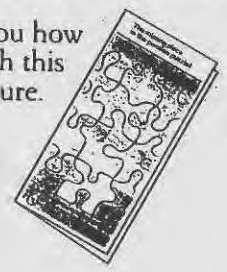

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Agencies use various methods to trim costs

Continued from previous page

An effective expense-control program may be different things for different agencies and brokerages, agrees management consultant David Hales, president of Hales & Associates Inc. in Chicago. Big, medium-sized and small companies all have different problems, he explains.

"Agents and brokers aren't cutting payroll willy-nilly," Mr. Hales notes. They're careful not to get rid of good people, he adds.

One commercial agency did purge its employee ranks.

"We picked up $140,000 in payroll" savings according to Walker Lundberg, president of Lundberg & Associates in Fresno, Calif.

"Production went down (after reducing the staff) but not $140,000 worth," he adds.

The agency developed a corporate chart to analyze salaries and perks awarded the staff members and calculated gross costs for each employee, Mr. Lundberg explains. The managers also examined the current and potential productivity of the staff in an effort to weed out marginal workers.

There were employees who, while not costing the agency money, weren't making it any either, Mr. Lundberg notes.

"We asked, 'is there any way we can shuffle people'" to improve efficency? "Everyone can always do a little more than they're doing," he says.

Periodic, smaller examinations keep the agency's efficiency high. The managers sometimes make "minor adjustments," Mr. Lundberg says.

Many agents and brokers are reducing head count, but through attrition rather than layoffs, contends Leonard M. Wilson, a financial analyst specializing in insurance brokerages at L.F. Rothschild, Unterberg, Towbin in New York.

The growth rate in agency workforces is flat, indicating that agents and brokers are holding the line, he says.

Schiff Terhune, for example, reduced it payroll through attrition, notes Mr. Feldman.

Keeping wanted employees is as important as weeding out dead wood, others stress.

Attracting employees who are likely to stay with the agency is an important step to cutting expenses, according to Jack McCutchen, executive vp of Warren & Sommers Inc. in Denver. Training personnel is costly. By considering the likelihood of applicants staying on and keeping them happy, Warren & Sommer was able to cut the turnover rate in half in 1979 and reduce it another 20% to 30% in 1980, Mr. McCutchen notes.

What to pay —a related issue— is important, too.

While the price of employee benefits is skyrocketing, agents and brokers are taking a hard look at the perks and pay they're awarding employees.

Warren & Sommer hired consultants through its employer association to evaluate the agency's wage and salary structure, according to Mr. McCutchen.

The consultants also compared Warren & Sommer's salary structure with other comparable employers, he notes.

"Employers can get caught up with the inflation rate and lose sight of reality," when establishing wage and salary increases, he contends.

Careful use of employees' time can also save the agency money. Requiring supervisors to have overtime and temporary employees approved can prevent extra salary expenses, Mr. McCutchen says.

Benefit costs, part of overall compensation, continue to rise, and agency and brokerage managers should review how well the benefits serve the firm as well as how useful they are to employees.

Warren & Sommer changed its reimbursement policy for education as a means of cutting costs.

"We've taken it out of employee benefits and made it an employer benefit," Mr. McCutchen says. The agency reimburses employees for education expenses if the program benefits their job, rather than reimbursing employees for any schooling as in the past, he explains.

Personnel planning improvements and other cost-cutting techniques eventually paid off. Warren & Sommer spent $30,000 less (in current dollars) to operate the brokerage in 1980 than in 1979, when they spent about $4 million, according to Mr. McCutchen.

Some benefits take care of themselves. Profit-sharing plan costs are self-regulating. Reduced revenues in most agencies activates a built-in expense reduction, Mr. Hales notes. Payouts for profit-sharing are low when profits are low.

Getting the most out of employees helps, too.

Corporate resource programs cut development and personnel costs at Corroon & Black Corp., says J. Bransford Wallace, president of the brokerage group in the Nashville, Tenn., office. The brokerage developed specialities in branch offices and made those specialists available to other branches at no cost to the user, he explained. "There's no commission sharing involved," he adds.

Corroon & Black's Pennsylvania office, for example, has written coverage for sophisticated aviation business, Mr. Wallace says. The brokerage built on that knowledge and strengthened the staff to build a pool of experts.

Other branch offices are encouraged to call on the Pennsylvania office's expertise in aviation rather than hiring their own expert in the area. The central resource program saves money for a branch, until it becomes clear that the office needs an in-house expert of its own, Mr. Wallace says.

Corroon & Black also has offices specializing in oil and gas, research and development and international coverage, Mr. Wallace says.

In addition to cost containment, the resource program also meets the broker's increased need for specialization, he notes.

Many of the major brokers that try this approach complain privately, however, that it can be difficult to convince a Los Angeles, producer, for example, to ring up Chicago. The territorial instinct pervades, they explain.

Careful use of professional services and other expense-cutting measures are by-products of a Corroon & Black reorganization, according to Mr. Wallace. Earlier this year, the brokerage reorganized into four groups, each with its own president.

"The reason for the reorganization was to manage the company better by monitoring more closely what's going on," Mr. Wallace explains. "While we're probably (cutting expenses) because we have to, we would like to think that we'd be doing the same thing" without reduced revenues, he says.

Keeping an eye on the branches is important to getting proper return on investment, others agree. E.H. Crump, based in Memphis, Tenn., closed two marginal offices in the last two years, notes James M. Power, vice chairman.

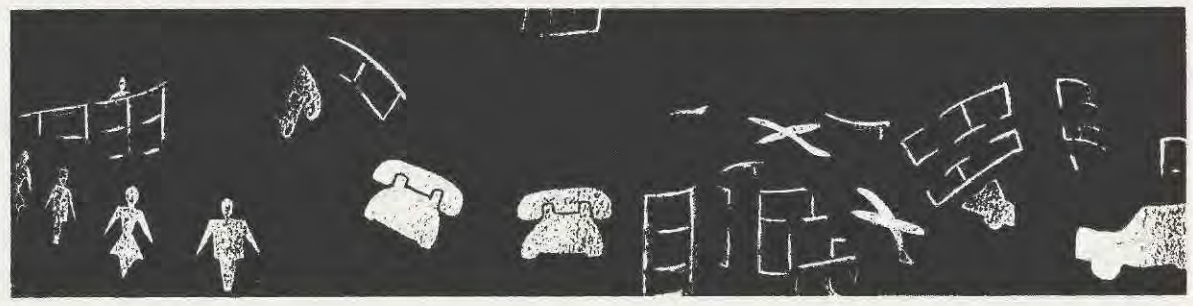
"We're committing those resources to prosperous offices," he says. The brokerage has also cut back a few departments within the corporation. "We're looking for the results next year," he says.

Looking for results requires examining the way producers reach clients. Are all the telephone calls necessary? Is all the business travel necessary?

Telephone and other communications eat a large chunk of revenue but are an area that can show cost-cutting results.

Penn General is "going through phone services and re-evaluating private companies to determine if they can reduce communication costs," according to Mr. Ginsberg.

There's a right and a wrong way to fire workers: Consultant



Do you know how to cut the deadwood from your most valuable (and expensive) asset?

Most managers don't know how to fire employees who aren't performing up to snuff, so management keeps them on the payroll—at the agency's expense, according to Douglas Wesley, owner of Insight Group, a Lakeland, Fla., consulting firm.

Or, management may fire the employee but botch the job, he says.

Most large companies have current employees who've been fired and regained their jobs either in the courts or through arbitration because management didn't know how to fire the unproductive employee, Mr. Wesley explains.

Those underachievers can be a real drain on an agency's financial health. Wages and salaries account for about 70% of an agency's total expenses, experts estimate.

Drag from marginal employee's deadweight is even more severe in today's soft insurance market. And as revenues fall, each expense must be examined more closely.

Managers must study the performance of all employees, including producers and support personnel, to determine whether they put more into the agency or brokerage than they take out, Mr. Wesley says.

Criteria for that evaluation should include the manager's "gut feelings" rather than just accounting figures, he says.

By going through a step-by-step problem-solving process, undertaken in good faith, a manager is more likely to feel comfortable with his or her evaluation and will have an easier time firing unproductive employees, Mr. Wesley notes.

Questions managers should ask themselves include:

- What will it take for this employee to satisfy me? Many managers don't have a firm handle on what they expect from their employees, Mr. Wesley contends.
- Is the employee able to do what I want him or her to do? Is he or she willing?
- If the answers to those two questions are yes, the manager should decide whether or not it's worth the effort to train the employee to do his or her job satisfactorily.
- Do I have a responsibility to teach the employee?
- Is the job I expect the employee to perform the same task I hired him or her to do? Sometimes an agency's personnel needs change and managers expect employees to change in the same direction.

A manager should discuss those changes with the employee, rather than expect him or her to automatically accept those changes without any input.

A predetermined checklist for evaluation helps build the manager's confidence when deciding whether to fire the marginal employee. Then the manager knows he has taken care of all the legal, corporate and personal responsibilities to the employee, he says.

"You know you've worked with the intent to solve the problem. You also know you can fire the person and deserve no guilt," he explains.

Communication during employee evaluation is vital, Mr. Wesley contends. Interviews should emphasize negotiations rather than power plays, he says.

If the person says he or she can do the job but won't, let the employee know you're faced with firing him or her, he says. "Say, 'Let's make a deal,'" he suggests. "It's important that (after the interview) the manager and the employee feel they both won." Managers "can't beat the employees and win," Mr. Wesley explains.

Follow-up evaluations show some employees continue to be deadwood. A termination interview is vital, Mr. Wesley says. A manager must fire an employee face-to-face.

A manager must extensively prepare for that interview. After making a logical decision to fire the person, prepare logical steps to run the exit interview.

"Know what you're doing," he emphasizes. Maintain control.

The manager's language during the exit interview is "vitally important," Mr. Wesley stresses. Some managers beat around the bush so much that the employee doesn't understand he or she is actually being fired, he says.

"Many people are surprised they're being fired. The boss has to sell the person on the idea that he or she is fired. Document the dismissal in a termination letter. You won't believe how many people talk their boss out of firing them," he notes.

Avoid language like "I hate to have to do this," Mr. Wesley comments.

The manager doesn't have to fire the worker, he or she chooses to do it. Keep the upper hand in the interview. The employee should realize he or she didn't do anything to the manager, rather the manager is doing something to the employee, Mr. Wesley explains.

Some managers prefer to ask for an employee's resignation, rather than firing the person. Get the formal resignation before the employee leaves the room, Mr. Wesley suggests, explaining that an employee can cleverly postpone a resignation for a long time.

"Be willing to fire someone if he or she won't resign."

Perhaps the most controversial suggestion Mr. Wesley makes to employers is advising that they write a positive letter of reference for the terminated worker. The manager should realize the person is going to work again, he says. Help the employee out. Make sure the letter is truthful, and "point them toward a job they'll do better in," he suggests. Writing that letter can be hard, he warns.

"It's sometimes hard to accept that that person has value," Mr. Wesley reasons.

The letter can also discourage the employee from sitting at home and thinking of ways to get back at the company, Mr. Wesley adds. Management wants to prevent the employee from hurting the company through its customers, competitors and lawsuits.

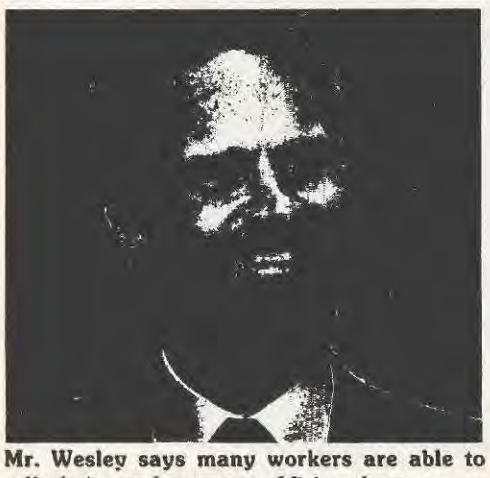
Once the manager fires someone, he or she should get the employee out immediately. It's vitally important to deal with the rest of the work group, Mr. Wesley says.

"Never fire someone on Friday." The manager is "doing surgery (on the workforce) rather than performing an execution," he says. Performing that surgery on a Friday sends the rest of the employees home bleeding for the weekend. The manager has opened a wound in the workforce and must now close it to establish a stronger and more productive agency, Mr. Wesley says.

Other employees should understand the reasons why the person was fired.

"Tell them their jobs are safe," Mr. Wesley suggests.

"You've left folks with needs and now have a healing job to do," he says. ■



Mr. Wesley says many workers are able to talk their employers out of firing them.

Travel and entertainment are two multifigure expenses. No one has said they are cutting back on entertainment, but travel bills—while essential—may contain unnecessary fat.

An agency's or brokerage's location can affect travel policy. Travel in the West, with the region's vast open spaces, usually means many more miles than business trips in the more densely populated East.

Being located in Denver can mean large travel bills, Warren & Sommer's Mr. McCutchen notes. Producers, therefore, don't travel by air to follow up on a slim lead, he says. "We don't go on fishing expeditions on airplanes."

Denver itself is growing, Mr. McCutchen notes, adding "we prospect within the area."

Many brokers have placed restrictions on when employees can fly first class. Schiff Terhune employees who travel most frequently are allowed to fly first class, Mr. Feldman says.

Other employees look for business-class tickets on international flights and economy on domestic trips, he adds.

Corroon & Black is "looking much harder" for less expensive flights than it did in the past, Mr. Wallace notes. Airlines' gimmicks, which can sometimes halve ticket prices, change almost every day and one must keep a watchful eye open to take advantage of them, he says.

Adding "legs" to trips with multiple stops costs less than many different trips in one direction, notes Mr. Power. A well-planned trip to the West Coast, for example, may include stops in Los Angeles, San Francisco and Seattle before returning home, he explains.

Without careful planning, a producer may make individual trips to each West Coast city within a few weeks.

Mr. Feldman suggests agencies can save money on flights.

Conventions and seminars outside of an agency's or brokerage's immediate area can add to travel expenses. Several agents note they are attending fewer meetings in an expense-cutting effort.

Seminar and convention location is an important factor in whether or not agents spend the money to attend. Warren & Sommer is cutting out sending producers to conventions that may be a vacation, Mr. McCutchen notes.

Or, the brokerage may send the producers but "recognize we're sending them for other reasons (that may benefit the brokerage) such as satisfying employees," he says.

Some conference sponsors have noted a decrease in attendance, but don't attribute the decline only to expense-cutting.

The Independent Insurance Agents of America's annual meeting in Honolulu drew about 3,200 members, down about 800 from last year, the IIAA estimates. How much of that can be attributed to the soft market and how much to the distance, as well as other factors, is uncertain, notes an IIAA official.

Enrollment in some of the educational programs sponsored by the IIAA has declined but at the same time has surged in programs in sales and agency computerization.

Attendance at the Professional Insurance Agents' meeting in Washington, D.C., fell about 100 short of the 1,500 expected, as well as falling short of last year's meeting attendance, according to a PIA spokesman.

Expense-cutting did play a roll in reducing attendance, he said, noting agents said they couldn't spend the time or the money to travel to Washington.

Other, perhaps more pressing factors, however, included the air traffic controllers strike, which was in its early stages, and the location of the convention.

"Las Vegas always draws better," the spokesman noted.

Other groups, including the National Assn. of Casualty & Surety Agents and Assurex International, haven't noticed a decline in seminar enrollments.

Whether its seminars in Hawaii, first-class airplane tickets or the big car, all agree its difficult to cut back. But the scissors are sharpened and the agents and brokers are beginning to answer when, where and how. ■

Some insurers offering advice on cutting waste

Don't look for advice on everyday expense control from your insurance companies.

Insurers that offer counseling services for agency management focus on the long-range efforts of eliminating waste and performing efficiently.

Agents clamoring for immediate cost savings, however, are interested in advice on long-range methods, too.

The Travelers Insurance Co. in Hartford, Conn., and Commercial Union Insurance Cos. in Boston have the strongest counseling programs, according to a survey of insurers providing agency management assistance by an Independent Insurance Agents of Connecticut task force.

Both insurers "find it difficult to keep up with the numerous requests they receive from their agents" for management advice, the task force reports. "In-house counseling is becoming more and more important to the progressive agents who want to eliminate waste and perform more efficiently, especially in these times of rising overhead costs and reduced commission income," the task force contends.

Mr. Frazier says agents should develop a business plan, including setting goals and forming strategies to meet them.

"And these agencies are willing to pay a fee of several hundred dollars for the in-house counseling."

Developing a business plan, including goals for the agency and strategies to meet those goals, is one of the first essential steps toward increasing an agency's efficency, according to George Frazier, senior vp for agency relations at Commercial Union.

Mr. Frazier, an independent agent from Hope, Ark., on a leave of absence from his agency to work with Commercial Union, set up the insurer's agency relations department to study, among other agent issues, ways to reduce expense factors for both agents and insurance companies, he explains.

"We found out that there is a deficency in agency ranks—an absence of planning procedures," he reports.

Agents usually plan for the future, but the goals are frequently in the managers' minds rather than set out formally on paper, says James E. Brennan, secratary and manager of agency management perpetuation services at The Hartford Insurance Group in Hartford, Conn. Informal business plans are typical of small businesses, not just insurance agencies, he adds.

Strategic business planning is also one of the areas covered in The Travelers' agency management program, notes Lawrence J. Sundram, director of the agency perpetuation unit. The consultants' services include mission planning in the context of the economic environment, developing desired business mix for the agency and profit forecasting.

The Travelers' program also provides operational reviews that include agency day-to-day workings, says Mr. Sundram. In this part of the program, the counselors provide some assistance in cutting current expenses.

"I don't see much in fixed expenses" that can be cut, Mr. Sundram says, but "variable expenses are robbing (agents) blind." An agency's labor force is a variable expense that needs close consideration, he contends.

Under the operational review, Mr. Sundram's group examines an agency's work flow, he explains. The counselors review the levels at which various tasks within the agency are performed.

"Work belongs at the lowest competent level," Mr. Sundram says. An agency shouldn't be paying an employee $30,000 a year and tie that person up doing clerical work, he explains.

Compensation is another element that should go under the agent's microscope, Mr. Sundram says. There's no reason agents should pay employees automatic salary increases, he says. Rather, managers' should focus on the productivity of each employee and reward accordingly.

"Reward star performers" in a manner that will benefit both the employee and the agency, Mr. Sundram says. A support person, for example, who works hard and finishes all his work early, shouldn't be given someone else's work. That person will eventually work slower to avoid getting stuck with a fellow worker's job.

Rather, a manager should reward the hard-working employee with work that's a step up from his normal tasks, benefiting both the employee and the agency. ■

Agents in Connecticut blame falling profits on rising costs

Mounting operating expenses is the No. 1 reason profits are falling, according to a recent agency management survey conducted by an Independent Insurance Agents of Connecticut task force.

And it doesn't look like it's going to get any better in the near future.

Of the some 650 state association members responding to the questionnaire, 66% noted expense increases of more than 10%. Another 25% registered more than a 20% jump in expenses, according to task force member Charles P. Mahon.

Lower premium volume from existing accounts followed on the heels of expense increases as the culprit guilty of robbing profitablity.

The survey segment devoted to "commission income per employee" spelled out the seriousness of the independent agents' squeeze between increased operating expenses and reduced income, Mr. Mahon says.

"Management experts who have studied independent insurance agencies have concluded that a profitable, well-run agency should be able to generate approximately $35,000 commission income per employee," he notes.

However, 34% of those surveyed are operating well below this "commission per employee" factor of profitability, Mr. Mahon points out.

Not all the results of the Connecticut IIAA survey paint the same bleak picture, however.

"On the face of it, the responses regarding premium volume, commissions and contingency/profit-sharing income would seem to indicate a healthy agency system in Connecticut among Big I (Independent Insurance Agents of America) agents," Mr. Mahon says.

About 81% of the agencies completing the survey had premium volumes of more than $500,000, with 31% of the respondents reporting volumes of more than $2 million, he notes.

Survey statistics on gross commission income, excluding contingency/profit-sharing income, indicate that 72% of the agencies tallied more than $100,000, with 20% exceeding $400,000.

Surface profitability pictures look fairly rosy, too.

Over the past three years, 72% of the agencies responding were more profitable, 20% about the same, and 28% less profitable, Mr. Mahon indicates. "Therefore, over 72% of the member agencies were about as profitable or more profitable over the past three years," he notes.

Despite the positive reports, a more bleak picture emerges from scratching beneath the surface, Mr. Mahon says. Piecing together replies to questions on increases over the past three years of premium volume, commission income and contingency/profit-sharing income, the study shows that 72% of the agencies have experienced a premium volume increase of 20% or less.

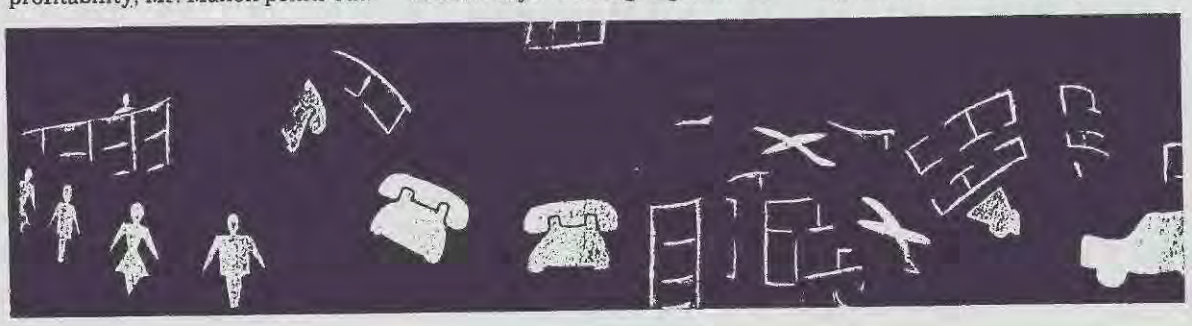
That's "hardly enough to keep up with inflation in these past three years," Mr. Mahon suggests.

Some 75% of the survey respondents indicated commission income increases of 20% or less in the three year period. As for contingency/profit-sharing income, 51% reported increases of 20% or less.

"It is also quite revealing to note that while less than 8% indicated a decrease in premium volume in the past three years, 16% indicated a reduction in commission income, and 25% indicated a decrease in contingency/profit-sharing income," Mr. Mahon notes.

The Connecticut IIAA task force also asked agents to predict what major problems in the next three years would reduce agents' profitability.

Continuing cost increases loom ahead, the agents predict. Survey respondents also forecast reduced commissions, soft markets/price cutting, competition, another round of premium reductions by insurance companies, lower profit sharing and forced use of computers. ■



Cutting advertising can cut profits: Consultant

Marketing is important in soft markets, Mr. Nordhaus says.

By DONNA LEIGH YANISH

A/BT

SANTA MONICA, Calif.—Cutting marketing and advertising expenses can hurt more than help a cost-conscious agency.

The highly competitive insurance market and falling revenues demand that agents and brokers spend more on marketing and advertising, according to George W. Nordhaus, president of Insurance Marketing Services Inc., a Santa Monica, Calif.-based consulting firm.

Is spending more, even though agents and brokers are trying to cut back, a contradiction? Not really, says Mr. Nordhaus.

With everyone trying to steal the competition's clients, agents have to spend the money to insure high visibility to both prospective and current accounts, he says.

"In reality, however, agents are cutting advertising," Mr. Nordhaus notes.

They're not spending money in areas like advertising where they can't see the immediate benefits, he reports.

And agents in the field admit that marketing has been hit with the budget-cutting ax. One agent says he cut out all mass merchandising in an effort to stem expenses.

Agents and brokers are already suffering the effects of a lack of marketing, Mr. Nordhaus contends. Even producers with a name still have to sell, he explains.

Marketing efforts should be educational, especially in a soft market, Mr. Nordhaus believes. People are buying insurance on the basis of price, he says, and an agent should explain current market conditions, highlighted by the reduced premiums buyers may be paying.

Use new angles, other than price, to separate your agency from others in the marketplace, suggests L.J. Scamahorn, executive vp at Insurance Marketing Services. Develop a "degree of uniqueness," he says.

Specialize in selling to a specific industry and market that speciality, Mr. Scamahorn suggests. Specialization intensifies during competitive market cycles because agents and brokers realize special programs and qualities can give them the competitive edge in the marketplace.

"Agencies never get large—over a half million in revenues—without some degree of specialization," Mr. Scamahorn notes.

Develop centers of influence and high visibility thorough marketing and thus develop a name for yourself, he adds.

Some agents are shifting their marketing focus to personal lines from commercial lines, Mr. Scamahorn notes, because they generate more revenue from personal lines.

Communication is the key to marketing, Mr. Nordhaus emphasizes. While newsletters aren't the "be all and end all" to marketing, they are a useful tool in communication, he says. An agency may be best served by adding the expense of a newsletter.

IMS, of course, offers newsletters of various sorts through area franchises.

Methods for prospecting don't change whether the market is firm or soft, Mr. Nordhaus contends. But, during a soft market, agents have to be more agressive.

"You'd be surprised how many agents don't make sales calls," Mr. Nordhaus says. "Nine out of 10 agents don't make a call a week on prospective clients."

Go into sales calls with a total program outlined, he reminds agents. Policyholders are less likely to switch agents if the agency handles all of the firm's insurance needs, he adds.

Don't stop marketing after one sale, he says. Once an agent sells coverage, the need for marketing has begun rather than ended, Mr. Nordhaus contends.

The customer who has one line of insurance with an agency of old is going to become the client who has a whole insurance package of the future, he says.

Agents are also finding that fierce competition is forcing them to remarket to policyholders whose coverage is up for renewal, according to Mr. Scamahorn.

When agents meet with clients, they find five or six other agencies or brokerages have been in touch with the clients, too, he notes.

Marketing to protect renewals, in fact, has become a primary focus for many producers, Mr. Scamahorn contends, second to prospecting for new business.

Agents should make positive contact with clients at least four to six times a year, he says. Frequent communication costs time, and therefore money, but it can prevent an agency from losing a hard-won account to aggressive competition.

Agency clients are fickle. Loyalty snaps at about a 13% difference in premium on commercial lines, Mr. Nordhaus says. About one-half of an agency's policyholders will switch agents for a 13% reduction in premiums, he explains. The stronger the agency's relationship with its clients, however, the better chance it has of retaining that loyalty, even in a soft market.

Let all policyholders know the agency has assigned a service representative to their account. While most agencies assign customer service people to their major accounts, "there are a lot of orphans among small commercial risks," Mr. Nordhaus says.

Frequent communication allows the representative to be on a first-name basis with the policyholder. The agency has less chance of losing those accounts, he notes.

Set up a checklist of coverage and services the agency provides for each policyholder. What does the client have? What does the client need? Services are expensive to offer, but they're necessary to help keep the number of accounts and revenues up. ■

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*Source: Employee Benefit Plan Review, April 1981

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How big is the potential? Analyses show that only 7 percent of organizations with fewer than ten people now provide group long term disability protection. That means Unionmutual has just opened about 70,000 doors.

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For the broker selling LTD to groups of 10 to 25 people, the medical questionnaire has long been a stumbling block. It's often resulted in the disqualification of a key individual. And that often resulted in no sale. Once again, Unionmutual to the rescue. Now financial, professional and business service firms with as few as ten people can be guaranteed LTD insurability by Unionmutual. Just the way bigger groups have been. What's more, benefits are payable even if a disability is caused by a pre-existing medical condition. That's another hurdle Unionmutual has removed.

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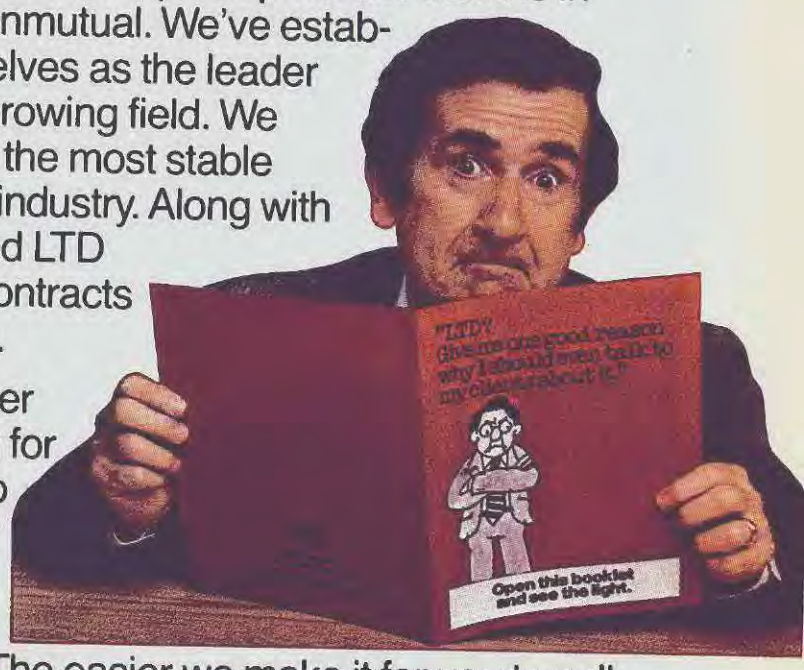

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Moving offices from downtown can cut expenses

GREAT NECK, N.Y.—You may be able to drop expenses while picking up benefits by moving out of your local high-rent district.

Agents and brokers who are located in downtown areas of major cities usually pay higher rent per square foot of office space than their suburban counterparts.

They also have to contend with heavy traffic during rush hours and expensive parking fees.

Unless the agency or brokerage has a heavy load of downtown accounts, however, it may be able to avoid the metropolitan woes.

A/BT

One agency, now located in Great Neck, moved away from the city lights before the expense control boom, but discovered a variety of benefits.

Rent wasn't a "major consideration" in Nathan Butwin Co. Inc.'s decision to move, according to President Stanley Butwin. The agency moved to Great Neck, on Long Island, after 53 years in Manhattan.

Although the rent was lower, the cost of office space is increasing on Long Island, although not as fast as in Manhattan, Mr. Butwin notes.

But, the agency did save New York City taxes and discover other advantages.

The economic benefits of moving to Long Island takes a back seat to social and transportation benefits, Mr. Butwin contends.

Since all of the agency personnel live on Long Island, they can routinely avoid heavy traffic into the city, he says.

"We can get in early and stay late" because travel time is nil, Mr. Butwin notes.

When producers or other staff members must travel to Manhattan, they can go during non-rush hours.

Traveling to clients outside of Manhattan is a breeze. The biggest bonus from the agency's move to Long Island is greater access to the entire New York metropolitan area, Mr. Butwin says.

Many workers in Manhattan avoid driving into work like the plague and dread having to drive the car in for a daytime call on a client outside of Manhattan.

"Driving in was an entire project," Mr. Butwin admits. "But from Great Neck you can go anywhere in less than 40 minutes."

The agency is soliciting more suburban business now, he notes. Other expenses, however, offset the rent reduction and travel benefits.

New York City telephone service, for example, had to be hooked up to accomodate metropolitan clients.

While the Nathan Butwin agency didn't start a mass exodus from the big city, others are contemplating moving their agencies, industry sources say.

Rent is a major factor in some cases, while other agencies are being drawn by the promise of the expanded suburban business. By concentrating on suburban prospecting after a move, agencies hope they can spread their sales beyond the city limits. ■

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The program is underwritten by Fireman's Fund Insurance Cos.

The new commercial umbrella coverage provides a broad-form excess liability policy that is flexible enough to accommodate individual agents' needs, including professional liability exposure, according to the association. Agents can purchase limits of coverage beginning at $1 million. ■

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Build your future on young professionals

By LOU VON VILLE

Agency perpetuation can be achieved in many ways and through the use of many techniques.

It can be accomplished by making certain that accounts perpetuate themselves. Do we have the newborn, young adolescent, maturing, matured and retired? That certainly is a form of agency perpetuation.

We can train the spouse to take over the agency in the event of death. That's another form of agency perpetuation, isn't it?

But these are not the kinds of agency perpetuation that should be considered. The very best method of perpetuating an agency is the implantation of youthful professionals who have commitment to growth and profit through sales and self-denial.

Some of the old-timers are already asking, "Where do you get that type of person?" Assuredly, they are there. We see them daily in the work we do at our office. We see them in our personnel activity, in our agency analytical projection and market valuation assignments, in our brokerage work and in our counseling.

Our firm's records disclose that in all of our agency/brokerage work since 1977, the seller's average age is 56 and the buyer is under 35 years of age. The youthful buyer is willing to risk his money, time and move his family to get the opportunity of ownership and self-administration. He is more able than his predecessors were at his age. He is better trained and educated and willing to invest in himself.

Yes, they are out there. To those of us who are older and currently hold the reigns of ownership, let me suggest a few things:

- Learn what young people are thinking.
- Learn how to use their exuberance and willingness to invest.
- Invite them into earned ownership.
- Be willing to turn the shop over to them at the right time for both of you.

To the younger agency employees who currently hold the desire of ownership, let me suggest that you:

- Plan well.
- Be willing to invest time and money.
- Be patient.
- Budget your time.
- Work hard.

And to both young and old let me suggest:

- Be empathetic of the other party's needs, contributions and goals.
- Remember, a person is not completely his own master if he is married. Get to know the spouse and family. Their needs and desires influence a worker's decisions.
- Expect communication problems. After all, you represent different generations and are listening to different types of musicians and music.
- When communication does become a problem, be wise and utilize the ability, wisdom and objectivity of a disinterested third party —a consultant, preferably one who is in tune with the industry.
- As you proceed to an agreement, use that same consultant to advise and aid both of you in the determination of the proper ingredients. Let him help you understand the necessary sections and the effects of each. Use his expertise to form the agreement. When the ingredients are determined and agreed upon, then use an attorney to draw the instrument. Use of consultants in this area saves considerable executive time, money, frustration, research, legal expense and prayer time.
- Be certain the agreement is in writing. Today, you may be dealing in good faith with an honorable man. Tomorrow, you may be dealing with a dispassionate fee-seeking attorney should your honorable man pass away.

It is important for each of us to understand the desires of today's young workers. It is quite different than the desires of their parents. Surveys indicate, in this order, the young worker is interested in:

- Instant gratification.
- Job satisfaction.
- Financial reward.
- Control over his income through goal accomplishment. Unless they have that control, they will likely change jobs every three years to accomplish that desired instant gratification, job satisfaction and financial reward. That's quite different from what their predecessors desired in employment.

The side effects of these youthful desires, coupled with the failure of employee to satisfy them, will be:

- Development and continuing employment of employees who accomplish less each year—the non-achievers.
- Decline in the value of the agency.
- Increased costs.
- Declining profit.
- Increased chance of embezzlement by employees.

According to the well-recognized demographer Daniel Yankelovich, the baby-boom generation (which makes up most of today's workforce) feels "the purpose of the job is not to satisfy material needs, but to satisfy their emotional needs. They are trying to achieve a synthesis of the old and new values by assuming that it is possible to seek and to find self-fulfillment and per-

Louis F. Von Ville is chairman and president of The House of Fament Inc., a consulting firm for the insurance industry based in Columbus, Ohio.

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The day is fast coming when agencies and companies will require employment contracts for all associates and employees. Many employers are doing it now, many are looking into it and they may be generally used in our industry in the future.

Both the employer and employee have very good reasons why they would like employment contracts. The employer wants a fair return for his investment in the business and his ability to provide jobs for people. He also desires to protect his business. Incorporating a not-to-compete covenant and a piracy clause in the contract are ways of doing that.

Employees today wish to contribute to the welfare of their employer through accomplishment, and they respond to incentives and the opportunity to increase their own income. They also desire a clear understanding of their assigned responsibility and their financial rewards for reaching and surpassing—or the penalty for failure to accomplish—the job goals.

The employment contract provides the best method of communication between employee and employer. It is second-best only to office meetings in the area of communications.

If you have any doubt about the wisdom of employment contracts and you are an employer, consider this story.

You hire a young person to handle the least-important position in your agency. He or she is a good, dedicated employee and—as time passes—is given additional responsibilities including obtaining licenses with markets. In a few years, this key person acquires complete knowledge of products, clients, markets, your agency operations and your own efficiencies, abilities, inefficiencies and improprieties. How many of you have this person on staff today?

Consider the rest of the story. This employee approaches you to purchase all or part of your agency. Or he tells you that he is going to work for your competitor or is starting his own agency across the street. At this point, obtaining an employment contract to protect your hard-earned business is impossible. The time to get one is when you hire.

If you have any doubt about the wisdom of employment contracts and you are an employee, consider this story.

You are hired as an underwriter and certain promises are made by the owner, which include equity in time and the eventual ownership of the agency.

Later, the employer's family circumstances change and he conveniently forgets or modifies his promises. Or he dies and the administrator of the estate or the family attorney is handling affairs. At this point, obtaining an employment contract to protect your investment of time, money, hard work and your family is impossible. The time to get it is when you associate with the firm.

Obviously, these agreements should always contain an enforceable non-competition clause and a piracy provision.

The covenant should be written to protect the agency's business and prior client accounts, but not keep the individual from engaging in the business. It should stipulate a reasonable territory and period of time.

The piracy clause should protect all the techniques, knowledge of clientele and prospects from being passed on to others by the employee.

When it comes to the income agreement, we see all types:

- Straight salary, which we do not like because it encourages waste of time and money and also slows the production and profit growth of the firm at some point in time.
- Salary plus stock options, which we do not consider good for much the same reasons. The young producer knows that minority stock is of little value unless he can gain control in a predetermined period of time. It is merely a carrot on a pole as far as he is concerned.
- Investment, salary and equity options. This is a little better, receiving the investment of money for a certain percentage of the equity.

At the beginning of the relationship, it is good for both the pro-

Continued on next page

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Employment contracts protect both the agent and the young worker

Continued from previous page
ducer and firm, but in itself will not usually produce the desired result. Even with investment, salary must be determined by clearly stated accomplishments and goals, and the equity options must be fair and reasonable. They must provide for eventual takeover of enough equity to gain control or a respectable percentage if you are part of a large agency. This type of agreement can work well where the owner is at advanced age and the producer is younger.

- Investment, equity option and commmisson. This is a much better arrangement because the younger producer must produce to get income. Use of a draw and validation schedule will almost always be necessary at the beginning. Equity options can be earned by production or cash payment.

Some equity options provide that purchase of equity may be accomplished through a formula that acknowledges the value of the business the producer has brought to the agency.

The producer is paid commission on the new and/or renewal business written. At the end of each year, the commission of the production multiplied by a factor of 1.0, 1.5 or 2.0 is used as payment toward the equity option being exercised. The rest of the option, if any, is usually paid by cash or a note.

There are other good programs that are fair to both parties and provide proper protection for both.

For example, there's the satellite. The producer owns a percentage, usually 50%, of the satellite that he builds. In other words, he is 50% owner of his book of business. He contractually agrees to permit the main agency to do all of the management functions and servicing—other than sales—of the produced business. He is a producer and has no management responsibilities. He usually receives 40% to 50% of the commission on all new/renewal business.

Whenever he leaves, the agency purchases his book at a predetermined formula and payout period with interest. Since he owns one-half, he will get 50% of the value.

The important thing to remember is that an agency cannot afford to pay the producer more than 50% of the commission income brought in. Agency expense factors prove this.

Regardless what the pay package includes, the agency is dipping into its profit pocket when it distributes more than 50% in its producer compensation package.

Stevenson, Collinsworth, Nielson Management Consultants suggests, "You don't pay a producer the same commission split to service house accounts as you do for new accounts which he develops."

It suggests "10% of commission income for in-house accounts." (We have seen up to 15%.) And it suggests 40% of commission income for his new production.

"Under no circumstances can you afford to pay more than 50% of the commission to a producer. That 50% includes payroll, taxes, group insurance, auto, travel, entertainment, education, etc," the firm says.

Stevenson, Collinsworth, Nielson and others suggests a new producer with no experience should be able to produce:

- New commissions of $12,000 to $15,000 in his first year.
- New and renewal commissions of $25,000 to $30,000 in the second year.
- New and renewal commissions of $40,000 to $50,000 in the third year.

Regardless of what agreeements are made, both parties should be willing to agree to an employment contract, a piracy clause and the purchase of equity by the agency at a fair price and reasonable terms upon the voluntary or involuntary departure, disability or death of an equity owner. ■

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Scrap firms, rental companies form captives

HAMILTON, Bermuda—A group of West Coast metal recycling and reprocessing companies have scrapped their old insurance coverage and set up a captive insurance company here.

At the same time, another group of West Coast firms—19 construction rental equipment companies—have built a new Bermuda captive to cover their workers compensation, comprehensive general liability and equipment floater risks.

The metal recycling and reprocessors' captive, Southern California Recyclers & Processors Assurance Ltd., or SCRAP, was established by firms looking for a stable market.

"They were fed up with ups and downs in the commercial insurance market," said Michael Bott, president of Bott & Associates, a captive management firm in Bermuda, which set up the SCRAP program.

SCRAP, a stock-owned company with about 35 policyholders, was started with about $350,000 of capital and paid-in surplus. The capital was raised from policyholders who contribute $1 for every $6 in premiums they pay.

SCRAP, which covers general liability, workers compensation and auto liability, takes the first $200,000 of risk; the next $300,000 of general liability and auto liability risks are insured with Kansa, a Finnish insurer. General Reinsurance Corp. covers up to $4.5 million of excess workers compensation losses.

SCRAP policies are issued by Transit Casualty Co. of Los Angeles, which is not taking any of the risk. Claims are adjusted by California Claims Services in Fullerton, Calif. Loss prevention services are now being lined up.

So far, 35 scrap metal reprocessing companies have opted for the SCRAP program. Mr. Bott expects annual premium flow to top the $1.5-million mark soon.

If SCRAP shows an underwriting profit, which Mr. Bott believes is likely, policyholders will be eligible for dividends.

The construction rental equipment companies' captive, Herald Insurance Co. Ltd., which also was set up by Bott & Associates, already has garnered more than $1 million in premiums from 19 policyholders. Premium flow is expected to climb to $1.5 million by the end of the year.

Although construction equipment firms' premiums have leveled off since the "panic" of the late 1970s, the companies worried that they might face new problems when the market tightens.

A Bermuda-based captive offered the firms, whose annual sales range from several hundred thousand dollars to several million dollars annually, the chance "to get themselves into a stable situation and save money," Mr. Bott said.

Herald is taking the first $150,000 of losses. The next $350,000 of exposure is insured with Kansa. Up to $5 million of umbrella coverage is available through General Re. Northwestern National Insurance Co. issues the policies.

Like the scrap metal reprocessors' program, California Claims Service adjusts claims. Loss-prevention services now are being negotiated.

Premiums are based on what the rental equipment firms previously paid for their insurance coverages. "We are taking a conservative stance. We want to walk before we run," Mr. Bott said.

The program is available to construction rental equipment firms with good loss records located in Western states. ■

Employees rewarded for cutting health claims

DANBURY, Conn.—Some employees at Berol Corp., a manufacturer of writing utensils, can receive up to $500 annually if they limit their medical expenses.

Berol's health care cost-containment plan differs from a similar program offered by the Mendocino, Calif., Office of Education (*BI*, Dec. 7) by offering the financial incentive to the employees at the end of each plan year, rather than making them wait until they leave the company to receive the bonus.

More than 300 Berol employees are participating in the program, which began July 1. The other 900 Berol employees remain in the old medical plan as a control group, reports Julia Hicks, supervisor of personnel administration.

Under the new Berol plan, participating employees receive $500 a year, less the amount of claims paid by the insurer, Connecticut General Life Insurance Co.

The new plan calls for a $150 deductible. Connecticut General picks up 80% of the next $2,000 in claims and pays 100% thereafter, up to $1 million.

Under the new incentive plan, for example, if an employee runs up a $200 medical bill, he must pay the first $150. The insurer pays 80% of the remainder, or $40. At the end of the year, the $40 paid by the insurer is subtracted from the $500. Thus the employee would receive $460.

"Having the employees participate in purchase of health care would help control costs and make them wiser in their health care purchasing," says Ms. Hicks.

"Since they have an investment in the program itself, they are not just going to run into the emergency room of the hospital if they can see a doctor instead and face a lesser charge," she explains.

To further help the employees make health care decisions, the company is sponsoring a series of medical education seminars from Health Educators Inc., a Danbury company. Each month a different health topic is presented, including exercise, nutrition and points on selecting a doctor. "That program has gone over very successfully," Ms. Hicks says.

One of the concerns of financial incentive plans is that people may be encouraged to overlook medical problems that could be easily dealt with as soon as they develop.

"I doubt very much if an employee would hold off if he were concerned with something physically wrong with him just because of incentive. Again, with education behind it, they'll realize they should do something about it and not be taken in by hoping to get more money out of the plan," says Ms. Hicks.

Comp benefits increase 11.2% around the nation

WASHINGTON—The maximum weekly workers compensation benefit for temporary total disability jumped 11.2% last year, increasing to $257 from $231.

Forty-six states and the District of Columbia raised the maximum weekly benefit in 1981, according to statistics compiled by the U.S. Chamber of Commerce. Benefits remained the same in Arizona, California, Indiana and Nebraska.

Weekly maximums for temporary total disability now range from a high of $942 in Alaska to a low of $112 in Mississippi.

Michigan saw the biggest percentage increase in workers compensation benefits for temporary total disability. Benefits there jumped to $307 a week from $181, a 69.6% increase.

The large increase was the result of the state overhauling its workers compensation law so that benefits can be as much as 90% of the state's average weekly wage.

A large percentage increase also was recorded in Iowa where payments jumped to $501 a week from $384, a 30.4% increase. Iowa recently changed its benefit formula so that maximum benefits are based on 200% of the state's average weekly wage compared with the previous rate of 166%.

States now paying the highest weekly total disability benefits after Alaska and Iowa include the District of Columbia, $497; Wyoming, $416; Illinois, $403; and Maine, $367.

States where the lowest benefits are paid, after Mississippi, are: Georgia, $115; Tennessee, $126; Arkansas, $140, and Indiana, $140.

Generally, Southern and Southwestern states pay the lowest workers compensation benefits.

More complete and detailed information about changes in state workers compensation benefits will be available in March when the Chamber of Commerce publishes its annual "Analysis of Workers Compensation Laws," says Eric J. Oxfeld, the organization's employee benefits attorney. ■

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Puritan forming excess/surplus company

markets

Puritan Insurance Co., based in Stamford, Conn., is branching into the excess/surplus lines business with a new subsidiary that the company says will be strongly positioned when the current soft market finally turns.

Puritan Excess & Surplus Lines Insurance Co., currently an admitted company in Connecticut, is an approved excess/surplus lines market in 15 states, including California, Texas and Florida.

It also expects to be an admitted insurer in New York soon.

Joseph A. Graziano, senior vp and chief operating officer at Puritan Excess and vp of underwriting at the parent company, says the new market hopes to be an approved excess/surplus insurer in 35 states by the end of 1982.

Puritan expects that rates will begin to firm in 1982 and the company wants to have its excess/surplus subsidiary off and running by then.

"It's a strategic move on our part to position ourselves for the changing cycle," Mr. Graziano points out.

Puritan Excess, with an initial capitalization of $4 million, will offer first-loss, difference in conditions, buffer and excess layers, special event liability and product liability coverages.

Conceding that the product liability line "can be dangerous," Mr. Graziano says Puritan Excess "will offer a market, but with great caution."

He says that providing an "open brokerage market" to all qualified brokers will make such underwriting caution possible. The company will issue no agency contracts giving brokers binding authority, and all underwriting will be done by Puritan Excess personnel, Mr. Graziano says.

Puritan Excess has already received a verbal A+ group rating from the A.M. Best Co., he explains.

W. Nathaniel Watson, president of Puritan Insurance Co, will also serve as president of the new company.

Puritan, a wholly-owned subsidiary of General Electric Credit Corp., writes property/casualty and speciality lines as well as treaty reinsurance.

Life reinsurance

Hudson Life Reassurance Corp. has been formed as a Skandia America Group-sponsored joint venture to underwrite life reinsurance with an initial capitalization of $20 million.

Hudson Life, based in Sarasota, Fla., enables the four companies that share in the partnerhip to participate in the "innovative" North American market, says Dr. Laszlo K. Gonye, president and chief executive officer of Skandia America Group and chairman of the new reinsurer.

It is the first professional life reinsurance company to be organized and domiciled in Florida, Dr. Gonye says.

The founding shareholder companies also include: Gjensidige Norsk Skadeforsikring of Oslo, Norway; Pohjola Insurance Co. Ltd. of Helsinki, Finland; and Turegum Insurance Co. of Zurich, Switzerland, a member of the Zurich Insurance Group.

Dr. Gonye says the size of the initial capitalization is "indicative of our permanence, stability and commitment to the U.S. market."

Many new coverages have been "pioneered and tested" in the North American market, he explains.

Acquisitions

Transport Underwriters Assn., including its principal operating subsidiary, **Transport Indemnity Co.**, has been acquired by **Great American Insurance Co.** in Cincinnati.

American Re-Insurance Co. has acquired a 20% share of a newly formed Chilean reinsurance company, **Reaseguradora Bernardo O'Higgins S.A.**, to develop reinsurance business in Chile.

Coldwell Banker Insurance Services Inc. has acquired the **Tolley-Weidman Insurance Agency Inc.** based in Colorado Springs, Colo. Coldwell Banker is a wholley-owned subsidiary of Coldwell Banker & Co.

New offices

Settlment Advisors Inc. has opened a new office in the Pan Am Building, 200 Park Avenue, Suite 1507, New York, N.Y. 10166; 212-490-4410. It has also opened an office in the Lowen Professional Building, 144 Prospect St., Suite C, Stamford, Conn. 06901; 203-356-9475.

Global Surplus Insurance Services Inc., underwriting managers for Protective National Insurance Co. of Omaha, Neb., is opening a new office at 3412 One Union Square, Seattle, Wash. 98101; 206-624-9880.

Federated Brokerage Corp., Camp Brokerage Co. Inc., Estate & Pension Program Inc.—all members of **The Federated Brokerage Group**—have moved their offices to 1625 Lemoine Ave., Ft. Lee, N.J. 07024. The group offices remain at 1776 Broadway, New York, N.Y. 10019.

Cravens, Dargan & Co. Special Risks has opened a new office at 4100 Rio Bravo, Suite 202, El Paso, Texas 79902; 915-532-2405.

Ohio Reinsurance Corp. has moved its offices to Suite 1200, Two Nationwide Plaza, Columbus, Ohio 43215; 614-464-1972.

Crawford & Co. has opened four new offices at:

- 2720 Des Plaines Ave., Des Plaines, Ill. 60018; 312-635-1520.
- 433 Hackensack Ave., Hackensack, N.J. 07601; 201-342-0555.
- 1111 Mockingbird Lane, Suite 535, Dallas, Texas 75247; 214-630-3225.
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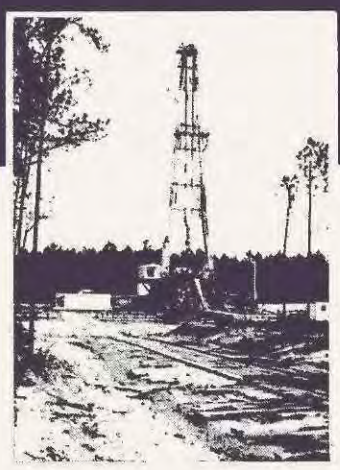

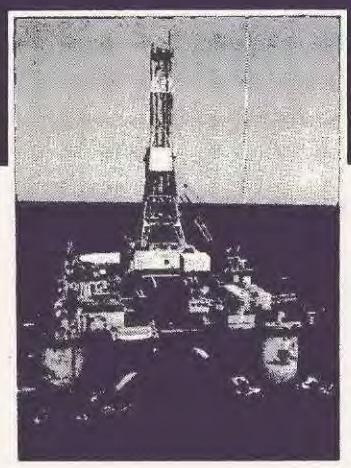

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THE SPECIALISTS

Utah dental plan rehabilitated

Continued from page 3

surers are being sought to take the plan's health business and honor enrollees' pre-existing conditions.

The plan already has had one offer, Mr. Gentner said.

The expansion into the medical insurance business in the fall of 1980 played a significant role in the dental plan's financial problems, although there was instability on the dental side, too.

Mr. Gentner said the plan could not bring to its medical insurance business the same expertise and experience it had in the dental field. It did have a certificate of authority from the Insurance Department to write medical insurance. It is unusual in Utah for a non-profit dental plan to write both.

Delta Plan originally was a member of Delta Dental Plan Assn., a national trade association whose members are non-profit dental services corporations, but withdrew in January 1981. However, it is expected to rejoin this week.

Much of Delta Plan's medical insurance wasn't properly underwritten or properly rated, Mr. Getner said.

On the dental side, premiums also were not keeping up with the benefits paid out, Mr. Gentner added. However, the plan's dental business would be easiest to rehabilitate, he said.

Inflation, lack of adequate underwriting experience, the tight economy and reduced enrollment were the major reasons for the plan's problems overall, said Jerry Holcombe, executive vp of Delta Plan.

Increased utilization and hikes in benefit costs also contributed, Mr. Holcombe said.

If liquidated now, the plan could pay 70 cents to 90 cents on the dollar for claims, Mr. Gentner said. However, he hopes that all claims will be paid.

"There's a good possibility it will happen, but I can't guarantee it," he said.

The plan is not paying any claims now, according to Mr. Gottfredson.

If the plan can't be rehabilitated, it would be liquidated and its assets will be distributed to creditors, Mr. Gentner said.

About 1,800 employees of Anaconda Minerals Corp. in Los Angeles, a subsidiary of Atlantic-Richfield Co., were covered by the plan.

A spokesman for the company said employees will not be hurt. "We will continue to provide the dental program and are hopeful that California Dental Services will provide the service," a spokesman for the company said. "We are quite confident in California Dental Services as an administrator-manager."

He said the company expects better adminstrative control.

The spokesman said Anaconda first learned of Delta Plan's financial troubles about three months ago when it was notified of an increase in rates in what first appeared to be a recalculation of expenses and exposures.

The Salt Lake City School District, which has 1,500 employees, also was a policyholder. "We have been assured by Delta that they can perform on the contract," said Gary Harmer, administrator of educational resources for the district.

Mr. Harmer said that if the contract is not fulfilled, the district may have grounds to cancel it and rebid it.

The county of Salt Lake also subscribed to the plan, but is not affected by the receivership because the county used Delta Plan only to administer its self-insured dental plan, according to a spokesman.

The county changed to Blue Cross & Blue Shield for adminis-

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EPA to allow insurance for dumps' closure costs

Continued from page 3

This matter was confirmed by a spokesman for the Office of Management and Budget, which must approve all rules proposed by federal agencies.

After reviewing the closure/post-closure proposal, the OMB spokesman says, the agency sent it back to the EPA for further study, and apparently to resolve the dispute.

"The ball is in their court," the spokesman says.

St. Paul Fire & Marine, which is interested in providing insurance coverage for closure/post-closure costs, has worked closely with EPA officials in efforts to design a possible program, says Joseph Nardi, senior underwriting officer for the company.

The insurer, which was first approached by a national insurance brokerage firm about the closure coverage, has since slowed down its work while it waits to see exactly what the EPA will propose.

Much of St. Paul's concern, Mr. Nardi says, centers on the role that the EPA will play in future licensing and monitoring of hazardous waste disposal facilities.

Original regulations under the 1976 law kept the agency very much involved in licensing and monitoring activities, yet Mr. Nardi points to recent budget cuts that may curtail the EPA's activities here.

Under the original regulations, Mr. Nardi explains, the EPA would allow disposal facilities to operate initially under a temporary permit. Pending issuance of a final permit, the facility would be required to submit to the EPA both a plan and cost estimates to close and monitor the disposal site once its useful life is over.

In the interim between temporary and final permits, Mr. Nardi continues, St. Paul "understood" that the EPA would make site inspections and hold public hearings at the local level.

St. Paul also believed that the time gap between the two permits would not be great.

However, because of the budget cuts that have reduced the agency's resources, St. Paul has been told that this interim period could be five to six years.

The impact of this development is twofold, Mr. Nardi says.

First, it could place an insurer in the position of providing coverage for a site that does not have a final license and has not received EPA approval of its closing plan and cost estimates.

"I find it hard to see how an insurance company can insure an interim site," Mr. Nardi says.

Additionally, a less-active EPA role would place the insurance industry in the position of policing disposal sites by denying coverage to those sites that do not quailfy under EPA rules.

"The insurance industry does not want to be in the position of regulating hazardous waste sites," he stressed.

Another possibility, Mr. Nardi says, is that the EPA could decide not to propose any new rules at all, and simply turn over responsibility for closure and monitoring to the states.

This approach would lead to even greater delays as individual states develop their own rules, he says.

It also would lead to a confusing assemblage of state regulations that would not have the consistency of a single federal rule.

While St. Paul has not committed itself to closure/post-closure coverage, Mr. Nardi expects that the company would write the coverage on a surplus lines basis. St. Paul Surplus Lines Insurance Co. is the company's surplus lines subsidiary. ■

Book published

BROOKFIELD, Wis.—The National Assn. of Insurance Commissioners has released the second volume of its "Medical Malpractice Closed Claims Study."

The study is compiled from claims forms filed by insurers between July 1975 and December 1978. The volume costs $200.

For information write NAIC Publications Department, 350 Bishops Way, Brookfield, Wisconsin 53005. ■

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Iowa firms battle health costs

Continued from page 1

$32 million between 1969 and 1979. The companies' medical care budgets reflect this growth.

"We experienced drastic increases over the past five years, particularly in hospitalization," says Mr. Storey. Maytag, which self-insures medical benefits for its 3,600 employees, spent $5.5 million in 1980. This was up 79% from the estimated $3 million it spent in 1975. Blue Cross administers Maytag's hourly employee medical care plan. Maytag is based in Newton, about 25 miles east of Des Moines.

"Our companies suddenly woke up and realized we didn't have the ability to determine where cost increases were coming from," he says. "We banded together and went to our insurers, putting pressure on them to develop information management systems that would allow us to do this."

Medical care costs for Meredith Corp. have gone through the ceiling, says Glenn Witt, vp of personnel for the company, which publishes Better Homes & Gardens.

Meredith paid more than $3.3 million in 1980 for Blue Cross coverage for its 4,000 employees, says Mr. Witt. This is a 94% increase over the company's 1975 premium (about $1.7 million). The per-employee cost for Meredith's total health care program rose to $962 from $459 between 1975 and 1980.

Inflation and broader coverage account for part of these companies' health care cost increases, but another culprit is the use of inpatient hospital services by employees for tests and surgical procedures that could be done on an outpatient basis, he says.

Until Blue Cross began its utilization review, employees could avoid outpatient deductibles by being admitted overnight and billing tests and minor surgical procedures to their hospitalization coverage.

"One of the toughest issues we face is the education of our employees to get them to shop around for medical care as if they are spending their own money," Mr. Witt says. "If we are not successful, and I have my doubts that we will be, I don't think we'll have any choice but to redesign our plan."

Meredith now pays 100% of hospitalization costs with no employee deductibles, he says. "We may have made the same mistake as many other companies in not giving employees a reason to be smart consumers."

John Kemp, personnel manager for the Register & Tribune Co., publisher of Des Moines' daily newspapers, says he already has recommended plan changes to make employees more cost-conscious.

The company, which employs about 1,000 people, spends $1.2 million on medical coverage each year.

"Not only are most employees now immune to a large degree from medical costs, but the medical community is immune from a true customer relationship," Mr. Kemp says. He hopes to renew the consumer instinct among the company's employees by raising the annual major medical deductible to $250 from $100. The present maximum lifetime benefit of $250,000 would likely remain the same.

Hospitalization coverage also would remain the same, paying 100% of reasonable charges for 365 days in a semiprivate room. Changes, including the increased deductible, "are designed to give employees a financial incentive to shop around," he says. "To date, we compare favorably with other employers, but our loss experience is increasing and we want to be sure to get the most for our money."

A Pioneer Hi-Bred International spokesman says the seed corn distributor spent $1.5 million on health care benefits in 1981 under a self-funded plan administered by Blue Cross.

"Hospitalization is our biggest problem," the spokesman says. Pioneer is actively pursuing cost containment through Blue Cross.

The company's health care plan pays total expenses for 365 days of hospitalization and major medical coverage up to $250,000 with a $100 annual deductible.

Northwestern Bell pursues cost containment less aggressively than the other companies but has seen some success in controlling costs, says benefits manager Don Baumeister. The company's hospital utilization rate for its 3,000 Iowa employees is lower than the state average.

The telephone company has operated its own admission review program—the Pre-Admission Diagnostic Evaluation—for the past 20 years, he says. This, in concert with coverage for outpatient services like X-rays and ambulatory surgery, may have helped keep employees out of the hospital, he says.

"We don't have any spectacular cost-containment plan, but we do strenuously pursue sickness," he says. "We have a good sick pay plan so the company puts the monkey on the employee's back to prove he is sick."

Northwestern Bell employees are covered for 120 days of hospitalization and unlimited major medical benefits after a $150 deductible.

The hospital utilization review, begun by Blue Cross, is carried out by the Iowa Foundation for Medical Care, a statewide organization consisting of about 2,000 practicing physicians. IFMC is the largest reviewer of privately funded plans in Iowa.

Member surgeons set standards for the review of admissions, diagnoses and surgical or laboratory procedures to determine whether a patient belongs in the hospital or if treatment is appropriate.

"The key question is: Does this person need to be in the hospital to assure the proper medical recovery?" says an IFMC spokesman. "If the answer is yes, fine. If not, steps are taken to get him released."

After the initial screening, a registered nurse monitors medical records to be sure the patient stays as long as necessary, but no longer.

If the nurse sees a questionable procedure or notes a patient who has been in too long, she contacts the physician adviser at the hospital and he checks it out, the spokesman says.

The adviser then decides whether hospitalization should continue, often after meeting with the patient's personal physician to discuss the case.

Blue Cross has issued a list of surgical procedures that must be performed on an outpatient basis, barring special circumstances. If not, payment is denied.

Blue Cross also refuses payment for surgical assistance for certain procedures, a Blue Cross official says. "We are seeing a lot of billings for this on procedures that should require only one physician. This makes a difference."

Coverage for group policyholders was broadened a year ago to include diagnoses, X-rays and laboratory work to induce employees to have testing done as outpatients, the official says. "Previously, there was an incentive to be hospitalized because the tests were not otherwise covered."

Since Jan. 1, 1981, utilization reviews have reduced inpatient procedures for Blue Cross policyholders by 5%, the IFMC spokesman says. The results have been even more drastic for Deere & Co., one of Iowa's largest employers that has had its employees' hospital use monitored by IFMC for three years.

Although based in Moline, Ill., the farm implement and heavy equipment manufacturer has five large operations in Iowa. Deere spent $100 million on health care benefits for its 60,000 employees in 1980 and will spend even more in 1981 and 1982, says Duane Heintz, manager of health care.

Deere does not expect to accomplish real cost containment through the IFMC review, he says. "We do expect to spend our money more intelligently, though. We are not interested in compromising quality, only in using the funds more appropriately."

Since the reviews began in 1979, inpatient hospital days for Deere employees have decreased by 26%. There also has been a reduction of about 20% in the plan's annual compounded expense rate growth, he says. "We're still growing, but not as fast."

All admit hospital utilization reviews and other methods for cutting excessive hospitalization make up a small piece of the total cost-containment solution.

But the Des Moines-area employers are willing to try to find a solution, shooting from many different angles. An organization called the Iowa Development Corp., directed by Meredith Corp. President Robert Burnett, has received a $300,000 grant from the Hartford Foundation and is laying the groundwork for a health maintenance organization for Des Moines.

They say the prepaid health care facility would be healthy competition for existing medical care facilities and could help keep Iowans out of the hospital. ■

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Business Insurance
Circulation Breakdown*

Commercial Consumers

Administrative Management: owners, presidents, vps, etc.	6,635
Financial Management: chief financial officers, vps of finance, secretaries, treasurers, etc.	9,335
Insurance Management: vps, directors, managers of insurance, risk, benefits, compensation, safety, security, etc.	5,112
Government, Associations, Unions, Educational Institutions	952
Commercial Consumers Sub-total	**22,034**
Insurance Agents & Brokers	9,486
Insurance Cos.	4,486
Financial Institutions	292
Actuaries, Attorneys, Adjusters, Appraisers & Consultants	2,135
Others allied to the field	752
TOTAL	**39,185**

*Source: Business/Occupational breakdown of qualified circulation, May 4, 1981 issue, as submitted to BPA for June 1981, BPA Publisher's Statement.

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Bill would apportion asbestosis awards

Continued from page 2
the cost of claims with asbestos manufacturers and employers, but the manufacturers would still be expected to shoulder most of the claim's cost.

The Fenwick bill apportions the claims cost as follows:

- Asbestos manufacturers would pay 2% of gross sales 15 years ago, or in 1967 if the legislation were passed this year, on a quarterly basis.
- Employers that used asbestos in their products would pay 1% of their gross sales 15 years ago on a quarterly basis.
- Tobacco companies would pay 0.3% of their gross sales 15 years ago on a quarterly basis.

The bill would base payments on gross sales 15 years ago because it takes 10 to 40 years for asbestosis to manifest itself after a worker is exposed. Rep. Fenwick chose 15 years as the average length of the latency period.

Under Rep. Fenwick's bill, a totally disabled asbestos worker with three dependents would be awarded about $13,000 a year tax-free, while a disabled worker with no dependents would receive about $6,000 a year, a spokesman for the congresswoman said.

Rep. Fenwick's proposal also provides that workers prove their disease resulted from their exposure to asbestos.

"Asbestos-related diseases can be clearly pinpointed," said Rep. Fenwick. "My bill specifically denies length or degree of exposure as proof of the disease.

"At the present time, there is no single comprehensive method of dealing with the problems and hardships created by asbestos-related diseases," she said.

"It has traditionally been within the jurisdiction of the states to determine workers compensation laws, but in those cases where the states fail to provide the necessary services, the federal government must take the initiative. This is certainly the case here," she said in introducing the legislation.

Disabled workers currently can file for benefits under a state's workers compensation system, but state laws limit the filing time—a problem for workers who develop the disease anywhere from 15 to 40 years after exposure to the asbestos.

Under the Fenwick bill, U.S. workers or their dependents could file claims with the Department of Labor, which would have a board of about 10 representatives from the asbestos industry, labor and medical field review the claims.

The legislation provides that the secretary of labor could seek a second medical opinion if he believed a claim had been fraudulently or inaccurately represented, she added.

Sen. Hart's bill, S.B. 1643, mandates that the workers compensation system in each state be the sole remedy for disabled workers seeking compensation for injuries from asbestos (*BI*, Oct. 26).

His legislation calls for a totally disabled worker to receive a minimum weekly benefit of two-thirds of his average weekly wage during the highest-paid three years of his last five years on the job.

Under Sen. Hart's bill, family members of the disabled asbestos worker would also be eligible for benefits, which would include medical and rehabilitation benefits for the exposed worker and his family.

Under his bill, a seven-member commission of government, health, labor and industry experts would set up criteria for apportioning the awards, but each state would administer the program through its workers compensation system.

Both Sen. Hart's and Rep. Fenwick's bills share the distinction of being introduced, in some form, at an earlier date.

Sen. Hart introduced a similar bill last year, but it failed to move out of committee. Another version was reintroduced this past October.

Rep. Fenwick's newest bill is the third version of one she introduced in 1977 and again in 1979.

Her earlier bills had the federal government paying half of the claims cost.

Support for the bill is just starting to develop, said aide Larry Rosenshein, because he and other staffers have steered clear of lobbying asbestos manufacturers, who have been waiting for a rewrite of Rep. Fenwick's earlier bill.

The Asbestos Compensation Coalition, a Washington-based lobbying group of nine asbestos manufacturers, has given its support to Sen. Hart's bill.

The group estimates that 7,000 lawsuits over asbestos-related disease claims involving 12,000 claimants are pending in courts in 40 states. ■

benefit beat

Grocery clerks eligible for ESOP

Eberhard Foods Inc., a Grand Rapids, Mich., grocery store chain, is giving its clerks a piece of its stores for a retirement program.

The 45-store chain is now allowing its 500 clerks, members of the Retail Clerks International Union, to participate in its Employee Stock Ownership Plan, which it formed in 1974 for management and clerical workers.

With the addition of the clerks, the Eberhard ESOP now has 1,200 participants. Another 60 warehouse employees are expected to join the plan later this year.

The company retained a profit-sharing plan for clerks and warehouse employees until late last year. The assets of that plan were rolled over to the ESOP.

The newest addition to the ESOP, according to Betty Tardy, director of personnel, is part of the company's continuing effort to offer "employees a better retirement savings mechanism."

The ESOP, with total assets of more than $7 million, owns 50% of the company's stock, Ms. Tardy says. The ESOP's assets at its inception were $1.5 million.

The changes in the company's retirement plan were the result of contract negotiations.

Under the plan, the company contributes a cash amount equal to 10% of the employees' gross annual pay. The workers do not contribute to the plan.

Employees become partially vested in the ESOP in three years, entitled to 10% of the stock or cash contributions made for them. They are fully vested in 10 years. Stock is issued upon termination, retirement, total disability or death.

Employees with more than 10 years of service, who were vested in the profit-sharing plan, will have those contributions transferred to the ESOP. ■

52 great issues coming up!

ISSUE NUMBER		ISSUE DATE	AD CLOSING
4.	SELF-INSURANCE	JAN 25	JAN 12

more to come :

		ISSUE DATE	AD CLOSING
1.	MARKET PREVIEW/INFO FOR BUYERS	JAN 4, '82	Dec 21, '81
2.		JAN 11	Dec 28
3.	Risk Management Board Survey	JAN 18	Jan 6, '82
4.	SELF-INSURANCE	JAN 25	Jan 12
5.		FEB 1	Jan 20
6.	Employee Benefits Board Survey	FEB 8	Jan 27
7.	RISK MANAGEMENT SERVICES	FEB 15	Feb 2
8.		FEB 22	Feb 9
9.		MAR 1	Feb 16
10.	EMPLOYEE BENEFITS: COST CONTROL	MAR 8	Feb 24
11.	Risk Management Board Survey	MAR 15	Mar 3
12.	SPECIALTY RISKS	MAR 22	Mar 9
13.		MAR 29	Mar 17

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Cost sharing cuts health expenditures: Study

By JERRY GEISEL

SANTA MONICA, Calif.—Requiring employees to pick up a greater share of medical costs cuts health care expenditures, but it is too early to determine if high deductibles and high coinsurance affect employees' health, according to a study.

A Rand Corp. survey found that employees protected from medical and hospital bills by group health insurance plans that pick up all or most of the costs spend 50% more on health care than workers covered by plans with high coinsurance and deductibles.

Higher costs accompany the fully insured group because they go to the doctor much more often—5½ visits per year compared with 3½ visits for people in cost-sharing plans, according to the Rand study.

The Rand study, which was published in Dec. 17 issue of The New England Journal of Medicine, could be used by proponents of the "pro-competition" approach to health insurance, who say cost sharing reduces health care expenditures.

Pro-competition advocates say if employers are required to offer employees a choice of health insurance plans, including a plan with high deductibles and coinsurance, employees—who will, therefore, be paying more of the bills—will have a greater stake in controlling health care costs (*BI*, Oct. 26, 1981).

Since employees will have to share more of the costs, the demand for health care services—considered by some to be the main cause of soaring medical costs—will cool as unnecessary visits to the doctor are eliminated, pro-competition supporters say.

But while the Rand survey, which was begun in 1974 with a $63 million federal grant, supports the idea that employee cost sharing trims health expenditures, it doesn't reach any conclusions on whether seeing a doctor less frequently affects the employees' health.

Labor groups, like the AFL-CIO, charge that high deductibles or coinsurance levels will cause employees to delay seeing a doctor. Such delays could mean more expensive treatment later for an undetected illness or disease, the AFL-CIO says.

But the Rand researchers don't say whether the decrease in use of medical services by employees in cost-sharing plans will adversely affect their health. Rand is researching that issue and hopes to have an answer later that year, the think tank says.

The Rand study involves 7,700 people in six cities around the country. Families participating in the study, which is expected to be completed this year, replaced their existing health insurance policies with 14 experimental plans offering varying deductibles and levels of coinsurance.

Individuals whose insurance plans paid all costs spent an average of $401 a year on health care. That was 57% more than the $254 average annual expenditure by people enrolled in plans that required them to pay 95% of office visits and other outpatient bills.

Individuals enrolled in plans that paid 25% of medical costs spent an average of $346 annual for health care, while those covered by a plan that paid half of office visits spent an average of $328 on health care, according to the study. ■

Umbrellas to exclude long-latent injuries

Continued from page 2

or on behalf of the assured of such substance, material, product, waste, emission, noise or environmental disturbance."

"We hear now that margarine gives you cancer. Where does it end?" Mr. Lowsely-Williams asked.

"We as syndicates feel we can no longer expose our names to this problem that could cause damage in the future," he said.

The Fortune 500 companies and others, especially in the oil and energy fields, are asking for liability insurance layers of up to $400 million to protect themselves from unknown health hazards that might trigger diseases in the future, he said.

"For the protection of our names, we can no longer afford these huge limits without the exclusion," said Mr. Lowsely-Williams, whose syndicate has been involved in paying asbestosis claims from companies like Keene Corp.

However, other Lloyd's underwriters and brokers are not backing the health hazard exclusion clause, *Business Insurance* learned.

"If I was given this clause in a policy, I wouldn't take it on a $1,000 note," said a Lloyd's insurance broker. "It's crazy. They would laugh at it in Southern California."

Insurance buyers can virtually name their price for liability insurance these days, he said. Why should they accept an umbrella policy that virtually leaves a gap in their cover? he asked.

"Nobody is going to accept this clause," he said. In a soft market, not only is this a restriction of coverage, but it also is a restriction of common sense, the broker said.

In this soft insurance market, it is absurd to throw away premiums, other Lloyd's underwriters say. And besides, Lloyd's reputation is built on insuring all risks, no matter how dangerous future losses may be, they point out.

Mr. Lowsely-Williams agreed that the timing is not right, but he says the syndicate must use the exclusion.

"We (Janson, Green) as leaders cannot expect to impose this clause upon people when other insurance markets will not use this restriction," he said. "It is not a good time market-wise to introduce this clause.

"But we as a syndicate feel we can no longer expose our names to this problem that could cause damage in the future."

Janson, Green and P.C.W. Underwriting Agencies probably will lose clients because of the insurance clause, Mr. Lowsely-Williams admitted. "But limitation is precisely what is needed," he said.

The syndicates, however, would consider eliminating the health hazard exclusion if another solution is found to prevent a future onslaught of insurance claims from long-latent diseases.

"I don't believe this clause will be the final solution, but it helps to identify the problem," said Mr. Lowsely-Williams.

A claims-made insurance policy or a new definition of coverage for long-latent injuries under a comprehensive general liability policy as suggested by the Insurance Services Office in the United States to control insurer losses from long-latent diseases may be satisfactory (*BI*, Dec. 28, 1981), he said.

Hyatt, Hallmark file briefs opposing class action trial

Continued from page 3

The negotiations would cease, Crown Center/Hallmark attorneys argue, because insurance companies would be unwilling to agree to compensatory damage amounts in individual cases knowing that the issue of punitive damages would still be pending in a class action.

"This is particularly so with regard to punitive damage claims that are hotly contested, charged with emotion and claimed not to be covered by insurance," says the Crown Center/Hallmark response, filed Dec. 23.

Many of the two dozen insurance companies claimed by the two firms as insurers have refused to acknowledge any obligation to indemnify the firms against any punitive damages.

Despite its opposition to class certification "at this time," Crown Center/Hallmark's brief supports the concept of a single trial on punitive damages. Hyatt says it is "in accord" with Crown Center/Hallmark's brief.

The two firms argue that punitive damages are not a right of any one individual plaintiff; that multiple punitive damages awards could bankrupt, rather than just punish, a defendant; and that multiple punitive awards arising from a single event would, therefore, be unjust.

The Crown Center/Hallmark brief relies heavily on a recent U.S. District Court ruling in San Francisco for support. The Nov. 5 ruling by Judge Spencer Williams combined 153 pending Dalkon Shield cases in a single class action. Judge Williams' decision, subject to review by the 9th U.S. Circuit Court of Appeals, could ultimately affect the more than 1,400 Dalkon Shield cases pending nationwide (*BI*, Dec. 28).

"Common sense dictates that a defendant should not be subjected to multiple civil punishment for a single act or unified course of conduct which causes injury to multiple plaintiffs," Judge Williams wrote in the Dalkon Shield case.

In its brief supported by Hyatt, Crown Center/Hallmark says the class action route chosen in the Dalkon Shield litigation "may well be the appropriate solution in the skywalk cases." But the greeting card firm says setting up a class now would halt settlement negotiations.

"This court should, at an appropriate later date, take steps to assure that there will be a single trial of the issues of liability and possible imposition of punitive damages in the skywalk cases," Crown Center/Hallmark concludes. "Such steps may include certification of a class action prior to trial." ■

Judge blocks other coverage suits

KANSAS CITY, Mo.—A Jackson County Circuit Court judge has permanently blocked the filing of suits in any other courts over questions of which insurers should be liable for what in the Kansas City Hyatt Regency Hotel skywalk disaster.

Judge Timothy O'Leary of Kansas City issued a permanent injunction Dec. 18. Judge O'Leary is presiding over a suit brought by Hyatt Corp. to determine the insurance coverage available for the Kansas City hotel (*BI*, Dec. 21).

Northbrook Excess & Surplus Lines Insurance Co. of Northbrook, Ill., Hyatt's first-layer excess insurer, also had filed a lawsuit Oct. 26 in the Cook County, Ill., Circuit Court to resolve the Hyatt coverage issue.

In other developments:

• U.S. District Judge Scott O. Wright, who is presiding over skywalk cases in federal court, is setting a rapid pace for pre-trial proceedings, including a Jan. 15 date for a meeting of attorneys to "schedule the immediate taking of depositions on the liability and punitive damage issues."

Such sworn testimony can be used by victims' attorneys as evidence in a trial.

One attorney familiar with the skywalk litigation viewed Judge Wright's order as an effort to speed up pre-trial proceedings and encourage attorneys on both sides to enter settlement negotiations rather than endure the huge legal costs of a time-consuming deposition schedule.

• Various defendants in the skywalk cases, including operator Hyatt and owners Crown Center Redevelopment Corp. and Hallmark Cards Inc., have filed thousands of pages of financial and construction documents in response to inquiries from victims' lawyers, but the documents are being kept secret.

Under a court-approved agreement among all the parties, lawyers who view the documents may not disclose their contents to the press or public, according to attorney C. Patrick McLarney.

"The defendants in particular were concerned about all this stuff being published in the newspapers," said Mr. McLarney. He estimated that about 600,000 documents have been produced so far and are being kept in a Kansas City office suite rented by the plaintiffs' liaison committee.

"We've got the case for punitive (damages) in the documents," says Irving Younger, a Washington, D.C.-attorney among those representing Molly Riley, who is seeking a class action for punitive damages. Mr. Younger asserted in an interview that the sworn testimony of as few as 10 individuals could wrap up punitive discovery. He declined to discuss details, citing the secrecy agreement. ■

Regulator wants act repealed

NEW ORLEANS—North Carolina Insurance Commissioner John Ingram says abolition of the federal McCarran-Ferguson Act could improve insurance company competition.

Testifying last month before the Louisiana House of Representatives' Commerce Committee at the National Assn. of Insurance Commissioners' annual winter meeting, Mr. Ingram said that the act was a tool that the U.S. property/casualty insurance industry used to keep state regulations as weak as possible.

The McCarran-Ferguson Act of 1945 is a federal law that exempts the property/casualty insurance industry from the federal antitrust laws.

Mr. Ingram said that his department has discovered multimillion-dollar errors made by the casualty insurance industry operating in North Carolina.

He referred to a one-company monopoly that had to be stopped in order to eliminate a contrived medical malpractice crisis in North Carolina.

Mr. Ingram referred also to a magazine article which said that the insurance industry operated at a 21% profit margin. The article stated that other industries averaged a 15% profit return. ■

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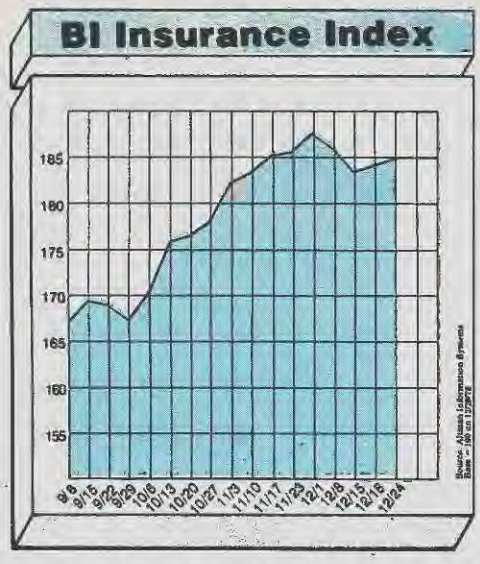

Insurance industry stocks gained slightly before the Christmas weekend. The *Business Insurance* stock index gained 0.6 points and closed Dec. 24 at 184.9, up from 184.3 the previous week. Twenty-seven issues recorded gains, 29 declined and 17 were unchanged. Leading the advancing issues were: Aneco Reinsurance Ltd., 15.8%; CNA Financial Corp., 7.8%; Pinehurst Corp., 7.4%; Integrated Resources Inc., 6.7%; and First Colony Life Insurance Co., 5.1%. The largest declines were recorded by: Banks Iowa Inc., 8.1%; Penncorp Financial Inc., 4.3%; Chubb Corp., 3.7%; Continental Corp., 3.2%; and Washington National Corp., 3.1%. The *BI* index outperformed the major stock market averages for the week.

British Issues

12/29 Companies	Price pence	P/E	Div. pence	Yield %	1 Week High—Low pence	pence
Comml Union	127	8.4	16.07	12.7	127—125	
Eagle Star	327	10.5	21.43	6.6	330—327	
Genl Accident	314	6.6	21.07	6.8	316—310	
Gdn Royal Exch	292	7.5	23.21	8.0	294—290	
Phoenix	228	7.9	22.43	9.8	230—228	
Royal	330	8.8	35.00	10.7	332—327	
Sun Alliance	826	8.3	53.57	6.5	826—824	
Brokers						
CE Heath	275	9.1	15.71	5.7	275—270	
Hogg Robinson	107	8.5	8.57	8.1	108—106	
Alex Howden	134	10.6	10.71	7.8	135—132	
JH Minet	140	11.6	6.80	5.1	141—139	
Sedg Grp	144	10.4	7.50	5.2	146—144	
Stenhouse Hldg	96	8.7	6.64	6.9	99— 96	
Stew Wrightson	222	11.1	17.14	7.6	224—219	
Willis Faber	360	12.4	17.85	5.0	360—358	

Source: Philip Olsen/Alan Clifton, Insurance Industry Specialists Kitcat & Aitken Stockbrokers, London

Bankers develops new lines despite being on the block

By LEN STRAZEWSKI

INSURANCE COMPANY for sale.

That's Bankers Life & Casualty Co., a Chicago-based life and health insurer that needs a new owner.

It's not competition or falling profits that are making this insurer seek a new mate: Bankers is both competitive and profitable. The tax laws are putting it on the block.

Its parent, the John D. & Catherine T. MacArthur Foundation, must divest any holding of more than 20% of a for-profit business within two years. Thus Bankers, a wholly-owned investment, must go.

Bankers is the nation's largest underwriter of personal guaranteed renewable accident and health insurance policies and one of the 60-largest life insurance companies. It is the flagship of a 10-company insurance group operating in 47 states and the District of Columbia.

The insurance group has about $7 billion of life insurance in force and nearly $1 billion in premium, according to 1981 estimates. Although the majority comes from personal insurance, about 25% is derived from group insurance sales to about 2,000 organizations, including more than 700 employers.

Premium volume continues to grow and profits will rise about 35% in 1981, according to Chairman Robert Ewing.

"Obviously a lot of people are very nervous. There's a fear of the unknown. But we have every confidence that we will come out all right," he says.

"We're in an unusual situation," explains Mr. Ewing. "It's to the credit of the foundation that it is letting us continue to grow and develop new products even while it looks for a new owner."

A new owner will end a long period of stability. Although the insurer's roots date back to 1879, Bankers' relationship with the MacArthur family began in the 1930s when it was consolidated by John D. MacArthur.

When Mr. MacArthur died in 1978, the insurance company passed to the foundation, a non-profit philanthropic organization. This transfer laid the groundwork for the tax ruling that shook the company late last year.

"We are waiting, but we are not standing still," says Mr. Ewing. "We are doing everything we can internally to prepare for a new owner and we are continuing to develop new products to make us an even more attractive company."

BI ticker

Tightening up on expense control and improving internal accounting, Bankers predicts 1981 premium volume to be 7.4% greater than in 1980 and estimates that 1982 volume will grow more than 11% over 1981.

And despite the awkwardness of an ownership holding pattern, Bankers is going ahead with expansion into personal property/casualty insurance and individual legal services coverage, according to Mr. Ewing.

"In the early 1960s, we made a number of tests in the property/casualty insuance market and met with reasonable success," Mr. Ewing says. "But since we didn't have a property/casualty agent force waiting in the wings, we abandoned it.

"Since then the prospect of becoming a multiline insurer has been in the back of our minds. We tried another test late in 1979 and decided that the time was right to implement a long-range strategy that would take us into a new market that could both increase our premium and our prospect for a larger agent force."

Bankers is now selling homeowners and personal automobile insurance in five states and recruiting new agents to market the coverage. It intends to expand into all of the states it now serves with life, health and accident insurance.

Commercial property/casualty insurance is also a growth possibilitity for the insurer, but is currently tabled until its direct agent force responds to the new personal products, Mr. Ewing says.

"Our first goal is to provide more products for our agent force. Our research shows that multiline agents earn more money and stay in the busisnss longer," Mr. Ewing notes. "To sell the products, we are hiring more agents and trying to recruit higher-quality agents."

Bankers now has more than 3,000 agents in more than 260 branch sales offices. The home office in Chicago employes 3,600.

"When the returns are in on the personal lines, we may want to reconsider commercial lines to be sold by an expanded agent structure," he says.

Bankers is also expanding into personal legal services coverage, an individual takeoff on the group legal coverage that has gained some popularity among West Coast employers and employee benefit consultants. The policies will be sold by a subsidiary, Bankers Multiple Line Insurance Co. in California and Ohio, pending approval of the product in other states.

The insurer is currently avoiding group legal coverage until states finally decide how the coverage should be sold and until the concept wins individual consumer acceptance.

"There's still a big gray area that includes legal services," Mr. Ewing explains. "Some states call it life insurance; others call it casualty. Other states never approved it as insurance at all. We see it as a preventive policy.

"We examined both group and association sales of legal service coverage, both the successes and failures. We arrived at the conclusion that our individual approach is going to be successful."

The individual legal services plan offers a 24-hour telephone consultation service from the Law Store Group, based in Santa Monica, Calif., and covers legal service fees of up to $10,000 for a lawyer chosen by the policyholder. The coverage costs less than $10 a month, according to the insurer.

"We think it's a product for everyone, particularly for middle- and lower-income families," says Mr. Ewing. "It's like having an attorney as a relative. The more the product is used, the greater the benefit."

If individual legal services protection takes off, it may indeed evolve into a universally accepted commercial benefit that employers will want to offer workers as incentive. Bankers would then win a superior competitive position for group sales.

Although the product expansion is designed to stimulate both short- and long-term growth, these steps serve another purpose: to make Bankers attractive to a new investor who will want to continue the company's present structure and activities.

The MacArthur Foundation wants to sell the insurance group as a package to a single investor, according to Mr. Ewing, and keep the company intact.

"Investment from a large property/casulaty insurance company is certainly conceivable. A merger with a property/casualty company would certainly be complementary.

"Also, I think we'd be an attractive candidate for a large non-insurance company—especially one with a large national organization to complement our own nationwide spread," Mr. Ewing notes.

Bankers could also be ripe for acqusition by a financial service company. Its new products could easily fit into a portfolio of of individual stock and security offerings.

"There's been a lot of talk about one-stop financial service firms, but we are going to have to see whether or not the marriages between insurance and financial service firms will last," says Mr. Ewing. "Certainly that could provide us a great deal of flexibility." ■

BI Industry Stock Report

DEC. 24, 1981 — 12/21/81 THRU 12/24/81

Insurance Cos.		Price	% Chg.	P/E	$ Div.	% Yld.	High	Low	Vol. (000)
Aetna Life & Cas Co	NYSE	43.38	-1.4	7.3	2.32	5.3	43.88	43.25	311.0
American Bankers Ins Group	OTC	7.50	1.7	8.0	0.48	6.4	7.50	7.38	27.3
American Gen Ins Co	NYSE	40.75	0.3	6.0	2.00	4.9	40.75	39.13	85.4
American Indty Finl Corp	OTC	16.13	3.2	6.8	1.12	6.9	16.13	15.63	8.3
American Intl Group Inc	OTC	67.00	-0.7	11.6	0.40	0.6	67.25	67.00	169.9
American Natl Ins Co	OTC	14.25	-1.7	6.1	0.76	5.3	14.38	14.25	25.0
American Sts Life Ins Co	OTC	17.00	0.0	5.4	0.80	4.7	17.00	17.00	3.2
Aneco Reins Ltd	OTC	2.75	15.8	0.0	0.00	0.0	2.75	2.38	18.9
Appalachian Natl Corp	OTC	2.50	2.5	0.1	0.00	0.0	2.50	2.50	4.0
Avemco Corp	AMEX	10.75	1.2	7.4	0.54	5.0	10.75	10.50	6.7
Banks Iowa Inc	OTC	39.50	-8.1	5.8	1.44	3.6	43.00	39.50	3.7
Bitco Corp	OTC	38.00	0.7	4.5	2.16	5.7	38.00	37.75	5.9
Carolina Cas Ins Co	OTC	7.13	3.6	7.1	0.32	4.5	7.13	7.00	2.1
Central Natl Finl Corp	OTC	33.50	0.8	10.9	0.65	1.9	33.50*	33.25	3.2
Chubb Corp	OTC	46.13	-3.7	5.7	2.92	6.3	47.75	46.13	70.2
Combined Intl Corp	NYSE	23.13	0.5	6.0	1.80	7.8	23.13	22.88	88.3
Connecticut Gen Ins Corp	NYSE	51.00	-1.9	6.5	1.76	3.5	52.25	51.00	118.4
Continental Corp	NYSE	26.25	-3.2	8.3	2.40	9.1	27.00	26.25	56.7
Crawford & Co	OTC	16.00	0.0	12.4	0.52	3.3	16.00	16.00	2.2
Crown Life Ins Co	OTC	84.00	-0.6	9.1	2.80	3.3	84.50	84.00	0.2
Crum & Forster	NYSE	33.00	0.0	5.4	1.64	5.0	33.00	32.50	381.8
Employers Cas Co	OTC	33.25	0.0	5.3	1.20	3.6	33.25	33.25	1.9
Equifax Inc	NYSE	22.88	4.0	5.1	2.40	10.5	22.88	22.00	13.1
Excelsior Ins Co	OTC	16.75	-1.5	11.5	0.70	4.2	17.00	16.75	1.1
Farmers Group Inc	OTC	31.75	-1.9	9.3	1.12	3.5	32.13	31.75	86.4
First Colony Life Ins Co	OTC	62.00	5.1	17.6	1.00	1.6	64.00	59.00	14.7
Foremost Corp Amer	OTC	29.75	-0.8	8.4	0.80	2.7	30.00	29.75	3.6
Great West Life Assurn Co	OTC	242.00	0.0	9.0	10.00	4.1	242.00	242.00	0.0
Hanover Ins Co	OTC	33.00	-2.9	4.0	0.72	2.2	33.00	33.00	13.2
Hartford Steam Boiler, Insptn	OTC	43.00	-2.8	7.6	2.60	6.0	44.25	43.00	3.1
Jefferson Natl Life Ins Co	OTC	31.75	0.0	18.2	0.64	2.0	31.75	31.75	1.2
Kemper Corp	OTC	33.50	-1.5	5.3	1.60	4.8	34.00	33.50	16.2
Lincoln Natl Corp Ind	NYSE	40.00	-2.1	6.2	3.00	7.5	41.38	40.00	44.9
Mgic Invt Corp	NYSE	47.50	-1.6	11.8	1.28	2.7	48.00	47.50	923.3
Mission Ins Group Inc	NYSE	35.88	-3.0	6.3	1.00	2.8	36.38	35.88	10.8
Nationwide Corp Ohio	OTC	31.25	2.5	10.3	0.70	2.2	31.25*	30.50	1.5
Northwestern Natl Life Ins	OTC	26.75	2.9	5.7	1.36	5.1	26.75	26.13	14.0
Ohio Cas Corp	OTC	41.25	-1.8	6.3	2.04	4.9	41.63	41.13	44.3
Old Rep Intl Corp	OTC	18.75	0.0	4.5	0.92	4.9	18.88	18.75	35.6
Preferred Risk Life Ins Co	OTC	21.25	0.0	5.7	0.80	3.8	21.25	21.25	1.8
Provident Life & Acc Ins Co	OTC	54.00	-2.7	7.0	2.20	4.1	55.50	54.00	32.2
Ryan Ins Group Inc	OTC	16.50	3.1	7.1	0.12	0.7	16.50	15.50*	7.5
St Paul Cos Inc	OTC	49.00	0.3	7.9	2.32	4.7	49.00	48.63	98.3
Safeco Corp	OTC	39.38	0.3	7.5	2.20	5.6	39.75	39.38	30.8
Sri Corp	OTC	22.50	0.0	4.5	1.00	4.4	22.75	22.50	21.3
Seibels Bruce Group Inc	OTC	26.63	-3.6	15.0	0.80	3.0	27.25	26.63	12.6
Statesman Group Inc	OTC	6.38	2.0	5.5	0.15	2.4	6.38	6.38	7.2
Tokio Marine & Fire Ins Co	OTC	116.25	-2.2	9.3	1.00	0.9	118.00	116.00	1.2

DEC. 24, 1981 — 12/21/81 THRU 12/24/81

		Price	% Chg.	P/E	$ Div.	% Yld.	High	Low	Vol. (000)
Travelers Corp	NYSE	44.00	-1.7	5.2	2.88	6.5	44.25	43.50	173.4
United Fire & Cas Co	OTC	35.50	0.0	8.1	1.10	3.1	35.50	35.50	0.3
United States Fid & Gty Co	NYSE	43.00	0.0	7.0	3.20	7.4	43.38	43.00	112.0
United Svcs Life Ins Co	OTC	15.38	0.8	6.0	1.00	6.5	15.38	15.25	6.2
Uslife Corp	NYSE	23.63	2.2	5.6	0.80	3.4	23.63	23.00	157.0
Washington Natl Corp	NYSE	19.38	-3.1	5.9	1.08	5.6	19.88	19.38	35.6
Zenith Natl Ins Corp	OTC	17.75	0.0	9.3	0.76	4.3	17.75	17.75	6.5
INSURANCE COMPANIES	AVERAGE			6.3		4.1			
Agents/Brokers									
Alexander & Alexander Svcs	OTC	25.50	-1.0	9.0	1.84	7.2	25.63	25.50	175.8
Baldwin & Lyons Inc	OTC	32.50	0.0	5.6	0.80	2.5	32.50	32.50	0.0
Corroon & Black Corp	NYSE	18.88	4.9	11.2	1.76	9.3	19.00	18.25	26.2
Crump E H Cos Inc	OTC	11.13	-2.2	13.1	0.40	3.6	11.38	11.13	28.6
Hall Frank B & Co Inc	NYSE	32.75	2.7	12.4	1.66	5.1	32.75	31.75	265.3
Integrated Res Inc	AMEX	16.00	6.7	6.5	0.00	0.0	16.00	14.75	36.5
James Fred S & Co Inc	NYSE	24.00	-1.0	11.2	1.60	6.7	24.00	23.63	9.7
Marsh & Mclennan Cos Inc	NYSE	33.25	-1.5	10.7	2.00	6.0	33.63	33.25	142.3
Penncorp Fincl Inc	NYSE	5.50	-4.3	8.0	0.16	2.9	5.75	5.50	98.5
Pinehurst Corp	OTC	9.13	7.4	0.0	0.00	0.0	9.13*	8.50	14.8
Poe & Assoc Inc	OTC	9.75	0.0	11.0	0.80	8.2	9.75	9.75	1.0
Reed Stenhouse Cos Ltd	OTC	11.50	0.0	9.2	0.60	5.2	11.50	11.50	3.2
Rollins Burdick Hunter Co	OTC	21.50	0.0	12.3	1.32	6.1	21.50	21.50	2.9
AGENTS/BROKERS	AVERAGE			9.7		5.1			
Conglomerates/Holding Cos.									
American Express(Fireman's Fd)	NYSE	43.13	-2.0	7.7	2.20	5.1	43.38	42.75	300.0
Anderson Clayton(Ranger/PanAm)	NYSE	26.75	-4.5	5.6	1.32	4.9	27.75	26.63	11.2
Armco Inc	NYSE	27.50	0.5	3.2	1.80	6.5	27.75	27.13	99.1
City Investing Co. (Home Ins.)	NYSE	23.75	-0.5	6.8	1.60	6.7	24.25	23.63	253.7
CNA Finl Corp (CNA)	NYSE	13.75	7.8	5.7	0.00	0.0	13.75	13.13	23.2
Control Data (Comml. Credit)	NYSE	36.50	-1.0	8.6	0.50	1.4	37.38	36.13	318.7
General Re Corp	NYSE	81.63	-0.6	10.5	1.76	2.2	82.50	81.63	85.6
Gulf Utd Corp	NYSE	18.50	2.8	6.4	1.32	7.1	18.50	17.88	303.0
INA Corp (Ins. Co. of NA)	NYSE	44.75	-1.1	6.2	2.40	5.4	45.88	44.75	188.4
ITT (Hartford Group)	NYSE	29.50	-2.1	7.8	2.68	9.1	30.13	29.50	515.0
Optimum Hldg Corp	OTC	11.00	0.0	14.1	0.00	0.0	11.00	11.00	4.6
Reliance Group Inc	NYSE	93.25	-4.6	10.1	3.00	3.2	97.00	93.25	43.5
Sears Roebuck & Co. (Allstate)	NYSE	16.13	0.8	8.1	1.36	8.4	16.25	16.13	836.2
Baldwin Utd Corp	NYSE	65.25	2.4	11.2	1.60	2.5	65.25*	60.00	118.4
Teledyne Inc (Argonaut)	NYSE	139.38	0.6	7.2	0.00	0.0	140.75	138.75	168.9
Transamerica Corp (Occidental)	NYSE	22.38	-4.3	6.5	1.40	6.3	22.75	22.38	294.6
CONGLOMERATES/HOLDING COS.	AVERAGE			7.6		3.3			

*Record high/low since Jan. 1, 1981.

System design: Altman Infomation Systems

Financial briefs

INA

INA Corp. had declared a regular quarterly dividend of 60 cents per share on its common stock and a redemption dividend of 47½ cents per share on its $1.90 Cumulative Convertible Series C Preferred Stock.

The common stock dividend is payable Feb. 15 to shareholders of record Jan. 18. The preferred stock dividend is payable upon redemption of the stock after Dec. 17.

INA, in connection with the proposed merger with Connecticut General Corp., previously authorized the redemption of the company's outstanding preferred shares. ■

Put A&A's environmental risk planning to the acid test.

Alexander & Alexander's special National Environmental Action Team can help safeguard your company's assets. We view financial risk through your eyes. Look beyond the treatment, transportation and storing of hazardous wastes to the entire spectrum of pollution liabilities—from generation to disposal.

With A&A, you'll have access to expert environmental scientists who do detailed on-site risk assessments. And we'll integrate insurance coverage with an ongoing pollution loss control program. That's important. Especially now, when businesses must comply with new, more stringent EPA regulations and protect themselves against environmental liabilities, particularly those resulting from gradual and non-sudden pollution.

Only by working from the client's point of view can we be sure a company gets the most comprehensive, cost-efficient programs possible.

Full pollution liability coverage

This insider's vantage point enables us to be in the vanguard, formulating contracts that go beyond hazardous waste coverage to full pollution liability protection.

Because we anticipated such coverage would burgeon in importance, our 88 U.S. offices have environmental insurance coordinators with ready access to our corporate expertise. We maintain strong contacts in Washington to stay up-to-the-minute in this rapidly evolving field. And help insurers develop pollution coverages to assure you of adequate capacity and competitive terms.

We are ready to look at any business—medium or large—in any industry and help create a total compliance program.

We think a big reason A&A has become one of the largest and most trusted insurance brokers worldwide is that we work the same way with every client. From the client's point of view. And in our business, that's the acid test.

Experts from Advanced Environmental Technology Corp. of Morris Plains, New Jersey, cleaning up improperly handled hazardous wastes.

Alexander & Alexander

From the client's point of view.