



JULY 18, 1983

update

IRS proposes to reduce tax on group life benefits

WASHINGTON—The Internal Revenue Service has proposed a new rule that would reduce taxes paid by most employees on employer-sponsored group term life insurance in excess of \$50,000.

The rule is intended to correct what many consider to be overtaxation of life insurance benefits.

The cost of group term insurance up to \$50,000 is not taxable to employees.
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business insurance

Reporting weekly for corporate risk, employee benefit and financial executives/\$1.25 a copy; \$45 a year

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Swett purchase to make St. Paul an E/S leader

By RHONDA L. RUNDLE

ST. PAUL, Minn.—The St. Paul Cos. Inc. will become the leading player in the excess and surplus lines brokerage business after it completes its planned purchase of Swett & Crawford from Continental Corp. later this summer.

The insurance holding company will pay between \$30 million and \$40 million for two Continental Corp. units, the wholesale brokerage operations of Swett & Crawford and Reinsurance Facilities Corp., a reinsurance intermediary.

The acquisition of Los Angeles-based Swett & Crawford will add \$165 million in estimated 1983 premium volume to \$130 million that the insurance holding company expects to underwrite this year through its wholesale brokerage subsidiary, National Insurance Wholesalers Inc.

That combined premium volume of nearly \$300 million is likely to soon make St. Paul's wholesale operations larger than those of Sayre & Toso Inc., the giant surplus and specialty lines marketing arm of Mission Insurance Group in Los Angeles.

However, Sayre & Toso will retain the top spot in the 1983 *Business Insurance* wholesale marketer rankings, to be published in the Aug. 22 issue, based on actual 1982 premium volume of \$245 million. Shand, Morahan and Co. Inc. in Evanston, Ill. will again rank No. 2 with \$220 million in premium volume, followed by Swett & Crawford.

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Hall unit files lawsuit to escape MGM claims

By STEPHEN TARNOFF

LAS VEGAS—The insurer on the first \$35 million layer of retroactive insurance for MGM Hotels Inc. is trying another tack to escape paying claims under the innovative insurance policy.

And, the insurer wants to recoup the more than \$11 million it has already paid MGM under the policy.

Union International Insurance Co. is suing the hotel, a general contractor and the contractor's insurers. It's asking for a second time that the retroactive liability insurance policy be voided, charging MGM breached the contract, and it wants to recover litigation and settlement costs it has paid already to MGM Grand for claims stemming from the 1980 Las Vegas Hotel fire.

Union International, a subsidiary of Frank B. Hall & Co. Inc., filed suit against MGM, contractor Del E. Webb Corp. and Webb's 11 insurers in Nevada state court on June 24.

Webb was responsible for the design, construction and alteration of additions at the hotel under construction at the time of the fire. It has been named in several hundred lawsuits brought by victims of the fire, according to the suit.

Union International's suit alleges that Webb and its insurers are liable for past and future defense and set-

tlement costs stemming from the fire that killed 84 persons and injured more than 700 on Nov. 21, 1980.

The suit also seeks rescission of the retroactive policy because MGM did not sue Webb's insurers before coming to Union to seek payments on the policy. MGM's failure to press litigation against Webb and its insurers constituted a breach of the policy, the suit says.

In addition, the suit also seeks a declaration from the court that the Union back-dated policy is excess above insurance provided to Webb, which named MGM as an additional insured.

MGM purchased \$165 million in back-dated liability coverage several months after the MGM fire. MGM had only \$30 million in coverage at the time of the fire.

This past January, plaintiffs suing MGM in the fire litigation entered into a \$75 million settlement agreement with the hotel, which is to be paid in three \$25 million installments (*BI*, Jan. 17).

Three months later, MGM sued Union International, Hall, which brokered the retroactive insurance, and 20 other insurers on the first \$95 million of retroactive coverage after Union failed to pay on the settlements.

Union and Hall claim in an answer to MGM's suit that the \$75 million settlement contains punitive damages that are not covered by the policy (*BI*, March 21,

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Blues dominate group benefit market: Study

By SALLIE J. DRURY

Blue Cross & Blue Shield dominates the group benefits market based on both the number of group contracts its plans write and the amount of premiums the plans generate, data from 1980-81 shows.

The next most popular method of funding benefits is through self-insurance but the number of contracts funded this way comes nowhere close to the number underwritten by BC/BS.

This information is culled from reports on benefit plans that companies must make to the U.S. Department of Labor under the Employee Retirement Income Security Act.

The information, supplied exclusively to *Business Insurance*, was compiled by ERISA Benefit Funds Inc. of Washington and is published in its "Group Insurance Standard Directory." It is the most current information available, and applies to either calendar year 1980 or fiscal year 1981.

BI reported the results of this survey earlier this year (*BI*, April 11), but it was later

discovered that a computer programming error had distorted the results (*BI*, April 18). A new computer program was written and this report is based on the corrected results.

ERISA Benefit Funds analyzed the Form 5500 filed by more than 20,000 businesses with more than 100 employees. The information provided data on about 46,000 contracts—or separately identifiable benefits like medical, dental, long-term disability and life insurance—that cost the employers \$19 billion collectively.

Blue Cross & Blue Shield landed 9,697 of the 45,941 contracts, while self-insurance, the next most preferred method of funding benefits, claimed only 3,805 contracts.

BC/BS plans were able to grab such a large number of the contracts because they are the top funding method of the small and medium-sized companies.

Blue Cross & Blue Shield plans are the top choice for funding benefits among companies in the three smallest-size categories in the survey: 100 to 499 employees, 500 to 999 em-

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How business funds group benefits

(By number of contracts)

	10,000 workers or over	5,000 to 9,999 workers	1,000 to 4,999 workers	500 to 999 workers	100 to 499 workers
First choice	Self-funded	Self-funded	BC/BS	BC/BS	BC/BS
Second choice	BC/BS	BC/BS	Self-funded	CIGNA*	Self-funded
Third choice	CIGNA*	CIGNA*	CIGNA*	Self-funded	Aetna
Fourth choice	Prudential	Prudential	Prudential	Aetna	CIGNA*
Fifth choice	Aetna	Aetna	Aetna	Prudential	Union Mutual

* Includes contracts written by both Connecticut General and Life Insurance Company of North America (INA) in plan year 1981 before the companies merged in 1982.

Source: Group Insurance Directories, ERISA Benefit Funds Inc., Washington, D.C.

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but the cost of amounts over that is treated as employee compensation. Taxes on the excess are not based on the actual cost of each employee's insurance, but on a uniform table maintained by IRS.

Problems have arisen because the IRS table hasn't been updated since 1966, while the actual cost of group term life insurance has fallen "dramatically" due to improvements in mortality rates and increased investment income, says Judith F. Mazo, vp and director of research for consultant Martin E. Segal Co. in New York.

The result has been that employees have paid taxes on assumed insurance costs that are higher than the actual costs, she explained.

Under the proposed rule, employees between the ages of 40 and 64 would receive tax cuts on the excess group term insurance ranging as high as 15%. Taxes for those in the 30- to 34-year-old bracket would remain the same, while those for employees under 30 would actually increase by 12.5%.

The life insurance industry, represented by the American Council of Life Insurance, had sought larger cuts and asked IRS to include projected further declines in mortality rates in its revision of the tables. The IRS decided to include only presently measurable declines. The agency has invited comment on the proposed rule by Sept. 4. The rule would apply retroactively to insurance provided as of Jan. 1, 1983.

\$2.5 million awarded in crash

DALLAS—A Dallas County District Court jury has awarded \$2.5 million to the family of a passenger killed when an Air Florida jetliner crashed into the Potomac River in Washington.

The award was the first stemming from the January 1982 crash, which killed 70 of the 74 people aboard and killed or injured eight people on the ground, according to George M. Tompkins of the New York law firm of Condon & Forsyth, which represents the airline.

Air Florida has already settled 72 claims stemming from the crash, he said, though he did not reveal the size of the settlements. Ten lawsuits, including one by a crash survivor, are still pending.

The jury award will go to the wife and two sons of William Zondler, a Dallas communications executive. His wife will receive \$1.5 million in pecuniary damages, plus \$300,000 for mental anguish and \$500,000 for loss of love and companionship. Each of the two sons will receive \$100,000 for mental anguish and loss of love and companionship, according to Windle Turley, the plaintiffs' attorney.

The award of monetary damages for mental anguish of a survivor in a wrongful death suit is unusual, Mr. Turley admitted. Air Florida has not decided whether to appeal, but if it does it will probably attempt to have only the mental anguish awards dropped, Mr. Tompkins said.

Posgate suspended again

LONDON—Ian R. Posgate, the former chief underwriter for Alexander Howden Group P.L.C., has been suspended from underwriting at Lloyd's of London for another five months.

The Council of Lloyd's suspended Mr. Posgate for six months in January following allegations that he and four other former Howden directors diverted millions of dollars from Howden underwriting operations (BI, Jan. 31).

Lloyd's says it expects its investigation into the allegations to be completed by the end of the year.

Ecuador likely insured jetliner

LONDON—An Ecuadoran airliner that exploded and crashed last week, killing all 130 aboard, was probably insured by the Ecuadoran government, sources in the London market say.

The Boeing 737, valued at \$15 million, was owned by Transportes Aereos Militares del Ecuador, the government military service. The passengers were believed to have all been military personnel.

Travelers expands services

HARTFORD, Conn.—The Travelers Corp. has fired the latest salvo in the war between banks and insurers by offering a cash management service to businesses with less than \$10 million in sales, including insurance agencies.

The "Capital T" cash management service includes automatic investment of idle funds in two new money market funds, free checking, a corporate credit-card accounting system, optional lines of credit and automatic deduction of Travelers insurance premiums.

Asked if the service could substitute for a commercial checking account, a Travelers spokeswoman said, "We think it can be used that way although some businesses might continue to maintain a checking account with a local bank."

The Securities and Exchange Commission and Florida and New York regulators have already approved the service, Travelers says, and permission to market it in other states will be sought gradually.

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New Bell units not required to offer pension portability

By STEVE TARAVELLA

WASHINGTON—The Bell System does not have to transfer pension credits earned by workers who move from one regional phone company to another after the giant utility divests into smaller, independent units.

In conditionally approving American Telephone & Telegraph Co.'s final divestiture proposal, a federal judge also allowed AT&T to distribute the assets of its two massive pension plans among the newly created regional phone companies, which would subsequently establish individual pension plans.

Since the companies will operate independently, Bell did not want to permit employees who leave one company for another to bring pension credits with them (BI, Feb. 21).

However, the newly formed companies will honor pension credits earned at other Bell units for one year after the Jan. 1 divestiture date, since many employee transfers are expected during that period.

Currently, when Bell employees move from one Bell unit to another, they retain credits toward their pensions.

For example, if a Southwestern Bell Telephone Co. employee is transferred after three years to Pacific Telephone & Telegraph Co., AT&T's California-based unit, those three years of service count toward pension vesting requirements.

Sedgwick fails in bid to buy A&A

NEW YORK—The on-again, off-again courtship of Alexander & Alexander Services Inc. and London-based Sedgwick Group P.L.C. is off again—at least until the price of A&A's stock drops.

New York Stock Exchange trading of A&A's shares was halted at \$27.625 a share last Wednesday at the request of the U.S. broker "pending a news announcement."

When the word finally came—early Thursday morning—it was a dud.

"Alexander & Alexander Services Inc. today announced that it had been approached regarding the possible acquisition of the company, but that all discussions have been terminated," was all that A&A would say on paper.

From London, George Hilton, Sedgwick's deputy company secretary, declined comment on reports that Sedgwick officials had been in New York last week, working to close a deal in the \$30-to-\$35-a-share price range—a total of \$750 million to \$875 million—for A&A's stock.

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States to rehabilitate Baldwin insurers

By BILL DENSMORE

LITTLE ROCK, Ark.—Court orders that forced six Baldwin-United Corp. insurance units into rehabilitation last week may also push the troubled financial services firm closer to bankruptcy proceedings.

Judges in Arkansas and Indiana ordered the Baldwin life insurers into rehabilitation after state regulators decided the companies' surplus had been affected by the \$570 million in first-quarter extraordinary write-offs Baldwin announced earlier this month.

Analysts say the fate of these six insurers, which primarily wrote single-premium deferred annuities, could be the key to the future of the parent company, which includes among its holdings MGIC Investment Corp., a large property/casualty insurance holding company.

"I think the chances of (Baldwin) staying out of Chapter 11 now are very small," says James S. Chanos, a stock analyst at Gilford Securities Inc. in Chicago whose critical report on Baldwin's finances last year triggered investor concern about the company (BI, Nov. 1, 1982).

Mr. Chanos, however, acknowledges that many of his firm's clients hold short positions in Baldwin and would probably profit if Baldwin commenced bankruptcy proceedings.

But others say the rehabilitation orders could help

The Communications Workers of America, which represents about 525,000 of the Bell System's 1 million employees, objected to the AT&T's divestiture plan, including separate pension programs for each operating unit, because the plan did not allow for "pension portability."

"We felt a unified pension plan would be more efficient and provide easier transferability of pension rights and benefits when CWA members move from one company to another," says a union spokesman. "We want to maintain it (the pension plan) as a national entity to ensure their rights and benefits."

But U.S. District Judge Harold Green disagreed, explaining that pension portability is not required since separate companies will result from the AT&T divestiture.

"The phasing out of unlimited portability is... a natural consequence of divestiture, for it would surely be inconsistent with the independence of the operating companies from AT&T and from one another to allow employees to rotate among them as freely as if these companies were related entities," he ruled.

Since October 1980, AT&T has maintained just two pension plans for all Bell employees, including those at the current regional phone companies: one for management and another for non-management employees. The assets of the two plans are pooled for investment

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Maine work comp legislation won't reduce high premiums

By CAROL CAIN

AUGUSTA, Maine—Passage of a series of workers compensation bills last month by the Maine Legislature is being touted by some as the state's first serious step toward work comp reform.

Although employers say the legislation won't do anything to offset high premiums, they do admit that it's the first year in recent history that the Legislature has not increased workers compensation benefits.

The bills, all signed by the governor last month, will:

- Change the benefit payment system to an early direct-pay plan in January 1984.
- Finance a study to look at major ways to change the system, including the creation of a state fund, a wage-loss system and open rating.
- Add two commissioners to the part-time Workers' Compensation Commission and create a full-time chairman's position.
- Staff and finance four district commission offices in addition to the main office in Augusta.
- Change the statute of limitation for asbestos-related claims.
- Allow for downward deviations from manual rates.
- Increase insurers' disclosure of rating practices.

Problems with Maine's workers compensation system really began in the late 1960s when laws were liberalized, said Paul Emerson, president of the Maine Chamber of Commerce in Portland.

At that time, the Legislature adopted a litigation approach to handling claims—an approach that has been a noose around employers' necks ever since, Mr. Emerson said. In Maine, all attorneys' fees, even the workers', are paid by the employer.

"You pay attorney fees, whether it's win, lose or draw," noted

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errors & omissions

- Eight retail agency/brokerage companies that were not listed in the June 27 special report on retail brokers completed questionnaires to be listed in a special addendum published in this week's issue on page 42. Six of these eight brokers would have been listed among the 100 largest brokers in the country.

Any other brokerages not listed this year that want to participate in the 1984 survey should send a letter requesting a 1984 questionnaire for retail brokers to *Business Insurance*, 740 N. Rush St., Chicago, Ill. 60611.

Protecting people

Hearing regs won't strain large companies, but small firms may find compliance difficult

By SALLIE J. DRURY

The Occupational Safety and Health Administration's new hearing conservation amendment is nothing to scream over, say large and medium-sized employers.

Consultants, insurers and safety directors agree that most of these companies already have well-established hearing conservation programs and the rules pose no strain.

But a roar may be heard from small businesses that have no hearing conservation programs in place. For these companies, compliance with the new workplace hearing rules may be an expensive and time-consuming process.

Employers have until March 1 to begin compliance with the new OSHA amendment to the occupational noise exposure standard.

The new regulations—which the agency estimates will affect up to 300,000 businesses, mostly in manufacturing and public utilities—reduce the acceptable noise level to which workers can be exposed, mandate how, where and when hearing tests should be performed and specify who should conduct the tests, what measures employers should take to reduce exposure to noise and rules on employee training and record keeping.

OSHA expects compliance with the new regulations will cost busi-

nesses about \$197 million annually.

But despite the myriad rules filling 47 pages of the Federal Register and despite the costs, businesses report they are generally pleased with the regulations.

For one thing, OSHA's revised hearing conservation program will cost employers about \$80 million less than the original hearing amendment, proposed during the Carter administration. Consultants estimate the new program will cost from \$2 to \$9 per employee to meet all OSHA requirements.

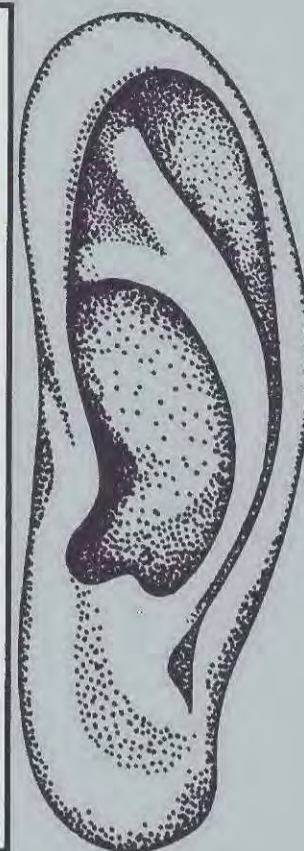
Employers are also pleased that the new regulations take a "performance approach" to hearing conservation; they allow companies to tailor the implementation of the standards to fit unique needs, based on how successfully a worker's hearing is protected.

"The steel manufacturers wanted a more performance-type standard (than was originally proposed), and that's what we got," said Robert H. Inglis, senior industrial health engineer and corporate audiologist for Republic Steel Corp. in Cleveland. "OSHA has told us what we have to do, and then lets the companies decide on the

details."

"I think the OSHA standard was a nice compromise," said James T. McCallum Jr., corporate audiologist for Reynolds Metals Co. in Rich-

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Eye injuries can easily be prevented if employees wear proper equipment

By JIM DAVIS

Employers don't have to purchase a lot of expensive, high technology equipment to prevent workplace eye injuries, corporate safety managers and consultants say.

Almost all they have to do is supply proper forms of eye protection to workers and then make sure the employees wear them.

"Eye protection is well-researched," says Fred A. Manuele, manager of M&M Protection Consultants in Chicago. "The equipment available is exceptionally sound."

"Problems come with eye safety program enforcement: setting the proper rules and making sure supervisors aren't willing to accept less than full compliance," he explains.

Although Mr. Manuele's opinion is supported by virtually all other eye safety experts and corporate loss-control personnel, many employers apparently either do not require workers to wear protection or do not enforce their rules.

In a 1980 study by the U.S. Bureau of Labor Statistics, two-thirds of the workers who suffered eye injuries while not wearing eye protectors admitted their companies had eye protection safety rules.

The Occupational Safety and Health Administration reports that about 102,000 workplace eye injuries occurred in 1981, the most year for which statistics are available. The agency estimates that eye injuries cost employers more than \$300 million each year in lost time, medical expenses and workers compensation claims.

However, disabling eye injuries have declined steadily over the last decade, from a peak of 150,000 in 1973, largely because employers are doing more to make sure hazards are controlled.

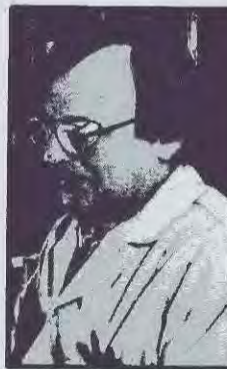
Still, each eye injury costs employers an average of \$3,057 in direct costs for compensation and medical benefits, estimates the National Council on Compensation Insurance, a workers compensation insurance ratemaking organization.

But indirect costs, such as the expense of retraining workers with eye injuries, can total four times that amount, adds Dennis C. Hirschfelder, director of eye safety programs for the National Society to Prevent Blindness.

To promote workplace eye safety and reduce disabling eye injuries, OSHA this spring began a year-long information campaign.

OSHA inspectors are distributing copies of a bulletin enti-

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Computers track workplace health hazards

By DOUGLAS McLEOD

New medical studies linking a common chemical used in the workplace with long-term illnesses can create a research nightmare for corporate medical departments.

Piles of documents in various departments may have to be examined to answer the important questions: Where do we use the chemical? Which employees have been exposed to it? To what degree? Are they showing any symptoms of illness?

But, at Dallas-based Diamond Shamrock Corp., the answers are practically at doctors' fingertips.

When the company's doctors became

concerned by medical reports linking hexachlorobenzene with thyroid illness in 1978, they turned to a new computerized health surveillance system to conduct a three-year study of employees at one plant that used the chemical to produce a pesticide.

Ultimately, they found no effects on thyroid glands, but even so, they limited worker exposure to the chemical.

Diamond Shamrock is one of several large chemical and manufacturing companies—including Manville Corp., E.I. du Pont de Nemours & Co. of Wilmington, Del., and Allied Corp.—that are using so-called "exposure tracking systems."

These computer systems are capable of digesting volumes of information on em-

ployee medical histories and current medical exams, plant conditions and hazardous materials used at various locations.

Using such systems, employers can instantly retrieve the specific types of medical and industrial hygiene information they are required to maintain. But more importantly, these systems make it easier to identify the causes of health problems among employees so corrective action can be taken.

Diamond Shamrock developed its system for its own use but later decided to sell its software package to other companies. Another such software package is available from Flow General Inc. of McLean, Va.

Other companies, including Allied and

Du Pont, built their own systems from the ground up.

All the systems are designed to help companies:

- Reduce risks to employee health by quickly highlighting medical problems and hazardous situations for speedy action.

- Reduce the administrative costs of handling industrial hygiene records.

- Ease the burden of complying with federal and state occupational health record-keeping and reporting requirements.

The designers of these computerized systems also expect them ultimately to reduce corporations' health care costs by keeping their employees healthier. How-

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Ear safety

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mond, Va. "Unions were demanding for us to get rid of noise (completely) and many audiologists were proposing such strict legislation that it would have put work in a clinical setting.

"The more natural a regulation is, the more it will succeed because it can be complied with," he noted. "This regulation will protect employees, and it is a feasible, workable solution."

Some companies already have hearing conservation programs in place that exceed the OSHA regulations (see story, page 12). In fact, consultants say most large- and medium-sized companies meet the OSHA standard for hearing conservation; small businesses, however, lag far behind.

"I'd say 50% of small businesses have yet to get involved (in hearing

conservation programs)," said Robert J. Connelly, industrial audiologist with consultants Audiometric Associates in La Grange Park, Ill. and president of the National Hearing Conservation Assn., a professional association of audiologists.

Many of these firms are too small to have in-house audiologists or hearing technicians, so they will have to rely on services from insurers and outside consultants to meet OSHA regulations. However, so far they do not appear to be tapping these sources much.

Small companies may rely on their workers compensation insurers to measure the levels of noise in their workplaces, although the insurers stress that these services have no relationship to workers compensation insurance rates.

"Our (audiometric) services are available to any policyholder who requests them," said Robert Benashski, assistant director of the chemical and environmental engi-

neering division at The Travelers Insurance Co. in Hartford, Conn. "Or, our engineers may suspect high levels of noise when visiting a policyholder's site and may recommend that noise levels be monitored."

"As a general rule, we train policyholders to conduct their own noise-level monitoring, although we do have the capacity to perform the testing," said Dr. Allen Cudworth, vp and director of The Hopkinton Research Center in Hopkinton, Mass., a division of Liberty Mutual Insurance Co.

Both Mr. Benashski and Dr. Cudworth say their companies can monitor noise levels, assist in the development of engineering, administrative and personal hearing controls and provide training films and literature for companies to distribute to workers.

"Our research and development department has an acoustics lab where we bring our policyholders'

problems," Dr. Cudworth said. "Not only do we determine what engineering controls are feasible, we actually develop hearing controls."

However, neither company conducts audiometric testing on employees or maintains records on a company's hearing conservation program which are required under the new rules. "That responsibility is management's," Mr. Benashski said.

"I just hope those (small) companies don't all wait until February (1984) to begin looking into OSHA compliance," said Mr. Connelly of the National Hearing Conservation Assn.

By the March 1 deadline, businesses must have monitored the areas where workers are exposed to noise levels of 80 decibels to 130 decibels (db).

In addition, workers exposed to noise levels of 85 db as a time-weighted average over an eight-

hour work shift must have received a baseline audiogram, or initial hearing test, by the deadline.

However, because noise monitoring and hearing testing require trained assistance, many of the small companies that do not have trained audiometric technicians on staff will have to turn to special consultants to meet OSHA requirements (see related story, page 10).

"If a company is just getting a hearing conservation program under way, it shouldn't wait much longer because it won't find enough services available," Mr. Connelly said.

"We went through something like this last year at this time," he continued, referring to an earlier proposal for stricter hearing conservation rules. "Only last year there was an Aug. 22 deadline to be met—OSHA hadn't given companies enough time."

However, the August amendment was stayed; the current amendment has replaced it.

Companies must act quickly to begin compliance with the new law because the hearing amendment requires more than employer-sponsored hearing tests.

Employers must meet standards in five basic areas: monitoring, testing, protecting, training and record keeping.

First, companies must monitor the noise exposure level "in a manner that will accurately identify employees who are exposed to noise at or above 85 db averaged over eight working hours," an explanatory brochure from OSHA states. To assure an accurate measurement, the instruments used must be carefully calibrated.

Also, employees may observe monitoring procedures and must be notified of monitoring results.

Each company can determine how the noise level will be monitored (such as whether the measuring instrument will be worn on the employee or placed in the worksite) and how the employee is notified.

Second, companies are required to conduct audiometric, or hearing, testing. This testing must be done under the direction of a professional audiologist, an otolaryngologist (ear, nose and throat specialist) or a physician. However, certified technicians may conduct the testing—and some firms send clerks and secretaries to train for certification—provided the professional directing the program reviews the audiograms, or test results.

OSHA requires two types of audiograms: baseline and annual. Employees must be told the results of all audiograms.

The baseline audiogram is the reference for all future audiograms to determine if an employee's hearing changes. It must be administered within six months of an employee's exposure to "action level" noise (an 85 db time-weighted average) if the company has an on-site audiologist or within one year of exposure if mobile testing units are used. However, if the baseline audiogram is not conducted after six months, an employee must be issued hearing protectors until the test is administered.

Employers must also conduct annual audiograms. If there is an average loss of hearing of 10 db in either ear, or more at 2,000, 3,000 and 4,000 hertz, the employee must be fitted or refitted with hearing protectors, trained in their use and required to wear them. Employees may be retested to determine if the loss of hearing is temporary (as a head cold may cause) or persistent, although retesting is not mandated.

Hearing protectors, the third portion of the OSHA standard, are required for employees who demonstrate a persistent hearing loss, but the protectors must be available for all employees exposed to "action level" noise.

OSHA allows employees to select
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The "Harvey" Test.



How well does your health care coverage measure up?

You're the benefits manager for your company. And Harvey has just given you the word: The boss wants tighter control on costs. That's going to put you and your health care insurance company to the test.

Harvey's question: "Can you cut health care insurance costs, *without* eliminating benefits, to satisfy the boss?"

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Learn how Blue Cross and Blue Shield can help you with effective cost controls; tailored payment arrangements for qualified groups; customized benefit programs; and coming soon...WrapAround Plus, a new idea in coverage. Write: Peter Mulligan, V.P. Marketing, Blue Cross and Blue Shield of Greater New York, Box 3593, Grand Central Station, N.Y., N.Y. 10017. Or call this 24-hour, toll-free number: 1-800-554-9600.

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CRAWFORD & COMPANY

MEMORANDUM TO: Corporate Risk Managers, Insurance Companies,
Brokers and Risk Management Firms

RE: Risk Management Services
Information Systems

Crawford & Company and Risk Sciences Group merged in 1981.

After a year of strategic and structural planning, Crawford is now supplying the market a coordinated-cutting edge information and claims administration service menu of:

- ... Three tier optional information system
- ... Risk control services
- ... Vocational and medical rehabilitation
- ... Employee assistance programs
- ... Claims administration
- ... Loss fund banking systems

1983 is going to be a year of real advancement and innovative options for your profession. We look forward to the opportunity of presenting you and your associates a truly bottom line oriented menu of services accurately consolidated and interpreted through an advance information system. We welcome the opportunity of making an analysis of your current program, submitting proposals and accompanying quotations.



Barry LaFleur
Vice President

CRAWFORD & COMPANY

Risk
Management
SERVICES

Hearing rules

Continued from page 4

which protection is most comfortable and effective, but the selection must be aided by a person trained to fit hearing protectors.

The use of personal protectors is OSHA's least preferred method of reducing worker exposure to noise. The most preferred method is through engineering controls—modifying a procedure or piece of equipment to reduce the level of noise. However, many companies point out that this is often not feasible because the technology does not exist.

OSHA's second preferred method is called "administrative controls," which means rotating workers out of noisy areas so no worker is exposed to a full eight hours of noise.

Companies point out that this, too, often is not feasible because classifications of workers may dif-

fer by work space. Movement may not only reduce production but also breach union contracts. Therefore, OSHA allows—and companies very often use—personal hearing protectors to safeguard workers.

The fourth part of OSHA's new hearing standard relates to the training employees receive. They must be taught not only how to use hearing protectors, but the importance of hearing conservation. OSHA points out this training is necessary for employees to cooperate with any hearing program.

According to the new requirements, training must cover "the effects of noise, the purpose, advantages and disadvantages of various types of hearing protectors, the selection, fitting and care of protectors and the purpose and procedures of audiometric testing."

OSHA allows employers to structure this training program in any manner they choose.

Finally, OSHA states that records must be kept on the hearing conservation program. Records of noise-exposure measurement must be kept for two years. Records of audiometric tests must be kept for the duration of a worker's employment and must include "the name and job classification of the employee, the date, the examiner's name, the date of . . . calibration, measurements of the background sound pressure levels in audiometric test rooms and the employee's most recent noise exposure measurement."

Even though business is pleased with the relative freedom of the new OSHA amendment, several employers express dissatisfaction with some part of the rules.

"We really don't find the OSHA regulations unreasonable, but it's a nuisance to post (the monitoring results) on bulletin boards. Employees don't read them," said Amy

Schaub, industrial hygienist with Ralston Purina Co. in St. Louis.

"We feel the annual audiogram is more frequent than necessary," said Mr. Inglis of Republic Steel. "And, the way of measuring steady state and impulse noise needs to be revised."

"I think it could be a nightmare to administrate," said Dr. Robert G. Wiencek, general director of occupational safety and health at General Motors Corp. in Detroit. "Let's say I am a foreman in a department with 25 workers. Five of the workers have not yet had a baseline audiogram and two have shown a shift in hearing ability. That means seven must wear hearing protectors while 18 do not."

"That's fine to enforce if they're all under direct supervisor, but if you have movement within the group, enforcement of hearing protection may slip on my priority list as a foreman."

Other employers are concerned the new regulations will increase the number of hearing-related workers compensation claims they receive because employees will become more aware of noise hazards.

At this point, hearing loss claims reflect less than 1% of total lost-time accidents, according to a study by the National Council of Compensation Insurers, a workers compensation ratemaking bureau.

However, the frequency of hearing claims has increased at an annual rate of about 32% over the past three years and increased in severity by about 15% a year.

Consultants don't agree on how the new regulations will affect hearing claims.

"Workers compensation is the biggest hurdle this program faces," said Alan Feldman, president of Environmental Hearing & Vision Consultants Ltd. in East Syracuse, N.Y. "People are afraid (the amendment) will open Pandora's box, but they'll find the impact on claims will be negligible."

"However," he added, "I think we will eventually see a reduction in the amount paid out (in workers compensation claims), but not for a couple of decades."

"There may well be a short surge in workers compensation claims," said Don Wolfe, president of Hearing Conservation Consultants of Spokane Inc. in Spokane, Wash. "However, I think very definitely the hearing amendment will help slow down claims, but five to 10 years down the road."

"Too many U.S. companies look only at the quick dollars and the short term," he said. "Ten years from now, when the work comp premium is reduced for companies with sophisticated hearing conservation programs, the savings will be even greater."

While industry in general is pleased with the new regulation, labor is not.

"What started out as a noise standard has come out as a watered-down earplug standard," said Margaret Seminario, associate director of the department of occupational safety, health and Social Security for the AFL-CIO. "The new hearing conservation amendment is still not adequate to protect workers."

"There are responsible industries out there that exceed the OSHA standard," she said. "That just shows that OSHA isn't doing enough. We want . . . a new standard that will take into account the feasibility and success of other companies' experience."

Another fault with the regulations, says Ms. Seminario, is that they do not apply to the oil and gas well servicing and drilling industry. "These industries did not comply even with the vague, totally inadequate standard that preceded this amendment, and now they're completely exempt."

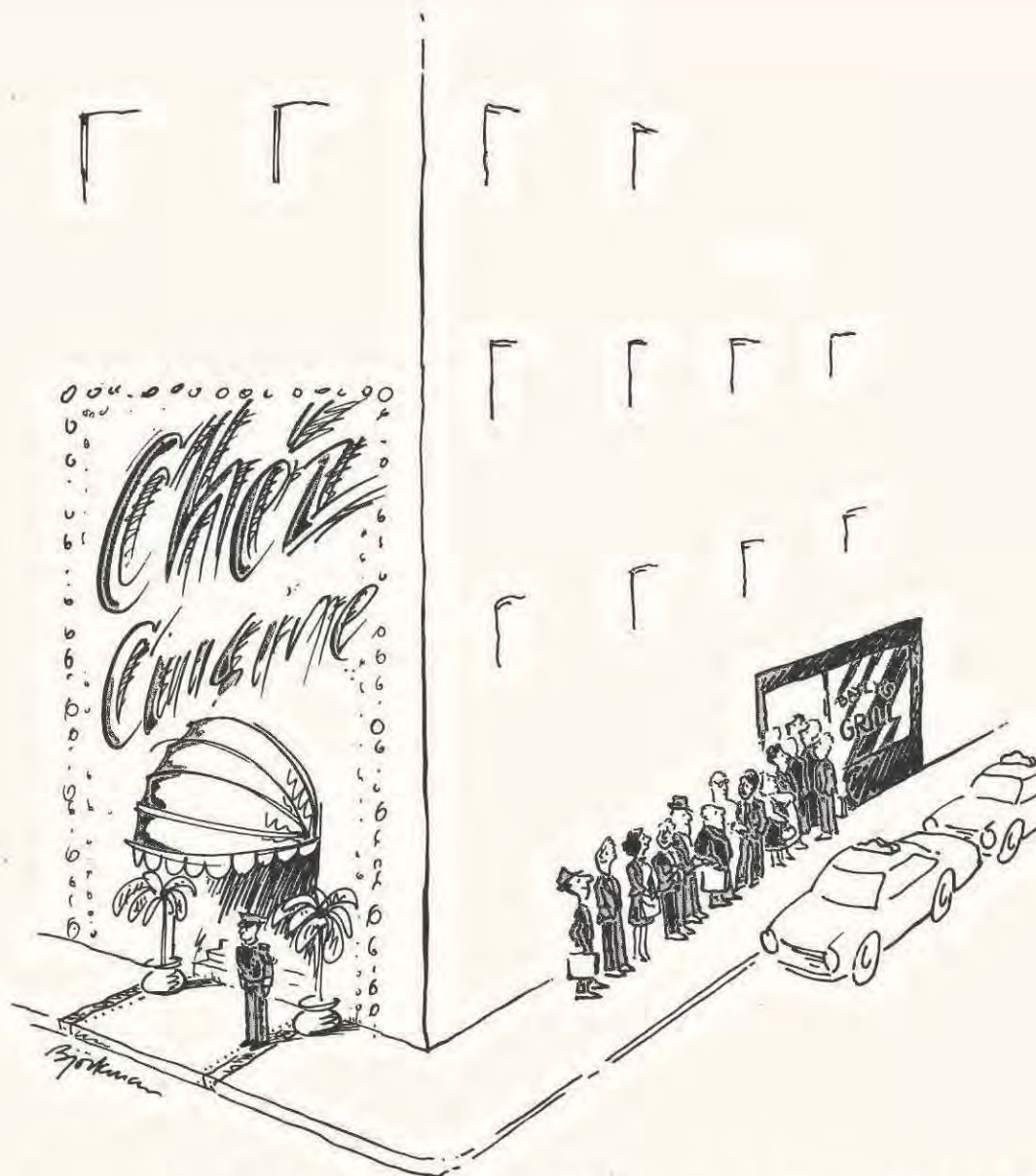
The AFL-CIO plans to focus its efforts on getting OSHA to force more employers to correct noise problems through stricter engineering controls rather than personal protectors.

OSHA already is studying this as part of its review of its entire hearing standard but no timetable has been set.

"We are looking at where the permissible exposure limit should be, and how it can be limited by engineering controls," said John Steelneck, industrial hygienist with OSHA. "But determining an exposure limit is an ongoing effort; there's no telling when our work will be complete."

Consultants say many companies will wait until they are cited by OSHA to begin a hearing conservation program. OSHA, however, will not increase inspections.

"We will proceed along our regular schedule of inspections, selecting the high-hazard industries first," Mr. Steelneck said. ■



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What? A knight without armor?

THE RISKS WORKERS FACE in their environments and the tools available to protect them have come a long way from wild animals fended off with burning torches and rival knights whose lances were deflected by shining armor. Today, computers whirl out reams of reports to help management locate hazardous chemicals in workplaces to be eliminated.

But, even with these modern risks and advances in safety management to combat them, you can do so much with so little to protect the health and safety of your workers. It's the simple programs that are so effective in protecting workers. These programs work whether you are a giant company with legions of in-house medical and environmental technicians or a small employer relying on your own ingenuity and the services of your insurers and brokers.

Our special report this week on protecting people in the workplace details a host of simple, inexpensive—and yet very effective—safety programs.

They are methods that have been around for a long time: Providing your workers with proper protective safety glasses when they are working around flying sparks and particles or splashing chemicals to protect

their eyesight; providing earmuffs when they work around noisy machinery to protect their hearing; teaching your drivers how to drive defensively and to wear seat belts to protect themselves on the highways.

Essential to the effectiveness of all these programs is motivating employees to use the gear and knowledge they have to protect themselves. Prizes for employees who work safely are generally considered effective motivators. Some of the rules of the safety games may sound hokey at first, but they work. Companies that have dedicated themselves to these programs report tremendous success with reducing the number of injuries among employees. Who can argue with success?

And yet, employees lose their eyesight and hearing and are injured and killed in highway accidents. In some cases, management hasn't given employees the protective gear or training that they need. In other cases, the employees have neglected to use the equipment or training.

Imagine a caveman without fire or a knight without armor. That is how vulnerable you are leaving your employees if you don't provide them with a simple but good safety program and a reason to follow it.

letters

There's a better way to prevent airline fire deaths

To the editor: Testimony delivered last month indicated the Federal Aviation Administration will recommend fire-blocking layers in airline seat cushions to prevent deaths from toxic fumes and lack of oxygen (BI, July 4).

We realize that the FAA has done expensive and extensive research in this direction. Nevertheless, recent developments throw doubt on the efficacy of this recommendation.

First, neither polyurethane foam, flotation foam nor any other kind of foam is a necessary ingredient of airplane seating. Our research has shown that with the correct use of two small sinuous springs to accommodate the pelvic skeletal structure, only 1 inch of padding need be used, instead of three inches of foam. The resulting seat is more comfortable than anything existing on the airlines today. Padding materials like cotton or polyester are

far less toxic than polyurethane foam, and they do not produce cyanide.

Second, recent research at the University of Pittsburgh shows that an intense level of irritation occurs long before large amounts of smoke are generated and long before flames ignite from a seat cushion. This is due to deterioration of the cushioning at relatively low temperatures. Thus, heat-reflective upholstery is probably more effective, less expensive, lighter and more likely to delay flashover than a fire-blocking material.

Comfortable seats requiring only 1 inch of padding that are lighter than existing seats, less flammable, less toxic and can meet all FAA specifications can be quickly available. We urge that instead of requiring fire blocking, the FAA limit the amount of toxicity of the cushioning and specify heat-reflective upholstery.

Daniel Krakauer
President
Kay Springs Inc.
Syosset, N.Y.

soon follow. If not, the issue will have been decided in a test market before causing potentially serious damage to the insurance and pension plans across the country.

By the way, I did hear a lot of screaming, primarily from women, when sex-based automobile insurance rating was prohibited in Michigan and rates for younger women were increased.

Of course, the younger males appreciated it. But that still doesn't make the situation fair.

Kenneth Bush
Risk Manager
County of Kent
Grand Rapids, Mich.

Let her try to do it better

To the editor: Judy Goldsmith's diatribe in the Perspective section against sex-related differences in insurance benefits and costs (BI, July 4) once again demonstrates that the issue is one that will be decided, by design, on emotions rather than on facts. Studies, which Ms. Goldsmith did not cite, have shown there to be difference in men and women in mortality, morbidity, driving records and other areas.

Perhaps the solution would be for Ms. Goldsmith to start her own insurance company and offer identical rates for men and women, since no one compels separate rating scales. If such an insurer could compete and be profitable, others may

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Help with hearing program available from consultants

Companies too small to make in-house audiologists practical, or large companies that would like to show employees a hearing conservation training film, can contract for these services with consultants.

But experts warn employers to check the consultants' professional standards because they expect a swarm of consultants—some reputable and some not—to zoom in on companies now that the Occupational Safety and Health Administration has issued tougher hearing standards (see story, page 3).

Noise and hearing conservation consultants should coordinate a complete hearing conservation program, experts advise. They should be able to:

- Measure the noise levels in a workplace.

- Conduct annual tests of employees' hearing ability. This may mean the employer will need a consultant with a mobile testing facility to come to the worksite.

- Interpret the test results.

- Fit employees for hearing protection equipment and train them on its use and care.

- Maintain records of the results.

"When employers are shopping for consultants, they should look for firms that can show evidence of a complete hearing conservation program, not just a hearing test," said Robert J. Connelly, president of the National Hearing Conservation Assn. and industrial audiologist with consultants Audiometric Associates in La Grange Park, Ill.

However, when these companies go shopping, they may find there are not enough services to go around because of the demand created by OSHA's new hearing conservation amendment.

"OSHA's new amendment has generated interest in three new areas," Mr. Connelly said. "First, the companies that have employees newly exposed because the permissible exposure limit was dropped to 85 decibels; second, companies affected by OSHA's holistic emphasis on hearing conservation, which means it is no longer permissible to have just a cursory hearing test; and third, the companies that have been recalcitrant to date in starting a hearing conservation program but are now required to have one."

Because of this increased demand, Mr. Connelly cautions companies to be wary of the boomtown consultants that have set up shop.

Mr. Connelly recommended that businesses seeking consultants check a consultant's track record, confer with its other clients and determine whether low-cost services truly save a company money.

"Some consultants give bargain-basement prices but inadequate service," he said. "Some offer piecemeal services that won't really help you meet all the OSHA regulations."

One way to check a consultant's credentials is to contact the National Hearing Conservation Assn. Although the association is just six years old, it has shown consistent growth.

"Our initial meeting in 1976 had 14 members," Mr. Connelly said. "Now we have close to 100 professional consultants to the industry, comprised mainly of audiologists."

The three-fold purpose of the association is to support education, quality assurance and advocacy on hearing conservation. Among other efforts, the association sponsors an annual meeting on hearing conservation, which last year was attended by 150 members and non-members.

While the association can recommend its members as consultants, its quality assurance committee is also working on formulating general standards for hearing conservation consulting services, Mr. Connelly reports.

"We want to provide the industry and other interested parties some kind of assurance that the services (hearing consultants) provided are professional and ethical," Mr. Connelly said.

For more information on hearing conservation consultants, companies may contact the National Hearing Conservation Assn. through James Embrey, Ed.D., NHCA, 410 Warren Professional Building, 6465 S. Yale, Tulsa, Okla. 74136; 918-492-0465.

—By Sallie Drury

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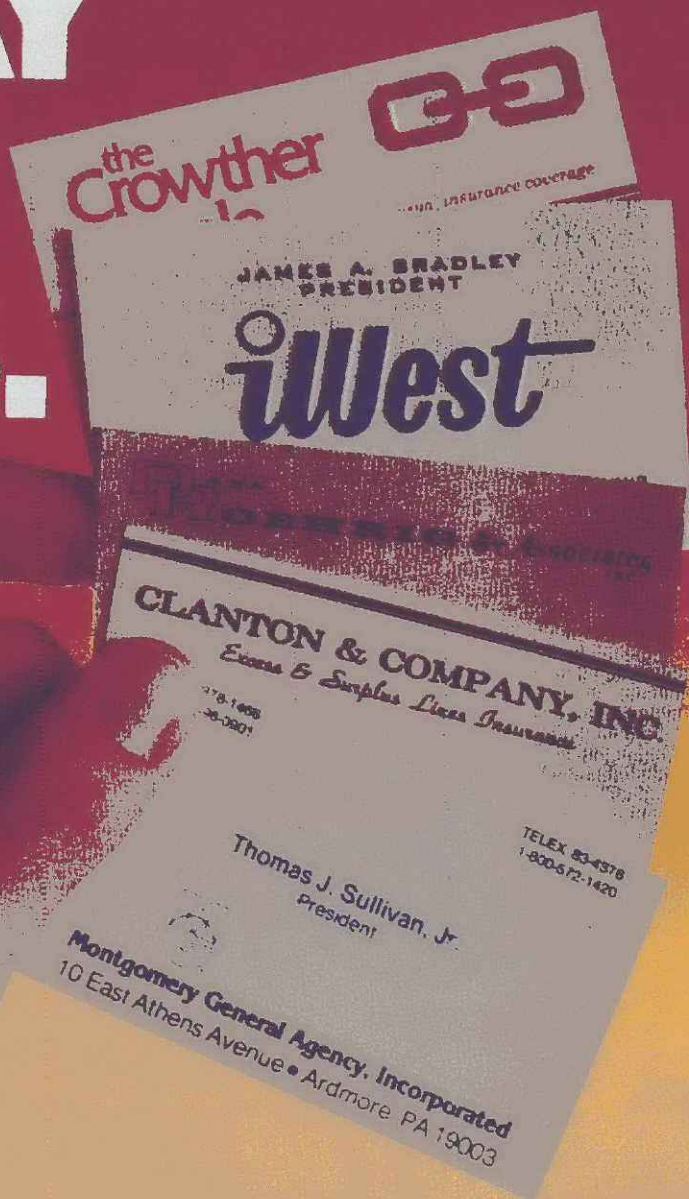
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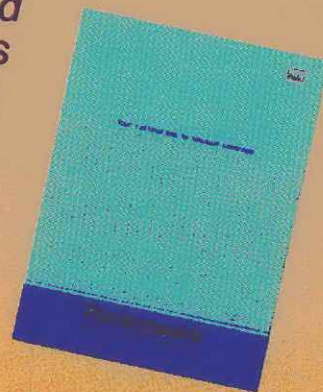
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GM hearing program exceeds OSHA rules

The hearing conservation program at General Motors in Detroit dates back to 1953 when anyone working in an area with noise of 90 decibels (db) or greater was required to wear hearing protection.

Today, the company has modified many manufacturing processes to lessen the noise in the work environment and uses computerized audiometric equipment to test and record workers' exposure to noise in 52 of its 134 U.S. plants.

Programs such as GM's dwarf the Occupational Safety and Health Administration's new hearing conservation requirements.

Although no company *Business Insurance* interviewed would specify how much it was spending on hearing conservation programs, ambitious training measures and sophisticated testing equipment indicate that companies are taking hearing conservation seriously.

"We are very proud of what we have done," said Dr. Robert G. Wiencek, general director of occupational safety and health at GM. General Motors has two reasons to be so proud.

First, its computerized audiometric equipment allows employee hearing to be tested, and the results accurately interpreted, on-site.

"If we see a lot of standard threshold shifts (hearing loss) in one work area, we can investigate the problem," Dr. Wiencek said.

The second reason is that General Motors has been very successful in using engineering controls to reduce noise.

"We have been able to take hundreds of employees out of personal hearing protection each year because engineering controls have reduced the level of noise so dramatically," Dr. Wiencek said.

"A method (of engineering out noise) that has been in effect for several years is to specify, in a request for a new machine, that the new equipment must not generate more than 85 db of noise in an environment comparable to ours.

"Manufacturers cannot always meet the requirements, but we've had considerable success so far."

The company's ultimate goal is to eliminate the need for any employee to wear hearing protectors, Dr. Wiencek said, but technology has not yet made that possible for a metals industry.

Other companies have also succeeded in reducing noise by modifying equipment.

"We have a number of numerically controlled milling machines, which produce parts by reading computer tape," said Thomas C. Linck, branch manager of medical services for McDonnell Aircraft Co., a division of McDonnell Douglas Corp. in St. Louis. "These machines were driven by very noisy, hydraulic pumps. We reduced noise by converting to electric pumps."

"In our rolling mill, where we have to work with large slabs of aluminum, employees are enclosed in a room, or what we call a cab, which is a noise-controlled environment," said James T. McCallum Jr., corporate audiologist for Reynolds Metals Co. in Richmond, Va. "They operate the machines from the cab, so they don't need hearing protection."

Republic Steel in Cleveland bought silencers for the air jets used to blow metal chips off the surface of steel slabs being planed. And Ralston Purina Co. in St. Louis was able to put a muffler on the air exhaust of a chow packer.

"But as OSHA continues to lower the permissible exposure limit, it becomes more and more difficult to engineer out the noise," Dr. Wiencek of GM said.

Then companies must use per-

sonal hearing protection devices to reduce employees' exposure to noise.

Employers agree that the key qualities to look for in a protective device are attenuation, or the device's ability to reduce noise, and comfort, since employees must be willing to wear them.

Companies use two methods to assure employee cooperation in wearing hearing protectors. One may be thought of as negative reinforcement; the other, positive.

"We put some teeth into our enforcement procedures," said Donald McVey, divisional safety director and energy coordinator at Lynchburg Foundry in Lynchburg, Va. "For the first offense (if an employee is found not to be wearing a protector), he or she is given a

verbal warning. The second time, it's a written warning which is placed in the employee's file. The third time, it's a disciplinary layoff. The fourth, a permanent layoff."

Mr. McVey added that employee cooperation is usually not a problem because everyone in the company's three plants is required to wear hearing protection. "Management sets the example on down," he said.

"We protect more people than we really need to because it's easier to administrate."

The method of positive reinforcement is educating the employees on the dangers of noise exposure so that they will want to wear their hearing protector. This training is an OSHA requirement now, although companies can de-

cide how to train workers.

Most companies use a combination of negative-positive reinforcement, but General Motors is convinced that training is the only way to achieve 100% compliance.

GM's training program begins with the plant's local health and safety committee, comprised of a union representative, a management representative and the plant physician.

The committee then shows employees a series of films. One outlines personal hearing protection: its importance, proper use and maintenance. Another film simulates hearing loss.

However, General Motors employees who still do not wear a hearing protection after having been trained and provided a selec-

tion of hearing protections are given a break-in period. During this period, employees will wear the hearing protection for an increasing number of hours each day to grow used to the devices until they wear them an entire shift.

Employees who still refuse to wear a hearing protection are offered an alternative assignment in a low-noise area.

"Finally, if we can't place them anywhere else, they are given the choice of working with hearing protection or not working," Dr. Wiencek.

"You can have the most sophisticated hearing conservation program in the world, but if the employees won't cooperate, you won't have hearing conservation."

—By Sallie Drury



When a hosp exploratory su call in a s

Most eye injuries can be prevented: Experts

Continued from page 3

titled "Eye Protection in the Workplace" that describes causes of eye injuries and recommends preventive measures.

The informational campaign is intended to provide a low-cost way to encourage employers and employees to follow eye safety regulations, an OSHA spokesman said, as well as to complement a program undertaken by the American Academy of Ophthalmology to improve industrial eye care (see story, page 19).

OSHA requires employers to make workers wear whatever eye protection is needed on the job. Employers can be liable for penalties of up to \$10,000 for violations.

Some employers point out they've been requiring employees

to wear eye protectors for years.

"Our oldest form of worker protection is eye protection," said Kent R. Davis, safety director at Dow Chemical USA of Midland, Mich. "Eye shields were the first kind of protection we issued."

Similarly, Thomas W. Lawrence Jr., personnel safety manager at Monsanto Co. of St. Louis, reported, "We've been into eye safety for years. We're not doing anything differently now because of OSHA."

"The problem of eye injuries is handled so nicely with personal protective equipment (glasses, goggles and helmets) that it doesn't have to be engineered out," adds Thomas P. Cimino, corporate loss-control and safety manager at Square D Co. of Palatine, Ill.

"Safety glasses are accepted

'Our oldest form of worker protection is eye protection,' says Dow Chemical's Kent Davis.

almost universally by workers, so there isn't the push from unions for engineering control that there is, say, with ear safety," he says (see story, page 3).

"Unions don't demand a permanent cure for eye hazards. They agree that personal protection is the most effective tool for controlling the hazard."

Of course, employers must make

sure an employee has the right kind of eye protection for the job, safety directors say. For example, while plain, non-prescription safety glasses are sufficient for jobs such as painting, where the hazard of particulates causing eye injuries is relatively low, tasks like welding—in which sparks pose serious threats to a worker's eyes—demand the greater protection offered by form-fitting goggles or helmets.

Certain operations pose especially troublesome eye hazards, safety managers say, especially jobs involving pieces of moving equipment that can throw small bits of excess material. A similar problem exists in chipping, grinding and hammering operations.

Small particulates are the cause of a majority of eye injuries, the

1980 Bureau of Labor Statistics study found. More than two-thirds of the injuries reported were caused by objects having a diameter of less than 0.5 millimeters.

Jobs involving chemicals, especially corrosive ones, also pose eye hazards because of the risk that the chemicals can splash or spray in a worker's face.

And high-tech tasks that involve the use of laser beams also increase the risk of eye injuries because the beams can cause burn-like injuries to unprotected eyes.

These hazardous operations are concentrated in certain industries. For instance, a 1980 study by the Ohio Bureau of Employment Services found that employees at durable good manufacturers, who made up about 19% of the state's work force, sustained 42% of all lost-time eye injuries. Construction workers, who made up about 4% of the state's labor force, sustained close to 14% of reported the injuries.

Conversely, the potential for eye injuries is much less in other areas, such as office work, where the greatest eye injury dangers are presented by flying staples and wayward pencil points, and retail sales—where falling boxes, coat hangers and clothing racks are the biggest concern.

However, that doesn't mean white-collar workers do not suffer any eye injuries. According to the Ohio study, workers in service industries, who accounted for 17.8% of the workforce, reported 9.4% of all eye injuries, while retail trade workers, who made up 15.9% of all Ohio employees, reported 7.3% of all eye injuries.

In these less-hazardous professions, safety glasses, goggles or helmets usually aren't required. Instead, eye safety can best be promoted by encouraging workers to act prudently and avoid dangerous situations, like not walking around with an exposed pencil point, a spokeswoman for the American Optometric Assn. says.

Most eye protection is relatively cheap with most non-prescription eye protectors costing from \$3 to \$15 each, corporate safety directors say.

While glass was for many years the most commonly used material for eye-protection lenses, plastics are being used increasingly because they are lighter and stronger, though they're more expensive (see story, page 18).

Only rarely does an eye-protection device fail to do the job it was intended to, experts say. Eye injuries are caused when workers fail to wear eye protection, either because it is not provided, not required or the wrong type was supplied.

According to the 1980 BLS survey, about 37% of the workers sustaining eye injuries who were not wearing eye protection said they didn't wear eye shields because they did not think protection was needed. Another 37% said they did not wear eye protection because it was not normally used or was not practical for their job.

Slightly fewer—29%—reported that their employer did not require eye protection for their particular job. Another 22% said that eye-protection equipment was not available at the worksite.

Mr. Hirschfelder traces the responsibility for these eye injuries back to employers, especially medium-sized ones.

"The problem of eye-safety rule enforcement is greatest in medium-sized companies," Mr. Hirschfelder says. "At smaller companies, the owner is usually around to make sure that rules are being followed. The larger companies usually have

Continued on next page

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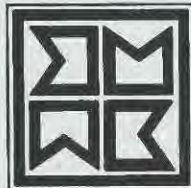
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Photo courtesy of Republic Steel Corp.

Safety glasses with side shields give workers added protection from flying particles.

Rules must be enforced to encourage eye safety

Continued from previous page
corporate safety departments to set and enforce procedures. "But at the medium-sized companies, safety—particularly for eyes—is often a part-time responsibility given to someone in another department, like personnel, where he spends most of his time."

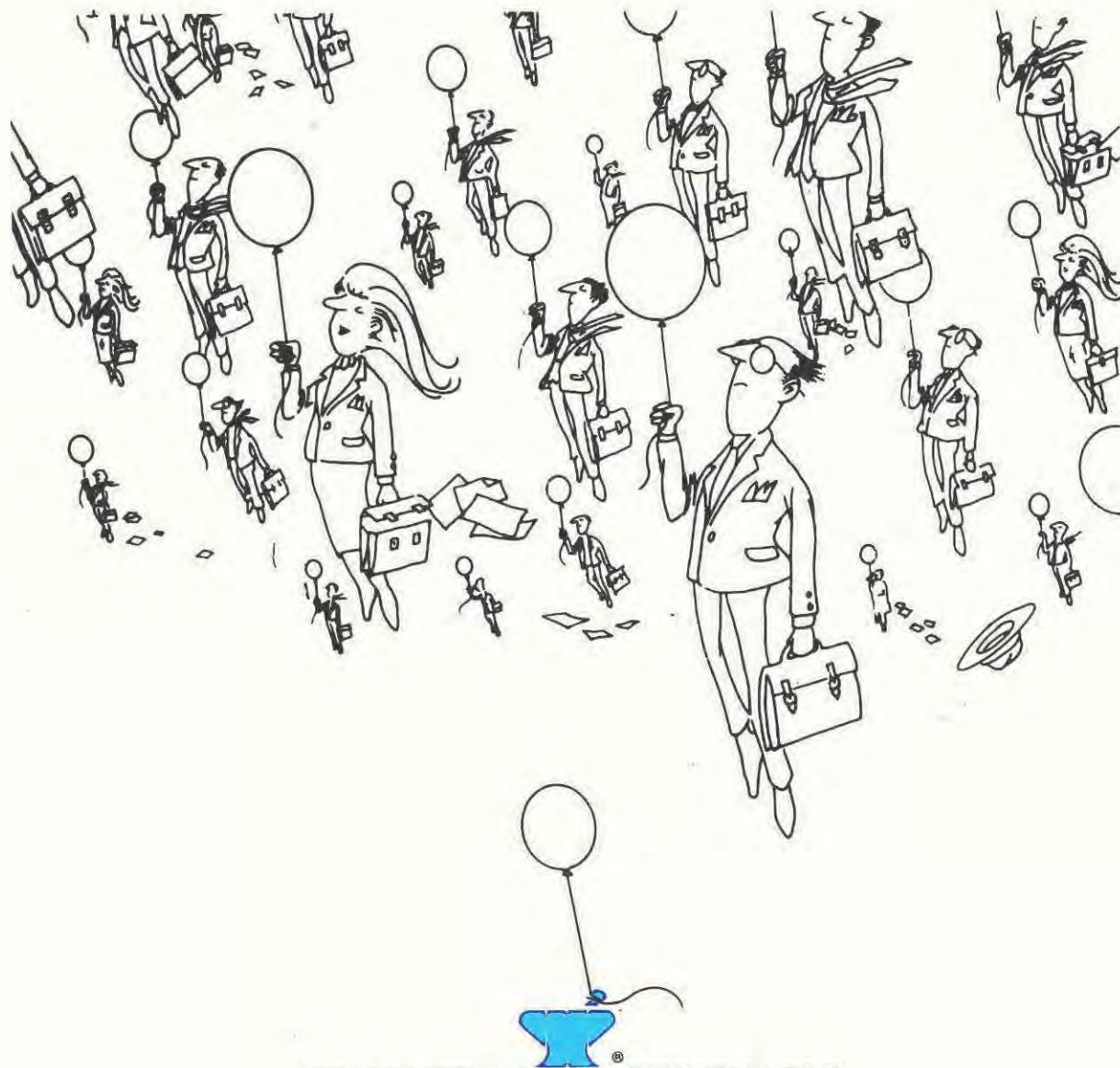
Companies that currently have effective eye-safety programs say their success is largely attributable to the manner in which rules are enforced. In many cases, general guidelines are established by the corporate safety department, but they are subject to modification by individual plant managers for unique circumstances.

At most of the companies, en-

forcement of eye safety rules is a staff responsibility, handled by foremen and other immediate supervisors. They have authority to mete out discipline for violation, which can range from warnings to pay reductions and, in extreme cases, job terminations.

These companies also promote eye safety through weekly or monthly safety meetings and in-house publications, which occasionally provide advice on recommended procedures.

"Each employee should feel he is a part of the safety program," said Donald G. Windsor, a safety and fire protection division section manager at E.I. du Pont de Nemours & Co. Inc. of Wilmington, Del.



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Du Pont takes eye safety a step farther than many companies through what it calls an "area approach," which requires all people entering a hazardous area to wear the recommended form of eye protection, whether they are directly involved in a work task or not.

This approach was developed, Mr. Windsor said, "because we found that eye injuries were not necessarily occurring with the people working on the task."

Also, by requiring supervisors in the company's 147 plants worldwide to follow the same procedures as employees, a positive attitude toward safety is encouraged, he says.

DuPont takes eye safety seriously, Mr. Windsor explains, because "we have to. You can't buy a replacement eye."

To increase compliance with its eye safety programs, Chrysler Corp. in Highland Park, Mich., explains the reasons for the program to its workers.

"By explaining the 'why' of our programs, we're more likely to gain employees' support," said James R. Crawford, the company's employee safety manager. "Then, they help sell the program."

Another way to gain this support, Mr. Crawford said, is by providing workers with the best available safety equipment.

While safety directors at the companies contacted take eye safety seriously, promotion and enforcement of rules can take a more lighthearted approach, as the management at Lynchburg Foundry in Lynchburg, Va., is proving.

Company rules require all employees to wear safety glasses with side shields whenever they are in any of its three plants except when they are in office areas or rest rooms. Compliance with this requirement is encouraged by a game the workers play, known as "safety poker."

The game calls for the company's 560 employees to be divided into four teams, said Jimmie B.D. Childress, director of safety and security at one of the Lynchburg-area plants. For each week in which none of a group's members receives a serious injury, the group receives a randomly selected playing card, Mr. Childress said.

At the end of five weeks, members of the team with the best poker hand win prizes donated by local merchants and a new five-week game begins.

"The game encourages a lot of peer pressure for workers' safety," Mr. Childress said. "Employees want to win the prizes, so they try to make sure their friends are following standards."

Eye safety has become part of a game at Lynchburg, but it's one that all parties win, Mr. Childress said, because their chances of sustaining eye injuries are reduced. ■

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

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

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

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

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

1. Coverage disputes should be litigated by those few attorneys who specialize in this area of law, since effective litigation requires a keen understanding of the procedures and intricacies. In preparing a coverage dispute case, the bulk of the funds expended by the plaintiff will undoubtedly be during the discovery period or the first six months in which the insured is preparing his case. This is not a one-time corporate expense. These costs must be understood and looked at as the loss of the use of corporate cash flow monies.
2. A coverage dispute trial could drag on for years since constant postponement is a key defense maneuver. The monies the insured is using for legal expenses now becomes tied up for years. This is far more expensive than it appears. The insured has lost his money for investment purposes. The insured may have to borrow money to meet the obligations of the unpaid claim. Now a large indebtedness has to be contended with. Compute these factors over four or five years and you begin to understand how unproductively spent money has a very high replacement cost that could approach the value of the claim.

3. If, under these conditions, the insured compromises his position, the legal fees already spent are lost and the cash flow problems have compounded the cost, and the insured now must meet the cost of the claim itself—with depleted corporate funds or expensive borrowed dollars. The total cost of a coverage dispute could greatly exceed the claim in question.
4. If the company is successful, in their claim and does recover, as part of its judgment, the legal fees expended in pursuing the claim, the company has, in the loss of the use of monies over the years, could have lost almost as much as it has been able to recover. This, then, is not effectively putting the insured in the position he should have been in. While the insured may have been successful in collecting his claim, plus his legal fees, he still may, in reality, be in a loss position.

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

OPTION 1

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

Example: CORPORATION SELECTS ATTORNEY

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

*Deductible based upon corporate insurance budget.

OPTION 2

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

Example: CORPORATION USES PIA's ATTORNEY

Legal fees total	\$1,000,000
Deductible (50% of Option 1)	50,000
Total cost assumed by insured	50,000
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New plastic products improve eye safety

New developments in the field of plastics are resulting in industrial eyewear that provides workers with more protection, eye safety experts say.

Glass used to be the favored component for eye-protection lenses, but employers found that glass lenses are easily shattered and broken by fast-moving projectiles.

Plastics have reduced this problem to the point where a 1980 report by the U.S. Bureau of Labor Statistics found that less than 2% of workers reporting eye injuries said they were caused by shattered lenses or frames.

In welding, for example, projectiles that would burn and pit glass are repelled by plastic lenses,

which better absorb the shock.

In fact, plastics have so improved the strength of protective lenses that the durability standards governing eye protection may be toughened.

Regulations written in 1979 by the American National Standards Institute call for industrial safety lenses to be at least 3 millimeters thick and capable of withstanding the impact from a one-inch steel ball dropped 50 inches.

In addition, frames have to be made of slow-burning materials and retain lenses under impact.

While these standards provide protection to prevent most injuries, according to Dennis C. Hirschfelder, director of eye safety programs at the National Society to Prevent Blindness, work is under way to make the ANSI standards more stringent.

The NSPB is one of the organizations providing input in their development.

The new standards will almost surely set stronger impact tests, Mr. Hirschfelder said.

In addition, ANSI may require all safety glasses used in certain operations to be fitted with side shields. These shields provide wraparound protection, much as goggles do, while providing better ventilation.

Also being investigated is the establishment of dual-level impact standards, which would set tougher rules for eyewear used in hazardous operations and less-stringent tests for relatively safe jobs.

One of the prime reasons why standards can be upgraded is because of the development of a tougher polycarbonate plastic.

"Polycarbonates are stronger and more scratch-resistant" than glass or other forms of plastic, said Gene Thomas, general foreman at Parmele Industries Inc. of Kansas City, Mo. Parmele is the parent of U.S. Safety Service Co., one of the nation's largest manufacturers of industrial eyewear.

"They're one of the most important things to happen in the field during the past 10 years," he said. "You could hit a polycarbonate lens with a sledgehammer, and it wouldn't break."

Unlike regular plastic lenses, which cost about the same as glass lenses, polycarbonates are more expensive, Mr. Thomas said, though he would not say how much more. He added that the price differential should narrow over time.

U.S. Safety has used polycarbonates in non-prescription lenses for the past seven years and for prescription lenses since 1981, Mr. Thomas said. Currently, polycarbonate lenses make up about 20% of the company's sales, and he estimates that they will increase to about 40% within five years because of their strength characteristics.

Mr. Thomas also noted another trend in industrial eyewear.

"It used to be that all you could get were black frames," he said, adding that U.S. Safety now offers more than 10,000 different combinations of frames and lenses.

As a result, prescription industrial glasses are being used more away from the workplace. Since most companies pay at least a portion of the cost of required protective eyewear, employees can save money by not having to purchase a second pair of glasses for off-hours.

The number of lens styles and frame colors available should continue to increase as a result of increased automation in the production of eye protection, Mr. Thomas says.

—By Jim Davis

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Contacts don't provide adequate eye protection

Contact lenses do not pose severe or unusual hazards when worn in most workplace environments, corporate safety directors and eye experts agree.

But contacts can't be relied upon to provide eye protection in industrial settings, they say.

And many companies do not allow employees who work in industrial settings to wear contacts on the job.

"Contact lenses may be worn in many occupations," according to a position paper issued by the National Society for the Prevention of Blindness. "Of themselves, (they) do not provide protection in the industrial sense. For occupational use, contact lenses should be worn only in conjunction with appropri-

ate industrial eye protection."

But, the society notes, some workers should not wear contact lenses on the job.

"When the work environment entails exposure to chemical fumes, vapor, or splashes, intense heat, molten metals or highly particulate atmosphere, contact lens use should be restricted."

Concern about the possible dangers of wearing contacts in the workplace was increased by rumors that two workers who were exposed to electric spark flashes while wearing contact lenses subsequently tore away corneal tissue when they removed their contacts, causing blindness.

However, these rumors weren't true, said Dennis C. Hirschfelder, director of the NSPB's eye safety programs. He adds that such an injury is medically impossible.

None of the corporate safety directors contacted by *Business Insurance* reported any specific problems related to contact lens use.

Still, companies have adopted different rules concerning their use.

At E.I. du Pont de Nemours & Co. of Wilmington, Del., employees who work with or near certain chemicals are not allowed to wear "soft" contact lenses—which are made of porous liquid-absorbing plastic—because the chemicals' vapors could change the lenses' chemical composition, said Donald G. Windsor, section manager in Du Pont's safety and fire protection division.

Employees who work in areas with a substantial amount of particulate matter in the air are prohibited from wearing "hard" lenses, which are made of glass, because of the possibility that the particulates could become lodged between the lens and the eye, Mr. Windsor said.

"Contacts are not considered to provide workplace protection," he said. "But they aren't hazardous, either."

At Chrysler Corp., contacts are not allowed where there is a potential of impact from flying metal or plastic components, according to Employee Safety Manager James R. Crawford. Where contacts are permitted, cover goggles are usually provided, he said.

Similarly, General Motors Corp. limits contact lens use in workplaces with large amounts of dust, mist or vapor, said Kenneth E. Lauck, GM's occupational safety administrator.

At Reynolds Metals Co., based in Richmond, Va., industrial employees are allowed to wear contacts with the local plant manager's approval and then only with approved safety protection shielding their eyes, said Bobby J. Sasser, the company's corporate safety director.

And at Republic Steel Corp. in Cleveland, workers are not allowed to wear contacts in the plant. "Because of the dust and chemicals, they (contact lenses) could bring irritation," said Patrick F. O'Neal, the company's director of corporate safety, health and medicine.

Instead, the company provides plant employees who wear contacts with prescription safety glass, Mr. O'Neal said.



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Ophthalmologists working with Pittsburgh employers

PITTSBURGH—To complement the Occupational Safety and Health Administration's new eye safety information campaign, the American Academy of Ophthalmology is expanding a training program designed to increase understanding of workplace eye injuries and available remedies.

The academy's Workers Eye Health Project, headed by Dr. Joseph F. Novak, a Pittsburgh ophthalmologist, calls for volunteer ophthalmologists to interview corporate medical personnel, teach seminars and provide follow-up consultations to interested companies.

The seminars are intended to help identify workers who have vision or muscle problems and colorblindness.

Additionally, as a complement to the OSHA campaign, the ophthalmologists train corporate medical personnel how to teach their own workers to prevent eye injuries both on and off the job.

Two companies with a combined total of about 35,000 employees in the Pittsburgh area—U.S. Steel Corp. and Duquesne Power Co.—took part in the recently completed pilot segment of the program.

During this segment of the project, Dr. Novak, who has served as a consultant to U.S. Steel for 33 years, met with medical personnel from both companies to review the companies' eye safety procedures and testing equipment.

Following completion of the pilot segment, representatives from both the U.S. Steel and Duquesne medical departments say they intend to show the American Academy of Ophthalmology's slide show, "The Worker's Eye: Ophthalmology and Occupational Health," as part of their eye safety programs.

In addition, they said, employees will be given copies of an academy eye safety brochure when they take workplace eye examinations.

Before beginning work, new employees at both companies are given eye examinations in which several tests—including checks for visual acuity, muscle balance, depth perception and color vision—are performed.

If problems are uncovered during the initial exam or later on in the employee's tenure, they are referred to outside eye doctors for further care.

The frequency of subsequent eye exams at U.S. Steel depends on the requirements of the employee's job, Dr. Novak said. At Duquesne, employees must receive an additional eye exam to drive a company car or to work at the company's Beaver Valley Power Station nuclear plant.

In the next part of the Workers Eye Health Project, which will begin in September, volunteer ophthalmologists will expand their presentations to interested companies in western Pennsylvania, Ohio and West Virginia, Dr. Novak said.

The academy also hopes to establish the program on a nationwide basis, although no timetable has been set.

Some companies are also expanding their eye safety pro-

grams by paying for any prescription safety glasses required on the job.

While all companies contacted pay for non-prescription eye protection used on the job like non-corrective goggles and safety glasses, only some, like General Motors Corp. of Detroit, pay for all prescription safety lenses and required eye examinations.

Some, like Lynchburg Foundries of Lynchburg, Va., pay for prescription glasses and frames but require employees to pay for outside eye exams. Others, including Reynolds Metals Co. of Richmond, Va., and Republic Steel Co. of Cleveland, pay part of the cost of prescription eye protection for employees. ■

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Tracking workplace exposures

Continued from page 3

ever, users of the systems say they don't expect to save health care dollars for some time to come.

"We're talking about long-term prevention. If there is any return (on investment from reduced health care costs), it may be 20 years before we see it," said Dr. Robert Anderson, corporate medical director for Manville Corp.

John Page, director of safety and fire protection at Du Pont, adds, "The majority of the savings will be in running the studies. I don't see it affecting our health costs significantly."

Even Diamond Shamrock's associate medical director, Dr. Morris Chelsky, says it may be 10 to 15 years before those savings are realized.

"There is a lag period between the time you institute good screen-

ing and follow-up procedures and the time you benefit," he explained.

But today, information that might have taken days to find with a manual filing system can now be retrieved in minutes, and studies that took months may now take only a couple of weeks, says H. Boutchard Jr., general manager of Diamond Shamrock's tracking system called COHESS (Computerized Occupational Health/Environmental Surveillance System).

"A company would be crazy not to have a computer if they can afford one," he said.

"We had to get up to snuff or we were going to get buried in our own numbers," said Arlin Voress, director of occupational health for New York-based Union Carbide Corp.

Diamond Shamrock started using COHESS in 1978, after

spending two years and \$2.5 million developing it.

The system now includes information on 47 domestic Diamond Shamrock energy and chemical plant locations and 11,000 active and 17,000 former Diamond Shamrock employees, Mr. Boutchard says.

The company has sold the COHESS software package, one of the first of its kind, to other employers that have the IBM computers needed to accommodate it. So far, six employers—Hooker Chemical & Plastics Corp. (a subsidiary of Occidental Petroleum Corp.), Monsanto Co., American Cyanamid Co., Xerox Corp., Mobil Corp. and the U.S. Air Force Logistics Command—have paid \$325,000 each for the package, according to Mr. Boutchard.

COHESS stores data under three general headings, described by Mr. Boutchard as "people, places and things."

In the "people" module, COHESS stores a list of company employees, their work locations, medical and accident histories, results of health evaluations and information about materials each employee works with or other plant conditions that might affect his or her health.

The "places" module includes a list of company plant sites, with each site subdivided into so-called "exposure locations." Results of noise-level measurements, air-quality tests and other site-monitoring tests in each exposure location are included in the file.

The "things" module identifies all chemicals, raw materials and other physical hazards present within each exposure location, and includes the results of the site-monitoring tests relating to each of the materials or hazards. The file also identifies the people working in areas where the materials or hazards are present.

All of the information in

COHESS files can be cross-referenced, Mr. Boutchard explained, allowing companies to perform population or toxicology surveys among employees.

Diamond Shamrock also has performed 40 epidemiological studies with COHESS and has pinned down the cause of workers' health problems faster than was possible before the system was developed, according to Dr. Chelsky, the associate medical director.

For instance, a 1980 review of medical records for one plant found an unusual incidence of skin rashes among workers who bagged the plant's product, a chemical fungicide dust. Diamond Shamrock installed an automated bagging system and required workers to shower and change work clothes each day, and the rash problem disappeared, Dr. Chelsky said.

Skin rashes have been the most serious problem detected so far, he noted.

Other studies have ranged from examinations of the incidence of malignant brain tumors and cancer deaths among employees to reviews of lead in the blood and routine blood pressure screenings.

But, about 90% of the employee health problems discovered in regular health screenings are not related to occupational exposures, Dr. Chelsky said. Coping with these problems—diabetes, hypertension and heart conditions, for example—is the subject of another Diamond Shamrock program in employee health education, Dr. Chelsky said.

COHESS has also helped Diamond Shamrock answer questions from physicians about the health effects of its products, Dr. Chelsky added. In one case, he said, a doctor treating a consumer for an allergic rash asked if the rash could have been caused by one of Diamond Shamrock's agricultural chemical products.

The company used COHESS to search for a similar reaction among its own employees, and found none, Dr. Chelsky said. The physician later found that the patient's reaction had been caused by a mold that grew on celery leaves, he said.

COHESS also will produce the reports on hazardous substances and employee accidents and injuries required by the federal Occupational Safety and Health Administration faster than was possible before, he explained.

"If OSHA came out tomorrow and said, 'This material is hazardous; you have to find out first, (if) you have an exposure, second, which people are involved and third, what you are going to do about it'—if you've got all that information up front, it's very easy to comply with OSHA regulations within weeks."

Flow General Inc., the McLean, Va., electronics manufacturer and systems designer, calls its ready-made product for computerizing medical and industrial hygiene records "Flow Gemini."

Like COHESS, Flow Gemini divides data into an employee file, a workplace file and a so-called "environmental agent" file, according to Wanda Rappaport, Flow General's director of occupational health systems.

The environmental agent file comes pre-programmed with Material Safety Data Sheets—containing information on the properties, handling and hazards of various materials—for 400 chemical and biological agents. More information on other materials can be added.

Flow Gemini users can either buy the system's software package for \$150,000 and use it with their own computers, or can rent time on Flow General's computer. Time-sharing costs for Flow Gemini range from \$750 per month to \$9,000 per month depending on how many employees a company includes in its data base.

Continued on page 22

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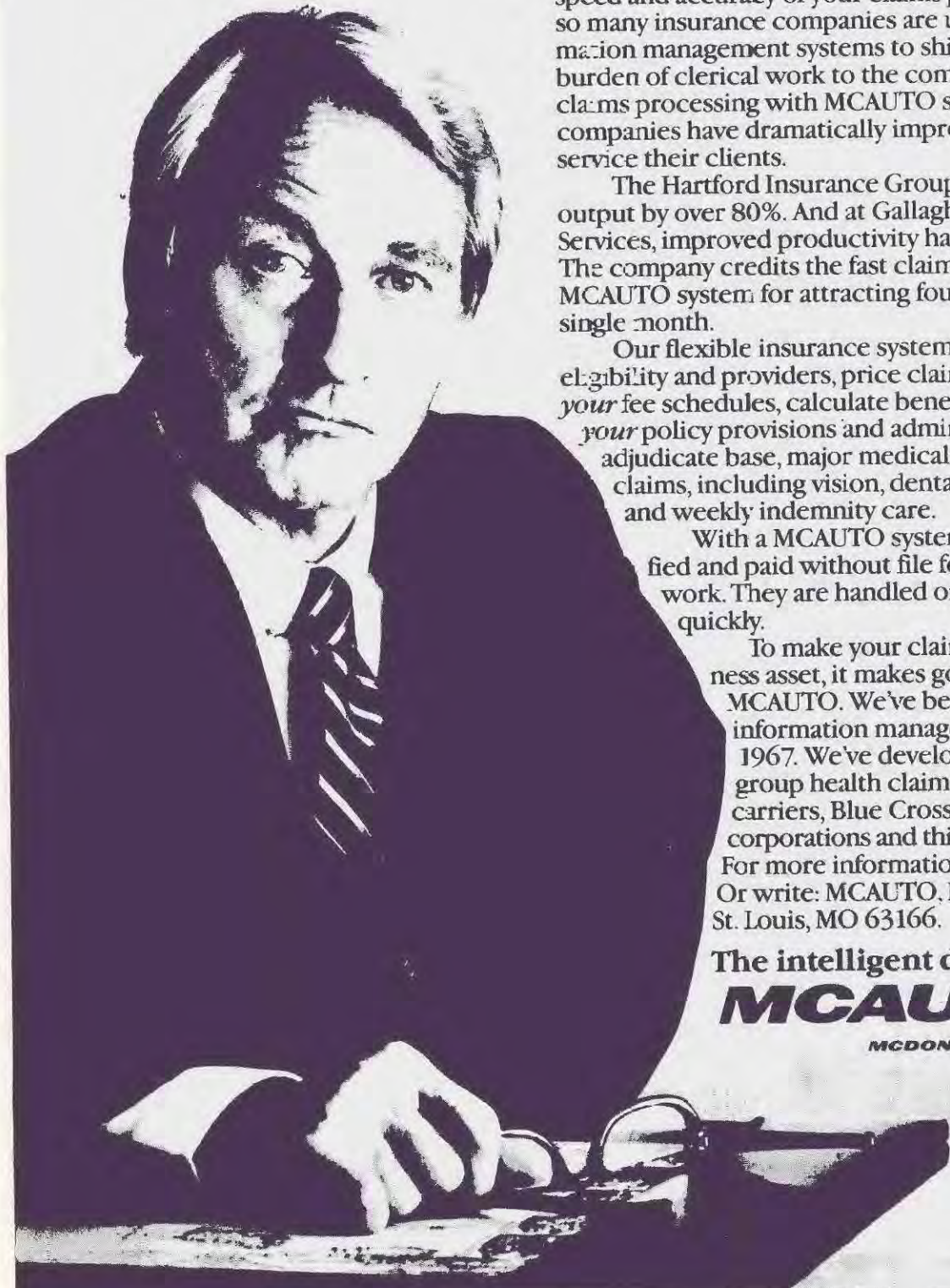
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Firms develop own systems

Continued from page 20

Flow General assesses additional charges for other services, including programming, data entry and consulting services.

The system will produce a set of standard hygiene and safety reports for individual employees and for groups—including summary medical records, hearing-loss reports and OSHA-required occupational injury reports for individuals and employee work and exposure histories and results of workplace monitoring samples for groups.

Users can also program the system to produce customized reports and surveys to fit their own needs.

Current users of Flow Gemini include BASF Wyandotte Corp. (a subsidiary of BASF America Corp.); Cummins Engine Co. Inc.; Hewlett-Packard Co.; Manville Corp.; Rockwell International

Corp.; Standard Oil Co. of California; and Standard Oil Co. (Indiana).

Manville started using Flow Gemini on a time-sharing basis earlier this month and plans to set up its own computer with a software package to handle data on 20,000 domestic U.S. employees at 60 locations, according to Dr. Anderson.

"The purpose of time-sharing is to better understand the system, to make sure it will do what you want it to do before you invest in hardware," he explained. For Manville, the total investment in hardware and software will be about \$500,000, he said.

"Obviously, with our unique problem here, we have a lot of information on employees with asbestos exposures," he said.

Manville will use the system to follow current employees with asbestos exposures through their jobs

at other Manville locations after the company discontinues its asbestos operations this year, he said. The system will also be used to track deaths of asbestos workers and correlate the mortality data with information about workplace exposures, he said.

The system also will be used "throughout the company, from fiberglass to forest products," to keep track of medical information and workplace exposures, and to try to correlate the two, Dr. Anderson added.

"These are parts of the lessons learned from the past," he said. "If you wait until (a situation) is clearly recognized as a problem, you've waited far too long."

Cummins Engine Co. Inc. in Columbus, Ohio, hooked up with Flow Gemini on a time-sharing basis a year ago, according to Dr. H. Wayne Richmond, corporate medical director.

But, due to budget constraints,

Cummins has made only limited use of the system: to automatically generate the annual employee illness and injury reports required by OSHA, as well as to analyze the results of regular hearing exams performed on about 17,000 U.S. and foreign employees.

The system also produces letters to each employee explaining the results of the tests.

The industrial hygiene department at Cummins already has an IBM computer to keep track of hazardous chemicals and workplace monitoring results, Dr. Richmond says, but only some of the company's medical records are stored.

Cummins' goal is to buy new hardware for the medical department, establish a link between the medical and industrial hygiene systems and then to buy a software package like Flow Gemini to bring the exposure tracking capability in-house, he said.

Among companies that have

shunned renting or buying software and have chosen the more expensive route of doing it themselves is Allied Corp. of Morristown, N.J.

Allied began developing its own system in 1976, had the hardware in place in 1980 and will undertake its first epidemiological studies of workers this year after a \$1.5 million investment, according to Lorraine T. Daigle, corporate manager for occupational health-nursing and special medical programs.

The Allied system is actually five interconnected systems, Ms. Daigle said:

- A "human resources" system, which stores the names of all employees, their job codes, Social Security numbers and other data.

- A safety department system, which keeps track of employees' accidents, on and off the job.

- A "product liability" system, which will store information on all hazardous materials handled at each site. The system is used now mainly for inventory.

- An industrial hygiene system, which will keep track of noise, hazardous material and other exposures at Allied worksites.

- A medical system, which maintains employee medical histories and the results of regular employee physicals.

Seventeen of Allied's 450 facilities have a direct link to the system, three of which act as regional data collection centers for the rest. Information concerning about 25,000 Allied employees is now in the system, but getting the rest on may take time: Allied, which had 44,000 employees before its acquisition of Bendix Corp., now has 110,000.

"We are rapidly running out of room on our computer," she said.

The system hasn't been used for epidemiological studies, but it has been used to track individual employee health problems like hypertension, Ms. Daigle says.

Other companies that have created their own exposure tracking systems include:

- Du Pont, whose \$2 million Personnel and Environmental Records System includes information on 106,000 domestic employees at 178 worksites, excluding those of its Conoco Inc. subsidiary, according to Mr. Page. Some of Du Pont's 31,500 overseas workers are on the system and the rest will be added in the future, he said.

PERS, running since 1981, maintains a list of employees, identifying jobs, chemicals involved in those jobs and the levels of exposure at each site.

A separate system maintains employee medical records that are not fed into PERS "for confidentiality reasons," Mr. Page explained.

The purpose of the system in the short term is to quickly spot acute work-related problems like skin rashes, and in the long-term to conduct epidemiological studies.

- Divisions at Union Carbide Corp., which has no centralized, companywide system.

Union Carbide's chemicals group, for example, has developed a system for logging employee medical information, industrial hygiene data on plant conditions and environmental data on plant emissions into air and water.

The system isn't capable of running epidemiological studies yet, but will be eventually, said Mr. Voress. Medical records for many of Union Carbide's 100,000 U.S. employees and data from some of its 600 U.S. plants are not yet on the company's computers, he said.

Union Carbide's various systems are supplemented by a number of on-line subscription services that provide information on numerous chemicals, recent medical studies and legislative and regulatory activity in the occupational health area on state and federal levels, Mr. Voress said.

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Data systems don't increase companies' potential liability

NEW YORK—Computerizing information on workplace hazards does not increase a company's liability risks, company medical personnel agree.

"A well-managed company knows that the hazards of not doing something about (an exposure problem) are greater than knowing something and acting on it," said Dr. Brady Hartman, corporate medical director for Rohr Industries Inc. of Chula Vista, Calif. "It would be a dumb management that tried to hide something."

Computerizing information does cost money, which is the primary reason Rohr stopped renting a computerized tracking system after one year (see story, page 25). The company also was not well enough pre-

pared to take full advantage of it, Dr. Hartman said.

"If you're going to be a defendant, you're going to have to have the information you need to conduct your defense," said Arlin Voress, director of occupational health for Union Carbide Corp., whose chemical divisions are developing a computerized system for comparing employee health problems to workplace exposures.

"Without that information, you'll have a more difficult time proving your case."

"The best way I know to prevent a lawsuit is to prevent the problem," said John Page, director of safety and fire protection for E.I. du Pont de Nemours & Co. of Wilmington, Del. "The way to increase your liability is to do nothing."

Nevertheless, there are fears that a flood of computer-generated occupational health information could produce employee lawsuits.

Problems could arise, for example, if random variations from the normal patterns in medical exams are interpreted as being linked to workplace conditions, said Dr. Robert Anderson, corporate medical director for Manville Corp., which is now developing an exposure tracking system.

Subtle changes in pulmonary function tests in a plant where most employees smoke could provoke misplaced worries among employees and doctors that materials they are exposed to are causing the problem, he explained.

"That would trouble me if that information is misused or misinterpreted," he said.

But this shouldn't keep companies from using the systems, Dr. Anderson said. "I have a big ostrich in my office that's an example of that kind of mentality."

As a practical matter, the systems may not expose companies to much additional liability if the companies feed in medical and workplace exposure data for only the most recent 10 years or so, suggested H. Boutchyard Jr., general manager of the Computerized Occupational Health/Environmental Surveillance System established by Dallas-based Diamond Shamrock Corp. Only by going back 20 or more years, before federal and state occupational health agencies were formed to enforce safety rules, might a company create problems for itself, he indicated.

"If there are any skeletons, that's where you're going to find them," he said.

Companies deciding against exposure tracking systems are more often dissuaded by the cost or by other factors, experts say.

Trans World Airlines Inc. started to study the feasibility of installing a system in 1976 and two years later decided the effort wouldn't be worth it, according to Dr. Anderson, who was TWA's medical director before joining Manville. TWA concluded that developing its own system would have cost as much as \$3 million and required 50 man-years of labor, Dr. Anderson said.

"It was just too expensive to do that," he explained.

Expense is the deciding factor for many employers who decide against these systems, concedes Wanda Rappaport, director of occupational health systems for Flow General Inc. in McLean, Va., which markets an exposure tracking software package called Flow Gemini.

Smaller companies with fewer employees and less available cash often decide they can't afford the system and the annual costs of maintaining it, she said.

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Systems are only as good as the data: Experts

Employers can't expect computers to organize their medical and occupational health records without first doing some organizing themselves, experts advise.

Before deciding to buy new record-keeping hardware or software, employers should review the records they want kept and decide how they want their computers to store them.

"(Employers) need to spend some time working to decide what they want to accomplish," says Wanda Rappaport, director of occupational health systems for Flow General Inc. in McLean, Va., which markets an exposure tracking system dubbed Flow Gemini.

Failing to decide what the system should do and lacking adequate administrative procedures to do it are among the biggest roadblocks to successfully using a computer, Ms. Rappaport said.

In some companies, for example, medical, industrial hygiene, environmental and safety records may be kept in different departments under different systems with no established link among them.

"Naive people think that a computer system will solve all their administrative problems. It won't. What it's going to do is reveal all the problems you have administratively because it's so much faster," Ms. Rappaport said.

To avoid expensive mistakes, Ms. Rappaport suggests that companies answer a series of questions before leaping into the computer market.

For example, should the system produce reports from employee medical exams and if so, what kind? Should the system produce reports on worker illness and injury and if so, how often? How will the system account for employee transfers and terminations?

Should the system include inventories of chemicals, along with lists of locations where the chemicals are used and employees using them? How frequently should the information be updated and how long should it be kept?

Should the system be capable of performing epidemiological studies of the employee population to spot health trends and relate them to workplace exposures? What sorts of studies might be required?

Ms. Rappaport also suggests that companies review current records to find out how much information they have and how much of it they will need to store in a computer. Companies should also address how the information has been organized in the past and how that organization might be improved.

"Most companies don't know what's there" when they start to search their records, she said.

"First of all, you have to get the organization together," agrees H. Boutchard Jr., general manager of the Computerized Occupational Health/Environmental Surveillance System established by Diamond Shamrock Corp. of Dallas.

Diamond Shamrock created COHESS for its own use and later decided to sell the software package to other companies (see story, page 3).

Mr. Boutchard advises employers to first establish the need for a system, then form a team to determine what the system should do and research the market for a system that fits the needs.

For instance, Rohr Industries Inc., an aircraft parts manufacturer based in Chula Vista, Calif., abandoned the Flow Gemini system after renting time on Flow General's computer for a year.

Rohr decided last April to drop the system, said Corporate Medical Director Brady Hartman, primarily because of the cost: Rohr spent \$25,000 in the year it used Flow

Gemini to track information about its 8,000 employees.

"We weren't utilizing the system to what we thought was our money's worth," Dr. Hartman said. "It was like buying a farm tractor to drive back and forth to work."

Although Rohr did make some changes based on reports from Flow Gemini—including a hearing conservation program and a health hazard appraisal, which evaluated each employee's greatest health risks—the company was not ready

for the demands of the system, Dr. Hartman indicated.

Rohr didn't have adequate staff to get the system running in high gear, and much of the staff wasn't adequately trained in Flow Gemini operations, he said.

Also, the company had not gathered enough data to know exactly what it wanted the system to produce and had not decided how far back it should go for information to feed into the computer.

"We learned what some of the

problems are," he explained.

Rohr has returned to manual records for now and is not actively exploring any computer systems. But, it probably will try using computers again in the future, Dr. Hartman said.

Manville Corp., which began using Flow Gemini earlier this month, also didn't decide how far back in its records it wanted to go. It is still sorting through its records to decide how much historical information to feed in, according to

Dr. Robert Anderson, corporate medical director.

Medical information on employees dating back 20 years probably will not be fed into the computer because differences in the quality of measurements over that 20-year period may make comparisons of yesterday's and today's tests meaningless, he said.

Even so, accumulating the data it does want is "going to take us months to accomplish," he said.

—By Douglas McLeod

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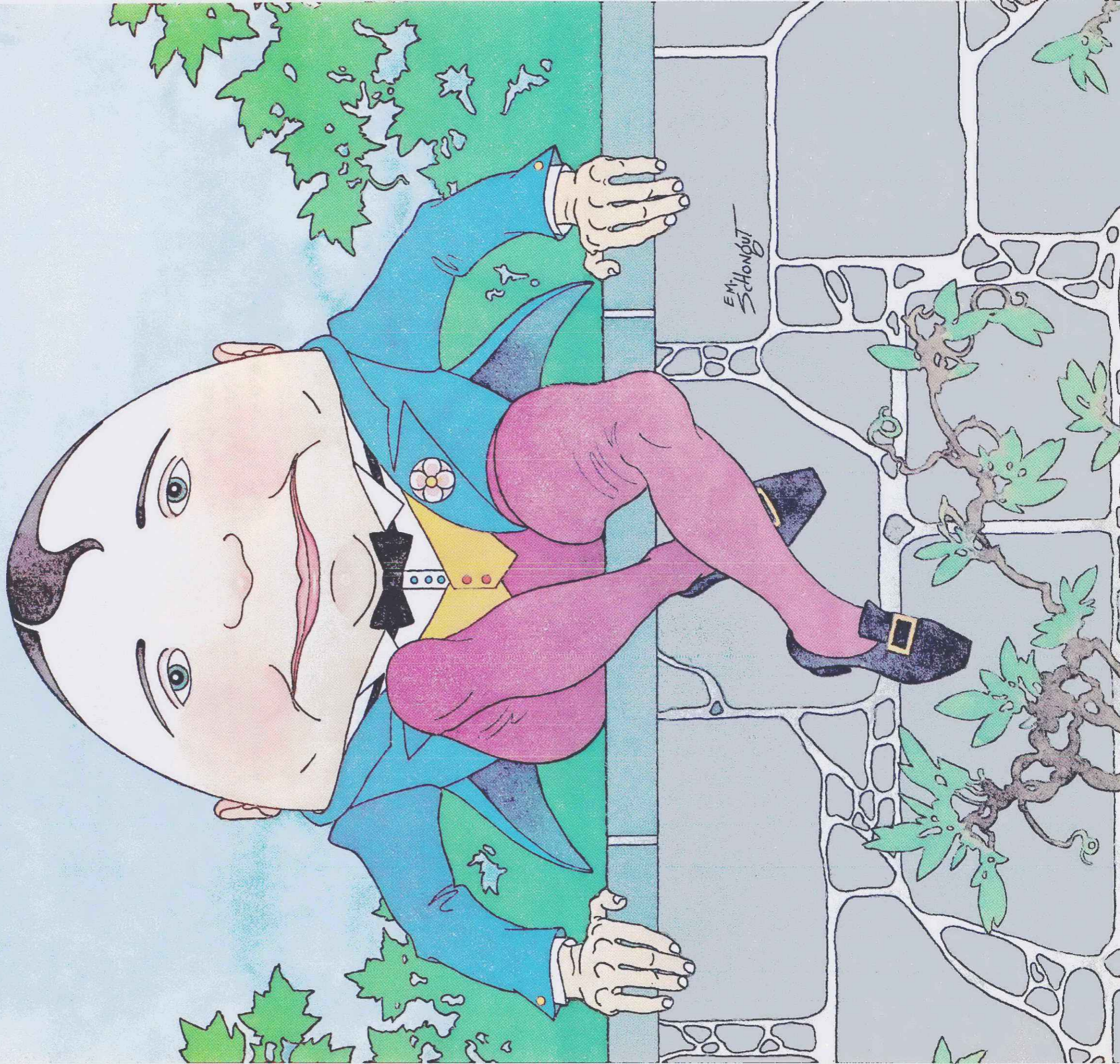
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After all, this may well be an area in which management could benefit from a little education, itself.

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SAFETY MANAGEMENT

Faulty corporate philosophy can be responsible for accidents

By Roman F. Diekemper

OVER THE past several years, slight improvement has been made in the reduction of the number of workplace accidents.

Yet, much more reduction can be accomplished. In those companies with above-average results and in those with significant levels of improvement, the safety professional or consultant usually finds a combination of management philosophy and activities that causes these results. The word "cause" is intentionally used here as a point of emphasis.

The old saying, "Accidents don't happen—they are caused," is familiar to most of us. Is it not appropriate, therefore, to suggest that safety doesn't just happen—it is caused? Most safety professionals would support the premise that safety is indeed caused. It is caused by a philosophy applied in the management system that lets the organization know what is expected.

Through the many years of experience in auditing or evaluating the effectiveness of safety management systems, two important facts have been regularly encountered:

- Management gets the level of safety performance the organization is convinced it really expects.
- The implementation of safety activities within an organization is usually not as effective as those responsible believe it to be or say it is.

To demonstrate what can be accomplished in a well-managed safety system, let me share a recent experience. I was privileged to present a safety award to the employees of one of the country's largest nitrogen complexes. This facility, with many potentially hazardous operations, operated for six years (3 million work hours) without a lost-time injury. How did the company do it?

It wouldn't take long for a novice to find the answer. The president, through his management system, made expectations very clear. He set a firm policy, designated responsibility and applied accountability through a variety of ways.

When the 3 million safe hours award was presented at a reception-dinner celebration, the president, the executive vp and operating vps were involved. They didn't just attend to say a few words—they were deeply involved in the affair. The president awarded prizes totaling \$15,000 to employees. He challenged them to work to 4 million safe hours and promised a more significant share in savings. The prizes are not considered as incentives but as recognition for achievement.

With the guidance from an

enlightened risk manager, the company's management treats safety in the same manner as other concerns.

For example, new facility design is minutely reviewed for safety implications. Wherever possible, engineering changes are made to remove the human hazard.

Safety-integrated maintenance systems are followed and audited. Management inspects facilities regularly to assure detection and correction of physical, human and environmental hazards. Progress reports are required by management and qualified safety staff is provided. The safety program has moved from paper to implementation because management, through action, has indicated that's the expectation.

In those companies with above-average results, there is a pattern of management policy and direction that is fairly consistent. There is a recognition by senior management that a policy issuance amounts to hollow words if there is no involvement or system to assure its implementation. The management direction and participation seem almost automatic.

At other firms there seems to be little comprehension of management's role in hazard control. Why is this so and what can be done to bring about change?

It is in answer to such questions that risk management can make a significant contribution. The challenge is to create awareness that the process of hazard control can be successful only if it is implemented in the management system. There seem to be two significant reasons this has been difficult to accomplish:

- Many safety practitioners have not been sufficiently management-oriented to provide management with suggestions for practical actions they can take in relation to hazard control.
- The presentation of the safety problem to management by safety practitioners has been less than adequate to motivate them.

It is still common, for example, for safety performance reports regularly sent to operating management to be expressed in abstract frequency and severity displays—terminology usually understood only by safety people. The result is that safety practitioners have regularly informed management that there is a safety problem but they haven't given the staff advice for specific management action needed to

Continued on next page



Roman F. Diekemper is a vp of Marsh & McLennan Inc. and manager of the central center of M&M Protection Consultants in Chicago.

Four-point program can achieve superior bottom-line results

By David A. Dailey

DESPITE budget and staff cuts, management loss control has become increasingly important. A safety professional who cannot show positive results during these financially troubled times could be out of a job.

While I am not one to endorse the Machiavellian saying that "ends justify the means," loss control cannot lose sight of the bottom-line approach. This four-point bottom-line philosophy has been especially applicable to self-insured clients:

- Management leadership. Management commitment alone is not enough. Top management on both the corporate and local levels must participate and be visibly involved in pursuing loss prevention-related goals.

How many times have we heard of safety professionals bellyaching that they cannot get the support of top management? It is up to each of us to communicate with top management by talking the type of language they understand in order to sell sound safety management techniques.

To cite one example of what can be accomplished, a division manager of a major national manufacturer has been actively involved in goal and objective setting related to accident prevention. Their successes are illustrated by the fact that the corporate lost-workday frequency has been reduced from 3.0 to 1.9 between 1979 and 1982. They have integrated this management by objective approach with comprehensive policies, directives and safety program audit procedures.

- Accountability system. Establishing accountability is essential on divisional, location and individual bases.

One international consumer product conglomerate has a sophisticated formula establishing the financial accountability of profit centers. This is its debit/credit insurance premium policy. Its corporate workers compensation loss ratios have been reduced from 102% to 40% in six years. This is another company committed to affecting positive results.

On a personal basis, individual accountability can be established through the periodic performance appraisals of the management team by their immediate supervisors. Good objectives follow the RIMER approach and can be leveled to the individuals who have certain responsibilities. These objectives must be understood by all parties involved and mutually agreed to by them. The following is a brief breakdown of the RIMER acronym:

- R: A shotgun approach is avoided by aiming (rifled) at a particular and

specific area of performance.

I: This component is an objective that requires results and performances that the individual alone can do.

ME: In order to gauge whether or not the objective was accomplished, it must be measurable.

R: Good objectives must be attainable and realistic and be based on facts from the analysis of past performances.

- Emphasis on problems. Problem-area concentration is necessary among consultants and all levels of management, including the safety director and first-line supervisors. These problems can concern both non-insurance and insurance areas. Present or potential problems could be attributed to the types of accidents, injuries or illnesses that occur. Time should be taken to review facts and examine for underlying causes and inter-relationships, so effective loss-prevention can be implemented.

Special-emphasis campaigns and incentive programs have enjoyed much success when implemented with good planning, direction, organization, controlling, staffing, reporting, coordination and budgeting.

- Supervisory involvement. Certainly, the chief operating officer, risk manager and safety director are important, but it is my opinion that the first-line supervisor is still the key to an effective safety program.

Don't be fooled by those who say it is not their job. Certainly, they must invest a great deal of time, effort and sacrifice to reach all of their employees. Therefore, why not express genuine appreciation to those who perform their loss-control responsibilities well and help others to develop the skills and obtain the knowledge necessary for them to be effective?

Recently, a plant manager noted that his supervisors had too much to do already. He was told the safety coordinator can help direct and assist with their efforts, but the first-line supervisor is in the optimum position to complete accident investigations and job safety analysis and to issue constructive safety discipline.

Loss control demands a multifaceted approach to different types of safety problems. System safety methods should be applied. Until we have considered all feasible alternatives, success is not probable, but only possible.



David A. Dailey is a loss-prevention consultant with Arthur J. Gallagher & Co. in Rolling Meadows, Ill.

Many toxic tort claims based on falsehoods

By Ronald E. Gots

THE GROWTH of toxic tort litigation is a paradox. Litigation is rising at an alarming rate, yet the fields of human toxicology and environmental science applied to an individual are in their infancy. And, the number of scientists who are equipped to make the best scientific determinations is miniscule.

The majority of toxic tort claims are rooted in the fanciful but extremely popular notion that environmental hazards and toxic materials are the major modern threats to physical and mental well-being. From a corporate standpoint, a toxic tort claim is a product liability claim that alleges physical or psychological disorder or future disorder by exposure to a chemical or group of chemicals.

Many toxic tort claims also depend upon the false notion that we have reached a pinnacle of new knowledge in human toxicology and environmental medicine: The principles of public health are so refined that any doctor is qualified to determine that a patient's illness is due to the chemicals at work or in other environments.

The fact is that nothing could be farther from the truth. Few scientists, with the best methods known, can make accurate determinations. Most frightening is that the toxic tort movement is like a runaway train, gaining speed as public perceptions grow and claims are won.

Unless serious scientists and physicians enter this legal battle immediately and help direct these actions toward the truth, we will be overrun by unjustified claims that will amount to billions of very real dollars.

For purposes of analysis and discussion, the National Medical Advisory Service has developed a paradigm that categorizes toxic tort claims into six major medical-legal categories (see chart). These categories are defined by the quality of the diagnosis and the certainty with which a causal relationship can be found using scientific data.

In the first category is the growing number of claims in which there is no current illness, but an allegation that the toxic exposure confers a risk of future illness (particularly cancer and birth defects). In the second group the diagnosis is made, the cause is identified and the exposure is eliminated as a possible or probable cause of illness.

In the third category are claims in which the diagnosis is made and the cause is uncertain but the alleged exposure is not a known cause. In the fourth group the diagnosis is uncertain and the cause is unknown.

In group five, the diagnosis is made, the cause is



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Medical diagnoses and causal relationships in exposure claims				
Categories of medical diagnoses and causal relationships	Examples	Attributes illness to exposure		
		Treating physician	Plaintiff experts	Best science
No current illness	• Risk of future cancer	Sometimes	Sometimes	Rarely
Diagnosis made Cause identified Exposure as cause ruled out	• Viral hepatitis in chemical worker • Alcoholic cirrhosis • Diabetic neuropathy	Sometimes	Yes	No
Diagnosis made Cause uncertain Exposure not an established cause	• Lung cancer and most chemicals	Yes	Yes	No
Diagnosis uncertain Cause uncertain	• Fatigue, headache, and other non-specific symptoms	Yes	Yes	No
Diagnosis made Cause uncertain Exposure a possible cause	• Cancer • Liver diseases • Neuropathies	Yes	Yes	Sometimes
Diagnosis made Exposure the cause	• Asbestosis • Lead poisoning • Some leukemia • Certain other cancers	Yes	Yes	Yes

Source: National Medical Advisory Service

speaking out

uncertain and the exposure to a certain chemical or process is a potential cause of the illness. Finally, in category six, the diagnosis is made and the exposure to a certain substance is the probable cause of illness.

In the table, a few diseases are noted as examples for each of the categories of medical diagnosis and causal relationship presented. As one can see, the probability of scientifically assignable compensability increases as we move down the list as the diagnosis finds the exposure is a probable cause. Potentially compensable claims are found occasionally in the first category where there is currently no illness apparent.

Modern scientific information, properly translated for claims analysis, can be used to accurately assess compensability in most toxic tort claims. Failure to use this data permits unfounded claims supported by groundless "expert" testimony to prevail.

The consequences of the discrepancy between scientific knowledge and popular perceptions concerning the environment and health are extraordinary. Regulation, well-meaning but at times excessive, is historically the most obvious outgrowth. Today, however, litigation

promises to be an even-larger offspring.

One reason is because regulatory fervor is currently in remission. Much of the science ran out and industry began fighting back when the regulators turned to mis-science or pseudoscience. And sometimes the companies won, as they did when the Supreme Court struck down proposed workplace benzene limits. Moreover, our political atmosphere is less regulation-minded than previously.

Litigation is another matter. It speaks directly to a simplistic translation: If it's regulated, it must be dangerous. If it's dangerous, it must have hurt me.

The time is also right for toxic tort litigation with people out of work, litigation at an all-time high, people primed to find external answers for their ill health and with the publicity surrounding asbestos, DES, Dalkon shields, formaldehyde, cloxin and other substances (BI, April 4; March 31, 1980; July 7, 1980; June 1, 1981). Popular wisdom and social pressures are shifting the burden of proof in these claims from claimants to defendants. If this continues, claimants will be compensated or indemnified routinely when they are convinced that their illnesses are environmentally related.

Businesses and insurers have two choices. They can either ignore this trend, or they can actively fight groundless claims, insisting that scientific data, not beliefs, be the determinants of causality.

Management philosophy can impact safety success

Continued from previous page
correct the problem.

The definition of hazard control warrants some discussion. Typically in the past, hazards were viewed as physical deficiencies. In a broader, risk-oriented sense, it is important to view hazards as being physical, personal or human and environmental. Hazard control or hazards management viewed in this broader perspective seem to be especially appropriate at this time. The management of the workplace—planning, organizing, directing or controlling and measuring—with consideration of the detection and correction of physical, human and environmental hazards, using the same system used to cope with other operating problems, will put into focus those steps needed to achieve superior results.

In those companies with superior safety performance there is an understanding of the need to use the management system

for hazard control. When accidents occur or deficiencies are found in inspections, questions are asked of the management system:

- What broke down in the system to cause the unintended event (accident)?
- What deficiency is there in the system that allows unsafe conditions or practices (hazards) to come into existence in the first place?
- Why didn't the system find and correct the hazard before the accident?

Safety activities can be better directed when good analysis of accidents is undertaken. It is not uncommon to find much activity directed toward hazards that have a low severity potential and a minor impact on claims costs. For example, there are two specific areas of concern in need of management attention in many companies. Together they probably represent about 60% of worker compensation loss costs: back injuries and motor vehicle accidents.

In both areas there has been limited success in reducing the impact of these losses. In the case of back injuries, firms have been frustrated in trying to cope with the problem. Motor vehicle accidents in manufacturing companies have been overlooked by many safety practitioners who have confined their efforts to operating areas.

We now know that back injuries are more real than imagined. Repetitive activity, poor layout/design and impractical manual handling of materials can cause back injuries to account for 25% to 30% of work comp claims costs.

There is now also the awareness that something can be done about back injuries. A balanced approach, recognizing human capabilities relative to job demands, can bring about the desired results. Such an approach requires a material-handling review, design/flow changes, employee testing (capability) training and, most

importantly, evaluation of the job by one well-versed in ergonomics. A workplace and material-handling process designed for people will bring about substantial improvement in efficiency and a reduction in back injuries.

There are well-proven techniques and systems for coping with the motor vehicle problem. The screening, selection and training of drivers deserve more attention. The check of references and motor vehicle records is essential. Vehicle standards, maintenance, road supervision, accident investigation and other controls are frequently overlooked.

The identification, evaluation and control of risk are major elements of the risk management process. Yet, the full impact of the risk management approach has not been realized in many firms. The staff support or direction/coordination of safety activities are splintered in many companies—they are not treated as risk management functions.

Fleet managers use variety of techniques to cut losses

By STEVE TARAVELLA

Corporate fleet safety managers are using both the carrot and the stick to reduce traffic accidents and thus limit injuries and claims costs.

The carrot involves a variety of incentive programs, all designed to reward drivers with the lowest accident or injury rate (see story, page 34). Prizes range from trophies awarded to a corporate division to very individual awards, like cash gifts or Caribbean vacations.

The stick comes into play through penalty-point or demerit systems aimed at eliminating drivers with high accident rates. Drivers accumulate points for every accident or moving violation and can be terminated if they reach a certain total.

Fleet safety is assuming a high profile in many risk management programs because of the high cost of highway accidents—both to human life and to corporate bottom lines.

Motor vehicle accidents are the primary cause of accidental employee deaths, accounting for more than 30% of the work-related fatalities in 1981. They were also responsible for about 10% of the job-related disabling injuries suffered in 1981, according to National Safety Council statistics.

In addition, businesses spent an estimated \$7.68 billion last year in commercial auto premiums, 7.3% of all insurance premiums paid in the United States.

Corporate fleets include passenger automobiles, vans, trucks, tractors and trailers. Developing effective ways to reduce accidents is often the responsibility of a company's fleet safety manager, who generally reports to the risk manager.

Besides rewarding drivers who drive safely and firing those who don't, fleet managers also say it's very important to screen prospective drivers thoroughly before they are hired.

Employers also are including in their fleet loss-control programs driver training, safety talks and meetings and mandatory accident reviews.

Fleet safety managers report an indisputable relationship between the safety program and the company's loss record.

The fleet safety program at Xerox Corp., for example, improved driver performance between 10% and 100% in one year at 39 of 40 branch locations, says Jack Spear, loss-control manager in the vehicle fleet business department.

"The most frequent improved figure was about 33%," he says.

The program includes penalties for drivers who have accidents, as well as television sets for those with safe records.

In Detroit, a Xerox branch with about 200 drivers reduced its accident frequency in a three-month period to 13, compared with 27 in the previous quarter.

Nationwide, Xerox vehicles were involved in 3,000 accidents in 1977, the year Mr. Spear's job was created. Since that time, Xerox has seen a slow-but-steady decline in accidents annually, even though the number of vehicles and miles traveled has increased about 20%.

Last year, 2,300 accidents were recorded, Mr. Spear says. And, no Xerox driver has been killed since March 1980; 13 died on the highways in the preceding four years.

Xerox uses a penalty-point system that Mr. Spear calls "the single-most uniform deterrent" to accidents, crediting it for most of the company's fleet loss reduction.

Points are given to each driver for specific types of traffic accidents. He may lose company driving privileges if he accumulates 16 points over a 32-month period.

"The idea is not to force the driver out of the car, but to put some sort of a stop on," he says. "It's worked well."

A penalty-point program has also reduced accidents at Coca-Cola of Los Angeles, which operates approximately 3,600 vehicles.

The company has seen a 56% decrease in the frequency of driver-preventable accidents over a 10-year period despite an increase in the size of the fleet, says Risk Manager Walt F. Pfeiffer.

The company's safety program began in 1965 "for the simple reason that we couldn't continue the way we were," he recalls.

The point system identifies drivers who have more than one accident in 12 months, at which time they would be subject to disciplinary action, he says.

Once an accident does occur, many companies very carefully investigate and review procedures to determine whether any disciplinary action should be taken toward the driver.

Some companies judge drivers' records after judging the accident itself.

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Companies review driver records

Continued from previous page

At San Francisco-based Crown-Zellerbach Corp., for example, an accident review committee of both drivers and management at each location reviews every accident "to determine whether it was preventable or non-preventable, based on our defensive driving concepts," explains Glenn Nolan, corporate fleet safety director.

In accident reviews, the company's saemen are not treated as severely as its truck drivers "because the truck driver was hired to drive, and the salesman is hired to sell," he says. But, he cautions, "The salesman's job doesn't just involve selling; it involves driving."

If a salesman's accident is judged preventable, a monetary fine may be levied \$15 a month, for example, to be put toward increased insurance costs.

The first time a trucker has a preventable accident, he is put on probation, unless he showed gross negligence, in which case he might be fired. If he has a second wreck in the next 12 months, Mr. Nolan says, he is usually terminated, and "a third one, and he's (definitely) out the door."

However, no monetary penalties are imposed on truckers.

At Bulkmatic Transport Co. Inc. in Chicago, all accidents and traffic incidents are reviewed quarterly by a panel of judges. The panels typically are composed of a driver, a dispatcher and a mechanic and proceed "just like a regular court case," says Joseph H. Schneider, vp of administration.

If the incident is determined to have been preventable, the driver receives a warning. On his second

preventable accident, he is dismissed.

Penalty systems can help employers get rid of poor drivers, but another key to accident prevention lies in hiring capable drivers from the start.

"In the trucking industry, you could have all the trucks in the world, but if you don't have good drivers, you're not making any money," says Otis E. Hanks, safety director for Centurion Leasing Co., an import car transporter in Jacksonville, Fla., with a 100-rig fleet.

"Screening employees before hiring them is 95% of it. If they've had any accidents or speeding tickets, we bypass them," agrees Bulkmatic's Mr. Schneider.

"We screen our drivers to the nth degree before we hire them," he says. The trucking firm's 80 drivers haul mainly dry bulk products, such as flour, sugar and corn starch.

A complete driver examination includes checking for any accidents and moving violations, conducting a physical examination and administering both a written and actual driving test, Mr. Schneider says.

Crown-Zellerbach also screens potential drivers carefully. "If they have more than two moving violations within three years, we don't want them," says Mr. Nolan.

Federal Express Co. in Memphis, Tenn., maintains a similarly strict hiring policy, but credits its loss reductions to its driver training program.

Last year, Federal Express' driver performance—the number of miles driven between accidents—improved 7.5%, says Fred Rine, director of safety and health for the

package delivery service.

"If there's anything we'd hang our hat on, it's our driver training program," Mr. Rine says.

All new Federal Express drivers must complete 16 hours of classroom and behind-the-wheel instruction, and tractor/trailer operators must finish 80 hours of training, 80% of which is behind-the-wheel.

The behind-the-wheel lessons are always conducted on a one-on-one basis, he says.

Some companies like Federal Express design their own instruction programs, while others like Steel Trucking Inc. in Brookfield, Ohio, use programs developed by commercial auto insurers.

Steel's operations manager, Duane Milkie, is convinced that Liberty Mutual Insurance Co.'s Emergency Reaction Driving Training program can help other employers reduce accidents as much as his company has.

Liberty Mutual's instructors teach advanced safe-driving techniques to a fleet and safety official, like Mr. Milkie, who then teaches them to the drivers.

The program, which is considered one of the most sophisticated in the industry, stresses the dangers of intuitively slamming on the brakes in a dangerous situation, as well as skid control, evasive driving and proper vehicle maintenance.

Mr. Milkie calls what he learned at Liberty "just mind-boggling."

"It was absolutely worth it," he says. "It opened our eyes to things you just don't normally give thought to."

Continued on facing page

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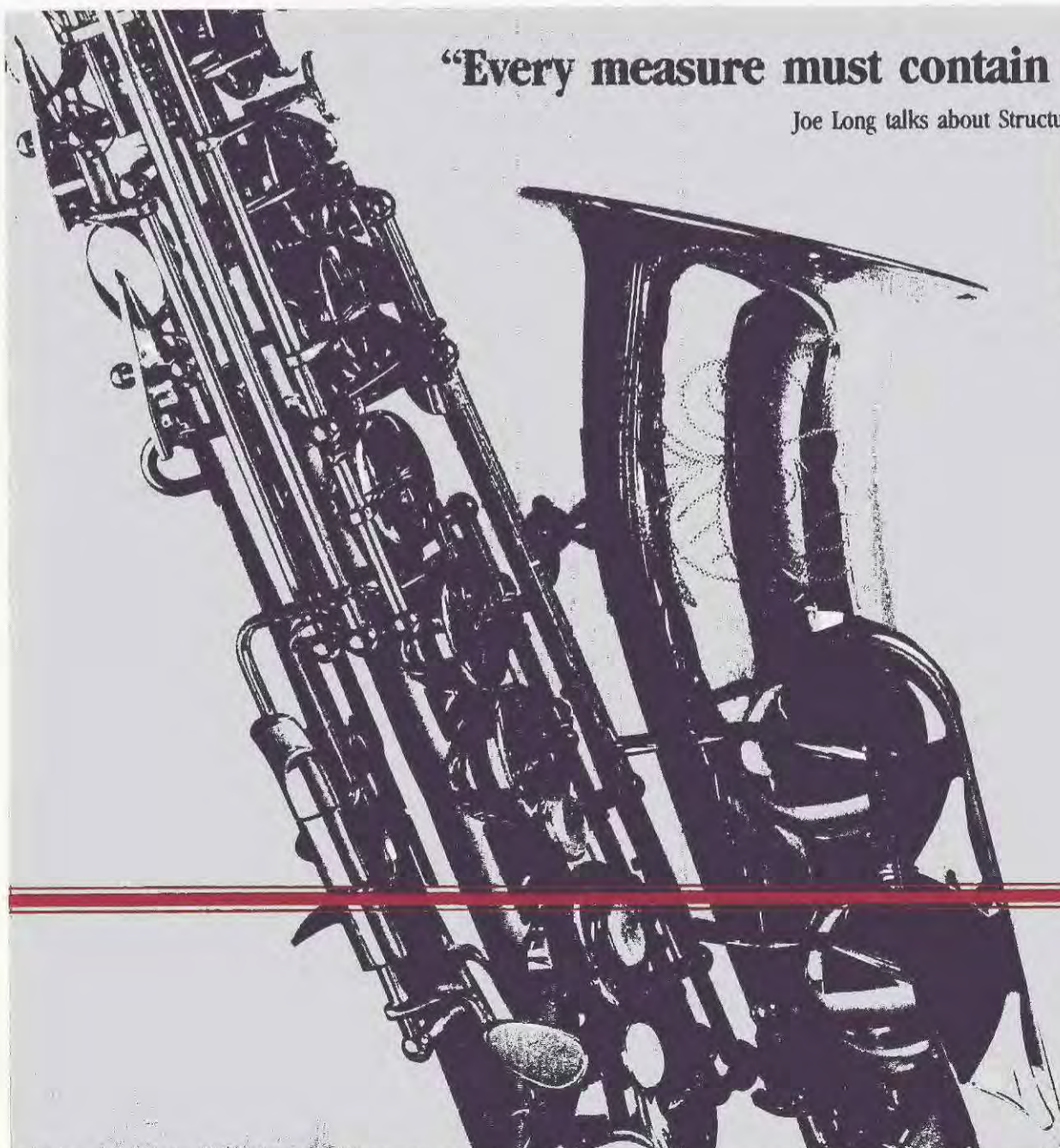
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"When I came back I couldn't say enough good things about it," he recalls. "It's the most logical approach to safety I've ever been exposed to. In some instances you're not going to be able to avoid something, and you'd better know what the lesser of two evils is."

Effective driver training, Mr. Milkie says, "instills a little bit of fear in the heart of the driver, and gives him confidence in the ability of the rig, as opposed to the power of the brakes."

Mr. Milkie recalls a recent incident in which the training saved a driver's life.

Driving on Interstate 75 near Detroit, the driver hit a chuckhole, breaking the rig's front spring. The steering column fell on the axle, locking the steering so severely that the driver was standing upright trying to pull the wheel loose.

Had the driver not taken the course, "He would have jammed his brakes and rolled the rig over right in the middle of I-75—there's no question about that in my mind or the driver's either."

The driver was able to gain control of the rig without using the brakes, and no one was injured.

"The guy saved his life, by far the most important thing, but secondly, he saved our equipment, which is not nearly as important in the overall picture, but it's important to us because of damage costs."

Mr. Milkie concedes that initially his drivers did not want to participate in yet another driver education program, but after it was over said "they really enjoyed it and felt they got something out of it, too."

He compares the effect the program has had on Steel's accident record to "putting the whipped cream on the sundae. It's like somebody who always got B-pluses and is now able to get an A."

For any fleet safety program to be successful, it must have management's cooperation, experts say.

"The effectiveness of any safety program is primarily dependent on management enthusiasm and proper hiring practices," says Duane C. Baker, fleet safety coordinator for Frito-Lay Inc. in Dallas.

Federal Express' Mr. Rine believes that key to any program—and especially his—is top management support.

Interestingly, some fleet managers have found that a decentralized safety program can reap better results than nationwide directives.

Large companies with locations in different parts of the country often allow each branch to draft safe-driving policies that are most appropriate to its operations, independent of corporate direction.

Such divisional programs have been "very effective," says Mr. Pfeiffer. "The individual programs are tailored to their specific problems."

This system works well for several reasons, he says. First, a strong incentive for success exists. "If (local managers) design it and they supervise it, they'll want to make it work," he says.

Second, this system takes into consideration different geographic driving conditions. "The guy in Topeka knows his own situation."

A corporate division in Colorado could stress safe driving in a snowstorm, something a division in Florida would not need to teach.

Other companies that claim success with strong decentralized fleet safety programs include Tenneco Inc., Standard Oil Co. (Indiana) and Exxon Corp.

Jack Lamb, Exxon's Houston-based fleet manager, says that his company's decentralized fleet safety programs have been effective because the needs and activities of Exxon employees are very different. These employees include attorneys, salesmen, hourly workers and, of course, the drivers of 18-wheel gasoline transports.

"There's no sense in teaching a lawyer how to be safe with an 18-wheeler or a tractor," he explains.

Companies also use some widely different methods to address their individual safety needs.

Xerox, for example, recently spent more than \$1 million to install custom-designed safety windshields behind the driver's seat in company station wagons to prevent drivers from being struck by any equipment in the back seat that may lurch forward in an accident.

And vehicle-intensive Federal Express regularly distributes "Safety-grams" among its drivers—information sheets that discuss recent accidents and ways in which they may have been avoided.

The courier service also prepares a different 17-inch-by-22-inch color poster every six weeks to maintain safety awareness, the production of which "is not costly when you look at the cost of an accident," Mr. Rine says.

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Firms offer prizes to encourage safe driving

By STEVE TARAVELLA

Does the promise of a special belt buckle, a television set or a trip overseas for a clean driving record really make employees better drivers?

"Yes!" say truck and automotive fleet safety managers who promise prizes to drivers who don't crack up their vehicles.

Usually, companies run periodic safety contests, presenting prizes to the driver or drivers with the best safety record over a specified period of time.

Popular safety incentive programs include "safety bingo" games that give out numbers to all drivers until one has an accident, drawings among a fleet's safest drivers for shares of company stock and contests that offer winners their choice of prizes from a gift catalog.

Since these incentive programs are only one part of a fleet manager's loss-control program, distinguishing their results from those of the whole program is difficult (see story, page 31). But, employers say the cost of purchasing the prizes is easily recouped by lower accident and injury rates during the contest periods. And many safety directors

are convinced that the benefits provided by incentive programs are a valuable part of risk management.

One of the biggest factors contributing to the success of incentive programs is peer pressure, fleet safety directors agree.

"Peer pressure works when you have people getting gifts; these programs are designed with that in mind," says Ken A. Olsen, safety supervisor for Rider/Pacific Intermountain Express Nationwide Inc., a trucking company in Walnut Creek, Calif. "There's no two ways about the importance of it."

"If you design a program that 99% of the people want to take part in, but if the one person who doesn't want to makes the (rest) ineligible, peer pressure comes in," he says. "With a team operation, you can do anything. Without that, it's not going to work."

Safety contests reduced Pacific Intermountain Express Co.'s injury rate in the Los Angeles area 52% in 1982, Mr. Olsen estimates, saving about \$380,000 in claims.

(P.I.E. merged earlier this month with Rider Truck Lines to form Rider/P.I.E. Nationwide.)

"It's cut our losses right in half in

a traditionally high-risk area," Mr. Olsen says.

A driver who finishes a 90-day contest without an accident or injury is eligible for a prize, which may be selected with the family from a catalog, he explains.

The value of the approximately 30 different gifts offered to participants increases each quarter a driver posts an accident-free record. The gifts, which include knickknacks, watches and sporting goods, cost P.I.E. an average of about \$110 a person, Mr. Olsen estimates.

They are "definitely worth it," he says.

P.I.E. offers another incentive program to long-time employees with safe driving records.

Currently, 828 of P.I.E.'s 6,000 drivers wear million-mile belt buckles, and another 127 wear 2-million-mile buckles. These are drivers who have traveled at least that distance over a 10-year period without any accident whatsoever.

The 2-million-mile drivers also receive a hand-crafted leather log book, which Mr. Olsen estimates costs the company about \$50.

"People really look at that (earning the buckles and log book) as a

prestigious thing in the industry," he observes.

Yet another incentive that PIE uses to encourage safe driving is safety bingo, in which drivers are given a bingo number for every accident-free workday.

Bingo games have been "a great gimmick to get them (the drivers) to do the job the way the perfect driver would do it," Mr. Olsen says.

The game was so effective in reducing the accident and injury rate in one of its divisions that P.I.E. started a similar program at another division at which the accident rate was unusually high.

Before the games began, the 140 drivers at the division had one accident every three or four days, Mr. Olsen says. But 85 days after the contest began, the drivers reported no accidents and prizes were awarded in the bingo game.

Safety bingo works like this: Each day that no accident occurs at a bingo game site, management issues a number to participants, each of whom hold a different game card. Safety sayings like "Watch out for school buses" and "Avoid jackknives" accompany each number to appeal to the driver's sense of safety on a subliminal level, Mr. Olsen explains.

The games are played in a variety of ways but in most cases, the first driver to complete a horizontal row of numbers may win \$25, while the first to cover a diagonal row might get \$35.

The first driver who fills in an entire card wins a \$500 savings bond or a color television set, Mr. Olsen says. Covering the whole card usually takes about 85 days.

The game continues until one of the participants has an accident. The current game immediately ends, new cards are then issued, the name of the driver is released—that's where the peer pressure comes in—and the company and the drivers discuss ways the accident might have been avoided.

A non-trucking company, Philip Morris U.S.A. in New York City, uses different incentive devices that have accomplished the same results as P.I.E.'s, according to Fleet Manager Greg Tarring. The company's traffic accident rate has been cut by 32% in the last three years.

One-, two- and three-year awards are presented annually to drivers of the approximately 3,000 company vehicles. The awards take the form of points, which the driver can apply toward purchasing gifts from a catalog.

Points for the first-year award allow a driver a gift with a value of about \$50, second-year awards carry a value of about \$100 and so on.

Any driver who is not involved in an accident that is clearly the employee's fault is eligible for the contest. However, a preventable accident puts the employee "right back at the starting grid," Mr. Tarring says.

The program is expensive, "but definitely worth the cost. It's a nice incentive and one that has been very successful for us."

Philip Morris also gives away other items like ice-cube breakers and kitchen squeegees that spread the company's safety slogan, "Drive to Win." These are sent to the homes of the drivers to create a supportive atmosphere within the driver's family, Mr. Tarring says.

Centurion Leasing Co., an import car transporter in Jacksonville, Fla., offers the drivers of its 1,000 rigs valuable incentives like a microwave oven and a trip to the Bahamas.

Centurion couples safety with productivity: The driver with the highest mileage and lowest claims

rate each year gets the trip to the Bahamas.

"They can't all win," Safety Director Otis E. Hanks says, but the increased productivity of all drivers' efforts makes the prizes cost-effective.

"They're expensive, but you will get the return on it because you'll show you care about the driver. If you care nothing about the driver, he'll care nothing about the company or its equipment," Mr. Hanks says.

Xerox Corp. in Rochester, N.Y., is purchasing 300 black-and-white television sets as an incentive in a safety contest, says Jack Spear, loss-control manager in the vehicle fleet business department.

Such contests at Xerox are normally three months long. The 300 winners are selected from the names of those who have no preventable accidents during that period.

The TVs cost Xerox about \$70 each, "which may not sound like much," concedes Mr. Spear, "but it puts management in a position to check driver safety."

"The cost of the TV is easily recouped by a reduction in driving accidents."

Xerox recently spent \$20,000 on safe-driver key rings, an expense Mr. Spear believes justified if the rings help keep his 10,000 drivers aware of safety practices.

He estimates that the average cost to handle collision expenses and liability claims per accident is \$1,800, excluding workers compensation, salary and medical payments.

Amoco Oil Co.'s East/South region in Baltimore rewards safety-conscious employees with certificates of stock in its parent company, Standard Oil Co. (Indiana).

Truck drivers and field marketing employees who drive company vehicles without a preventable accident in 1983, and who work in the district or distribution center with the lowest preventable accident rate, receive a performance award worth about \$25. In addition, they're eligible for a drawing for shares of stock, a spokeswoman says.

Four stock awards are made to both the tuckers and the marketing workers, ranging in value from \$100 to \$500.

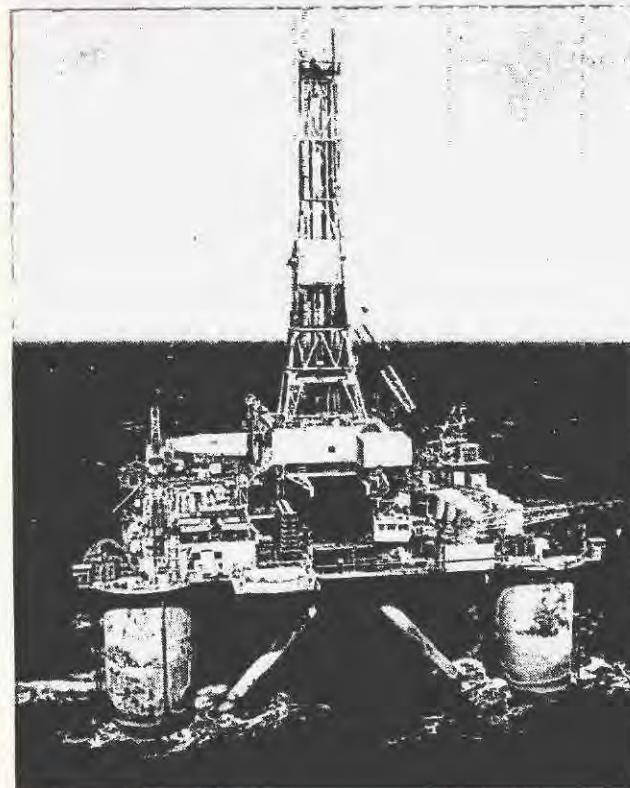
Additionally, Amoco will pay any increased income taxes incurred by the employees who win Standard stock.

The Greater Los Angeles Chapter of the National Safety Council annually conducts a safety contest whose prizes make it "a knock-down-drag-out affair," according to Jon Maxwell, director of the chapter's training institute.

The contest winner is determined by examining the records of drivers at participating employers. The criteria for the contest include the total number of man-hours worked and the total number of reported accidents, Mr. Maxwell says. Winners are awarded cups and trophies to keep until the following year, when their record is challenged.

"It has a powerful motivating effect on the drivers," he says. "They're pretty proud of these things and really work to win the contests. It keeps them from smashing up themselves and their cars."

"If they lost that cup, there'd be a war (to get it back)," he says.



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Assistance programs help employers reduce alcohol-related wrecks

Many employers are turning to in-house assistance programs to reduce the number of accidents caused by workers who drink while driving company vehicles.

Although the results of these programs are difficult to measure, companies report that employees who participate have fewer on-the-job accidents. In addition, job performance is improved and absenteeism is reduced, employers say.

"We can't measure the results but it's been very successful," says Arden Neze, executive assistant at the American Can Co., which sponsors an unusual program called "Take a Taxi on Us" that allows an intoxicated employee to call a cab at the company's expense.

"All we can do is keep this safety program well-fixed in employees' minds," Ms. Neze points out.

American Can, United Airlines Inc., General Motors Corp. and the U.S. Postal Service are just a few of the employers that help workers with alcohol problems (*BI*, Sept. 27, 1982).

Drunken driving is certainly a large—and costly—problem. Some 68% of those who die in auto accidents have alcohol in their blood systems, according to the American Automobile Assn.

But drinking on the job can cost employers in other ways, too. Lost productivity due to alcoholism may total as much as \$120 billion a year. Also, alcoholism may be responsible for 15% of the nation's health care costs, according to the Office of Technology Assessment, a congressional support agency. Employers ultimately pay much of this increased cost through their group health plans.

And, of course, drinking on the job can endanger other employees.

"If a (drunk) employee is driving a company vehicle, especially on the (airport service) ramp, he could be endangering the lives of other employees," says Jim Wrich, director of the employee assistance program at United Airlines in Chicago.

United's program has been so successful in treating employees with emotional, alcohol and drug-related problems that the Assn. of Labor Management/Administrators & Consultants on Alcoholism selected it as the outstanding labor-management employee assistance program in 1981.

The award is presented annually, an ALMACA spokesperson says, "to a company in which labor and management are working together in their assistance program for the sake of their employees."

"It's proven to be very cost-effective to us to try to rehabilitate people rather than try to eliminate people," Mr. Wrich notes. The program has produced an estimated net benefit-to-cost ratio of 17-to-1 over the expected career span of the employee, he says.

The program has caused a significant reduction in absenteeism, he observes. "On a before-and-after basis, it's paid for itself in employee absenteeism alone."

A United employee who arrives at work under the influence of either alcohol or drug substances can be fired on the premises, but is usually not if it is a first offense, says Mr. Wrich. Instead, United will send the employee to an outside treatment facility and pick up

'These problems are costly and become more so if not properly dealt with' Mr. Austin says.

the tab.

The program began in 1979 at United's executive offices in Chicago "out of a concern for people who were having problems," and now is available to employees at all United offices.

The U.S. Postal Service won the 1982 ALMACA award for its Program for Alcoholic Recovery. The program treats alcoholism, drug problems and temporary emotional instabilities that may affect a driver's performance on the road.

"Ever since we started this program in 1968, in every case there has been a significant reduction in employee accidents and in employee absenteeism and improved productivity," says a Postal Service spokeswoman.

"It's far better to help a person to recover—someone who's been through training and may at one time have been a very productive employee—than to fire him and take on a new person," she says. "It just makes good business sense."

Results of the program are difficult to present in statistics, she explains, because P.A.R. is available to all Postal Service employees, not just those that drive on the job.

"Alcoholism respects no level," she says. "It can affect a top executive or a janitor. If we can correct that illness, we can not only help the Post Office, but him and his family, too."

P.A.R. is "a humane program, and a caring program," she says, "and certainly cost-effective."

General Motors has seen better job performance from those who participate in the company's EAP.

"We have found that those who participate in the employee assistance program, as a group, reduce their on-the-job accidents upwards of 50%," says Rowland L. Austin, director of employee assistance programs at GM. "If you can get him sober and keep him sober, than his record after treatment is going to be better than before."

GM employees with emotional, drug and alcohol problems are referred, at GM's expense, to an outside clinic staffed by GM management, plant medical physicians and social workers.

Providing this service is not costly when compared with the costs of alcohol-related traffic accidents, Mr. Austin explains.

"These problems are costly and become more so if not properly dealt with. The intervention is very cost-effective in a preventive kind of way," he says.

GM management looks for many indicators of an employee's problem, Mr. Austin says, before recommending that he seek treatment. Many of the auto giant's employees who receive treatment are referred through the court system.

"A lot of judges will recommend that a defendant (in a drunk-driving case, for example), who is one of our employees, get involved with our assistance

Continued on next page

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Employers offer help to drunk drivers

Continued from previous page program," he says. "In many cases, it's an alternative to going to jail."

GM's program is available to all employees, whether salaried or hourly, and their spouses and dependent children. "A lot of these problems are not physical problems, but family problems," Mr. Austin says.

"Take a Taxi on Us" is a solution to alcohol-related accidents that American Can Co. in Minneapolis has found effective.

"Any employee who finds himself or herself in a situation where he felt he couldn't drive safely can take a taxi home, send in the bill and be reimbursed," explains Ms. Neze.

Although the program helps keep American Can employees from driving company cars when they are intoxicated, the program is intended for all employees, not just those that drive on the job.

The American Can program addresses the issue of safety more than alcoholism, Ms. Neze says, because a drunk driver "doesn't necessarily affect only the drinker."

She says the program has been a successful deterrent. "(Employees) are very conscious of having too much to drink," she says.

She credits the success of the program largely to the fact that its complete confidentiality is guaranteed. Taxi receipts are submitted confidentially, and "no questions are asked then or ever."

Perhaps most interesting about "Take a Taxi on Us" is that it allows an employee who observes someone intoxicated, at any time, to advance them

the fare and get reimbursed.

Reimbursements have never exceeded \$1,000 in any one year, she says.

The benefit is available to about 10,000 employees nationwide at any of the company's three Minneapolis-based subsidiaries: Pickwick Distribution Co., The Musicland Group and Fingerhut Corp.

The program began in 1975 at Fingerhut after an employee was killed in an accident involving a drunk driver, and was made available at the other subsidiaries at the acquisition in 1979, Ms. Neze explains.

Although some companies use EAPs to help employees with alcohol problems, others take a much tougher stance on drinking on the job.

"The use of, possession of or being under the influence of drugs or alcohol while on company property results in immediate termination," says Fred Rine, director of safety and health for the Federal Express Corp. in Memphis, Tenn.

"There's just no alcoholic beverage allowed in the truck," says Joseph H. Schneider, vp of administration for Bulkmatic Transport Co., Inc. in Chicago.

"They know even before coming in that we just don't tolerate it. If he's even caught with an empty beer can in his truck, he's gone," Mr. Schneider says.

Glenn Nolan, corporate fleet safety director at Crown-Zellerbach Corp. in San Francisco, which has a 3,000-vehicle fleet, says drinking while driving has not been a problem. However, if a driver is found drinking, he could be fired immediately, Mr. Nolan adds.

Insurer's success leads to city seat belt programs

By MARGARET LeROUX

Following the example of an employer-sponsored safety belt program in a neighboring community, the town of Chapel Hill, N.C., is one of two metropolitan areas to offer citizens incentives to wear safety belts (BI, July 12, 1982).

A similar safety belt promotion is also under way in the city of Helena, Mont.

Last summer, a program jointly sponsored by the Durham office of Blue Cross & Blue Shield of North Carolina and the Highway Safety Research Center at the University of North Carolina increased the use of seat belts among employees of the health insurer from 4% to 54% (see story below).

Bolstered by this success, the Highway Safety Research Center set its sights on a larger group for its incentive program and settled on Chapel Hill.

"Incentive programs have been used successfully in closed settings such as factories or schools," says B.J. Campbell, the director of the university's Highway Safety Research Center, "but this is the first time anyone's applied the same principles to as large a group of drivers as a city."

The goal of both the Chapel Hill and Helena programs is to increase safety belt usage among drivers and passengers, but there are differences in the way Helena and Chapel Hill incentive programs are being run.

For example, the Helena "Safety Belt Challenge" will last a year, while Chapel Hill's "Seat Belt Payoff" is a six-month program.

But both programs are funded by grants from the National Highway Traffic Safety Administration and contributions from local businesses.

The cities, however, are similar since both have a large number of white-collar workers.

Helena, Montana's capital, is the home of a large number of government employees. Chapel Hill is one of three cities that make up the part of North Carolina known as the Research Triangle, which boasts more Ph.D.s per capita than any other area in the United States.

Since national surveys show a higher safety belt usage rate among people with college or graduate degrees, it's not surprising that 21% of Chapel Hill's drivers wear seat belts, almost twice the national average of 13.5%.

In Helena, by comparison, only 4% of the drivers wore seat belts before the incentive program began in mid-March.

Helena's goal is to increase usage to 70% within the year and, if the aim is reached, the city will hold a drawing for a 1983 car.

The Chapel Hill program is not shooting at numbers, Mr. Campbell says, although he pointed out that the goal of the program was to have 30% of the population wear seat belts, which has already been achieved.

In fact, if Chapel Hill's rate increases much more, it could win the distinction of being the city with the highest usage rate of car safety belts in the United States. That honor is currently held by Seattle, where 35% of residents wear safety belts without an incentive program to encourage them, according to a survey by the National Highway Traffic Safety Administration.

In both Chapel Hill and Helena, cash and prize incentives are being awarded to drivers of randomly selected cars in shopping malls, park-

ing lots and other heavy traffic areas. Drivers get a prize if they're seen wearing their safety belts.

"I think we're boosting usage among people who aren't wearing their belts," said Albert Goke, administrator of Montana's Highway Traffic Safety Department, "because they're always disappointed when they realize they could have won."

The spot checks in Helena are conducted by the Jaycees, a women's auxiliary of the Helena Jaycees who wear fluorescent orange vests lettered with "Safety Belt Challenge" over their clothes. Certificates for meals at fast-food restaurants, six-packs of soft drinks and theater passes are among the prizes awarded.

There is a monthly drawing among all drivers stopped for bigger prizes like health club and American Automobile Assn. memberships.

Similarly, in Chapel Hill, members of the Highway Safety Research Center drive a bright yellow marked van with the "Seat Belt Payoff" emblem to conduct spot checks. Monthly drawings for a \$500 prize are held, with a grand prize of \$1,000 to be awarded at the end of the program.

The safety belt incentive programs in both cities have relied on public service announcements on radio and TV and donated advertising for publicity.

Encouraging people to buckle up will not only save lives and reduce injuries from motor vehicle accidents, it will also substantially reduce the costs to society from car accidents.

The National Safety Council estimates that 12,000 lives would be saved annually and the chance of serious injury from auto accidents would be reduced by 60% if all drivers and passengers wore safety belts.

Using the NHTSA data, the council calculates the economic losses from the 43,990 motor vehicle fatalities in 1982 totaled about \$50 billion, including lost productivity, insurance payments and hospital costs.

Blues to begin new promotion

DURHAM, N.C.—Blue Cross & Blue Shield of North Carolina, the first employer in the state to offer incentives to encourage employees to wear car safety belts, is beginning another seat-belt promotion July 18.

Employees will be able to win cash and gift certificates through the end of the year if they're wearing a safety belt during random spot checks at the insurance company's parking lot.

The program, budgeted at \$2,000, is a successor to a pilot project begun last summer with the Highway Safety Research Center at the University of North Carolina (BI, July 12, 1982). At that time, only 4% of the BC/BS employees buckled up, but that figure jumped to 54% last fall at the end of the first incentive program.

The rate has since tapered to 23.5%, but BC/BS is hoping to increase that to 38% by the end of the year.

"If we can save one life or one serious injury that would have resulted in lost work time, then the program will more than pay for itself," said Frank Williams, manager of safety and security.

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Utility supervisors learn safety management

By MARGARET LeROUX

ALBUQUERQUE, N.M.—Teaching supervisors to be good managers, as well as looking for employee stress factors, is having a dramatic effect on the safety record at Public Service of New Mexico.

In two years, the utility cut in half its number of lost-time accidents per million work hours with a series of three-day training programs that "give supervisors the tools they need to manage loss control," said Robert Schrode, manager of industrial relations.

The reduction in accidents, to 12.2 per million work hours in 1982 from 24.2 in 1980, resulted in dollar savings of "at least a couple of hundred thousand dollars at the very minimum," Mr. Schrode said.

"And that doesn't even touch on the time and money spent on workers compensation claims handling or retraining of injured employees for other jobs."

The utility's approach to loss control differs from the more common "Let's reduce lost-time accidents" directives issued by management in most companies, Mr. Schrode explained.

"Our program shows supervisors what to do. It provides a vehicle to achieve a reduction in lost-time accidents."

What the program, called Job Pride Development, teaches supervisors are good management techniques such as familiarizing new employees with the work area and rules, learning to understand employees' strengths and weaknesses and reinforcing activities that are conducive to a safe work

environment.

That means incentives such as telling an employee, "I'm glad to see you're wearing safety glasses today," he said, "and being a good example by making sure you always wear your safety gear."

There's also emphasis on stress management because as Keith Barenclau, the safety consultant who designed the program, noted: "Getting the work produced and out the door is what management wants. If stress reduction will help accomplish this goal, then use it."

Mr. Barenclau, who is now associated with Waite Hill Services, a Richmond, Va., subsidiary of Figgie International Inc., uses a non-sense approach to integrating stress management with safety and loss control.

He says the attitude of management should be: "We're in the business of making widgets, we're not a mental health organization." To that end, teaching supervisors to recognize stressed employees and stress factors on the job helps them to do their work more efficiently.

That doesn't mean that supervisors should pry into their employees' private lives, the consultant adds. "What the employees do on their off hours is none of the supervisor's business. But if an employee's personal problems are affecting his or her work performance, then it becomes the supervisor's problem," he said.

The Job Pride Development program shows the utility's supervisors where their authority is in dealing with stress factors and stressed employees.

"It may be as simple as removing

Program stresses positive approach

ALBUQUERQUE, N.M.—Public Services of New Mexico's Job Pride Development program, its loss-control program for supervisors, includes six steps:

• Determine your positive goal.

Avoid negative, general statements such as "reduce unsafe job performance," the program's statement points out. Instead, be as specific as possible like "a 10% improvement in safe job performance."

A goal that can be achieved with reasonable effort serves as a reinforcement, according to the program.

• Select the performance you want. It's extremely important to remember that it is performance, not a person, that you are recognizing, the program states. Employees must connect any "reward" or reinforcement received with a specific behavior they have demonstrated.

Instead of telling an employee, "You did a really good job today," say, "Those five steps you just went through are exactly the way this job should be done."

• Divide the performance expectations into steps or levels wherever possible.

Each level offers employees a sense of achievement rather than making them wait for such recog-

niton until they have learned the entire operation.

• Select the reinforcement method to be used. Recognition of a job well-done can range from a simple expression of praise to some form of material award. Notes or letters can be put in an employee's personnel file or certificates of achievement can be given.

Although the types of incentive may vary greatly, it must always be something that matters to employees and be tied directly to some definite performance.

• Reinforce the desired behavior. Start looking for the performance or behavior you want to promote and recognize achievements as they occur.

This step is more difficult for supervisors than for others, the program notes. "After years of looking for something that is being done wrong, it's difficult to start watching for something that is being done right."

• Keep it up. Don't think you can stop at a certain point after reaching your goal.

"It's like walking up a down escalator," the program states. "The minute you stop, you start going backward."

something or changing a work procedure that's causing problems," Mr. Barenclau said, "or it might involve a confrontation with an employee. The supervisors learn that if they ask the question, 'What's the problem?' they'd better be ready to listen," he said.

The three-day training sessions that make up the Job Pride Development program also include management techniques adapted for loss control like goal setting, how to make safety tips and how to conduct safety meeting.

"Safety tipping" is a positive ap-

proach to an unsafe procedure. In an office, for example, a supervisor would remind someone standing at a file cabinet where two doors are open at the same time that it's a good idea to close the one not in use. The tip—to prevent the cabinet from falling—is given in a positive, non-threatening way in order to be effective, says Mr. Schrode.

The program is team taught by the utility's safety and training personnel and given several times a year, with refresher courses planned for three-year intervals.

"It's expensive to have super-

visors spend all that time on Job Pride Development," he admitted, "but the payback in fewer lost-time accidents diminishes the cost."

As a follow-up to the supervisor training sessions, the safety staff meets with them on a monthly basis to talk about techniques that are working, which ones are not and how to make changes or adaptations.

The meetings with one of the safety staff also allow the supervisors to "unload problems they may be having with the loss-control effort," Mr. Schrode points out.

Safety differs from other tasks: Consultant

RICHMOND, Va.—Safety stands out when compared with the rest of a company's management functions, a loss-control expert explains.

"Safety is the only corporate function where the negative consequences are the focus of management's attention," says Keith Barenclau, safety consultant with Waite Hill Services in Richmond, Va., a unit of Figgie International Inc.

"That's like measuring quality control by the number of product liability lawsuits against the company," he adds.

For too long, most corporate

managements have looked at safety in terms of injury-causing accidents, Mr. Barenclau continues. "That's just the tip of the iceberg."

He cited an analysis by the International Safety Academy in Houston of 1.75 million accidents reported by 300 companies that showed a ratio of one serious accident for every 10 that caused minor injuries, for every 30 that caused property damage and for every 600 with no property damage or injuries.

Preventing all accidents—no matter how small the loss involved—should be the goal of safety and loss-control programs, the consul-

tant explains, not just decreasing the number of serious injuries.

This can be accomplished by applying good management techniques to safety programs, he continued. "Safety or loss control should be the work we do to conserve the resources of the organization...including people, property and processes."

"Safety niches in the management chain should be on the agenda whenever there's a management meeting. If a company had a legal problem, they'd have a lawyer sit in on meetings; so should the same logic be applied to input from the safety director."

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FOR THE ENVIRONMENTAL RELIABLE SAFETY RESTORE YOUR OIL PCBX

It takes more than gallantry to protect this lady

By BILL DENSMORE

NEW YORK—Would you spend \$475,000 to protect that special woman in your life?

You might if you were Uncle Sam and the lady were Miss Liberty.

The National Parks Service has just shelled out \$475,000 for the design and installation of a state-of-the-art, computerized fire-suppression and intrusion-alert system

throughout Liberty Island and the 97-year-old Statue of Liberty.

"We kind of decided two years ago that with the centennial coming up we had better get some sort of protection system around here," recalls William R. DeHart, chief of visitor services at what is probably the nation's most famous monument.

Some of the system must remain a secret, says Mr. DeHart, because disclosure of details would make it

easier for terrorists to circumvent the safeguards. He agreed, however, to show a reporter some of the components.

"The less people that know about it, the better I would feel," he says.

The system, which the Parks Service formally accepted from the contractor a couple of weeks ago, is designed not only to protect visitors from fire but also the statue from the visitors—be they terrorists, graffiti artists or publicity hounds.

It includes smoke and fire detectors, loudspeakers, sprinklers, video cameras, motion detectors, special coded access to the statue's single entrance, backup water and electricity supplies and even an explosives-sniffing golden retriever named Talli, who also plays with children of park employees.

After competitive bidding, the Parks Service hired Schirmer Engineering Corp. of Deerfield, Ill., to design, install and test the system, which uses a computer made by Honeywell Inc.

Since Mr. DeHart came to the monument in 1981 from the Everglades National Park in Florida, there have been at least three demonstrations in which visitors took over the statue, one of them a nasty skirmish between Vietnam War veterans and the Parks Service, he recalls.

On another occasion, he says, a New York mayoral candidate stood atop the statue's copper crown and scattered campaign literature.

But the most serious incident, and the one that Mr. DeHart says was partially responsible for the new safety and monitoring equipment, came June 3, 1980, when two sticks of dynamite exploded in an exhibit area, blasting a crater in a concrete wall and knocking down ceiling panels.

Because the bomb exploded more than an hour after the monument closed for the evening, there were no injuries. The incident is still under investigation, although Mr. DeHart says authorities suspect a package containing the bomb was left by a visitor behind a free-standing exhibit.

Now, says Mr. DeHart, workmen are removing freestanding exhibits and mounting them on walls so



Photo: National Park Service, Statue of Liberty National Monument

The system will protect the monument through its 100th birthday.

there will be fewer places to hide a package.

In case an explosion or fire does occur, the 305-foot-6-inch statue, pedestal and base-level museum are now completely outfitted with a dry-pipe sprinkler system. Loss of air pressure due to the opening of any single sprinkler head will trigger the water flow. Using the computer control, NPS can determine which sprinkler has gone off and direct the flow of water to only that sector of the monument.

The island's regular fresh-water supply from the mainland is supplemented by a new 30,000-gallon holding tank and an electric pump that can be driven by a 4,160-kilowatt generator, which can be started within three seconds of a power failure. The generator can also power the rest of the fire and security systems and the general needs of the monument.

Electronic fire and smoke detectors dot the ceilings of the exhibition areas, which have been divided into zones for computer-tracking of problems. In addition, 38 fire pull boxes are scattered throughout the monument, including the very top of the venerable lady's head.

The 78 loudspeakers on the premises are also computer-controlled. Ordinarily, they are used by a park ranger at a reception and information desk in the base of the monument, mostly to remind visitors of departing ferry schedules.

However, a ranger at a security console in the administration building can override the information desk to provide safety announcements. By punching the computer keyboard, speakers in any of nine zones can also be switched from one microphone source to another.

It's important to be able to communicate safety information quickly since, on a busy day, as many as 500 tourists may be somewhere inside the statue: at the crown, in the elevator or anywhere along the winding stairs leading to the top. A fire in the lobby or exhibit areas could send dense smoke rising through the statue, he says.

Only the main visitor entrance on the west side of the base exhibit areas and a small fire exit on the east side allow visitors to escape, and visitors seeking these exits could be led directly toward the smoke.

As a result, Mr. DeHart says, the Parks Service has tried to eliminate possible sources of smoke. It has removed from exhibit walls a vinyl-based covering that was thought to be potentially toxic upon burning and simply applied a light paint layer over the plaster and cement walls.

The service is also considering replacing old exhibit-area carpeting with new pile that has reduced flammability tendencies.

Once the statue is closed for the night, an intruder would now have a tough time entering the monument undetected. Motion detectors are mounted to the left and right of both the main and emergency entrances. A second set of similar detectors covers floor space behind the first ones.

If movement is picked up by the sensors, an alert is flashed to the computer console in the administration building, where an operator can track an intruder's movements from one sensor to the next. A visitor attempting to remain in the monument after closing time would similarly be detected once he or she started to move around.

The locks on the main exhibit doors are likewise tied in with the computer. Using a key pad outside the main doors, a ranger who knows the right combination of numbers has only two chances to punch them in correctly during off-hours to unlock the doors. On the third attempt, alarms go off.

"That's so you can't stand there punching in random numbers all night trying to find the right combination," says Mr. DeHart.

Six different video cameras are strategically placed throughout the monument. Back at the administration building console, two television monitors are hooked into the video system. One monitor continuously switches among cameras.

Continued on facing page



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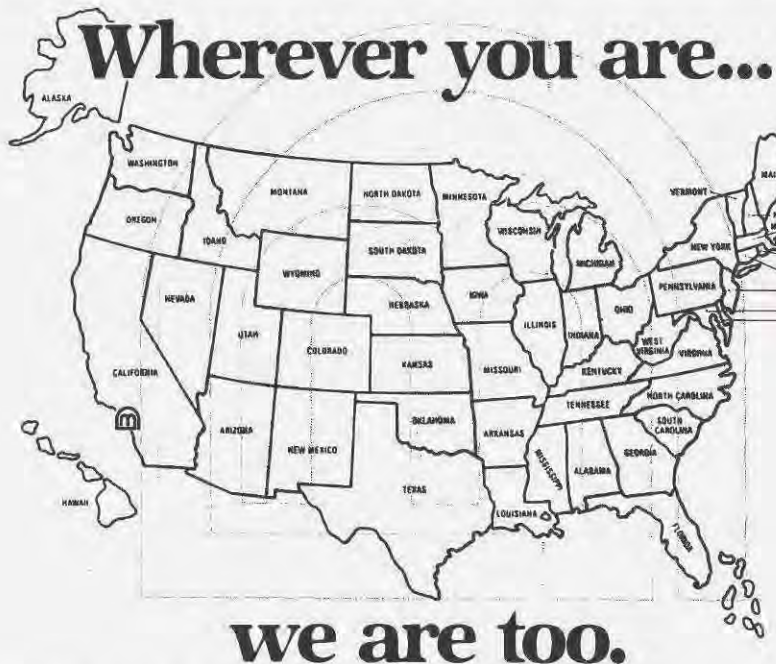
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Continued from facing page

The other can be switched to view any single camera for longer periods.

All the cameras are equipped with microphones to pick up any voices. In addition, a videotape recorder is attached to the system.

So far, the rangers have used the video recorder to make a record of felt-marker wielding graffiti artists who deface the interior of the statue. But it could also provide valuable evidence in the event of a terrorist act, they reason.

A standard dot-matrix computer printer, a video display terminal, a microphone and a keyboard complete the control area. Hidden elsewhere in the administration building is the computer itself, as well as a battery system that can supply two days of electricity, a backup to the backup generator.

With all the newly installed high-tech equipment, it might be comforting to know that a key component of the statue's protection has already been on the job for several years and doesn't need batteries to run.

It's Talli, the golden retriever trained at a cost of \$9,000 and donated to the Park Service to sniff explosives. At randomly chosen times, park rangers station Talli near the gangplank of arriving ferries to take a whiff of passing tourists.

HRI survey to investigate cost controls

WALNUT CREEK, Calif.—The Health Research Institute is conducting its third biennial Health Care Cost Containment Survey of the country's 1,500 largest employers.

The HRI survey is designed to determine the prevalence and effectiveness of employers' health care cost-containment efforts, as well as identify cost-containment trends and new developments.

The results of the survey provide the most in-depth study of employer cost containment and health improvement actions available, says HRI Director William E. Hembree.

In the 1981 survey, 507 employers participated.

The survey is designed to help benefit managers compare their cost-containment plans with others, to determine what cost-containment efforts are working to hold down medical care costs for other employers and to identify the current trends in health care cost containment.

The companies and institutions surveyed by HRI are basically those with more than 2,000 employees.

The deadline for returning completed questionnaires, which were mailed to survey participants last month, is July 29.

Extensions of the deadline will be granted to participants upon request.

Survey participants will receive survey reports free of charge in late summer, and HRI will host regional meetings in the fall for participants to discuss the results of the study, health care cost-containment trends and the implications for future planning.

There will be no fee charged participants attending the regional meetings.

If you employ more than 2,000 persons, have not received a questionnaire and would like to participate in the survey—or need an extension of the July 29 deadline to complete your questionnaire—call HRI's Mr. Hembree at 415-676-2320.

So far, says Mr. DeHart, she hasn't sniffed anything suspicious. But, to keep her canine nose in good form, rangers keep a canvas pouch filled with a pound or so of dynamite that Talli can use as a plaything.

Although the centennial celebration of the Lady Liberty's creation will take place July 4, 1986, she will actually mark her 100th birthday next year. It was July 4, 1884, when the statue was completed in France and formally accepted as a gift by the United States.

Sculpted by Frederic Auguste Bartholdi, the statue's supporting structure was designed by Alexandre-Gustave Eiffel, who later built the Eiffel Tower.

Two years later, after being disassembled, crated and reassembled on the island overlooking New York Harbor, the monument was dedicated by President Grover Cleveland amidst the booming of

cannon, the waving of flags and banners and the salutes of ships in the harbor.

The celebration planned for July 4, 1986, will be no less enthusiastic, including fireworks and a visit by tall ships, says Mr. DeHart. But before the festivities begin, the lady will receive a facelift.

This fall, scaffolding will rise around the statue in the first phase of a two-year, \$30-million restoration of the decaying monument. The Park Service says the corroded torch will be removed and repaired, replaced in the meantime with a temporary beacon.

The 225-ton monument will be closed intermittently while rusted iron bars—on which the 3/32-inch copy sheathing that forms the statue's body is hung—are replaced with bars made of either a copper-nickel alloy or stainless steel.

A new set of stairs will also replace the 171 existing 30-inch-wide spiral treads.

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- Cost of Risk Survey 1981—\$60 (RIMS members \$35—biennial)

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AUG. 11. Construction Claims workshop in New York City, sponsored by the Practising Law Institute; \$375. Also **Aug. 25-26** in Chicago; **Sept. 22-23** in San Francisco. PLI, Department FIC, 810 Seventh Ave., New York, N.Y. 10019.

AUG. 15-19. Professional Consulting in Safety and Loss-Control course in Atlanta, sponsored by the International Loss Control Institute; \$625. ILCI, P.O. Box 345, Loganville, Ga. 30249.

AUG. 25-26. Insurance, Excess and Reinsurance Coverage Disputes seminar in New York, sponsored by the Practising Law Institute; \$360. Also **Oct. 6-7** in San Francisco. PLI, Department 817, 810 Seventh Ave., New York, N.Y. 10019.

AUG. 29-30. Regional Safety and Health seminar in Sioux City, Iowa, sponsored by Grain Elevator & Processing Society; before Aug. 1, \$85 for members; \$100 for non-members; after Aug. 1, \$100 for members; \$125 for non-members. Dave Krejci, Grain Elevator & Processing Society, Box 15024, Commerce Station, Minneapolis, Minn. 55415; 612-339-4625.

AUG. 29-SEPT. 1. American Hospital Assn. fifth annual educational conference in Boston, sponsored by the association's American Society for Hospital Risk Management; \$300 for members; \$350 for non-members. American Hospital Assn.,

Division of Education, P.O. Box 98946, Chicago, Ill. 60693; 312-280-6083.

AUG. 29-SEPT. 2. Premium Auditing Basic Training Seminar/Refresher Course in Oak Brook, Ill., sponsored by Premium Audit Advisory Service; \$125. Faye E. Stiles, PAAS, American Insurance Assn., 85 John St., New York, N.Y. 10038.

SEPT. 5-10. Rendez-Vous de Septembre in Monte Carlo. Direction du Tourisme et des Congres, 2a, Blvd. des Moulins, Monaco. 98030.

SEPT. 7. Accident Investigation and Analysis seminar in Los Angeles, sponsored by the International Safety Academy; \$165. International Safety Academy, P.O. Box 8527, 1600 Arch St., Philadelphia, Penn. 19101; 215-241-3176.

SEPT. 7-9. Product Safety and Liability Prevention workshop in Madison, Wis., sponsored by the University of Madison-Extension; \$495. Richard A. Moll, Engineering Department, University of Wisconsin-Extension, 432 N. Lake St., Madison, Wis. 53706; 608-263-4712.

SEPT. 8. Effective Safety seminar in Los Angeles, sponsored by the International Safety Academy; \$165. International Safety Academy, P.O. Box 8527, 1600 Arch St., Philadelphia, Penn. 19101; 215-241-3176.

SEPT. 11-14. National Assn. of Mutual Insurance Companies annual meeting in Kansas City, Mo.; \$120. National Assn. of Mutual Insurance Companies, 3707 Woodview Trace, Indianapolis, Ind. 46268; 317-875-5250.

SEPT. 11-14. Society of Chartered Property and Casualty Underwriters 39th annual meeting in New York; \$225. Society of CPCU, Kahler Hall, Providence Road, Malvern, Pa. 19355; 215-648-0440.

SEPT. 12-13. Disaster Planning and Recovery workshop in Baltimore, sponsored by Bank Administration Institute; \$425 for members; \$550 for non-members. Also **OCT. 24-25** in Dallas-Ft. Worth. Stephen M. Rowe, Bank Administration Institute, 60 Gould Center, Rolling Meadows, Ill. 60008; 312-228-6200.

SEPT. 12-14. Risk Research Group Captive Insurance Company Course in London, sponsored by Risk Research Group Ltd.; \$550. Sue Moore, Risk Research Group Ltd., Bridge House, 181 Queen Victoria St., London EC4V 4DD, England; 01-236-2175.

SEPT. 12-14. Safety for the Oil Field seminar in Houston, sponsored by the International Safety Academy; \$395. International Safety Academy, P.O. Box 8527, 1600 Arch St., Philadelphia, Pa. 19101; 215-241-3176.

SEPT. 12-14. Techniques of Risk Management conference in Chicago, sponsored by the Risk &

Insurance Management Society; \$345 for members; \$445 for non-members. Editorial Department, RIMS, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

SEPT. 12-15. American Society for Industrial Security 29th annual seminar and exhibits in Washington, D.C.; \$275 for members; \$365 for non-members; for single day only, \$105 for members, \$150 for non-members. Pati Ellars, American Society for Industrial Security, 1655 N. Fort Myer Dr., Arlington, Va. 22209; 703-522-5800.

SEPT. 13. Health Care Cost Containment seminar in Detroit, sponsored by the International Foundation of Employee Benefit Plans; \$130 for members; \$155 for non-members. Also **Sept. 14** in Chicago. IFEBP, 18700 W. Bluemound Road, P.O. Box 69, Brookfield, Wis. 53005; 414-786-6700.

SEPT. 13-15. Petroleum/Chemical Fire School in Marinette, Wis., sponsored by Ansul Fire Protection; \$650. Also **Sept. 26-28** in Marinette. Jill Davis, Ansul Fire Protection, Marinette, Wis. 54143; 715-735-7411.

SEPT. 18-21. Eighth Annual Canadian Risk Management conference in Montreal, sponsored by the Quebec Risk & Insurance Management Assn.; \$225 before Aug. 26; \$250 thereafter. George Balcer, Consolidated Bathurst Inc., 800 Dorchester Blvd. W., Montreal, Quebec H3C2R5; 514-875-2160.

SEPT. 18-21. National Assn. of Insurance Commissioners fall quarterly meeting in Tampa, Fla.;

\$175. Miriam Hein, National Assn. of Insurance Commissioners, 1125 Grand Ave., Kansas City, Mo. 64106; 816-842-3600.

SEPT. 19-22. Inspector Training seminar in Houston, sponsored by the International Safety Academy; \$490. International Safety Academy, P.O. Box 8527, 1600 Arch St., Philadelphia, Pa. 19101; 215-241-3176.

SEPT. 19-23. Practical Reinsurance course in Bermuda, sponsored by Risk Research Group; \$1,095. Elspeth Jones, Risk Research Group, 181 Queen Victoria St., London EC4V 4DD, England; 01-236-2175.

SEPT. 21-23. Reinsurance Concepts conference in Chicago, sponsored by the Risk & Insurance Management Society; \$445 for members; \$545 for non-members. Editorial Department, RIMS, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

SEPT. 21-24. International Benefits seminar in San Francisco, sponsored by the International Foundation of Employee Benefit Plans; \$470 for members; \$545 for non-members. IFEBP, Box 69, 18700 W. Bluemound Road, Brookfield, Wis. 53005; 414-786-6700.

SEPT. 25-28. International Assn. of Industrial Accident Boards & Commissions 69th annual convention in Atlanta; \$160 for members; \$220 for non-members. James C. Pullin, IAIABC Convention-83, C/o Georgia Workers Compensation Building, 100 S. Omni International, Atlanta, Ga. 30335; 404-656-2048.

SEPT. 25-29. National Assn. of Life Underwriters annual convention in Chicago, sponsored by the association; \$125; \$105 before Aug. 1. NALU Convention Registration, 1922 F St. N.W., Washington, D.C. 20006; 517-372-5148.

SEPT. 26-28. Valuation seminar in Long Grove, Ill., sponsored by the Kemper Group; \$300. W.P. Thomas Jr., NID (HPR) A-1, Long Grove, Ill. 60049; 312-540-3380.

SEPT. 26-29. Independent Insurance Agents of America 87th annual convention in San Francisco; \$150. Emmy N. Snyder, 100 Church St., New York, N.Y. 10007; 212-285-4276.

SEPT. 26-30. Basic Safety Management seminar in St. Louis, sponsored by the International Safety Academy; \$570. International Safety Academy, P.O. Box 8527, 1600 Arch St., Philadelphia, Pa. 19101; 215-241-3176.

SEPT. 27-OCT. 1. Safety Management Techniques course in Chicago, sponsored by the National Safety Council; \$545 for members; \$680 for non-members. NSC, 444 N. Michigan Ave., Chicago, Ill. 60611; 312-527-4800, ext. 283.

SEPT. 29-30. International Society of Preretirement Planners eighth annual conference in New York City; \$210 for members; \$250 for non-members. International Society of Preretirement Planners, El Monte Plaza, Box 196, 3500 Clayton Road, Suite B, Concord, Calif. 94519; 415-676-0397.

SEPT. 29-30. Management of Mass Tort Litigation seminar in New York, sponsored by the Practising Law Institute; \$350. Also **Oct. 27-28** in Chicago. Practising Law Institute, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700.

SEPT. 29-OCT. 1. Self-Insurance Institute of America national conference in San Diego; \$325 for members; \$395 for non-members. W. Marvin Draper, SIAA, P.O. Box 15466, Santa Ana, Calif. 92705; 714-979-6318.

SEPT. 29-OCT. 1. 16th Annual Canadian Conference in Lake Tahoe, Nev., sponsored by the International Foundation of Employee Benefit Plans; \$390 for members; \$465 for non-members; optional preconference programs offered at an additional charge. IFEBP, 18700 W. Bluemound Road, Box 69, Brookfield, Wis. 53005; 414-786-6700.

OCT. 2-5. National Assn. of Casualty & Surety Executives annual meeting in West Sulphur Springs, W. Va.; free. Lawrence M. Zippin, National Assn. of Casualty & Surety Executives, 86 John St., New York, N.Y. 10038; 212-669-0444.

OCT. 3-5. Techniques of Loss Control conference in Chicago, sponsored by the Risk & Insurance Management Society; \$345 for members; \$445 for non-members. Editorial Department, RIMS, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

OCT. 3-7. Property Conservation course for property owners in Long Grove, Ill., sponsored by Kemper Group; \$400. Also **Nov. 7-11** in Long Grove, Ill. W.P. Thomas Jr., (HPR), A-1, Long Grove, Ill. 60049; 312-540-3380.

OCT. 4-6. Petroleum/Chemical Fire School in Marinette, Wis., sponsored by Ansul Fire Protection; \$650. Also **Oct. 26-28** in Marinette. Jill Davis, Ansul Fire Protection, Marinette, Wis. 54143; 715-735-7411.

OCT. 9-12. EDP Institute in Palm Springs, Calif., sponsored by the International Foundation of Employee Benefit Plans; \$390 for members; \$465 for non-members. IFEBP, 18700 W. Bluemound Road, Box 69, Brookfield, Wis. 53005; 414-786-6700.

OCT. 9-13. National Assn. of Independent Insurers 38th annual conference in Las Vegas; \$225 for members; \$325 for subscribers and guests. NAI, 333 N. Michigan Ave., Chicago, Ill. 60601; 312-782-2958.

OCT. 11-13. Industrial Fire School in Marinette, Wis., sponsored by Ansul Fire Protection; \$650. Jill Davis, Ansul Fire Protection, Marinette, Wis. 54143; 715-735-7411.

NOV. 1-2. Communicating Employee Benefits conference in Chicago, sponsored by Business Insurance; \$495; 10% discount for additional participants from the same company. Ann Vazquez, Business Insurance, 220 E. 42nd St., New York, N.Y. 10017; 212-210-0137.

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UPCOMING ISSUES

	ISSUE DATE	AD CLOSING
	AUG 1	Jul 20
Risk Management Board Survey	AUG 8	Jul 27
	AUG 15	Aug 3
EXCESS/SURPLUS	AUG 22	Aug 9
Distribution at Monte-Carlo, Rendez-vous	AUG 29	Aug 17
EMPLOYEE BENEFITS: HUMAN RESOURCES	SEP 5	Aug 23
	SEP 12	Aug 30
MARINE/AVIATION	SEP 19	Sep 7
IIAA Convention/Employee Benefits Board Survey	SEP 26	Sep 14
	OCT 3	Sep 21
REINSURANCE REPORT/NAII Conference	OCT 10	Sep 27
	OCT 17	Oct 5
	OCT 24	Oct 12

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Harding's retirement to cause changes at Kemper

Management responsibilities at Kemper Corp. and Kemper Group will shift Nov. 1 upon the retirement of **James W. Harding**, currently president of Kemper Corp. and chief financial officer of Kemper Group.

Thomas R. Anderson, currently chairman of Kemper Financial Services, will become a senior vp of Kemper Corp. and its major property/casualty insurers. He will also retain his current position.

Donald R. Clark, currently treasurer of Kemper Group, will also become a Kemper Corp. senior vp and assume the finance operations originally directed by Mr. Harding.

In addition, **Joseph E. Luecke**, now chairman and chief executive officer of both Kemper Group and Kemper Corp., will assume the additional post of president of Kemper Corp.

Other insurer changes:

Bendt Themstrup appointed president of AFIA Worldwide Life in New York. He was previously vp of AFIA's life and accident operations. Before joining AFIA in 1982, he was assistant vp-international life and accident at Continental Insurance Co.

William L. Stewart named resident vp and manager of the Fireman's Fund Insurance Cos.' Santa Ana, Calif., branch office. Mr. Stewart, who managed the Riverside, Calif., branch office, replaces **David W. Nelson**, who is retiring. **Nancy D. Dersham** replaces Mr. Stewart as manager of the Riverside branch. Ms. Dersham had been an assistant vp and assistant field operations executive with the company.

David W. Stevens appointed vp of Wausau Insurance Cos.' New Jersey region in West Orange, N.J. He is responsible for all of Wausau's insurance activities in the state.

Agents/brokers

Anthony D. Shead has been named deputy chairman of Alexander Howden Group P.L.C., replacing **Michael J.A. Glover**, who

Chamber analyzes work comp laws

How complex is the workers compensation system?

Last year alone, more than 125 laws were enacted across the country covering almost every aspect of work comp benefits, according to an analysis recently published by the U.S. Chamber of Commerce.

Once again the Chamber has organized the deluge of information into its annual "Analysis of Workers' Compensation Laws."

The 45-page book tracks the statutory provisions of the workers compensation laws in all 50 states, the District of Columbia, Guam, Puerto Rico, American Samoa and the U.S. Virgin Islands. It also includes Canadian work comp laws.

The book contains charts on laws, benefits, occupational disease coverage, rehabilitation programs,

comings & goings: industry

retired June 30. Mr. Shead, 56, was formerly chairman of Halford Shead (Holdings) Ltd., a Lloyd's broker that was purchased by Howden in 1976. He became a Howden director and deputy chairman of Alexander Howden Insurance Brokers. However, he resigned from the board when A&A purchased Howden and became chairman of Howden's ship brokerage subsidiary, Howness Ltd.

Frank Schiff named vice chairman of Reed Stenhouse Inc. in New York. He will retain his positions as Eastern regional manager of Reed Stenhouse Inc. and chairman of Reed Stenhouse Inc. of New York. Mr. Schiff had been chairman of Schiff Terhune International Inc. when it was acquired by Reed Stenhouse in May 1982.

Michael C.D. Gribbin named managing director of Jardine Insurance Brokers Inc.'s new marine and energy division in San Francisco. The division will serve U.S. marine cargo shippers, freight forwarders, shipowners and other marine-related clients. Mr. Gribbin had been the managing director of an international marine insurance brokerage owned by Jardine Matheson Insurance Brokers (Hong Kong), JIBI's parent.

John Oien promoted to vp and managing director of Polaris International Insurance Managers Ltd., a subsidiary of Bramada International in Bermuda. He is responsible for the company's insurance and reinsurance brokerage and administrative services. Mr. Oien had been underwriting supervisor at North Star Casualty Services, another Bramada subsidiary.

Donald Herington has been named executive vp and chief operating officer of the San Francisco office of Rollins Burdick Hunter of Northern California Inc. He previously was executive vp of the Los Angeles office of RBH of Southern California Inc.

Bruce Haga has joined RBH of Southern California as vp and manager of its Riverside office. He previously was claims manager at the Factory Mutual office in Seattle.

Reinsurers

Robert P. Irvan appointed president for Delaware Reinsurance Co. in New York. Mr. Irvan was most recently a vp and head of reinsurance operations for AFIA Worldwide Insurance.

James J. Davis elected senior vp of Cologne Reinsurance Co. of America in Stamford, Conn.

Kenneth Sloan and **Robert E. Lebermann** were promoted at General American Life Insurance

Co. in St. Louis. Mr. Sloan was named executive director of reinsurance underwriting. He had been manager of insurance underwriting at General American. Mr. Lebermann was promoted to reinsurance underwriting director. He will serve as liaison to American General's clients.

James E. Roberts appointed vp of North Star Reinsurance Corp. in Stamford, Conn.

Keith N. Smaldon appointed senior vp at Agnew Associates Inc., a reinsurance intermediary in New York. He is responsible for domestic and overseas treaty business. Mr. Smaldon was president of Eagle Intermediaries. Also, **Marcus Corbally** appointed vp at Agnew. He will head facultative business with emphasis on engineered risks. He was previously with Scor Re.

Thomas J. Rentko appointed executive vp of Excess & Treaty Management Corp. He joined the company in 1978 as vp in the domestic treaty department.

Kemper Reinsurance Co. in Long Grove, Ill., named **Philippe Guyot** vp of foreign operations, **James E. Miller** vp of claims and **Frances L. Preston** vp of underwriting. Mr. Guyot is responsible for Kemper Re's European/Afri-

can unit and is deputy general manager of Kemper Europe Reinsurance S.A. Mr. Miller has been with the company since 1974 and is responsible for claims operations. Ms. Preston, who also joined Kemper Re in 1974, manages one of the company's four domestic treaty underwriting units.

Willem K. Dikland appointed president of Philadelphia Reinsurance Corp., a member of Netherlands Reinsurance Group. He was formerly executive vp of the company and succeeds **Anton J.C. Hassing**, who retired last month.

Gustav P. Braun named president of Duncanson & Holt Group, a New York-based reinsurance underwriting organization. He had been executive vp and succeeds **Thomas Duncanson**, who was elected chairman and chief executive officer. Mr. Braun continues as chief operating officer. In addition, D&H elected two senior vps: **Thomas Brown** and **B. Patrick Miele**. Mr. Brown was a senior vp and managing director of American Accident Reinsurance Group, a D&H unit. Mr. Miele is also president of a D&H unit, Miele & Associates, which manages American Disability Reinsurance Underwriters Syndicate.

Other suppliers

H. Frank Lively, **George N.**

Stone, **Curtis G. Weakly** and **Bruce Melemed** named vps at M.F. Bank & Co., an independent salvor and appraiser. Mr. Lively is national marketing director, Mr. Stone is vp of the Southeast region, Mr. Weakley is vp of the Central region and Mr. Melemed is vp-finance. In addition, **Richard C. Lien** named Minneapolis branch manager.

Ray McKinney named executive vp of H&A Benefit Systems Inc., a subsidiary of Hazelhurst & Associates Inc. in Atlanta. Mr. McKinney has worked in computer-based administrative services for 15 years. Also, **David M. Gladstone** appointed executive vp in charge of the Western region. Hazelhurst is an actuarial, investment and benefits consulting company.

Kevin L. Meehan joined The Wyatt Co. in Washington as a consulting member of the flexible compensation team. Mr. Meehan, an employee benefits attorney, was most recently manager of the Eastern region legal services for Hewitt Associates.

Maurice Simmons joined Hay/Huggins, the actuarial and benefit consulting division of The Hay Group, as vp and consulting actuary in the San Francisco office. Before joining Hay/Huggins, he was a chief actuary with Frank B. Hall Consulting Co.

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Connecticut General forming dental PPO

Connecticut General Life Insurance Co., an affiliate of CIGNA Corp., has combined with United Dental Network to establish a pilot dental care preferred provider organization in Denver.

The PPO, which began operation July 1, includes 13 Denver-area dentists, said William R. Weaver, president of UDN, a dental marketing and management support organization.

Another two dentists are likely to join shortly, he added.

Participating dentists will charge Connecticut General insured patients no more than amounts determined by Connecticut General to be about 15% less than the most common charges in the area, although a precise estimate of the program's savings cannot be made until after its results are analyzed, Mr. Weaver said.

"Dentistry used to be a cottage industry, but it's not any more," said Joseph H. Walton, Connecticut

products & services

General's group insurance and services division marketing director, to explain the reason for the PPO's establishment. "There's increasing pressure to contain (dental) costs." Denver was chosen as the site for the pilot project because it is UDN's headquarters and because it has an oversupply of dentists, Mr. Walton said.

Several area companies have inquired about becoming involved with the program, Mr. Walton explained, although none has signed on yet.

Participating companies will promote the program by distributing pamphlets and brochures, prepared by Connecticut General, to employees. All employees with Connecticut General dental insurance can utilize the PPO, whether or not their companies are taking

part in the program, Mr. Weaver said.

Pilot program results will be analyzed before a decision is made on whether to expand the program, Mr. Walton said.

Further information on the PPO can be obtained by contacting Mr. Weaver, Connecticut General Life Insurance Co., B-247, Hartford, Conn. 06152; 203-726-7301 or Mr. Walton, 1325 S. Colorado Blvd., Suite 310-B, Denver, Colo. 80222; 303-759-8990.

Telephone benefit

Businesses in the New York City area can now offer their employees free long-distance calling benefits provided through Dallas-based U.S. Telephone Inc., a discount long-distance telephone service.

The service, known as "Telebonus," calls for the company to contract with U.S. Tel for a minimum long-distance billing of \$1,000 per month. In return, U.S. Tel will give the company free long-distance credit amounting to half the monthly minimum.

For example, if a company is using \$4,000 monthly in long-distance charges, the Telebonus credit would be \$2,000.

The business can assign the credits to selected employees in \$25 increments.

Employees can use the free calling privileges Monday through Thursday from 5 p.m. to 8 a.m. and from 5 p.m. Friday through 3 a.m. Monday.

The network can be used to call anywhere in the 48 contiguous states, Hawaii, Puerto Rico or the Virgin Islands.

Some 25 companies, including some current U.S. Tel customers, have inquired about the Telebonus

plan since it was introduced June 21 and several have already signed on, commented Paul R. Miller, sales director of U.S. Tel's New York City office.

"It's going to take us several months to evaluate the results," he said.

Mr. Miller indicated if the company receives a positive response from New York employers, the long-distance benefit may be offered across the nation.

"Telebonus is designed for large companies with a large number of employees who could benefit," Mr. Miller said. "New York City was selected as the test market because it's the financial hub of the country."

"If the program goes over well here, it's likely to be accepted elsewhere."

Further information can be obtained from Mr. Miller, 200 Park Ave., New York, N.Y. 10166; 212-370-5900.

Additional agent/broker profiles

The following are profiles of eight retail agencies and brokerages that were not listed in the June 27 edition of *Business Insurance*:

Associated Agencies Inc.

223 W. Jackson Blvd., Chicago, Ill. 60606; 312-322-4800

	1982	1981
Premium vol	\$27,100,000	\$26,500,000
Gross rev	\$3,332,000	\$3,143,000
Employees	77	68
Commercial bus. ...	85%	87%

Principal officers: Max Robert Schroyer, chairman; Robert L. Adler, president/chief executive officer; A.A. Freeman and H.B. Mendelsohn, senior vps; Peter Wolff, vp/secretary/treasurer; Irving Shainberg and Arthur Friedman, vps.

Compensation: Commissions and fees.

Acquisitions: Insurance department of McKay & Pogue Real Estate Co. of Chicago, 1982.

Licensed excess/surplus broker in: Illinois.

Bartlett Agency Inc.

2200 52nd Ave., Moline, Ill. 61265; 309-764-9666

	1982	1981
Premium vol	\$13,983,000	\$13,442,000
Gross rev	\$1,931,000	\$1,708,000
Employees	28	24
Commercial bus. ...	95%	95%

Principal officers: Robert E. Bartlett, president; Richard J. Miles, executive vp; Thomas K. Bracke, vp; Christine Zahlmann, secretary.

Compensation: Commissions and fees.

Licensed excess/surplus broker in: Illinois, Iowa.

Carswell Insurance Group

P.O. Box 1368, Savannah, Ga. 31402; 912-234-1671

	1982	1981
Premium vol	NA	NA
Gross rev	\$5,488,692	\$4,577,669
Employees	110	90
Commercial bus. ...	50%	52%

Principal officers: John D. Carswell, president; William H. Brown, executive vp; Edwin T. Bendin and Carl G. Carlson, vps; Maynard D. Barker, president, Carswell of Carolina Inc.

Compensation: Commissions and fees.

Branch offices: Atlanta, Diftton and Vidalia, Ga.

Subsidiaries: Carswell of Carolina Inc., Hilton Head, S.C.; Carswell of Florida Inc., St. Petersburg and Amelia Island, Fla.

Licensed excess/surplus broker in: Georgia, Florida and South Carolina.

Gersten-Hillman Agency Inc.

P.O. Box 209, Monticello, N.Y. 12701; 914-794-5544

	1982	1981
Premium vol	\$3,950,000	\$3,800,000
Gross rev	\$606,000	\$524,000
Employees	18	19
Commercial bus. ...	65%	65%

Principal officers: Julius Cohen, president; Joyce Salimeno, secretary/treasurer.

Compensation: Commissions.
Branch offices: Middletown, Goshen and Wappinger Falls, N.Y.

Nicolaysen-Eake

P.O. Box 108, Chappaqua, N.Y. 10514; 914-238-4455

	1982	1981
Premium vol	\$3,600,000	\$3,150,000
Gross rev	\$600,000	\$525,000
Employees	14	10
Commercial bus. ...	50%	40%

Principal officers: Erik Nicolaysen, president; George Eake, vp.

Compensation: Commissions and fees.

Branch offices: William Yates Inc., Briarcliff Manor, N.Y.

Chas E. Rue & Son Inc.

30 George Dye Road, Trenton, N.J. 08690; 609-586-7474

	1982	1981
Premium vol	\$8,536,281	\$5,195,248
Gross rev	\$1,445,756	\$977,305
Employees	30	20
Commercial bus. ...	70%	70%

Principal officers: Charles L. Rue Jr., president; William M. Rue, executive vp; Doanld B. Allen, vp; Mervin W. Shivers, treasurer; Louise Garrison, secretary.

Compensation: Commissions.

Branch offices: Allentown, N.Y.

Acquisitions: Walter F. Smith, Trenton, N.J.

Subsidiaries: Walter F. Smith, Trenton, N.J.

The Robert M. Schroyer Co.

230 W. Monroe St., Room 800, Chicago, Ill. 60606; 312-372-7000

	1982	1981
Premium vol	\$15,000,000	\$15,000,000
Gross rev	\$2,200,000	\$2,200,000
Employees	43	40
Commercial bus. ...	85%	85%

Principal officers: Robert M. Schroyer, president; Karen Vacko and Howard Engel, senior vps.

Compensation: Commissions and fees.

Branch offices: Skokie, Ill.
Subsidiaries: RMSCO Management Services, Chicago.

Warren & Welsh Co.

Irwin Building, King of Prussia, Pa. 19406; 215-337-0330

	1982	1981
Premium vol	\$22,350,000	\$26,500,000
Gross rev	\$2,641,000	\$2,181,000
Employees	47	39
Commercial bus. ...	85%	85%

Principal officers: Peter J. Piacentino, president; John G. Daniel, Montgomery Harris, John J. Joyce and W. Richard Webster, senior vps.

Compensation: Commission and fees.

Branch offices: Atlanta; Dallas; Kansas City, Mo.; San Clemente, Calif.

Subsidiaries: Rental Industry Services, King of Prussia, Pa.

Licensed excess/surplus broker in: Pennsylvania.

APIW honors RSI's Miller

NEW YORK—Lynne M. Miller, president of Risk Science International, an environmental consulting firm, is the Association of Professional Insurance Women Inc.'s Woman of the Year.

Ms. Miller was named for her work in the development and application of the principles of environmental assessment in the insurance industry.

Environmental impairment liability insurance has become increasingly important for industry in dealing with financial liabilities caused by technological progress, the APIW noted. Ms. Miller has

provided technical assistance to several underwriting markets developing EIL programs.

RSI, a Washington-based subsidiary of Frank B. Hall & Co. Inc., assesses environmental risks for insurance clients using procedures Ms. Miller helped develop.

Before helping form RSI, Ms. Miller worked for several other organizations, including the federal Environmental Protection Agency, where she analyzed hazardous waste risks and assessed environmental impairment and toxicology risks.



Fenchurch

Interim Results
for the 12 months to 30th April 1983

PROFITS UP 50.2%

CONSOLIDATED RESULTS

	1983 (unaudited) £'000s	1982 £'000s
Turnover:		
Brokerage	11,794	9,863
Underwriting		
Agency Income	1,207	1,032
	13,001	10,895
Profit before tax	4,022	2,677

From the statement by the Chairman, G. E. Knight CBE:

"This strong and sustained growth is an indication of the vigorous manner in which Fenchurch staff have devoted themselves to the development of new business and to the control of costs". The company has from 1983 changed its year end from 30th April to 30th September. The 1983 results for the 12 months are therefore unaudited.



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A Guinness Peat Company

Blues dominate group benefit market: Study

Continued from page 1
 ployees and 1,000 to 4,999 employees. The 9,221 contracts represented in these three groups make up 95% of BC/BS's total contracts.

But BC/BS's No. 1 ranking based on premium volume is due to the business it generates from large employers, which represent only 5% of its contracts.

Since these companies include more participants per contract, BC/BS garners a significant amount of premium volume from them. BC/BS plans are the second most-popular choice of employers in the two largest employer categories: 5,000 to 9,999 employees and more than 10,000 employees.

Self-insurance is the first funding choice for these large employers. For the two of the three smaller groups, self-insurance is second choice.

These results can be compared with a similar survey reported in *Business Insurance* two years ago based on data from the 1978 plan year. At that time, Blues' plans also ranked first by number of contracts and by premium.

However, the two surveys are not statistically comparable because different companies analyzed different numbers of contracts. Money Market Directories Inc. of Charlottesville, Va., analyzed 37,000 contracts in the earlier survey, compared with 46,000 in the ERISA Benefit Funds survey.

But when looking at findings from the two surveys, it is interesting to note that less premium volume was generated in the 1981 plan year than in the 1978 plan year despite rising health care costs.

Money Market Directories reported that \$24 billion was spent funding 37,000 benefit contracts, while ERISA Benefit Funds reports \$19 billion was spent funding 46,000 contracts.

This seems to indicate that more companies are self-funding their benefits, says Judy Diamond, publisher of the "Group Insurance Standard Directory."

"Given the dramatic decrease (in premium volume), it's a good assumption that there is a great deal more self-funding," she said.

Companies that self-fund are not required to state on the ERISA Form 5500 the amount of money they spent on their benefit plans. And since there is no space to write this information, those who did report on their self-insurance "premium" had to write the information as an addendum, explained Ms. Diamond.

Among the companies that choose to fund their benefits through commercial insurers instead of BC/BS and self-insurance, CIGNA Corp., the company formed by the merger of Connecticut General Life Insurance Co. and INA Corp., is the most popular underwriter based on number of contracts funded. It was the insurer for 3,090 contracts.

CIGNA is the commercial insurer tapped most often by employers in the four largest size categories: more than 10,000 workers, 5,000 to 9,999 workers, 1,000 to 4,999 workers and 500 to 999 workers.

In the smallest employer category (100 to 499 workers) CIGNA is bumped as the top commercial insurer by Aetna Life & Casualty Co. Aetna was the insurer on 489 contracts in this category, while CIGNA underwrote 413.

In the four largest employer categories, CIGNA, Prudential Insurance Co. of America and Aetna are the most popular insurers. In the three largest categories, employers share the same preference for insurers. CIGNA is the third choice after self-insurance and BC/BS, followed by Prudential and Aetna.

In the fourth-largest employer

group (500 to 999 workers), CIGNA garners the second-most contracts (635) after BC/BS, bumping self-insurance (621) down a notch in that category. And Aetna edges out Prudential in this category as the second most-popular insurer based on number of contracts written. Aetna wrote 461 contracts and Prudential 406.

In the smallest employer category (100 to 499 workers), Union Mutual Life Insurance Co. bumps Prudential out of the top five with 966 contracts compared with 778 for Prudential. Of those 966 contracts, Union Mutual got more than 500 from employers with fewer than 200 workers.

Overall, the Top 10 funding methods by number of contracts looks like this:

BC/BS, 9,697; self-funding, 3,805;

CIGNA, 3,090; Aetna, 2,587; Prudential, 2,258; Equitable Life Assurance Society of the United States, 1,372; Union Mutual Life Insurance Co., 1,301; Travelers Insurance Co., 1,278; Mutual Benefit Life Insurance Co., 776; and Metropolitan Life Insurance Co., 773.

However, these companies stack up differently when their premium volumes are compared. Some of those that make the Top 10 based on contracts do not make that list at all when premium volumes are compared.

BC/BS still remains the leader but among commercial insurers, CIGNA drops from top choice to fourth choice behind Prudential, Aetna and Travelers in that order.

Here's how the Top 10 stack up according to premium volume:

Blue Cross & Blue Shield, \$5.35

billion; Prudential, \$1.55 billion; Aetna, \$1.36 billion; Travelers, \$1.29 billion; CIGNA, \$1.17 billion; Equitable, \$1.12 billion; Metropolitan Life, \$1 billion; John Hancock Mutual Life Insurance Co., \$401 million; Provident Life & Accident Insurance Co., \$308 million; and Kaiser Foundation Health Plan, a health maintenance organization, \$287 million.

Although the \$398 million self-insurance premium figure that ERISA Benefit Funds records is incomplete because not all self-insurers supply that information on their Form 5500, self-insurance still ranks among the Top 10 funding methods based on premium volume.

The 1983-1984 "Group Insurance Standard Directory," with data from fiscal year 1982 and calendar year 1981, will be published next

February, Ms. Diamond said. Insurers and brokers buy these directories for marketing and forecasting and to plan sales strategies.

"Group Insurance Directories" lists information only on companies with more than 100 plan participants, because smaller plans are not required to file Form 5500.

The data from ERISA Benefit Funds also shows what brokers are used most often to place benefits coverage and ranks insurers by benefits offered. This information will be reported in future *Business Insurance* articles.

For more information on "Group Insurance Standard Directory," contact ERISA Benefit Funds Inc., 1341 G Street N.W., Suite 610, Washington, D.C. 20005; 202-638-1984.

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St. Paul to acquire Swett & Crawford

Continued from page 1

Crawford with \$165 million in actual 1982 premium volume.

National Insurance Wholesalers, which has doubled its size through internal growth and a string of major and minor acquisitions during the first six months of this year, will rank in the bottom half of the 1983 BI Top 10 based on its 1982 business.

"The acquisition of Swett & Crawford fits perfectly into the St. Paul strategy of developing a nationwide wholesale (brokerage) network," says John H. Crowther, president of NIW and the founder of John H. Crowther Co., which was purchased by St. Paul last June.

Swett & Crawford and NIW rarely compete head-on because Swett has traditionally placed in-

surance for the alphabet brokers and their large commercial clients in the major metropolitan areas. NIW has been stronger in placement of smaller risks, often through its exercise of binding underwriting authority, noted Mr. Crowther.

He said that Swett & Crawford will retain its name, separate identity and management after the acquisition. NIW and Swett will be "running parallel" as units of the parent company for the immediate future, Mr. Crowther explained.

St. Paul, NIW and Swett & Crawford management, as well as outside industry observers, all use terms like "good fit" and "synergistic" to describe the planned sale, which Continental and St. Paul hope to close by Sept. 1.

"The wholesale brokerage operations of Swett & Crawford and the reinsurance brokerage resources provided by RFC mesh well with the St. Paul's ongoing corporate strategy to concentrate on insurance and insurance-related products and services," said St. Paul Executive Vp Richard W. Tongen in a prepared statement.

"I feel this is a very positive move for Swett & Crawford—I am very sincere in that," said Mac W. Henderson, chairman and president of Swett & Crawford, who was reluctant to say more while sale negotiations are still in progress.

Continental said its decision to sell Swett & Crawford and RFC is part of a strategy to concentrate its resources on developing and coordinating its marketing, underwriting and services to retail agents and brokers.

The New York-based holding company approached St. Paul with an offer to sell this spring and negotiations have been under way since sometime in April, though the deal faltered and almost fell through a few weeks ago, industry sources say.

Despite its strong reputation in the wholesale brokerage business, Swett & Crawford has been battling declining premium volume since 1977 when its production

peaked at \$203 million. The company blames depressed insurance rates and not a lack of new business activity for its lackluster performance.

Last year premium volume of about \$165 million was level with 1981. And, the company's 1983 performance is expected to be about the same. Gross revenues in 1981, the latest year for which figures are available, were \$14.6 million, a 9.6% increase over the preceding 12 months.

Reinsurance Facilities Corp., the other Continental unit to be acquired by St. Paul, placed \$260 million in reinsurance premium in 1982.

After the sale, Continental will retain the underwriting units of the Swett & Crawford Group, including Harbor Insurance Co., Pacific Insurance Co., and its affiliate, Continental Insurance Co. (Europe) Ltd.

The future of Continental's Foremark Corp., the holding company that owns Swett & Crawford and its associated insurance companies, is uncertain, Mr. Henderson pointed out.

The separation of Swett & Crawford from Harbor and Pacific raises questions about the future operating style of both the wholesale broker and the insurance companies.

In the past, Swett & Crawford has generated the vast majority of both the Harbor and the Pacific's premium volume. The two insurers have underwritten many Swett & Crawford specialty programs that are keys to its business, including directors and officers liability insurance, environmental impairment liability insurance and extra-expense coverage for oil and gas operators.

The surplus lines broker has relied heavily on its captive markets, but does not have binding authority for them or any other markets.

"There is a distinct possibility that St. Paul will step in with its own underwriting companies to take the place of Harbor and Pacific," said Mr. Crowther, who emphasized that this possibility is a big leap ahead of the parties' current

concerns since sale negotiations are still in progress.

However, commercial insurance buyers that today hold policies issued by Harbor or Pacific should not be surprised to see those policies replaced by Swett & Crawford with policies underwritten by a St. Paul subsidiary within a reasonable period of time.

The planned sale is the second major development at Swett & Crawford this year. The first came in late spring with some key management changes at the wholesale brokerage.

Roy B. Oddy, then-president of Swett & Crawford, announced his resignation in mid-May to head MacLean, Oddy & Associates in Dallas, a new wholesale brokerage operation owned by Sedgwick Group P.L.C., Britain's largest insurance brokerage company (BI, May 30).

John W. Hanna, a former Swett & Crawford senior vp, left with Mr. Oddy to become president and chief operating officer of the new wholesaler.

Anita Chanpong, another top Swett & Crawford executive, was offered the Swett presidency, but opted instead to join MacLean, Oddy & Associates as executive vp.

Mr. Oddy said that he—as well as Mr. Hanna and Ms. Chanpong—were unaware of negotiations with St. Paul or any other prospective buyer at the time they left Swett & Crawford.

He also expressed strong enthusiasm for the sale, which he said would be a very good fit.

"With the purchase of Swett & Crawford, St. Paul is achieving its aim of developing a wholesale organization that is No. 1 in the U.S.," said Mr. Oddy.

"Jack Crowther is an outstanding surplus lines professional and with Swett & Crawford he is getting outstanding talent."

The acquisition is an extension of St. Paul's strategy to pursue a program of diversification from underwriting, said a securities analyst who studies the insurance distribution system.

"Swett & Crawford gives them

(St. Paul) a high-quality surplus lines broker and access to business," observes Leonard M. Wilson, a vp at L.F. Rothschild, Unterberg, Towbin in New York.

"It's an extension of their strategy to get a toe into the distribution of insurance without acquiring a primary broker, but rather acquiring a wholesale broker," Mr. Wilson added.

Last year, St. Paul acquired both John H. Crowther Co., headquartered in Minneapolis, and IWest Insurance Managers Inc., based in Stockton, Calif. St. Paul then organized them under a new holding company umbrella called National Insurance Wholesalers Inc. (BI, Aug. 9, 1982).

St. Paul said at that time that it planned to build NIW into a national brokerage network. The combined \$65 million in premium volume tallied by Crowther and IWest in 1981 made NIW the 11th-largest surplus and specialty lines marketer in the nation, according to *Business Insurance* estimates.

However, NIW has grown internally and also has completed three large and five or six small acquisitions this year that will double its size. For instance, NIW acquired three major E/S marketers effective Jan. 1: Dana Roehrig & Associates Inc. of St. Petersburg, Fla.; Montgomery General Agency Inc. of Wynnewood, Pa.; and Clanton & Co. Inc. of St. Louis.

NIW's major acquisitions will retain their individual identities and names, which are well-recognized within their geographical regions.

"There has never been a plan for NIW acquisitions to adopt a national identity—except when NIW purchases a small, local brokerage, in which case it is converted to the regional name," says James H. Bradley, NIW executive vp.

Also, earlier this year, St. Paul increased its stake in Minet Holdings P.L.C., a major Lloyd's of London broker, to 26% from 20%.

However, the company has said that this move is not connected with its planned expansion into the domestic excess/surplus lines brokerage business (BI, May 16).

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Prudential layoffs include early retirement

By DOUGLAS McLEOD

NEW YORK—Laying off 1,700 employees will cost Prudential Insurance Co. of America \$90 million in special benefits over the next two years, the insurer says.

The benefits will include early retirement incentives both for employees in offices being cut back and those being expanded, special severance payments and reimbursements for the costs of training employees for other jobs.

Prudential last week announced a reorganization of its U.S. operations in which the functions of six regional offices will be consolidated into four other offices.

Staff will be "substantially" reduced at regional home offices in South Plainfield and Woodbridge, N.J.; Boston; Houston; Chicago; and Merrillville, Ind.

These offices, with the exception of Merrillville, will maintain staffs of about 100 to provide marketing support for agencies in their territories. But nearly all other functions—including property/casualty and small group operations—will be transferred to four current regional offices in Fort Washington, Pa.; Minneapolis; Los Angeles; and Jacksonville, Fla.

In all, about 4,700 jobs will be eliminated in the scaled-back regional offices while 3,000 will be created in the four expanded offices, a net loss of 1,700 jobs, the spokeswoman

said.

The main motivation for the changes is "strategic," according to Chairman Robert A. Beck.

"By streamlining our operations," he said, "we will be better prepared to meet the needs of the marketplace with a more effective organization."

While the company expects to trim \$50 million from its annual operating expenses with the moves, it will spend another \$90 million on a package of benefits for employees affected by the reorganization.

Prudential has asked employees who will be eligible for early retirement by Jan. 1, 1985,—those who have reached 55 years of age and have at least 10 years of service—to notify the company by this October if they plan to take advantage of early retirement bonuses being offered as part of the reorganization.

Employees in offices being scaled back who choose early retirement will receive a bonus equal to 150% of a year's salary in addition to their normal retirement benefits, a company spokesman said.

Prudential is offering another early retirement incentive to employees in the expanding offices in an attempt to make room for workers transferred from other locations, the spokesman added. In the expanded offices, employees choosing early retirement will receive a bonus of 100% of annual salary on

top of normal retirement benefits.

While Prudential says it will try to fill its new positions with current employees, it expects many will not be able to relocate. For those who choose not to move or for whom jobs can't be found, Prudential will provide severance payments of up to 100% of annual salaries, depending on length of service.

Prudential will also offer job counseling services to those leaving the company and will reimburse some of the costs of training employees for other jobs, up to a maximum of \$2,000, based on length of service.

Prudential says the reorganization will produce no changes in its group or property/casualty insurance products or services, though it will shift operations in these areas.

Group insurance underwriting,

marketing and administration will be handled out of regional offices in Fort Washington, Minneapolis, Los Angeles and northern New Jersey. The Houston office will continue marketing and underwriting—but will not administer—group insurance products in the Southwest.

Responsibility for group operations will be centralized under a corporate senior vp rather than divided among regional presidents, according to a Prudential spokeswoman.

Prudential says the reorganization won't affect its Canadian head office in Toronto or its 1,600 U.S. field offices. The company's headquarters will remain in Newark, N.J., but staff there may also be reduced because of the streamlining of the other offices, the company says.

RIMS chapter elects officers

LEXINGTON, Ky.—The newly formed Eastern Kentucky Chapter of the Risk and Insurance Management Society Inc. has elected its first officers.

Anne M. Zug was elected president and representative to the national board. She is assistant risk manager at Jerrico Inc. of Lexington, Ky.

Other officers include first vp—Herschel Taylor, who is director of

insurance claims at Kentucky Industries of Lexington; vp and program chairman—Shawn Weir, who is insurance coordinator at East Kentucky Power Cooperative of Winchester, Ky.; treasurer—Charles Partin, who is vp and senior auditor at First Security National Bank & Trust Co. of Lexington; and secretary—Karl Warming, who is business vp and risk manager at Berea College in Berea, Ky.

Sedgwick's attempt to buy A&A fails

Continued from page 2

"In this particular case, it got very, very close," said Richard H. Shahan, A&A's vp of corporate communications. He said A&A had expected as late as Wednesday that the news announcement would be "a positive statement."

He said John A. Bogardus, A&A's chairman and chief executive officer, receives four or five inquiries a week from parties interested in discussing a merger and that some are given serious consideration.

A&A has 25 million shares of common stock outstanding. Thus, it would take \$690 million at \$27.625 a share just to buy out common shareholders.

Sources at Alexander Howden Group P.L.C., the British broker acquired by A&A when it couldn't make a deal with Sedgwick two years ago, believe the price of Sedgwick's offer wasn't right. Even \$750 million wouldn't have been enough, the Howden sources speculated.

That's because A&A issued \$89 million worth of 11% debentures convertible to A&A stock at \$39 a share. The U.S. broker has reserved 2.3 million additional common shares of stock in the event of conversion.

Assuming a buyer would have to buy out the debenture holders at the stated price, that would add another \$90 million to the \$690 million required to buy existing outstanding common shares.

One possibility is that a leak of

the impending deal and the resulting \$3.625 one-day jump in the price of A&A shares—a \$91 million jump in market value in a few hours—may have put the price tag on a successful Sedgwick tender offer of at least \$870 million—higher than Sedgwick would pay.

In Bermuda, many brokers and insurers attending last week's National Assn. of Insurance Brokers meeting speculated that price was probably the reason for the termination of talks. But some brokers also pointed to what they described as a long-standing personality clash between Sedgwick Chairman Neil Mills and Mr. Bogardus.

However, Mr. Bogardus said that is a "total myth."

When the two brokerage firms discussed a combination more than two years ago, the talks collapsed

because of so-called "international tax problems." However, sources within and outside the companies hinted then that management was really the root of the problem.

Management styles would still be difficult to mesh, brokers at the NAIB meeting in Bermuda said, unless A&A radically changed its top management.

A&A's Mr. Shahan discounted the conflicting-styles theory. "We would have gone with these people almost two years ago and any problems like that cropping up would have come up then," he said.

Ironically, an A&A-Sedgwick merger might make more sense now than it did two years ago, one broker points out. In the intervening period, A&A acquired Howden, discovered massive financial prob-

lems and fraud allegations and was forced to take a \$40 million charge.

"Only Sedgwick could really solve A&A's problems in London," says Robert Sanford, principal of Smythe, Sanford & Gerard Inc., a New York regional brokerage. "Not even American Express has the prestige necessary to win back the confidence of the London market. Sedgwick could put an end to the trouble like pouring oil on troubled waters."

A&A said, however, that the courtship may be off for good.

Mr. Shahan said he had spoken with Mr. Bogardus about the aborted talks, and, "Jack felt that it would be very, very unlikely that we would start up negotiations again with this company."

A&A lost \$25.8 million aftertax in 1982 on revenues of \$490.9 mil-

lion, compared with a profit of \$57.7 million on revenues of \$348.7 million in 1981. The 1982 loss include a loss of \$16.8 million on underwriting operations, mostly Howden's, as well as a \$7.2 million charge for amortizing goodwill excess of the assets acquired from Howden in the \$300 million purchase.

For the quarter ended March 31, A&A's net income was off 64% to \$6.7 million, compared with \$18.8 million for the corresponding three months of 1982. The broker has no reported six-month figures.

Sedgwick had revenues equivalent to \$351.5 million last year based upon the Dec. 31, 1982, exchange rate, with pretax profit equivalent to \$118.1 million on the same basis. It employed about 9,000 people at year-end.

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markets

Texas agents establishing E/S company

Two Texas insurance agencies, Dub Martin & Co. Inc. of Dallas and Terramar Insurance Managers Inc. of Houston, have combined to form a new excess/surplus lines marketing firm called RISC Inc.

RISC will specialize in oil and gas exposures, trucking, aviation, marine and primary and excess property/casualty insurance products.

The firm has established a new headquarters at St. Paul Tower, 750 N. St. Paul St., Dallas, Texas 75201; 214-922-9898. The Houston office will remain at 4615 Post Oak Place Drive, Suite 142, P.O. Box 56028, Houston, Texas 77256; 713-626-3220.

Name change

Fireman's Fund Insurance Cos. has changed the name of Wisconsin Employers Insurance Co., which it acquired last November, to Fireman's Fund Employers Insurance Co.

Fireman's Fund Employers Insurance, based in De Pere, Wis., has premium income of \$275 million from 165,000 policyholders. It writes both commercial and personal property/casualty insurance.

New offices

Combined Insurance Agencies Inc. has changed its address to 720 State St., St. Joseph, Mich. 49085.

Hartford Insurance Group has moved its Fresno, Calif., branch office to Shaw Forty-One Centre, 155 East Shaw Ave., Fresno, Calif. 93755; 209-229-3511.

The Alliance of American Insurers has moved to new offices at 1501 Woodfield Road, Suite 400 West, Schaumburg, Ill. 60195; 312-490-8500.



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Hall unit sues

Continued from page 1
June 13).

Hall vp and general counsel Thomas G. O'Brien III said that the suit against MGM and Webb was filed because MGM had a duty to Union to exhaust other insurance remedies before coming to Union.

Also, even if MGM didn't request coverage from Webb, Union could enforce MGM's rights and claim Webb should provide the insurance, Mr. O'Brien said.

Alternatively, Union is seeking rescission of the retroactive policy it issued MGM.

Mr. O'Brien said that Union paid the \$11.4 million to MGM "as an advance. It was not a payment on the policy." It was an accommodation at the time to a client, he said. "I don't think with 20-20 hindsight we would have done it."

Webb is named in the suit because it was the general contractor, Mr. O'Brien said. "We considered them the appropriate party."

An attorney for Webb, however, denied that the company had any liability or responsibility for insuring MGM. Webb has not participated in the \$138 million settlement with plaintiffs that includes \$75 million from MGM and \$63 million from other defendants.

"There was no responsibility on the part of Del Webb to provide insurance coverage for events that took place seven years before," said Richard Shannon, Webb's counsel in the fire litigation with the Phoenix firm of O'Connor, Cavanagh, Anderson, Westover, Killingsworth & Beshears.

The events causing the claims had nothing to do with Webb's actions, Mr. Shannon said. "They arose out of the construction of the

original building and design seven years ago."

Mr. Shannon said that Webb was the general contractor on a 26-story addition to the MGM Grand at the time of the fire but that the fire started in the older section of the building.

Attorneys for persons killed or injured in the fire, however, contend in suits against Webb that it breached its duty to MGM to maintain the structural integrity and fire protection of the building.

Experts who investigated the cause of the fire will testify in legal depositions this month that holes cut by Webb in an emergency stairwell adjacent to the casino allowed flames to vent, which helped to spread the fire at an extremely rapid rate through the casino, reports Wendell Gauthier, co-chairman of the Plaintiffs Legal Committee.

Webb had \$150 million in insurance during the construction process, Mr. Shannon said.

MGM Vp and General Counsel Bernard Segelin called the Union suit "a surprise," but noted that the allegations are essentially the same as those made in Union's counterclaim to MGM's suit.

Union cites four separate claims for relief in the most recent suit. It charges MGM with breach of contract. It claims Webb breached its contract with MGM and that Union has the right to subrogate MGM's right of action and a right to recovery against Webb's insurers. It also seeks a declaratory judgment that it does not have to defend and indemnify MGM.

In addition to the \$11.4 million it seeks to recover and a rescission of the agreement with Union, the suit seeks in excess of \$10,000 from Webb and its insurers for general damages.

Union's suit cites the construction agreement between MGM and Webb entered into in March 1980 and the retroactive agreement between Union and MGM in 1981.

Union charges that under the construction agreement Webb was required to obtain and place in force insurance protecting MGM from liability and also to name it as an additional insured.

Webb also agreed to hold MGM harmless and indemnify it in connection with any claims, damages or liability stemming from Webb's performance, the complaint says.

Webb obtained a policy in March of 1980 and MGM was named as an additional insured.

In October 1981, Union entered its agreement with MGM for retroactive coverage. This provided that Union would insure MGM but only as to MGM's "ultimate net loss," which it defined as the amount payable after deducting recoveries and other "valid and collectible insurances."

Beginning in April 1982, the suit claims, MGM demanded that Union reimburse it for costs and expenses and settlements stemming from the fire. Union subsequently paid more than \$8.6 million in costs and expenses and more than \$2.7 million in settlements.

Union contends, however that under the construction agreement, MGM was an "additional insured" on the Webb policies and that Webb's insurers owed MGM the obligation to defend and to pay defense and investigation costs and settlements.

"Said insurers owe the MGM defendants, as additional insureds, an obligation to defend the MGM defendants and to pay all defense and investigation costs and expenses and all settlements or judgments incurred by the MGM defen-

dants..." the suit says.

Moreover, the Webb policies were "valid and collectible insurances," and as required by the Union agreement with MGM, had to be exhausted before the Union policy could be triggered.

In March and June of 1982, MGM tried to turn over to Webb the defense of the claims but Webb rejected them, the suit says. Webb's insurers have continued to refuse to make any payments, it adds.

Despite Webb's rejection, MGM failed to sue Webb's insurers for defense and indemnification of claims arising from the fire.

Because MGM demanded reimbursement from Union prior to exhaustion of the Webb policies, MGM breached its agreement with Union, the complaint adds.

Therefore, Union is entitled to rescission of the Union policy and return of payments, the suit claims.

Union also alleges that Webb breached its construction agreement with MGM and that as a third-party beneficiary of the agreement, Union should be able to recover the \$11.4 million from Webb.

Webb failed to secure insurance protecting MGM that was part of the agreement, the suit claims, and it failed to indemnify MGM as well, forcing Union to pay MGM the \$11.4 million in litigation and settlement costs.

"Defendant Del E. Webb Corp. knowingly breached its contract with the MGM defendants by failing to secure insurance fully protecting the MGM defendants as additional insureds and by failing to indemnify the MGM defendants in conformity with the Construction Agreement," the suit says.

"Payments made by Union to the MGM defendants would not have

been necessary but for defendant Del E. Webb Corp.'s breach of its contractual obligation to obtain other valid and collectible insurances fully protecting the MGM defendants and to indemnify MGM pursuant to the construction agreement."

Because Union paid the \$11.4 million to MGM and under the language of the policies, Union has a contractual, legal and equitable right to stand in the place of MGM and recover the amount from Webb and its insurers, the complaint adds. Union undertook Webb's obligation to MGM and is the subrogee of MGM and is entitled to indemnity from Webb and its insurers.

In its fourth and final claim for relief, Union seeks a declaratory judgment from the court that the Union policy is excess insurance over "all other valid and collectible insurances" available to MGM, and that Webb's insurers provide "valid and collectible insurances."

It asks also that the court declare Webb's insurers obligated to pay and reimburse Union for payments it has made to MGM in connection with the fire and that the insurers be responsible for all future defense and investigation costs and expenses, settlements and judgments incurred by MGM.

In addition to MGM and Webb, named as defendants in the suit are Webb's insurers: Granite State Insurance Co., Integrity Mutual Insurance Co., First State Insurance Co., Federal Insurance Co., National Union Fire Insurance Co., certain underwriters at Lloyd's of London and associated companies, Allianz Insurance Co., Lexington Insurance Co., American Reinsurance Co., Columbia Casualty Co. and International Surplus Lines Insurance Co.

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You need not contact the EEOC unless all four statements are true in your case.

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IRS, losses catch up with cash-flow programs

By LEN STRAZEWSKI

SOUTHAMPTON PARISH, Bermuda—Problems are catching up with the cash-flow insurance programs of the 1970s, two experts say.

Not the least of the worries is the continuing battle over tax deductions taken for loss reserve funds held by corporate policyholders, one authority says.

"There is very little in the U.S. tax code that relates to cash-flow programs," says tax attorney William H. Bradley of the Atlanta office of Sutherland, Asbill & Brennan.

"Most of what we are dealing with is judge-made law," Mr. Bradley told the annual meeting of the National Assn. of Insurance Brokers last week.

Decisions against the tax deductibility of self-insured loss reserves are well-known, Mr. Bradley said, but some corporations can also expect tax-deduction problems with insured, retrospectively rated programs as well, depending upon the structure of the plan and the premium payment schedule.

Corporations that pay premiums needed to cover losses only as the losses occur may find that the tax deduction they took—based on their annual expected payment—is disallowed.

"The question here is, 'Is there an insurance policy?' and 'Does some risk shifting take place?'"

If the Internal Revenue Service views an insurance policy as a service contract that allows for claims services and the trading of loss dollars, a premium tax deduction may be contested, he said.

Mr. Bradley recommends risk managers purchase retro plans that are built around a fixed premium payment schedule, which is modified by the retrospective rating features.

Corporations that attempt to deceive the IRS into believing that any other type of retro plan is traditional insurance may face even stricter penalties, he adds.

"I worry about companies that try to show the IRS an insurance policy without showing it a side agreement that takes back many of the traditional guaranteed-cost

provisions. These companies may be facing criminal charges under tax fraud provisions.

"Companies that simply attempt to take deductions without clear authority for those deductions may face negligence penalties," he continued.

Another problem faces corporations that have purchased cash-flow programs, added Joseph Smetana, president of AIG Risk Management Inc., a division of American International Group Inc.

Although these programs boomed during the 1960s and 1970s, some of these plans—including those involving captive insurance companies—have not stood the test of time with regard to their accumulated liabilities, Mr. Smetana told the brokers.

"The piper must be paid at the end of the day. Losses eventually catch up with you. You could say that some of those losses are now catching up with some old cash-flow programs, he noted.

Mr. Smetana said that AIG has been approached by a number of companies that would like to buy the contingent liabilities of a casualty cash-flow program or the loss-reserve portfolio of a captive insurer.

AIG Risk Management, he added, is also promoting the new cash-flow program, called a "new present value plan," which Mr. Smetana believes satisfies some of the tax and loss problems that have developed with adjusted premium cash-flow plans.

The program is built upon the calculation of a single premium which, when discounted for future return on investment, is hoped to be adequate for estimated losses. Unlike cash-flow plans whose delayed or adjusted premiums may make them subject to tax scrutiny, buyers should be able to deduct the single fixed-cost premium without question.

However, Mr. Smetana said, the underwriter now winds up accepting two risks instead of one. First, the underwriter hopes that the actuaries' estimates of future losses are accurate. Second, the underwriter hopes that the predicted payout curve for those losses meets

Bermuda market still thriving, premier says

SOUTHAMPTON PARISH, Bermuda—The Bermuda insurance market is alive, well and thriving despite market competition and the development of new captive domiciles, Prime Minister John Swan says.

But like Bermuda weather, which varies from dark and stormy to bright and cheerful, the island's insurance community also fluctuates according to prevailing market conditions, Mr. Swan told the annual meeting of the National Assn. of Insurance Brokers.

"Sometimes it's up and sometimes it's down. Sometimes it's good, and sometimes it's not so good. But, generally, the Bermuda market is very strong," he explained.

"There are some shifts in our business, according to prevailing trends in the insurance industry, but we are still seeing additional movements of insurance business to Bermuda."

Registrar of Companies Verbena Daniels confirmed Mr. Swan's report. In the second quarter of 1983, 14 new insurance companies joined the ranks of approximately 1,100 existing Bermuda insurers, approximately half the growth seen in the first quarter.

She said she expects the pace to continue into the third quarter, adding that 17 insurer applications are now pending.

"Our growth has slowed a little bit as the international insurance market has remained highly competitive, but our credibility continues to bring new business to us," Ms. Daniels said.

The number of captive insurers formed by U.S. parents also continues to grow, she added, noting that more than half of the new companies approved in the second quarter were U.S. captives. About 20% of these firms were sponsored by associations or other groups.

"We still receive a mixed bag of applications, including those from single employers, groups and insurance agencies," Ms. Daniels explained. "And we

continue to receive applications from the United Kingdom, continental Europe and, occasionally, Canada."

Mr. Swan told the brokers that flexibility and regulatory integrity are part of the island's continuing success in attracting new business.

"We continue to believe that the best environment for insurance and other areas of commerce is regulatory flexibility and we are committed to generally allowing your industry to regulate itself."

"However, we believe in maintaining regulatory integrity and reserve the ability to act when necessary."

Bermuda's regulatory system is sometimes attacked by critics, as is its insurance industry in general, Mr. Swan noted. But the problem is more a public relations issue than a question of enforcement.

So far this year, Bermuda authorities have had to liquidate only two insurers, Ms. Daniels notes.

The Dover Insurance Co. Ltd., a liability insurer and reinsurer that sold malpractice coverage to several hundred New York podiatrists and reinsurance to American International Group Inc. and American Centennial Insurance Co., was ordered into liquidation on Feb. 21 (BI, March 21).

The Thames Insurance Co. Ltd., a marine insurer, was ordered into liquidation May 27, and numbers among its creditors Canadian broker Tomenson Saunders Whitehead Ltd. (BI, June 27).

"Insolvencies are not a real problem for us—not more of a problem than for the insurance market at large," Ms. Daniels said. "When you have as many companies as we do, you have to expect that there will be some liquidations."

Bermuda officials have already begun examining more than 75% of the filings from underwriters now required by Bermuda law. The remainder of the filings are due in August and announcement of any regulatory action will be made in September or October, she said.

the estimated period of investment calculated for the premium.

AIG has written 12 of these cash-flow plans in the past six months, Mr. Smetana said, and expects their growth will continue. He added that AIG purchases treaty and facultative reinsurance, depending upon the individual plan design and the coverage lines for which it is written, in case the underwriter errs in either of the two relevant categories.

AIG is not alone in making cash-flow plan innovations, Mr. Smetana

says. "In the 1970's there were a myriad of developments in cash-flow programs and a myriad of new products," he explains.

"Underwriters essentially became extenders of credit offering to pay losses and provide insurance policies in return for promises of repayment secured by letters of credit and promissory notes."

In the 1980s, the insurance industry is coming near to offering the ultimate cash-flow program, he said. This plan, which, in part, is already offered by some un-

derwriters for some risks, involves a full cash-flow benefit for loss payments within a company's retention or loss limit, cheap excess insurance and claims and other service charges extended over three years.

"About the only point we haven't reached is when underwriters pay their clients to take their risks."

The panel discussion at the NAIB meeting was moderated by Garrett A. Mathieson, vp and manager of risk management services at Marsh & McLennan Inc. in New York.

Bell pensions need not be portable: Judge

Continued from page 2

purposes, a company spokesman says.

Before 1980, each Bell Systems operating unit administered its own pension policies.

AT&T's divestiture plan calls for all pension fund assets to be divided among nine entities: the seven newly-formed regional companies, a central services organization owned and operated by these seven companies and AT&T itself.

But, the spokesman says, it will take more than a year to equitably distribute the plans' approximately \$45 billion in assets.

"The pension fund area is one in which we've made it clear that we can't automatically split up on Jan. 1, 1984," the official divestiture date, he says.

The delay is due largely to two factors. First, it will not immediately be known exactly how many employees will be assigned to which of the independent companies. Employees are currently being reassigned, but that process will extend into next year.

Second, the actuarial calculations that must be performed before plan assets can be divided must wait until the number of employees in each unit is known.

The divestiture plan dictates that 55% to 65% of total pension funds

will be ready for transfer by March 1, 1984, based on preliminary actuarial figures, and that the balance will be transferred within 12 to 18 months.

The proposal also protects an employee's current pension credits and benefits. All service with a Bell company prior to Jan. 1, 1984, will be included when calculating future pension benefits.

But, under the plan approved by Judge Green, the newly formed regional companies must honor only the pension credits of employees who are transferred from one regional company to another between Jan. 1, 1984, and Jan. 1, 1985, the period in which the most transfers are expected.

However, Judge Green's ruling does not mean that CWA members and other Bell employees will never again enjoy pension portability.

After the divestiture, the independent regional companies may still develop pension portability agreements among themselves. For example, the new company serving the Great Lakes states might try to negotiate a pension reciprocity agreement with the Mid-Atlantic Bell company so employees could move from one company to another without losing pension credits.

"But," says CWA's spokesman,

"that will mean we'll have to negotiate more agreements."

Although Judge Green has delivered his ruling on the divestiture, the AT&T plan has not yet been finalized.

AT&T has the option of accept-

ing the plan as modified by Judge Green or appealing his ruling by Sept. 8.

However, the modifications requested by Judge Green do not affect the pension portion of the agreement.

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Maine enacts workers comp reforms

Continued from page 2

Michael Skinner, corporate manager of workers compensation for Atlanta-based Georgia Pacific Corp., which has operations in Woodland, Maine. "There's been no incentive not to litigate."

That will change a bit with the new law, which is designed to reduce the amount of attorney involvement.

Under the new direct payment system, an injured employee will receive a payment within 14 days of notice of an injury. During that time, an employer may file a notice to argue the injury. Employers have 44 days after that to contest an injury, even if payment begins.

If an employer decides to argue the injury after the payment begins, the payment would stop when notice is filed, said Kenneth Allen, executive assistant to Speaker of the House John L. Martin, D-Eagle Lake. Rep. Martin sponsored most of the workers compensation measures.

In the past, payment of benefits for the contested injury would have been delayed until the case could go to the commission for an agreed settlement—a legally expensive and drawn-out process since the state's commissioners work part-time and are based only in Augusta.

The new law requires that a contested injury be brought up at an informal conference with the commissioners—without attorneys—within three weeks after a notice to contest is filed by the employer. At

the close of the hearing, the commissioners issue a non-binding decision that can be further pursued with attorneys if the parties still don't agree.

In order to have this new system work, legislators also approved the staffing and funding for four district offices and the addition of two more commissioners to bring the total to seven.

There also will be an "employee assistant" at the informal conferences to help employees present their case without an attorney.

The cost for this new administrative system is estimated at \$1.2 million over the first two years.

"The bottom line (of the new system) is to get the money out there to the injured worker," said John Jolicoeur, director of administrative services for the commission.

Labor and management were generally in favor of the measure, but attorneys were not.

"I feel confident that it will hurt the insurance company and make the system more unwieldy and more costly," noted attorney William Hardy, chairman of the workers compensation section of the Maine Bar Assn.

He believes employers will see higher premiums and employees will be railroaded by inexperienced people.

"There are some very definite changes that could be made in the system to reduce premiums," Mr. Hardy said, pointing out Maine's huge benefit schedule.

The state's maximum weekly

Good loss history doesn't halt premium hikes

AUGUSTA, Maine—Thomas Moser, a former English teacher and now owner of a cabinet-making company, found out his workers compensation premium went up by \$3,000 one day, with no explanation.

"It's frustrating, and no one can answer the question: Why is there a rate increase?" he said.

Thomas Moser Cabinet Makers in New Gloucester has 36 employees and is paying \$20,000 per year in workers compensation premiums.

"In the past six or seven years our total losses, total claims, have only been about \$2,000—and we're talking about stitched fingers, nothing major," he said. "But the premiums keep going up."

Harry Eddy, owner of New System Laundry & Cleaners in Portland, has been in business for 18 years, has 26 employees and has never filed a claim, but he has seen his premiums rise from \$1,000 to \$7,000 in the past 10 years.

"Is the new legislation good? Well, it's like hitting your head against the wall; it feels so good when you stop," Mr. Eddy said, stressing that the legislation doesn't go far enough to decrease premiums (see story, page 2).

"Maine has a very expensive workers comp system," affirmed Charles Todorich, director of public and government affairs for the Maine Chamber of Commerce in Portland. "When you look at the maximum benefit levels compared with other states, our benefits are quite high."

Even larger employers and those that self-insure their workers compensation feel the brunt of Maine's system.

"We are not going to suffer from premium increases, but we're concerned with the general business climate that seems to be affected," said Jim Saunders, vp of manufacturing for Pioneer Plastics in Auburn, Maine, a division of LOF Plastics Inc. in Detroit. The firm, which self-insures its workers compensation risks, has about 750 employees in its Maine plant.

"Maine is a bad-news state, all around. Its \$427 a week maximum (in benefits) compares second to Alaska," noted Michael Skinner, corporate manager of workers compensation for Georgia Pacific Corp., based in Atlanta but with operations in Woodland, Maine.

Georgia Pacific has operations in nearly every state. Maine legislators adopted measures last month that will streamline the administrative end of the system during which time a study will be started to look at ways to cut employer-related costs.

Employers, like Dale Powers, president of Cyr Construction Co. in Caribou, hope the new system will be able to check up on injured workers to make sure they still have the injury while receiving compensation.

"There's a very poor follow-up now," Mr. Powers said.

And Mr. Eddy of New System Laundry & Cleaners believes the Democratic-controlled Legislature, in calling for the study, finally is willing to put some thought into what it's doing instead of just automatically increasing benefit levels, as it has in the past 10 years.

benefit increased July 1 to \$426.43, based on 166 $\frac{2}{3}$ % of the state's average weekly wage.

"All they ever talk about is attorney's fees, but they're only 3% of the total cost of workers compensation," Mr. Hardy said.

The attorney isn't the only person suggesting that other things be done to change Maine's expensive system.

An unsuccessful bill was introduced in the Legislature during the last session calling for formation of a state fund for workers compensation insurance.

Another bill that also failed would have allowed small employers to pull out of the workers compensation system.

"It's our feeling that before we can do anything in terms of alternative systems or self-insurance, you have to have a basic, sound ad-

ministrative system," said Mr. Allen, Rep. Martin's assistant. That's one of the reasons why Rep. Martin also called for a study of alternatives.

Under new legislation, insurers also will be required to disclose more about their methodology for determining premiums and more information about investment income.

While employers have been complaining about high workers compensation rates, insurers have been saying they are inadequate.

"They're high, but grossly inadequate," said Peter Burton, director of government, consumer and industrial affairs for the Northeast region of the National Council on Compensation Insurance, a workers compensation ratemaking organization.

Rates should be increased ac-

tuarily by 110% to 124%, Mr. Burton said. "The rates in force now are losing money," he added.

Another new law allows insurers to deviate downward from the maximum rates set by the superintendent of insurance.

The reform package also changes statute of limitations that prevent a worker from filing a claim for an asbestos-related disease. The law will allow a worker to file a claim if the exposure to asbestos occurred on or after Nov. 30, 1967. This law takes effect Oct. 1 and is not retroactive.

Previously, the statute of limitation was three years after exposure.

This law, however, does not apply to any employees covered under the Federal Employees' Compensation Act or the Federal Longshoremen's and Harbor Workers' Compensation Act. ■

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States to rehabilitate Baldwin insurers

Continued from page 2

"Rehabilitation will enable these companies to meet their obligations in a manner that is fair to all policyholders," Baldwin President Victor H. Palmieri said last week in a prepared statement.

Mr. Palmieri said in the statement that the company expected to continue to negotiate repayment of its massive debt—estimated at about \$1 billion—under a standstill agreement signed with creditors on June 30. Most of the debt was assumed in its acquisition of MGIC.

"However, we are prepared to work with creditors to resolve the company's problems both in or out of a court proceeding," the company said, noting that the rehabilitation orders could permit creditors to terminate the standstill agreement and force the company into reorganization.

The six companies placed in rehabilitation last week are National Investors Life Insurance Co., National Investors Pension Insurance Co. and Mt. Hood Pension Insurance Co.—all based in Arkansas—and National Equity Life Insurance Co., University Life Insurance Co. and S&H Life Insurance Co.—which are based in Indiana.

In a July 7 announcement detailing the massive first-quarter write-offs, Baldwin said that it had re-

duced the statutory surplus of the six insurers by \$75 million.

Also, the surplus of the insurers could be further depleted by any resulting reduction in the value of an estimated \$900 million in Baldwin-affiliated assets that the insurers hold.

Included in the \$75 million in surplus reduction were debentures totaling \$60 million issued by subsidiaries of BMF Services Inc., a company owned by a management group that now controls Bayly, Martin & Fay International Inc., the eighth-largest U.S. insurance broker.

Bayly, Martin & Fay was owned by a Baldwin affiliate until Dec. 31, when the management group acquired the broker's assets for \$100,000 in cash and \$92 million in notes. BMF now asserts it operates independently of Baldwin though Baldwin describes BMF as its "brokerage operations" and does not consider the transaction a "sale" from a tax standpoint.

An attorney for the Indiana Insurance Department, Charles Haven of the New York law firm of LeBoeuf, Lamb, Leiby & MacRae, says the value of the \$60 million in BMF debentures held by National Equity Life was "reduced" significantly, but he said he did not know the exact amount of

the reduction.

Baldwin also disclosed last week that the other \$32 million in notes issued in the BMF transaction are now considered worthless as assets.

These notes are now held by National Business Services Inc., which is owned by MGIC, the property/casualty insurance holding company.

A MGIC spokesman confirmed the insurer had reduced from \$32 million to zero the carrying asset value of a \$19 million debenture and a \$13 million demand note, both issued by BMF affiliated companies.

Baldwin and BMF decline to discuss how the write-off might reflect upon the brokerage's business or its ability to meet interest payments on the notes and other debt.

A former BMF treasurer has alleged that the brokerage company lost more than \$2 million in 1982 on a consolidated basis (BI, May 23, July 11). BMF denies the claim.

BMF, which reported 1982 revenues of \$84.8 million, does not disclose net income.

MGIC also disclosed it had written off \$62 million of intangible assets attributable to the predicted renewal value—in future years—of current directors and officers liability insurance premiums written by MGIC Indemnity Corp., an MGIC affiliate. ■

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British results mask real market conditions

By ALAN H. CLIFTON and PHIL V. OLSEN

Special to Business Insurance

THE BRITISH INSURANCE industry received an unprecedented level of severe weather claims in the first quarter of 1982. In Britain itself, the great freeze of '82 cost an estimated 350 million pounds (about \$500 million). British insurers also suffered severe weather losses in North America and Continental Europe.

But that was last year. This year, winter weather was a great deal milder and the level of harsh weather-related claims on both continents was considerably reduced. In the United Kingdom, the early indications are that such losses appear to have run at about one-third or even less than those of last year. Elsewhere, in Europe and North America, the ratio of catastrophe losses, too, is down by about 50%.

Thus, the first-quarter results of the British insurers make, on the surface, much better reading. The three largest companies—Commercial Union Assurance Co. P.L.C., General Accident Fire & Life Assurance Corp. P.L.C. and Royal Insurance P.L.C.—have each reported earnings rebounds.

But after stripping out the impact of the sharply different patterns of weather claims, a much less encouraging picture appears.

On this basis, worldwide underwriting losses have continued to climb, while premium income growth and investment cash flow have both decelerated. Underlying market trends thus have remained adverse, with few signs that they will improve in the near future.

In short, according to the British insurers' results, worldwide underwriting capacity is still substantially ahead of demand.

The two key territories for the British property/casualty insurance companies are the United Kingdom and the United States. In both, there is a growing belief that competition among insurers has begun to abate. However, underwriting results in both nations continue to worsen. In addition, industry analysts in both markets say more favorable conditions exist for personal lines insur-

ers than for commercial underwriters.

The best that is being said about the commercial insurance market in the United Kingdom at the moment is that premium rates appear to be bottoming. Although no one is saying that a perceptible hardening of rates is evident or that any significant underwriters are withdrawing from the market, most insurers seem—for at least the time being—to have stopped attempting to cut each other's throats, though a few are persisting with an aggressive pricing stance.

The measure, albeit modest, of stability that has returned to the British commercial insurance arena is a reflection of its generally responsible and well-disciplined character. It is, nevertheless, a market that is subject from time to time to fiercely competitive pressures. But when these pressures have demonstrably driven underwriting terms and conditions—including pricing—down to essentially unprofitable levels, the market's well-established mechanisms for order and stability invariably come into play.

It would be wrong to say agreements have been discussed among the leading insurers to limit competition. However, it is possible, through the various channels of communication that exist among insurers, to develop a consensus that has the effect of restraining the more aggressive underwriters.

There is little doubt that such a meeting of the minds has taken place among the top British insurers. The upshot may not yet be a firming of the market, but it has checked the slide into unbridled competition.

In the interim, as in the United States, rate increases and the beneficial effects of insurance to value have helped mitigate underwriting losses in British personal lines. With claims frequency still edging upward, however, results are by no means satisfactory and cost control remains vitally important.

The picture, then, among the British insurers at the moment is one of partial relief that the competitive pressures in their own backyard have been eased but concern that there are no real grounds yet for optimism. Abroad, there is the usual mixed bag of pluses and minuses, and it is hard to escape the conclusion that the news for the British insurance industry is likely to get somewhat worse before it improves.

Turning to the Lloyd's of London brokers, there are very few indications to date of just how their business is developing in the harshly competitive commercial lines underwriting environment.

Marsh & McLennan's Cos. Inc.'s first-quarter report reveals that the company's British insurance services operations produced a 14% increase in operating revenue. But this seemingly excellent growth rate was stated in pounds, not dollars. In the light of M&M's overall 2% drop in insurance-related revenue in the first quarter, the company was careful to draw attention to the helpful influence upon C.T. Bowring's growth achievement, which stemmed from the pound's weakness.

In the first quarter, the exchange rate averaged \$1 to 0.65 pounds, compared with \$1 to 0.54 pounds in the first quarter of 1982. Thus, allowing for the weakness of the pound, there was probably very little underlying growth in revenue in M&M's British-based operations.

Alexander & Alexander Services Inc. has chosen not to make any reference to the first-quarter results of its British-based brokerage operations. This omission will probably come as a surprise to no one.

Since our last column (BI, April 4), when some impressive results from Sedgwick Group (pretax profits up by 29%) were the only evidence of the Lloyd's brokers' performance in 1982, Willis Faber P.L.C., Minet Holdings P.L.C., Stewart Wrightson Holdings P.L.C. and C.E. Heath P.L.C. have displayed varying degrees of success, but none so good as Sedgwick's.

Next best in 1982 pretax profit performance is Minet, which reported a 21% jump to 17.8 million pounds (\$28.5 million), but the weakness of the pound last year enhanced the company's performance considerably and underlying profit growth was probably only 8% to 15.9 million pounds (\$25.5 million).

In view of the Lloyd's broker's high levels of non-British revenues and profits, underlying growth was naturally a recurrent theme of their 1982 results. It will be recalled that Sedgwick's underlying pretax profit growth rate was less than half of its reported 13% growth rate.

Thus, C.E. Heath, which reported a 15% increase in profits to 19.5 million pounds (\$31 million), achieved only 3% underlying growth. Meanwhile, the other two major listed Lloyd's broking groups would, in theory, have experienced a decline in profits if the pound had not weakened so dramatically.

Willis Faber reported a 13% profit advance to 30.8 million pounds (\$49 million), but the underlying result was a 2% decline to 26.8 million pounds (\$43 million). Stewart Wrightson's reported 8% pretax increase to 9.9 million pounds (\$16 million) was ad-

British Issues

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					High	Low
Comm Union	161	16.10	16.86	10.5	165	160
Eagle Star	418	15.7	24.29	5.8	420	416
Genl Accident	415	10.8	24.29	5.9	413	411
Gdn Royal Exch	460	11.8	27.26	6.1	460	458
Phoenix	310	14.8	25.00	8.1	314	308
Royal	490	12.9	37.86	7.7	495	488
Sun Alliance	1200	13.3	68.57	5.7	1225	1194

Brokers	Price pence	P/E	Div. pence	Yield %	1 Week High-Low pence	
					High	Low
CE Heath	306	7.7	21.07	6.9	325	306
Hogg Robinson	105	7.5	8.57	8.8	106	104
JH Minet	113	9.4	6.50	5.8	118	113
Sedg Grp	208	10.7	10.0	4.8	216	208
Stenhouse Hldg	106	9.6	7.86	7.4	106	104
Stew Wrightson	233	7.5	20.43	8.8	240	230
Willis Faber	533	12.5	25.00	4.7	540	533

Source: Philip Olsen/Alan Clifton, Insurance Industry Specialists Kitcat & Aitken Stockbrokers, London

versely affected by structural changes in its ownership of certain companies, but even if allowance is made for such adverse influences, the underlying currency-adjusted profit trend would have been down by perhaps 7% to 8.6 million pounds (\$14 million).

Financial briefs Aetna Life & Casualty

Aetna Life & Casualty Co. drops from No. 4 to No. 19 in the year-end 1982 Business Insurance rankings of major property/casualty insurers now that it has resolved an accounting dispute (BI, March 14).

Aetna decided on July 7 to stop fighting the Securities and Exchange Commission over its application of tax-loss carry forwards that dramatically boosted earnings throughout 1982 (BI, Feb. 21).

As a result, Aetna's restated aftertax operating earnings plunged during 1982 to \$319 million compared with \$490.5 million a year earlier, a 39% decline.

BI ranked Aetna No. 4 among major property/casualty underwriters in terms of earnings performance based on its originally stated 1982 aftertax operating income of \$521.9 million, which included \$202.9 million in controversial tax benefits. Aetna's recent action means that it may be able to gradually realize those tax benefits in future years through a reduction in the federal income taxes it must pay.

BI Industry Stock Report

JULY 12, 1983 7/6/83 THRU 7/12/83

Insurance Cos.	Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol. (000)
Aetna Life & Cas Co	NYSE 39.00	-1.0	6.8	2.64	6.8	39.63	39.00	792.0
American Bankers Ins Group	OTC 15.50	-1.6	12.2	0.50	3.2	15.75	14.86	187.0
American Gen Ins Co	NYSE 22.75	0.6	8.7	0.80	3.5	23.00	22.63	421.8
American Intl Flnl Corp	OTC 20.50	0.0	15.2	1.12	5.5	20.50	20.50	5.0
American Indt Group Inc	OTC 68.63	0.2	11.8	0.44	0.6	69.50	68.25	420.8
American Natl Ins Co	OTC 19.75	1.3	8.2	0.84	4.3	19.75	19.63	124.8
American Sts Life Ins Co	OTC 30.00	0.0	8.4	0.88	2.9	30.00	30.00	2.0
Aneco Reins Ltd	OTC 4.63	5.7	154.2	0.00	0.0	4.63	4.50	22.1
Aveco Corp	AMEX 18.50	0.7	11.1	0.58	3.1	18.63	18.25	3.4
Banks Iowa Inc	OTC 46.50	0.0	12.3	1.52	3.3	46.50	46.50	6.2
Bitco Corp	OTC 18.25	0.0	5.7	1.33	7.3	19.00	18.25	87.6
Carolina Gas Ins Co	OTC 9.50	2.7	12.5	0.32	3.4	9.50*	9.25	3.1
Chubb Corp	OTC 61.13	0.0	9.5	3.12	5.1	61.75	60.75	106.7
Combined Intl Corp	NYSE 32.75	-4.4	10.9	2.00	6.1	35.00	32.75	159.9
Continental Corp	NYSE 30.25	-2.4	16.7	2.60	8.6	30.88	30.25	477.6
Crawford & Co	OTC 19.75	-7.1	14.3	0.60	3.0	21.25	19.75	13.9
Crown Life Ins Co	OTC 104.00	4.0	6.8	3.10	3.0	104.00	100.00	0.0
Employers Cas Co	OTC 36.75	-5.2	7.5	1.20	3.3	38.75	36.75	4.4
Equifax Inc	NYSE 34.50	-2.1	15.7	1.40	4.1	34.75	34.38	16.7
Excelsior Ins Co	OTC 15.00	0.0	9.6	0.70	4.7	15.00	15.00	3.9
Farmers Group Inc	OTC 37.75	-3.2	9.9	1.36	3.6	38.63	37.75	781.1
Foremost Corp Amer	OTC 50.75	-2.9	15.6	1.24	2.4	51.50	50.75	63.1
Freemont Gen Corp	OTC 27.38	-1.4	912.5	0.48	1.8	29.63	27.38	271.6
Great West Life Assurn Co	OTC 215.00	0.0	10.4	10.00	4.7	215.00	215.00	14.5
Hanover Ins Co	OTC 59.50	3.0	7.4	0.88	1.5	59.75	59.25	22.5
Hartford Steam Boiler Insptn	OTC 53.50	0.0	11.8	3.00	5.6	54.00	53.50	2.6
Jefferson Natl Life Ins Co	OTC 50.00	1.0	15.7	0.76	1.5	50.00*	49.50	28.0
Kemper Corp	OTC 48.13	4.6	9.0	1.80	3.7	48.13	46.13	83.0
Lincoln Natl Corp Ind	NYSE 52.00	2.2	9.5	3.00	5.8	54.00	51.50	161.3
Mission Ins Group Inc	NYSE 35.00	-2.1	9.7	1.00	2.9	35.50	34.75	109.8
Nationwide Corp Ohio	OTC 41.75	0.0	15.3	0.70	1.7	0.00	DID NOT TRADE	34.0
Northwestern Natl Life Ins	OTC 34.88	-3.1	23.1	1.50	4.3	35.88	34.88	35.7
Ohio Cas Corp	OTC 51.88	-0.2	9.8	2.52	4.9	52.00	51.88	35.7
Old Rep Intl Corp	OTC 28.88	-3.3	7.1	0.90	3.1	29.25	28.88	52.8
Orion Cap Corp	NYSE 27.50	2.8	13.9	0.66	2.4	28.00	27.50	52.6
Preferred Risk Life Ins Co	OTC 32.38	-2.3	8.9	1.00	3.1	33.00	32.38	1.3
Provident Life & Acc Ins Co	OTC 59.50	-2.5	8.4	2.60	4.4	61.00	59.50	19.5
St Paul Cos Inc	OTC 64.13	-2.7	6.5	2.80	4.4	66.00	64.13	279.1
Safeco Corp	OTC 55.00	-2.9	11.5	2.40	4.4	56.13	55.00	91.0
Sri Corp	OTC 42.50	3.0	7.9	1.12	2.6	42.50	41.00	78.3
Seibels Bruce Group Inc	OTC 29.25	-0.4	16.0	0.80	2.7	29.25	28.88	58.8
Statesman Group Inc	OTC 9.88	0.0	7.3	0.15	1.5	10.13	9.88	32.4
Tokio Marine & Fire Ins Co	OTC 98.50	-1.7	15.8	0.92	0.9	99.75	98.50	1.9

	Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol. (000)
Travelers Corp	NYSE 30.75	3.4	8.2	1.80	5.9	31.00	30.25	453.1
United Fire & Cas Co	OTC 33.25	0.0	9.8	0.88	2.6	33.25	33.25	0.4
United States Fid & Gty Co	NYSE 50.50	-0.5	11.8	3.84	7.6	50.75	50.38	183.7
United Svcs Life Ins Co	OTC 20.33	-1.8	6.1	1.00	4.9	20.75	20.38	21.0
USLife Corp	NYSE 23.75	-3.6	6.6	0.88	3.7	24.25	23.75	184.4
Washington Natl Corp	NYSE 32.00	7.6	14.5	1.08	3.4	33.25	30.25	221.7
Zenith Natl Ins Corp	OTC 21.50	-4.4	10.4	0.80	3.7	22.25	21.50	14.9
INSURANCE COMPANIES	AVERAGE		10.1		3.8			
Agents/Brokers								
Alexander & Alexander Svcs	NYSE 24.00	3.2	0.0	1.00	4.2	24.00	22.88	825.0
Baldwin & Lyons Inc	OTC 43.00	-1.1	7.9	0.80	1.9	43.50	43.00	1.9
Corroon & Black Corp	NYSE 25.13	2.6	13.4	1.80	7.2	25.50	24.38	197.7
Crump E H Cos Inc	OTC 10.88	0.0	15.8	0.40	3.7	10.88	10.88	24.7
Eaet & Chandler Cos Inc	OTC 10.75	2.4	0.0	0.00	0.0	10.75	10.75	5.0
Hall Frank B & Co Inc	NYSE 30.13	-2.0	17.1	1.70	5.6	30.88	30.13	280.7
Integrated Res Inc	AMEX 36.88	-3.3	14.4	0.00	0.0	39.00	36.88	253.8
Marsh & McLennan Cos Inc	NYSE 42.75	0.0	12.4	2.20	5.1	42.88	42.00	172.8
Poe & Assoc Inc	OTC 6.75	-6.9	0.0	0.40	5.9	7.00	6.75	3.5
Reed Stenhouse Cos Ltd	OTC 14.00	-6.7	16.0	0.60	4.3	15.00	14.00	8.7
AGENTS/BROKERS	AVERAGE		16.5		3.6			
Conglomerates/Holding Cos.								
American Express(Fireman's Fd)	NYSE 66.50	-5.0	13.9	1.92	2.9	69.88	66.50	1,331.9
Anderson Clayton(Ranger/PanAm)	NYSE 30.25	1.7	20.2	1.32	4.4	30.50	29.75	56.3
Armco Inc	NYSE 18.25	5.0	0.0	0.40	2.2	18.50	18.00	533.1
City Investing Co. (Home Ins.)	NYSE 34.00	-4.2	8.1	1.80	5.3	36.50	34.00	468.6
CNA Finl Corp (CNA)	NYSE 20.75	5.7	8.2	0.00	0.0	21.25	19.75	82.8
Control Data (Comm. Credit)	NYSE 56.75	-0.2	14.3	0.60	1.1	58.88	56.38	398.2
General Re Corp	NYSE 58.63	-0.8	12.4	1.28	2.2	59.88	58.63	604.9
Gulf Utld Corp	NYSE 26.88	0.5	8.4	1.32	4.9	26.88	26.38	324.9
Cigna Corp	NYSE 47.38	0.5	6.8	2.48	5.2	48.50	47.38	400.7
ITT (Hartford Group)	NYSE 43.50	2.1	9.4	2.76	6.3	45.25*	42.63	2,750.2
Optium Hldg Corp	OTC 7.75	0.0	12.7	0.00	0.0	7.75	7.75	1.7
Sears Roebuck & Co. (Allstate)	NYSE 40.00	-0.9	14.7	1.52	3.8	40.88	40.00	1,396.1
Baldwin Utld Corp	NYSE 7.75	-10.1	3.7	0.00	0.0	8.63	7.5	

How The Hartford helps reduce insurance costs.

"Our leadership in Automation puts you in control of your insurance — and its cost!"

Don Frahm, President, Property/Casualty Operations, tells business insurance buyers how they can benefit from The Hartford's advanced Automation capability.

Q. How does The Hartford's Automation capability help brokers and agents meet my business insurance needs better?

A. It enables them to give you faster, more responsive service across the board. Take quotes, for example. Where a nonautomated insurer might take a month or more to get back to brokers and agents with a proposal, we can normally get quotes out in days. That fast turn-around lets you measure the cost-effectiveness of different levels of coverage in actual dollar terms — and right up front. It also gives you more time to make informed decisions on the options open to you, and to balance cost and coverage considerations.

Q. When do you use computerized loss control analysis? And how can it cut insurance costs?

A. Computerized loss control analysis comes into play when a company has complex exposures and multiple claims. By breaking out losses by location, time of day, type of accident or injury, and so on, our Loss Control specialists can detect common denominators which help them pinpoint accident causes. They can then work up recommendations for eliminating or reducing those losses.

In the case of a large New England printing company, for example, computer analysis showed a high percentage of accidents and lifting injuries connected with bindery operations. Guided by clues



contained in the analysis, our Loss Control specialists did a Materials Handling Survey of bundle size and weight, work flow patterns, and the like, and made specific recommendations to improve the situation. The same procedure was followed with other types of accidents and injuries.

The results were dramatic. In the 7-month period following the implementation of the recommendations, incidents were reduced by nearly 60% over the corresponding 7-month period a year earlier, and incurred claims costs dropped by 94%. Naturally, improvements like that can substantially lower future premiums.

Q. How can your automated Claims capability increase my control and limit my losses?

A. Let me first make clear that our automated Claims capability complements our human Claims capability. Remember, many insurance companies rely almost entirely on outside Claims services. At The

Hartford, we handle about 99% of our own claims with our own staff of some 4,200 Claims personnel. We have more than 200 fully automated field Claims offices in the U.S. and Canada, and 52 regional Claims offices.

Our human Claims capability assures you of fast, fair, and expert response to claims. And our computer Claims capability assures you of fast, accurate Claims processing and reporting. You know where you stand at all times. And the rapid resolution and payment of claims can significantly reduce claim costs and thereby improve your company's cash flow and profit picture.

Q. Are your computer-enhanced Loss Control and Claims services available on an unbundled basis?

A. Yes — through our subsidiary, Hartford Specialty. One of their Claims services is a

unique on-line claim reporting system that gives you current, up-to-date information on claims and lets you break out claims anytime in accordance with criteria you select on the spot.

Q. How can my company take advantage of The Hartford's leadership in Automation?

A. Just contact a broker or independent agent who represents The Hartford.



Don't make a decision on any business insurance without a quote from The Hartford.

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The Hartford Insurance Group, Hartford, Connecticut 06115.