WEEK OF JULY 12, 1982

business insurance®

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update:

Reagan will reconsider federal tort reform

WASHINGTON—The Reagan administration is going to take another look at federal product liability tort reform.

The Cabinet Council will meet this week to consider whether the administration should endorse a uniform federal liability law to pre-empt often conflicting state laws.

So far, the administration has withheld

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Health plan worries

Court's ruling could cripple peer review

By JERRY GEISEL

WASHINGTON—Insurers' efforts to control health care costs by using private peer review panels to evaluate physicians' bills could be crippled by a U.S. Supreme Court ruling.

A June 28 decision, whose implications are only beginning to be grasped, held that doctors and insurers participating in or using private peer review panels aren't entitled to the protection from federal antitrust laws that insurance companies enjoy under the McCarran-Ferguson Act.

"It is a far more important case than people realize," warns Edwin Soeffing, counsel for the Health Insurance Assn. of America in New York, a trade group representing most of the nation's health insurers.

He is concerned that doctors, out of fear of an antitrust suit, may refuse to participate in panels to review other doctors' charges as requested by insurers.

Significantly, the Supreme Court's 6-3 decision did not say whether a peer review panel used by Maryland-based Union Labor Life Insurance Co. to evaluate chiropractor's fees violated federal antitrust laws against price fixing. That issue now must be decided by a lower court.

But by stripping away the automatic immunity peer review panels thought they enjoyed from antitrust law, the court may have chilled the desire of doctors to serve on the panels.

"If you have to defend these (antitrust) charges on a case-by-case basis, doctors won't want to participate," one antitrust expert observed. "They will say 'the hell with it.'"

"How many doctors will be willing to work on such panels when they can be sued?" asked Mr. Soeffing, who is a former senior trial attorney with the Federal Trade Commission.

"Logically, doctors have reason to be concerned," said Joseph Caravillo, assistant general counsel for Prudential Insurance Co. of America in Newark, N.J. "Defending antitrust cases is extremely expensive."

If doctors decide not to participate on peer review panels because of exposure to antitrust suits, insurers will have to consider new strategies to hold down health care costs, which continue to increase twice as fast as most other prices.

For example, the HIAA's Mr. Soeffing believes more large insurers may hire their own medical directors to determine when a doctor's charges are reasonable.

In addition, more health insurers might decide to again use flat fee schedules indicating how much

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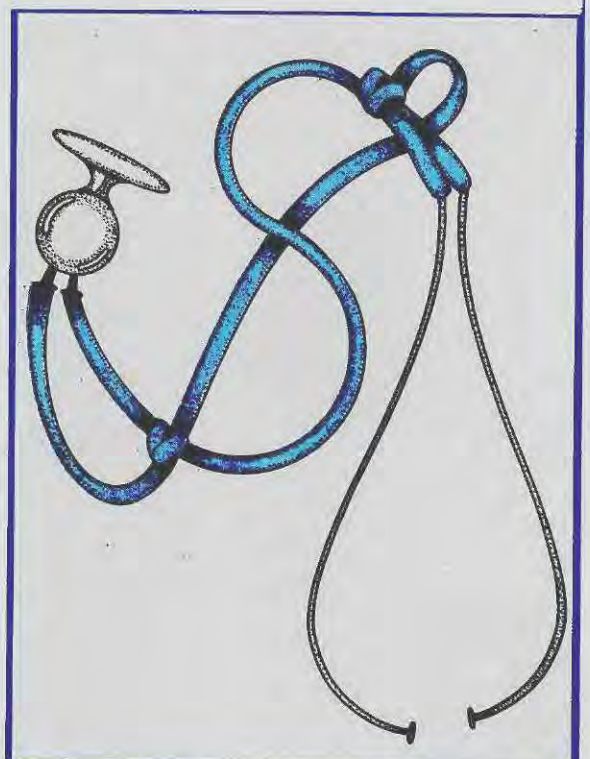

Graphic: Amy Palmer

Defeat of tax caps to benefit employers

By JERRY GEISEL

WASHINGTON—The battle over taxing generous group health insurance plans seems to be over.

The Senate Finance Committee has rejected a proposal that federal tax laws be overhauled to tax employees on group health insurance benefits exceeding a maximum cost, a proposal most employers opposed.

Under the proposal, employees would have had to pay income taxes on health benefits if their employers' premium payments exceeded $60 a month for individual coverage or $150 a month for families.

"The idea of a tax cap as a means of revenue enhancement is dead," said Jeff Hart, executive director of the National Assn. of Employee Benefits. "People on Capitol Hill realized that a tax cap wouldn't control health care costs, but would cause significant administrative problems for employers."

The idea of a tax cap began as part of a broader attempt by David Stockman, director of the Office of Management and Budget, and other Reagan administration officials to radically overhaul the nation's health care delivery system.

Mr. Stockman and other "pro-competition" advocates recommended that employers be required to offer employees a choice of group health insurance

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Insurers propose new liability form to limit coverage

By BILL DENSMORE

NEW YORK—Future comprehensive general liability policies all will be written on a claims-made or claims-discovered form with a definite aggregate limit, if insurers can force a new CGL policy on the market.

In the first major rewrite of the CGL form since 1973, insurers are unleashing a major weapon in their battle against potential billion-dollar, long-term losses from as-yet unrealized new product risks and latent injuries.

The proposed CGL form, authored and released to the industry by the Insurance Services Office for comment, pins down coverage to carefully defined time periods and aggregate limits. It also streamlines policy language to eliminate many expensive legal disputes, insurers say.

Once finalized by ISO, the policy form and rating bureau financed by 650 insurers, the policy becomes the basic contract used by most insurers in writing comprehensive general liability insurance. The terms could be modified by amendments known as "endorsements."

ISO predicts it could take years, however, before the form is filed and recognized in all jurisdictions.

A negative reaction in the marketplace to the new form, which was drafted without insurance-buyer input, also could delay its use.

A key provision of the new CGL form would eliminate current policy language that says coverage is triggered at the time an injury "occurs." The new policy wording provides coverage either at the

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Copies of form are hard to get

If you want to review the new CGL form, you will have to locate one of about 600 copies that were mailed to major insurers and trade groups. Neither ISO nor any other group is prepared to mail you a copy.

The New York-based Risk & Insurance Management Society has appointed a five-member committee to review and comment on the document.

The committee chairman, Richard Van Wagoner Jr., corporate risk manager at Phelps Dodge Corp. of New York, was on vacation and could not be reached for comment.

RIMS Executive Director Ron Judd said those wishing to comment on the draft should write RIMS in care of Reg Beane, director of governmental affairs.

Conference reports

In years to come, the attendees will recall with fondness the intimacy of the first symposium of the newly founded International Society of Certified Employee Benefit Specialists. Thirty-two holders of the CEBS designation gathered in St. Charles, Ill., to discuss benefit issues. A report by correspondent Carol Cain begins on **page 36.**

In Toronto, more than 400 international property/casualty industry executives from 41 countries met at the 18th annual International Insurance Seminar to discuss international issues, specifically the growing impact of inflation and the fading influence of international boundaries on the insurance industry. New York Bureau Chief Bill Densmore reports on **page 40.**

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update:

Reagan reconsiders tort reform

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support for federal product liability legislation. The administration previously said a federal product liability law clashed with the administration's plan to turn more power over to the states.

Insurer battles rumors

PEAPACK, N.J.—American Centennial Insurance Co., which underwrites property/casualty reinsurance and credit insurance, sent telexes and letters last week to all its reinsurance clients, managing general agents and subagents to counter rumors that it is insolvent.

Phone calls have been coming into the company's reinsurance department and even to its chairman from Bermuda, Canada and London, questioning the company's solvency as a result of wide dissemination of a list of insolvent companies that included one with a similar name that was not completely identified.

The problem started with an incomplete and misleading identification of a company in insolvency by the Liquidators Task Force of the National Assn. of Insurance Commissioners at the June meeting. The list published by the task force, which simply identified "American Centennial" as an insolvent company, was repeated in a report to its clients by the New York-based law firm of LeBoeuf, Lamb, Leiby & MacRae. It said the companies listed were "insolvent or threatened with insolvency."

The precise name of the insolvent company is American Centennial Life Insurance Co., which is in receivership in Maryland.

LeBoeuf Lamb has already has sent a memorandum to its extensive client list, which includes Lloyd's of London, clarifying the original report.

"We are sendng the telexes and letters to all our reinsurers, MGAs and subproducers so we don't lose business," explained American Centennial General Counsel John H. Suminski.

American Centennial Insurance Co. is a subsidiary of Beneficial Corp. and part of its Benico Insurance Group. It has admitted assets of $204 million and a Best's Rating of A. It also passed all 11 of the NAIC's early-warning tests for solvency.

N.Y. removes comp restriction

NEW YORK—Employers in New York state that self-insure workers compensation soon will be able to contract with insurers and their subsidiaries for administrative services.

Legislation that takes effect July 28 removes the state's long-standing prohibition against self-insurers using insurance companies to handle their claims and represent them before the state workers compensation board in undisputed claims.

The legislation was designed "to allow a better economic environment for the insurance industry in New York state," a spokeswoman for the bill's sponsor, Sen. Donald Halperin, D-Brooklyn, said.

New York was one of only two states in which insurers and their subsidiaries were not legally permitted to handle claims for self-insureds. Massachusettes is the other state.

Pan Am's rates rising

LONDON—Pan American World Airways failed to place its entire hull and liability coverage in U.S. markets and had to settle for higher rates in London and France despite last-minute negotiations, London sources say.

Pan Am tried to put a package together which would cost about $400,000 less using only American insurers, one of its aviation reinsurers said, but it couldn't find enough insurers to underwrite the risk by June 30 deadline (*BI*, July 5).

Pan Am would neither confirm nor deny what premiums were paid, but one Pan Am source said that the coverage was placed with U.S. Aviation Insurance Group as lead underwriter and is spread 60% in London and French markets and 40% in the United States.

Hull rates for the $2.8 billion fleet are 19 cents per $100 of insured value, said the reinsurer. Liability rates are about 16 cents per 1,000 revenue passenger miles.

Verdict against NRA overturned

WASHINGTON—The National Rifle Assn. isn't liable for a $2 million judgment handed down earlier this year after a gun stolen from its premises was used in a slaying.

U.S. District Court Judge Olive Gasch made a "ruling notwithstanding verdict" and threw out the jury's award (*BI*, Feb. 22).

Judge Gasch pointed out that the murder did not occur until three days after the pistol was stolen from an NRA-owned town house in Washington.

The family of the victim had argued that the NRA's reputation was an attraction to thieves hoping to find guns in its offices.

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Manifestation ruling clouds asbestos coverage litigation

By STEPHEN TARNOFF

BOSTON—The latest federal appellate court decision on insurer liability for asbestos claims breaks new ground while further complicating the issue, attorneys for both sides say.

The decision by the 1st U.S. Circuit Court of Appeals, which held that coverage for asbestos claims is triggered when symptoms of an asbestos-related disease are manifested in the victim, is the first time such a court has endorsed the so-called manifestation theory.

With the June 30 ruling in Eagle-Picher Industries Inc. vs. Liberty Mutual Insurance Co., insurers and insureds now face three differing federal appellate interpretations of essentially the same question: When does bodily injury as defined in their largely similar policies occur?

"It (the decision) is significant to the extent it reflects that no one theory is taking hold," says Brian T. Kenner, an attorney for Eagle-Picher with the Boston law firm of Nutter McClennen & Fish. "The dispute is very much alive and very much in search of a specific answer, if there is to be one."

Two other federal appellate courts, endorsing the exposure theory, have held that insurers on the risk during the years victims are exposed to asbestos are liable for claims.

A third appellate court has ruled that all insurers are liable from the time of exposure through manifestation, including any latency period—the triple-trigger theory.

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Ryan adds brokerage to Combined

By DONNA L. YANISH

CHICAGO—How good a salesman is Patrick G. Ryan, chairman and chief executive officer of Ryan Insurance Group Inc.?

Mr. Ryan

Good enough to sell himself to the archetypal salesman of the last 50 years—W. Clement Stone—for $133 million dollars.

Mr. Stone's Chicago-based Combined International Corp. announced July 2 that it would buy Ryan Insurance Group and appoint Mr. Ryan president and chief executive officer of Combined.

Mr. Stone

The purchase gives Combined, primarily an accident and health insurer, a stronger life insurance footing and its first major presence in the commercial property/casualty insurance and brokerage business.

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Employer agrees to settle with dead workers' families

By KIMBERLY PALMER

FRESNO, Calif.—A California construction consortium's insurers will pay at least $5 million for structured settlements with the families of seven employees who were killed in a January 1981 accident.

The families filed suit against Pacific Gas & Electric Co., claiming negligence of contractor, after the accident at PG&E's Helms Pumped Storage Plant, an underground hydroelectric generating plant northeast of Fresno.

However, Granite-Ball-Groves Construction Consortium of Watsonville, Calif., is liable for a settlement reached with the plaintiffs because San Francisco-based PG&E was named as an additional insured on the consortium's liability coverage and had a hold-harmless agreement with the consortium, says Nick Aracic, an attorney for both PG&E and the consortium.

The agreement means that the construction consortium will have to pay damages to the survivors of its employees even though California law specifies in most cases that workers compensation is the sole remedy of workplace fatalities or injuries, Mr. Aracic says.

An official at CNA Casualty Co. of California confirmed that the company wrote general liability coverage for Granite-Ball-Groves, but would not discuss details of the coverage.

The seven workers were killed and another injured as they were installing reinforcing mesh along the walls of a 971-foot vertical tunnel. As the scaffold they were standing upon was lowered into the tunnel, the hoist slipped and the sudden weight shift caused the cable supporting the scaffold to break.

James Boccardo, the San Jose, Calif., attorney for the plaintiffs, says the total payout in the structured settlement may be as high as $29 million.

Mr. Boccardo said the families of the dead workers sued the utility for two reasons:

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Sharpen your communication skills

CHICAGO—When your employee benefit budget was frozen, you prided yourself on organizing an innovative benefit package amid greater costs and fewer dollars. Now you have flexible benefits, wellness programs and incentives, so your employees can help you save benefit dollars.

However, these programs haven't caught on as you'd anticipated. You find that most employees don't understand how they can exercise their new options.

You'll need to allot some of that shrinking budget to the effective communication of your benefits. But how? Which methods of communication will work best with your employees?

Find out Nov. 1 and 2 at "The Dollars and Sense of Communicating Employee Benefits," a conference sponsored by *Business Insurance* designed to help you help your employees take an active role in controlling benefit costs.

Recognizing corporate needs to control costs, *BI* is offering reduced hotel and air fares, as well as a 10% discount on additional conference participants from the same company.

The 10th *BI* conference on communicating employee benefits will be held this year at the Knickerbocker Hotel in Chicago. Registration will begin on Sunday night, Oct. 31, and continue Monday morning until 9 a.m.

Before the conference is formally opened Monday with remarks from *Business Insurance* Publisher Alfred Malecki and Editor Kathryn J. McIntyre, attendees may enjoy a continental breakfast and chat with the speakers. Selected employee benefit communication programs will be on display throughout the conference for participants to view.

The first session begins with Don Sheppard, a vp with William M. Mercer Inc., who will explain how

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PBGC can't track funds: GAO

WASHINGTON—The Pension Benefit Guaranty Corp., which wants Congress to increase the premiums employers pay to guarantee pension benefits promised to their workers, can't keep track of what employers now pay, the General Accounting Office says.

The PBGC, which was created by Congress in 1974 to protect workers' and retirees' vested pension benefits, does not know how many employers are required to pay the annual $2.60 per-participant premium, the GAO said.

In addition, the PBGC cannot verify the number of participants on which premium assessments are based, the GAO says. The PBGC "relies solely on the integrity of plan administrators for this information," it notes.

Because the PBGC does not assign plan identification numbers, the agency cannot be sure that plans paying premiums in previous years are continuing to pay or whether plans paying for the first time should have paid earlier, the GAO said.

While the GAO acknowledges that the PBGC has begun to take action against employers that pay late or don't pay at all, it still

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Loss prevention:

Protecting people

By LEN STRAZEWSKI

Safety isn't just a risk management issue. It's a legal, economic and ethical necessity that touches all levels of corporate management from the chief executive officer to the part-time employee.

That is the message of this first of two consecutive special sections devoted to loss prevention.

In this week's report, *Business Insurance* focuses on protecting people through loss-prevention programs that develop safe work habits and strive for accident-free work areas. Next week, we will focus on property loss prevention.

Companies like FMC Corp., E.I. du Pont de Nemours & Co., Marriott Corp. and others profiled in this section point the way to loss-prevention and safety techniques that are tried, tested and proven to reduce the incidence and severity of mishaps to their employees. The costs saved include human suffering and money paid in workers compensation and health insurance benefits.

In tight economic times, however, corporations without a regulatory or economic incentive may cut corners to save immediate dollars without acknowledging long-term financial, physical and other personal costs. Effective safety programs, after all, are neither easy nor very often inexpensive.

Both the regulatory and economic incentives to concentrate on safety are masked now.

As every risk manager or corporate safety manager knows, an employer's responsibility to provide a safe workplace for employees is guaranteed under the Occupational Safety and Health Act and administered by the Occupational Safety and Health Administration. But every risk and safety manager also knows that OSHA inspections in general will be growing fewer and fewer as a philosophy of deregulation takes hold. The incentive to carefully monitor safety for fear of OSHA citation and subsequent fines becomes progressively less.

Every risk manager also knows that insurers' rate cutting in most property/casualty lines of insurance and generous cash flow programs make it much easier to report an insurance cost decrease despite increasing claims costs.

Some risk managers, however, recognize they will pay their losses tomorrow, if not today. "Controlling claims, both in workers compensation and major medical, is absolutely essential," noted Craig Ames, director of risk management at Walgreen Co. in Deerfield, Ill. "With major medical costs rising at 20% a year and workers compensation rates going up 12% a year (in Illinois), you have to be aggressive in loss control."

With every month and every percentage point of inflation, loss prevention becomes a stronger issue.

"What governs my success with a retrospective workers compensation plan or a large deductible is still how well I manage my losses. Small companies who do not self-insure may not see this as significant, but it's clear with a big company and true for a small company," adds Peter Downes, manager of insurance at American Trading & Production Corp. in Baltimore.

"Even with a guaranteed-cost insurance program for workers compensation, a small firm is essentially funding losses in the long run. You reduce your expense by reducing your losses."

The ethical urgency for safety continues to increase, however, supported by new state laws, city ordinances, and court decisions that open the employer to scrutiny. In California, a recent state law, echoed by similar acts in Oregon, Washington and New York, guarantees workers the right to know the hazards within their work areas and to decide whether or not they will work under those hazards. So does an ordinance in Cincinnati (*BI*, June 28).

In these jurisdictions, it is the employers' responsibility to tell workers what they face, says Peter H. Weiner, chief deputy director of the California Occupational Safety and Health Administration.

"Workers need to see scientific studies to be able to assess job risks. They clearly have a right to obtain information about their job safety," he said in a paper read to the American Industrial Hygiene Conference. "This right is further supported by the National Labor Relations Board decisions and tort law."

Under this philosophy, corporations must gather workplace safety data and make it available to workers. In a plant that neglects safety and loss prevention, this equates to an employer gathering its own incriminating evidence of negligence.

That's why safety programs are important. This special report tells you how to make them work. ■

Graphic: Jim Bakasetas
Photo: Mary Cairns

Logic and safety training reduces common hazards

By EILEEN NORRIS

CHICAGO—When a truck driver's pay is based on how quickly he gets from point A to point B, safety may take a backseat to speed.

Accidents are a likely result, and the typical workers compensation claim for a fleet accident costs an employer $2,000.

The worker had an incentive to be unsafe.

When drivers are paid by trips rather than hours worked, the incentive is for fleet drivers "to crawl up each other's back," explains Raymond M. Bussemer, director of INA's Loss Control Services Inc. But that can be changed.

"Rearrange the incentive and pay the driver for 8 hours instead of how many trips he can make," adds Mr. Bussemer. "Man doesn't do anything that's illogical to himself."

Logic is the key to safety, insurance company loss prevention experts told *Business Insurance*.

To fully understand safety, Mr. Bussemer explains, one must understand why workers commit unsafe acts. There are five basic reasons:

- Conflicting incentive. As in the case of the tailgating truck driver, there sometimes is an incentive to do something the wrong way.
- Lack of training. Workers don't know the correct way to perform a job and need to be told what to do.
- Bad habits. Unsafe acts can be committed out of habit. "That means breaking a habit with a long period of retraining," Mr. Bussemer says.
- Habit-interference. Unusual situations can disrupt routine and confuse the worker. For example, when someone yells "fire," workers panic and act illogically or unsafely around machinery. Guards and protective equipment can prevent accidents caused by misuse during a panic, says Mr. Bussemer.
- Physical or mental impairment. "A worker can make a mistake and not be aware of it because of colorblindness, drugs or alcohol interfering with reflexes," he adds.

Something as sensible as ample training is often overlooked in the rush of business, adds Ramon Padron Jr., director of the loss prevention engineering department of Aetna Life & Casualty Insurance Co.

"We see a lack of training for forklift drivers who might be given a few minutes of instruction and then

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Safety techniques of loss-control leaders

- **Responsibility:** Profit-center accounting and local responsibility for loss prevention has cut Marriott Corp.'s casualty losses 46%, says Loss Prevention Manager Charles Culbertson. **Page 6.**
- **Seat belts:** Safety programs that encourage the use of automobile seat belts cut workers compensation, group medical and lost work day losses at Blue Cross/Blue Shield of North Carolina, Du Pont, General Motors and Minnegasco. **Page 10.**
- **Industrial hygiene conference:** More than 6,000 occupational health watchdogs discuss controlling workplace health hazards, workers compensation underwriting and the role of joint labor/management safety committees during the American Industrial Hygiene conference last month. **Page 16.**
- **Award winner**: FMC Corp.'s success story began with its president, who began placing a high priority on workplace safety in 1975. Seven years and $2 million later, the company has twice won the National Safety Council Award of Honor. **Page 20.**
- **Perspective:** Careful planning is a prerequsite for cutting injuries and operating costs, writes Don Brown, manager of safety, security and facility services at Varco Oil Tools in Orange, Calif., and prevention measures plus quick medical attention can take the pain out of back injury claims for employers and employees, says Paul B. Stadtherr, a consultant at National Loss Control Service Corp. **Pages 29-31.**

Logic improves worker safety: Insurers

Mr. Bussemer

Continued from previous page
are off driving around a plant."

An accident involving a forklift, which weighs 5,000 lbs., can result in anything from a minor scratch to death.

Mr. Padron says he has seen cases in which workers were squeezed to death against a wall because a lift truck driver wasn't given proper instruction.

Housekeeping is another common safety deficiency, says Mr. Padron. It's not unusual to see aisles and exits blocked with merchandise when he or Aetna's other safety engineers inspect a plant before approving a policy.

"What's really common," he says, "is no follow-through after an accident. Maybe a problem's been corrected in the area where the accident occurred, but other parts of the building or other locations with the same potential for the same accident are ignored."

A lack of proper electrical grounding is another common safety violation seen by engineers inspecting a risk, he adds. "That can manifest itself in a simple short circuit or an electrocution."

It's not uncommon for inspectors to see a lack of what is called "perimeter protection" on construction sites as well, Mr. Padron says.

"You have a scaffold or platform up off the ground without railings to prevent a worker from simply walking off the edge. It happens."

Also on construction sites, trenches are frequently not shored or sloped back. If the trench collapses, a worker could be asphyxiated, notes Mr. Padron. Workers should be lowered in a trench in a shore or hut made for protection against cave-ins.

Housekeeping convenience often causes other problems, too. Aetna's engineering department often sees work areas in which compressed air is used for cleaning, but the equipment used offers little or no control on the amount of pressure.

"Workers use the air to blow scraps out of the way, but if the air comes out at a pressure higher than 30 pounds per square inch, the scraps of metal or other materials can be blown into the eyes or skin of another worker," he said.

Insurers stress common-sense prevention—application of logic to sometimes illogical hazards and logical allocation of loss prevention resources. Employers should put their loss-control efforts where their biggest losses are.

In a study of small employers that had six or more workers compensation claims within a six-month period, The Travelers Insurance Cos. found that 25% of those claims were due to "sprain and strains" or overexertion to a part of the body.

This data did not seem important until the claims cost was totaled. It was 40% of the dollars paid out by the insurer, said William T. Burgess, assistant director of the industrial engineering department at The Travelers.

Of the 548,000 claims analyzed during a three-year period from employers with fewer than 150 workers, 25% were tied to "overexertion," and as many as 80% of those were related to back injuries.

An additional 43% of the claims, accounting for 28% of the claim dollars, were attributed to workers being "struck by an object."

Accidents in which an employee "struck against an object" and was injured accounted for 11% of the claims but only 5% of the dollars, the study found.

Another 9% of the claims were from falls, representing some 17% of the dollars paid out, said Mr. Burgess.

Employers Insurance of Wausau found that 25% of its workers compensation claims produced 33% of the costs, with most of the claims dollars going to pay for back injuries, said Robert E. Hawkinson, vp of loss control.

The insurer studied its claims and the major causes of injury and found that 86% of the total injuries represented 6% of the claims costing less than $500.

The insurer calls those claims the "trivial mini."

But Employers also found that 14% of the total injuries represent about 94% of the claims costing more than $500. The insurer calls that category of claims the "vital few."

And that's where it has focused its loss-control efforts, says Mr. Hawkinson.

"A risk manager can analyze these accidents and look at the trends to get a picture of where the company's energies should be," he said.

"Most insurers provide a laundry list of losses, but we split them up and identify the claims by type of injury and body part so that the insured can focus attention on the problem."

The risk manager will probably find that back injuries and other materials-handling accidents are a problem for most industries, he adds.

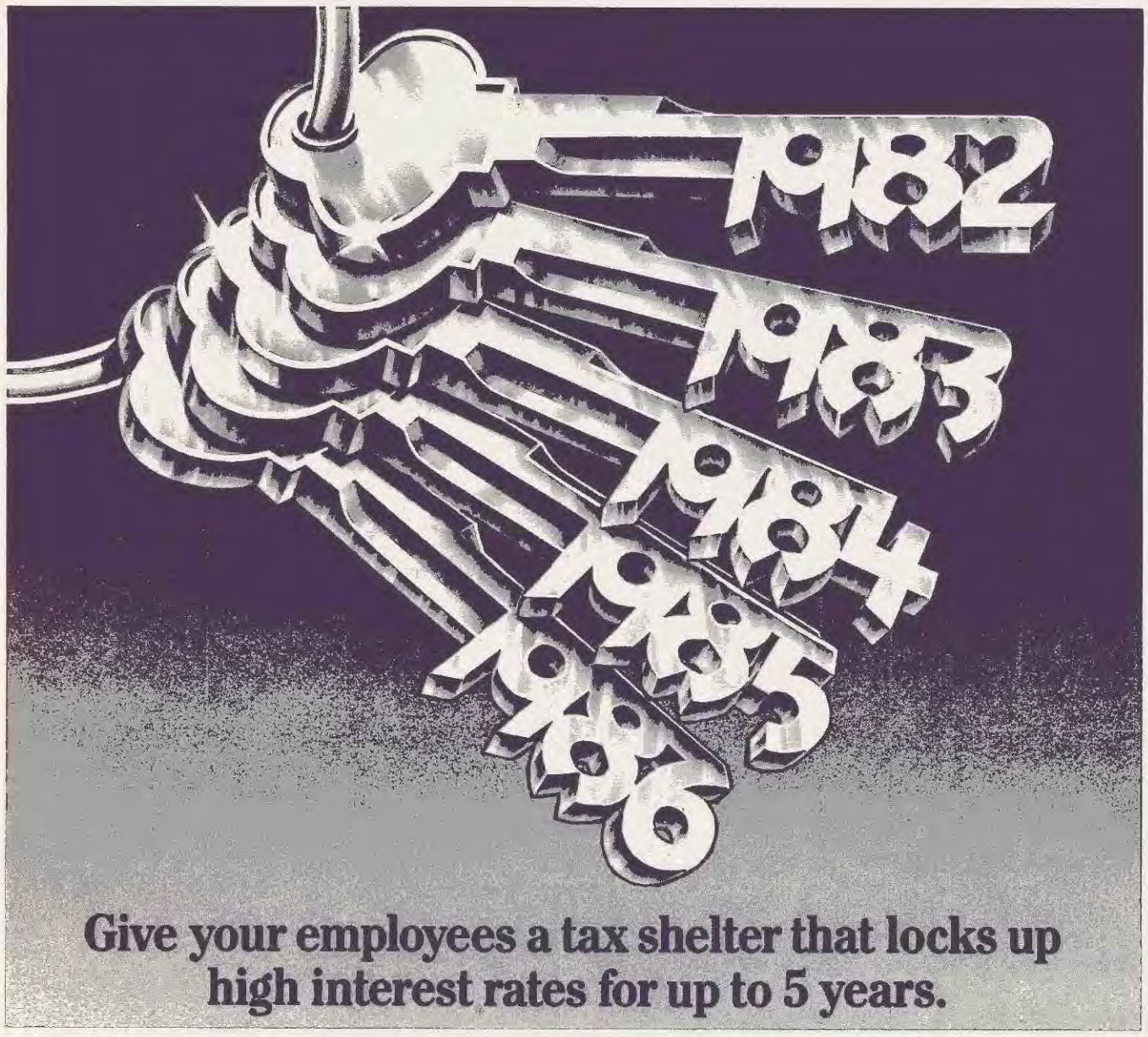
"It may be that management may want to look at a way to mechanically handle or take the hands out of handling," he says. "Some jobs can be redesigned to eliminate pushing or lifting by workers."

"There are safety concerns on the outside as well," Mr. Burgess of The Travelers says.

A loss control expert sent to evaluate an employer as a potential insured can usually size up how seriously management takes safety before ever getting inside a plant or factory building, he says.

"If a building is overrun with weeds and the windows are cracked, it shows how management views things.

"Someone could throw a cigarette out the window and start those weeds on fire. Or what about the parking lot and entry roads? Are they paved or filled with big potholes that a worker is going to fall in as he runs to his car after punching out for the day?" ■



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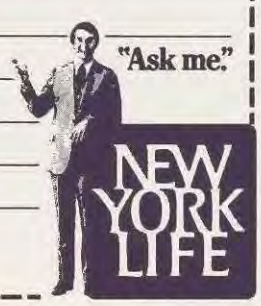

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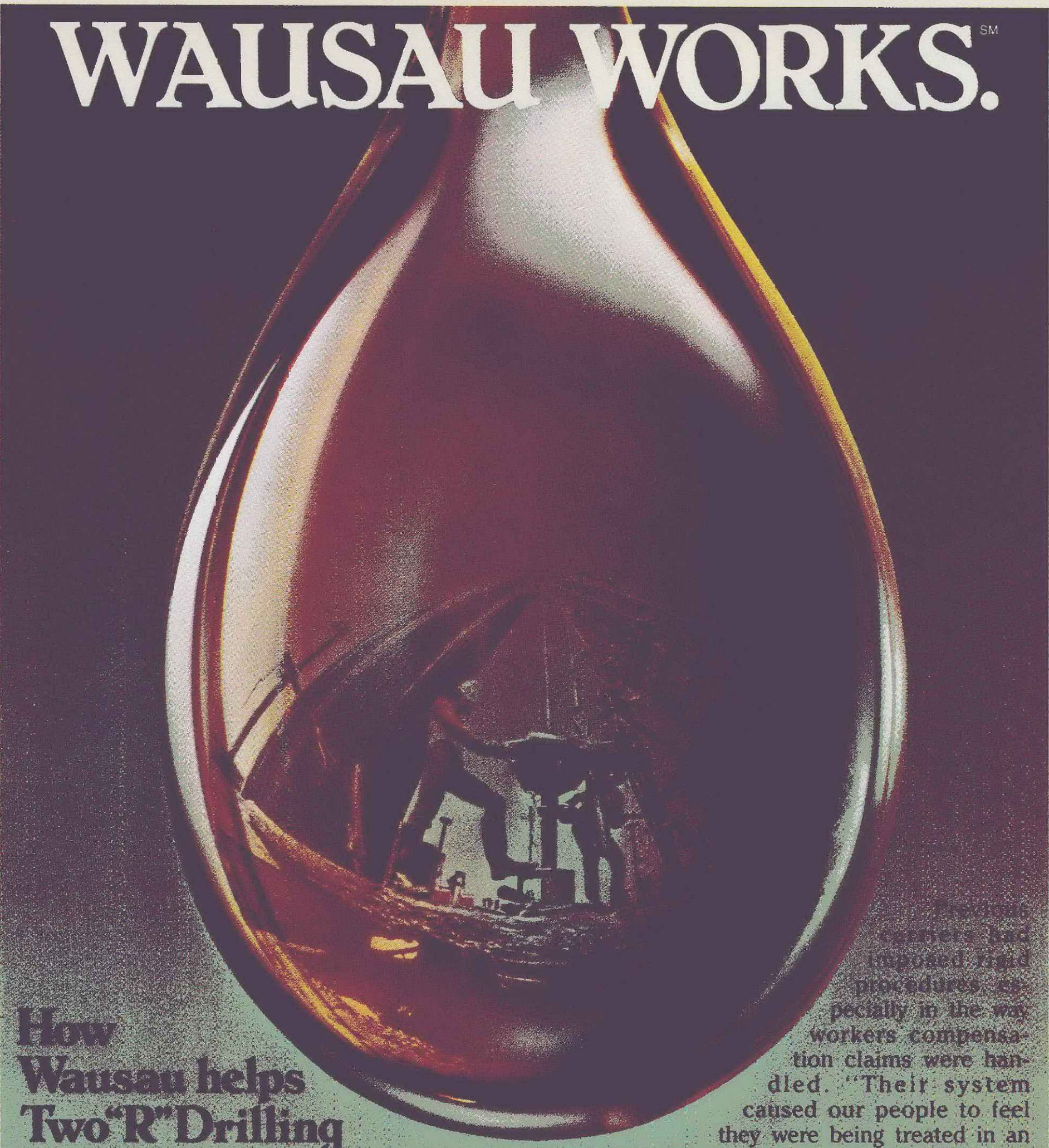

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Marriott Corp.

Charge-back plan, safety pros cut losses

By JERRY GEISEL

WASHINGTON—The benefits of a company's commitment to safety can indeed be measured, Marriott Corp. proves.

The Washington-based hotel, airline catering, restaurant and entertainment giant has slashed casualty losses, as a percent of sales, by a whopping 46% since 1959.

Today, casualty risk costs—including insurance premiums, claims adjustment expenses, claims and legal fees—amount to 0.33% of sales, compared with 0.72% of sales in 1959.

The decrease is even more dramatic considering that most costs related to casualty claims—workers compensation benefits, jury awards for product liability and personal injury cases and hospital charges—have increased much faster than sales, says Charles Culbertson, Marriott's vp of loss prevention.

"Our return on safety far exceeds the investment," says Mr. Culbertson, who also is vp of communications for the American Society of Safety Engineers.

Mr. Culbertson attributes the enormous decrease in losses to two key changes the company has made since 1959: the charging of losses to corporate units' and divisions' profit-loss statements and a significant expansion in the number of safety professionals Marriott employs.

Under a profit-center accounting system, losses up to $25,000 are charged back to corporate operating units. Losses from $25,000 to $500,000 are pooled and charged back to the division. Excess insurance pays for losses exceeding $500,000.

Under this layering system, "if you are responsible for losses and losses are charged against profits, you have the motivation to keep losses down," Mr. Culbertson says. "That's the motivation you need."

For example, if a division manager knows that the size of bonuses is linked to profits in a system in which losses are charged against profits, he or she is going to take a personal interest in curbing losses.

"Education and training of managers and enforcement of safety rules in the shop are also admirable objectives, but too often they are given low priority when push comes to shove," Mr. Culbertson and John Woods, Marriott's director of corporate insurance, wrote recently in The Harvard Business Review.

But "both procedures are immeasurably enhanced when managers are held fully accountable for results through this accident-charge approach," they added.

Marriott's safety record, which is among the best in the hotel industry, is also the result of the company's decision to hire and train its own safety staff as the company shifted from a conventional insurance program to a self-insured liability and workers compensation program during the late 1970s.

While many other companies are once again cutting back on safety programs during the recession, according to Robert Marhefka, director of safety programs for the National Product Safety Council in Chicago, Marriott isn't firing any of its 23-person safety staff.

The large staff of safety professionals is cost-efficent, said Mr. Woods. "This is where a firm should spend its money."

Mr. Culbertson is also a strong believer in hiring safety professionals rather than relying exclusively on loss-control services purchased from insurers and brokers.

By having your own staff, you have control, he says. "They are not working for other companies. They only have to serve one company," Mr. Culbertson points out.

Marriott has safety directors responsible for loss prevention programs at each of its three major groups: hotels; restaurants; and contract food services.

As a group grows, more safety staffers are added. Marriott adds a safety professional to its hotel group every time it opens up another 10 to 12 hotels.

So, it's no accident that Marriott's approximately 800 specialized trucks that provide catered meals for thousands of airline flights daily seldom bump into the airplanes while the meal trays are loaded abroad.

The vehicle operators, or food equipment handlers, are required to pass special depth perception tests in addition to regular eyesight examinations.

In a special training program, Marriott uses mock-ups of the different commercial aircraft so food equipment handlers can practice without damaging a plane. ■

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CSC 1982

Monitor product exposures

WASHINGTON—Corporations that aren't keeping track of where their products are sold are especially vulnerable to product liability lawsuits, says the director of safety programs for the National Product Safety Council.

"The worst thing in the world is to know that you have 10,000 products out there with a problem and you can't trace them," says Robert Marhefka.

One company, for example, had a minor safety problem with the baseboard heaters its manufactured.

"If the Consumer Products Safety Commission had mandated a recall, there is no way the company could have traced his products. The firm would have had to go out of business," Mr. Marhefka said.

As a result, safety experts, like David Ludwin, a safety consultant with Marsh & McLennan Protection Consultants in Chicago, advise that employers maintain product records for at least five to eight years after the useful safe life of their products.

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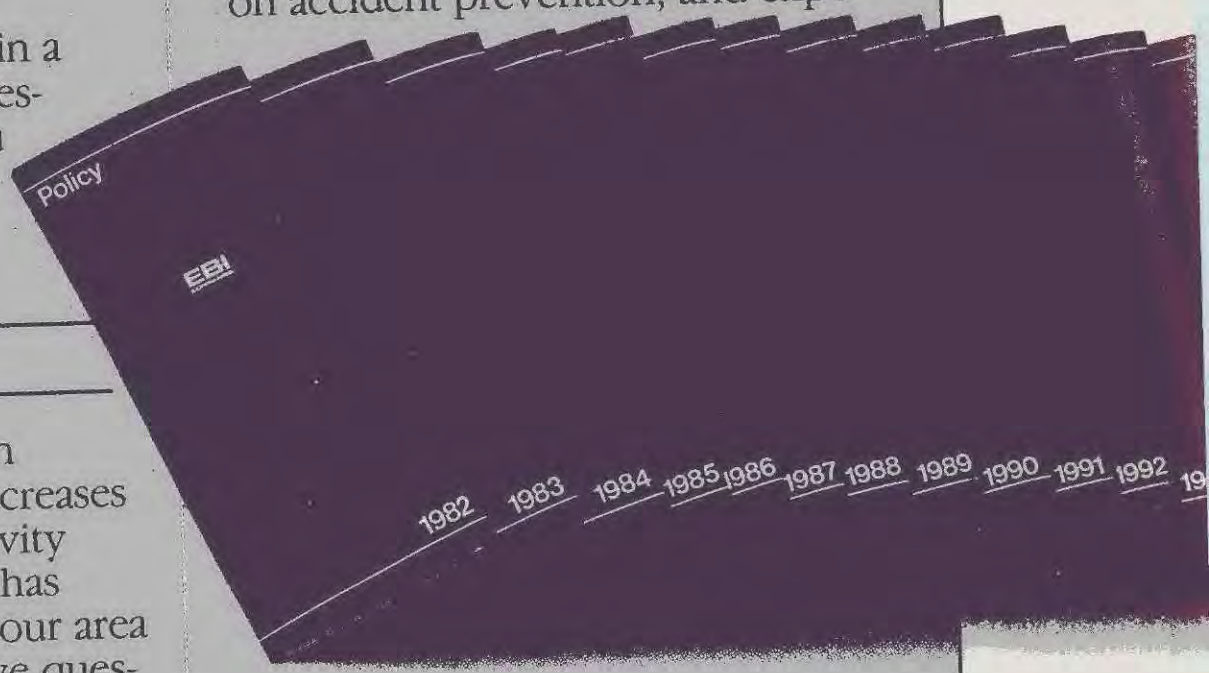

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editorial opinions

You can be a success story

WE HAVE SOME good news.

Our special section this week on protecting people is filled with success stories on how safety programs have saved lives and prevented injuries.

We hope the programs we profiled, like FMC Corp.'s, will inspire you to take a look at your safety programs and measure them against others.

And take a good hard look at your workplaces. Are your plants and construction sites littered with areas that are accidents just waiting to happen, like those identified in one special section article?

In tough economic times when budget reductions are needed, management must still allocate the money for safety programs. We hope these success stories are convincing.

Not all your safety efforts, however, have to be expensive. Look at the success stories of companies that have special incentive programs to encourage employees to wear safety belts. Not every company can afford to give away a car, like General Motors, but Radford Army Ammunitions Plant coaxed employees into wearing safety belts just by holding out the chance they could win tickets to a college basketball game or a free meal.

Even if you are proud of your current safety record, we encourage you to take the attitude of FMC Corp., which believes there is always more to be accomplished in protecting peoples' lives and safety.

Public debate is best

THE FEDERAL PRODUCT liability reform drive is in danger because its proponents can't agree on whether product liability awards should be reduced by the amount of an employer's fault in a workplace accident, as we reported last week.

Members of the Product Liability Alliance are so concerned about this disagreement they asked us, indeed told us, not to report it. They fear that exposing this disagreement will dilute support for their bill.

We disagree.

First of all, if that were true, it would mean current support is so weak the measure wouldn't pass anyway. We think the support is stronger. Secondly, we believe that the best tort reform measure possible will be passed when all the issues get a broad hearing and all parties make suggestions. The resulting bill will be better legislation because of the public debate.

letters

Report all claims to insurers quickly

To the editor: Henry Salfeld's Perspective article, "Policy conditions: Details, timing are key factors" (*BI*, June 14), ends with the sound advice that any occurrence, first-party or third-party claim should be reported as soon as possible.

As independent adjusters, we frequently see the use of non-waivers and reservation-of-rights letters by insurers to policyholders for failure to report losses on a timely basis. Although rare, we have seen an insurer deny liability and payment based upon late notice in situations where the insurer has been clearly prejudiced by such late reporting.

Such prejudice could occur when, for example, damaged property whose existence and value are in dispute has been discarded, an eyewitness has disappeared or died or there has been alteration, removal or change of the defect claimed to have caused the injury upon which the third-party claim is being brought.

The investigation, reconstruction and evaluation of accidents are extremely difficult if not performed in a reasonable time after the accident. The result often can be higher adjusting expenses and higher loss payments.

It is in the policyholder's self-interest to develop procedures for gathering information concerning complaints about products, structures, etc., so he can determine how these affect or could affect his business. Obtaining as much information about an occurrence, loss, accident, etc., is important for loss prevention and safety programs and is a byproduct of reporting losses to the insurer.

The insurer's obligation to maintain statutory reserves for losses incurred but not reported recognizes that losses are not reported timely. Unreported losses do have an impact on reserving and underwriting results and policy renewals.

We urge policyholders to report all losses and, if there is sufficient information, indicate that the loss is being reported as an incident only or as a claim to be handled now. Or report the loss and leave the decision to the insurer.

Mel Niser
President
Stratford Claims Services Inc.
Detroit

Not a brokerage

To the editor: An article in the April 26 edition of *Business Insurance* stated that "Control Risks is a consulting firm dealing in personal security and asset protection. It is also used by insurance buyers to place political risks."

This presents some danger of misunderstanding.

Control Risks, a security consulting firm, is not in any way an insurance brokerage operation itself. The company is retained by underwriters at Lloyd's of London to advise their clients who insure against cerain risks faced by overseas personnel. It is also retained directly by companies that do not insure for similar advice.

In addition, Control Risks is not directly concerned with the placing of insurance for overseas investments or contracts, which continues to be carried out by Investment Insurance International (Managers) Ltd., which together with commercial and political risk consultants, will remain within Hogg Robinson Group.

C.J. Grose
Control Risks Ltd.
London

Regulators' woes

To the editor: The findings of the National Assn. of Insurance Commissioners' survey discussed in your article, "States admit regulation of insurers is weak: Study" (*BI*, June 21), is a sad commentary on the priorities of all too many state insurance departments.

Of their three principal responsibilities —rate control, form control and solvency —which is most important? Solvency, of course.

If there is not enough money in the budget to do all the things they would like to do (like all of us), they should use it to provide the protection the consumer needs the most—to maintain solvent insurance companies.

From the NAIC survey's findings, it appears that a little more cooperation and sharing among departments would help them get more mileage from their budget dollars.

Lawrence J. Bell
Assistant vp
Risk management
Revco D.S. Inc.
Twinsburg, Ohio

Incorrect figures

To the editor: The questionnaire supplied to *Business Insurance* by Fred S. James & Co. Inc. for the Agent/Broker Profiles issue (*BI*, June 28) incorrectly stated our number of employees both at the end of 1981 and 1980.

This also resulted in an erroneous computation of our revenues per employee for both years.

In 1981, James employed 4,570 people, with revenues per employee totaling $53,045. In 1980, the company employed 4,690 people, with revenues per employee totaling $52,565.

The 1980 revenue-per-employee figure is a pro-forma computation, since only two months of Wigham Poland's revenues are included in 1980 revenues, whereas all of its employees are included in the 1980 employee count.

John C. Crane
Executive vp
Finance and administration
Fred S. James & Co. Inc.
Chicago

Insurers' surplus

To the editor: I am absolutely astounded that *Business Insurance* saw fit not to report that the policyholders' surplus of the property/casualty insurance industry had dropped $2.65 billion to $57.8 billion at the end of the first quarter. After all the talk of income and losses is over, the net result in the first quarter of the year is that the insurance business lost more than $2.5 billion.

The report contained in your paper (*BI*, June 14) would indicate that they were better off to the tune of $916 million, which was the net aftertax operating income.

When the surplus that keeps the business going drops more than 5% and when many of the large stock companies have losses in excess of that—up to 24%—I think that's news.

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

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

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Seat belt safety wins prizes

By MARGARET LeROUX

CHAPEL HILL, N.C.—Employees at the headquarters of Blue Cross & Blue Shield of North Carolina are winning cash awards for wearing safety belts when driving or riding in an automobile.

In Warren, Mich., members of the staff at General Motors' technical center have a chance to win a new car for pledging to buckle up.

At the E.I. du Pont de Nemours & Co. plant in Fishing Creek, Pa., and the utility company Minnegasco in Minneapolis, Minn., employees can win savings bonds for wearing seat belts.

Employers throughout the country, with the support of programs developed by the National Highway Traffic Safety Administration and the National Safety Council, are trying to cut down on one the leading causes of employee deaths and injuries: motor vehicle accidents.

They reason that the programs not only save lives but also benefit dollars in reducing medical and disability costs.

For people from one to 38 years old, auto accidents are the leading cause of death; for people of all ages, motor vehicle accidents rate fourth only after heart disease, cancer and strokes, according to the NHTSA.

The National Safety Council estimates the cost of each motor-vehicle death last year at $170,000, including lost wages, insurance administration, medical expenses and property damages. Not included in that estimate are the costs of public agencies, courts, indirect losses to employers of off-the-job accidents to employees, the value of cargo losses in commercial vehicles and damages awarded in excess of direct loss.

The NHTSA and the National Safety Council are encouraging programs such as those at Blue Cross & Blue Shield of North Carolina and GM because the safety experts consider safety belts to be the first line of defense against death or injuries in a car accident.

"The single most important life-or-death factor on the highways is the use of the safety belt," said William V. Hunter, engineering studies program manager at the Highway Safety Research Center in Chapel Hill. The center is conducting the safety-belt program for Blue Cross & Blue Shield funded by a grant from the NHTSA.

"People do not die because their cars are in accidents," Mr. Hunter said. "They die when their cars are in accidents and they are not wearing safety belts."

A human fatality, he adds, "happens a fraction of a second after the car collision and occurs because the person is not wearing a safety belt."

Mr. Hunter and the highway safety research staff monitored employee traffic at Blue Cross & Blue Shield headquarters last December and found the number of the 1,100 employees using seat belts was below the national average of 10%. Only about 4% of the health plan employees were using their belts.

An incentive program was begun in late May with a series of seminars on safety-belt use that included a film of car crashes and an explanation of the cash-bonus system.

Continued on page 12

Worker tells a seat belt safety story

This is the kind of story every employer encouraging seat-belt use loves to hear.

In mid-June, after the first week of a safety-belt incentive program at Teletype Inc. in Little Rock, Ark., an employee was persuaded to begin wearing her safety belt. She had seen a crash simulated in the company parking lot by the Arkansas Highway Safety Department.

The employee was driving home after completing the third shift at midnight and fell asleep at the wheel. The car veered off the road to the right, then back across the road to the left and hit an embankment. The impact threw both front doors open and pushed the car's engine into the passenger seat. The car was demolished.

The driver reached over, unsnapped her safety belt and got out of the car. Except for a few bruises, she was uninjured and would not have missed a single day off the job if she had not taken time off to fill out insurance forms and buy a new car.

The incident will be featured throughout the year-long safety-belt incentive program at Teletype, according to Sandy Richardson, assistant programing manager at the Arkansas Highway Safety Department.

"I talked recently with the employee and asked if she is wearing the safety belt when she drives her new car," Ms. Richardson said. "She told me she would always wear a safety belt in the car." ■

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- **PRICE**
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- **SERVICE**

Price and coverage are usually the consideration when buying a Kidnap/Ransom policy. However, in the event of an extortion or kidnap, *service* becomes the most important factor.

If your policy forces you to rely upon your local law enforcement agency, you should consider this carefully: law enforcement is often unable to adequately respond to all the sensitive complications of Kidnap/Extortion. Call them and ask about the services they render; you may discover they can only explain the options open to you. At no time will they advise you on what course of action to take.

Extortionists and kidnappers are basically mentally unstable. An inexperienced response to such mentalities can lead to complications that create a life-threatening situation.

FACTS

According to the FBI statistics, in 1981 there were over 200 domestic kidnappings. This record may be incomplete because all kidnapping acts are not a violation of Federal law. There were in excess of 4,700 extortion attempts in the U.S. and over 235 violations of the Hobbs Act.

SERVICE IS PRIMARY

When that critical phone call comes, it must be handled by *experts* who have experience in dealing with extortionists and kidnappers. Most underwriters of K/R policies do not have the resources to supply you with this specialized domestic assistance. This renders their "broad coverage policy" inadequate when you need this specialized *service*.

Question your insurer and broker now, as to the qualifications of their negotiaters and ask for details regarding their domestic response capabilities. The answer you get may be very enlightening.

PIA does not deal directly with insureds. For further information, please have your broker contact Albert Van Wagenen, V.P., at PIA for our complete kit with detailed information regarding Kidnap/Ransom/Extortion insurance.

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Seat belt safety wins prizes

Continued from page 10

Highway safety research personnel monitor the company parking lot and randomly stop cars to check if occupants are wearing safety belts.

Those who are receive a coupon redeemable for $5 from the manager of safety and security. At the end of the program, the names of all employees who were awarded coupons will be entered in a drawing for three $100 gift certificates from a local shopping center.

The incentive program immediately increased safety-belt use among Blue Cross & Blue Shield employees to 40% and by the middle of June, 62% of employees were wearing their safety belts when arriving and departing work.

"The whole building was buzzing with talk about the program," said Frank Williams, manager of safety and security. "Some employees have won two or three times."

The goal of the program is to make buckling up a habit, Mr. Hunter explains. "For now, employees are using the safety belts to get a reward: we're hoping the usage won't fall back to its former low level."

A follow-up study will be done next fall to see how well the safety-belt habit took hold.

The stakes are even higher in the at GM because the auto manufacturer typically has 1,000 employees out of work every day because of injuries from car accidents.

The GM Technical Center was selected as the site for a pilot incentive program to be available to other locations if successful.

Safety-belt use among the center's research and design engineering staff, at 36%, was already far above the national average when the program began in May. Even so, employees were told a drawing for merchandise, including a new car, would be held at the end of the month if half of them used safety belts.

To be eligible for the drawing, employees had to sign a pledge card promising to wear safety belts for the next 12 months. Five thousand of the center's 6,000 employees signed a card.

As employees entered and exited the center's parking lots, they were monitored for safety-belt use, which topped 50% by the end of May.

"Employees would call out, 'I hope I win that car!' as they drove in wearing their belts," said Terry Horne, senior project engineer in charge of the safety-belt program.

Now in a second phase of the project, GM will try to reach 65% safety-belt use through mid-July. If the goal is reached, another drawing will be held for a car and other prizes.

At Du Pont, where safety belt use in company cars has been required since 1957, a study is being conducted from Memorial Day to Labor Day to track employee injuries resulting from auto accidents off the job, whether or not a safety belt was worn, and how much work time was lost as a result.

The value of an incentive program has not been overlooked. An elaborate campaign with prizes for employees who wore safety belts while driving or riding in their cars in 1980 cost the company $25,000 but the savings in disability and employee benefits payments were estimated at a minimum of $27,000, according to Stan Williams, promotion engineer at Du Pont headquarters in Wilmington, Del.

During the program, safety-belt use among employees increased to 90% from 11% and six employees who were involved in auto accidents escaped serious injuries.

"We're convinced wearing safety belts saved the life of one of the employees and prevented the others from being seriously injured," Mr. Williams said. "Not only did we save on disability benefits, but we didn't lose several weeks of work because employees weren't off the job recovering from serious injuries from the accidents."

Because of this strong emphasis on safety-belt use, supported by directives from the corporate vice chairman and management of individual plants, the company boasts an enviable motor vehicle safety record. Last year, Du Pont had only three lost-time injuries due to car accidents on the job among 140,000 employees and a fleet of 3,000 cars and trucks, according to Mr. Williams.

As at Du Pont, Minnegasgo employees can win savings bonds for wearing their safety belts.

At Minnegasco, Richard Wunderlich, safety director, says insurance premiums for the fleet of service vehicles have gone down since a safety-belt incentive program

Continued on page 14

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Employer incentives encourage safety

Continued from page 12
began in January 1981, "but I can't tie it directly to the belts; there were other factors in the market," he said.

Minnegasco's program includes a U.S. savings bond prize drawing among employees nominated by supervisors who had observed them wearing a safety belt while driving or riding.

The utility also stresses seat-belt use with training films and videotapes made at the scene of accidents involving company vehicles.

"On one tape we have a police officer at the scene of an accident saying that the employee would have been killed if he hadn't been wearing a safety belt," Mr. Wunderlich said. "That really makes an impact on employees."

Before the incentive program, safety-belt use among Minnegasco employees was about 40%, according to the safety director. "Now it's pretty close to 100% on the job," he said. "I've stood at the gate and counted; out of 25 cars going out, at most I've caught one not wearing a safety belt."

In the forefront of research and development of safety-belt incentive programs is Scott Geller, a behavioral psychologist at Virginia Polytechnic Institute in Blacksburg, Va.

Mr. Geller helped Du Pont, GM and several other companies establish and evaluate incentive programs and he's convinced they're cost-effective.

"There's no question that incentive programs work; our studies show dramatic incrases in safety-belt use," he said.

Mr. Geller's studies also show that employees continue to use safety belts when they're not winning prizes for doing so.

Though improvement recorded in follow-up studies was not as high as during the incentive part of safety-belt promotions, workers continued to wear safety belts more often than they did before the incentives were offered.

Incentives don't have to be expensive, Mr. Geller pointed out. At the Radford Army Ammunitions Plant in Radford, Va., a three-week incentive program for employees observed wearing their safety belts as they drove in or out of the parking lot featured a daily drawing for tickets to a local college basketball game and two meals at a local restaurant.

The program cost just $150 because the basketball game tickets were donated by the college and the restaurant shared in the cost of the meals.

During the program, safety-belt use among 3,000 employees at the ammunition plant increased to 18% from 6.3%. Mr. Geller and his staff have continued to monitor the plant since the incentive program ended and have found the usage rate for safety belts has remained at 15% for more than six months.

For maximum effect, the psychologist says, the incentives should be continued.

Employers can turn for help to the National Safety Council's "Make It Click" program to promote use of safety belts, which Du Pont helped develop.

The council provides employers with a kit containing the basics of a safety-belt promotion program, including suggested activity ideas, letters and proclamations for public officials, a speech encouraging use of safety belts during summer holidays, examples of press releases and a list of resources agencies.

The kit also includes sample pledge forms for employees to sign, booklets, posters and bumper stickers promoting safety-belt use that can be ordered from the council.

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For more information on safety belt programs contact: Joan Christopher, National Safety Council, 444 North Michigan Ave., Chicago, Ill. 60611.

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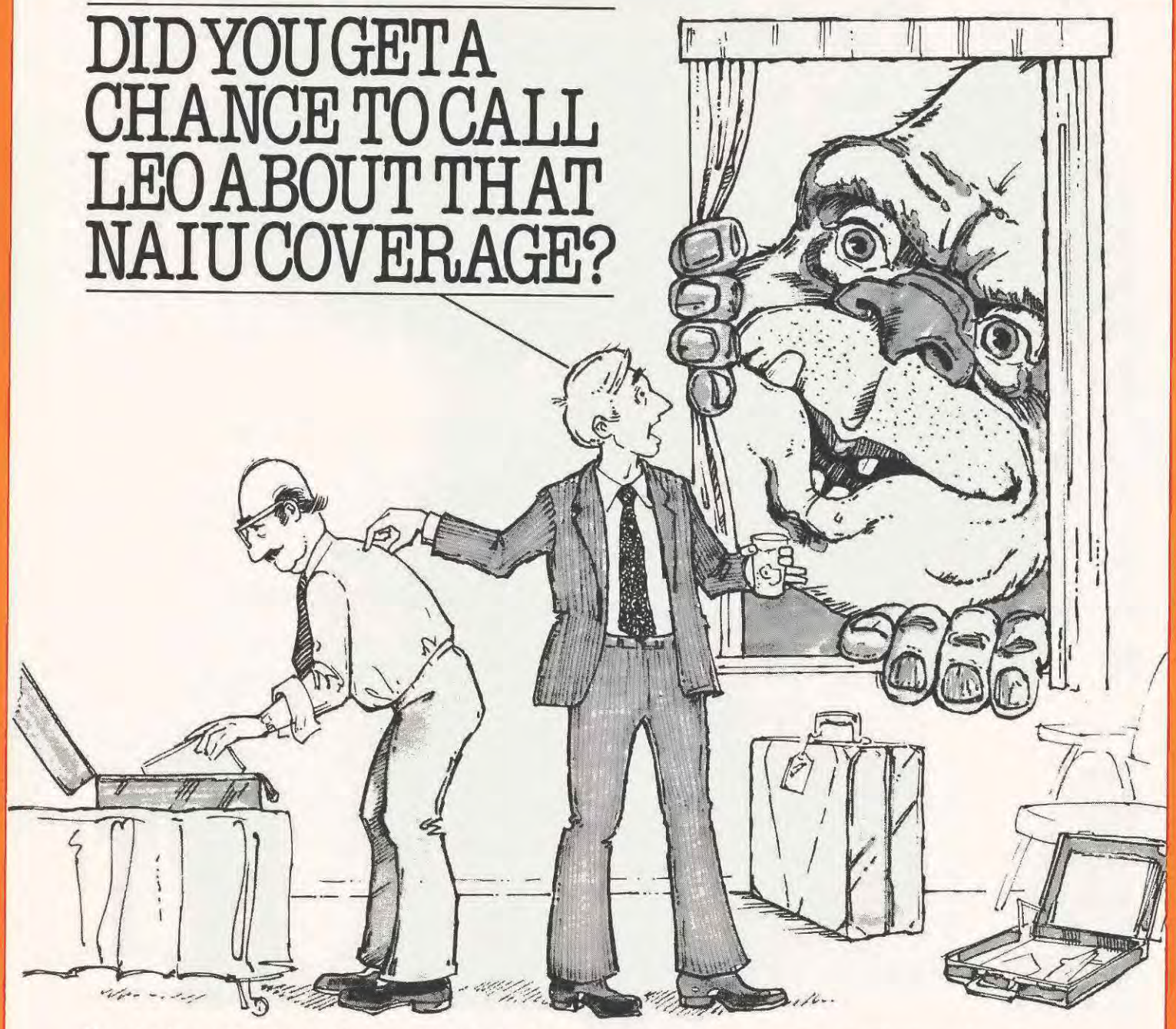

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Facts dispel safety-belt complaints

Here are some common reasons employees give for not using safety belts and what you can say to convince them otherwise, courtesy of the National Highway Traffic Safety Administration:

Objection: "I don't need a safety belt when I'm traveling at low speeds or going on a short trip."

Facts: More than eight out of every 10 accidents happen at speeds of less than 40 mph; people not wearing safety belts have been killed in crashes at speeds as low as 12 mph. About 70% of all accidents occur within 25 miles of home.

Objection: "If I wear a safety belt, I might be trapped in a burning or submerged car."

Facts: Fewer than one out of every 200 injury-producing crashes involve fire or submersion in water. Even in such an accident, a safety belt can save your life by keeping you unhurt, alert and able to escape quickly. Without a safety belt, you could be stunned or unconscious from even a minor crash. Drivers wearing lap and shoulder belts also have more control over the car in emergency situations.

Objection: "I might be saved if I'm thrown clear of the car."

Facts: Your chances of being fatally injured are 25 times greater if you're thrown from the car.

Objection: "It takes too much time and trouble to fasten my safety belt."

Facts: With the safety-belt systems on recent-model cars, it takes two or three seconds to buckle up, a few seconds longer for older-model cars with more complicated belt systems.

Objection: "If I don't wear a safety belt, I'm the only one who will get hurt, so it's my problem."

Facts: If you're not wearing a safety belt, a sudden stop, swerve or crash could throw you onto other pasengers, hurting them and hurting you. If you're driving, you could be stunnned or knocked away from the wheel in a minor crash. The car would be out of control, increasing the likelihood it would hit something or someone else. If you are seriously injured or killed in an accident, it becomes your family's, relatives' or friends' problem, too.

Objection: "I'm uncomfortable when I wear a safety belt; in an accident, it might hurt me."

Facts: The safety-belt systems in most recent-model cars are much better-fitting and more comfortable than ones in older cars. People bruised by their safety belt when it kept them from being thrown into the dashboard or out of the car have "felt very lucky." ■

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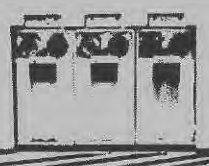

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Hygienists' conference
Occupational disease vital issue, they say

By LEN STRAZEWSKI

CINCINNATI—Is occupational disease the most pressing health issue of the decade?

Yes, respond industrial hygienists, the health and safety watchdogs employed as staff experts by most major manufacturers and as consultants by a growing number of insurers and insurance brokers.

More than 6,000 hygienists attended the American Industrial Hygiene Conference here last month. The annual meeting is cosponsored by the American Industrial Hygiene Assn. and the American Conference of Governmental Industrial Hygienists.

Representatives from manufacturers as diverse as E.I du Pont de Nemours & Co., G.D. Searle & Co., Union Carbide and General Motors Corp. and insurers including Liberty Mutual Insurance Co., Fireman's Fund Insurance Cos., Wausau Insurance Cos., Kemper Group and Allstate/Northbrook Property & Casualty Insurance Co. listened to presentations on issues ranging from workers compensation and loss control programs to hazardous chemical sampling techniques.

But the group's overriding concern was occupational disease as a health, expense and ethical problem for American business.

It's not the present cost of workers compensation claims related to occupational disease that scares most industrial hygienists, according to Russell Van Houten, manager of industrial hygiene services for Liberty Mutual. It is a general fear of the unknown.

Liberty Mutual, like most workers compensation insurers, is expanding industrial hygiene services and research on occupational disease. Other insurers, including Fireman's Fund, Northbrook and Kemper (NATLSCO) are unbundling their industrial hygiene services to allow employers to conduct their own studies.

Occupational disease data, however, are particularly elusive, Mr. Van Houten says.

Work disease claims are frequently buried in most government and insurer statistics and it is often unclear what claims are a result of accidents and what losses are caused by health problems.

Current national statistics, however, show that occupational disease has not reached the epidemic proportions that some manufacturers fear, Mr. Van Houten says.

"The current Bureau of Labor Statistics information shows that only 2.4% of workers compensation claims last year were caused by occupational disease. The state of Connecticut reported that about 2.9% of its work comp claims were related to occupational disease. California, however, says that about 4.9% of all work comp claims were related to occupational disease.

"I don't believe that the California statistics really show more occupational disease, however," he continued. "The problem seems to be in the reporting system. Many of the so-called occupational disease cases appear to be eye flashes from welding equipment, which are listed in the same category as radiation exposure claims."

In general, occupational disease claims amount to less than 3% of all workers compensation claims, but the costs of those claims may be as much as 6% of total, he says. Liberty Mutual claims data support his view.

Liberty Mutual recorded about 138,300 workers compensation claims last year, Mr. Van Houten told the hygienists. Of those claims, 3,884, or about 2.8%, were related to occupational disease.

"Of couse, the occupational disease claims seem to be more expensive because there are more disability costs included in the occupational disease claims," he noted.

Of Liberty Mutual's total workers compensation claims cost, about $793 million, occupational disease cost the insurer about $48 million, or 6% of the total.

"It's pretty clear that we are not yet facing an occupational disease epidemic, but it's also clear that we need to develop a methodology for identifying and analyzing occupational disease causes as well as latent and non-disabling occupational disease problems," he said.

Worker protection and the worker's right to know about work-place hazards are also somewhat confused occupational health issues, industrial hygienists were told. Several experts, including Occupational Safety & Health Administration officials, said that state laws and court decisions affirm that workers have the right to make a personal decision about their job safety, but others wondered how far employers must go.

"Most people generally include the right to protection as part of the worker's right to know about job hazards," noted Thomas Carmody, industrial hygienist at Union Carbide in Danbury, Conn. "But it's not easy to identify all the hazards that are not generated by the employer itself."

Sometimes it's difficult to tell the difference between a product liability case and a workers compensation claim, he notes. A company may have an exemplary worker safety and information program, but find itself paying for occupational disease claims resulting from a supplier's misinformation or faulty products.

"In our increasingly litigious society, we can also assume that a supplier now has the duty to warn its buyers about potential hazards. It's important to get information about potentially hazardous industrial products and their composition for both consumer and employee safety," Mr. Carmody said. ■

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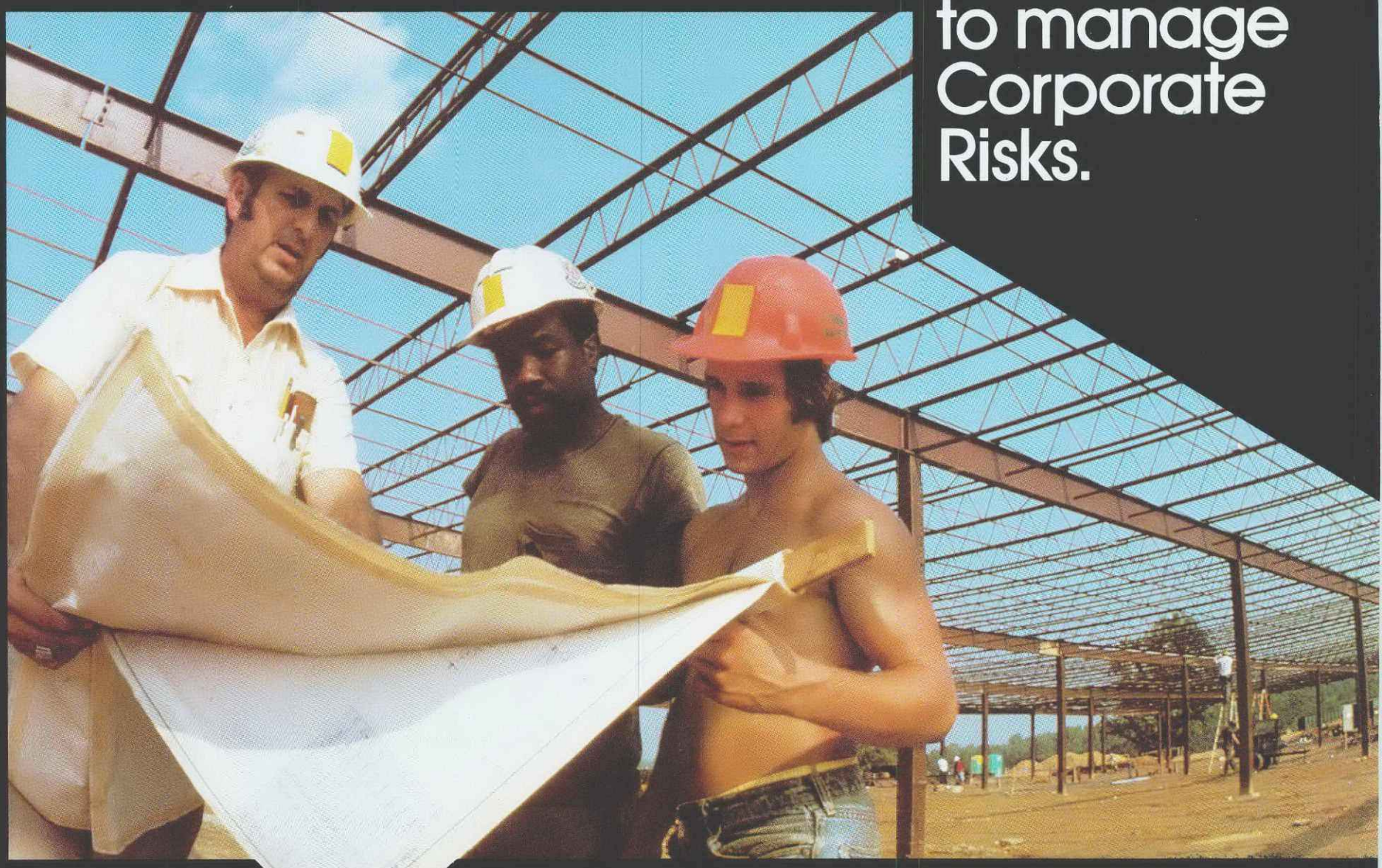

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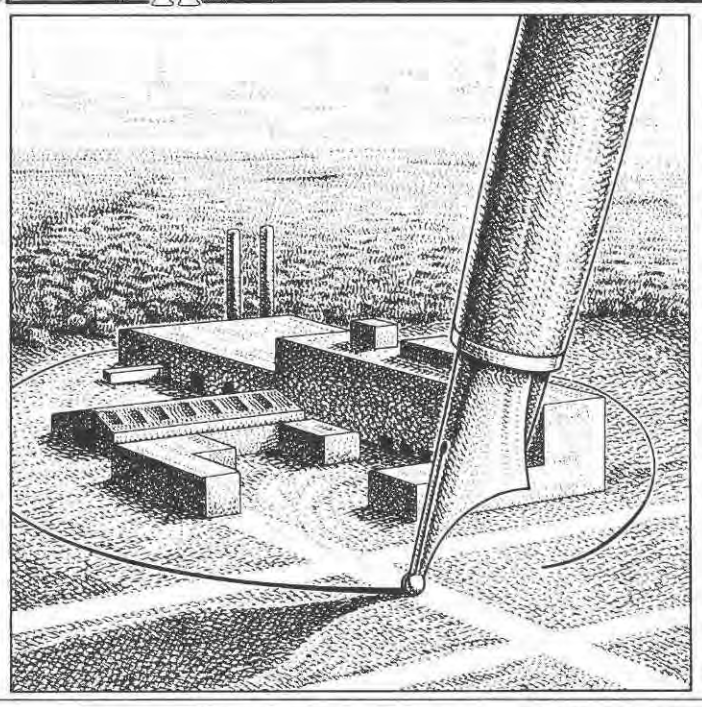

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Comp rates can increase despite good loss history

CINCINNATI—A good loss record won't necessarily earn you low workers compensation rates—especially if an industrial hygienist reviews your risks, says a workplace safety expert.

Insurers may be promoting industrial hygiene consulting services, but most industrial hygienists still work for underwriting and claims departments, says John H. Ruth, an occupational disease expert and vp with Wausau Insurance Cos. And the things they tell underwriters may not be happy news for buyers.

"What underwriters are asking us is whether previous loss experience is a good measure of a workers compensation risk's profitability. Our answer is an unqualified 'no,'" he told the American Industrial Hygiene Conference.

"Due to the long-term nature of occupational disease, we just do not see how even a long-term loss record gets us to the real exposure," he said.

When a workers compensation insurer does demand an inspection and review of occupational disease exposure, underwriters will look more carefully at production processes, pre-employment screening and post-employment monitoring of workers, Mr. Ruth said.

Specifically, the industrial hygienist who reviews a plant will be advising insurers of:

- Prospects for disease-causing situations. Are you using any recognized hazardous materials in the plant's production process? Are you conducting research using materials whose safety has not been completely proven? Are workers who are exposed to hazardous chemicals, materials or equipment trained in self-protection?
- Pre-employment physical programs. Are new employees given physicals before they are hired? Are the examination records reviewed for existing medical conditions that may be aggravated by exposure to the job or production process? Are employees given physicals periodically to make sure their physical condition has not changed?
- Prospects for hiring someone who may develop or already have a latent occupational disease. Is a portion of your work force drawn from an industry with a known occupational disease exposure that may manifest later?

Although industrial hygienists are also used to help train insurers' loss-control staff, the next time a corporation may encounter one of the occupational disease hunters is after a claim is filed.

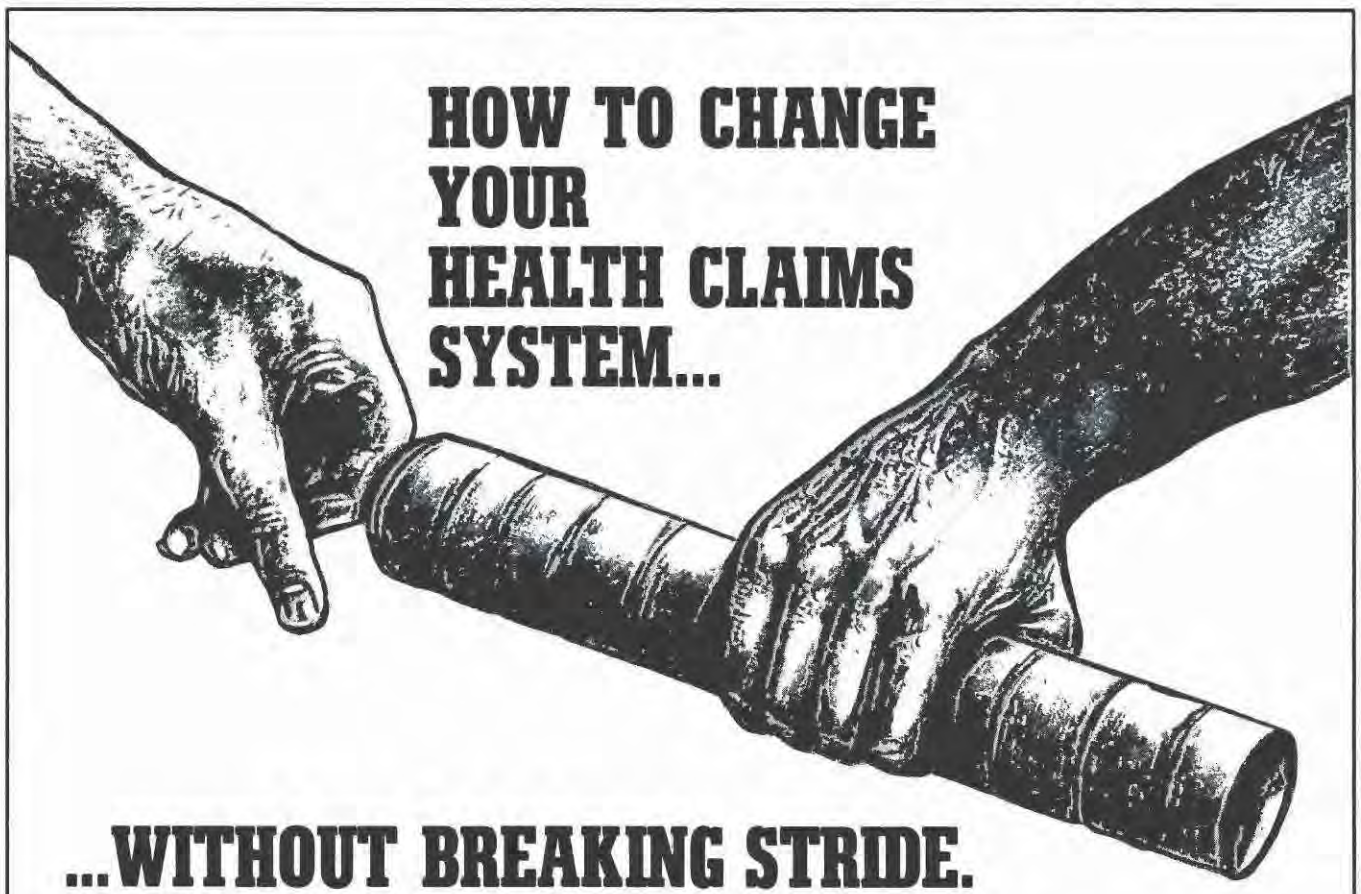
If a workers compensation claim involves any kind of chemical exposure, the industrial hygienist is put on the case and the claim review may take the expert back into your plant, Mr. Ruth said.

"Of course, we will review the claim and the supporting medical records," he explained, "but we will also be asking whether anything else could have caused the obvious symptoms.

"In some cases, we will want to interview the plant manager, supervisors of the complaining worker and a plant's safety committee to see if, for example, other workers had been complaining of similar problems or if the claim is an isolated situation."

Although occupational disease claims have been increasing, partly because of increased worker awareness and publicity about large awards, not every claim draws big payments after a review.

"Recently, I reviewed a $75,000 claim for job-related lung disease caused by exposure to silicon. It was clear that the worker had lung disease, but a review of his records and interviews with company officials indicated to me that the company had not caused the disease," Mr. Ruth said. "We eventually reduced the claim to $25,000 for aggravation of existing lung disease." ■



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Safety committees

Can unions, managers work together?

By LEN STRAZEWSKI

CINCINNATI—Who knows more about safety and personnel loss prevention than production workers?

No one, says the Occupational Safety and Health Administration, and that's why it says employers should try to involve workers in joint labor/management safety committees that share responsibility for safety planning.

Although OSHA's voluntary labor/management safety program is being revised this summer, the federal regulators are still promoting a series of safety committee options designed to make better use of employee suggestions, according to Francis J. Frodyma, director of the OSHA office of policy analysis, integration and evaluation.

"It's our opinion that the line workers know more about safety than an OSHA inspector and we should be using that expertise in maintaining a safe workplace," he told the American Industrial Hygiene conference last month.

"Though the legal liability remains with the employer, the worker and worker representatives should be able to share in safety responsibility."

OSHA currently offers three safety-group options that exempt companies from regular OSHA inspections after an initial safety audit and documentation of the committee system. The three options are:

- STAR. This program is designed for safety-conscious companies that already have "extremely good records," low accident rates, established safety and health programs, labor/management safety committees, joint inspections and a "praiseworthy record" developed by previous OSHA inspections, according to Mr. Frodyma.
- TRY. This program is designed for companies that are attempting to build better safety and health records through joint labor/management committees, joint inspections and internal reviews. OSHA waives its past records in light of the new commitment to safety but monitors documentation and progress of the committees.
- PRIME. This program is designed for companies with praiseworthy safety records, but lacking in joint labor/management committee structure. PRIME companies may maintain safety standards through a "well-managed, documented, management-intensive program," according to Mr. Frodyma.

One good example of a PRIME company is E.I. du Pont de Nemours & Co., considered by many to be one of the nation's safest employers.

Du Pont, however, shuns the idea of any formal sharing of responsibility between unions and employers.

Labor/management committees may seem like fine ideas, but watch out for labor relations problems, says a Du Pont plant manager.

Reacting to the OSHA programs during a panel discussion on safety committees, Robert Shinn, manager of Du Pont's Wilmington, Del., plant, told the industrial hygiene conference that the programs look good on paper but fail in practice.

"Management's No. 1 responsibility is worker safety and any sharing of that responsibility with others dilutes management accountability," remarked Mr. Shinn. "We've gone over 1 million work hours without a lost workday by having management control safety programs."

Du Pont takes its reputation for safety seriously, Mr. Shinn pointed out, adding that safety planning accounts for 15% of his management schedule.

The company, however, does not allow any outside group to interfere with its safety responsibility. Committees that split the responsibility between plant managers and local union representatives are too likely to reflect the traditional adversary relationship between management and labor unions, Mr. Shinn explained.

"We tried these kinds of safety committees several years ago and found that the adversary nature of our two groups got in the way of safety issues. Each side began using plant experience as examples of each other's weaknesses. There was a strong tendency to use the committees to seek results which should have been sought at the bargaining table," he said.

Safety discussions soon degenerated into arguments about compensation and employee benefits, for example.

"This doesn't mean that we ignore worker input in safety planning, however," Mr. Shinn noted. "The element of employee participation is very important."

Du Pont employees contribute to safety planning through:

- Safety suggestion programs. Du Pont offers cash awards for usable safety and health improvement suggestions. Last year, more than 500 suggestions were acted upon.
- Meetings with safety and health officials. Production workers meet with plant medical directors or industrial hygienists every six months, according to Mr. Shinn.
- Interviews with corporate safety officials. Safety experts perform on-site plant safety inspections every six months and discuss safety with production workers. More than 1,000 improvements were generated by these discussion in the past year.
- Meetings between union and management committees. The chairman of the local union safety committee meets with management safety directors weekly to discuss safety issues, but the responsibility for inspections, improvements and program design remain with the employer. ■

Award winner: FMC's safety success story is based on commitment of manpower, money

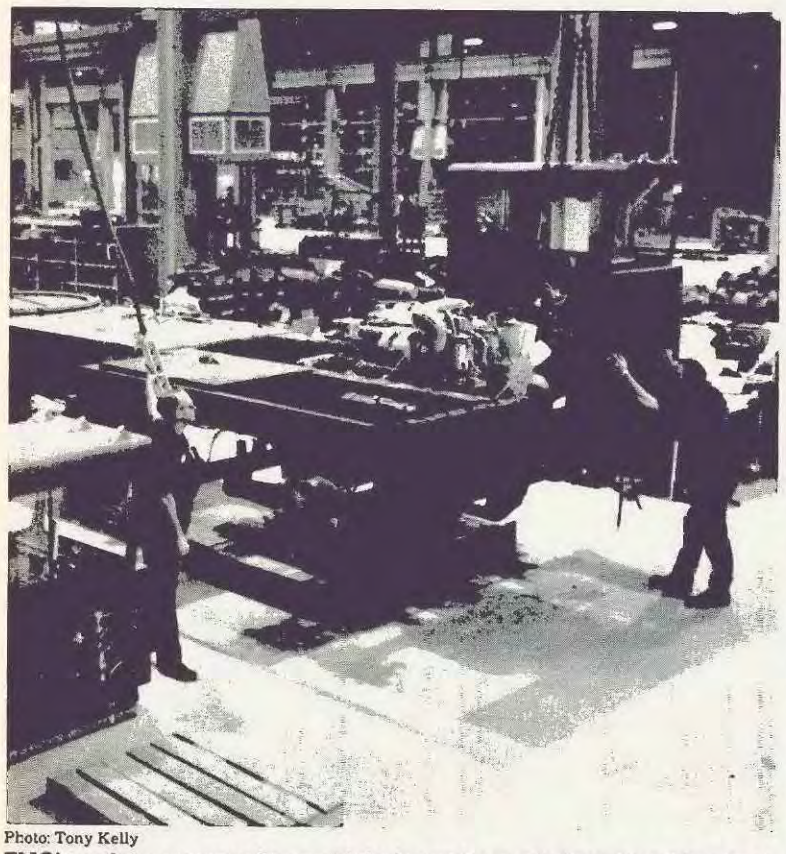

Photo: Tony Kelly
FMC's safety program has cut injuries at its worksites, like this plant in Bowling Green, Ky., that produces hydraulic cranes.

By CAROL CAIN

CHICAGO—Here is a success story about how the tried-and-true principles of safety management really work.

The setting: FMC Corp. in Chicago and in its plants nationwide.

The principals: A concerned president. Plenty of money. The basics of a good safety program.

The story: Awards of Honor from the National Safety Council and reductions in injuries and their costs that will keep you pinned to your seat.

FMC President Raymond C. Tower plays the lead role in FMC's safety program. He started it, he met with plant safety managers to stress the importance of their work and he taped a special message to be shown workers after FMC received its first award.

Money is a major prop. FMC spent $2 million in the past four years to institute its corporatewide safety plan.

The plot is woven around the basics of a good safety program that can be found in any textbook and a system of bonuses to managers.

FMC is one of 568 companies (of the 8,784 applicants) to earn the National Safety Council's 1981 Award of Honor (see story, page 24). This is the second consecutive year the company achieved that honor. Six individual FMC plants also earned the Award of Honor, and other recognition awards were attained by several other FMC plants.

These awards reflect the success of FMC's safety programs, which have reduced the severity rate to 24 days lost in 1981 per 200,000 manhours (which is equivalent to 100 employees working one year) from 62 days lost in 1977.

The lost workday incidence case rate was 1.26 for every 100 employees working a full year in 1981, down from 3.2 in 1977.

An incident is one lost day of work because of injury on the job that could have been related to machinery or chemicals.

Workers compensation costs, which are self-funded, have been reduced to 0.7% of total payroll dollars because of the safety programs. Workers compensation costs are rising more slowly than the rate of medical inflation.

The safety programs list other successes: a 15% reduction in serious accidents in 1981 compared with 1980, and less than $10,000 in penalties in 1980 from OSHA investigations of all FMC facilities.

In fact, because of the safety efforts, FMC believes there is a $5 million savings in its more than $2 billion annual budget.

The manufacturer was not always a good safety performer, says Thomas R. Yeater, manager of safety. "In the early 1970s, in some segments (of the corporation), fatalities were commonplace."

This trend began to disappear, according to corporate executives, with the ideas and attitude of its president, Mr. Tower.

In 1975, Mr. Tower was at the head of the chemicals division. He was dissatisfied and concerned about the way plant safety was handled. Although employees were encouraged to follow safety standards and inspections were routinely made, safety performance was not evaluated alongside production performance.

"The safer a plant, the better the operation," Mr. Tower says. Safe plants seem to be more productive and economically minded. If a plant practices good safety habits, it will practice other good business habits, he adds.

To help organize the chemical division's safety plan, Mr. Tower brought in outside help. Consultants from the Applied Technology Division of Du Pont, a leader in safety performance, assessed and audited the division's safety needs.

When Mr. Tower was named

Continued on facing page

Which employee costs mor

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.

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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.

Continued from facing page
president of FMC in 1977, he introduced to the entire corporation the safety improvement program based on the chemical division experience. The Applied Technology Division of Du Pont went to work on the machinery business.

"It was expensive as hell, but worth it," says Mr. Yeater.

The result was FMC's award-winning safety program. It established policies and procedures for the corporation. It also defined broad safety- and loss-prevention parameters in the plants.

Almost immediately, a method was designed for conducting in-plant reviews and follow-up visits.

"But all we really did was set the basic guidelines," Mr. Yeater says. The nitty-gritty of each concept is developed by the individual plants.

The basic elements of FMC's safety program are:

- A statement of safety policy.
- Management direction for the safety program.
- Assignment of staff functions to safety personnel.
- Hazard control.
- Safety education and training.
- General safety communications systems, like newsletters and bulletins.
- Written safety procedures and rules for employees.
- A system for plant inspection on a regular basis.
- A system for investigation of accidents.
- Maintenance of accident records and statistics.
- A system for an annual evaluation of the program and its effectiveness.

"In safety, the simpler you can keep it, the better off you are. Just practice the elementary aspects of safety; you don't have to get fancy," Mr. Yeater says.

The approach FMC has taken in safety is "really nothing new. It's been around for years," says Mr. Yeater. "The methods used at FMC are in any basic safety text."

The difference at FMC, in comparison to "so-called poor performers," explains Mr. Yeater, is that FMC 'practices those safety methods. There are very few companies in this country today that indeed hold people accountable for safety performance."

FMC line managers are responsible for the safety performance of their operations. A pay-for-performance system and another bonus plan are used to reward managers.

Employees also have been discharged when safety practices were not followed.

"The objective of that plan is to get management to manage safety like the other aspects of the corporation," says Mr. Yeater. FMC has done that by putting structure into its safety program, keeping it basic and simple and having a hard line of accountability.

"The safety, health and well-being of our employees are important human and business goals at FMC," Mr. Tower told a group of FMC plant safety managers in 1979. "We can't afford to ignore them any more than we can neglect our production, cost efficiency or quality. In fact, we don't want to be in a business in which we can't be reasonably sure of meeting all of these objectives.

"Group, division and plant management are acutely aware of their ultimate accountability for safety," Mr. Tower added. "Safety performance of a plant is a key consideration in the determination of bonuses. Although some may say this could mean penalizing people for simple bad luck, I believe that we make our own luck in this area. Those who do not agree had better start thinking about positive steps to change their bad luck."

Also in that 1979 conference, Mr. Tower noted that there were nine fatalities in the preceding five years. He told managers, "This casualty record is totally unacceptable. Let me be quite clear about this. If a serious question arises about the safety of an operation for our people, I want that operation shut down until the question has been resolved—even if it means lost profit and reduced bonuses for management."

Mr. Tower's zeal for safety is an acquired zeal, he says. "I never fell off a ladder." But the fervor of his attitude is nonetheless real.

"Mr. Tower personally made believers out of a lot of people," says Mr. Yeater.

Recognition of performance helps FMC workers also become believers. In addition to the mone-

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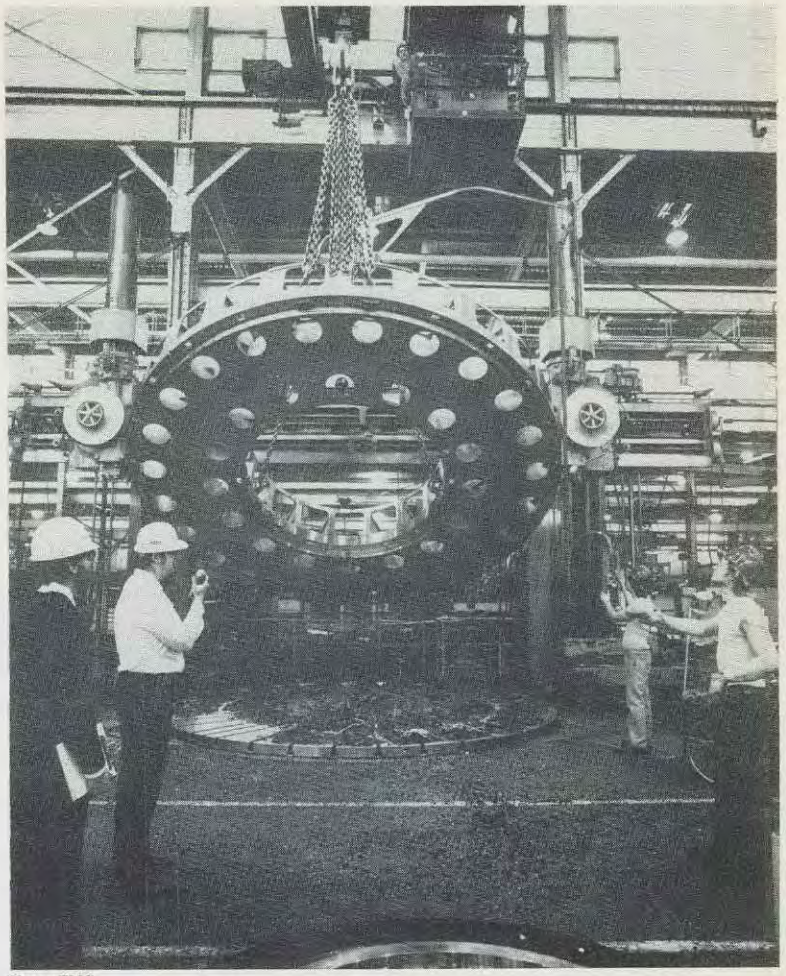

Photo: FMC

FMC production workers are involved in highly skilled labor, such as producing base plates for guided-missile launching systems.

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Safety commitment doesn't end with awards

Continued from previous page
tary bonuses built into the program, managers also are encouraged to send memos and make phone calls to personally commend safety deeds.

Individual plants also may have separate recognition programs, like the large Northern Ordnance Division plant in Minneapolis. NOD encourages employee participation in safety through an incentive program that offers FMC-initialed beverage glasses and tokens redeemable for merchandise.

Such efforts, however, are not encouraged by corporate officials. "We think they have a short-term effect," explains Mr. Yeater.

On a larger scale, the corporation internally recognizes safety efforts with group manager safety awards at the eight division levels and safety achievement awards at the 123 plant levels. A plant may earn the corporate award for going a calendar year (or 365 consecutive days) without a lost-time accident, or by cutting its lost-workday case rate in half during a year. The achievement is acknowledged with a plaque and a flag.

"Employees like the recognition of earning the flag," he says.

When FMC earned the National Safety Council's Award of Honor for 1980, a special Safety Recognition Day was declared in all plants. On Nov. 24, 1981, every operation shut down for a half-hour, says Mr. Yeater, for a special program and filmed speech by Mr. Tower.

"Do you realize how much it costs to shut down the entire corporation?" asks Mr. Yeater, illustrating FMC's safety commitment.

In the film, Mr. Tower notes that the rate of serious accidents was cut in half during the preceding four years. "An employee at FMC has a 98% chance of going a whole year without missing work because of a job-related injury," Mr. Tower says.

The company doesn't know what it is going to do to celebrate this year's award, but whatever it is, it won't be the end of the story.

"Our next challenge is to eliminate all injuries," Mr. Tower says.

The next structured step in the preventive effort is to address specific problems, Mr. Yeater says. To ascertain those problems, the safety department works closely with David Glantz, FMC's director of risk management.

The focus of concern for each department differs, with risk management people concentrating on the severity and cost of incidents while the safety department looks to prevention and frequency, says Mr. Glantz.

"I bring the cost to the table and Tom (Yeater) brings the safety records. One claim can generate a million-dollar loss, or 1,000 claims can generate a million-dollar loss."

By using the same data-base management system, both departments arrive at a common goal, Mr. Glantz says. Current data show lower-back injures as the worst incidences in both categories: a 50% to 60% rate in frequency and a 70% to 80% rate in severity.

Back injuries are the most common on-the-job injuries, accounting for one in five worker injuries, notes a recent article in the FMC employee newspaper.

In-plant investigations and the continuation of the same safety methods that FMC has used for the past five years will be the approach used by the company to decrease—and perhaps as Mr. Tower would like, to eliminate—lower-back injuries. "That's our thrust," Mr. Yeater says, "improving the quality of safety."

"Our job is not over. The key to continued success is continued vigilance," Mr. Tower told employees last year. "No job in this company is so important that a person's life should be in danger." ■

FMC products wide-ranging

"We make the machine that makes Popsicles."

That's one FMC manager's description of FMC Corp., the international manufacturer of machinery and chemicals, based in Chicago since it moved in 1972 from San Jose, Calif.

FMC has 128 plant and mine locations in 15 states and 14 foreign countries. It employs more than 39,000 people who make things as small as swivel joints and as large as 450-foot marine barges.

One of the most visible products to recently come out of FMC plants is the Bradley Fighting Vehicle, a 25-ton aluminum-hulled unit that can transport infantrymen and engage enemy armor in combat.

The U.S. Army wants almost 7,000 of the field units as a battlefield companion to one of its military tanks.

The conglomerate ranks 109th on the Fortune 500. Among its principal product lines are industrial chemicals, performance chemicals, food additives, defense equipment and systems, petroleum equipment and specialized machinery, like cranes.

The initials in FMC's title do not stand for anything today. A predecessor to FMC was the 1880 John Bean Spray Co., which manufactured continuous pressure sprayers for pecan trees in California. That company expanded and became known as the Food Machinery Corp.

Another expansion changed the name to Food Machinery & Chemical Corp. But even that title didn't tell it all, so in July 1961 the name was changed to simply FMC Corp. ■

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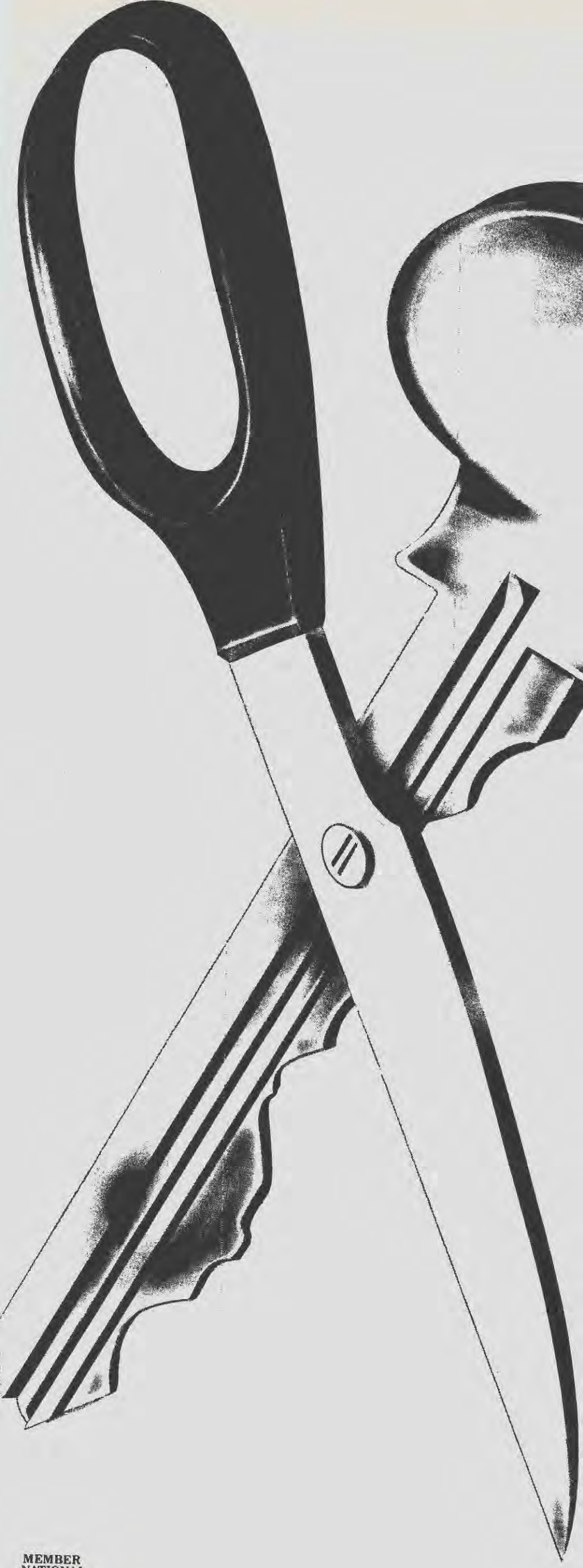

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Council lauds firms for safety records

CHCIAGO—The National Safety Council was 29 years old in 1942 when it handed out its first industrial safety award: Distinguished Service to Safety.

Since then, thousands of awards have been given to recognize employees, companies and organizations for exceptional safety performance.

This year alone, more than 3,000 awards were given to companies in the Industrial Award Plan, which is just one of the many safety recognition programs sponsored by the council.

The plan is not a contest. "There are no judges. Their own (incidence) rates are judging them," says Susan Courtney, the council's supervisor of industrial contests and awards. The Industrial Award Plan is based on intricate criteria with several deviations.

Four levels of awards are set up in the plan to provide recognition for good safety records to the council's more than 11,000 members from the industrial field.

The highest level is the Award of Honor, earned for either a perfect safety record or for a non-perfect record. A perfect record is one without cases involving days away from work or death due to occupational injury or illness for a calendar year or for a period of at least 30 days and 3 million employee hours. A non-perfect record is one that takes into consideration both the previous experience of the company and the experience of the entire industry.

Some 568 companies were recently given the 1981 Award of Honor. The safety council's statistics do not reflect the number of companies that maintain perfect records, although Ms. Courtney says that about six of every 100 companies that apply attain the perfect-record Award of Honor.

Three other perfect-record awards are given in the Industrial Award Plan by using a standard with fewer employee hours. The Award of Merit (1 million to 2.9 million employee hours) was achieved by 817 companies; the Award of Commendation (200,000 to 999,999 employee hours) was garnered by 857 companies; and the President's Citation Letter (fewer than 200,000 employee hours) was received by 995 companies.

What kind of companies achieve the awards?

"People with safety programs," says Ms. Courtney. They include FMC Corp. (see related story) and Du Pont, which received the Award of Honor this year for the 35th time.

Besides the Industrial Award Plan, there are safety contests that give recognition on a competitive basis. These contests require monthly reporting of occupational injury and illness experience.

The National Safety Council is a non-government, not-for-profit public service organization dedicated to prevent accidents around the nation.

The council has safety programs for industry, home, traffic and recreation areas. The bulk of the budget comes from dues and the sale of safety materials, says Clif Anderson, supervisor of membership marketing.

The National Safety Council has more than 14,000 members who pay dues ranging from $30 for an individual membership to more than $9,000 for a large corporate membership.

Members receive consultation services from safety specialists, the use of the council's library, a discount on safety-related materials and the opportunity to win safety awards.

Information about the National Safety Council's awards programs and general information about the council are available from the National Safety Council, Statistics Division, 444 N. Michigan Ave., Chicago, Ill. 60611. ■

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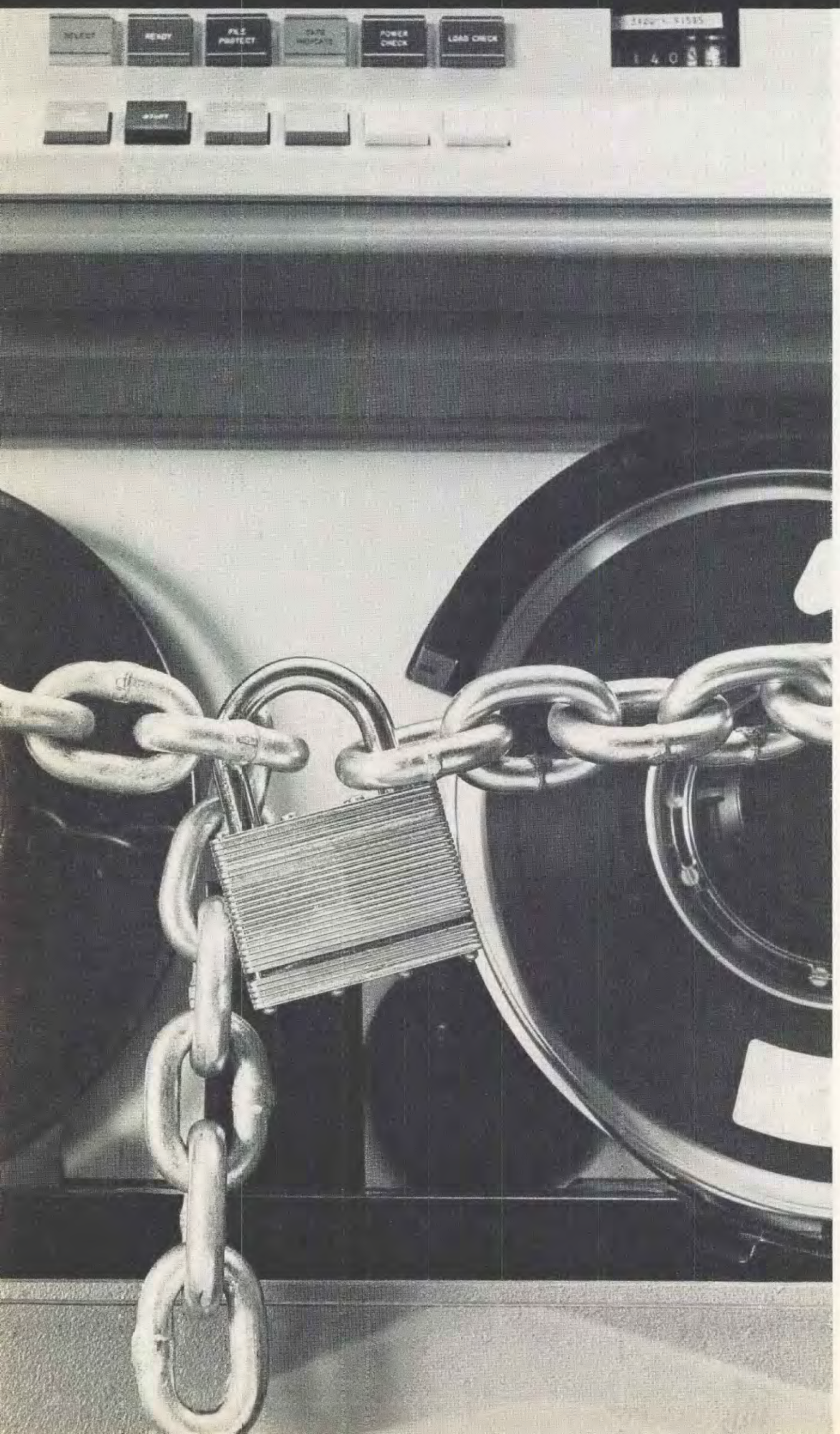

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perspective

SAFETY PROGRAMS

Careful planning a prerequisite for cutting injuries, operating costs

By Don Brown

MANY CORPORATIONS throughout America share the growing stress of increased operating costs, rising product liabilities and the clamor from employees and government for greater industrial safety.

Certainly, employee safety has gained a lot of publicity since the inception of the Occupational Safety and Health Act. More companies are developing better safety programs. Safety is gaining momentum, regardless of the motivation. Employers are keenly aware of their moral and legal responsibilities in this area. One major obstacle, however, prevents many industries from developing truly effective programs: they simply don't know how to do it.

Giant corporations hire safety professionals to design, develop and implement outstanding safety programs for their employees. Companies without a safety staff appear to have the greatest need for assistance.

A typical scenario finds the president of a small- to medium-sized company faced with increased insurance premiums, lost productivity and abuse of the workers compensation system. Management reacts with a renewed interest in safety and designates "someone" as the safety coordinator.

Meetings are conducted, the game plan mapped and a new safety-awareness campaign is launched. Safety policies are written, posters ordered, supervisors advised of their new responsibility, a motivational speech is presented to all employees and the president awaits results. Six months later, he is still waiting.

Obviously, this is a biased oversimplification of a complex problem, but unfortunately it is representative of the safety efforts of many companies. What's the solution?

The first step in developing an effective safety program is understanding attitudes and how to cope with different approaches to safety. Management may have one philosophy, employees another; thus, there are conflicting perceptions before we even begin.

Don Brown is manager of safety, security and facility services at Varco Oil Tools in Orange, Calif.

Employees will clamor for better (and safer) working conditions, more training, better equipment, maintenance and everything else that can be remotely regarded as an improvement in a safety deficiency. The instant employees are held accountable for working and acting in a safe, responsible manner, the volume of their enthusiasm often becomes inaudible.

Improving the attitudes of both management and employees is the most important, and often the most difficult, task in the development of an effective program.

There are many methods, techniques and specific guidelines companies should use to improve employee safety. Some of those mentioned here are controversial and may not be applicable to your operations since leadership styles, philosophies, employee relations and other factors differ from company to company. Experience has demonstrated, though, that these are the most cost-effective methods for achieving a viable safety program:

- **Phase I.** Top management must actively support the program. No one is going to believe safety is important until management gets involved. Directives, memos and financial support are not active participation. Supervisors, line managers and employees react to personal involvement. Certainly, the president of a company is not expected to complete an injury report or train fork-lift operators. An occasional visit to the troops with a "How's it going on your safety program?" will reinforce management's sincerity and interest.

The program coordinator is usually someone familiar with safety rules and OSHA or has related experience. Yet a safety coordinator should be selected for managerial skills rather than safety expertise. The person selected for the job doesn't need safety skills or experience. After all, the safety coordinator is not responsible for safety—that's the work of line management.

The coordinator should be held accountable for the effectiveness of the program, or how well he or she manages others to get the job done. A poor coordinator usually produces a poor safety program. Select an effective manager and don't worry about safety expertise.

- **Phase II.** A good safety manager coordinates a team effort, getting everyone involved, utilizing the expertise of others and following through until the goal is achieved.

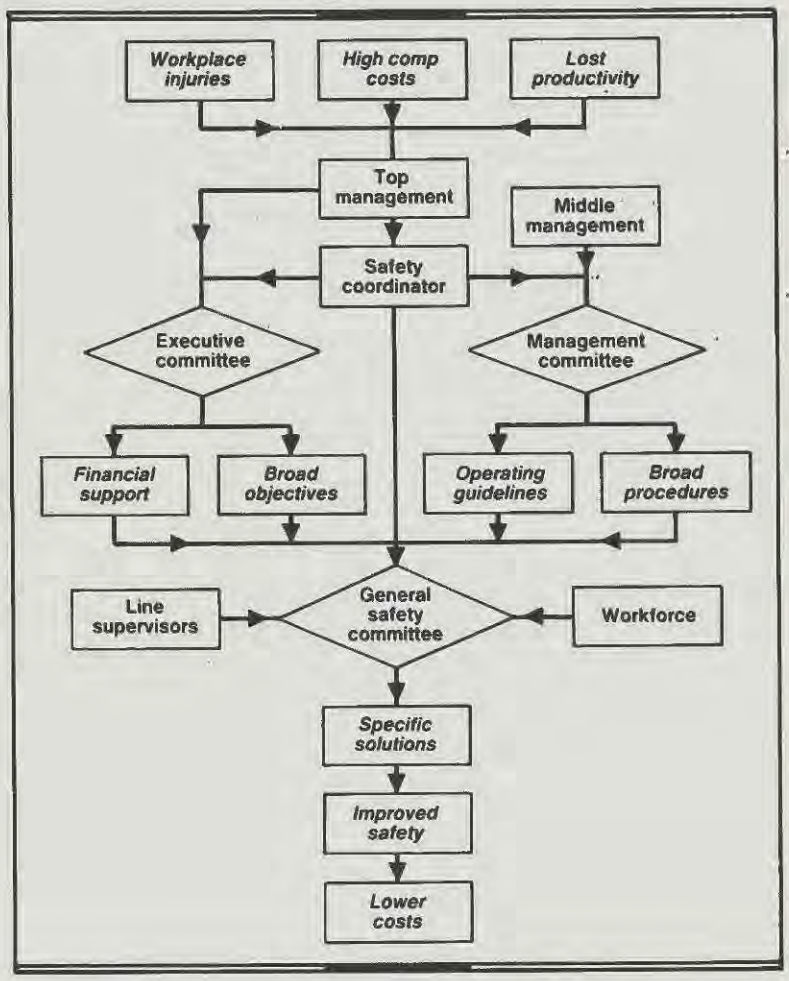
Organizing a safety committee seems the best approach, but a caveat appears warranted. Safety committees are notorious for causing more problems than they solve. Committees spend more time discussing equipment deficiencies than in accomplishing anything. They can be very effective, however, if they have specific guidelines and objectives and are fully supported by top management.

Failure by top management to control and react to the committees' recommendations will guarantee their ineffectiveness. Management must be willing to give them support.

Three committees should be organized; however, smaller companies usually combine the first two:

- Executive committee. Top management provides policies, financial support, broad objectives and clarifies expected results.
- Management committee. Middle management provides operating guidelines, assists in interpreting policy, formulates broad safety procedures and becomes involved in the day-to-day safety program.
- General safety committee. Composed of one supervisor and one employee per department, this arrangement bridges the communication gap between supervisors and employees. It also provides an opportunity for the supervisor to utilize an employee as the department safety coordinator. The supervisor is responsible for safety, but others must assist in the implementation of the program.

The safety committee should function as a training and communications forum where ideas and suggestions can be openly discussed. Enthusiasm for any project can easily be diminished without a free exchange of ideas. When a committee reaches a particular decision in which it has participated, its members are more likely to support the program.



Employee safety committees should be given specific guidelines and objectives and not allowed to "do their own thing."

Safety committees that function without specific guidance usually result in administrative nightmares. They quickly revert to identifying a wide range of unsafe conditions and spend their valuable time discussing why they can't get them corrected.

OSHA has created an awareness for unsafe conditions, which is a minor element of safety. But the vast majority of accidents is caused by acts of employees, not unsafe conditions. Therefore, a safety program should focus its main efforts on eliminating unsafe acts.

Correcting unsafe conditions is a function of management through maintenance procedures. Don't waste time discussing maintenance in a safety meeting. Committees are effectively controlled by assigning them specific goals.

Examples include producing a plan to reduce grid shop injuries by 50% within a three-month period. Concentrate on the most common type of injuries, providing the committee with a list. Develop an orientation program for new employees. Begin with basic safety tips that pertain to all departments. Include as part of this program specific safety rules applicable to each department. Each member of the committee should be assigned to provide feedback from his or her specific department.

Canvass all employees for special skills like first aid and CPR, safety expertise like that involved in operations of fork lifts and cranes and previous participation in safe-lifting programs and similar hazards-reduction efforts. Enlist their cooperation in future training programs.

As you can see, these are specific objectives, but there's room for individuality, originality and innovation.

The management committee should determine the priorities, the worst first, then provide the employee committee with the challenge and opportunity to effect solutions.

Unsafe conditions or safety hazards usually attract a lot of attention. Explain to the employee committee current

Continued on next page

perspective

Employers should begin to shift safety responsibility back to workers

speaking out

By Bruce A. Lepore

AS EMPLOYERS, we have accepted the responsibility for the health and safety of our employees without question. Perhaps this position should be reconsidered now.

The shift of responsibility for employee health and safety from employee to employer began around 1910, a period of horror stories of needless worker fatalities. In reaction to the problems, trade unions were founded and blossomed rapidly. Addressing not only wage and benefit issues, they also confronted the safety issue and managed to place the entire safety function directly and singularly on the employer.

The average worker, a product of generations of believers in self-reliance and responsibility, condoned this philosophy since it was inseparable from the wage and benefit issues.

Simultaneously, state governments began writing workers compensation laws. Drawing on the horror stories as justification, and using the Germanic and British workers compensation system as reference, they found it politically expedient and morally justifiable to pass the responsibility to the employer.

Individual companies, the remnants of the pioneering and entrepreneurial spirit, did not enjoy the business acumen or legal defense systems enjoyed today. Individual efforts to resist this movement were mounted, but were overwhelmingly defeated by labor organizations and legislative bodies.

From 1910 through 1930, this philosophy entrenched itself in the American industrial way of life. For the next 20 years, the question of responsibility lay buried in the priority list under the Great Depression and World War II.

During the Depression, jeopardizing job security in the name of job safety was sheer folly. During the war, quality control and production became the priorities and the safety issue never became manifest.

Emerging victoriously from the war, the nation found itself on the road to prosperity. Unfortunately, because of the safety complacency in the preceding 20 years, productivity and profit became the total corporate vocabulary. Loss prevention, not yet recognized for its impact on operating costs, was just another item to be discussed at the next bargaining session. We traveled through this era without questioning where safety responsibility lay.

Enter the 1980s. Our national health bill is $247 billion a year and rising. Our workers compensation system is unmanageable and favors everyone but the employer. And our workplaces are still experiencing industrial injuries. The multitude of laws and regulations that has been generated over the past 30 years has addressed every aspect of the work system except the one element that the original system was created for—the worker.

Accident statisticans tell us that 99% of all accidents are caused by human error. If this is truly the case, isn't it about time that we rethink the 80-year-old philosophy that the employer is responsible for workplace health and safety? As the basic and main factor in the equation, shouldn't the employee share the responsibility of safe performance?

After all, the employee stands to benefit the most from absence of worksite injuries. . . freedom from illness or injury, extended life expectancy, less money spent on medical care, potential for higher income through decreased employer operating costs. This should not be construed as absolving employers from all responsibility, but only as a recognition that employees may not be pulling their weight.

From a humanistic standpoint, we are entering a decade unparalled in our history. The population has never before been as concerned with health and safety issues as it is today. Chemical spills and contamination, nuclear energy and regulation and the like are all topics of daily coversations and news coverage.

The general population is now demanding that they receive information and be able to provide input, so they can take individual responsiblity for their destinies. It seems to be working.

Witness the past five years when more people have stopped smoking and started dieting and exercising than ever before. The current promotional concept of "wellness" and "health maintenance" is, in fact, only a process of allowing people to accept individual responsibility after having received the information to make an intelligent decision. If it works away from the plant to the advantage of the employee, why can't it work on-site to the advantage of both employee and employer?

To see how we can begin to make this transition, though, employers are going to have to change their thought processes and resource allotments.

We must stop treating employees as unthinking objects. If we assume the thought process for anyone—friend, relative or employee—we automatically assume the responsibility for their actions, good or bad.

We need to realize that we can't have it both ways. If employees are just units that need to be led, then we must bear the consequences for their actions. But if we treat them as people and properly equip them to deal with their daily environment, we can start to ease their dependency and, ultimately, encourage total responsibility for their actions.

Additionally, if we think "employee," we offer ourselves an escape from loss prevention. If injured, an "employee" will be rescued by the safety net of the workers compensation system. But if a "friend" is injured, it becomes a personal tragedy.

Employers must also consider reallocating resources. Far too much emphasis is put on insuring that the injured party is taken care of by business, when in fact a great many industrial accidents cannot be directly related to the workplace. And far too little emphasis is placed on the worker who appears day after day, week after week, or who has never filed an industrial injury report.

Perhaps it is out of guilt that we supplement the temporary disability payments with sick or vacation time so the financial impact of the incident can be lessened. We continue to perpetuate a system that pays notice to the person who enters the compensation system, but does nothing to reward the worker who is a healthy, productive employee.

There are far too many companies that don't even blink at spending hundreds of thousands of dollars a year in compensation and medical costs, but who balk at the prospect of spending 5% or 10% of that sum for employee education and training programs.

The workplace provides an ideal arena for training the individual in what he or she needs to know to accept responsibility. Information is knowledge and knowledge promotes responsibility. By denying the opportunity to gain knowledge, we continue to accept responsibility for workers' unsafe actions. Next, we must begin to de-glorify the entire workers compensation system. Our workers have been painted rosy pictures of huge financial rewards by attorneys and fellow employees. The truth is that if a claim leads to a huge settlement, it is boring, time-consuming, nerve-shattering and emotionally traumatic. It is a journey most people are not prepared to undertake.

Notwithstanding, legitimately injured, acute sufferers of industrial accidents stand to face a lifetime of constant pain, loss of self-respect, family problems and future employment discrimination. Although the vast majority of occupational injuries are minor, the picture painted includes all categories of injuries.

Workers should be appraised of how much damage the system itself can inflict, rather than just the possible financial rewards that can be reaped.

Finally, employers need to seriously reflect on their own position. Because of the current national financial conditions, coupled with the ever-increasing cost of health care and benefits, employers are flocking to their insurers and medical providers to seek relief.

The answers aren't in that direction. The problems begin with and will ultimately have to be solved by the employer. One chief executive can do more to influence his company's health and safety costs than all insurance and medical personnel combined.

By initiating loss prevention, rather than delegating that responsibility to another, by providing information that will result in employee involvement and responsibility and by reversing the present system of rewarding only the negative aspects of employment, the employer will be able to disinherit the antiquated system that is so costly to his company. ■

Bruce A. Lepore is administrative director of Back Dynamics Institute in Foster City, Calif.

Plan carefully to reduce employee injuries

Continued from previous page
maintenance procedures, how much money and how many mechanics are allotted for repairs and ask them to develop a more effective program. If they can, you've made money. If they can't, they might stop complaining.

Management must be willing to support this arrangement. The committee must be given time to develop solutions and put them into action. Some projects may require time away from regular jobs to follow through, but it can be a very cost-effective experience. Many managers underestimate the ingenuity and expertise of their employees. This challenge can easily prove or disprove employee enthusiasm and abilities.

The safety coordinator should be a very busy person, meeting with all three committees, coordinating and following through on all activities. But the coordinator should never be given specific assignments, like training or inspecting responsibilities.

The coordinator selects others for these tasks, directs them and follows through to make sure they are all accomplished. Getting others involved is the primary function of the coordinator. Participation and involvement stimulate interest and enthusiasm.

Earlier, we irreverently discussed OSHA. It's a law and laws should be obeyed. Realistically though, mere OSHA compliance is not safety. OSHA will not reduce injuries or accidents. Its major contribution to safety has been its publicity. More employers are aware of the need for safety, thanks to OSHA, but it should be viewed as part of safety, not the safety program.

Leadership is the key to success in an industrial environment. In safety, it's absolutely critical. Accidents, injuries, unsafe conditions and unsafe acts certainly reflect upon the leadership of a company. Safety is no more, no less, than a leadership responsibility. Safety results are indicators of how well these responsibilities are managed. ■

Quick attention, preventive measures can take the pain out of back claims

By Paul B. Stadtherr

BACK INJURIES, and the high costs that accompany them, have been plaguing risk managers and safety directors for decades. While it's true that a substantial portion of the costs has been generated by increases in workers compensation benefits and medical expenses, it's also true that many factors contributing to the cost of back-injury claims can be controlled by the employer.

Here is a list of suggestions compiled from many sources that are effective in reducing back-injury costs:

• **Prevention.** Obviously, the least-expensive back injury is the one that never occurs. But in spite of extensive preventive efforts, most safety experts would agree that results have been spotty.

Pre-placement physicals are useful in screening out workers who have already had back trouble. The chances of recurrence are as high as 85%, which is ample justification for keeping workers with previous back trouble out of material-handling jobs.

However, the absence of back problems at the time of employment is no guarantee that none will develop later. As many as 65% of all Americans may experience back trouble at some time in their working lives. Pre-employment screening obviously cannot solve the entire problem.

Training employees in the correct lift methods has been used extensively. Concrete evidence on reductions in back injuries as a result of training, however, is very sparse. Apparently, training is not enough by itself. But coupled with a hazards-of-lifting awareness campaign, training seems to offer real hope of injury prevention.

Another preventive technique that has proven effective is the ergonomic approach: designing all jobs to eliminate as much bending, lifting, twisting, carrying, etc., as possible. A systematic approach is needed to identify those jobs or operations with the highest potential for back injury frequency and/or severity and to concentrate on improving the ergonomics of those jobs.

• **Back-injury management.** As widespread as back injuries are, they are still going to occur no matter how effective a prevention program may be.

How can an employer minimize the cost of a back injury that it was unable to prevent? Probably the most cost-effective objective would be the earliest possible treatment of any suspected injury. This, of course, is much easier said than done.

There is widespread feeling that a substantial proportion of back-injury claims involves malingering. This is unfortunate because it causes employees to hesitate to report a legitimate back strain for fear of being labeled a malingerer. It also leads many supervisors to treat reported back injuries with a great deal of suspicion. However, experience shows that the actual percentage of claims that involves malingering is less than 5%.

Whether the source of a reported back injury is an actual injury or malingering, the best approach is immediate medical attention. This will tend to weed out malingerers early in the game and will prevent the legitimate claims from becoming worse through delay. Either way, dollars are saved.

Delay is probably at the root of why back-injury claims most often go to litigation. Since many back injuries are not reported at the time of occurrence, the "work relatedness" of the injury is often unclear, and time only tends to complicate the issue by adding mitigating factors.

Delay also increases the likelihood of extended disability. Take, for instance, the typical soft-tissue injury of the lower back (the most common type of back injury). Immediate treatment may return the patient to work in a matter of days, but delay of as little as a day may lead to muscle spasms, intense pain and an inability to work that lasts for weeks.

To cut injuries, employees and supervisors must be knowledgeable about the nature of back injuries and the need for immediate reporting and treatment and a system must be established to provide immediate medical attention.

Very few companies have a program aimed at getting injured workers well and back on the job as quickly as possible. But those that do drastically reduce the cost of claims, especially back-injury claims.

All too often, once the injured worker is out of sight, he or she is also out of mind. This is hardly conducive to an early return to work. Early return-to-work programs include procedures for immediate reporting and fast medical treatment, regular communications with the employee, regular communications with the employee's physician and limited- or restricted-duty programs.

Regular contact with the injured employee communicates the employer's concern and helps keep the idea of an early return to work in the employee's mind. Similarly, doctors appreciate employers that make regular progress checks and willingly consider the availability of limited or restricted duty in allowing an early return to work.

Employers must not consider it inappropriate to be vocal about early return to work. Such a goal is not only in the company's best economic interest, but the employee's as well. In addition, society benefits by the earliest return of a worker to productivity.

The high tide of back-injury costs can be stemmed through prevention and through aggressive management of those injuries that do occur. Prevention is best achieved through:

• Eliminating, to the degree possible, all lifting, bending, stooping, etc., by job redesign.

• Conducting pre-placement physicals to keep "bad backs" out of material-handling jobs.

• Instructing employees in safe lifting and maintaining a hazards-of-lifting awareness program.

Cost-effective management of back injuries includes:

• Instruction for both employees and supervisors in the need to report all back injuries immediately and to get fast medical attention.

• A system for providing that medical attention.

• A follow-up system designed to encourage an early return to work. ■

Paul B. Stadtherr is a staff training and technical writing consultant at National Loss Control Service Corp., Kemper Corp.'s loss-control and risk management consulting subsidiary in Long Grove, Ill.

Professionalism in safety management stressed

By Robert Wright

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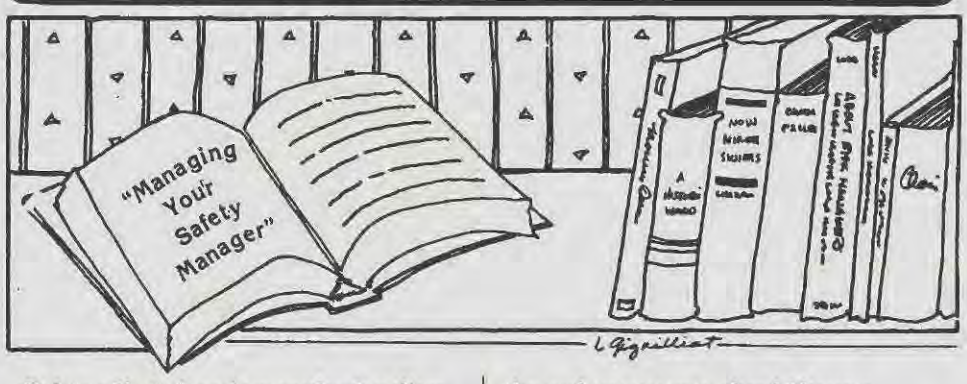

OCCUPATIONAL health and safety activities have become extremely complex in the last decade, requiring a high degree of knowledge in many fields. In his book, Charles Culbertson selects 10 areas under which guidelines are provided for managing safety functions.

Mr. Culbertson is knowledgeable. Not only does he have a good feel for the craft, but his academic qualifications and experience in several large companies enable him to approach the subject in a down-to-earth manner.

In outlining the history of safety management from earliest times, he points out that governmental intervention is so often an overreaction to real problems that impractical technical standards have been set. The pendulum now appears to be swinging toward reality.

Safety efforts based on professionalism rather than emotionalism are essential, yet emotionalism has resulted in a shortage of professionals who are able to manage risks effectively.

A full-time safety manager is justified, he claims, when annual casualty losses reach $1.5 million. An amount equal to the manager's salary would be a reasonable budget provided the incumbent is indeed a manager and that the program is actively supported by top management.

The qualified safety manager candidate the author suggests, should have a Certified Safety Professional or Certified Industrial Hygienist designation, be active in one or more professional societies and have a written action plan compatible with the company style.

Precise performance evaluation can be rather a simple matter, Mr. Culbertson points out, if one uses frequency rates of compensible cases, severity expressed in costs and days lost, comparison with competitors and a cost-effectiveness loss rate. The loss rate would be based on total incurred losses plus the safety budget, divided by total sales. This is an interesting proposal.

He highlights the importance of working relationships, the financial integration of safety and production and the necessity of having a good incident- and cost-reporting system.

In dealing with ethics, Mr. Culbertson supports the claim that professionalism and practicality are compatible.

Some readers may be shocked by his contention that it makes little difference to whom the safety manager reports, provided he is properly supported.

Finally, he says the safety department must be managed as a profit center with regular reports demonstrating how profits have been enhanced by reducing injury, damage and loss incidents.

I recommend the book as a practical guide for safety managers who appreciate a simple approach to managing the safety function. ■

Robert Wright is manager of the loss management department at Gulf Canada Ltd. in Toronto.

Simulation helps train safe pilots

Photo: Paul Bowen
Cockpit simulators give pilots-in-training the feeling of flight without flying or risking corporate aircraft.

By BILL DENSMORE

NEW YORK— Buried in the bowels of LaGuardia Airport is an odd assortment of computers, valves and pipes which appear more suited to a seaport than an airport.

The equipment forms three mock bridges of oil supertankers and cargo ships where helmsmen and captains of ships can come and practice their art.

The simulated bridges are the latest attempt by a small, 31-year-old company to create a market for computer-aided learning.

Better-known than the new subsidiary, called MarineSafety International Inc., is the parent company, FlightSafety International Inc.

It offers training services to pilots who fly corporate-owned jet aircraft, providing periodic training in emergency procedures from the cockpit of a simulator.

The simulator has the instruments of a real cockpit, tips on hydraulic lifts like a real plane and displays computer-generated images outside the cockpit windshield much like a night-flying scene. But it never leaves the ground.

FSI, as the firm is abbreviated, says that by "flying" simulators instead of real airplanes, pilots can undergo the six-month training required by the government without incurring fuel costs or endangering a multimillion dollar corporate jet. The simulators test the pilots' skills by creating a variety of emergency situations in flight—such as engine failures, control-system jams or difficult weather.

Insurers say they are unlikely to insure a corporation's aircraft fleet unless the pilots have been through simulator training or actual emergency-practice flying in the type of craft the company owns.

Faced with the option of wasting fuel and risking their planes and pilots on training flights, corporations increasingly are turning to training like that offered by FSI.

FSI has 53 simulators in 23 locations to serve 1,850 corporate accounts. A corporation pays $9,175 per year for four days of refresher training twice during the year.

At each of the four-day sessions, a pilot will receive at least three four-hour "rides" in the simulator whose cockpit is identical to the one aboard the plane he flys. The balance of the time is spent in classroom instruction or training.

"Training is a major factor in whether we will insure a corporate aircraft program," says John V. Brennan, president of United States Aviation Underwriters of New York, one of the three largest U.S.-based insurers of corporate aircraft. "Today a risk may be acceptable or non-acceptable based upon whether they are having recurrent training (for their pilots)."

Mr. Brennan's company is so supportive of FSI's training that he recently appeared in an FSI trade-publication advertisement. He notes that neither he nor USAU were paid anything in connection with the appearance. United States Aviation Insurance Group, a pool managed by USAU, insures FSI's own aicraft, Mr. Brennan says.

But Mr. Brennan's views apparently are shared by other underwriters, who regard FSI's use of simulators as valuable training for pilots and a factor in rating.

Rating of corporate aircraft risks doesn't specifically include as a factor the training of pilots on simulators, says Richard L. Miller, senior vp in charge of general aviation for Associated Aviation Underwriters, USAIG's principle competitor.

Continued on page 34

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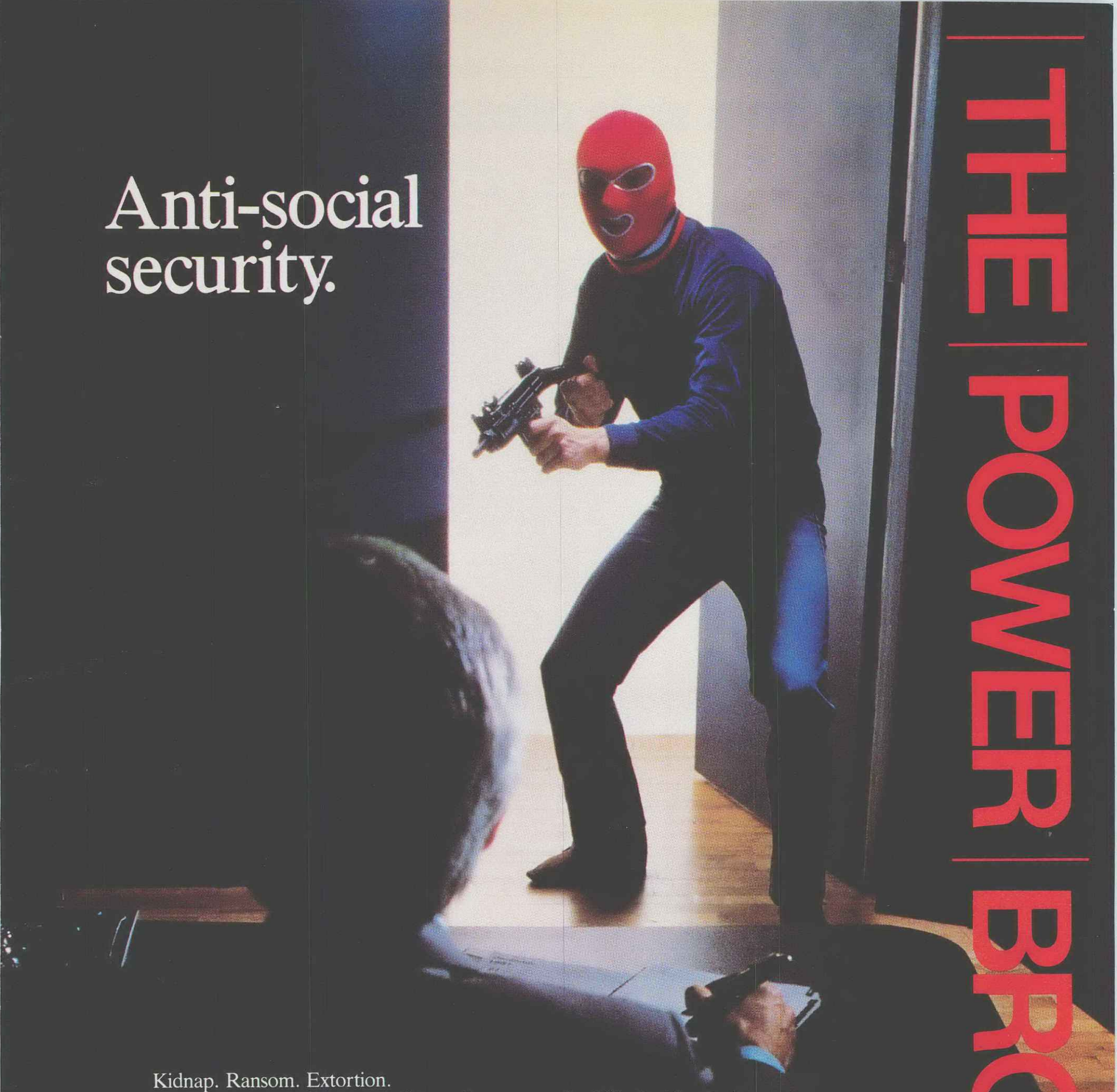

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Spotlight Report

Simulators train safe pilots

Continued on page 34

"Certainly, it is a factor in the rating and we like to see it. It might be a question of whether we would underwrite it at all without refresher training. We are very high on simulators," he adds.

Pilot experience and provisions for periodic refresher training are as important as the type and use of the aircraft in rating, says Ronald J. Civello, an aviation underwriter with Southern Marine & Aviation Underwriters Inc. of New Orleans, which underwrites insurance for some corporate aircraft and for airports, helicopters and commercial charter operations.

If a pilot has successfully completed Federal Aviation Administration-approved training at a school affiliated with the craft's manufacturer rather than through some unaffiliated program, the result can be a 15% to 20% rate reduction, he says.

FSI's designation as the authorized instructor for 15 corporate jet manufacturers worldwide—including all the best-selling models such as Lear and Falcon—is one reason why it is frequently mentioned by underwriters.

But benefits to a user of FlightSafety's services are not necessarily in the form of a reduction in insurance costs, says A.E. Pfaffle, manager of catastrophe insurance for Mobil Corp., which operates a fleet of 40 aircraft and trains pilots with FSI.

Large corporations, such as Mobil, carry such high deductibles on hull and liability coverage that it wouldn't affect the bottom line of insurance cost much, he explained.

"We're not getting the benefits from insurance (rate cuts), but rather from the safety standpoint and avoiding the loss of life," he said. "We have a big aviation department, and they feel this organization provides a good service."

Inexpensive computer power in the 1970s made sophisticated simulation of entire cockpit instrument arrays feasible. Previously, trainers were relatively primitive, giving pilots a sensation of motion and limited instrument readings.

Now the programming of the computer attached to the simulator is as important as hardware of the mock cockpit itself, generating visual images in front of the cockpit from thousands of dots of light or mimicking the most minute reactions to controls moved by a pilot.

Technical data supplied by an aircraft manufacturer enables the fine-tuning of the computer programming to vary reactions of the simulator according to the design characteristics of individual airplane types and models.

For example, after the May 25, 1979, crash of a DC-10 jumbo jet near Chicago's O'Hare International Airport, the airplane's manufacturer, McDonnell Douglas Corp., programmed a computer-run simulator of a DC-10 cockpit with the same set of technical conditions the pilots of the ill-fated American Airlines flight faced after an engine tore from a wing during takeoff.

The result: Most of the pilots who "flew" the simulator after it had been programmed "crashed" just as American's Flight 191 did with the loss of more than 270 lives.

The crash, the simulator tests and two other real-life incidents involving DC-10s resulted earlier this year in a key design change in the DC-10s.

Dozens of small operations offer pilot training in actual aircraft. Two companies—American Airlines Inc. and International Air Service Co. of Napa, Calif.,—each own a few simulators.

Mr. Whitman says FSI has agreements with operators of up to 40% of the nation's privately owned multiengine turbojet or turboprop aircraft for training, but he declines, for competitive reasons, to specify the exact count.

Observers say the percentage among corporate owners is far greater—as many as 1,850 corporate accounts—and includes most of the nation's fleet operators.

FSI's dominance of the market, however, also has resulted in a lawsuit filed by a potential competitor charging antitrust violations.

A subsidiary of the Singer Co., the Stamford, Conn.,-based high-technology and sewing-machine conglomerate, has sued FSI in U.S. District Court in Dallas seeking damages for alleged antitrust violations by FSI.

The subsidiary, SimuFlite Training International Inc., was launched last year to build a training base in Dallas to compete with FSI in 1983.

Until recently, FSI purchased the hardware for its simulators from another Singer unit, the Binghamton, N.Y.,-based Link Simulation Division. Link has been the dominant manufacturer of simulators since after World War II, first as an independent company and then a subsidiary of Singer.

A few years ago, FSI started manufacturing its own simulators and now only buys parts from Link.

Singer, in its suit filed April 26, claims FSI has negotiated agreements with undisclosed airframe manufacturers which illegally forbid the manufacturers to disclose certain technical data which Singer says it needs to program its own simulators and compete with FSI. Singer also accuses FSI of trying to talk manufacturers out of cooperating with SimuFlite.

FSI has filed a counterclaim, accusing Singer of interferring with its contractual relationships and denying the information sought by Singer is essential to its business. It also alleges that Singer filed the suit in retaliation for FSI's decision to manufacturer its own simulators.

No hearing has been set. ■

datebook

JULY 17-19. Corporate Benefits Management conference in Tahoe, Nev., sponsored by the International Foundation of Employee Benefit Plans; members, $470; non-members, $545. IFEBP, 18700 W. Bluemound Road, Box 69, Brookfield, Wis. 53005; 414-786-6700.

JULY 19-21. Planning an EDP Disaster Recovery Program seminar in Montreal, sponsored by Computer Security Institute Educational Resource Center; members, $645; non-members, $695. Patricia Hopper, CSI, Box 528, Matawan, N.J. 07747; 201-566-6622.

JULY 19-22. Insurance Loss Control conference in Itasca, Ill., sponsored by the Alliance of American Insurers, the Insurance Loss Control Assn. and the National Assn. of Mutual Insurance Companies; $120. three or more participants from same company, $110. Loss Control Department, Alliance of American Insurers, 20 N. Wacker Drive, Chicago, Ill. 60606; 312-558-3700.

JULY 22-23. EDP Security Controls seminars in Montreal or Anaheim, Calif., sponsored by the Computer Security Institute's Educational Resource Center; members, $455; non-members, $495. Patricia Hopper, CSI, Box 528, Matawan, N.J. 07747; 201-566-6622.

JULY 22-23. Confined Space Entry workshop in New Orleans, sponsored by Loss Prevention Associates; $285. Loss Prevention Associates, Box 59888, Dallas, Texas 75229; 214-241-0396.

JULY 26-28. Aviation Insurance Assn. annual convention in Atlantic City, N.J., sponsored by the Aviation Insurance Assn.; members, $75; $50 for spouse; non-members, $150, $100 for spouse. AIA, Mercer County Airport, West Trenton, N.J. 08628; 609-883-6760.

JULY 30-31. Product Design Litigation course in New York, sponsored by the Practising Law Institute; $325. PLI, Department YWC, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700.

AUG. 2-3. The Agency System: Who Will Survive? Who Will Thrive? seminar in Philadelphia sponsored by The Hay Group; $445 for first registrant; $395 for additional registrants. Also **Aug. 4-5** in Chicago, **Aug. 9-10** in Dallas and **Aug. 11-12** in Los Angeles. The Hay Group, 229 S. 18th St., Philadelphia, Pa. 19103; 800-523-4620; in Pennsylvania 215-875-2377.

AUG. 2-6. Basic Safety Management seminar in Houston, sponsored by the International Safety Academy; $535. ISA, 10575 Katy Freeway, Box 19600, Houston, Texas 77024; 713-932-9400.

AUG. 9-11. Designing Secure Application Systems seminar in Boston, sponsored by the Computer Security Institute's Educational Resource Center; members, $645; non-members, $695. Patricia Hopper, CSI, Box 528, Matawan, N.J. 07747; 201-566-6622.

AUG. 10. Accident Investigation and Analysis seminar in Los Angeles, sponsored by the International Safety Academy; $150. Also **Aug. 11** in Houston. ISA, 10575 Katy Freeway, Box 19600 Houston, Texas 77024; 713-932-9400.

AUG. 11. Effective Safety Committees seminar in Los Angeles, sponsored by the International Safety Academy; $150. Also **Aug. 12** in Houston ISA, 10575 Katy Freeway, Box 19600, Houston Texas 77024; 713-932-9400.

AUG. 11. Risk Management Information Systems seminar in Kansas City, sponsored by Corporate Systems; $50. Also **Aug. 12** in St. Louis Matt Davis, Corporate Systems, Box 31780 Amarillo, Texas 79120; 806-376-4223.

AUG. 12-13. Securing Communications Systems seminar in Boston, sponsored by the Computer Security Institute's Educational Resource Center; members, $455; non-members, $495. Patricia Hopper, CSI, Box 528, Matawan, N.J. 07747 201-566-6622.

AUG. 16-20. Total Loss Control Management seminar in Houston, sponsored by the International Safety Academy; $570. ISA, 10575 Katy Freeway, Box 19600, Houston, Texas 77024; 713-932-9400.

AUG. 19-20. Confined Space Entry workshop in Phoenix, Ariz., sponsored by Loss Prevention Associates; $285. Also **Aug. 24-25** in Los Angeles. Loss Prevention Associates, Box 59888, Dallas, Texas 75229; 214-241-0396.

AUG. 19-21. Depositions in Corporate Litigation seminar in New York, sponsored by the Practising Law Institute; $425. PLI, Department YWC, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700.

AUG. 25-27. Safety for the Oil Field Industry seminar in Houston, sponsored by the International Safety Academy; $375. ISA, 10575 Katy Freeway, Box 19600, Houston, Texas 77024; 713-932-9400.

AUG. 29-SEPT 1. Corporate Benefit Management conference in Hershey, Pa., sponsored by the International Foundation of Employee Benefit Plans; members, $470; non-members, $545. IFEBP, 18700 W. Bluemound Road, Box 69, Brookfield, Wis. 53005; 414-786-6700.

SEPT. 12-15. International Benefits seminar in St. George's, Bermuda, sponsored by the International Foundation of Employee Benefit Plans; members, $470; non-members, $545. IFEBP, 18700 W. Bluemound Road, Box 69, Brookfield, Wis. 53005; 414-786-6700.

SEPT. 13-17. Basic Safety Management seminar in Houston, sponsored by the International Safety Academy; $535. ISA, 10575 Katy Freeway, Box 19600, Houston, Texas 77024; 713-932-9400.

SEPT. 16-17. Occupational Noise and Hearing Conservation: Compliance with the New Laws course in Los Angeles, sponsored by the University of Southern California; $200. University of Southern California, Institute of Safety & Systems Management, Office of Extension & In-Service Programs, Los Angeles, Calif. 90007; 213-743-6523/24.

SEPT. 16-17. Human Factors Engineering for Controlling Hazards course in Washington, sponsored by the International Institute of Safety & Health; $245. IISH, 5010A Nicholson Lane, Rockville, Md. 20852; 301-984-8969.

SEPT. 16-17. Fifth Annual Aviation Law-Insurance symposium in Orlando, Fla., sponsored by Embry-Riddle Aeronautical University; $250. Professional Programs, E-RAU, Star Route Box 540, Bunnell, Fls. 32010; 904-672-3439.

SEPT. 20-23. Inspector Training seminar in Houston, sponsored by the International Safety Academy; $150. ISA, 10575 Katy Freeway, Box 19600, Houston, Texas 77024; 713-932-9400.

SEPT. 20-24. Total Loss Control Management seminar in Boston, sponsored by the International Safety Academy; $570. International Safety Academy, 10575 Katy Freeway, Box 19600, Houston, Texas 77024; 713-932-9400.

SEPT. 21. Safety/Loss Control: Plan, Design and Evaluation seminar in Seattle, sponsored by the International Safety Academy; $150. ISA, 10575 Katy Freeway, Box 19600, Houston, Texas 77024; 713-932-9400.

SEPT. 23-24. Radiation Protection of the Public in a Nuclear Accident course in Washington, sponsored by the International Institute of Safety & Health; $245. International Institute of Safety, 5010A Nicholson Lane, Rockville, Md., 20852; 301-984-8969.

SEPT. 23-25. Depositions in Corporate Litigation seminar in San Francisco, sponsored by the Practising Law Institute; $425. PLI, Department YWC, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700.

SEPT. 27-29. Loss Control for Risk Management seminar in Houston, sponsored by the International Safety Academy; $375. ISA, 10575 Katy Freeway, Box 19600, Houston, Texas 77024; 713-932-9400.

OCT. 11-15. OSHA Guide to Voluntary Compliance course in Los Angeles offered by the University of Southern California; $500. USC, Institute of Safety and Systems Management, Office of Extension and In-Service Programs, Los Angeles, Cal. 90007; 213-743-6523/6524.

NOV. 1-2. Communicating Employee Benefits conference in Chicago, sponsored by *Business Insurance*; $475; 10% discount for additional participants from same company. Ann Vazquez, *Business Insurance*, 220 E. 42nd St., New York, N.Y. 10017; 212-210-0137. ■

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BC/BS to end involvement in Texas HMO joint venture

markets

Blue Cross & Blue Shield of Texas is ending its involvement in Alamo Health Care Plan, a San Antonio, Texas, health maintenance organization the insurer formed in a joint venture in 1976.

The approximately 11,000 HMO enrollees, however, won't be left out in the cold. Bexar County Medical Foundation, BC/BS's current partner in the Alamo Health Care Plan, is reorganizing the HMO using different but as yet unspecified insurance markets.

BC/BS, whose withdrawl becomes effective Jan. 1, will also offer other coverages to the enrollees, who are mostly employees of school districts and the federal government.

Blue Cross & Blue Shield has lost about $500,000 a year on the plan, a total of about $3 million, contends President John D. Melton. The HMO has been stagnant for years, he says, and "we had to decide to withdraw or make it grow." The economics of the venture led the decision to pull out of plan, he adds.

Alamo Health Care Plan's major problem is its loose organization that doesn't allow the HMO's administration to force member physicians to control costs, Mr. Melton says.

As an independent practice association, the plan managers have a more difficult time policing its 600 member physicians than do managers of other plans with far fewer doctors.

"The doctors (at Alamo) have no incentive to hold costs down," Mr. Melton says. They physicians are currently paid on a fee-for-service basis, so the more they see patients, the more they get paid.

That lack of control shows up most in hospital costs. Blue Cross, which insures the hospital costs, has suffered most of the losses, while Bexar County, which covers physicians' fees, has actually made a profit in several quarters, according to Mr. Melton.

There has also never been a system for controlling hospital admissions at Alamo, Mr. Melton notes. Many HMOs require admitting physicians to submit patient information to the plan's medical director to certify that the patient really needs to be hospitalized.

Without that control, the number of days spent in hospitals can skyrocket. Alamo Health Care Plan's annual hospital days per 1,000 members approaches 900, according to Mr. Melton, significantly above the national average for independent practice associatons of 529 days per year per 1,000 members.

Member physicians of the reorganized plan will have several incentives to hold down costs, according to Don Williams, executive director of Bexar County Medical Foundation.

One incentive is a direct financial link to the HMO. Member physicians will invest their own money in the reorganized plan to get it off the ground, Mr. Williams explains. Details of that plan haven't been worked out but "most (member physicians) are anxious to reorganize Alamo," he says.

Payment structure for the doctors under the new plan may also provide an incentive to keep costs down. Alamo is looking at paying physicians on a capitation rather than a fee-for-service basis, meaning that doctors would receive a fixed amount of money at the beginning of each month for the number of HMO enrollees on their rolls rather than the number of times they see those patients.

Along with incentives, the reorganized plan is looking toward other cost-saving measures, Mr. Williams notes, including requiring physicians to get approval from a plan medical director before admitting patients to the hospital.

Stock purchase

The St. Paul Cos. Inc has purchased 14.9% of Minet Holdings Ltd., a Lloyd's of London broker. The purchase has an investment value of about $30 million.

"This investment complements that portion of The St. Paul's strategy which calls for the company to increase its presence in the international insurance market," said Robert J. Haugh, executive vp of insurance operations.

A U.S. broker, Corroon & Black Corp., holds a 20% stake in Minet.

Acquisitions

American International Group Inc. has agreed to purchase **Audubon Insurance Co.** from Commercial Securities Co. Inc. Audubon, based in Baton Rouge, La., is a multiline commercial and personal lines insurer. ■

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CEBS

Society holds first meeting

ST. CHARLES, Ill.—Thirty-two benefits professionals who have earned the Certified Employee Benefit Specialists designation met June 27 to 30 for the first symposium of the International Society of CEBS.

Of the 414 people who hold the CEBS designation, 212 belong to the society that was founded last September. They are a diversified and multidisciplined group.

Of those attending the meeting, 10 worked for actuarial or benefit consulting firms, 10 were from the insurance industry, four were from corporations, four were from banks and four were plan trustees.

The topics discussed in lectures and workshops at the symposium also reflected the diversification of the group. They included flexible benefits, investment trends, retirement preparation programs health care cost containment and recent legal and legislative activity.

"This is the first time, the first opportunity for these people to get together," says Nel Daniels, director of educational and CEBS programs for the International Foundation of Employee Benefit Plans, the program's sponsor. Both the International Society of CEBS and the foundation are not-for-profit, educational associations.

The CEBS program is composed of a series of 10 college-level employee benefit-related courses offered by the foundation and the University of Pennsylvania's Wharton School. A goal of ISCEBS, announced last month, is the development of a fellowship program for those who have already earned the CEBS standing.

Some of those attending the symposium balked at the prospect of additional courses, but those on the CEBS governing council stressed the need to develop a continued educational program to keep up-to-date on issues.

Others said they would have welcomed the opportunity to make suggestions for the plans of the society.

The development of local chapters was on a list of projects to be underway within a year.

Society President Walter Mailand and other program officials recapped the quick growth of the CEBS program and the necessity to act immediately.

There are 11,000 people currently registered in CEBS courses, Mr. Mailand said. The first class was offered five years ago, and the first group of students completed the 10-course series and earned the CEBS designation in 1980.

Mr. Mailand acknowledged the need for more communication and expressed the hope that the symposium will serve as a word-of-mouth tool. A society newsletter, only two issues old, is another communications vehicle the group will use to get input from its members.

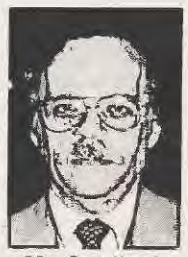
Additional information about the CEBS program is available from the International Society of CEBS, 18700 W. Bluemound Road, Box 209, Brookfield, Wis. 53005.

Cut health care costs 6%-12% through administration: Exec

By CAROL CAIN

ST. CHARLES, Ill.—Hospital audits, coordination of benefits and internal reviews often are discussed as administrative devices for health care cost containment, but few companies use them as vigorously as they should, a benefit plan administrator says.

"Does anyone care?" asks Robert J. Cardinal, president and chief operating officer of Mass Insurance Consultants & Administrators Inc. in Chicago, a third-party administration firm.



Mr. Cardinal

"These are things we should be doing now in our administration of health care plans. There's a good 6% to 12% savings in administration," he told members of the International Society of Certified Employee Benefit Specialists last month.

Before attempting to contain its health care costs through administration controls, a company should determine the philosophy of the plan, Mr. Cardinal says.

"Plans are not necessarily designed to keep costs down," Mr. Cardinal says, pointing to the difference between premium-sharing and cost-sharing plan.

"Premium sharing works against cost sharing. Premium sharing may reduce a corporate cost, but not necessarily health care cost.

"If you want to reduce health care cost, shift from a zero-base coverage to $100 deductible plans," he said.

In administration, hospital audits are one way to control costs.

"You take the medical, nurses' and pharmaceutical records and check that against the bill," Mr. Cardinal says. "But you've got to be fair—you may owe the hospital.

"We never audit premature births, you usually wind up owing money," he notes.

The first things to look for when undertaking a hospital audit, according to Mr. Cardinal, are bills totaling more than $10,000 or those with ancillary charges that make up more than 50% of the total charge.

Auditors should also make a check when therapy for a patient is ordered more than twice a day and when blood charges are made without offsetting blood credit.

"Does it look right?" asked Mr. Cardinal, describing the questions auditors should ask. "(At) certain hospitals in Chicago, you can make a career out of auditing."

He says that scrutinizing hospital procedures pays off. There's an average saving of $3 to $4 for every dollar spent on the audit, although in some instances as much as $8 can be saved for every dollar paid out, he says.

Employers also can review hospital charges against established reasonable and customary charges.

However, "You can't use utilization reviews unless you have standards. Our key in this area is to have a medical director (work on the review). A doctor can get on the phone with a doctor and talk turkey with him," Mr. Cardinal says.

One of the participants at the symposium, who formerly worked in a hospital, questioned how an administrator can get access to some records that are covered by privacy laws.

"We tell them we aren't going to pay until the auditor goes in .... We have never gotten rejected," Mr. Cardinal said.

"Hospitals don't want the bad publicity," said Richard P. Day, group vp at Bankers Life Insurance Co. of Nebraska.

Although Medicare has conducted reviews of this type for years, corporations are now starting similar programs, he said. Caterpillar Tractor Co., a multinational corporation that manufactures earth-moving and industrial equipment, machinery and supplies, is one.

Caterpillar's health plan is underwritten by Metropolitan Life Insurance Co., but Caterpillar administers claims for its almost 86,000 employees itself.

At the beginning of this month, three Caterpillar plants in Illinois —Aurora, Springfield and Rockford—joined the rest of the company's plants in the state in using a hospital utilization review program.

"We feel it's necessary in our cost-containment effort," says a Caterpillar spokesman.

The program, which was started four years ago in the Peoria plant, uses medical foundations and professional review groups to track a patient's hospital stay from admittance, determining the necessity of the confinement and the length of stay.

If, in the opinion of the review personnel, the stay or its length is not warranted, Caterpillar tells the patient, doctor and hospital that its health plan will not pay charges incurred, a spokesman says.

In hospitals that do not allow a review to take place while the patient is hospitalized, the review is undertaken after release by examining records, the Caterpillar spokesman says.

"Professionals, a body of doctors, study the records," the spokesman says. If the records indicate an unnecessary or too long a stay, Caterpillar declines payment, notifying the patient of this decision. If the issue goes to court, Caterpillar will defend the employee (or dependent) as well as itself.

Several suits are pending to test the program, the spokesman says. At issue is whether the company owes payment, not whether it had a right to review the records and charges.

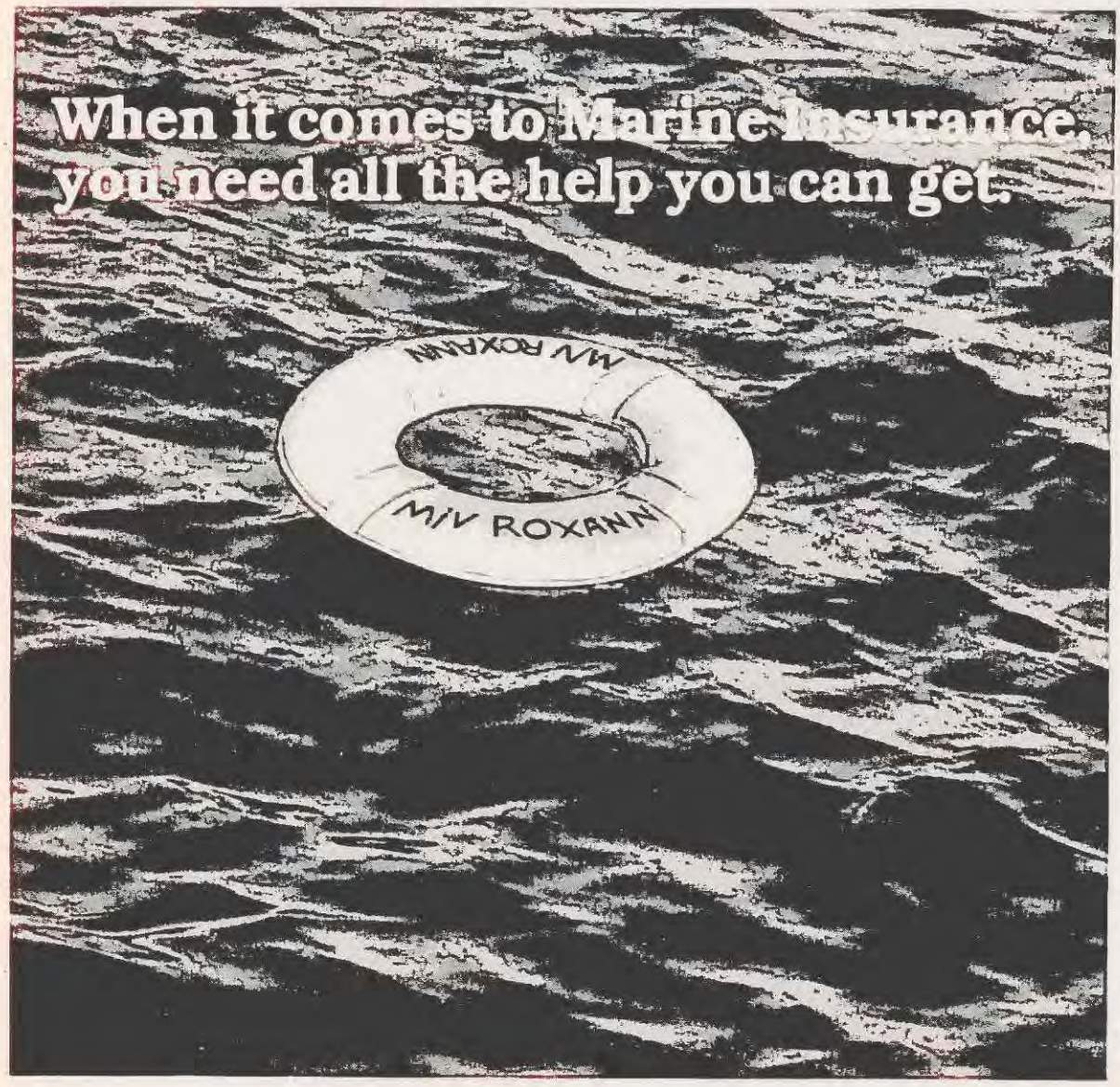
Another area often overlooked as an avenue to save costs is coordination of benefits. "Insist on use of claims forms, at least once a year," Mr. Cardinal says. "Failure to check for COB is the highest error."

He recommends an aggressive review of information on claims. "Check it out," he says, especially when there's a copy, rather than the original bill.

Eligibility is another area of review that is often neglected. "These are far and away some of the most expensive errors," Mr. Cardinal says. Courts have held that a precedent is established when a person is led to believe there is coverage if an initial claim is paid and then non-eligibility is discovered.

Internal audits are another way to track what's being done in the area of cost containment, "not to police, but to educate," Mr. Cardinal says. "Ten percent of our examiners' output is reviewed by the supervisor every day."

Some companies balk at the personnel costs of such investigations, but Mr. Cardinal advises: "Don't get trapped when you look at administrative cost. Look at what you're getting back for it. Cost containment has to get down to day-to-day administration." ■



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Don't fear computers, benefit consultant says

ST. CHARLES, Ill.—Many benefit managers would rather push the panic button than the power switch when confronted by a computer.

Mr. Herold

Benefit managers, however, should recognize the computer for what it really is—"a very fast clerk," says John E. Herold, assistant vp of Software Systems Benefacts Inc., a subsidiary of Alexander & Alexander Services Inc. in Townson, Md.

Fear and anger toward computers are expressed by people in all fields, not just benefits, Mr. Herold told members of the International Society of Certified Employee Benefits Specialists.

"Are you the user or the used with DP (data processing) people?" he asked. "Data processors should not be policy people. They are a service resource."

Mr. Herold offered several reasons why data processors and benefit managers often are at odds. "Personnel and benefit files are the stepchild of any data processing operation," he said. "They are never complete, never up-to-date and never correct."

Talking the same language offers perhaps the greatest potential for harmonious communication between benefit and data processing departments, Mr. Herold said.

"To become a user instead of a used, decide what you want (the system) to do in human, objective terms. How is it done now and, if possible, how would you like it done in the future? Define the data elements needed to do all the possible derivations, and explain how you want the information back: what level of detail, sequence and summary."

Basic data processing courses are offered through junior colleges, and Mr. Herold suggested that benefit personnel enroll "to get familiar with the buzzwords.

"By 1995, I project that all of the grief and agony you have wth system analysts and DP people will probably be solved. You will be able to take in what you write in standard English," Mr. Herold said. Programmers will be replaced with direct language translators, he predicted.

Until that time, Mr. Herold said, people who design programs should use simple terms to express what operations are to be performed now and what will be needed in the future.

"It's almost like writing a manaual for a manual function. Remember, (a computer) is a super clerk."

Mr. Herold again recommended communication as one of the key bits of input when shopping for equipment. He further proposed involving secretaries in decisions on selection of a word processor. "They have to use it," he noted.

Also, benefit managers must remember that packaged software for benefit processing is non-existent, according to Mr. Herold. Some custom work always is required.

Potential buyers not only should check vendors' references, but also contact companies that have already bought the software for their reaction. "How do you know (if it's good) before you install it? Primarily by reputation and gut reactions," Mr. Herold said.

He warned against buying two different systems because the required interface can become larger than both of the separate systems together. "If you already have one (system), it might be best to buy (from) the same (manufacturer)."

Rather than initially going to a consultant for advice on which system to buy, Mr. Herold suggested that employers define what they need and then request bids from computer companies. "Then if you're still confused, go to a consultant," he said.

Also, an employer should try to enter as much data as possible when the system is purchased, rather than trying to alter it at a later time.

Security of the data stored in a computer is a concern for almost all companies, Mr. Herold said. "Your best security device is a well-paid, satisfied data processing staff," he said. ■

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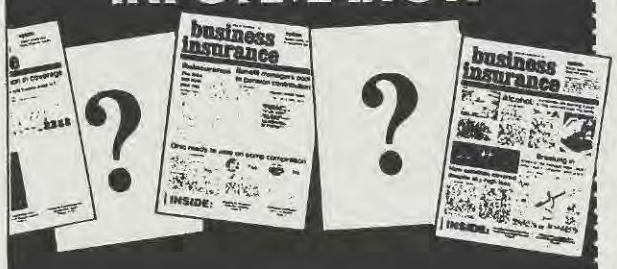

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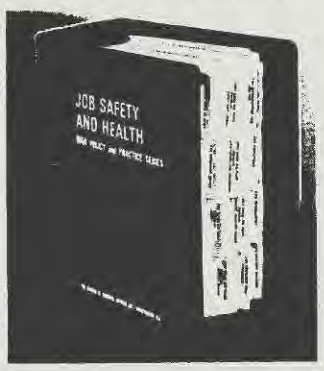

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Pension education a must for workers, consultant says

ST. CHARLES, Ill.—Business and government, often on opposite sides of the street, are standing on the same corner these days on the issue of providing for Americans' retirements.

Mr. Jud

"We promised more than we can deliver," Robert A. Jud, assistant vp and a consultant with William M. Mercer Inc. in New York, said last month at the first symposium held by the International Society of Certified Employee Benefit Specialists.

It wasn't very long ago that an American could retire and live comfortably on a company pension and Social Security benefits, Mr. Jud says.

Now the Social Security system faces a shortage of money in the immediate future, and it will be worse if trends continue. "The Social Security taxes (needed) to pay the bill will take half of the GNP," Mr. Jud says.

"What we're saying is that all of us will have to become active third partners" in planning and providing for retirement years, he says.

Involving employees in saving for retirement in pension and profit-sharing programs is not enough, he suggested. "You must also provide them with retirement education."

The cost of most retirement education programs is about 1% of the annual contribution to the pension funds, he says. "Why not (pay it), to see that the other 99% is spent well?"

An ideal retirement education program will give data and basic information through lectures and recommended readings. A series of exercises helps future retirees take stock of themselves to set goals.

"But you can't *do* a goal," Mr. Jud says. An education program will help the employee develop and become committed to an action plan. If health and fitness are important, an employee must ask what he or she is doing now toward achieving that goal, Mr. Jud says.

Providing other resources, like bibliographies and information on how to find experts, usually is another phase of such a program.

Waiting to begin this education until a person is about to retire is usually too late. "And there's no way, at age 50, that you can deal with all that," Mr. Jud says. But middle age is an ideal time to begin a structured education process.

The issues that face retirees are divided into three areas: money, life and head (emotions), according to Mr. Jud. A retirement education program for any age group usually deals with all three areas, but the emphasis shifts, he says.

Money issues dominate programs for persons 50 to 56 years old, whereas "head" issues usually dominate programs for persons 62 years and older, Mr. Jud says.

The initial phase of a retirement education program is tricky, he continues. If done insensitively, it could leave employees (usually those around age 50) with the suspicion they are being forced to retire, rather than with the assurance that older people are valued and treasured by the company.

There are other points to consider when designing a program. Rather than handing someone a book on retirement, sponsoring a workshop provides the information on a more personal level and also offers a support group. "People discover their problems are not unique," Mr. Jud says.

Spouses typically are invited to workshops. "They tend to keep the thing honest," Mr. Jud says. He adds that the actual retirement is going to be a period of adjustment —or more accurately, a period of negotiation—for the married couple, which is a valid reason to include the husband or wife.

If possible, Mr. Jud believes workshops should be held separately for rank-and-file employees, managerial and professional workers and executives. Without such separation, employees may feel uncomfortable and the educational process may be slowed or stymied.

In addition to the workshops, employers can tell employees about courses and programs offered through high schools, junior colleges and such organizations as the YMCA and YWCA.

Knowing how to deal with retirement is not a natural part of aging. "It's not in your genes," Mr. Jud says, stressing the necessity for structured education programs. ■

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Weber to lead comp reinsurer

ST. PAUL, Minn.—The board of the Minnesota Workers Compensation Reinsurance Assn. has elected Howard T. Weber, director of insurance at Minnesota Mining & Manufacturing Co., to serve as chairman and chief executive officer.

The group was created by the state Legislature as a independent reinsurer to serve workers compensation insurers and self-insurers in the state. ■

Flexibility solves benefit problems: Consultant

By CAROL CAIN

ST. CHARLES, Ill.—"A uniform employee benefits program is not going to satisfy the needs of most people," management expert Peter F. Drucker wrote in his book "Managing in Turbulent Times."

Thomas E. Wood, a partner with benefit consultant Hewitt Associates in Lincolnshire, Ill., echoed that thought last month to members of the International Society of Certified Employee Benefit Specialists and provided a solution to the problem: flexible benefits.

"Classically, a flexible program could do anything," Mr. Wood said. Most programs allow employees to choose the benefits they want within certain parameters. One company even gave its employees cash and told them to buy their own benefits, he said.

"The workforce that's emerged is significantly different than the one 20 years ago that the (benefit) programs were written for. Benefits are responses, not causes."

The workforce of the 1950s and 1960s was "married," he pointed out. Now, only 15% of the working population is male with wives at home taking care of children, and the remainder of the workforce needs benefits that are tailored to individual situations and needs.

The interest in flexible compensation pakages has been heightened not only by changes in demographics and revisions of tax rules, Mr. Wood explained, but also by the desire of employers to contain soaring benefit costs (*BI*, June 7).

An employer with a traditional benefits package trying to contain benefit costs might freeze any new benefits, take away or cut back existing coverages or ask employees for contributions, Mr. Wood said.

A flexibile plan to cut rising costs, however, allows an employee to select the coverage while the employer maintains a cost-containment strategy.

"The emphasis has been on trying to do everything for everybody," Mr. Wood said. "Using flexible benefits, the employer can determine the exact amount to be spent on benefits, but let the employee determine how he or she wants to spend that amount.

"You ask people to put their hand on their money and you get a whole new appreciation—no, a whole new understanding."

It may be more difficult to administer a flexible benefits program, but there are potential savings, Mr. Wood stressed. "You're not going to cut costs immediately, but it's what you're not going to do (spend) in the future," he said.

"We're finding out that employees like choice," Mr. Wood noted, but he warned to "keep it orderly. You're not going to sell them anything. You've got to lay it out and let them chew on it for a long time.

Pre-testing to determine the wants and needs of the employees is often a first step toward forming a flexible plan. "It's part of the communication and it gets people used to the concept of choice-making."

One example of pre-testing, Mr. Wood explained, is to pick a stratified random group of 15 to 25 employees and spend a half-day telling them what the company hopes to accomplish and explaining the process of making choices.

An exercise to help employees become familiar with making choices uses an options form from an automobile dealership, he noted. "You cannot imagine the diversity of people designing a 1982 Impala," Mr. Wood said.

At the end of this first meeting, employees may be given a workbook that shows a number of flexible credits or dollars and a practice sheet. "Send them home to work on it," Mr. Wood said.

In one case, he said, two medical plans were to be offered to a workforce: one for the employee only, the other for a family.

After pre-testing, the company found out it had a large population of single parents, so the plans were altered to add a program for the employee with a single dependent.■

Pension bill facing fight

ST. CHARLES, Ill.—The conditions are right, but the bill may be wrong, says an attorney about proposed federal legislation to cap pension benefits.

The upcoming congressional elections and rising budget deficits provide a setting that ordinarily would nurture the passage of tax reforms such as those contained in the pending Pension Equity Tax Act, says James D. Hutchinson of Washington, D.C., (*BI*, June 14).

But recent Republican interest in the Democrats' bill leads Mr. Hutchinson to believe that H.R. 6410 will not pass easily.

"Ten days ago, I thought it would find its way through the legal process, but I am less concerned today because of the keyed interested by Republicans," Mr. Hutchinson told a symposium sponsored by the International Society of Certified Employee Benefit Specialists.

Mr. Hutchinson

Mr. Hutchinson, a partner with the law firm of Steptoe & Johnson, previously served as administrator for Pension and Welfare Benefit Programs Office for the U.S. Department of Labor.

The Pension Equity Tax Act, among other things, limit employer contributions to pension plans.

Although doctors and lawyers who incorporate their practices have been cited as the targets of the legislation, employees also would be affected by the caps on pension contributions, he said.

"I don't think the ramifications have been analyzed," he said. Now, legislators are making the effort to figure out the meaning of the bill *before* it is adopted.

Already one benefits law was passed apparently without in depth analysis, he said, referring to the Multiemployer Pension Plan Amendments Act of 1980.

That law put "significant new economic responsibilities" on many companies that didn't realize the act would affect them, he said. Essentially, companies pulling out of multiemployer pension plans can be charged with a portion of the plan's unfunded vested liabilities far exceeding the withdrawing company's participation in the plan (*BI*, July 20, 1981).

Now, almost two years after the law was approved, withdrawl liability bills have driven employers to court. About 100 separate cases are pending in federal courts around the country, he said. ■

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B

International seminar

High-tech risks require more capacity: Broker

By BILL DENSMORE

TORONTO—Despite plenty of competition among insurers for run-of-the-mill commercial insurance risks, there isn't enough financial capacity in the world insurance market to provide all the protection required for high-technology risks, the deputy chairman of a large Lloyd's broker says.

"It is fallacious that there is too much capacity about," David V. Palmer, chief executive and deputy chairman of Willis Faber Ltd., told participants in the 18th annual International Insurance Seminar in Toronto recently.

The insurance industry is in a state of "confusion if not chaos," Mr. Palmer said in his talk on the international brokerage scene. He says he believes in the "big-bang" theory of the insurance marketplace: that a major catastrophe or economic upheaval will inevitably result in the failure of insurers, with only the fittest surviving.

F.M. Ibrahim, chairman of the government-owned Misr Insurance Co. of Egypt, spoke of even more dire consequences in his speech following Mr. Palmer. He said that unpaid claims, regardless of whether brokers or insurers are to blame, "may lead to complete failure of the industry on the international level.

"Reinsurance, in the international markets, has become a way of getting the business rather than spreading the risk," he warned.

Mr. Palmer described what he terms the four fallacies and four truisms of the current market for international commercial risks.

The first fallacy, he said, is that "for the special needs of the 1980s, there is enough capacity."

"There is just not enough capacity to cover consequential loss on an offshore oil rig. . .(and) there isn't an airline in the world that wouldn't like another $500 million in excess liability cover."

Airlines customarily carry between $250 million and $750 million in combined hull and liability insurance.

A second fallacy, explained Mr. Palmer, is that brokers are responsible for driving down insurance rates and hence are to blame for underwriting losses.

It is the underwriter's decision to subscribe to or reject a particular risk, he said. "The man who makes the results is the man who has the underwriting pen."

A third fallacy is that so-called "cash-flow underwriting" necessarily dooms the insurance industry, Mr. Palmer said. Because of double-digit interest rates, the underwriting environment has changed, he explained, and some consideration of "cash flow" can't be ignored.

The final fallacy, Mr. Palmer said, is that an insurer that retains a small portion of every available risk, whatever the premium, will remain financially sound by such spreading of risk.

"I think the corollary to that," Mr. Palmer said to chuckles in the audience, "is you can lose a small amount on every offering and still make a profit on the volume."

Mr. Palmer's four truisms are:

- The insurance industry is becoming more global.
- The various disciplines that make up the industry—brokerage, underwriting and reinsurance—are becoming intertwined within corporate conglomerates.
- Insurance is a commodity, like grain, and must be priced according to supply-and-demand principles.
- Insurance is harder to price than other commodities because the costs of production—like claims—are incurred years after the product is sold.

Mr. Palmer didn't appear entirely pleased with all aspects of these truisms.

"It's mind-boggling to write a doctor's liability policy today when you may pay a claim 20 years from now when a baby reaches majority," Mr. Palmer said.

And he warns that nationalistic pressures in Third World countries are spawning government-owned insurers that do little more than act as reinsurance brokers "more reliant upon ceding commissions than underwriting skills."

Other new markets for placing corporate risks have developed outside of London and the United States, for other reasons. Mr. Palmer mentioned Brussels, Belgium; Hong Kong; Singapore; and Bermuda, the home of offshore captive insurers.

Captive insurance subsidiaries, insurers owned by non-insurance parent companies, grew explosively during the last decade partly because the insurance industry moved too slowly to respond to needs of major clients. "There was too much rigidity of tariffs, a failure to recognize the fiscal possibilities and neglect of the financial impact of rising interest rates," Mr. Palmer said.

In the "labyrinth that is today's market," says Mr. Palmer, a risk manager or insurance buyer has a range of options that didn't exist five or 10 years ago. The company can assume some of the risk itself through captives, large deductibles or self-insurance. It can arrange with a broker to have large risks layered to broaden the perils covered and make it more attractive to insurers.

Finding facultative reinsurance to back up primary coverage of a commercial risk has become almost a part of the broker's job, says Mr. Palmer.

"When marketing a major program, whether it involves captives, deductibles, packaging or layering, the planning of supporting reinsurance or retrocession predominantly on a facultative basis is a vital ingredient that very frequently precedes the negotiations of the original placement," Mr. Palmer said in a paper accompanying his speech. ■

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Boundaries still affect Canadian operations

TORONTO—Canadian insurance regulators are thinking about making it more difficult to enter the insurance business, tightening control on reinsurance, increasing solvency margins and possibly proposing a Canadian insurance guaranty fund.

Recent insolvencies of Canadian insurers and underwriting losses concern authorities, said Robert M. Hammond, Canada's insurance superintendent, in a speech to the 18th annual International Insurance Seminar June 27-30.

That wasn't the kind of news the 425 registrants from 41 countries around the world wanted to hear. The senior insurance industry executives, brokers, academicians and consultants were there to discuss the twin themes of inflation and the fading influence of international boundaries on the insurance business.

In Canada, they learned, it may not be fading.

Of the $5 billion in premium income earned by Canadian-registered insurers during 1981, only 25% of that went to Candian-controlled companies, Mr. Hammond said. Although many of the companies may be incorporated in Canada, they are subsidiaries of U.S. or British parents.

The Canadian government does require, however, that insurers maintain enough assets in the country to cover their Canadian liabilities. Thus, a Canadian insurer must establish surplus and reserves to cover Canadian risks that it insures, a restriction that several participants argue is a barrier to trade.

Mr. Hammond said the record of the property/casualty business in Canada has been good, although three insurers have encountered problems recently because reinsurers failed to make good on claims by the companies.

He also said Canadian insurers are finding their surplus levels lowered by a decline in the market value of their securities and recorded underwriting losses of more than $800 million in 1981.

"Companies have been implementing substantial premium increases since mid-1981 in order to correct the situation and these should, in due course, lead to an improvement in the financial strength of the industry."

Most of the registrants at the three-day seminar, billed as a chance for academicians and insurance executives worldwide to exchange ideas in small-group settings, were from the United States, Canada and Great Britain. There also were sizable delegations from most of the other industrialized nations of the world and contingents from less-developed nations.

"I look at this as a chance for people to get together and benefit from each other's experience without having to try and do any deals," a British reinsurance broker said.

The seminar is organized annually by John S. Bickley, a professor of insurance at the University of Alabama.

Mr. Bickley and other organizers tout their conference as different from others because after general theme-setting sessions, participants are split up into dozens of small groups of 15 to 20 people. The groups meet at least two hours each day to discuss a series of questions rather than listen to lectures. ■

Inflation ranks as No. 1 worry, speakers say

TORONTO—The No. 1 international problem facing the insurance industry is inflation, participants at the 18th International Insurance Seminar were told.

The double-digit inflation experienced by most industrialized countries reduces the value of an insurer's existing assets while at the same time escalating the value of the claims it will ultimately have to pay.

Both effects force insurers to build up surpluses at a time when technical underwriting profits are slim and new business is hard to obtain.

The message for buyers of commercial insurance: Be more aware than ever of the financial position of your insurers.

"It is hard to imagine an enterprise that is more severly impacted by inflation than an insurance company," says Edward E. Matthews, executive vp of finance at American International Group Inc. "The expenses incurred by an insurance company up to the time the product is sold are but a small fraction of the total that a company will incur. The claims costs will be incurred at some time in the future."

Inflation, said Mr. Matthews, heightens the uncertainties in the insurance business by making it all-but-impossible to estimate the value of ultimate net losses and expenses.

As prices rise, so do interest rates in bond markets, spelling both danger and opportunity for insurer portfolio managers, he added.

"A bond with an interest rate well below market interest rates has a market value well below its amortized or carrying value," said Mr. Matthews. "Thus, insurance companies cannot realize the benefits of today's interest rates without selling their low coupon bonds at substantial losses that will erode their capital."

For example, Mr. Matthews estimated that if U.S. insurers were forced by mounting claims to liquidate their bond portfolios—an event that most industry officials consider improbable—the realized losses would reduce the industry's statutory capital from $53.8 billion to $16.5 billion.

"Realization of losses of this magnitude would place the industry in an extended position to carry today's business, much less tomorrow's business," said Mr. Matthews.

For the insurance industry to survive, techniques must be developed to make it easier to accurately forecast the probable future cost of claims, said a second speaker.

In many developing countries, governments tend "to assume the responsibility of controlling the price of insurance so as to protect the unsophisticated consumers and to check inflation," said Joseph O. Irukwu, managing director of the Nigeria Reinsurance Corp. in Lagos, Nigeria. As rates lag behind inflation, "the long-term effect is a general weakening of the financial stability of insurance companies."

Insurance executives agree "that current economic forecasts indicate that it will be a long time before the efforts of the government and the private sector can bring inflation under better control, said a third speaker, William E. Kingsley, executive vp of the American Council of Life Insurers.

"With group pensions," he added, "the crucial issue will be how to protect the real value of retirement payments if inflation continues. If the business does not come up with answers, pressure is sure to develop for the government to offer a funding mechanism." ■

Budget cuts hurt regulation: Insurer

TORONTO—State insurance departments, ravaged by budget cuts, may be reaching the point where they will fail to detect impending insurer bankruptcies, an industry spokesman warns.

William E. Kingsley, executive vp of the American Council of Life Insurers, says state budget cuts are worrying insurance executives, who wonder what would take the place of state regulation should it fail. Mr. Kingsley spoke at the 18th annual International Insurance Seminar in Toronto last month.

"Insurance department budgets will suffer as state deficits mount," said Mr. Kingsley. "Relaxation of insurance laws has implications for the potential of company insolvency."

Mr. Kingsley reported on the attitudes of insurance executives at a recent seminar sponsored by the ACLI. "Seminar participants. . .expect state regulation to take a battering in the next several years," he said.

Structurally, Mr. Kingsley said, many insurance departments are inadequately staffed to respond to fundamental changes in the market, like one-stop selling of insurance and financial services, investment-oriented insurance contracts and the acquisition of insurers by conglomerates.

On another issue, Mr. Kingsley and an executive from a Nigerian reinsurance company clashed indirectly over the insurance ramifications of the recently defeated Equal Rights Amendment.

"The National Organization for Women is claiming in a series of national advertisements," Mr. Kingsley told the gathering of about 425 insurance executives, "that the insurance business, among other industries, is responsible for the demise of the ERA.

"We deny that assertion and we say that the industry supports the ERA or takes no position on it, but doesn't oppose it."

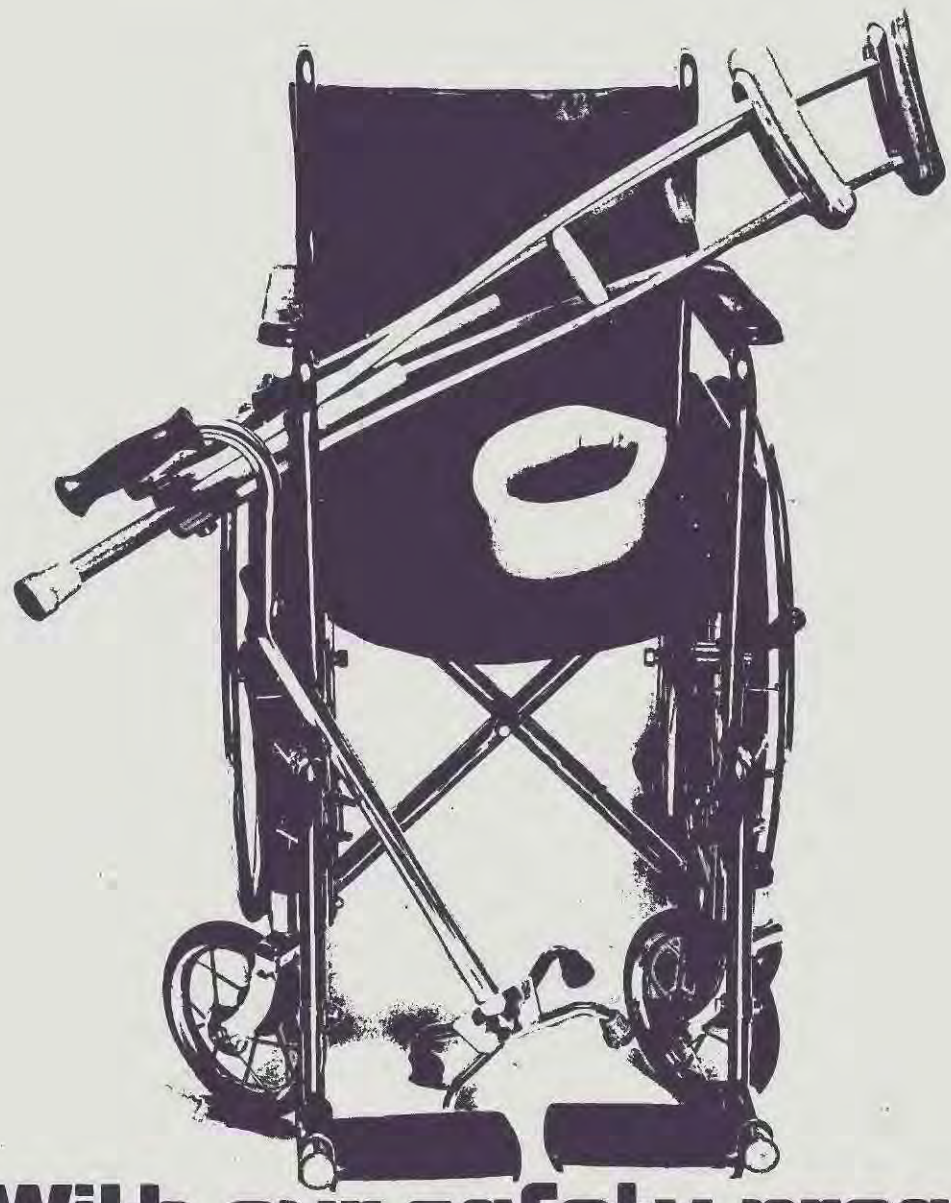
However, Mr. Kingsley said his association opposes legislation in Congress that would force insurers to abandon sex differention in rating insurance like auto, life and health coverages. Such differentiation is already forbidden under a U.S. Supreme Court interpretation of the 1964 Civil Rights Act.

Mr. Kingsley notes that mortality records clearly show women live longer than men. That means a woman has more years to pay premiums on a life insurance policy than a man of similar age. As a result, some argue, women's premiums should be lower than men's.

"This would mean an increase in the cost of life insurance for women, notwithstanding some reduction in the cost for men," says Mr. Kingsley, because premiums that now give women credit for their longevity would have to be averaged to a higher level in order to take into account the earlier deaths of their male counterparts.

However, Joseph O. Irukwu, managing director of the Nigeria Reinsurance Corp, said that "life premium rates for men and women in most developing countries do not vary. In that respect, I think we are slightly ahead of the Americans."

Women would be the beneficiaries if sex differentiation were eliminated in the rating of annuities, Mr. Irukwu said. Women now pay higher rates than men for annuities because they live longer. ■



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Risk assessments, writing earn award for West German

TORONTO—Klaus Gerathewohl graduated from law school in 1956, went into the insurance business and now spends a good deal of his time coordinating engineers.

"It's more interesting than the law," he says. "It involves all the issues in life and it's challenging selling a product that is intangible."

For his efforts to make insurers aware of technological risks, and for writing a basic reference source on reinsurance, Mr. Gerathewohl was named as the 12th recipient of the Founders' Award for Excellence from the non-profit International Insurance Seminars Inc.

The award, announced at the recent IIS-organized seminar, is intended to reward a singularly creative or innovative contribution to worldwide insurance thought, practice or education.

Mr. Gerathewohl is a member of the board of management of Munich Reinsurance Co. of Munich, West Germany. He is one of three deputies to the chairman and is responsible for Munich Re's international operations and its research, risk assessment and loss control.

"Please don't boast too much on my behalf," a reticent Mr Gerathewohl told *Business Insurance*.

Mr. Gerathewohl, 53, was commended for recognizing that reinsurers must develop in-house technical expertise in order to intelligently underwrite complex state-of-the-art risks involving such things as petrochemical plants, oil rigs, space vehicles, computer installations and nuclear power generating stations.

"I have installed a department now with about 110 engineers," says Mr. Gerathewohl. "We have developed, by far, the largest facility for evaluating technical risks (of any reinsurer)." The department also includes meteorologists, physicists and chemists.

Mr. Gerathewohl says it makes sense for a large reinsurer like Munich Re—with 1981 gross premium volume equal to $4 billion—to conduct its own risk assessment. Primary insurers usually don't have enough similar risks in their portfolios to make such efforts worth their while.

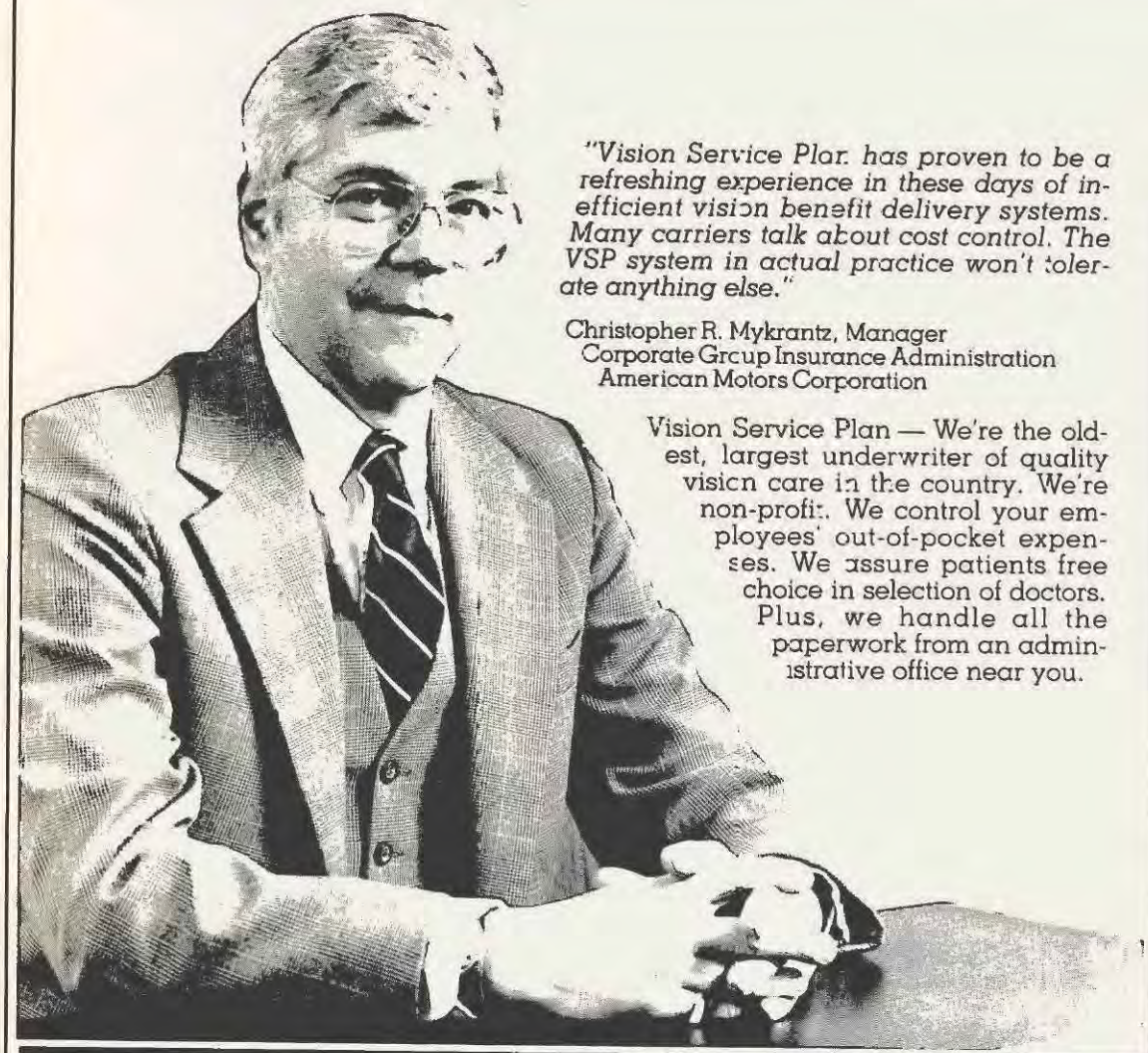
"We are a collecting point, so to speak, because we have these sorts of risks all over the world," says Mr. Gerathewohl. He likes to refer to this study of complex risks as the "pathology of technology."

His two-volume work, "Reinsurance: Principles and Practice," was first published in German but will be available soon in English.

Mr. Gerathewohl was chosen by a 14-member Founders' Award Select Committee, chaired by James Inzerillo, president of Munich American Reinsurance Co. of New York. The committee included, among others, Archie R. Boe, chairman of Allstate Insurance Co.; Robert F. Corroon, chairman and chief executive of Corroon & Black Co.; Harold A. Eckmann, chairman of The Atlantic Cos.; Julius A.S. Neave, retiring managing director of the Mercantile & General Reinsurance Co.; and George Y.L. Wu, chairman, Tai Ping Insurance Co. Ltd. of Taipei, Taiwan.

Also announced at the seminar was the selection of Haruo Murase, a Japanese scholar and professor who died in 1924, to be entered in the Insurance Hall of Fame. He led what is now Yasuda Fire & Marine Insurance Co. Ltd.

The Insurance Hall of Fame, maintained by the Griffith Foundation for Insurance Education at Ohio State University, includes 66 recipients of the honor selected by the 370-member board of electors. Among the recipients of the award —all of them male—have been Hendon Chubb, Otto Von Bismark, Alfred M. Best, Benjamin Franklin, Edmond Halley, Charles Evans Hughes, James S. Kemper Sr. and Cornelius Vander Starr. ■



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riskWatch

A handy guide for the risk manager going to London

By STACY SHAPIRO

LONDON—As October renewal dates rush upon you, are you thinking about making a first trip to London to visit your London broker and negotiate with underwriters as more and more risk managers are doing?

You have plenty to do to gather all the information on your risks that the broker and underwriters will want. To help you save time preparing for the cultural side of your visit, here are some tips for the first-time visitor—from an American perspective.

There are differences in the English language and the American language, but they are manageable. Remember, at the least, that an Argentine is called an Argie.

When filling your dance cards with appointments here, remember that work begins at 9:30 a.m. and ends at 5:30. In between, London insurance professionals conduct their business true to their contention that "This is a people business."

You might meet with your broker for coffee. Then on to lunch, possibly with an underwriter, at 12:30 or 1. Two hours later you are on your way to another office for tea, which is served from 3:50 to 4. Breakfast meetings in London are practically unheard of and referred to as a distasteful American custom. Evenings with London brokers are optional.

Allot enough time to get to each appointment if you are not in the square mile that encompasses the financial district of London. Subways and trains are likely to stop because of strike (or now because they feel like it) at any moment. Then, calling a cab is impossible.

When you visit the London insurance market, Lloyd's of London likely will be your broker's first stop. If someone asks you what Lloyd's is and why you are going there, an easy description is to say Lloyd's is an insurance market comprised of many individual underwriters. The underwriters write insurance for their own investors, called names, who have pledged their capital to this insurance venture of a Lloyd's syndicate, which can have various specialties.

Ms. Shapiro

Tell your non-insurance friends that you most likely will meet the 'lead' on your risk, the respected specialist in your kind of risk who will set the terms and conditions of your policy. Once a leader's name is down and he has agreed to underwrite a portion of your policy, the broker finds other underwriters to follow until the insurance is fully underwritten.

Lloyd's is not the only place a broker can go with a U.S. risk. Not far from Lloyd's are other minimarkets where London and foreign insurers have set up underwriting facilities. In the aviation companies' market on Fenchurch Street, two blocks from Lloyd's, you will find brokers lining up in offices to talk to company underwriters in the manner they do at Lloyd's. And sometimes the broker can find better terms.

To bring you up-to-date on conversational topics, you'll be able to hold your own on the Falkland Islands war and the birth of a new prince. Don't forget about the World Cup, the soccer tournament that takes place every four years. Britain did well, but not that well.

On insurance issues, you can bet that the Lloyd's of London self-regulation bill sooner or later squeezes into conversation. It's expected to win approval from both houses of Parliament later this month, but the debate continues over the pros and cons of divestment of brokers from their underwriting agencies, and whether or not Lloyd's new council should be immune from liability.

Conversation also comes around to the security of reinsurance companies. Everyone wants their reinsurers to be there to pay when losses come due. Then to the topic of other insurance markets across the globe. There is the up-and-coming Arab Insurance Group. There is the growth of the Japanese and French markets and the legislation that keeps springing up new state reinsurance companies.

Discussions will also go on about rate increases (and some decreases).

In the London market, the brokers and underwriters will get around to personalities. The one name that will crop up most frequently is that of Ian Posgate, who is now a Lloyd's committee member, was once a financial backer of the fight against the Lloyd's bill and is the chairman of Alexander Howden (Underwriting) Ltd.

Charming to friends, short with those he dislikes, Mr. Posgate seems to be able to create rumors at the flick of his quill pen. The most successful underwriter at Lloyd's, he stirs it up every once in a while by cutting premiums, underwriting an unusual risk or insuring risks that are not in his class of marine business.

A few travel tips also are in order. Budget high; London is very expensive. The Ritz is nice and Brown's Hotel seems to be a favorite. But the Imperial Group Hotels in Russel Square are cheaper.

Near Lloyd's, the restaurant selection is limited, indeed. For fish, try Wheeler's. For psychedelic blue and yellow paint, try the City Brasserie. Away from the financial district, near the West End, there are some fine restaurants. And the Hard Rock Cafe near Hyde Park is a taste of home.

Reading signs in a familiar language and being able to ask directions without a dictionary, you sometimes can forget you are in a foreign country. But there is a very important difference between America and Britain that you must keep in mind. In Britain, they drive on the other side of the street. Practice good safety measures: Look the "wrong" way before stepping off a curb.

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info

• The Pension Benefit Guaranty Corp. has published a booklet explaining the **kinds of pension plans the PBGC insures.** "Plan Coverage Under PBGC's Pension Insurance" is designed to aid plan sponsors, administrators and consultants in determining whether plans are covered under the PBGC's insurance programs. Free copies of the eight-page booklet are available from the PBGC Public Affairs Staff (160), 2020 K St. N.W., Washington, D.C. 20006; 202-254-5176.

• The Insurance Information Institute has published a summary of **major policy issues affecting the property/casualty insurance industry.** To order, send $4.50 per copy to Publications Service Center, Insurance Information Institute, 110 William St., New York, N.Y. 10038. Quantity discounts are available.

• "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 borchure write Leonard Nelson, NAS Insurance Services, Box 54831, Los Angeles, Calif. 90054.

• Overwhelmed by the flood of publicity touting Individual Retirement Accounts? The free booklet, "What You Should Know About IRAs," helps answer **consumer questions about Individual Retirement Accounts.** To order, write the American Council of Life Insurance, Department 735, 1850 K Street N.W., Washington, D.C. 20006.

• The International Foundation of Employee Benefit Plans has published two books on **employee benefits.** "1981 Public Employees Conference Proceedings" is a collection of speeches presented at a conference for public employee benefit managers. One to four copies are available to IFEBP members for $6 each; $10 for non-members. Five or more copies are available to members at $5 each; $9 for non-members.

"1981 Corporate Benefits Management Conference Proceedings" is a collection of speeches presented at a conference for corporate employee benefit managers. One to four copies are available to IFEBP members for $7.50 each; $13 for non-members. Five or more copies are available to members at $6.50 each; $12 for non-members. To order, write IFEBP, 18700 W. Bluemound Road, Box 69, Brookfield, Wis. 53005.

• "Profile Instruments" for **insurance and securities training** and personnel managers are available from Professional Learning Centers Inc. They are self-administered, self-interpreted and range in price from $5 to $7.50. Free brochures are available by writing PLC Inc., 1777 S. Bellaire, Suite 220, Denver, Colo. 80222.

• For information on **protection from product liability litigation,** send for the free reprint, "The Safety and Liability Audit: Applying System Safety Concept to Safety Management," from The Kairos Co. This paper was originally presented at the National Safety Management Society National Conference in May 1982. To order write The Kairos Co., Safety Engineering, 4000 Moorpark Ave., Suite 210, San Jose, Calif. 95117.

• The April 1982 newsletter of the Pension Planning Co. Inc. discusses **actuarial assumptions in a changing economic environment.** For a free copy, write Communications Department, Pension Planning Co. Inc., 355 Lexington Ave., New York, N.Y. 10017.

• America's changing lifestyles and national trends inspired "America in Transition: Implications for Employee Benefits." Published by the EBRI Education & Research Fund, the book examines the **organizations sponsoring health, welfare and retirement benefits** in light of sociopolitical pressures. To order, send $10 to EBRI-ERF Publications, 1920 N Street N.W., Suite 520, Washington, D.C. 20036.

• Interested in **resolving claims through binding arbitration** rather than litigation? "Arbitration Facts—1981-82 Edition," published by Insurance Arbitration Forums Inc., will give you insight. To order a free copy, write IAF Inc., 83 Maiden Lane, New York, N.Y. 10038.

• The Group Health Assn. of America Inc. offers a **selection of publications on HMOs.** For a free brochure describing these publications, write Communication and Information Department, GHAA, Suite 700, 624 Ninth St., Washington, D.C. 20001.

• A free promotional brochure on the **risk management consulting firm** of WEB Insurance Consultants Inc. is available by writing Barbara Benedetto, WEB Insurance Consultants Inc., 50 Galesi Drive, Wayne, N.J. 07470.

• Trenwick Inc. offers a free **guide for captives** assuming outside business. To order "Trenwick Services: Outside Business," write Trenwick Inc., 21 Charles St., Westport, Conn. 06880.

• "Lengthy Disability—It Can Wreck Your Business and You" is a booklet showing the **odds of disability occurring before age 65** when one, two and three business owners are involved. To order, send 50 cents per copy for postage and handling to Farnsworth Publishing Co. Inc., 78 Randall Ave., Box 710, Rockville Centre, N.Y. 11570.

• For a **selection of security publications,** including books on locks, alarms, closed-circuit TV, security administration, investigation, retail security, computer crime and fire protection, send for a free 1982 catalog from Butterworth Inc. Write Butterworth Inc., 10 Tower Office Park, Woburn, Mass. 01801.

• Bayly, Martin & Fay has prepared a four-page summary of the **Product Liability Risk Retention Act of 1981** in the BMF Risk Management Newsletter. For a free copy, write Samuel Alcorn, Senior Vp, Bayly, Martin & Fay International Inc., 660 Newport Center Dr., Newport Beach, Calif. 92660.

• The "Huggins Actuarial Reserve Testing System: System Overview and Description" is a 16-page report discussing the system that risk managers can use to **test loss and loss adjustment expense reserve for claims and IBNR** without paying actuarial consulting fees. For a free copy, write Ronald T. Kuehn, Vp, Huggins & Co. Inc., 229 S. 18th St., Philadelphia, Pa. 19103.

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Employers, insurers defeat tax-cap bill on health coverage

Continued from page 1

plans. Employees who opted for low-cost plans with high deductibles and coinsurance would receive tax-free rebates from their employers. The rebate would represent the difference between the employers' cost of providing the most generous and the least expensive plans (*BI*, Oct. 26, 1981).

Supporters of this "pro-competition" approach said it would help control rising health care costs. They said if employees were given a choice of health plans and tax incentives for choosing low-cost plans, insurers would compete to offer better benefits and employees, who would be paying more of the bills, would have a greater stake in controlling health care costs.

The idea of the government ordering employers to offer a choice of plans, as well as tax-free rebates, stalled under a barrage of protests from unions, insurers and employers.

The Senate Finance Committee, however, seriously considered taxing health benefits as one way to help balance the federal budget.

The Congressional Budget Office had estimated that if a tax cap on family health coverage were set at $150 a month, 29% of families with annual incomes between $20,000 and $30,000 would pay additional taxes averaging $191, while 33% of those making between $30,000 an $50,000 would pay another $267 i taxes.

Employers and insurers lobbie to kill the tax cap. Among ther was John Ahearn, a counsel in th law department at Aetna Life & Casualty Co. in Hartford, Conn. H argued that a national tax cap dis criminated against certain employ ees.

Employees working for com panies in the Northeast and th West, where health care costs ar the highest, would be more likel to be covered under plans in whic employer contributions exceede the cap than workers employed i the South, where health care cost are the lowest.

In addition, companies that self insure health benefits would hav been hit with huge administrativ problems when trying to determin what their health care costs woul be at the beginning of a fiscal yea said Jan Ozga, director of healt care for the U.S. Chamber of Com merce.

All these arguments helped swa the senators to reject the tax cap Mr. Ozga said.

While the House Ways an Means Committee hasn't acted on a similar proposal, the Senate panel' rejection of the health benefit ta cap makes it unlikely that the en tire Congress would approve such a measure, Mr. Ozga added. ■

Ruling endangers peer review panels

Continued from page 1

they will reimburse a policyholder for a certain treatment.

While the court may have thrown into doubt the continued use of private-sector peer review panels, other cost-cutting reviews can continue without fear that they, too, may be sued for antitrust.

Professional Standards Review Organizations—federally supported groups which, among other things, review how long hospitals treat patients for illnesses—can continue to operate without facing antitrust challenges, said Willis Goldbeck, director of the Washington Business Group on Health.

The Supreme Court case involved a suit filed by Alexander Pireno, a New York chiropractor, against the New York State Chiropractor Assn. and Union Labor Life Insurance Co.

In 1971, the chiropractors' association set up a 10-member panel of practicing chiropractors to evaluate claims. The committee, at the request of an insurer, would decide, among other things, whether charges were reasonable.

On several occasions, Dr. Pireno's treatments of Union Labor Life policyholders were sent to the chiropractor's peer review committee. It found sometimes that his charges were "unusually high."

Dr. Pireno charged that Union Labor Life and the association's use of a peer review violated antitrust law because it fixed prices and restrained him from providing his services to the public.

Dr. Pireno's suit was initially dismissed by a U.S. District Court that ruled Union Labor Life's use of the peer review panel was exempted from antitrust scrutiny by the McCarran-Ferguson Act, the 1945 federal law that shields insurers from antitrust suits.

But the Supreme Court, which upheld an appellate court decision said the law did not extend to peer review panels.

The court said the chiropractors' review panel failed several key tests of whether a particular practice is part of the "business of insurance" that is exempt from federal antitrust laws by the McCarran-Ferguson Act.

For example, a practice must have the effect of spreading and transferring a policyholder's risk. "The challenged peer review arrangement is logically and temporally unconnected to the transfer of risk accomplished by (United Labor Life's) insurance policies," the Supreme Court said. ■

GAO report blasts PBGC

Continued from page 2

suggests that the Internal Revenue Service collect and process premiums for the PBGC.

Edwin Jones, the PBGC's executive director, said there has been tremendous progress in collecting required premiums from employers. The PBGC believes it is now collecting nearly all required premiums.

In addition, it isn't clear yet whether the IRS could collect pension termination insurance premiums more cheaply or efficiently than the PBGC, he added.

Mr. Jones is currently lobbying Congress to raise the current premium to $6 per plan participant by Jan. 1.

The PBGC now collects about $96 million in termination insurance premiums from employers that maintain pension plans. ■

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Panel approves cuts in pension maximums

By JERRY GEISEL

WASHINGTON—The Senate Finance Committee wants to slash maximum benefits offered by pension plans.

The committee, as part of legislation to raise $98 billion in revenues over the next three years, agreed to reduce to $30,000 from $45,475 the maximum annual contribution an employer can make to a defined contribution plan.

Similarly, a participant in a defined benefit plan would be allowed to receive a maximum annual pension of $90,000, down from the current maximum annual pension of $136,425.

In addition, the committee agreed that these new contribution limits will be frozen for at least the next two years.

The committee also said that the maximum benefit level a person can receive from two corporate retirement plans, now 140% of the single plan limit, would drop to 125%.

Finally, a pension participant could not borrow more than $10,000 from his or her pension plan at any one time.

Other changes made by the committee include:

- Individuals will be able to deduct only medical expenses that exceed 10% of adjusted gross income.

Currently, medical expenses can be deducted only if they exceed 3% of adjusted gross income.

- Federal workers would be required to pay 1.3% of salary, on the first $32,400 of wages, for Medicare coverage.

These changes in the tax law still must be approved by the full Senate as well as by the House.

Iranian claims

The Overseas Private Investment Corp. has settled 11 claims for $14.5 million in connection with the 1979 revolution in Iran.

Thirteen of the claims involved the expropriation of property, while one claim covered currency inconvertibility.

Most of the claims, filed by investors who had joint venture agreements with local investors or the Iranian government, were de facto expropriations involving interference by the Iranian government with investors' rights, OPIC said.

Social Security

Social Security benefits this month for 36 million retirees climbed an average of 7.4% as the annual July 1 cost-of-living increase took effect.

The latest benefit increase, which will cost the Social Security trust funds $11.3 billion, boosts the maximum monthly benefit for someone retiring at age 65 to $729 from $679.

The benefit for the average retiree rose to $406 a month, up from $379.

Social Security benefits are nontaxable.

Trustees sued

Seven trustees of a New York Teamsters pension fund improperly used the plan's assets, the Labor Department says.

The department charged in a suit that the trustees of Teamsters Local 282 Pension Fund of Elmont, N.Y., violated the Employee Retirement Income Security Act by making a loan to a Des Plaines, Ill., bank that was not in in the interests of plan participants.

According to the suit, filed in U.S. District Court in Uniondale, N.Y., the trustees made a $2 million loan to Des Plaines Bancorporation, the parent company of Des Plaines Bank.

In March 1981, federal and state banking authorities closed the bank. DPB later defaulted on the remaining $1.6 million owned to the Teamsters' plan.

The department said the trustees failed to act prudently because they didn't analyze the financial condition of the bank before approving the loan.

The department wants the trustees to personally reimburse the plan for any losses it might incur as a result of the defaulted loan.

In addition, the department wants the court to remove the defendants as trustees to the plan and appoint an independent investment manager.

The trustees named in the suit are William Argento, John Cody, John Dee, Ralph Guercia, Louis Nappi, Robert Sasso and Herbert Schneider.

Tort reform proposal

The Coalition for Uniform Product Liability Law, a lobbying group representing about 100 manufacturers, wants a federal law that cuts off all product liability lawsuits after a certain period of time elapses.

William Ford, general counsel for Colt Industries Inc. of New York and chairman of the coalition's executive committee, favors a statute of repose that would bar most product liability lawsuits 10 years after a product was made.

In the case of products like asbestos, where it may take many years of cumulative exposure for injuries to manifest themselves, Mr. Ford favors a 15- or 20-year cutoff.

Speaking before the Senate Commerce Committee, Mr. Ford noted that the two statutes of repose contained in comprehensive tort reform legislation, proposed by Sen. Robert Kasten, R-Wis., don't go far enough.

Sen. Kasten has proposed that the Commerce Committee select one of two alternative repose statutes. One would cut off lawsuits involving capital goods 25 years after the product was made. The other alternative would simply make it tougher for a plaintiff who was injured by a product that was more than 10 years old.

Neither statute of repose would apply to injuries caused by cumulative exposure.

Mr. Ford says a statute that only presumes a product was safe after 10 years "does nothing to aid the manageability of risk as it continues the potential for unlimited duration."

In addition, Sen. Kasten's proposed 25-year cutoff for capital goods is too long and wouldn't help thousands of manufacturers of non-capital goods, like consumer products, where reduction of exposure to lawsuits also is a major problem, Mr. Ford told the committee. ■

52 great issues coming up!

ISSUE NUMBER		ISSUE DATE	AD CLOSING
32.	EXCESS/SURPLUS	AUG 9	JULY 27

more to come :

		ISSUE DATE	AD CLOSING
29.	LOSS PREVENTION: PROTECTING PROPERTY	JUL 19	Jul 6
30.	Risk Management Board Survey	JUL 26	Jul 14
31.		AUG 2	Jul 21
32.	EXCESS/SURPLUS	AUG 9	Jul 27
33.		AUG 16	Aug 4
34.	Employee Benefits Board Survey	AUG 23	Aug 11
35.		AUG 30	Aug 18
36.		SEP 6	Aug 25
37.	MARINE INSURANCE; IIAA Convention	SEP 13	Aug 31
38.	Risk Management Board Survey	SEP 20	Sep 8
39.	EMPLOYEE BENEFITS: PERSONNEL ADMINISTRATION	SEP 27	Sep 14
40.		OCT 4	Sep 22
41.	FINANCIAL SERVICES: FOR CAPTIVES & SELF-INSURERS	OCT 11	Sep 28

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Learn to spread the news to workers at *BI* conference

Continued from page 2
to budget for benefits. He'll discuss how to prepare a communications plan by analyzing employee interests and needs, determining the elements of your program and examining different ways to reach your particular audience most efficiently.

After a coffee break, Frank Morgan, vp of human resources with Berol Corp., follows with a discussion on how to gauge employee needs through attitude and opinion surveys, and how to interpret your findings.

Alan Turetz, assistant vp at Citibank, will then speak on motivating employees to act on new benefits provided them.

Following a luncheon, three concurrent sessions will allow smaller groups to focus on precise issues and problems facing employee benefit communicators:

- Elayne Lewis, benefits analyst with Eaton Corp., will explain how to develop, implement and maintain a solid in-house communications program. She will discuss various communications methods in detail, such as laying out booklets or finding printers.
- Robert Youngberg, a benefit statement consultant with Buck Consultants Inc., will describe ways to develop, organize, design and distribute personalized benefits statements. The session will analyze different types of personalized statements to determine the effectiveness of each in reaching employees.
- Eldos Cable, supervisor of retirement counseling at Fluor Corp., will discuss what will happen if the Social Security program is terminated. He will explain how to administer a pre-retirement counseling program and how to communicate retirement issues.

These concurrent sessions sessions will be repeated later in the afternoon after a coffee break and again on Tuesday morning to allow conference participants to attend all three.

At a dinner following a cocktail reception Monday night, *BI* will present awards to the winners of its annual Employee Benefits Communications Awards Competition. One of the winners' programs among the contest's five categories —booklets, personalized correspondence, special projects, audio/visuals and total communications programs—will be presented at the dinner.

On Tuesday, following the concurrent sessions, Joan Beugen, president of The Creative Establishment, will tell how to implement an inexpensive audiovisual program. This session will examine sample budgets, explore little-known resources available in the company and tell how to find cost-effective suppliers.

After a luncheon, marketing consultant Herb Zeltner and conference participants will analyze what made this year's Employee Benefit Communications Award Competition winners successful.

Robert Penzkover, director of benefits at Quaker Oats Co., will then discuss "Getting Employees to Share the Cost and Responsibility: IRAs and Salary Reduction." The session will deal with the popular issue of employee involvement in savings and retirement programs.

The conference will be wrapped up by Ms. McIntyre and adjourn at 5 p.m. Tuesday.

The fee for the conference is $475; a 10% discount is available for additional registrants from the same company. This fee includes all sessions, a workbook and other educational materials, luncheons, scheduled breaks and Monday's awards dinner.

Hotel reservations and air fare are not included; however, special rates are available.

To receive a brochure and registration form, call the *Business Insurance* Communication Services Department at 212-210-0137/0229. Or write the *BI* Communication Services Department, 220 E. 42nd St., New York, N.Y. 10017. ■

Construction firm to pay dead workers' families

Continued from page 2
- It was actively in charge of the project, and its inspectors and engineers were negligent.
- It is a franchised public utility and under California state law cannot delegate its liabilities even if they are caused by the negligence and omissions of its contactors.

Although Granite-Ball-Groves agreed to the settlement, it is appealing citations and a $60,250 penalty assessed by the California Department of Occupational Health and Safety Administration in connection with the Jan. 23, 1981, mishap.

In addition, the joint venture as well as each individual company making up the consortium—S.J. Groves & Co., Gordon H. Ball Inc. and Granite Construction Co.—were named in involuntary manslaughter indictments handed down in April by a Fresno County Grand Jury. If convicted, each company could be fined as much as $35,000.

According to the findings of a Cal/OSHA investigation, the specific factors contributing to the accident included:

- Overloading of the scaffold by 24,800 pounds.
- Uneven loading of the scaffold during work done while shotcreting, a process where a mixture of sand, water and cement is sprayed under pressure.
- Modification of hoist controls that increased the potential of the operator losing control of the scaffold.
- Failure of supervisors to correct unsafe working conditions.

Cal/OSHA officials say that the scaffold fell about 6 or 7 feet during the work shift preceeding the accident.

Also, two of the workers operating the hoist had not been trained to operate the machinery. In fact, the day of the accident was both men's first day on the job, Cal/OSHA officials state in their report.

The criminal investigation into the accident was triggered by the fact that fatalities occurred, says a Cal/CSHA spokeswoman.

PG&E's involvement was not investigated by Cal/OSHA because the agency is only concerned with issues affecting employers and their employees. The seven men killed in the fall were employed by Granite-Ball-Groves.

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Insurance Management: vps, directors, managers of insurance, risk, benefits, compensation, safety, security, etc.	5,791
Government, Associations, Unions, Educational Institutions	1,001
Commercial Consumers Sub-total	**23,000**
Insurance Agents & Brokers	9,741
Insurance Cos	4,735
Financial Institutions	303
Actuaries, Attorneys, Adjusters, Appraisers & Consultants	2,208
Others allied to the field	776
TOTAL	**40,763**

*Source: Business/Occupational breakdown of qualified circulation Nov. 2, 1981 issue, as submitted to BPA for December 1981, BPA Publisher's Statement.

Decision complicates asbestos litigation

ontinued from page 2

While most insurers and attorneys say the 1st Circuit's decision urther complicates the subject, ney differ on the meaning of the uling and what its impact would e on future asbestos litigation:

- Some suggest the decision ives more weight to the possibility iat the U.S. Supreme Court will nally rule on a uniform coverage neory, something it has failed to o on three occasions.

A spokesman for Eagle-Picher ays the company will petition the igh court to review the case.

- Others say the decision may ause forum shopping, whereby inurers will rush to the 1st Circuit to ake advantage of the manifestaon theory, generally considered to e the most favorable to insurers.
- Some played down the decion's impact, noting that the decion is part of a trend with courts uling to maximize coverage for ne insured.
- And one insurance company ttorney says that the decision is ne first major blow against the trile-trigger theory espoused by the District of Columbia Court of Apeals in Keene Corp. vs. INA. The riple-trigger theory is the one most avorable to policyholders.

The 1st Circuit opinion came in a eclaratory judgment action rought by Eagle-Picher to deterine who will pay what could mount of tens of millions of dolars in claims to victims of asbestoselated diseases.

Eagle-Picher, which had no covrage before 1968 and has been amed in nearly 12,000 suits as of Nov. 30, 1981, originally contended n a U.S. District Court that manestation was the proper theory on vhich to base coverage.

On appeal, however, the com-any switched to the triple-trigger heory, which would have prorided more coverage.

Eagle-Picher's primary insurer, Liberty Mutual Insurance Co., and various excess insurers from the London market supported the manifestation theory before the appellate court, while other excess insurers—including American Motorists Insurance Co., part of the Kemper Group, and certain other London insurers—argued for the exposure theory.

Essentially affirming the district court, the appellate court agreed that the medical evidence and the language in Eagle-Picher's insurance policies should be interpreted to mean that bodily injury resulted in accordance with the manifestation theory.

"It is the resulting injury, not the exposure, which must take place 'during the policy period' in order to trigger coverage, and it is uncontested that even subclinical injury to the lung does not occur simultaneously with the inhalation of asbestos," the court said.

"Nor is the existence of sub-clinical injury an inevitable byproduct of exposure, since the body's natural mechanism may remove the fibers before they become embedded in the lungs.

"We would also observe that, if a single exposure to asbestos was intended to trigger coverage, the policy language would likely have reflected this intent, rather than defining an 'occurrence' in part as a 'continuous or repeated' exposure to conditions."

The appellate court added that this was Eagle-Picher's intention when it purchased the coverage and that the plain and ordinary meaning of the policy supported manifestation.

But attorneys for insurers say the court's interpretation just fuels more confusion.

"It creates greater confusion in handling claims," says Lewis Herman of the New York law firm of Standard, Weisberg, Heckerling & Rosow, which represents Eagle-Picher's London excess insurers that favor the exposure theory.

"The chances of it (the Supreme Court) accepting it are greater," he says.

"It's very unclear how to treat the next case down the road," says Christopher Mansfield, an attorney for Liberty Mutual, which has been involved in court decisions that have spelled out three different asbestos coverage theories.

The language in the 1st Circuit's decision "cuts the heart out of the Keene case," Mr. Masfield says, adding that the case does not maximize coverage for the insured since Eagle-Picher sought the triple-trigger theory.

"It is a decision which extends coverage beyond what Eagle-Picher had in the distict court, but you can't say the decision, which denied coverage under Keene, can be seen as just another decision that maximizes coverage," adds Mr. Kenner, attorney for Eagle-Picher.

Other attorneys noted that the appellate court may not have granted Eagle-Picher's request for an interpretation similar to that in the Keene case because such a theory had not been argued at the district court level.

Several attorneys also note the decision might cause insurance companies to file coverage suits in the 1st Circuit now that the manifestation theory is the law there.

The trend may be similar to what occurred after the District of Columbia Court of Appeals ruled in favor of the Keene theory, which prompted insureds to file suits in Washington, D.C., to take advantage of the decision.

"I tend to think we may have more of that," said Mr. Herman. "It may serve as a magnet for insurers."

"It opens up the 1st Circuit to those litigants seeking a manifestation decision," added Francis J. Bousquet, an attorney for American Motorists with the Boston law firm of Herlihy & O'Brien.

One other result from the decision will be that insurers with cases in the 1st Circuit, like Commercial Union Insurance Co., which has a pending case against Johns-Manville Corp. in a U.S. District Court in Massachusetts, will file a motion for summary judgment that would apply the manifestation theory.

Liberty Mutual was Eagle-Picher's primary insurer from 1968 through 1978, with limits ranging from less than $500,000 to approximately $2.5 million.

From June 1973 through 1978, Eagle-Picher had excess insurance with American Motorists and London insurers. ■

The question remains: 'How much?'

BOSTON—How much insurance coverage Eagle-Picher Industries Inc. will have to cover asbestos claims as a result of last month's 1st U.S. Circuit Court of Appeals decision is still up in the air, spokesmen for the company and its insurer says.

While both agreed the court liberalized the manifestation interpretation of asbestos coverage stated by the lower court and would give Eagle-Picher more coverage than before, the question is how much more.

The appellate court differed from the lower court by saying that manifestation occurs when the disease is "reasonably capable of diagnosis" rather than at the time it is "actually diagnosed."

Attorneys and insurers say that modification will provide more coverage for Eagle-Picher, since a disease is always "reasonably capable of diagnosis" before it is actually diagnosed.

The ruling will especially help Eagle-Picher cover claims arising from cases diagnosed after 1978, when its coverage for asbestos claims ran out. The decision could very well place some of those claims into Eagle-Picher's coverage period.

"It will give more coverage, but we cannot quantify that without a case-by-case review," says Walter A. Suhre Jr., vp and general counsel for Eagle-Picher.

"I think that presently an unquantifiable amount of additional coverage is available. It (the decision) will move some cases, but we don't know how many or how few."

The company will sit down with its insurers to decide which cases will be affected, Mr. Suhre says.

Christopher Mansfield, an attorney for Libery Mutual Insurance Co., says probably little more coverage would be obtained.

"It's my understanding that there probably will be some minor shifting backward," he says. "We think there may be a handful. Certainly not a significant shifting of cases.

"I don't perceive any significant impact," he adds.

Since Eagle-Picher's coverage ran out at the end of 1978, more than 10,000 cases have been filed against the company. In its brief to the appellate court, Eagle-Picher noted that approximately 1,600 asbestos suits were filed against it before 1979.

It was hit with 2,365 lawsuits in 1979, 3,217 in 1980 and an additional 4,735 suits through Nov. 30, 1981, the company says.

—By Stephen Tarnoff

Ryan adds brokerage to Combined

Continued from page 2

And the deal will make Mr. Ryan he largest single Combined shareholder with potential control of 2% of Combined's stock.

Among Ryan's operations are Globe Life Insurance Co., a personal lines insurer; Ryan Insurance Agency Group, the 11th-largest brokerage in the country; and Virginia Surety Company Inc., a property/casualty insurance company.

Last year, Ryan reported a total premium volume of $148.5 million, up 14% from the year before. Total assets were $479.4 million for 1981, a 9% jump from the previous year.

Globe Life, the Ryan subsidiary probably most compatible with the new parent, had a gross premium volume of about $128.9 million in 1981. On the commercial side, Virginia Surety posted gross premium volume of about $19.6 million last year.

Combined reported a total premium volume of $715.9 million for 1981, a 20% increase over 1980, with total assets of $1.6 billion, up 23% from 1980. Combined's Agency Division markets group life and health insurance products.

With Mr. Ryan now at the helm of a company many times larger than his own business, any changes he'll make will be somewhat slow in coming, contends Alice Cornish, security analyst for Lehman Brothers Kuhn Loeb Research.

But when Combined's new leadership does make a move, it will probably be a to redirect assets and future cash, she says.

Combined will maintain its domestic business but also emphasize international sales, she contends, noting that both Ryan and Combined have been successful overseas.

Analysts, however, aren't speculating whether any possible redirection will be in commercial or personal lines or both.

Mr. Ryan refused to comment on the future direction the business will take, noting that Securities and Exchange Commission requirements prohibit disclosure while parties to a merger are still in registration.

Mr. Ryan's background, like Mr. Stone's, is in the life insurance business. He founded Ryan Insurance in 1964 as a direct-sales organization to distribute specialty credit life insurance products to automobile dealers.

The diversified insurance group continues to maintain a stronghold in personal lines. The specialties of a subsidiary, Pat Ryan & Associates Inc., include credit life, accident and health insurance sold through automobile dealerships to purchasers of new and used cars.

Common backgrounds are not the only interests Mr. Ryan and Mr. Stone have in common: The two men served together as officers of the Chicago Boys Club.

Mr. Ryan says he's a long-time admirer of Mr. Stone, who wrote "The Success System That Never Fails" and "Success Through Positive Mental Attitude," two books that have been used widely to train sales representatives in insurance and other industries.

Despite Mr. Stone's and Mr. Ryan's common ties to the life insurance business, industry observers don't expect Mr. Ryan to abandon the commercial side of the publicly held company he founded.

He appears committed to the property/casualty insurance company and the brokerage. Mr. Ryan nurtured the brokerage group, which he bought in 1978, from a business with gross revenues of $11.6 million at the end of that year to a major company with $40 million in gross revenues in 1981.

Much of that growth stems from Ryan's purchase of James S. Kemper & Co., an insurance brokerage with about $15 million in annual gross revenues when Ryan added it to the agency group in 1981.

Mr. Ryan showed further evidence of his commitment to the commercial insurance business with his choice in leadership for his company. In 1980, Mr. Ryan hired Harold H. Hines Jr. as president and chief operating officer of Ryan Insurance Group.

Before joining Ryan, Mr. Hines was vice chairman of Marsh & McLennan Inc., the nation's largest brokerage.

Mr. Hines will most likely be the other Ryan officer to join Mr. Ryan on Combined's 12-member board, contends Fred Sandburg, vp for institutional research for Legg Mason Wood Walker Inc. in Chicago.

A third Ryan-appointed board member could be one of Ryan's outside directors, *BI* learned. ■

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Form would limit coverage

Continued from page 1
time an injured party "first discovers" an injury or at the time a claim is made to the insured.

The policyholder, when buying the coverage, selects which coverage trigger will apply, a "first-discovery" or a "claims-made" trigger, but not both.

Under the new policy, insurers no longer would have to defend claims for injuries "first discovered" after a policy expires.

The new policy allows an insured to purchase optional coverage for injuries discovered or claimed for up to *three years* after the basic policy period ends.

The massive conversion to this claims-made form is the insurers' response to their growing liabilities for long-latent injuries and the litigation over whether the CGL form provides coverage at the time the claimant was exposed to the harmful substance or when the injury manifests itself.

These issues are now being argued in court among insurers, asbestos manufacturers and drug makers over claims made currently under occurrence policies issued decades ago before the products were known to cause injury (see story, page 2).

ISO contends the new provisions will reduce coverage disputes among insurers and their insureds over claims resulting years or even decades after an event causing some sort of injury.

In the classic injury case in which the injury is immediately apparent, a "first-discovery" trigger would operate identically to an "occurrence" trigger.

The new policy also requires an aggregate limit for all exposures. The present form requires an aggregate only for product liability and completed-operations exposures.

The new aggregate, according to an ISO official, will "specify right at the beginning how much protection is available under the policy" and make rating easier by reducing the need for an insurer to estimate the probability of multiple catastrophies in a single policy period.

ISO officials say the full text of the draft rewrite, an executive summary of its provisions and a detailed analysis comparing its provisions to the current CGL form were mailed about two weeks ago to chief executives of major insurers and trade groups, including the Risk & Insurance Management Society Inc.

"We're looking for reaction from a broad spectrum of industry interests," says B. Joseph Shelley, ISO's vp for commercial lines. "We're asking for technical advice on the policies, as well as for comment from a marketing viewpoint."

ISO is requesting that it receive comments on the proposal by Oct. 1.

Only one copy was sent to the National Assn. of Insurance Brokers, with the request that it be disseminated to the eight major brokers.

Most industry leaders have yet to see the draft policy documents, but one who has expressed disappointment with the contents.

"It's a laudable attempt to clarify, but we're disappointed that it doesn't go far enough in extending coverage in some areas," says Walter T. Derk, current president of the Washington-based National Assn. of Insurance Brokers Inc. and executive vp of marketing at Fred S. James & Co. of Illinois.

Mr. Derk said he would have to study the draft further before detailing the areas where additional coverage language is necessary. He complimented ISO for "giving us a grand opportunity to respond in advance of just publishing" the new policy in final form, and said the draft document "plainly invites comments."

He predicted, however, "the claims-made provision just won't fly at this time, in my opinion. The market's too competitive."

The three-year optional extention of coverage also is considered "insufficient," Mr. Derk said. "It's got to be something longer than that."

Here is a capsule look at the other major differences in language between the existing comprehensive general liability policy form authored by ISO and the language of the proposed revision:

- The new policy makes it possible to write a single policy covering all major liability exposures without the need for numerous endorsements by using broad, simplified language that will cover numerous situations where an event creates liability.

"For the first time, we believe we've got all the truly modern coverages in one contract," says Theodore V. Bayer, manager of ISO's general liability division and coordinator of the team that wrote the draft policy. "We're trying to produce as clear and unambiguous a policy as we can."

Among coverages included in the draft policy, says Mr. Bayer, are premises operations, worldwide products and completed operations, broad-form contractual, personal and advertising injury, medical payments, host liquor, fire damage legal, broad-form property damage and non-owned watercraft.

- The new form revises rating for on-premises operations to be based upon gross receipts rather than the square footage of the operation, thus protecting insurers from inflation as the value of a product increases. Mr. Derk of NAIB said he expected this provision to be revised by ISO.
- It extends product liability coverage to include claims involving products "made or sold" in the United States, Canada, their territories or possessions but specifies the claims must be made in U.S. or Canadian courts. The current form explicitly excludes coverage for products used outside the two nations, regardless of where they were made or sold, but includes no provision about where claims must be filed.
- The proposal attempts to more firmly entrench exclusions for such risks as expenses associated with product recalls or consequential losses to users from products which don't live up to their warranties. This is done by a complete rewriting of the business-risk exclusion sections of the current CGL form.

The new language uses the term "recall" for the first time, a substitution for the phrase "withdrawn from the market." In addition, the proposed language for the first time excludes coverage of any claim for the "loss of value" of a product resulting from a defect or failure in addition to excluding claims for "loss of use, withdrawal, inspection, repair or replacement of the product."

- It broadens the so-called "pollution exclusion" beyond the existing policy in an attempt to eliminate claims for which the injury alleged isn't *immediate* in nature. The current form excludes coverage for bodily or property damag "arising out of the discharge, dis persal, release or escape of smok vapors, soot, fumes, acids, alkali toxic chemicals, liquids or gase waste materials or other irritant contaminants or pollutants into o upon land, the atmosphere or an water course or body of water; bu this exclusion does not apply i such discharge, dispersal, release o escape is sudden or accidental."

The new exclusion contains al most identical language but it add that a pollutant can be in the forn of an "emission" in addition to discharge, dispersal, release or es cape. The key change, however modifies the phrase sudden and ac cidental to add that the event mus "happen at a definite time an place" and must "result in immedi ate bodily injury or property dam age."

ISO's Mr. Bayer says the intent o the modified language is to clarif that CGL policies will not cove claims arising from events like th pollution of the Love Canal area i upstate New York where resident claim health effects and propert devaluation based upon newly dis covered leaks of toxic waste buried decades ago.

- Specifies that the "first name insured" on policies with multipl named insureds is the owner of th policy for administrative purpose like premium payments and re funds, and requires insurers to ex tend all policy provisions to eac named insured separately. Con versely, additional insureds wh aren't actually named on the fac of the policy, such as directors an officers, are idemnified only as em ployees rather than as individuals Current policy language does no recognize the existence of multipl named insureds.
- Eliminates coverage fo spouses of partners or for defunc partnerships and joint ventures o the theory that these coverages ca be added by endorsement if reall necessary. At the same time, th proposed form adds automatic cov erage for new business entities ac quired by a named insured during policy period.

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Pennsylvania mulls monopolistic comp fund

HARRISBURG, Pa.—A series of bills, including one that would establish the Pennsylvania Employers' Cooperative as the exclusive agency for writing workers compensation insurance in the state, has been introduced in the state House of Representatives.

The bill would prohibit commercial workers compensation insurers from operating in the state.

The legislation would enable employers to pool their workers compensation risks and "achieve the benefits of a known risk and of the the cooperative's investments, surpluses and earnings," says state Rep. Roland Greenfield, D-Philadelphia, who introduced the bill.

The agency's surplus funds would be distributed to employers in the form of refunds or reduced premium rates.

Pennsylvania Manufacturers Assn. Insurance Co. now writes about 50% of the workers compensation coverage in the state while Liberty Mutual Insurance Co. writes about 10% of the state's coverage, Rep. Greenfield says.

The current state Workmen's Insurance Fund handles 20% of the market, mostly high-risk coverage that commercial insurers reject.

The proposed cooperative agency would be governed by a seven-member board appointed by the governor. It would include two representatives from organized labor, two from business, two from the public and one from state government.

The package of bills was referred to the House Labor Relations Committee.

around the states

Injured workers

JACKSON, Miss.—A rule change approved by the Mississippi Workmen's Compensation Commission permits employees who are injured on the job to select their own physicians.

The change, which went into effect July 1, was required by an amendment to the state workers compensation law approved by the Legislature earlier this year.

Under the law, the employer will remain responsible for providing medical attention, including emergency treatment. Employees can either accept the treatment supplied by the employer or select another licensed physician.

Employers, under the new rule, will have the right to have an employee examined by another physician to evaluate disability. Workers compensation payments can be suspended if an employee refuses such an examination.

Kentucky open rating

FRANKFORT, Ky.—A new law will go into effect this week that takes away most of the state insurance commissioner's power to reject property/casualty insurance rates, including workers compensation, as long as competition exists among insurers.

Under the old law, insurance companies had to have rate changes approved by the commissioner.

The new law won't allow the commissioner to reject rates because they are too high or discriminatory or because the insurer failed to provide supporting evidence for the rate change.

It also prohibits insurance rating bureaus from recommending and filing final rates. Insurers must set their own rates independently.

Asbestos ruling

INDIANAPOLIS—A federal judge has invoked a state law prohibiting product liability suits against manufacturers that stopped using asbestos in their products more than 10 years ago.

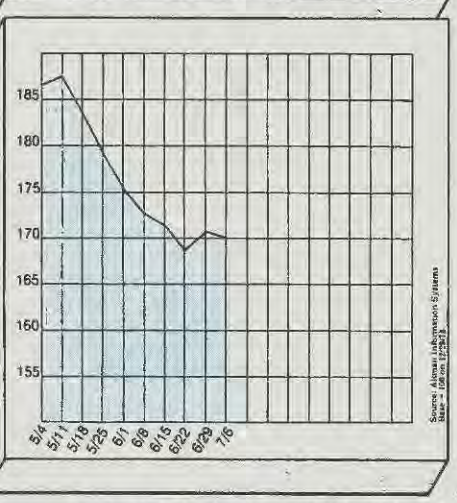
The action, taken by U.S. District Judge Cale Holder, has overturned a number of lawsuits brought by victims of asbestos disease against companies that manufactured mined or sold asbestos products.

The decision could also severely limit litigation filed by people exposed radiation and to such alleged toxic substances as silicone and Agent Orange.

The judge's action came in a suit by Donald E. Pitts against several asbestos firms. Mr. Pitts died in April 1980 after working as an asbestos insulator for more than 30 years.

The case is expected to be appealed to the 7th U.S. Circuit Court of Appeals.

BI Insurance Index



surance industry stocks dipped slightly in the eriod ending July 6 as the *Business Insurance* ock index slipped 0.6 points to 170.1 from 70.7. Seventeen stocks posted gains, 34 sues declined and 12 were unchanged. Lead- g the increases was Ryan Insurance Group c., which rose 43.7% after it announced it was eing acquired by Combined International orp., whose stock rose 4.8%. Other large ains were posted by Crown Life Insurance Co., 2.1%; Fred S. James & Co. Inc., 7.5%; and merican Bankers Insurance Group, 6.7%. The rgest declines were posted by Crawford & o., 12.7%; American General Corp., 12.1%; ravelers Corp., 9.5%; Marsh & McLennan Cos. c., 6.6%; and Crum & Forster, 6%.

British Issues

6 July Companies	Price pence	P/E	Div. pence	Yield %	1 Week High—Low pence pence
Commi Union	131	11.9	16.86	12.9	131—129
Eagle Star	356	12.7	21.43	6.0	358—327
Genl Accident	296	7.7	23.21	7.8	296—292
Gdn Royal Exch	278	7.0	25.00	9.0	279—274
Phoenix	268	10.7	24.00	9.0	268—252
Royal	332	8.6	36.07	10.9	335—327
Sun Alliance	754	9.7	61.43	8.1	754—742
Brokers					
CE Heath	358	9.8	18.71	5.2	358—332
Hogg Robinson	100	7.7	8.57	9.0	100— 99
JH Minet	143	13.0	5.43	3.8	145—138
Sedg Grp	171	11.0	8.57	5.0	171—165
Stenhouse Hldg	114	8.9	7.28	7.4	114—110
Stew Wrightson	250	8.9	18.57	7.4	250—245
Willis Faber	480	12.0	21.43	4.5	485—477

Source: Philip Olsen/Alan Clifton, Insurance Industry Specialists Kitcat & Aitken Stockbrokers, London

Public brokers are stronger than performance suggests

By LEONARD M. WILSON

Special to Business Insurance

STOCK PRICES are influenced principally by fear and greed, according to one view of investor motivations. In periods of uncertainty, fear usually becomes the dominating force. Fear, in turn, breeds a heightened sensitivity to potential problems, whether they are real or imagined.

For the insurance brokers, an uncertain outlook has spawned a number of investor concerns about the fundamentals of the business. Some worries focus on the effect of the insurance cycle, some on structural changes, some on the profitability of insurance brokerage.

Mr. Wilson

In our view, most of the concerns are unfounded, but they are worth examining.

With stagnation in earnings since 1979, investors are asking whether insurance brokerage is genuinely a growth industry. Has the business settled into maturity after the rapid gains of the 1970s? Any question that deals with future performance cannot be answered definitively. Nevertheless, our analysis suggests that despite the slowdown in earnings, the underlying growth of the public brokers has not diminished materially.

Take Marsh & McLennan. Based on our calculations, the company seems to have posted double-digit real growth, stripping away premium rate reductions, in each year since 1978. That favorable performance has been masked by declining premium rates and lower dollar realizations per unit of business. The other public brokers have registered similar results.

Leonard M. Wilson, a vp of L.F. Rothschild, Unterberg, Towbin in New York, specializes in insurance brokerage stocks. He is a member of the New York Society of Security Analysts.

BI ticker

Another concern centers on the diminished profitability of the publicly owned brokers. There is no denying the profit-margin erosion of the past several years. Moreover, excluding investment income, profitability has experienced a severe contraction.

Profit levels are subject to many crosscurrents. Clearly, the single most important variable is the degree of progress in commissions and fees. It is manifestly the slowdown in the growth of commissions that has put pressure on margins. Consequently, currently lower profit margins are largely a cyclical phenomenon.

Once premium rates firm, the growth in commissions should accelerate and a recovery in profit margins should follow. We doubt, though, that the peak margins of 1977 and 1978 can be attained. Those years benefited from the pronounced increases in premium rates that are unlikely to be matched in the next cycle.

Competition between brokers and insurance companies in the realm of risk management services is another newly minted investor concern. Will the insurers steal some brokerage clients by unbundling these services?

The jury is out on this issue, but we believe that brokers as well as insurers are likely to participate in the market for risk management services like claims adjusting and loss prevention. However, the brokers could have the best of the fight because of their decentralized delivery systems and product marketing. It remains to be seen what impact a service orientation will have on profit margins.

Some investors worry that the insurance brokers will be circumvented increasingly as a result of direct dealing between underwriter and client. Mutual companies that are not broker markets have been around for a long time. If direct writing of commercial lines were gaining, their penetration should be rising.

Our analysis of relative market shares held by broker-oriented stock companies and direct-writing mutual companies indicates considerable stability over a long period of time. New business, another barometer of brokerage vitality, remains strong.

The brokers will remain a critical link in the distribution process for the indefinite future, we think. The issue for risk managers is not how to get rid of brokers, but rather how to use them more effectively, given the increased sophistication of risk management disciplines.

Even if premium rates harden, will the brokers' prosperity be impaired by a resurgence in self-retention of risk through the use of captive insurers? We doubt it. Captives are already widespread. There could be a cyclical rise in captive premium volume as conventional markets raise prices. But the increase is unlikely to be large enough to affect the progress of the public brokers.

The rise in investment income over the past few years is often seen as a point of vulnerability for brokers. This is a reasonable concern, since interest rates are likely to fall eventually, and brokers' investment income could decline for several years. The immediate impact on earnings will be adverse. But lower interest rates should contribute to firmer premium rates and higher price-to-earnings ratios. The net effect should be positive for brokerage stocks.

These are legitimate issues. No one can be complacent in a period that is replete with so many uncertanties. The position of the public brokers, though, seems a good deal stronger than recent performance might suggest. An end to rate cutting and an acceleration in earnings would be a strong antidote to investors' anxieties. ■

BI Industry Stock Report

JULY 6, 1982 6/30/82 THRU 7/6/82

Insurance Cos.		Price	% Chg.	P E	$ Div.	% Yld.	High	Low	Vol. (000)
Aetna Life & Cas Co	NYSE	33.75	-2.2	5.5	2.52	7.5	35.00	33.75	555.5
American Bankers Ins Group	OTC	7.88	6.8	6.2	0.48	6.1	7.88	7.38	96.0
American Gen Ins Co	NYSE	36.25	-12.1	5.3	2.20	6.1	42.13	36.25*	331.0
American Indty Finl Corp	OTC	12.88	-1.0	7.5	1.12	8.7	12.88	12.75*	2.8
American Intl Group Inc	OTC	57.25	-0.9	9.1	0.48	0.8	58.25	57.25	566.3
American Natl Ins Co	OTC	13.88	-0.9	6.1	0.76	5.5	14.00	13.88	24.9
American Sts Life Ins Co	OTC	16.50	0.0	5.3	0.80	4.8	17.00	16.50	1.0
Aneco Reins Ltd	OTC	2.63	0.0	0.0	0.00	0.0	2.63	2.63	6.3
Avemco Corp	AMEX	11.75	-1.1	7.3	0.52	4.6	11.88	11.75	1.9
Banks Iowa Inc	OTC	35.50	0.0	6.2	1.48	4.2	35.50	35.50	3.8
Bitco Corp	OTC	28.00	0.0	4.2	1.92	6.9	28.00	28.00	0.5
Carolina Cas Ins Co	OTC	6.50	0.0	6.0	0.32	4.9	6.50	6.50	1.1
Chubb Corp	OTC	36.25	-2.0	4.5	2.92	8.1	36.50	36.25*	203.9
Combined Intl Corp	NYSE	19.25	4.8	5.2	1.80	9.4	19.50	17.88*	326.4
Continental Corp	NYSE	22.63	-3.2	6.3	2.60	11.5	23.25	22.63*	121.3
Crawford & Co	OTC	12.00	-12.7	9.0	0.56	4.7	13.75	12.00*	8.9
Crown Life Ins Co	OTC	83.50	12.1	6.2	3.10	3.7	83.50	83.50	0.0
Crum & Forster	NYSE	23.50	-6.0	4.2	1.64	7.0	24.75	23.50*	384.4
Employers Cas Co	OTC	27.25	-2.7	5.9	1.20	4.4	28.00	27.25*	1.8
Equifax Inc	NYSE	31.00	3.3	9.3	2.60	8.4	31.00	30.50	9.1
Excelsior Ins Co	OTC	14.00	-3.4	36.5	0.70	5.0	14.25	14.00*	0.6
Farmers Group Inc	OTC	30.50	0.0	8.6	1.24	4.1	30.50	30.50	299.9
First Colony Life Ins Co	OTC	66.25	0.0	18.8	1.02	1.5	DID NOT TRADE		
Foremost Corp Amer	OTC	26.75	0.0	7.5	1.12	4.2	26.75	26.75	1.8
Great West Life Assurn Co	OTC	200.00	2.6	7.6	10.00	5.0	205.00	200.00	0.0
Hanover Ins Co	OTC	27.38	0.5	3.7	0.88	3.2	27.38	27.25	15.3
Hartford Steam Boiler Insptn	OTC	35.00	-1.4	6.5	2.80	8.0	35.50	35.00*	8.0
Jefferson Natl Life Ins Co	OTC	37.50	0.0	10.3	0.76	2.0	37.50	37.50	2.0
Kemper Corp	OTC	28.13	-2.6	4.6	1.80	6.4	28.88	28.13*	12.9
Lincoln Natl Corp Ind	NYSE	37.63	-1.6	6.1	3.00	8.0	38.25	37.63*	16.5
Mission Ins Group Inc	NYSE	22.00	-3.3	5.6	0.80	3.6	22.50	22.00	61.2
Nationwide Corp Ohio	OTC	26.50	0.0	7.7	0.70	2.6	26.50	26.50	0.4
Northwestern Natl Life Ins	OTC	22.38	0.6	4.6	1.50	6.7	22.38	22.38	9.3
Ohio Cas Corp	OTC	36.63	-0.7	5.5	2.36	6.4	37.25	36.63	26.6
Old Rep Intl Corp	OTC	17.38	0.7	4.1	0.92	5.3	17.50	17.38	81.6
Preferred Risk Life Ins Co	OTC	19.38	-4.3	5.6	0.92	4.7	20.00	19.38	4.4
Provident Life & Acc Ins Co	OTC	41.50	2.5	5.2	2.44	5.9	42.00	41.50	15.5
Ryan Ins Group Inc	OTC	31.25	43.7	12.9	0.16	0.5	31.25*	21.75	12.5
St Paul Cos Inc	OTC	36.25	0.7	4.8	2.60	7.2	37.13	36.25	146.0
Safeco Corp	OTC	32.00	-1.2	5.8	2.20	6.9	33.13	32.00*	109.3
Sri Corp	OTC	18.25	2.8	4.0	1.00	5.5	18.25	17.75	20.4
Seibels Bruce Group Inc	OTC	18.75	-0.7	10.0	0.80	4.3	19.00	18.75	6.5
Statesman Group Inc	OTC	5.63	0.0	4.8	0.15	2.7	5.63	5.63	3.3
Tokio Marine & Fire Ins Co	OTC	84.50	-1.7	6.7	1.00	1.2	86.75	84.50*	4.8
Travelers Corp	NYSE	19.13	-9.5	4.7	1.64	8.6	21.50	19.13*	329.2
United Fire & Cas Co	OTC	29.50	0.0	8.5	0.88	3.0	29.50	29.50	0.4
United States Fid & Gty Co	NYSE	36.50	-4.6	6.5	3.60	9.9	37.63	36.25*	193.8
United Svcs Life Ins Co	OTC	14.13	-2.6	5.2	1.00	7.1	14.50	14.13	3.2
Usilife Corp	NYSE	16.38	-4.4	3.4	0.84	5.1	16.88	16.38	97.7
Washington Natl Corp	NYSE	15.13	-5.5	6.4	1.08	7.1	16.25	15.13	51.2
Zenith Natl Ins Corp	OTC	14.25	0.0	6.8	0.76	5.3	14.25	14.25	5.7
INSURANCE COMPANIES	AVERAGE			6.4		5.0			
Agents/Brokers									
Alexander & Alexander Svcs	NYSE	24.25	-2.0	8.4	1.94	8.0	24.75	24.25	255.8
Baldwin & Lyons Inc	OTC	34.50	0.0	6.4	0.80	2.3	34.50	34.50	0.9
Corroon & Black Corp	NYSE	20.00	1.9	10.4	1.76	8.8	20.00	19.75	43.8
Crump E H Cos Inc	OTC	8.88	0.0	18.9	0.40	4.5	9.00	8.88	60.1
Emett & Chandler Cos Inc	OTC	8.63	0.0	9.7	0.00	0.0	8.75	8.63	3.5
Hall Frank B & Co Inc	NYSE	26.63	-5.3	10.0	1.70	6.4	27.88	26.63	176.6
Integrated Res Inc	AMEX	16.25	-2.3	6.1	0.00	0.0	16.50	16.13	21.7
James Fred S & Co Inc	NYSE	21.50	7.5	10.2	1.60	7.4	21.75	20.63	33.4
Marsh & Mclennan Cos Inc	NYSE	29.88	-6.6	9.1	2.20	7.4	31.88	29.88	126.4
Penncorp Fincl Inc	NYSE	7.38	-4.8	5.7	0.16	2.2	7.63	7.38	58.2
Poe & Assoc Inc	OTC	9.00	0.0	10.1	0.80	8.9	9.00	9.00	2.6
Read Stenhouse Cos Ltd	OTC	11.38	3.4	9.8	0.60	5.3	11.50	11.25	12.1
Rollins Burdick Hunter Co	OTC	16.25	-1.5	10.7	1.32	8.1	16.25	16.25*	1.1
AGENTS/BROKERS	AVERAGE			8.6		5.7			
Conglomerates/Holding Cos.									
American Express(Fireman's Fd)	NYSE	36.75	-8.7	6.5	2.20	6.0	40.25	36.75*	2,061.5
Anderson Clayton(Ranger/Panam)	NYSE	27.75	-4.3	5.5	1.32	4.8	29.00	27.75	77.2
Armco Inc	NYSE	16.63	-3.6	4.2	1.80	10.8	17.13	16.63	183.0
City Investing Co. (Home Ins.)	NYSE	18.75	0.7	5.8	1.70	9.1	19.00	18.63	283.1
CNA Finl Corp (CNA)	NYSE	13.75	-1.8	5.4	0.00	0.0	14.13	13.75	182.8
Control Data (Comml. Credit)	NYSE	24.13	-2.0	5.5	0.55	2.3	24.38	23.38	298.4
General Re Corp	NYSE	37.63	2.4	8.9	1.08	2.9	38.88	37.63	518.2
Gulf Utd Corp	NYSE	20.88	3.1	7.4	1.32	6.3	22.00*	20.88	450.2
Cigna Corp	NYSE	32.25	-5.1	4.2	2.30	7.1	34.00	32.25	555.1
ITT (Hartford Group)	NYSE	23.63	1.6	5.2	2.68	11.3	23.75	23.50	661.0
Optimum Hldg Corp	OTC	8.75	0.0	6.6	0.00	0.0	9.00	8.75	5.4
Sears Roebuck & Co. (Allstate)	NYSE	19.00	-0.7	9.1	1.36	7.2	19.38	18.88	1,588.2
Baldwin Utd Corp	NYSE	23.63	-11.9	5.9	0.80	3.4	26.63	23.63*	528.5
Teledyne Inc (Argonaut)	NYSE	98.75	-1.6	5.0	0.00	0.0	99.50	97.50	248.0
Transamerica Corp (Occidental)	NYSE	18.88	-3.2	5.6	1.80	7.4	19.13	18.88*	372.2
CONGLOMERATES/HOLDING CO'S.	AVERAGE			5.6		4.4			

*Record high/low since Jan. 1, 1982

System design: Altman Information Systems

Financial Briefs

American General

American General Corp.'s share of the commercial insurance marketplace will remain essentially unchanged by its proposed merger with Nashville, Tenn.,-based NLT Corp., officials of American General say.

The boards of the two insurance holding companies last week approved a $1.6 billion merger plan to create the nation's fourth-largest stock insurer, based upon assets held. The plan would give control of the merged company to American General following its purchase of 15 million, or 42%, of NLT's shares at $46 per share. American General already owns 9.1% of NLT's outstanding stock.

American General is making offers to NLT sharenolders to acquire the other 49% of the company's shares. American General says the package would have a market value equal to about $46 a share.

American General completed 1981 with revenues of $2.4 billion, according to a *Business Insurance* summary of major commercial property/casualty insurers. NLT, because its operations are almost entirely life-insurance related, was not surveyed.

"We're basically about two-thirds commercial," Nicholas R. Rasmussen, vp and treasurer of American General, says of the two company's property/casualty operations. Most of American General's property/casualty coverage is written by its subsidiary, Maryland Casualty Co. of Baltimore.

During 1981, says Mr. Rasmussen, Maryland Casualty wrote premiums of $683 million, of which $437 million represented commercial risks. Of that total, $103 million was commercial auto, $147 million workers compensation, $50 million other general liability and $137 million commercial property.

Mr. Rasmussen says the merger, which will take about three months to complete, was attractive to the two companies because each has major operations in the other's headquarter city. He said "substantial economies" will be possible through merged operations.

The two companies had been trading both friendly and hostile merger and takeover

"The Hartford's top-notch underwriters bring special skills to standard commercial lines."

An interview with Tony Lubimir, Senior Vice President, Office of Underwriting, The Hartford.

Q. The Hartford is known for the quality of its underwriters. Why is that?

A. Our whole approach to the market depends upon developing and keeping outstanding underwriters. That's why we give top priority to specialized training and career incentives that make underwriting both challenging and rewarding. For example, we created the position of Executive Underwriter for our most experienced professionals. They have broad underwriting and pricing authority coupled with production responsibility. The position may be unique in the industry.

Q. How do insurance buyers benefit from the specialized training of Hartford underwriters?

A. Their insurance needs are addressed by an underwriting professional with in-depth experience and expert knowledge of the particular type of coverage involved. That high level of underwriting expertise is just what brokers and agents tell us they need to help their clients–especially in the current business environment, where *quality* of protection is as important as price.

Q. How does that underwriting expertise help insurance buyers get high-quality, cost-effective protection?

A. The more underwriters know about available programs, the better they can put together a plan that is truly responsive to a particular situation. This is especially true in complex areas such as Workers' Compensation, where a superficial approach may not produce a program that works in a buyer's best long-term interest.

Q. What happens when insurance buyers need specialized underwriting help on both the Property and Casualty sides?

A. They get it. The Hartford has a well-coordinated team approach that gives brokers and agents unlimited access to specialized underwriting and loss control assistance–in effect, our best corporate underwriting resources–when called for.

Q. Do Hartford underwriters in the field have adequate authority to accept or reject risks without consulting the home office?

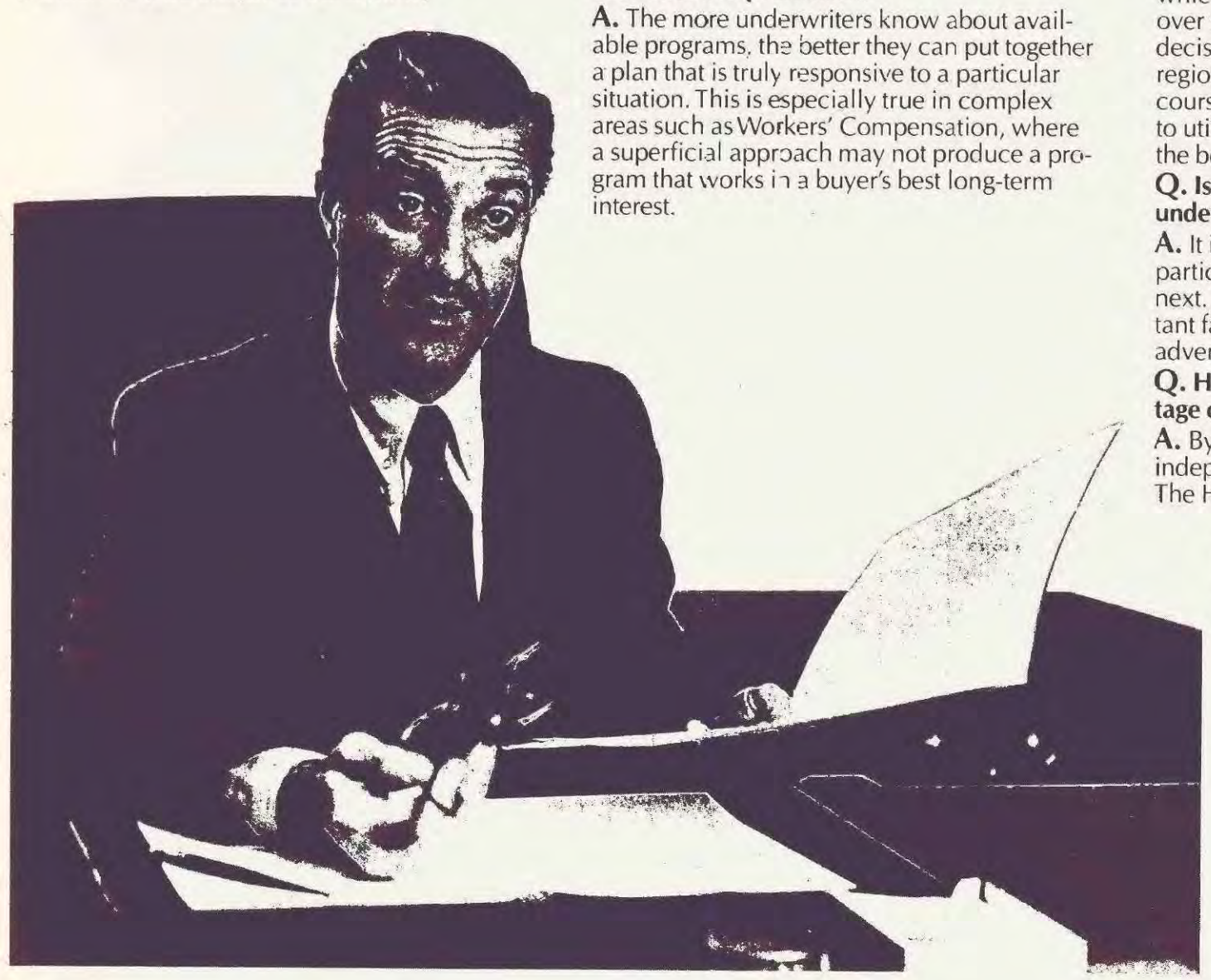
A. Because of the superior training and experience of our underwriters, we're able to give them significant authority within which to operate. In fact, over 95% of underwriting decisions are made in our regional offices. Of course, our field underwriters are encouraged to utilize all corporate resources to develop the best approach to a given situation.

Q. Is The Hartford consistent in its underwriting program?

A. It is our policy to be. We don't cover a particular type of risk one year and drop it the next. This will become an even more important factor as the market starts to respond to adverse underwriting results.

Q. How can insurance buyers take advantage of Hartford underwriting capability?

A. By contacting a broker or independent agent who represents The Hartford.



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