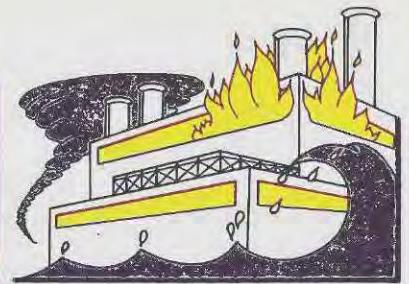


Protecting property

More and more companies now purchasing all-risk coverage. . . Page 3



JULY 25, 1983

business insurance

update

Administration endorses federal tort reform proposal

WASHINGTON—The Reagan administration last week officially endorsed legislation that would establish a uniform federal product liability law.

The administration told Sen. Robert Kasten, R-Wis., author of the legislation, S. 44, to "proceed with consideration of this important piece of legislation as expeditiously as possible."

The administration's endorsement
Continued on next page

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

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Municipality fights police brutality, insurer lawsuits

By DOUGLAS McLEOD

RICHMOND, Calif.—A string of police brutality lawsuits filed since 1979 is forcing this working-class San Francisco suburb to fight a two-front war.

Richmond is battling not only the lawsuits—one of which recently produced a record \$3 million verdict against the city—but is also fighting its former liability insurers, which claim in another set of lawsuits that a pattern of police misconduct going back several years precludes any recovery of damages under their liability policies.

With a projected deficit of \$7 million in a 1983-84 operating budget of \$29 million, Richmond will be forced even further into the red if it has to bear the full cost of present and future judgments against it, city officials say.

In the past four years, the city has been named as defendant in seven major civil rights cases in U.S. District Court in San Francisco, involving 37 Richmond residents and 27 separate instances of alleged police brutality. Also named as defendants have been Police Chief Leo Garfield, Deputy Police Chief Ernest Clements and several officers involved in the various incidents.

Four of the lawsuits were brought by the heirs of residents who were killed by police.

In each of the cases, the plaintiffs charged violations of such constitutional rights as due process and equal treatment under the law, and claimed that the officers involved negligently failed to exercise a reasonable degree of care in doing their jobs.

The plaintiffs also charged that the incidents represented a "pattern and practice" of police brutality and excessive use of force against black residents of Richmond, a charge that must be proven for a plaintiff to collect damages from a government entity in civil rights litigation.

One complaint also accused the police chief and others in the department of conspiring to cover up the incidents with "whitewash investigations" by the department's internal affairs division.

In each of the cases, the city denied the allegations, asserting that the alleged victims had

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Bermuda captives forming exchange to trade risks

By RHONDA L. RUNDLE

HAMILTON, Bermuda—A small group of captive insurance companies here is ready to raise the curtain on a unique risk exchange whose membership will be restricted to fellow captives.

Major U.S., Canadian and European corporations using the exchange will trade risks among themselves via their insurance company subsidiaries—bypassing the commercial insurance marketplace and its heavy brokerage costs.

Organizers of the exchange expect it to get off the ground in December with about 25 founding members, including 15 with U.S. parents and 10 with Canadian or European parents. Premium volume in the first full year of operation is expected to be \$35 million to \$50 million.

A feasibility study conducted this year, based on projected levels of participation by 23 captives, predicts that premium volume will reach \$69.5 million by 1985, including \$41.8 million from risks now held by captives and \$27.7 million from risks now ceded to commercial reinsurers (see chart).

Of the \$69.5 million in premiums, \$28.8 million is expected to be for liability risks, \$25.6 million for property risks, \$10 million for life and \$4.1 million for marine risks.

The proposed exchange would resemble Lloyd's of London in its operating style, but only member captives would be permitted to bring risks to the market.

Although it is expected that the exchange will be primarily a reinsurance market, some parent company risks rejected by the captive might be brought directly to the exchange. These risks might include certain marine, property or casualty exposures that the captive does not want to underwrite.

Also, eventually members would be encouraged to refer to the exchange risks of their suppliers, customers,

Continued on page 47

Where Risk Exchange expects to get premiums in 1985

From risks now written by captives

Type of risk	Captives participating	Premiums available	Loss ratio
Property	9	\$15,100,000	40%
Casualty	7	16,200,000	42%
Marine	1	500,000	50%
Life	2	10,000,000	NA
Total	13*	\$41,800,000	

From risks now ceded to commercial reinsurers

Type of risk	Captives participating	Premiums available	Loss ratio
Property	18	\$10,490,000	50%
Casualty	6	12,580,000	76%
Marine	13	3,630,000	60%
Total	21*	\$27,700,000	

Study total 23 \$69,500,000

*Some captives are expected to participate in more than one risk category.

Source: Risk Exchange Association feasibility study

Mercer leads benefit brokers: Study

By SALLIE J. DRURY

William M. Mercer Inc. leads the pack of consultants and brokers that place employee benefit contracts for employers, data from the 1981 plan year reveal.

Mercer, the benefits consulting arm of Marsh & McLennan Cos. Inc., holds the No. 1 spot both in the number of benefits contracts brokered and in the amount of premium brokered for benefit plans with more than 100 participants.

These findings come from information

that businesses with more than 100 employees must report to the Department of Labor under the Employee Retirement Income Security Act. ERISA Benefit Funds Inc., a Washington-based organization, has compiled this information and supplied the analysis exclusively to *Business Insurance*.

The analysis reveals that of 25,075 total benefits contracts reported to the Labor Department for the 1981 plan year, 2,202 or almost 9%, were brokered by Mercer, putting it far ahead of its nearest competi-

tor, Johnson & Higgins. J&H brokered 1,421 contracts.

Together, all brokers placed about \$7.5 billion in benefits premiums from companies with 100 or more workers, according to the analysis. Mercer placed more than \$995 million of these premiums, or about 13% of the total benefits brokerage business.

And, again, J&H is Mercer's nearest rival, with about \$909 million in premiums.

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Reagan supports tort reform bill

Continued from previous page

"significantly increases the chances for its passage in the Senate and ultimately its enactment into law," Sen. Kasten said.

Now that the administration has endorsed the legislation, the Senate Commerce Committee may vote on the bill sometime next month, Sen. Kasten's press secretary said.

More jury awards in Hyatt cases

KANSAS CITY, Mo.—Two recent jury verdicts and one out-of-court settlement totaling at least \$5 million are being paid by insurers in the Hyatt Regency Hotel skywalk collapse litigation.

The payments are the latest to result from a series of compensatory-damage trials under way in state and federal courts involving about 60 unresolved claims from the July 1981 tragedy.

A state court in Independence, Mo., awarded \$3 million to the children and parents of Thomas and Romelia Henson, who died in the accident. Another state court jury awarded \$2 million to Betty A. Wintz of Kansas City and her husband. Mrs. Wintz, 62, suffered fractures to her arm, leg and spine in the collapse.

In another case, the lawyer for Deborah A. Jackson said his client had settled her injury case July 11, the day before it was to come to trial, for an amount "close to six figures."

N-plant closures not insured

WASHINGTON—Extra expenses associated with the unscheduled closing of five nuclear reactors to inspect water pipes would not be covered by insurance, the four affected utility companies say.

Concerns about cracking of pipes in "boiling water" reactors led the Nuclear Regulatory Commission to order five reactors closed within 30 days. However, the NRC has postponed its order until after Aug. 4 when a study on the problem is to be released.

The five reactors are operated by Commonwealth Edison Co., the Tennessee Valley Authority, Carolina Power & Light Co. and Boston Edison Co. ComEd operates two of the affected plants.

ComEd says an inspection would probably extend a normal refueling shutdown by two or three weeks, during which time it would pay \$400,000 a day in replacement power costs for each of its reactors. These costs would not be covered by the company's business interruption insurance, which is triggered only by an accident that keeps the reactors shut down for more than 26 weeks.

The other three utilities had no estimates of what an early closing would cost them, but agreed that there would be no coverage.

Burnett may appeal reduction

LOS ANGELES—Comedienne Carol Burnett may appeal a July 18 state appellate court ruling that reduces to \$150,000 from \$750,000 the amount of punitive damages she will receive from a libel judgment against the National Enquirer, her attorneys say.

The \$50,000 in general damages assessed against the weekly newspaper remains the same.

Ms. Burnett was awarded \$1.6 million in damages by a Los Angeles Superior Court jury in 1981, but Judge Peter Smith ordered a new trial unless she agreed to accept half that amount. She did, and the publication appealed the decision (*BI*, May 18, 1981).

The Enquirer and its primary libel insurer, Employers Reinsurance Co., have each filed suit to determine if Employers Re must pay punitive damages. According to court papers, Employers Re wrote a \$2 million libel policy containing a \$25,000 deductible for the Enquirer when the article was published in 1976.

CIGNA to buy Crusader U.K.

PHILADELPHIA—CIGNA Corp. has agreed to acquire Crusader Insurance P.L.C. from a Marsh & McLennan Cos. Inc. subsidiary and Fireman's Fund Insurance Cos.

The predominately life-oriented British insurer is being purchased in a transaction valued at 80.6 million pounds—about \$123 million at current exchange rates—from C.T. Bowring & Co. (with a 75% interest) and Fireman's Fund (with 25%).

The purchase does not include Crusader (South Africa) Ltd., which is embroiled in litigation with a London-based underwriting manager (*BI*, June 20).

David W. Schrempf, president of CIGNA's international division, said that the acquisition is part of the company's long-term plans to expand international insurance operations.

Crusader writes all classes of life and property/casualty insurance. Crusader's 1982 premium was 85.6 million pounds, approximately 70% of which was life business and 30% property/casualty business. The company has 34 branches in Britain.

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Manville says government knew of asbestos dangers

By STEPHEN TARNOFF

WASHINGTON—The suit filed by Manville Corp. last week against the federal government is the latest in a series of attempts to make the government share the cost of compensating asbestos disease victims.

The suit, filed in U.S. Claims Court in Washington, charges that government should pay asbestos claims because it knew of its dangers as early as 1939, but failed to disclose those facts to either Manville or shipyard workers exposed to the toxic substance.

Manville has filed several other suits against the government in the past, but none have been successful.

Manville is currently undergoing reorganization under Chapter 11 of the Federal Bankruptcy Act. The company says it filed for bankruptcy because of the overwhelming number of asbestos claims it faces.

In its latest suit, Manville charges the government with breach of express and implied contracts, breach of warranty, breach of the duty to disclose material facts

and alleges that the government agreed to assume risks of the use of asbestos.

The suit asks the government to compensate Manville for settlements, awards and expenses paid in 50 selected cases involving shipyard workers exposed to asbestos during World War II. It seeks \$768,000 for the settlements and judgments it has paid, as well as another \$185,000 for attorneys' fees and defense costs.

In addition to the nearly \$1 million specifically requested, Manville also seeks unspecified damages for increased insurance and business costs, loss of business and business reputation and attorneys' fees and expenses for the present action.

Manville says it anticipates that additional litigation against the government, stemming from cases arising prior to and during World War II, will be brought in the future. "This is just the first wave," a spokesman for the company said.

Manville estimates that almost half of the approxi-
Continued on page 46

Florida screens MET officials

By JERRY GEISEL

TALLAHASSEE, Fla.—Third-party administrators of multiple employer health care trusts in Florida soon will need a certificate of authority from the state Insurance Department.

Legislation, H.B. 1317, which goes into effect Oct. 1, will give the Insurance Department the authority to license MET administrators.

Before issuing an administrator a license to operate a MET, which provides life and health care benefits to different employers who band together, the Insurance Department must receive the administrator's articles of incorporation, the names and addresses of officers and financial statements for the last three years.

"We want evidence of a solid track record," said Terry Butler, an attorney with the Insurance Department and the principal author of the multiple employer trust legislation.

Indeed, some MET administrators have had questionable backgrounds, but state insurance departments have lacked the legal

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James, Dinner Levison holding merger talks

SAN FRANCISCO—Fred S. James & Co. Inc., which was bought by Transamerica Corp. last year, is holding talks with San Francisco broker Dinner Levison Co. in hopes of making an acquisition of its own.

"We're engaged but not married," remarked one DL executive.

A spokesman for Fred S. James, the nation's fifth-largest insurance brokerage, said the companies hoped to make an announcement concerning a merger this week.

Dinner Levison, a privately held company, appeared in *Business Insurance's* listing of the top 20 U.S. brokers for the first time this year, coming in at No. 19. Its estimated \$12.5 million in revenues last year represented a 22.5% increase over the 1981 revenue estimate of \$10.2 million.

DL's revenue increase far outshone that of its suitor. New York-based James posted a marginal gross revenue decline in 1982 to \$241.3 million from \$241.5 million the previous year.

Although James' revenues didn't grow substantially in 1982, capital available for acquisitions did when it was formally acquired late last year by Transamerica.

James' executives told *BI* earlier this year that its acquisition would enable the brokerage to return to a growth-by-acquisition pattern this year. James has made few acquisitions in the past year.

If James were to acquire Dinner Levison, it would involve the combination of two large brokerages, but few offices. DL has only one branch office, in Newport Beach, Calif., which produces about \$1 million in premium volume annually.

Besides its brokerage operations, DL also owns The FPE Group, a San Francisco-based loss-control engineering and consulting company.

Ironically, Transamerica, which is also based in San Francisco, has long been a Dinner Levison client.

Settlements don't end Louisiana litigation

By JIM DAVIS

JEFFERSON ISLAND, La.—A salt company, a botanical garden and several others will receive more than \$46 million in settlements stemming from a bizarre 1980 accident.

But the litigation triggered by the collapse of a salt dome that formed the bottom of Lake Peigneur in Louisiana is far from over.

When the salt dome collapsed, the lake drained into a salt mine owned by Diamond Crystal Salt Co. of St. Clair, Mich., carrying with it 11 barges, two drilling rigs, a tug boat, a large portion of the botanical garden and other property.

Under the settlement announced July 7, Diamond Crystal will receive \$32 million in payments from Texaco Inc. of White Plains, N.Y.; Wilson Brothers Corp., a Lafayette, La., drilling contractor; and their insurers. Diamond Crystal sued the two companies and the state of Louisiana for \$219 million after the Nov. 20, 1980, accident (*BI*, Nov. 30, 1981; June 15, 1981).

The suit claimed a drilling rig operated for Texaco by Wilson Brothers triggered the collapse when it penetrated the roof of an excavated mine room 1,300 feet be-

neath the bottom of the lake. Most of the mine was destroyed by the water and debris that were sucked in.

Diamond Crystal will receive \$30 million from Texaco and its insurers as part of the settlement reached with its insurers and Diamond Crystal. Texaco itself will pay \$7.5 million of the total, attor-

neys for the oil company said. Its primary insurer, Insurance Co. of North America, will provide \$5 million of this settlement, while its excess coverage, placed with Lloyd's of London underwriters, will provide \$17.5 million, they said.

Wilson Brothers will pay the re-
Continued on page 43

Wisconsin requires employers to offer PPO or HMO option

By CAROL CAIN

MADISON, Wis.—Many Wisconsin employers will have to offer their employees the choice of joining a preferred provider organization or a health maintenance organization under legislation approved earlier this month.

The new law, which was attached to the Wisconsin 1983-85 Budget Act, mandates that employers with more than 250 employees offer at least two health care plans to employees, one of which must be a PPO or HMO if they are available.

The broad package of cost-containment provisions, also mandates: • That employers, including self-insurers, offer their laid-off employees and their dependents the opportunity to continue receiving health care coverage at group rates for 18 months.

The state adopted this "continuation and conversion" law in 1980,
Continued on page 46

Protecting property

All-risk coverage becoming a standard purchase

By LEN STRAZEWSKI

When fires lick the rooftops and floods wash over the windows, who does a risk manager call? A corporation's all-risk insurer is the best choice, brokers and insurers say.

The rapidly evolving all-risk coverage is becoming the standard for commercial property insurance and is expanding to include previously excluded earthquake and flood risks, boiler and machinery exposures and virtually every other potential cause of property loss except war and nuclear disaster.

And, it's not just the jumbo corporations that can take advantage of this broad coverage. It is being written for small and medium-sized companies, too.

If you don't have all-risk coverage, underwritten as a property insurance policy or an inland marine difference-in-conditions policy, you are already five years behind the state of the risk management art, brokers and underwriters add.

"I can't think of a risk in the house

that isn't insured by some kind of all-risk coverage. I can't imagine any other way to buy property insurance in this market," notes George Fitzgerald, vp and manager of domestic property insurance for Alexander & Alexander Inc. in New York.

"For large commercial clients, we generally manuscript an all-risk form and for small to medium-sized clients, we try to blend various insurance company products."

"The all-risk concept is very much the prevailing trend for commercial multi-peril package plans," says Robert S. Ebersold, assistant vp for property product marketing for Aetna Casualty & Surety Co.

"I'd say that 80% to 90% of the property coverage we write these days is all-risk as opposed to named peril. About 5% to 10% purchase additional earthquake and flood coverage."

What does "all-risk" really mean? That question is still being debated by some state courts (see story, page 7), but the insurance industry says an all-risk

policy covers all risks of direct physical loss or damage including fire, business interruption, building collapse and other exposures over a single deductible and up to a specific limit.

The policies generally exclude by name a short list of exposures deemed either too frequent or too catastrophic for coverage.

Backed up drains and sewers, for example, are usually excluded as a problem that should be controlled with proper building maintenance. War and nuclear disaster are usually excluded, too, as risks too huge for underwriters to calculate.

Though earthquake and flood losses were generally excluded under the above philosophy, these risks are now frequently included for an additional charge and sometimes covered by separate deductibles and limits. Similarly, boiler and machinery is traditionally excluded on the policy but now can easily be added.

All-risk coverage, which began with inland marine cargo policies, is not a par-

ticularly new concept, but rather an idea that continues to generate new products. In the 1960s, underwriters realized that the form used for inland cargo coverage could just as well be applied to other kinds of property protection, including permanent structures.

Since inland marine policies are generally excluded from state rate and form regulations, underwriters discovered they were able to modify their policies to include other kinds of property and set rates based upon a corporation's property loss experience.

Underwriters at Lloyd's of London, whose willingness to negotiate terms and forms is legendary, were the first to offer the expanded coverage, brokers and underwriters say.

Today, much of the all-risk coverage purchased by major corporations is still written as inland marine insurance and Lloyd's still maintains a solid share of the business. However, a trend to less rate and form regulation by states and regulatory freedom to

Continued on next page

Tailor-made programs can control special risks

A loss-control program is no good if your risks are beyond its control. If you are installing a computer, it needs special protection. If you have lots of aerosol products or plastic goods in your warehouse, they need special attention, too. One way to receive this protection is through a customized program. The two profiles below illustrate how Industrial Risk Insurers and the Factory Mutual System's Arkwright-Boston Insurance Co. make the programs fit the risks.

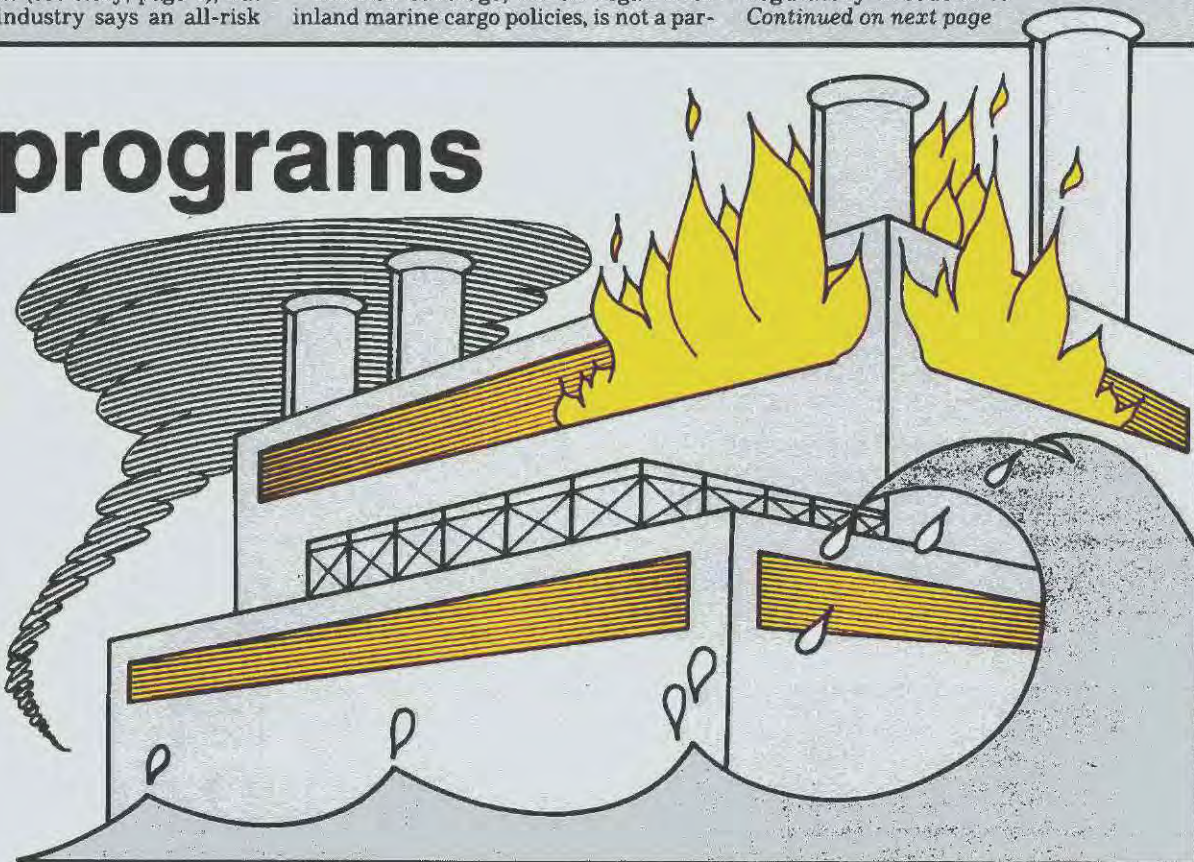


Illustration: Amy Palmer

Coleco's new computer room requires halon sprinklers

By DONNA GORDON

WEST HARTFORD, Conn.—The library at Talcott Junior High School was never meant to hold \$2.5 million worth of computer equipment.

But when Coleco Industries Inc. bought the building in 1982, it brought in its property insurer—Industrial Risk Insurers—to work with it from the beginning of the remodeling planning to make the room a safe place to operate a computer.

The 2,000-square-foot room housing a Honeywell DPS 850, which powers about 100 cathode ray tubes or computer terminals, is protected

against fire with a halon 1301 total flooding system and a backup sprinkler system.

Halon is a gas that will extinguish a fire without damaging electronic equipment, as water would.

Although Coleco is now leasing the computer equipment from Honeywell, the rental agreement calls for Coleco to insure and protect the equipment, according to Peter E. Marcroft, engineer-in-charge at the West Hartford office of IRI, which has been Coleco's insurer since 1967.

Coleco, which is a major manufacturer of toys and electronic games,

Continued on page 10

Protecting plastics not easy for American Hospital Supply

By DONNA GORDON

EVANSTON, Ill.—A large inventory of plastic products and a good loss-control program don't mix easily.

But American Hospital Supply Corp. and its property insurer, Arkwright-Boston Insurance Co., a member of the Factory Mutual System, are continually finding ways to make the two blend better.

These efforts combined with a commitment to loss prevention that starts with the manufacturer's top management are working.

American Hospital Supply has

never had a major property insurance claim since it has been insured by Arkwright-Boston, says Jerald J. Marchi, risk manager for the Evanston, Ill.-based manufacturer of hospital products.

And, that relationship goes back to the mid-1960s.

Walter D. Kerr, a senior account executive with Arkwright-Boston, said that a record like this is not unusual when Arkwright-Boston sets up a customized loss-prevention plan for a company that "knows what it wants" and is willing to pay for it.

Continued on page 14

Major HPR insurers lead all-risk market

Continued from previous page
structure "catastrophe insurance" has allowed insurers to design their own all-risk property insurance policies to cover from the smallest to the largest commercial risks.

Leaders in the all-risk business include most of the major "highly protected risk" insurance groups including Factory Mutual System, Industrial Risk Insurers, American International Group, Kemper Group and Employers of Wausau, but just about every major property insurer now offers some version of the coverage. AFIA specializes in an international version of the coverage.

Generally, the policies available are either written as a difference-in-conditions policy or an all-risk policy.

When written as an inland marine policy, it is called "difference-in-conditions" coverage and is usually purchased by large corporations for huge limits in excess of a large self-insured retention.

Or, jumbo corporations will purchase the property all-risk coverage over a retention up to a portion of their property values. Excess property named-peril property insurance is purchased to provide additional catastrophic coverage up to a corporation's needs.

Other kinds of all-risk policies are being offered by large property insurers such as Factory Mutual and IRI as redesigned property insurance forms filed with state insurance departments.

Limits can be sky-high, with

many insurers willing to sell \$100 million to \$300 million in coverage without blinking or worrying about reinsurance. Higher limits are available, but insurers may want to layer the coverage among several facultative reinsurers.

Rates are low and getting lower, now conforming roughly to the rates offered to highly protected risks about five years ago.

The typical medium-sized commercial risk can buy the coverage for 3 cents to 5 cents per \$100 of value while exceptionally good risks with excellent loss histories and loss prevention plans can find rates as low as 1 cent per \$100 of value.

Deductibles are generally negotiable, though underwriters say they prefer large risks to retain a

minimum of \$25,000. While multi-million dollar deductibles are being taken by companies that self-insure a large portion of their insurance program, first-dollar coverage also has been written recently, brokers and insurers say.

"The point of the coverage is the belief that you can save money by consolidation," A&A's Mr. Fitzgerald adds. "And while cutting costs, the broad coverage gives risk managers a little extra comfort while they sleep."

Large corporations also use all-risk coverage as an opportunity to tailor policies directly to their needs, adding coverages that apply to their location or industry and deleting coverages that are irrelevant.

"Broker-manuscript policies are still the cutting edge of the all-risk business," adds Lawrence Drake, managing director of Marsh & McLennan Inc. in New York.

"And I can't think of a reasonable exposure that can't be included for a price, including ocean marine cargo and boiler and machinery.

"In fact, consolidation of boiler and machinery coverage is becoming almost universal within the broker forms and rapidly becoming a standard part of insurance company forms."

Some underwriters estimate that about half of the large all-risk coverage now being underwritten is on broker manuscript forms, but some question the reliability of policies that have not been time-tested by courts and insurance company claims adjusters.

John McCaffrey, executive vp for domestic operations for Frank B. Hall & Co. in Briarcliff Manor, N.Y., shares some of the concerns, though his company also manuscripts policies for large clients.

"Every broker has his own form and sometimes I get a little frightened by them," he said. "Many of them simply have never been tested and we don't know how the courts will treat them."

Insurers, however, are rapidly gaining ground on the brokers with their own forms, and the two hottest competitors—IRI and Factory Mutual—both generally include such additional coverages as boiler and machinery insurance.

IRI entered the all-risk marketplace this year with a policy form filed on its behalf by the Insurance Services Office, an industry-supported advisory group. Though the policy contains a boiler and machinery exclusion, that coverage and coverage for earthquake and flood exposures are "frequently folded into the all-risk plan," according to Senior Vp G. Wayne Crawford at IRI.

"We will work with broker policies, but prefer our own, of course. Frankly, there isn't much more that can be done that isn't available within our policy limitations," he notes.

IRI is quickly changing all of its industrial property policies to the all-risk form during renewals and heavily promoting the coverage to prospective policyholders.

"All-risk coverage hasn't been too important in the past, but there is a real competitive reason why the coverage has come along so fast for us and other insurers," he remarks.

"Price has been so worked over that just about all you can do now is offer broader coverage."

IRI will write all-risk coverage up to \$100 million with excess named-peril property insurance available up to a corporation's total property values. Deductibles are completely negotiable, according to Mr. Crawford.

Factory Mutual insurers offer somewhat higher all-risk limits and automatically include boiler and machinery coverage in their all-risk forms, notes Burr Mosher, vp-underwriting at Arkwright Boston Insurance Co., part of the FM system. Ocean cargo coverage is also available by endorsement.

"We believe that our all-risk form is adaptable to everyone," he says. "And we are selling the coverage to all industries, including utilities, pulp and paper manufacturers and office building developers."

Excluded from coverage is damage resulting from normal wear and tear and corrosion, war and

Continued on page 6



THIS IS THE WRONG TIME TO FIND OUT YOU DON'T HAVE THE RIGHT INSURANCE.

It's too late after your business or your inventory has been badly damaged or destroyed.

That's why it's a good idea to consult an Independent Insurance Agent before you buy your business policy. An Independent Agent represents several



companies—not just one. So you get expert, professional advice on how to select the best business insurance coverage at the best price.

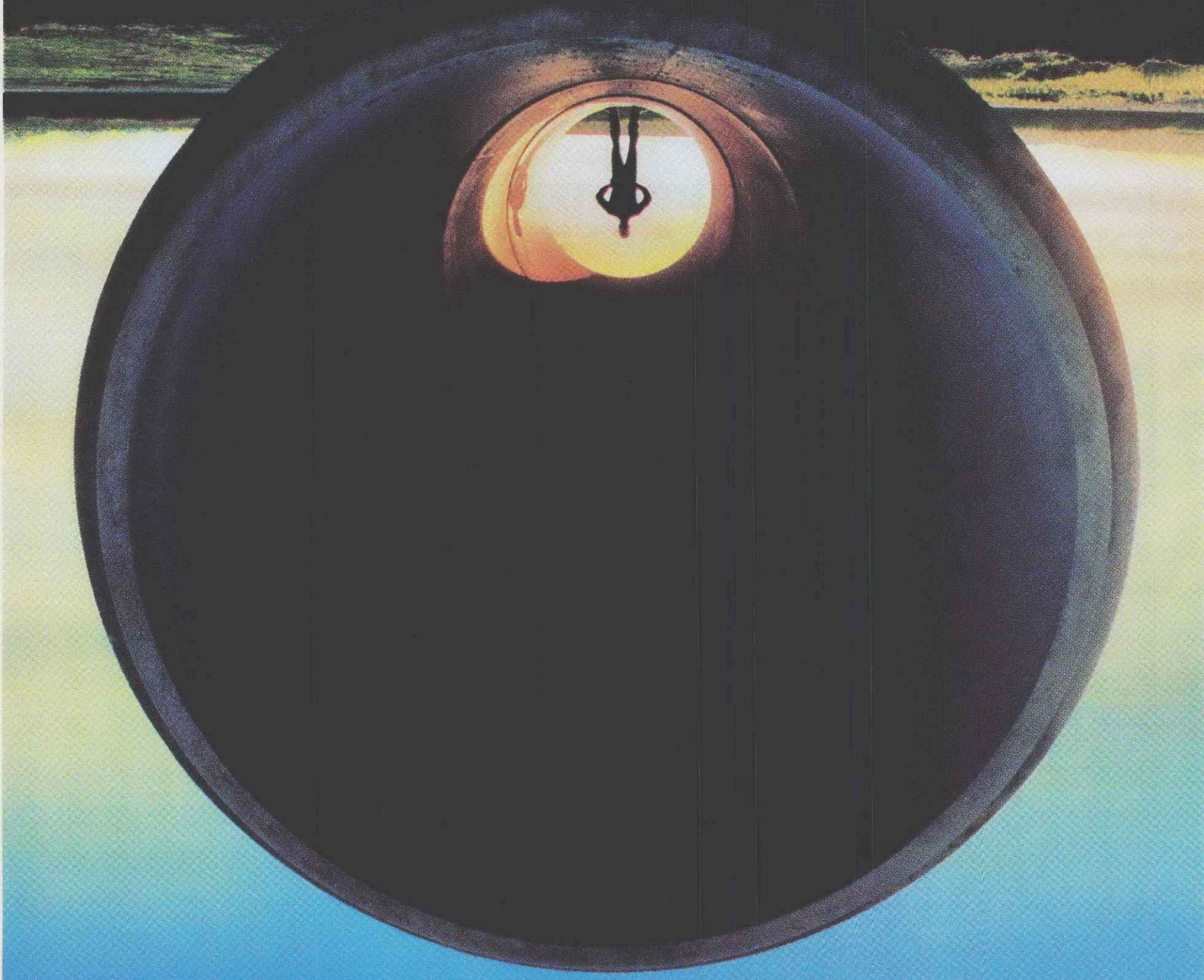
And right now your Independent Agent is offering an informative free booklet that can help make choosing the right business insurance a little easier. Get it. Before you need it.

You'll find the Independent Insurance Agent who's located nearest to you listed in the Yellow Pages right under the Big "I" symbol.



THE MORE-THAN-ONE-COMPANY INSURANCE AGENT.

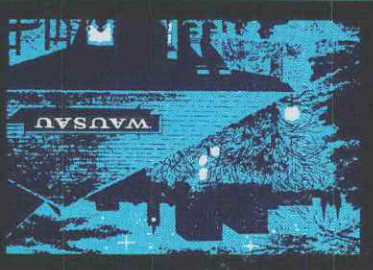
WAUSAU WORKS.SM



The Wausau story behind Ameron's stand.

Working together to prevent losses is a way of life with Wausau Insurance Companies and Ameron, Inc., worldwide supplier of

and other products for the construction industry. "If a problem comes up, I know the Wausau people will be there to



**WAUSAU
INSURANCE
COMPANIES**
Wausau, Wisconsin 54401

handle things properly," says Ameron Risk Manager Dick Koontz. And when a loss does occur, Ameron and Wausau share a common claims-handling philosophy. "My philosophy is simple," says Mr. Koontz. "If they're *valid* claims, pay them and pay them promptly: if they're *not*, resist them. You've got to pick an insurance company that takes the same stand."

Wausau does.

International all-risk policies available

Continued from page 4
nuclear events, but Mr. Mosher says FM will consider deleting an exclusion upon request.

All-risk cover is available to limits of \$300 million, with fire and extended coverage for named perils also available over \$300 million.

The insurer has written policies up to \$1 billion in value, according to Mr. Mosher.

FM will not use a broker manuscript form, Mr. Mosher says, but will attempt to adapt its own contract to conform with coverage requests.

"The all-risk policy is a living document," explains Glenn Yancey, senior vp-marketing at Arkwright Boston. "We expect it to improve as time goes on and expand to include coverage for property risks on a worldwide basis."

In addition to AFIA, American International Group will also write international all-risk policies and has developed a reputation as a leading underwriter of high-limit earthquake coverage. AIG's Lexington Insurance Co. was one of the first U.S. insurers to aggressively market the coverage as a surplus line product and now Commerce & Industry Insurance Co., AIG's HPR insurer, also sells all-risk insurance.

"Conceptually, all-risk insurance is just a logical development in the history of property insurance," notes C&I President Dick Williams. "Probably the soft market and the development of knowledgeable risk managers looking to reduce risks accelerated the development and competition."

Now AIG is willing to take all-risk coverage as far as competition wants to take it. Limits depend only on reinsurance availability, says Mr. Williams. Elimination of exclusions also is negotiable.

"Exclusions are more of a 'red flag' to underwriters than anything

else," he says. "When a buyer asks for an exclusion deleted, the underwriter is alerted to a possible exposure and can include the exposure in the rates."

Deductibles are creeping down, he adds, even for flood and earthquake insurance which is usually layered separately from the remainder of the all-risk coverage. Usually written on an inland marine form, the AIG coverage can include boiler and machinery exposures.

All-risk insurance is not just for large companies with high self-insured retentions, brokers and underwriters note. Most of the package property insurance plans written for small to medium-sized risks are now designed as all-risk policies, following a trend begun in

1959 with the introduction of the special multiperil package policy for small businesses.

Since then, the coverage has become increasingly broad until the list of named perils just became too long for the policy.

"More than 60% of our policies are now written as all-risk coverage," notes Dennis A. Stimeling, assistant vp at INA/Aetna, the retail property/casualty insurance division of CIGNA Corp. "And we are renewing more policies in this form everyday."

Though INA Special Risks Inc. underwrites all-risk coverage for CIGNA's jumbo risks, INA/Aetna provides insurance for smaller CIGNA policyholders. According to Mr. Stimeling, this market continues to expand for CIGNA as its

recently released group of package policies becomes recognized by agents and smaller buyers.

The insurer's new all-risk package form, introduced this year, eliminates some of the standard exclusions, including damage resulting from sewer and drain backups.

The policy is "unique," according to Mr. Stimeling, "but I know it won't stay that way much more than six months. Everyone is deleting exclusions and expanding their coverage to capture more of the market."

The tactic appears to be working, he says.

"Most policyholders are buying complete insurance coverage now and that means either an all-risk package plan or some variation," Mr. Stimeling explains.

Though some brokers and insurers say that small risks are priced generally higher than larger commercial risks, competition continues to drive prices down. Very small risks with a large fire exposure may pay over 10 cents per \$100 of value, but medium-sized risks may get the same rates as jumbo accounts.

All-risk coverage for small firms is not just a quirk of market competition, Mr. Stimeling adds.

"All-risk is part of the insurance market evolution," he says. "And we look forward to seeing all-risk coverage for everyone. Already, the coverage is being written for all sorts of risks—not just fireproof commercial buildings—and we assume that all-risk coverage will soon be the industry standard." ■

AMERICAN IN REINS

Natural catastrophe management: delayed claims can blow you away.

There's no gas, no electricity, no water, no phone. Sometimes, as with the couple in this news photo, there's no house. Just an empty place where their home used to be.

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AMERICAN REDEF.

Policy includes comp, benefits

CHICAGO—Most all-risk insurance policies cover property risks only, but at least one broker thinks that "all-risk" should mean every risk, including workers compensation and employee benefits.

Corroon & Black of Illinois Inc. is promoting a new "all lines aggregate" insurance program designed to wrap up all property/casualty and workers compensation risks into one excess insurance policy over a single self-insured retention.

Stop-loss coverage for companies that self-insure benefits can be added with little trouble, says C&B Executive Vp Roger Knowles.

"The key to the program is flexibility," he explains. "What we are trying to do is take the concepts developed by such large employers as Westinghouse and make them available to medium-sized companies that want to self-insure a broad portion of their insurance program."

"With good historical claims data, we can make loss probability projections that can tell an employer exactly what per-occurrence aggregate retention would be right for each kind of coverage included in the policy," he continues. "These occurrence aggregates can then be combined into a single-limit aggregate that defines the attachment point of the policy."

Adding employee benefits stop-loss coverage to the package is a simple matter of also analyzing medical claims data and projecting the future losses for that line, Mr. Knowles says.

The advantages to the policyholder are manifold, says Mr. Knowles.

The single policy placed with one underwriter avoids gaps in coverage and is generally easier to administer.

But the main advantage is that the plan serves as an introduction to self-funding. Companies generally thought too small for broad self-funding of risk can begin to self-insure without the risk of excessive catastrophe costs. Clients also retain a cash-flow advantage from reserves under the combined aggregate retention.

C&B claims management staff will adjust some claims and oversee the work of independent adjusters on others, Mr. Knowles says.

One potential stumbling block for the coverage could be finding an underwriter willing to accept the variety of risks, but Mr. Knowles says the problem has been solved with the help of Corroon & Black's British partner, Minet Holdings P.L.C., which will market the package to a variety of interested Lloyd's syndicates, Mr. Knowles says.

"The Lloyd's syndicates we are working with are primarily property insurance underwriters, so there must be some element of property coverage in the policy. However, they are willing to underwrite all lines as a package."

Though the package policy is designed for medium-sized companies, Mr. Knowles notes that there are some minimum size restrictions.

Companies looking to combine coverages into a single package should generate at least \$250,000 in claims and not more than about \$3 million.

"If a client is any smaller than \$250,000 in annual claims, the self-funding portion of the program would probably not make much sense," he explains. "Any larger than \$3 million, the company should probably be considering completely self-funding some lines of coverage."

Courts extend all-risk scope

By LEN STRAZEWSKI

HARTFORD, Conn.—Recent court decisions are changing the way underwriters and policyholders judge all-risk insurance policies, according to Robert Ebersold, assistant vp for Aetna Casualty & Surety Co. And the decisions are generally creating broader, rather than narrower, coverage.

"What does all-risk really mean? We thought we knew," he told *Business Insurance*.

"We thought the coverage literally meant every risk except those excluded under the policy, but the exclusions would end the coverage."

"Now the courts are telling us that if property is damaged by a cause excluded under the policy and there is a concurrent cause that is not excluded, all-risk coverage still must pay off."

In other words, if a building collapses during an earthquake, a cause often excluded under a commercial all-risk insurance policy, the policy generally would not cover the damages.

But under the new interpretation, if a building design problem, for example, contributed to the collapse, the policy must pay for the total loss, even if the earthquake was primarily responsible.

This interpretation, Mr. Ebersold says, is most popular in California state courts but also has been discussed in the California state Senate, although no legislation has been introduced yet.

The most current affirmation of this theory was the case of Premier Insurance Co. vs. Welch, decided this past spring in the California Court of Appeals, according to Mr. Ebersold.

In this case, the insurance company was held liable for mudslide losses generally excluded under the all-risk policy it issued because the victim claimed that concurrent weaknesses in the building made it less resistant to the slide.

"The decision noted that the burden of proof in deciding coverage applicability is on the insurer," Mr. Ebersold says.

"That means that the insurer must immediately and carefully investigate the cause of loss and be prepared to present evidence in court that the only cause of loss was the exposure excluded in the policy. If it cannot produce this proof, it must pay."

Though the California interpretation of all-risk policies has not yet posed a serious problem to insurers, Mr. Ebersold believes the attitude of the courts could force insurers to stop underwriting the coverage in California, a state in which the coverage is generally highly sought with earthquake and flood coverage additions.

"The situation has to be resolved, and the most obvious solution for insurers is to completely stop underwriting all-risk coverage in California," said Mr. Ebersold. "Another possible solution is to underwrite a truly all-risk policy which includes earthquake, flood and the other generally excluded perils but this, of course, would require much higher rates and more sophisticated underwriting." Many insurers already are broadening their all-risk coverage (see story, page 3).

"But I think what we in the industry would really like to see is some needed contract language changes that would return the extent of the coverage to what we anticipated it to be when it was underwritten."

"I know that Aetna would like to see some wording developed by the industry as a whole, especially considering that the issue is important to all of us."

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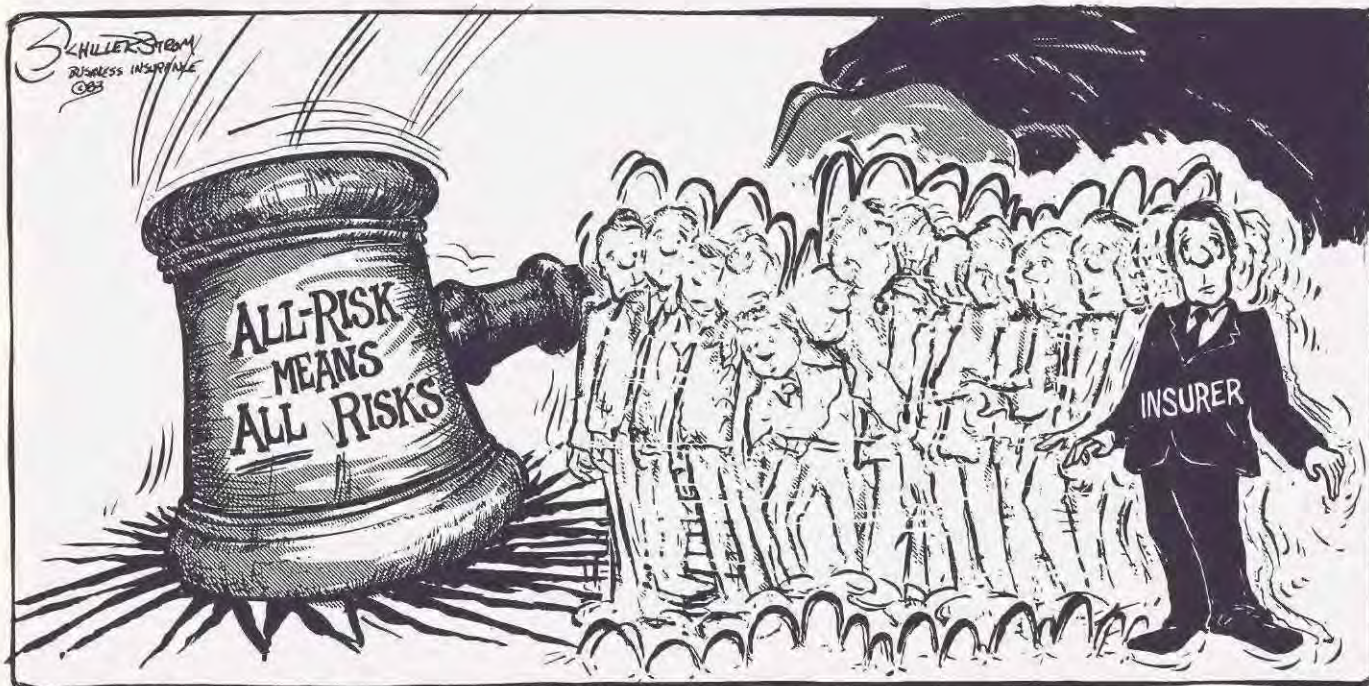


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VES REINSURANCE

opinions



Expanding to meet the demand

INSURERS DECIDING between rewriting the all-risk property insurance form or broadening it would do better in our opinion to broaden it.

As reported in this issue, underwriters of all-risk property insurance policies have already considerably broadened the policy. But, now they are finding in California that they are forced to deliver even more coverage than they had intended. Courts there are interpreting the coverage to apply to any loss that was caused in part by a covered peril, even if an excluded peril—such as an earthquake—contributed to the damage.

Insurers could try a new wording to eliminate this coverage, which they say they never intended to extend. But they could also explicitly add coverage for earthquakes—and charge the needed premium. We think they should do the latter—the coverage obviously is needed.

Speaking of all-risk coverage, it occurs to us that the growth of this policy illustrates the benefit all commercial insurance buyers eventually reap from the innovations demanded by giant insurance buyers.

It was the jumbo account that first demanded all-risk property insurance that broadens insurance coverage for property damage. Now, all-risk coverage is becoming the norm for all buyers of commercial insurance policies.

Of course, one has to consider the view that the growth of all-risk property coverage is related to the continued competition among insurers. They can't cut price anymore, so they are broadening coverage.

That may be true, but we expect that all-risk property forms are here to stay for all-sized companies, whether or not cutthroat competition among insurers continues indefinitely. And for that, we have to extend the credit to demanding risk managers in jumbo companies who wielded their buying clout to get it in the first place.

An age-old risk

ONE OF THE attractions of the risk management profession is the ever-changing nature of risk. The risk manager is always on the lookout for new risks and new ways to control them and finance them. But, regrettably, there is one age-old risk that has not been controlled: fire.

Industrial Risk Insurers finds in its analysis of the causes of fires in 1982 among its policyholders that the percent of losses attributable to fires has decreased to 40.2% from 50% since 1981, but "year after year, the same types of problems cause fires." The problems: electrical fires, overheating, incendiarism—better known as arson—cutting and welding, spontaneous ignition and smoking. "Most losses are the result of long-standing deficiencies in fire protection systems and the way in which personnel react to problems," IRI says.

The solutions: "Using common sense, instituting a good risk-evaluation program and installing adequate fire protection systems," IRI suggests.

It's nothing new—but it's something very important.

letters

Catching the mistaken design

To the editor: The recent collapse of a section of the Mianus River Bridge in Greenwich, Conn., (*BI*, July 4) points again to the terrible toll that structural failures can take. Whether it's the Hartford Civic Center, the Hyatt Regency Hotel in Kansas City or any of the other recent failures that have become news, the toll exacted in loss of life, insurance claims, legal proceedings and damaged reputations is staggering.

A structural review during the design phase—when mistakes can be corrected and the direction of the design changed at minimal cost—should be required on every project. The design should be reviewed by a third-party structural firm whose job it is to review design, not to originate it, and whose objectivity and independence can be guaranteed.

On page 32 of the "Report of the Committee to Investigate the Coliseum Roof Failure," written as a result of the collapse of the Hartford Civic Center, an expert witness was asked during investiga-

tive hearings:

"Would a plan review performed by an independent engineer if competently performed have produced the conclusion that the design of this space-frame structure was defective in major respects, in your opinion?"

"It certainly should."

When these failures occur, they strike, it seems, without warning. The fact is that the warning, the sure-but-silent alarm, is many times already ringing in the design. Long before ground is broken or before the first beam is in place, critical structural details should be reviewed and a second opinion given.

This has been part of the design and construction process in parts of Europe and elsewhere in the world for many years. It's now time to introduce this concept in the United States.

Michael Maglaras
President
SOCOTEC U.S.A. Corp.
Greenwich, Conn.

Not really intrusion

To the editor: The new San Francisco ordinance requiring employers to separate smoking employees from non-smoking employees in office areas where individual smoking disputes can't be settled in any other way does not appear to be a government intrusion into business operations (*BI*, June 13). If, after years of breathing side-smoke, an employee were to ask the government for medical assistance, opponents of the ordinance probably would not feel that to be government intrusion.

Too many people are so habitually addicted to the tobacco sickness that unless laws are passed soon, all people will have black lung or other pulmonary diseases caused from smoking.

Timothy D. Tourville

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

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Photo: Donna Gordon

George Carr, Coleco's data processing director, points to the control panel for the computer room's halon fire suppression system.

Halon system protects Coleco computer

Continued from page 3
uses the computer for accounting and inventory.

Every necessary safety precaution was taken when converting the library to a computer room—and cost was not a determining factor in deciding what should be done, according to Mr. Marcroft.

The halon system is the most expensive and the most technologically advanced fire protection system for computer rooms, Mr. Marcroft said.

"We really could not afford not to have a system like this," said George Carr, director of data processing for Coleco. "We cannot afford to be down."

But in case a disaster does occur, IRI also helped plan a backup system, Mr. Carr said, but added: "I don't care how good a backup sys-

tem is; there's no place like home."

That is why the IRI customized loss-prevention plan focuses on protecting what Coleco has, not planning in case of a loss.

The work IRI has done with Coleco is considered customized because the protection plan was set up according to the company's needs and requests—not according to any standardized loss-control system, Mr. Marcroft pointed out.

IRI devises loss-control programs for policyholders only, with the price of its services included in the policy premium.

For Coleco, IRI recommended safety measures ranging all the way down to the type of vacuum cleaners that should be used in the computer room.

Periodic safety checks during the five-month remodeling process re-

vealed additional safety areas that had to be examined, according to Mr. Carr.

One mistake corrected during construction was the installation of ABC powder fire extinguishers in the room for use during small fires when the full halon sprinkler system would not be needed.

The powder in the extinguishers could ruin the computer equipment, according to Mr. Marcroft. He recommended that Coleco replace the powder fire extinguishers with Halon 1211 fire extinguishers.

The halon extinguishers will work the same way the halon flooding system works, but at much less expense for small fires.

It is important to try to put out small fires with the extinguisher before the flooding system becomes necessary because halon gas is expensive. Some 500 pounds of the gas are stored in two tanks in the building at a cost of \$7 a pound.

Before Coleco moved into the newly converted building last spring, the halon system was tested, which cost about \$15,000, including the price of filling the halon tanks.

Although halon will not harm humans, during the Coleco test the people in the computer center "got kind of high and your voice changes," said Mr. Carr.

A fire will be extinguished if the concentration of the gas in the room hits 3.8%, but if the percentage drops below that point because of an open door or some other kind of leak, the halon gas may not put out the fire.

Therefore, it is also necessary for a company like Coleco to have a wet-pipe sprinkler system, too.

Coleco's sprinkler system was installed so that if the computers cannot be saved during a fire, at least the building will not be destroyed, according to Mr. Marcroft.

Some companies use a backup halon system, but the problem that stopped the first system from working, such as an open door, is likely to cause problems with the second, he added.

To help guarantee the success of the halon system, the building contractor had to be sure that doors and windows were properly sealed with rubber stripping, Mr. Marcroft said.

The system also has backup battery power in case the power in the building goes out.

Another precaution is an "abort" button inside the computer room that can stop the discharge of the gas if the computer operators solve the problem or decide the system was triggered needlessly. However, the abort button is not easy to trigger.

"We don't want a person's discretion to overrule multimillion dollars worth of electronics," Mr. Carr said.

Before halon gas was used to extinguish fires in computer rooms, carbon dioxide systems were used, according to Mr. Marcroft. However, because carbon dioxide is toxic, halon is more practical even though it is more expensive.

To others planning any kind of loss-protection system, Mr. Carr advises bringing in loss consultants at the beginning of the project for the most success.

And, he adds, it makes the job easier if money is not a problem.

"I don't think you can put a cost on the protection," Mr. Carr said.

Coleco and IRI were successful in the library renovation project because their officials share the same loss and safety philosophy, both men pointed out.

"Basically, everybody who was involved did an excellent job. There was a lot of cooperation," Mr. Carr said. "We were all singing from the same song sheet."

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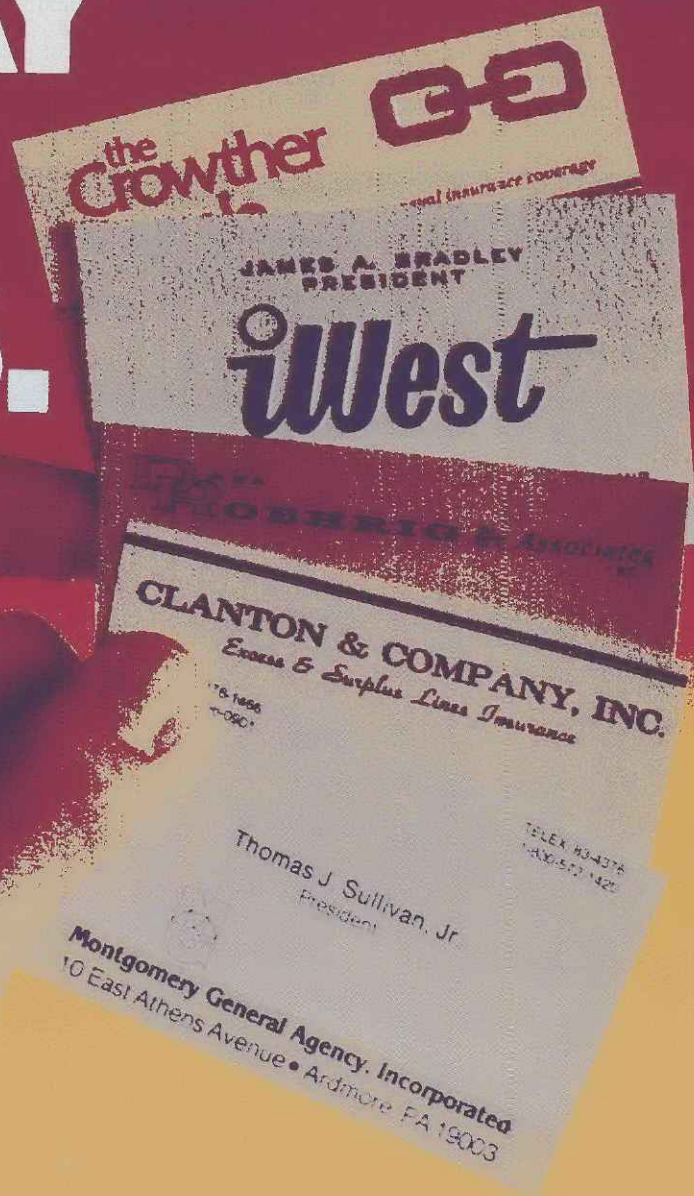


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Fires are major cause of damage, insurer reports

HARTFORD, Conn.—Fires were the major cause of property damage reported in 1982 by Industrial Risk Insurers' policyholders, but explosions caused the most damaging accidents.

Other major causes of property

losses were windstorms and sprinkler leakage.

Fires caused 40.2% of reported losses and accounted for 38.9% of claims dollars paid. The average dollar loss per incident was \$69,228.

Causes of fires in 1982 were basi-

cally the same as in 1981, the IRI report noted. "And chances are pretty good they will remain the same in 1983," it observed. "Year after year, the same types of problems cause fires."

Electrical fires were the main

cause of losses. They accounted for 20.3% of losses and 20.4% of claims paid. The average dollar loss per incident was \$69,412.

Overheating, which caused 18.4% of losses and 18.9% of claims dollars paid, was the second most frequent

cause of fires, followed by incendiary, which caused 13.7% of losses and 8.2% of dollars paid.

The next three major causes of fire losses were cutting and welding, spontaneous ignition and smoking, which accounted for, respectively, 6.9%, 6.3% and 5.8% of losses and 3%, 3.6% and 1.2% of dollars paid.

The amount of damage done by fires can be reduced, the report noted, "by using common sense, instituting a good risk evaluation program and installing adequate fixed fire protection systems."

"Most losses are the result of long-standing deficiencies in fire protection systems and the way in which personnel react to problems," the report stated.

Explosions, which caused 5.7% of total losses, accounted for 41.2% of claims dollars paid. The average dollar loss was \$515,157.

Combustion explosions outside equipment were the most damaging cause of explosions. They accounted for 8.9% of explosion losses and 50.5% of claims dollars paid. The average dollar loss per incident of combustion explosions outside equipment was \$3,530,846.

Combustion explosions within equipment, which accounted for 49.7% of losses and 34.7% of dollars paid, had an average dollar loss of \$359,955 per incident.

Accidental chemical reactions accounted for 1.9% of losses and 0.6% of dollars paid. The average dollar loss was \$163,100. Uncontrollable chemical reactions, which accounted for 2.5% of losses and 0.3% of dollars paid, had an average dollar loss of \$53,375.

Sprinkler leakage was the least damaging of the four major loss categories, accounting for 18.4% of total losses and 3.5% of dollars paid. They caused an average dollar loss of \$13,614 per incident.

"This statistic helps debunk the myth that damage done by sprinkler leakage is devastating," the IRI report noted. "It may even help convince those who use the myth as a reason to forego sprinkler protection that sprinkler systems won't really cause more harm than they prevent."

It also noted that 96.7% of fires reported in sprinklered areas were controlled or extinguished.

Automatic sprinklers also helped to keep the cost of these losses down, the report found. Losses in which sprinklers operated accounted for only 20.7% of dollars paid out for fire losses.

Windstorms, the fourth cause of property damage, accounted for 11.1% of total losses and 6.4% of dollars paid. The average dollar loss per incident was \$41,590.

Winds from 50 to 74 mph caused the largest portion of reported losses—43.4%—but tornadoes had the largest per-incident dollar loss, \$583,800. They accounted for 50.8% of dollars paid.

Wind damage can be reduced, the report noted, by securing roof coverings and making sure the quality of installation workmanship is high. Improperly secured roof coverings accounted for 36.8% of windstorm losses in 1982.

IRI's 1981 report found that fires accounted for 50% of that year's total losses and 45.4% of claim dollars paid. The average dollar loss per incident was \$73,334. Explosions, which accounted for 6.6% of total losses and 41.6% of dollars paid, had an average dollar loss per incident of \$515,305.

Sprinkler leakage caused 13.5% of total losses, 2.8% of dollars paid and had an average dollar loss of \$16,887 per incident. Windstorms caused 7.3% of total losses, 4.5% of dollars paid and had an average dollar loss of \$50,130.

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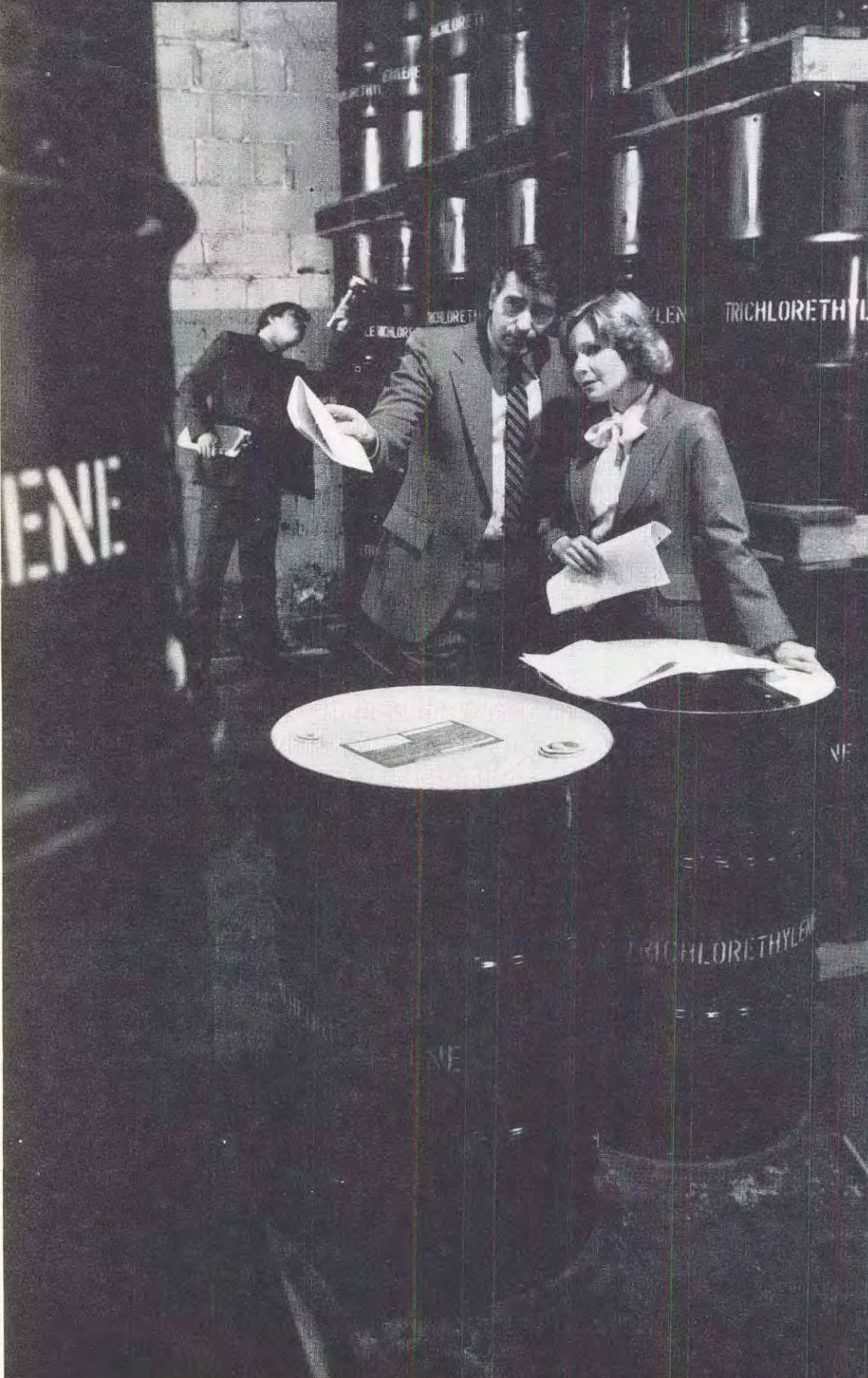
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Photo: American Hospital Supply Corp.

American Hospital Supply must store many plastic products, which presents unique loss control problems.

Plastics pose fire safety problem

Continued from page 3

Arkwright devised a customized loss-prevention plan for American Hospital Supply designed to deal with the special risks involved in manufacturing hospital supplies that are mostly made of plastic.

The major problem the insurer's loss-control specialist faced is how to safely store this large inventory of plastic products that would fuel any fire that ever started.

Plastics cause unique fire protection problems because, depending on their chemical makeup, they can burn very hot and very fast. Many plastics also melt and become dripping, burning flammable liquids that quickly carry fire to surrounding combustibles.

Other plastics will decompose to petroleum and natural gas, which both are potentially explosive.

Toxic gases that can be released by burning plastics pose hazards for firefighters.

And, because plastics shed water, no pre-wetting of non-burning goods can occur so all the products remain dry enough to burn if the fire continues to spread.

About seven or eight years ago, Arkwright-Boston conducted fire tests on American Hospital Supply products to determine sprinkler standards necessary to stop fires involving so much plastic, explained Bruce M. Gadberry, a senior account engineer for Arkwright-Boston.

But the research into the best way to protect American Hospital Supply's products did not stop there. The process, instead, is a gradual, steady one.

When Arkwright-Boston per-

fects a new loss-control technique, it is integrated into the plans for the new distribution centers American Hospital Supply builds every year.

Arkwright-Boston now is working in two specific areas to improve American Hospital Supply's loss-control program. First, Arkwright-Boston is working on the development of large drop sprinklers that can extinguish fires faster.

Large drop sprinklers were originally developed three or four years ago and they are already installed in some of American Hospital Supply's facilities, but Arkwright-Boston and the Factory Mutual system are continuing to refine them.

Because plastics fires can get so hot that the water from conventional sprinkler systems can evaporate before it reaches the floor, Factory Mutual wants to find the best way to get bigger and heavier drops on the fires to extinguish them faster and prevent the rapid spread of fire that usually accompanies a plastics blaze, Mr. Gadberry said.

Testing revealed that the maximum size for a sprinkler hole is 0.64 inch. One-half inch is the standard size. That increase in size significantly increases the water output, Mr. Gadberry said.

The large drop sprinkler system is an effective loss-control technique for highly flammable liquids too.

More recently, Arkwright-Boston started to develop methods of protecting warehouse and distribution center storage racks that are higher than the previous standard 25 feet.

Any progress in this area will be important to American Hospital Supply because several of its distribution centers now under construction will have 35-foot storage racks. Taller storage racks make it more economical to build new distribution centers because fewer square feet of space are required.

A plant to be built in Waukegan, Ill., may have 55-foot racks, Mr. Gadberry said.

High racks complicate fire protection because they allow more oxygen around the materials being stored and oxygen feeds fire. Also, the higher the fire rises, the hotter it gets.

Mr. Marchi says Arkwright-Boston also provides customized safety-training programs, approves all plans for new buildings and annually inspects the company's 400 existing facilities.

Because the company's 20 divisions are decentralized, special training seminars are held in each region and also in Evanston.

Arkwright-Boston provides technical information for the safety managers and training films on fire safety and other property protection, according to Mr. Marchi.

Arkwright-Boston protects American Hospital Supply's \$2.2 billion in property for a yearly premium of about \$1 million, Mr. Marchi said. The cost of the loss-prevention program is included in the insurance agreement.

Mr. Marchi advises risk managers considering setting up a loss-prevention plan to first get a commitment from top management to work for protection.

Then, the risk manager should decide what is necessary to protect the company's assets. With a program in mind, the risk manager can approach the insurer to set up a plan.

Mr. Gadberry agrees: "The main thing is that the company first decide on a philosophy of loss prevention. . . it needs to be a corporate program."

Effective programs start with support from the chairman of the board of the corporation, he added.



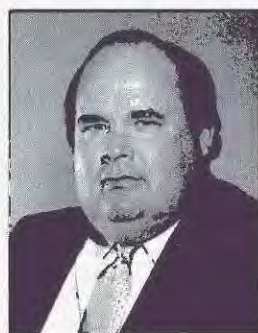
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Q. To what extent can effective Loss Control lower my company's insurance costs?

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In one case, we analyzed a warehouse operation in Kentucky and made a number of recommendations to relieve congestion and improve work-flow and materials-handling procedures. Management implemented the recommendations, and instituted a Loss Control education program that we proposed.

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tion of premium—a full one-third cut. As a side benefit, the Loss Control measures also resulted in a 28.5% increase in efficiency over the same two-year period.

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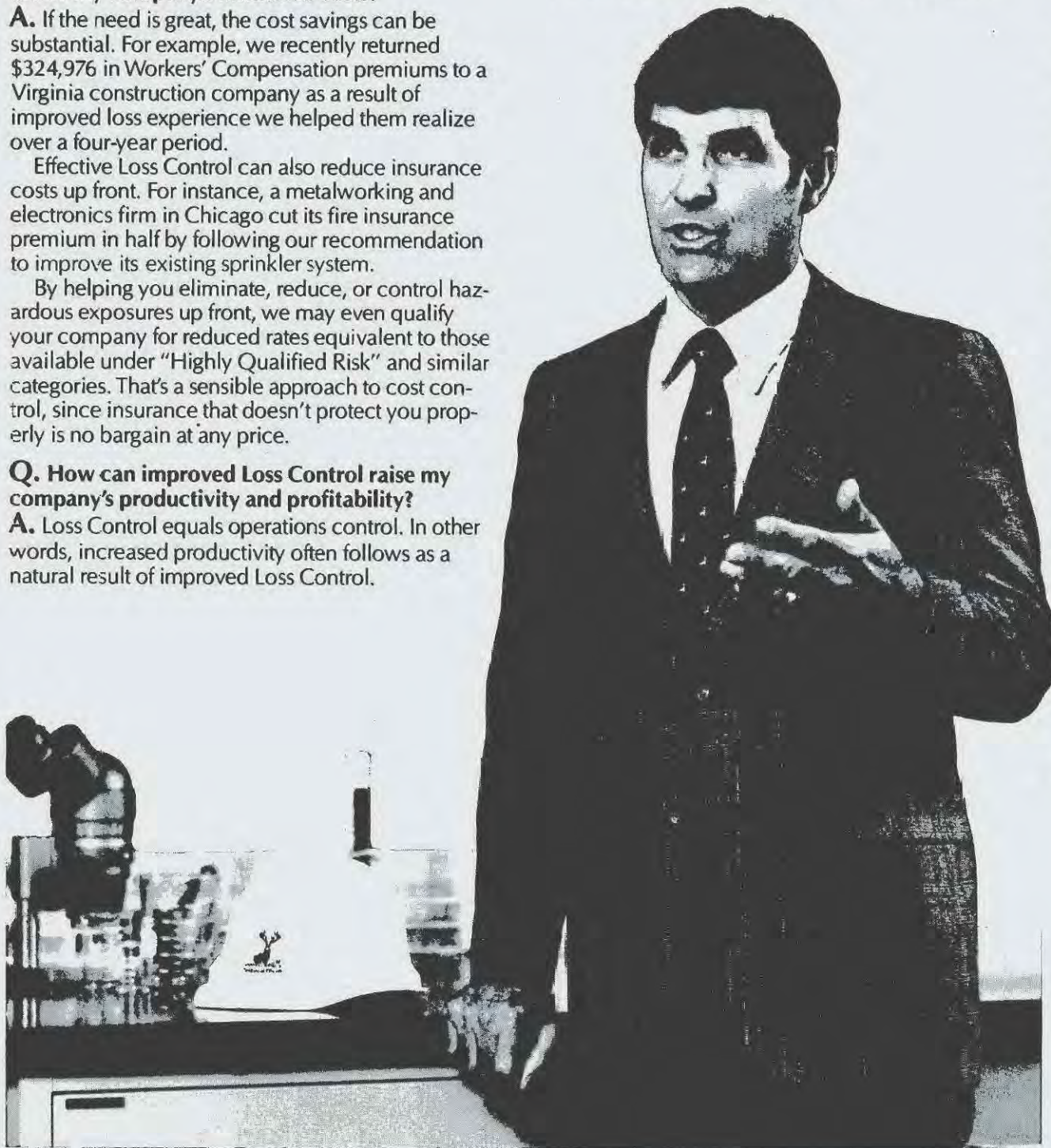
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Boston tries to charge fee to owners of fire hazards

By JIM DAVIS

Charging the owners of hazardous structures an additional fee for city-provided fire protection is now banned in Boston.

But, a state appellate court will reconsider the lower-court ruling banning such a fee, which was instituted earlier this year. Boston officials are hoping the decision will be reversed.

As well as providing an estimated \$8 million in revenues for strapped city coffers, the fee would also encourage owners of hazardous buildings to reduce their fire risk, says Boston Fire Commissioner George Paul.

"If a building's risk of fire is reduced to normal levels (as deter-

mined by a fire department inspection), then the owner won't have to pay a fee," Mr. Paul says. "That makes these improvements worth their while."

Installation of sprinkler systems is a prime way that a building's fire potential can be reduced, Mr. Paul explains.

Less than 2% of the structures in the city pose extraordinary fire hazards, he says, but they account for more than 14% of the city's total firefighting costs because their extraordinary fire potential requires additional equipment and personnel to be maintained.

The fee was charged to owners of buildings that—if they caught fire—would likely cause a three-alarm fire. The average assessment to such owners before the fee was invalidated was \$3,852.

However, a state Superior Court judge in May declared the charge unconstitutional because it was "a tax and not a fee," and gave "to the fire commissioner the authority to assess taxes (which) is an unconstitutional delegation of authority."

The ruling came in a suit brought by Emerson College of Boston. The college claimed that the fees levied on 16 of its buildings amounted to a tax on educational property that is exempt under state law, says Stuart E. DeBard, the college's attorney.

The college would have had to pay about \$14,000 if it had lost its case, he says.

While Boston is by far the largest community to consider or implement such a fee, it is not the only one. Several communities in California have considered similar measures, according to H. Allen Evans, president of Evans Management Services Inc., a consulting firm that helped Boston set up its fee system.

The fees have been considered in Massachusetts and California in reaction to state laws that cap the amount of property taxes that can be received by local governments. California's Proposition 13 took effect in 1978, while Proposition 2½ was approved by Massachusetts voters in November 1980.

So far, only one California municipality has actually implemented a fee. Englewood, a city of about 90,000 near Los Angeles, raised about \$1.7 million during its 1979 fiscal year, the only year in which the fee was collected.

"Initial reaction wasn't good," said Mr. Evans, whose firm also assisted with that program's design. "But after people understood why the fee was instituted, the anxiety level went down considerably, mostly because most buildings do not require additional fire protection and weren't charged."

The Englewood fee was discontinued after 1979, Chief Assistant City Attorney Jack Ballas said, after the city instituted other revenue measures like retirement taxes, business license taxes and refuse collection taxes. Mr. Ballas thinks it is "not likely the fire fee will be reintroduced," although the ordinance remains on the city's books.

Lawsuits questioning the Englewood fee's legality were filed, Mr. Evans adds, but the fee was dropped before they could be heard.

Culver City, Calif., is now considering a similar fee for extraordinary fire protection, City Attorney Bert Glennon says. The idea was first considered in 1979 and was most recently suggested during June budget hearings.

"We're just beginning to explore it," Mr. Glennon said. "We will be looking to see if it can be legally done. We're nowhere near ready to implement."

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Sprinkler innovation could reduce losses in warehouse fires

By JIM DAVIS

An innovation in sprinkler systems may be about to ignite the field of warehouse loss control.

However, before these "quick-response" sprinklers are installed in warehouses, more studies are needed to determine if they can do the job.

"We have touched on, if not a revolution, at least a whole new set of knowledge," said Jack Rhodes, chief operating officer of Factory Mutual Research Corp., a research

and testing arm of the Factory Mutual System, the Norwood, Mass., property insurer that underwrites highly protected risks, including those protected by sprinklers.

FM's fire test laboratories have run extensive tests on quick-response sprinklers' use in controlling residential fires. However, they have hardly performed any tests on their application to industrial settings, Mr. Rhodes said, admitting that considerable work will have to be done before any conclusions can be drawn about their value in commercial environments.

Quick-response sprinklers rely on new technology that allows sprinkler heads to be thinner and lighter, and thus more sensitive than regular sprinklers in detecting heat increases generated by fires. They can also be designed to react to lower temperatures.

It is this sensitivity that concerns Mr. Rhodes and other experts when they talk about using quick-response sprinklers to control warehouse blazes.

If the sprinklers are too sensitive to the heat given off by a blaze, a relatively large number might be triggered by a comparatively small fire, they say. A building's water system could be needlessly taxed and considerable water damage could be caused.

Studies first began in 1978 on quick-response sprinklers' use in residential situations—where 733,000 fires caused 5,540 deaths and \$3.3 billion in property damage in 1981, according to the National Fire Protection Agency.

Residential quick-response sprinklers, which are up to 10 times more heat-sensitive than regular sprinklers, have been manufactured since May 1981.

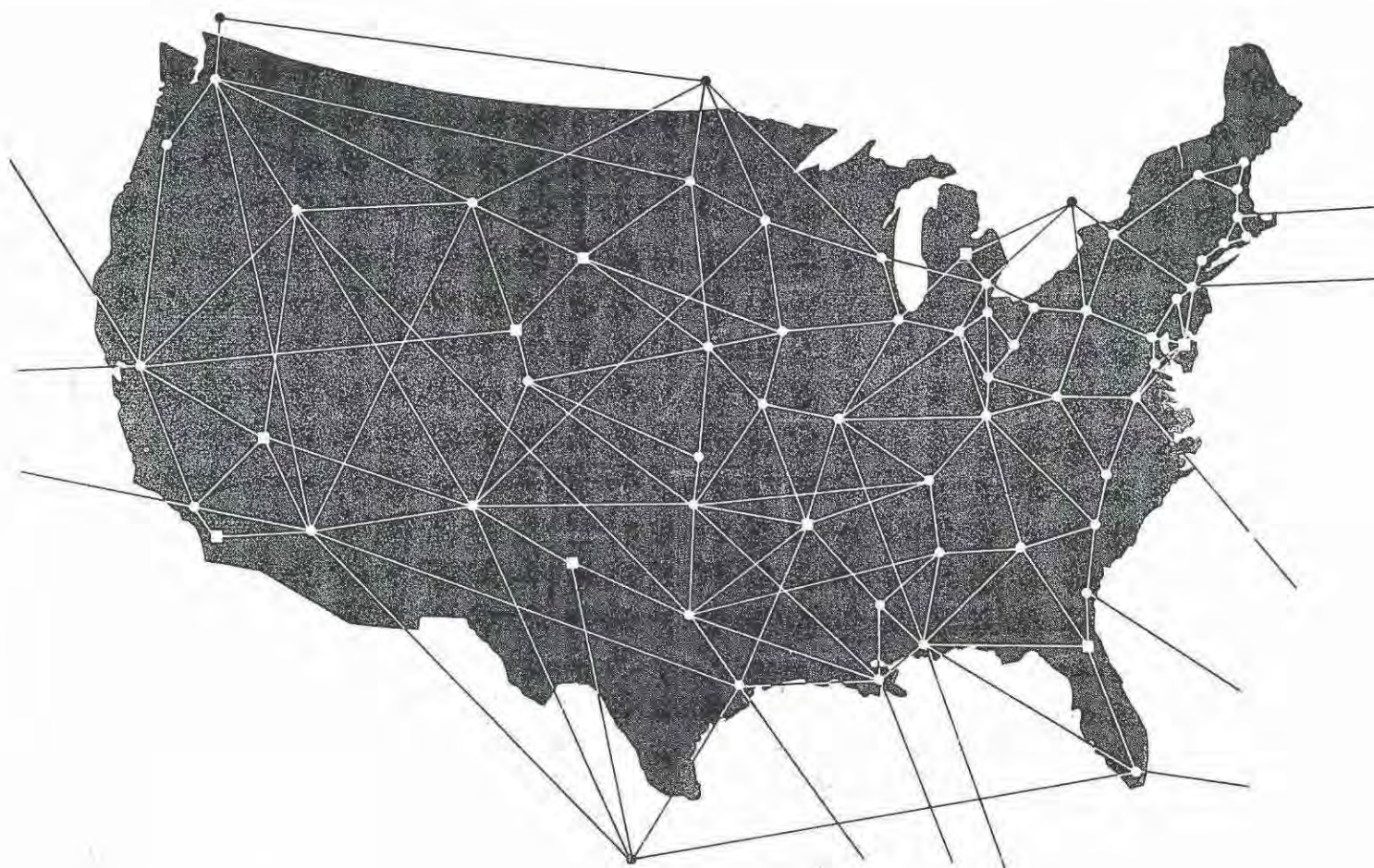
Further work developed quick-response sprinklers that can be used in hotels and motels. Their improved sensitivity is most valuable in reducing the number of deaths in residential, hotel and motel blazes, experts say.

Because they react more quickly to a fire, quick-response sprinklers might cut down on property losses in warehouse fires, the experts add, although all were quick to note that they won't be able to estimate the amount of savings, if any, that might result from their use until thorough tests are run.

The NFPA's research foundation will solicit funds for this work beginning in September, according to Martin Grimes, vp of the NFPA, a 33,000-member organization in Quincy, Mass., that provides technical and educational fire information.

At least \$100,000 will be required in the first year, Mr. Grimes said, and a total of more than \$500,000 may be needed before work is complete. Potential donors include insurance companies and chain store owners that own large warehouses, where the risk of fires could be significantly reduced with quick-response sprinklers.

Continued on facing page



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Continued from facing page
 If funds become available, testing could begin within six months, according to Chester W. Schirmer, president of Schirmer Engineering Corp. of Deerfield, Ill., who heads an ad-hoc test planning committee that got the NFPA interested in industrial testing of quick-response sprinklers.

If quick-response sprinklers are to be used in industrial settings, Mr. Rhodes said, they will have to meet three tests.

First, the combined amount of fire, water and smoke damage will have to be less than with standard sprinklers.

Second, less water will have to be required to control the fire. In residential settings, Mr. Schirmer said, the amount of water needed to control a fire has been reduced by more than 25% because quick-response sprinklers are triggered sooner, when the fires are smaller.

Third, the amount of time during which the sprinklers operate will have to be reduced if the fires remain smaller and can be extinguished sooner.

Residential quick-response sprinklers meet these requirements.

As a result of their reduced water requirements, residential quick-response sprinklers do not require access to water supplies of the size necessary to feed standard sprinkler systems. In many cases, a residential building's existing supply will provide enough water, Mr. Schirmer said.

In addition, smaller pipes are needed to carry the water. They can be made of flexible plastic, rather than the copper or iron standard systems use, and are less-expensive.

"The beauty is most realized in retrofitting," Mr. Rhodes said. "The plastic pipes can better fit into tight places and around corners."

"The concept behind them is incredibly simple," said John A. Viniello, residential fire protection manager at Grinnell Fire Protection Systems Co. Inc. of Providence, R.I., the first company to manufacture residential quick-response sprinklers. "That's where the genius is. You just get water on the fire quicker."

They are so effective in doing this job that, within five years, he says, "The standard fire sprinkler will be a dinosaur."

In residential situations, quick-response sprinklers' capacity means fires cause less property damage, as well as save lives. For example, April 1982 tests performed in Scottsdale, Ariz., found that quick-response residential sprinklers reduced property damage losses 85% from what they would have been without sprinklers. November 1981 tests in Cobb County, Ga., reported an 82% savings.

Such savings would be welcome in the warehousing industry.

In 1981, the most recent year for which statistics are available, fires in storage structures, primarily warehouses, numbered 62,000, down 5.3% from the year before. However, these fires caused \$616 million in damage, up 20.3% from 1980, according to estimates made by the NFPA.

Quick-response sprinklers could be especially useful in controlling "high-challenge" warehouse fires, experts say, where there is concentrated storage of large amounts of highly combustible materials,

like plastics and tires. Such blazes quickly build intensity and spread rapidly, Mr. Schirmer said.

As an example, he cited the June 21, 1982, blaze that destroyed most of K mart Corp.'s 1.1 million-square-foot distribution center in Morrisville, Pa. Although the warehouse, a highly protected risk, was equipped with standard sprinklers and fire walls, ignition of propane cylinders, aerosol cans and ammunition may have caused the fire to spread before the sprinklers could bring it under control (BI, July 19, 1982).

Another innovation that may better control industrial fires is a so-called large-drop sprinkler,

'The concept behind (quick-response sprinklers) is incredibly simple. That's where the genius is. You just get water on the fire quicker,' says John A. Viniello of Grinnell Fire Protection Systems Co. Inc.

which produce larger water droplets than regular sprinklers.

Tests conducted by Viking Corp. of Hastings, Mich., the only manufacturer of large-drop sprinklers, have shown that these droplets, which are about 2 millimeters in diameter, are more effective than

smaller droplets in controlling high-challenge fires because they can better penetrate the fires' upward plume of flames and heated gasses, which can reach 40 mph.

Mr. Rhodes says industrial quick-response sprinklers may do a better job of controlling fires if they pro-

duce large drops, although studies must be done to measure their effect and, if results are positive, develop rules.

Although fire safety experts are not sure if these new types of sprinklers will work in commercial buildings, none questions the necessity of a new approach to warehouse fire control.

"We have entered a whole new era (in industrial fire protection)," Mr. Rhodes said. "More has happened than had during the past 100 years."

"We need a whole new system" to control these fires, he said, adding that quick-response sprinklers may be a part of that system.

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IRI lab teaches buyers how to fight fires

By BILL DENSMORE

HARTFORD, Conn.—Larry W. Davis, who teaches corporate fire safety and loss control at Industrial Risk Insurers' training facility in Hartford, learns some things that could almost be funny if they weren't true.

Take the story about the IRI regional inspector who arrived at a policyholder's plant one day to witness a periodic test of its dry-pipe sprinkler system. The inspector and a plant official walked over to the engine designed to pump water from a 250,000-gallon backup water storage tank in the event of a fire.

"OK," said the inspector. "Let's start it up and see how it's working."

"They told you about the diesel fuel, didn't they?" asked the em-

ployee.

"What diesel fuel?" queried the IRI representative.

"The diesel fuel in the water tank. The plant manager got a good deal on some diesel fuel and he and the safety director needed a place to store it, so they drained the water out and put diesel fuel in."

The horrified inspector pointed out that, had a fire set off a sprinkler and triggered the pump, a shower of diesel fuel would have turned the plant into an inferno.

The employee, though, reassured him that the pump had been disabled so it wouldn't start pumping the diesel fuel under such circumstances. And, in case of a fire, this plant would have had no sprinkler system.

Mr. Davis, IRI's senior fire safety

'My job is to get 'em in here and excited and teach 'em the whys of things,' Mr. Davis says.

instructor and a zealous advocate of sprinklers and fire-detection equipment, swears the story is true, but he won't provide any details that would identify the policyholder.

Although few companies store fuel in their sprinkler storage tanks, policyholders need to be taught how sprinklers work and how to make them work more ef-

fectively, Mr. Davis says.

IRI spends thousands of dollars annually, he says, to maintain classroom facilities for risk, insurance and safety managers for a simple reason: "People don't understand why you put sprinkler systems in, period."

"My job is to get 'em in here and get 'em excited and teach 'em the whys of things."

Robert J. McGill is an IRI policyholder who went through Mr. Davis' class a few years ago. Mr. McGill now heads the fire-safety efforts of Aerojet General Corp.'s Sacramento, Calif., facilities employing 6,500 people. The plants make rocket propellant systems for the armed forces.

"I was basically an engineer coming out of rocket production

when I went, rather than in the fire-safety end," recalls Mr. McGill. He says the class taught him how to be objective about the fire safety requirements of his own company.

Returning to Sacramento, Mr. McGill began a process that ultimately led to a successful employee-awareness program. Now, he says, every Aerojet employee from the president on down goes through a three-hour training course on how to handle various types of fires and fire extinguishers.

At the end of the course, Mr. McGill explains, each employee is given a small extinguisher for home use with the pledge that Aerojet will refill it for free if they ever need to use it.

"The reaction was more than I bargained on," he says. "It generated a whole new level of safety awareness."

"I was amazed at the number of comments we would get from people who had stopped to put out car fires or used them in their own kitchen."

The IRI training programs like the one Mr. McGill attended differ somewhat from those offered by other highly protected risk insurers.

For instance, the Factory Mutual System operates a special 1,500-acre facility in West Gloucester, R.I., that can simulate large fires and test the flammability of materials. IRI has no such facility. Instead, it has chosen to develop and market a special one-week classroom program for policyholders to teach them how they themselves can better protect their own property.

The IRI training facility is located in a 100,000-square-foot section of the basement at IRI's headquarters in Hartford, Conn. "We don't try to impress them with a lot of things like this is a Taj Mahal," admits Mr. Davis.

Instead, the lab has evolved to resemble more of a classroom for an advanced science course. Its most conspicuous contents: at least 30 different valves for sprinkler systems of every make and model. All are painted red and all are in working order.

Supplied with water from a floor-level main, each of the 6-inch valves can have water shunted past its plexiglass coverings so that students can see how the particular system in their plant works.

"We even have valves here that aren't made anymore," says Mr. Davis. "But you'll find hundreds of them in use in plants around the country and people need to know how they work."

Scattered throughout the lab are hundreds upon hundreds of sprinkler heads, from the most modern types now being installed in commercial and residential buildings to bizarre-looking creations from the 1890s. Some are painted and some aren't.

"You know, every class I get in here, I ask them why they shouldn't paint a sprinkler," says Mr. Davis. "And I haven't gotten one right answer yet."

Sprinkler heads usually are held together with a piece of solder, he explains. When temperatures along a ceiling rise because of fire or smoke, the solder melts, allowing two bars to separate. That, in turn, allows spring-loaded valves to open, releasing the flow of water.

"Most people say the paint interferes with the melting point of the solder," says Mr. Davis. "But that isn't it at all. The problem is that paint can seal the valves shut so they won't open even when the solder breaks."

Another example of the "basics" Mr. Davis teaches: Don't ever try
Continued on page 22

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Photo: Industrial Risk Insurers
 Larry W. Davis, left, shows safety managers how to operate a fire hose nozzle at IRI's training lab.

Risk managers learn fire safety at IRI lab

Continued from page 20
 to reuse a sprinkler head once it has been near a fire—even if it didn't open.

"Heat changes the chemical composition of the solder so that even when it cools down again without separating, it's different. Gradually, over time, it will open without a rise in temperature, causing water damage for no reason at all."

The IRI lab also contains a smaller room with fireproof walls, floor and ceiling and fans for ventilating smoke so that instructors can set fire to various types of combustible materials. Then class participants—using fire hoses, hand-held extinguishers or other means—learn how to put them out.

Besides learning how to put out fires, students also learn how and why fires start.

"Do you know the difference between combustible material and a flammable material?" asks Mr. Davis. "It has to do with flash point. Gasoline is flammable and diesel fuel is combustible at normal temperatures."

"But if you went to Alaska and it was 50 below, gasoline wouldn't be flammable. And if you went to Florida and spilled some diesel fuel on the road when it was (more than) 100 degrees out, that would be flammable."

Mr. Davis further explains that fire safety experts differentiate between "flammable" and "combustible" according to a material's flash point—the lowest temperature at which the vapor of a volatile material will ignite.

Materials with a flash point that's below 100 degrees are considered flammable. Those with a flash point above 100 degrees are only combustible.

Gasoline's flash point is about 45 degrees below zero, while diesel fuel's is about 105 degrees.

"The point is, the hazard of a material is always related to its environment."

Another part of the IRI lab's job is to conduct investigations into big fire losses and determine what went wrong. For example, a disastrous fire at a K mart Corp. warehouse in Morrisville, Pa., on June 21, 1982, has already led insurers to upgrade their concern about the property storage of cans aerosol cans (*BI*, July 19, 1982).

In that fire, sprinklers were unable to contain the amount of heat released by the burning aerosol cans of consumer products. It was another lesson about environment, says Mr. Davis.

"How many sprinklers you need to control a fire depends upon what you're going to store in a building. An empty metal building won't need many sprinklers because there's so little to burn and create heat that a little water would go a long way.

"But water puts out a fire by absorbing the heat generated. And if you have a warehouse full of highly combustible materials, your sprinkler system may not be able to deliver enough water to stop a fire."

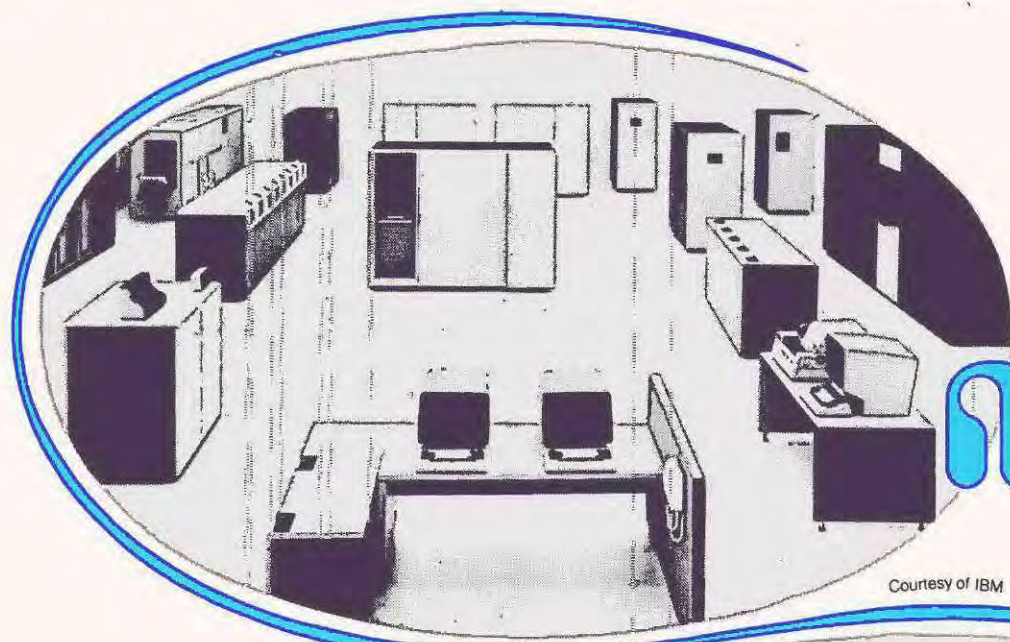
It was an earlier disastrous fire at a production plant several years ago that prompted IRI to begin its "RSVP" program, which stands for "restore shut valves promptly." The phrase refers to the need to restore a supply of water to dry-pipe sprinkler system valves whenever maintenance is being performed on the system or following a small fire.

In the earlier fire, a plant burned to the ground when a fire of suspicious origin began while workmen were replacing one sprinkler valve. Unfortunately, a plant official had turned off water to the entire sprinkler system instead of that one area and then went home without telling anyone.

When the fire began in an unprotected area, the plant burned because the sprinkler system wasn't working.

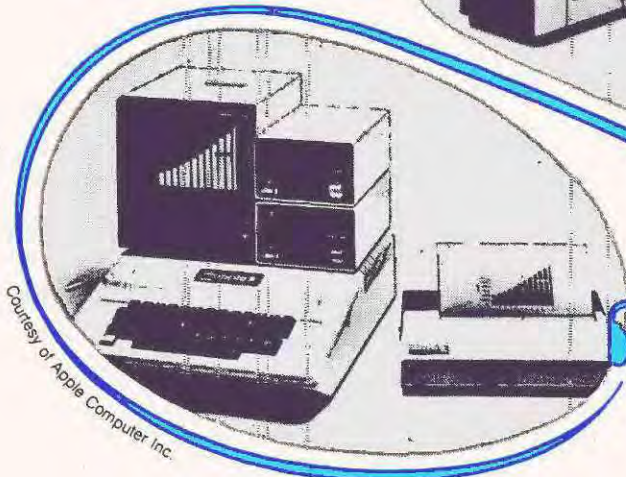
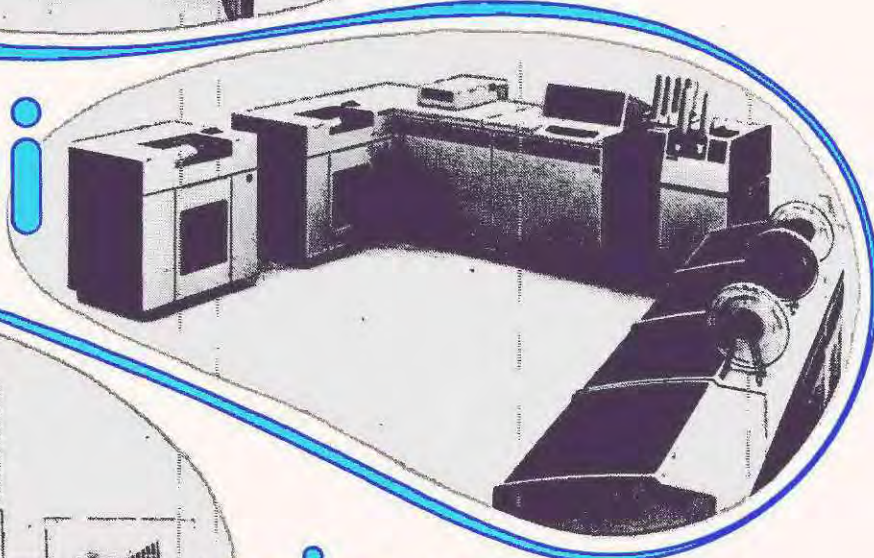
Now, IRI urges policyholders to call the insurer before they plan an "impairment" of their fire-safety system for maintenance or any other reason. IRI experts will give suggestions that can minimize the time and extent of the unprotected period.

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Modern criminals prey on computer data

By STEPHEN TARNOFF

Not long ago, a clerk in a corporate accounts payable department happened to owe a lot of money. He didn't have the funds himself, but he found a way to pay his bills—at his employer's expense.

The employee set up a fake company and added it to the computer file of vendors doing business with the company. When fake bills from that company arrived by mail, he forged a few initials and began paying them.

The company did not catch up with the employee until it lost hundreds of thousands of dollars.

The incident, though by no means the largest example of computer fraud on record, is a simple illustration of what can happen if employers do not secure their data processing systems.

If corporate America is entering the computer age, then so are criminals, computer security experts contend.

Computer abuse and fraud currently cost businesses up to \$15 billion annually, according to one estimate. And some experts believe that many—if not most—of the losses go unreported.

Companies, meanwhile, have been slow to deal with the dangers. What many don't realize, experts say, is that corporate assets are at risk and, without adequate safeguards, employees and outsiders won't have much trouble obtaining access to them.

Even companies that don't always deal in large sums of money have to be aware of the dangers.

"You don't have to steal money; you can steal a variety of things," says Martin E. Silverman, a principal in information services consulting at the accounting firm of Coopers & Lybrand in Chicago. For example, someone can tap into a computer and steal valuable information like marketing or new product plans, he says.

Experts say that companies that use relatively inexpensive mini- and microcomputers to store data may be exposing themselves to risks they aren't even aware of.

"The big central sites, they are OK," says Tom Braniff, president of Braniff Systems, a computer consulting firm in New York City. It's the small computer systems used in field offices that are the "most vulnerable" to computer fraud, he says.

Although businesses have always been subject to individuals attempting to acquire unauthorized information—whether through industrial espionage, sabotage, fraud or embezzlement—would-be criminals can use the new technology provided by computers to further their schemes.

"We are looking at the creation of new ways to commit traditional acts," says Charles Wood, a management consultant with the Stanford Research Institute in Menlo Park, Calif. "The perils are the same, but the environment is different."

Moreover, computer systems lend themselves to dangers that may be even greater than in the past, experts point out.

When companies handled tasks manually, there was a greater division of labor that created a measure of security in some cases, Mr. Silverman explains. Functions were decentralized and a number of people might be involved in a particular transaction, prohibiting one person from obtaining access to all the information.

With computers, however, information is centralized giving individuals with computer access greater power to do harm, Mr. Silverman says.

Although the experts contend that computer fraud is likely to increase as more and more companies turn to data processing, there are a number of things companies can do to cut their risks.

First and foremost, they say, management and employees should be educated to the dangers of computer abuse. Then the company should institute proper data-handling policies and procedures.

"Information is a corporate resource and should be treated as such," says Mr. Wood.

"More and more people are realizing that data is an asset of the corporation" says Mr. Silverman. In most cases, the information contained in the computer is more important to protect than the computer itself, he says.

Moreover, management must be educated to the fact that security is "not a one-shot deal," Mr. Silverman adds. It must be phased in gradually depending on the company's needs and continued as an ongoing program.

"There has to be an ongoing monitoring policy. Security is as much prevention as detection."

"A company has to take a position and issue a policy regarding protection of information," says Robert Abbott, president of EDP Audit Controls, a computer security and auditing consulting firm in Oakland, Calif.

Without a corporate policy to back them up, those seeking to implement computer security procedures will have a more difficult time convincing personnel that se-

curity must be addressed, Mr. Abbott says.

"People must be made aware that security is a problem and know when something wrong is apparently happening," he says. "... It is training to acquaint people what the problems are."

After the company commits itself to protecting its computerized data, it must decide what are its needs and risks. Those will often vary considerably.

"Risk managers must look at their exposures and determine how exposed they are," Mr. Braniff says.

But, as Mr. Silverman explains, how a company determines its exposures will differ from business to business. "There is no blanket pattern you can throw over every cor-

poration."

One place to look for exposures to fraud, Mr. Abbott advises, is in the "integrity" of the software that your computer uses. Software, he explains, often contains properties that, if known by a potential criminal, can allow the system to be subverted.

"Software needs to be reviewed by an independent group," Mr. Abbott adds, not by the group or company that sold it.

Mr. Silverman at Coopers & Lybrand points out that security problems should be recognized when the computer system is designed and installed and safeguards should be built into the system at that time. They are hard to add on once the system is up and

Continued on next page

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Security measures can deter computer criminals

Continued from previous page running.

"Security is being treated as an add-on rather than a design factor," he says. "Security has got to be designed into the applications. Controls have to be designed on the drawing board."

One of the ways to prevent fraud before users start operating the system is to assign specific duties.

Joseph A. Antonuccio, a partner with Peat, Marwick, Mitchell & Co. in New York, recommends a "simple separation of duties" among those who use the system.

For example, an employee who sent checks to a phony company would not have been able to commit the fraud if someone else has been responsible for approving what vendors were entered into the computer system, he says.

In addition, "a responsibility reporting system" can also often spot errors or abuse. If every expenditure is charged to a department with its own budget, he explains, individual department heads are likely to catch fraud since it will come out of their funds.

"That simple device has caught a lot of fraud," Mr. Antonuccio says.

"These are good, old-fashioned administrative controls," he says. "They are the core of controls and are the most important ones."

In addition to these controls, there are also a number of devices that companies can use to further restrict access to data. Among them are passwords, access restrictions and data scrambling.

Systems that require more than one user usually require a person to input a password before he is given access to the computer, Mr. Wood says.

These passwords should be changed periodically, especially if an employee resigns or is fired.

And, employees should be instructed not to reveal their private passwords to anyone else, the experts agree.

Another method, says Mr. Wood, is to limit the level of access or authority an individual user has. That way, employees can't handle data restricted for others.

Dr. Michael A. Pearson, a professor of accounting at Kent State University who has authored articles on computer security, says that the computer itself can be programmed to alert security personnel whenever an out-of-the-ordinary operation is being performed.

If a company is concerned that someone might try to tap into its computer from an outside terminal, several experts point to "encryption"—scrambling of computer messages—as a security measure.

By coding messages so that outsiders won't know what they mean, encryption can prevent outside sources from gaining access to internal files and protect confidential information that is being transmitted from one system to another, says Dr. Pearson.

An example of where encryption might work, according to Mr. Abbott, is in the case of a person who uses a personal computer to tap into a bank's automatic teller machine. He effectively discovers what messages the teller machine sends and receives and then initiates his own messages to the machine to transfer or withdraw money illegally.

"This can be done away with if the teller machine line is using some form of encryption," he says.

But even these best of security methods have holes, the experts point out.

For example, it is often easy to discover other people's access codes or passwords. "Don't paste the password on the front of the terminal," Mr. Braniff advises.

Some people have found passwords by going through the gar-

bage, Mr. Wood says.

Even as complicated security measures like encryption can be misused, Mr. Abbott adds. In fact, encryption can be used against a company by an extortionist.

For example, someone could encrypt a company's data from an outside terminal, he explains. If this happens, the company might have to pay the criminal in order to be able to read its own data.

As computer technology advances, scientists are trying to devise even more complicated

methods to secure computer systems and the data they hold, Mr. Wood says.

Instead of requiring a password, for example, a computer may someday examine a user's fingerprints, look at the blood vessels in his eyes and take into account the way a person types on the keyboard before it permits access. In addition, systems may require users to insert a magnetic card, like a key card, before signing on.

"It will be an integration not only of what people know (passwords),

but what people are (fingerprints), the things people can do (the way the type) and what people have (magnetic cards)," he says.

While computer security systems are becoming more sophisticated, experts say that companies will always be exposed to computer fraud.

"There are no foolproof methods," says Gerald Issacson, a director of the Computer Security Institute in Northborough, Mass. "There is no such thing as perfect computer security. All you can do is

hope to reduce it to an acceptable level."

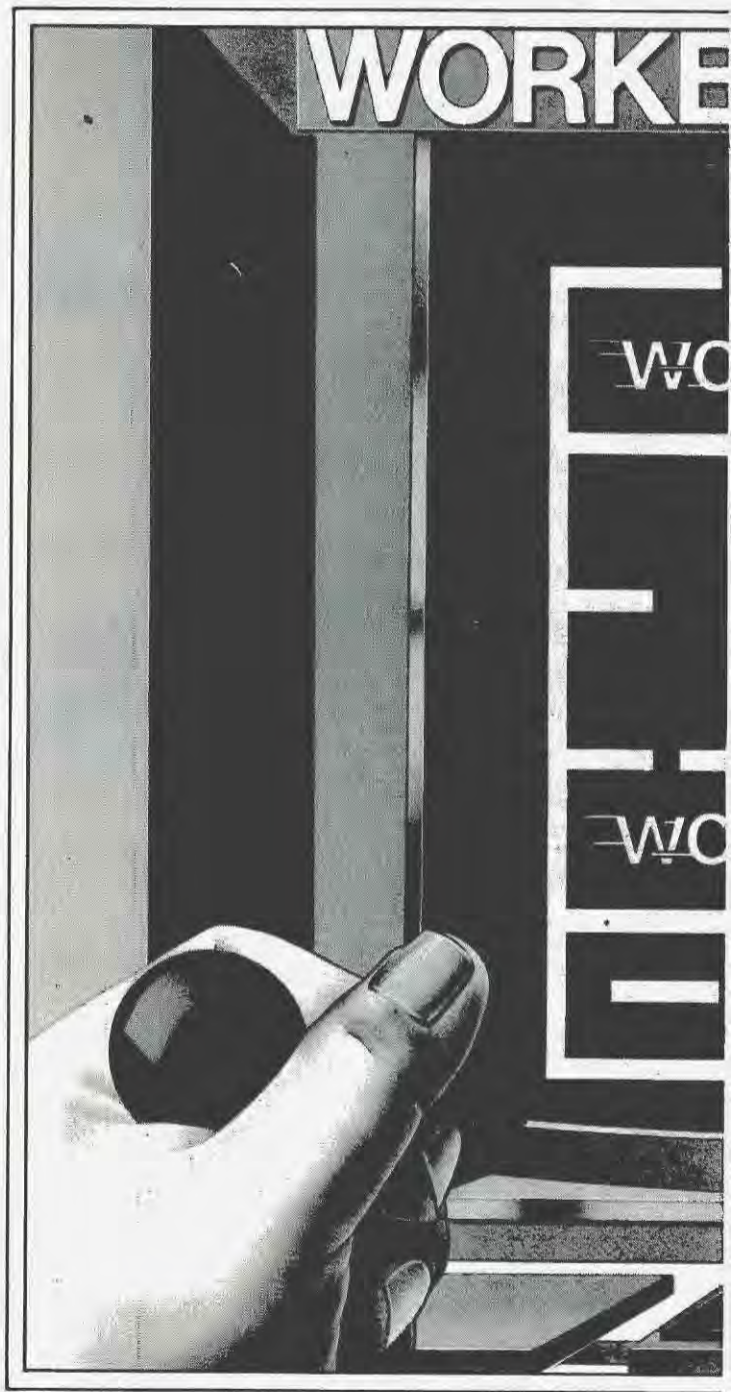
Companies can purchase insurance to protect data and information from computer crime.

Among the insurers and underwriting managers that offer separate policies or endorsements to blanket bond forms for varying risks are Lloyd's of London; Shand, Morahan & Co. Inc.; St. Paul Fire & Marine Insurance Co.; Aetna Casualty & Surety Co.; Hartford Insurance Group; and Travelers Corp. (BI, April 5; Oct. 11, 1982).

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More computer crime laws not expected

By STACY SHAPIRO

LONDON—Companies that depend on computers to transmit funds or confidential information will have to fight computer criminals without much additional support from their government, international experts say.

More laws against computer crime may only complicate the already growing problem, added those attending a seminar on computer crime sponsored by the Or-

ganization for Economic Cooperation & Development.

Instead, companies will have to upgrade their computer security programs, learn to catch computer crimes early and report them to the police as quickly as possible (see story, page 32).

"What should be done? I do not know," concluded Lucy Hummer, the U.S. State Department's deputy assistant legal adviser for economic and business affairs for the U.S. State Department and a delegate to

the OECD conference.

"Should there be a common definition of computer crime? Should people look outside the present mechanisms established? Or should we wait and see how the problems of computer crimes iron themselves out?" she asked.

Ms. Hummer said she thought the third solution is probably best for the moment.

Most of the 100 participants at the OECD seminar, officially called the Computer Crime Needs Inter-

national Countermeasures Conference, seemed to have more questions than answers about how to stop computer crime.

"A lot of problems were posed with very few solutions," said Michael Comer, chairman of Network Security Management, a British computer security organization.

"The problems will not be solved by lawyers but by the users of computers, and the legal situations will be solved as the cases go to court," he said.

Some of the conference participants suggested that Lloyd's of London should get involved in catching computer crime thieves.

A show of hands at a question-and-answer session proved that a number of insurance buyers are willing to accept a computer crime insurance policy that included a mandatory police reporting clause.

The clause would say that Lloyd's will only pay a computer crime loss after it has been reported to the police.

"The (Federal Deposit Insurance Corp.) says that all frauds must be reported to the FBI this way," said Adrian Norman, consultant for consultant Arthur D. Little Ltd. "Insurance companies here could ask for something like that."

But Lloyd's has no intention of including this clause in its electronic funds transfer insurance policy, replied David J. Newman, deputy underwriter at syndicates managed by K.F. Alder (Underwriting Agency) Ltd. Mr. Newman is the underwriter for a flexible electronic funds transfer insurance policy to cover banks against third-party thefts (BI, Feb. 21).

The policy would go beyond the bounds of normal Lloyd's practice if it insisted that buyers report computer crime losses to the police before paying claims, Mr. Newman said.

"Most people I talk to say they do not want us to get involved in the internal problems of the companies," he said.

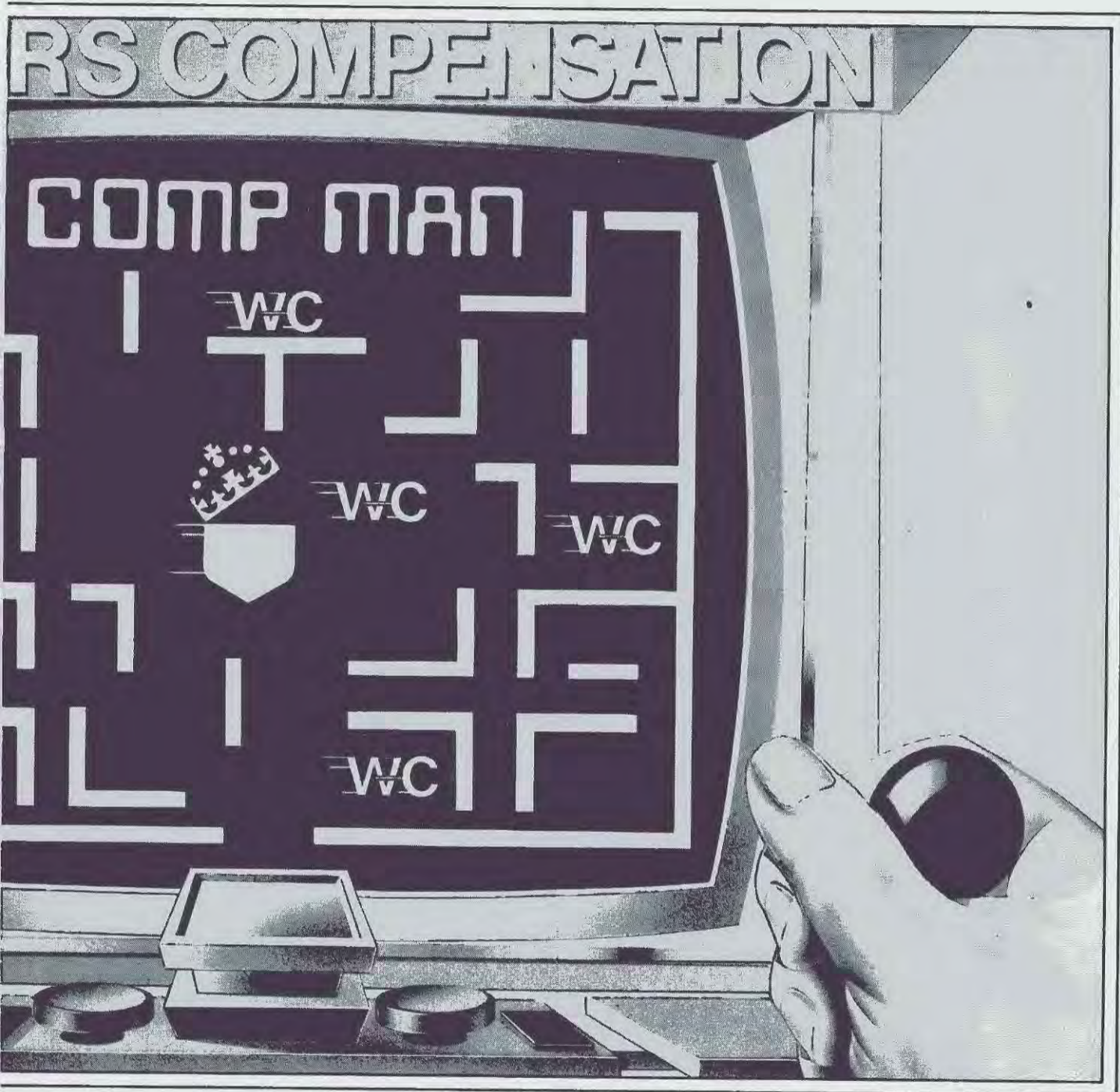
Also, he pointed out, reporting some computer crimes to police could further endanger the security of confidential client information or trade secrets that are stored in the computer.

"Insurers should offer some kind of cover for personal data privacy," said Mr. Newman. "We (underwriters) need to look at the whole area of confidentiality."

Others at the conference disagreed with Mr. Newman and said all computer fraud should be reported to the police, but they noted that it's governments' responsibility—not insurers'—to prevent computer crimes.

"Insurers should not demand this; the law should demand reporting of computer crimes," Mr. Comer said. "Companies not reporting their losses is indefensible. Clients are deceived into a false sense of security by not reporting these thefts."

All nations should follow the ex-
Continued on page 32



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CONTROLLING HIGH-RISE FIRES

By Glen C. Stanford

Adequate sprinkler coverage is key to protection

WITHOUT QUESTION, adequate sprinkler coverage is the key to furnishing the best possible physical protection in high-rise buildings. Automatic sprinklers act to control and extinguish fire and are also very effective in minimizing smoke levels. This in turn makes manual fire-fighting efforts less difficult, thereby minimizing the chances of a high-rise fire growing into a towering inferno.

Many municipalities throughout the world have mandated that sprinklers be installed in all new high-rise buildings. An added plus to installing built-in fire protection in the construction phase is that the cost of the sprinkler installation is minimized. It generally costs more money per unit area to install wall-to-wall carpeting than it does to install automatic sprinkler protection. Ironically, it is the carpet that usually wins out.

The law is often less strict when it comes to existing high-rise structures.

Municipalities are sometimes reluctant to enact legislation requiring that sprinklers be retrofitted in buildings that have been standing for years. New York's Local Law 5, one of the most progressive high-rise fire safety laws in the world, has been hard-fought by some members of the real estate industry as being economically unfeasible, unnecessary and impractical.

Although the cost of retrofitting an entire building is not as expensive as one might imagine, the decision to install sprinklers is often put off because of the inconvenience. True, it may take a few weeks to install sprinklers throughout an office story; on the other hand, one month of inconvenience is certainly worth a lifetime of safety.

The Factory Mutual System recommends that sprinkler protection be installed in all new high-rise buildings. For existing buildings with fire-resistant construction, sprinkler protection should be provided for all areas with "moderate" to "high" combustible loading. Sprinklers can be omitted in areas of "low" combustible loading where the occupancy is not likely to change.

However, when new sprinkler risers are installed in existing buildings, valved outlets should be provided at all floors with low combustible loading. This will make retrofitting much easier should the occupancy change and the combustible loading require sprinkler protection.

(Combustible loading is considered low if exposed combustibles average less than 2 pounds per square foot. Medium loading is 2 pounds to 10 pounds per square foot, while high loading is anything above that.)

Sprinklers should be installed in accordance with recommended standards and good loss-prevention procedures. Areas with low or moderate combustible loading should have spacing and pipe schedules as recommended for light hazard occupancy. Areas with high combustible loading should have spacing and pipe schedules for ordinary hazard occupancy.

Hose stations to aid in manual fire fighting should be provided on every floor. The number of hose stations in each section of the building divided by fire

walls should be such that all portions of each story are within 30 feet of a nozzle attached to not more than 100 feet of hose. Lengths of hose longer than 100 feet can become cumbersome and unwieldy and actually hamper fire-fighting efforts.

Both 2½-inch and 1½-inch hose connections should be provided on every floor. The connections may be through one 2½-inch hose valve with an easily removable 2½-by-1½-inch adaptor. This will provide greater versatility of fire-fighting options at each level. On structures with combustible roofs, or where there are structures on the roof with combustible construction or contents, a 2½-inch roof hose outlet should be provided. The roof outlet will also help

firefighters ward off fire spread from adjacent buildings.

The minimum water supply to any given floor should be able to fulfill the demand of the sprinkler system or hose requirements, whichever is larger. For hose stations on each floor, it should be sufficient to provide 500 gallons per minute for at least 30 minutes. Where more than one standpipe is required, the minimum supply should be based on 500 gpm for the first hose station and 250 gpm for each additional standpipe, with the total requirement not to exceed 2,500 gpm.

The minimum water supply at the most hydraulically remote hose connection should be able to provide a residual pressure of 65 pounds per square inch at

the outlet with the required amount of water flowing from the outlet.

Water supplies can be provided by a number of different sources. A public water system that can meet pressure and discharge capacity requirements of the system design would be the most desirable. For taller high-rises, generally those more than 15 stories, even a strong public water supply will not meet pressure and capacity requirements on upper stories. Automatic fire pumps supplied by public water mains, reservoirs, wells or tanks are also acceptable if the system pressure and flow requirements are met. Pressure tanks and gravity tanks can also be arranged to satisfy fire protection needs.

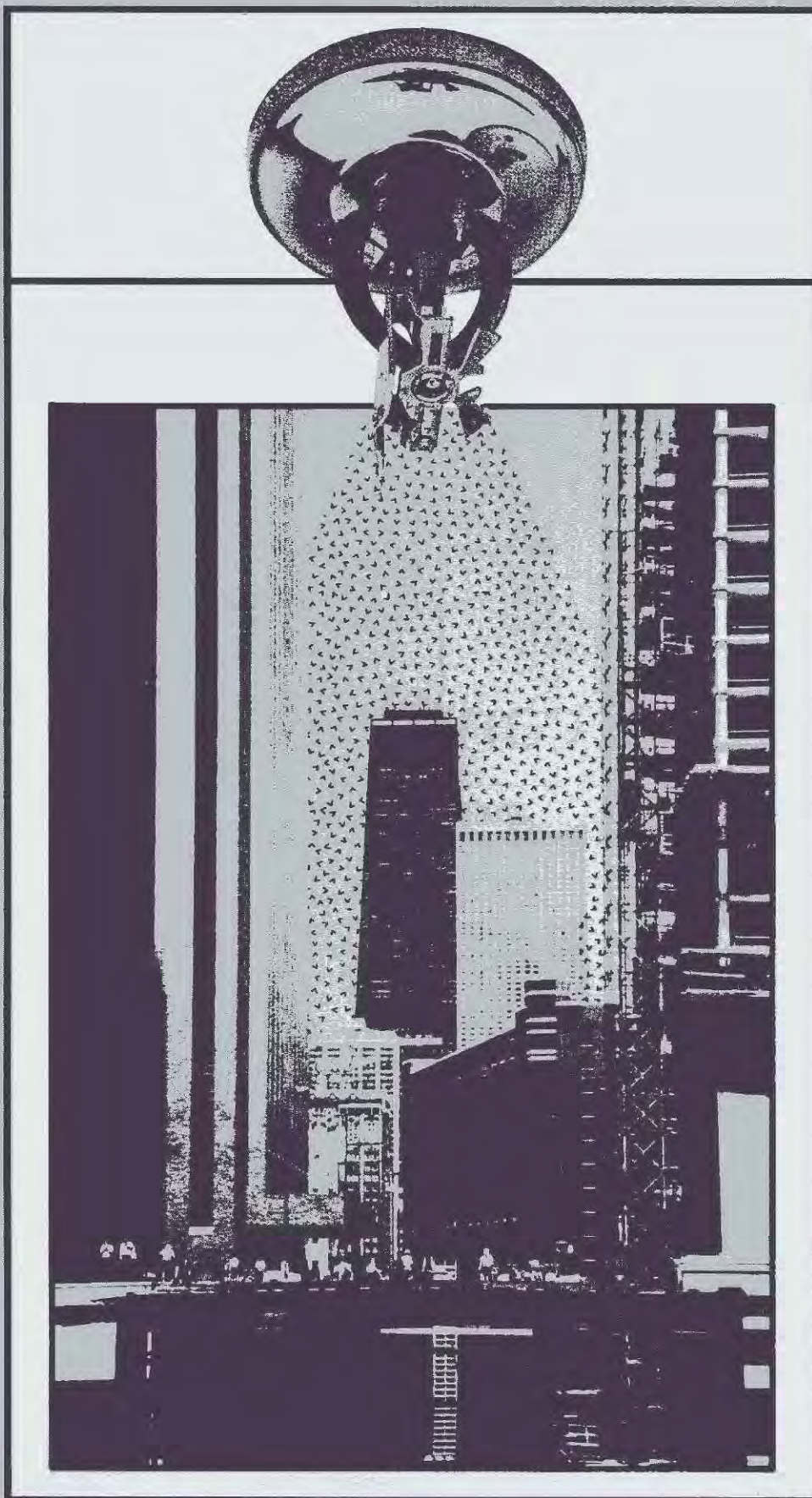
Whether or not any fire can be controlled depends largely on detection in its early stages. Alarm protection is particularly important in high-rise buildings, as there is an inherent delay in arrival of the fire department at the fire area. Once local firefighters are notified, they not only have to travel to the scene, but often have to load gear onto elevators, unload one or two floors below the fire and carry equipment up the stairs to the hose stations. During this time, the fire is growing. Any delay between ignition and firefighting can be disastrous. Hence, proper alarm detection is essential to effective high-rise property conservation.

Sprinkler systems, when properly installed, serve not only as round-the-clock fire protection but also as an excellent fire-detection system. To this end, it is important that this alarm system be specifically designed. A supervisory signal, separate and distinct from any other signals should be provided to indicate any condition that might impair satisfactory operation of the sprinkler system.

Sprinkler control valves should be monitored, for if they are shut for any reason, sprinkler protection is incapacitated. Fire pump power supplies and running conditions should also be monitored—an impairment to the pump could mean that flow and pressure requirements at upper floors will not be met, or worse, that no water is available. Water level and temperature supervision should be provided on water tanks, and pressure supervision should be provided on all pressure tanks.

Sprinkler waterflow alarms should be installed on each floor. Not only do they serve as constant alarm protection, but they also aid in pinpointing the seat of fires, since smoke infiltrating more than one story can result in "fires" being reported on several levels.

The waterflow device should be set so that the operations of a single sprinkler will actuate the alarm system. The operation of the flow device should be indicated on an annunciator and/or register in the building's emergency communications center, at grade level at the normal point of fire department access, or at both locations.



Glen C. Stanford is an underwriter with Allendale Mutual Insurance Co. in Johnston, R.I., a member of the Factory Mutual System.



A rational reading of Rev. Rul. 83-3: Life insurance question is beyond its scope

By Michael T. Walsh

I TAKE ISSUE with a recent Perspective article that suggests funding "cost-plus" group term life insurance plans and employee death benefit plans with proceeds from life insurance policies is endangered by a recent ruling by the Internal Revenue Service.

James Roberts suggested in his article (*BI*, May 30) that the IRS might use Rev. Ruling 83-3 (IRB 1983-1, 10) to deny an employer a tax deduction when the tax-free proceeds of life insurance are used to pay the employer's cost of a "tax leveraged" employee death benefit plan.

Although the IRS may choose to scrutinize such plans more critically, neither the law nor the facts underlying Rev. Ruling 83-3 provide any principles that would constitute live ammunition.

The ruling addressed three situations:

- A veteran who deducted educational expenses (required by his employer) that he would otherwise have been free to deduct as ordinary and necessary business expense, except for the fact that he received tax-exempt payments from the Veteran's Administration partly allocable to his educational expenditures.

- A minister who deducted interest and real property taxes on his residence that he would otherwise have been entitled to deduct as itemized deductions, except that he received tax-exempt rental allowance from his church.

- A student who deducted educational expenses that were otherwise deductible, as in the first situation, except for the fact that a tax-exempt scholarship totally attributable to tuition had been received.

In all of the above situations, the taxpayer would have received a double tax benefit to the extent he could receive tax-free reimbursements and yet deduct the expense that entitled him to the

reimbursements. Section 265(1) of the Internal Revenue Code of 1954 addresses these situations directly when it disallows any deduction for "any amount otherwise allowable as a deduction which is allocable to one or more classes of income... wholly exempt from taxes..."

To quote from Rev. Rul. 83-3: "The purpose of Section 265 of the Code is to prevent a double tax benefit... the Supreme Court of the United States said that the Internal Revenue Code should not be interpreted to allow the practical equivalence of double deductions absent clear declaration of intent by Congress. Section 265(1) applies to otherwise deductible expenses incurred for the purpose of earning or otherwise producing tax-exempt income. It also applies where tax-exempt income is earmarked for a specific purpose and deductions are incurred in carrying out that purpose." (Emphasis supplied.)

First: Though life insurance proceeds are exempt from income taxes under Section 101(a) of the code, Congress has already specifically addressed the tax status of "Certain Amounts Paid in Connection with (Life) Insurance Contracts" with Section 264. This section, paralleling Section 265 so closely in format as it does, would—on its face—lead one to conclude that this section would effectively remove life insurance from the purview of Section 265. Section 264(a)(1) disallows any deduction for "premiums paid on any life insurance policy covering the life of any officer or employee... when the taxpayer is directly or indirectly the beneficiary under such a policy."

Obviously, this prevents a double tax benefit, since the premium expense of acquiring the contractual right to

tax-exempt insurance proceeds in the event of an insured's death is not deductible.

Second: Although the ruling notes that Section 265 is applicable "...where tax-exempt income is earmarked for a specific purpose and deductions are incurred in carrying out that purpose," the factual situations addressed obviously involved tax-exempt payments that the payor earmarked to reimburse or subsidize particular expenses of the recipient. With respect to life insurance proceeds, an insurance company "reimburses" a policy owner for the "capital" loss of a life in which that party had an "insurable interest." The insurer's obligation is not contingent upon what the recipient does with the proceeds. Accordingly, the recipient is free to spend, save or invest the proceeds in any way seen fit.

Third: To deny tax deductions to which a taxpayer was otherwise entitled simply because he or she happened to use tax-free insurance proceeds would not constitute elimination of a double tax benefit, which is the underlying purpose of Section 265. Instead, it would create a "double tax detriment."

At present, "aftertax" (non-deductible) premiums are used to purchase "aftertax" (tax-free) insurance proceeds. If the particular use that a recipient, whether a business or an individual, makes of the insurance proceeds were to result in the denial of an otherwise tax-deductible expense, the tax-free proceeds would, in effect, have been made taxable.

Just consider the factual, economic and accounting aspects of such a result:

- Should policy owners who don't earmark life insurance proceeds to reimburse themselves for tax-deductible

expenditures be treated differently from those who state such a rationale, where both have the same types of expenditures?

- If the use of insurance proceeds to pay for the tax-deductible expenditures were to result in a loss of tax benefits otherwise available, would recipients be forced to invest proceeds rather than spend them, and would such restrictions change the economic costs of life insurance?

- Finally, to the extent that any recipient of life insurance proceeds has any tax-deductible expenses, wouldn't a pro rata allocation have to be made of such expenses between the insurance proceeds and the taxable income? And what of the premium payments that were made on the policy? Shouldn't they be recovered without having to offset otherwise tax-deductible expenses?

Conclusion: In Rev. Rul. 83-3, the IRS simply disallowed the double tax benefit that deducting expenses, which entitled the taxpayer to receive tax-exempt income, would have created. In doing this, the IRS revoked two earlier rulings that had allowed such double tax benefits.

The IRS, rather than breaking any new ground, brought its position on such tax-free benefits into line with existing regulations and cases quoted in the ruling. The tax-free nature of life insurance proceeds and the particular uses to which they are put by the recipient are beyond the scope of the ruling. ■

Michael T. Walsh, J.D., CLU, is a business and estate planning consultant based in Newport Beach, Calif.



Corporate culture can be changed three ways

By Kenneth P. Shapiro

CORPORATE CULTURE. You can't see or count it, but you certainly can feel it. Every organization has it. Those who recognize and manage their "culture" will help their organization run more smoothly and productively. Those who ignore their culture court disaster.

Corporate culture is represented by the attitudes, values, beliefs and practices that are unique to a particular company. It is a company's modus operandi, an unspoken way of doing business outside and, especially, inside the company. It is learned; it is rewarded; it is characterized by a common orientation of its employees; and most importantly, it can be altered.

Changes in corporate culture occur in three ways.

First, culture can change through a slow

The Perspective section, which is a forum for readers' opinions, is compiled and edited by Assistant Copy Editor Claudette Dampier. She can be reached at 312-649-5282.

management

evolutionary process when the influencing forces and the results are only visible over long periods of time. It would be evident in the implementation of a company's long-term goals. Second, abrupt shifts in corporate culture can occur when there are significant changes in top management, such as when a new chief executive officer—with his or her own performance standards, management techniques and communications style—comes on board. Last, management can make a conscious decision to change the current corporate culture. This would be the case if management perceives a serious personnel problem that needs an immediate solution.

In the third case, there are five organizational processes to influence change: selection, policy and procedure, training, internal communications and environmental pressure.

Here's how each works:

- Selection. A crucial element in maintaining or altering corporate culture is the process by which new employees are

found and chosen to become part of the company. The selection of new employees and the promotion of others, when made with corporate culture in mind, can help introduce change.

- Policy and procedures. Because policies and procedures dictate reporting relationships, allocation of company resources, determination of rewardable activities and so on, they become agents of change. Policies and procedures govern the roles, rules and norms of interaction among employees of the company; they have a high potential for affecting corporate culture.

- Training. Since the socialization of new as well as existing employees occurs in part through formal training and development programs, the corporate culture is embodied in the content and methodology of these programs. Training provides an important focal point for implementing changes in a corporate culture.

- Internal communications. Company newsletters and other forms of internal

communications reflect and perpetuate corporate culture and, therefore, can serve well as a medium for its change.

- Environmental pressures. Influences on a company's employees by outside individuals or groups can be accomplished through advertising and public relations programs. Those factors should be considered when planning strategies for changes in corporate culture.

Planned efforts to change a corporate culture probably should use all the five processes discussed. The success of an effort to change the culture of a corporation goes up as the number of processes that encourage that change are included in the strategy. Neglecting one area might produce a "mixed message," thus possibly negating any benefit from the other processes. ■

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





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from the ends of the earth!”*

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Little computer crime is reported

Continued from page 25
ample of the United States and demand that corporate crimes be reported to authorities if the loss exceeds \$5,000, conference participants suggested.

Right now, for instance, British companies are not obligated to report any theft or fraud to the police.

"So how do we know what is going on if we are not told?" asked Detective Inspector K. McPherson of the London Metropolitan and City Police Fraud Squad.

"Over 82.5% of all computer crime in the world goes unreported and that is just a guess," he said.

"Perhaps there is a lack of confidence in our professional ability to investigate those more technically oriented offenses. Or is it that both victim and computer company feel somewhat embarrassed at a simple fraud being perpetrated against their system?"

Even when companies do report computer crimes, their attorneys wonder how they can recover lost assets under present national and international legislation.

The United States, for instance, has no federal law to safeguard against computer crime that occurs between states or between the United States and other countries, said the State Department's Ms.

Hummer.

But, the attorneys said, it is not known whether passing specific computer crime laws—as some U.S. states have done—would solve the problem.

"I am a skeptic as far as computer crime legislation is concerned," said Colin Tapper of Oxford University.

"The first computer crime legislation was in Florida in 1978 and only two crimes have been reported under this. I wonder if they could have been reported under other statutes?"

Companies may be able to recover computer crime losses under present laws against larceny, theft, fraud, embezzlement, infringement of copyright or breach of contract. But the chances of recovering losses through present-day legislation are slim, says Janice Wright, a London attorney specializing in computer and intellectual property law.

"The law is a patchwork with holes in it and you may fall down in one," said Ms. Wright.

And if you cannot collect through the courts, you may not be able to collect the loss from electronic transfer fund insurance policies either, she said.

A computer crime may involve an employee conspiring with an outsider. If there is a loss, fidelity insurance could cover the loss from employee theft. Some fidelity policies now allow computer crime riders to be attached to them to cover both employees and third parties.

"If you cannot prove that fraud was caused exclusively by an employee, you may fall in the middle without a claim," Ms. Wright warned.

Computer crime recovery is also hampered by the international nature of corporate computer systems, conference participants pointed out.

K.F. Alder's Mr. Newman mapped out a typical electronic transfer between a bank in Europe and another in Los Angeles.

Transactions go through 12 different parties before ending up in the Los Angeles bank's computer.

If a fraud occurs somewhere in this chain, it would be tough to determine who committed it, the participants said. Which country would have jurisdiction? Would extradition laws apply?

The OECD conference was also sponsored by the British Computer Society and Network Security Management Ltd.

Employees commit most computer crimes

LONDON—More than half of the computer crimes reported in England are committed by employees who are not members of a company's computer department, a security consultant says.

Only 22% of the 95 cases studied were committed by members of the company's data processing department, while only 6% were committed by someone from outside the company, said Ken Wong, a computer consultant in Manchester, England.

Mr. Wong spoke at a computer fraud conference sponsored last month by the Organization for Economic Cooperation & Development.

The frauds were committed in a variety of fashions, he said.

Sixty-three percent were committed by substituting input data or removing output data.

In this way, illegal discounts could be granted, bogus supply stations were set up, non-existent services were charged and illegal transfers were made.

Twelve percent of the crimes were committed by tampering with

input and output data available.

Other methods of stealing from computers include using remote terminals and tapping into a computer system and using illegal computer codes.

Not surprisingly, financial and insurance institutions, which suffered 29% of the frauds surveyed, were the hardest hit. Next hardest hit were retail operations, 22.7%; manufacturers and wholesalers, 21%; utilities, 13.7%; and public entities 13.6%.

Usually, Mr. Wong says, computer crimes are detected by accident, although sometimes investigators are tipped off.

Mr. Wong suggested that companies:

- Evaluate their computer systems to determine the value of the data they store or the functions they perform. Companies should also evaluate how dependent they are on their systems.

- Prepare a report annually to determine where their systems are vulnerable to fraud, what could happen if a criminal tampered with

their systems and what assets or information could be lost.

- Establish security systems, including physical security around the computer, as well as personnel security and data security.

- Monitor systems for evidence of fraud.

- Develop a contingency plan to help the company survive should assets or information be stolen.

Mr. Wong said the classic prevention approach is to segregate duties among employees so that no one worker has enough knowledge or access to the computer to commit a fraud.

Proper authorization procedures for data/program modification are important, as are independent checks of computer codes already being used.

"But requiring passwords is useless" to prevent fraud, said Mr. Wong.

Other identification methods, like voice recognition and electronic fingerprinting, are still in the experimental stage, but may prove to be better deterrents than passwords, Mr. Wong said.



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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; 404-466-2208.

AUG. 25-28. 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; 212-765-5700, ext. 271.

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.'s 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; 212-669-0537.

SEPT. 5-10. Rendez-Vous de Septembre in Monte Carlo, Monaco. 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. ISA, P.O. Box 8527, 1600 Arch St., Philadelphia, Pa. 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. ISA, P.O. Box 8527, 1600 Arch St., Philadelphia, Pa. 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. 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. ISA, 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 a single seminar day only, \$105 for members, \$150 for non-members. Pati Ellars, American Society for Industrial Security, 1655 N. Fort Myer Drive, 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 Ansil Fire Protection; \$650. Also Sept. 20-22 in Marinette. Jill Davis, Ansil 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. ISA, 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, IAABC Convention-83, C/o Georgia Workers Compensation Building, 100 S. Omni International, Atlanta, Ga. 30335; 404-656-2048.

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. ISA, 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. 28-30. 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, SIIA, 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 of charge. 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.

NOV. 1-2. Communicating Employee Benefits conference in Chicago, sponsored by Business Insurance; \$495; 10% discount for additional participants from the same company. Ann Vasquez, Business Insurance, 220 E. 42nd St., New York, N.Y. 10017; 212-210-0137.



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• "Insurance Statistics" is the **property/casualty insurance industry data summary** for 1983 published by the Insurance Information Institute. Single copies are available free from Publications Service Center, Insurance Information Institute, 110 William St., New York, N.Y. 10038.

• Compilations of presentations

made at conferences sponsored by the International Foundation of Employee Benefit Plans are available from the foundation. The presentation collections include the **1982 Public Employees Conference** proceedings and the **1982 Benefits Processing Institute**. Both are \$6 for IFEBP members and \$10 for non-members. To order, send payment to the Publications Department, IFEBP, P.O. Box 69, Brookfield, Wis. 53005.

• The Risk & Insurance Management Society's governmental affairs committee recently issued a booklet covering **legislative issues** RIMS has been tracking during the past year. Topics include occupational disease, pensions and welfare plans, product liability tort reform and more. For a free booklet, write Haren Aronstein, RIMS Governmental Affairs Department, 205 E. 42nd St., New York, N.Y. 10017.

• In the wake of myriad product liability suits, Hand Tools Institute has developed a **manufacturers' product liability guide**. The booklet was written specifically for employers and employees who handle the product liability matters, from initial claim to final settlement. It also includes a litigation checklist for the layman. Copies are \$3 each. To order, send payment to: Hand Tools Institute, 25 N. Broadway, Tarrytown, N.Y. 10591.

• A special report to companies details how they can **save on casualty insurance**. The Corporate Risk Management Inc. publication also includes a checklist of special clauses. The booklet was written by Robert A. Wilson, president of Corporate Risk Management. Copies are \$19.95 plus shipping and handling. To order, write Corporate Risk Management Inc., 120 E. Ogden Ave., Hinsdale, Ill. 60514.

• Pension integration permits employers to **coordinate employees' pension benefits with Social Security benefits**. Employers can use this integration in calculating final pensions. The Employee Benefit Research Institute has published two booklets on these issues: "Pension Integration: Concepts, Issues and Proposals," which is \$10, and "Social Security: Perspectives on Preserving the System," which is \$15 paperback. To order, write EBRI, 2121 K St. N.W., Suite 860, Washington, D.C. 20037.

• "Risk Management Issues," a 106-page compilation of **four research papers on risk management** has been published by the Risk & Insurance Management Society. Research teams consisting of risk management, insurance industry and other representatives coordinated each report. The reports are: "Reserving for Self-Insured Losses: The Issues for Corporate Risk Management," "The Ultimate Risk," "The Role of Financial Institutions in the Insurance Marketplace," and "Federal/State Regulation Dichotomy: What Does It Mean to Risk Managers." Copies of the paperbound book of four reports are \$10 each, and can be ordered from RIMS Publishing Inc., 205 E. 42nd St., New York, N.Y. 10017.

• Have a new report, booklet or promotional brochure you'd like to send to buyers of insurance? Business Insurance will describe material costing less than \$20 as an editorial service in the weekly Info for Buyers column. Simply send us a short description of the material to be offered, along with the cost and a mailing address. Address all contributions to Info for Buyers, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611.

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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

These issues of BI will reach more than 100,000 readers, including pass-along, every week—a prominent audience of corporate financial and top executives, risk and employee benefits managers, as well as leading agents and brokers, consultants, and commercial insurance underwriters. BI is there first... reporting all the vital news and trends in this dynamic, multi-billion dollar marketplace.

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Edith Lichota joins Irving Trust Co. as vp

Edith Lichota is the new vp of risk management for Irving Trust Co. in New York. She replaces **Burton J. Carbino**, now vp of risk management with Ogden Corp. Ms. Lichota is responsible for contingency planning and systems review for the bank, as well as insurance and risk financing. She returns to risk management after having served as vp of government affairs and special marketing for Insurance Co. of North America, a division of CIGNA Corp. in New York. Prior to that, Ms. Lichota was risk manager for Kennecott Copper Corp., also in New York. She received a bachelor of arts degree and bachelor of law degree from Case Western Reserve University in Cleveland. Ms. Lichota will continue to chair the insurance committee of the U.S. Council for International Business and was reappointed to the governmental affairs committee of the Risk & Insurance Management Society. Ms. Lichota had been chairman of the planning committee of the Risk Management Alumni Assn. prior to her recent appointment. She reports to Executive Vp Anthony Randino.



Ms. Lichota

Burton J. Carbino, 46, is the new vp of human resources, a new position, for Ogden Corp. in New York. Mr. Carbino is responsible for risk management and insurance, safety, security, environmental protection and contingency planning for the corporation. He also is president of the company's Vermont captive, Greenway Insurance Co. He was previously senior vp of risk management at Irving Trust Co. in New York, and prior to that was manager of risk and insurance for Schlumberger Ltd., based in the New York office. He received a bachelor's degree from the University of Maryland in College Park, Md. Mr. Carbino also serves on the editorial advisory board of Risk Management magazine. He reports to Ralph Ablon, chief executive officer.



Mr. Carbino

Jeffrey J. Gehrke, 30, is the new safety and workers compensation manager for Mead Corp. in Dayton, Ohio. He replaces **B.E. McGarrahan**, the previous safety manager, and **L.R. Cooper**, the previous workers compensation manager, both of whom retired. Mr. Gehrke came to Mead from the Bucyrus-Erie Co. in Milwaukee, where he was corporate safety and insurance administrator. Prior to that, he was safety supervisor of the company's Pocatello, Idaho, plant. He also worked five years with the St. Paul Fire & Marine Cos. in the education, training and loss prevention departments. Mr. Gehrke received a bachelor of science degree in occupational safety and health from the University of Wisconsin in Platteville and the Certified Safety Professional designation. He reports to Douglas H. Marcero, manager of health and safety.



Mr. Gehrke

comings & goings: buyers

Gerald W. Sheard, 48, is the new director of the risk management department for the county of Morris, N.J., in Morristown. In this newly created position, Mr. Sheard is responsible for the county's insurance, safety, fire protection and property control programs, as well as employee benefits for county employees. He was formerly direc-

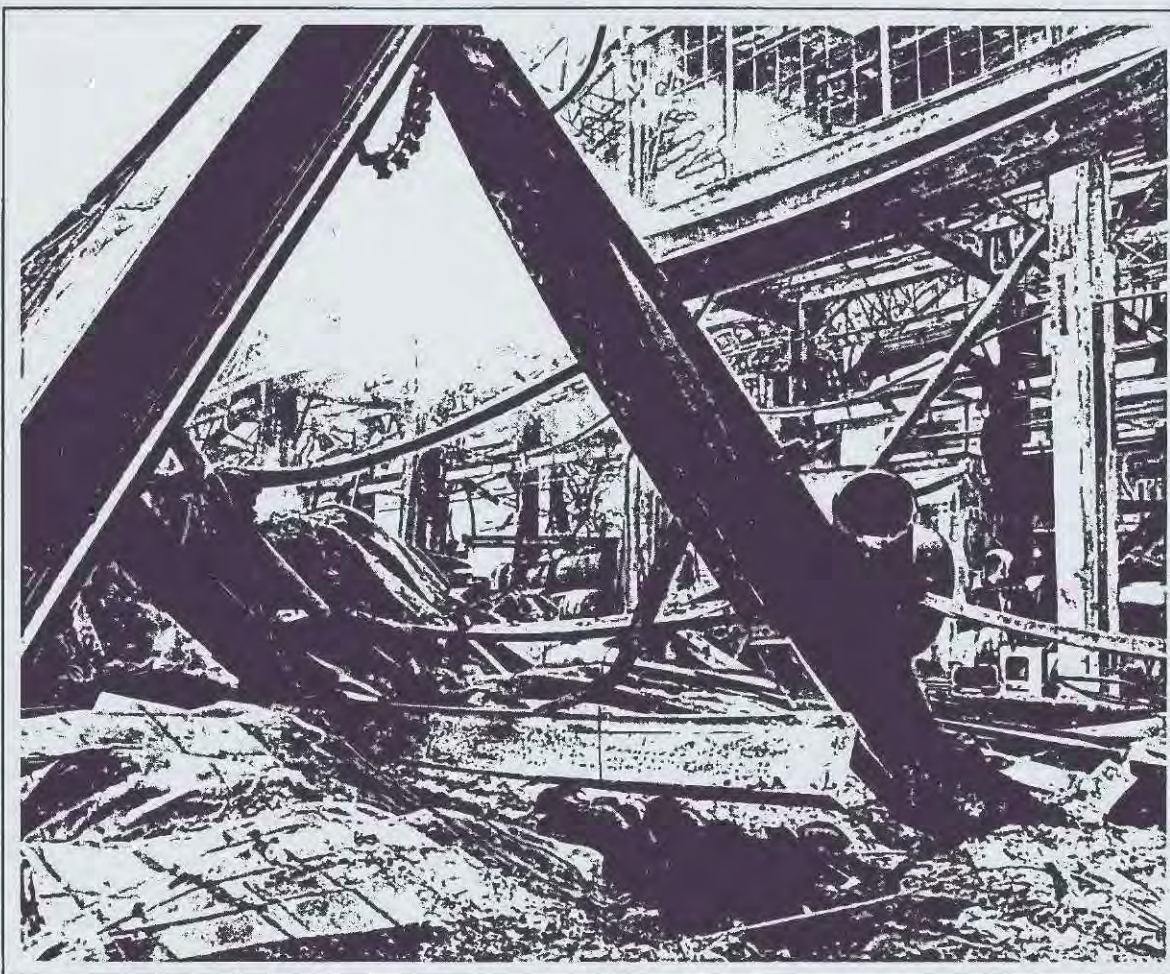
tor of loss control for Simkins Industries in New Haven, Conn. Prior to that, he was branch manager of loss-control engineering for Kemper International Insurance Co., in the Summit, N.J., office. Mr. Sheard received a bachelor's degree in public safety from William Paterson College in Wayne, N.J., and an associate degree in fire protection from Passaic County Col-

lege in Paterson, N.J. Mr. Sheard is active in several professional societies, including the Risk & Insurance Management Society and the American Society of Safety Engineers. He is now assisting in the formation of a New Jersey Chapter of the Public Risk & Insurance Management Assn. He reports to City Administrator Fred Rossi.

Peggy J. Rychtarik has been named insurance coordinator and **Margaret M. Stryzik** has been named manager of compensation

and benefits at Alexian Brothers of America Inc., a health care system based in Elk Grove Village, Ill., that operates hospitals around the nation. An earlier story had misidentified their employer's scope of business. (BI, May 30).

•
We'd like to report on staff changes in your company's risk management, safety or employee benefits department. Just drop a note to Sallie J. Drury, Staff Reporter, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611, or call 312-649-5352.



"We shouldn't have gone to lunch."

They weren't gone long. Half hour at the most. But they broke a cardinal rule for impairments: Don't stop working until the job is done.

The plant engineer had directed a shutdown of the incoming fire protection water supply to permit an outside contractor to replace two obsolete dry pipe valves. The crew worked all morning, then broke for lunch. Afterward, as the contractor was finishing the connection, someone yelled, "fire!" But there was no water to fight it.

The result was a multimillion dollar disaster that could have been avoided. If the crew had stayed to finish the job. If the connection had been completed earlier. If the main valve could have been opened to allow water through the sprinkler system. If, if, if.

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Schweiker says GAO report will determine unisex bills' fate

By JERRY GEISEL

WASHINGTON—The fate of unisex insurance legislation may now rest with the General Accounting Office, the president of the American Council of Life Insurance says.

ACLI President Richard Schweiker says the GAO report examining the costs of eliminating sex as a rating factor in insurance policies will have weight with federal legislators now considering the issue.

"The GAO report has become the next step in the battle (over the unisex legislation)," Mr. Schweiker said.

The Senate Commerce Commit-

tee, for example, has voted 12-1 to put off a vote on a unisex bill, S. 372, introduced by Sen. Robert Packwood, R-Ore., until the GAO report is completed later this summer.

Currently, congressional committees are closely divided on the bills, said Mr. Schweiker, the former secretary of the Department of the Health and Human Services. As a result, the GAO's findings on the cost of the legislation could swing critical votes.

The unisex legislation is opposed by insurers, many of whom are members of the ACLI. The insurers say the use of sex-based actuarial tables is a legitimate basis for determining rates.

Men and women pay different premiums for the same life, health and auto insurance policies based on actuarial tables that reveal that the sexes have different life expectancies, health experience and driving records.

But women's groups oppose the sex-based tables arguing that people should be treated as individuals and not as members of a class.

The U.S. Supreme Court agreed earlier this month that in the case of at least one insurance product—annuity policies sold through employers that pay a fixed benefit over a certain period of time—men and women must receive equal benefits if their contributions are the same (BI, July 11).

Vision care

Health maintenance organizations are much more likely to offer vision care benefits than conventional indemnity plans, the Labor Department says.

According to a Bureau of Labor Statistics study, about 75% of HMOs in 1981 included vision care benefits, compared with 20% of other plans.

However, HMOs with vision care generally only provide eye examinations, while insurers with vision care coverage usually cover at least some of the cost of eyeglasses, contact lenses and examinations, the Labor Department found.

Pension plan data

An overwhelming majority of the nation's private pension plans have fewer than 100 participants.

Some 93% of the 495,845 pension plans that filed annual reports with the federal government in 1978 had fewer than 100 participants, while 65% of the plans had fewer than 10 participants, according to a Labor Department survey.

Of those 495,845 plans, some 365,505 were defined contribution plans, while 139,340 were defined benefit plans. The average defined benefit plan had 260 participants, while the average defined contribution plan had 45 participants.

In 1978, some 52.4 million people were covered private pension plans. Some 44.7 million were active participants, while 7.7 million were retirees or separated participants with a vested right to a benefit.

Some 44% of active participants were vested, while another 15% were partially vested.

Participants in defined contribution plans were more likely to be vested than their counterparts covered by defined benefit plans. For example, 52% of active participants enrolled in defined contribution plans were vested, while just 39% of active participants in defined bene-

fit plans were vested.

Defined contribution plans tend to offer more rapid vesting schedules than defined benefit plans.

Copies of the 36-page study, "Estimates of Participant and Financial Characteristics of Private Pension Plans," may be purchased for \$3.75 from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Specify stock number 029-011-00008-7.

Benzene ruling

Employers have until next month to comment on the Occupational Safety and Health Administration's decision (BI, June 21) to overhaul its 12-year-old rule limiting worker exposure to benzene.

That 1971 standard limits worker exposure in a eight-hour period to 10 parts benzene to 1 million parts of air (ppm) with a maximum peak concentration of 50 ppm for a 10-minute period.

"OSHA's current benzene standard must be reconsidered to address possible risks of leukemia to exposed workers," said OSHA chief Thorne Auchter. "I have directed that this rulemaking be accelerated to produce a final standard as quickly as is consistent with scientific excellence, full opportunity for public comment and legal defensibility."

Mr. Auchter said that he expected OSHA to propose a revised benzene standard by November, hold hearings on the proposal next February and issue a final rule next June.

Comments concerning a new benzene standard should be sent by Aug. 24 to the OSHA Docket Officer, Docket No. H-059B, Room S-6212, U.S. Department of Labor, 200 Constitution Ave. N.W., Washington, D.C. 20210; 202-523-7894.

Water safety

Ships and oil drilling units operating in cold waters would have to supply crew members with more safety equipment if Congress passes legislation proposed by Sens. Paul Trible, R-Va., and Ted Stevens, R-Alaska.

The measure, S. 1441, would require exposure suits for all crew members on vessels and oil drilling units operating in waters below 60 degrees.

"In 1975, the S.S. Edmund Fitzgerald sank with the loss of its entire crew of 29. And one year ago, the mobile offshore drilling unit Ocean Ranger sank with the loss of all 84 persons on board," Sen. Trible said.

"In each instance, lives would have been saved if the crew had exposure suits available for their use," he explained.

Arson prevention

Employers that want more information on arson prevention and control now have a new source of information.

The U.S. Fire Administration has opened an arson resource center in Emmitsburg, Md., that will provide up to 10 articles or sources of information per request on topics related to arson prevention. Requests generally take seven to 10 days to process.

For more information, contact the Fire Administration's Arson Prevention and Control Division at 800-638-9600.



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Zurich American's E/S operations closed

"Intensive competition" in the surplus lines insurance marketplace has led Zurich Holding Co. of America Inc. to close the surplus operations of its subsidiary, Zurich American Insurance Co. of Illinois.

Zurich Holding Co.'s surplus underwriting operations will be handled exclusively through The Empire Cos. of Omaha, Neb., another subsidiary.

Zurich American will continue to service current policyholders and handle present and future claims through its Schaumburg, Ill., office, while Empire will take on all new and renewal business.

Competition has "diminished the availability of business to—or the need for—the traditional, stand-alone, non-admitted carrier such as Zurich American," said R.M. Jamieson, president of Zurich Holding Co.

"There is no longer a clear role for (Zurich American) that cannot be accommodated by our Empire Cos."

Zurich American, however, will continue to write insurance as an admitted market.

Underwriting halted

Ramus Insurance Co. Ltd. in Bermuda announced this month that it has suspended active underwriting until further notice.

"Motives for the decision lie solely in the area of changes in the overall strategic planning of the respective shareholders, van Ommere Ltd. and Amfas Group Ltd. (both of Rotterdam), and have no connection with the financial condition of Ramus, which continues to be sound, nor with the quality of the management and underwriting acumen, which have proved to be most satisfactory," Ramus said in a letter sent to brokers.

"Ramus will continue to service all existing business for which purpose all staff will be retained for the time being. Ramus will continue to be registered under the Bermuda Insurance Act of 1978 and consequently will comply with all relevant regulations," the letter concluded.

Ramus has underwritten a primarily international reinsurance account generated by London brokers. It wrote \$5 million in gross premiums in 1981.

Captive realignment

AFIA Worldwide Insurance has consolidated its property, casualty and marine captive insurance company operations into a single worldwide "captive center" that coordinates underwriting, engineering, cash flow and reinsurance decisions for all lines.

The captive center will be headed by Assistant Vp Charles Bird, who will be reporting to William F. Crowley, vp for the North American Region.

Acquisitions

St. Regis Corp., the New York-based diversified forest products company, announced it has agreed in principle to acquire **Dependable Insurance Group**, an insurance holding company based in Jacksonville, Fla., for \$45 million in St. Regis stock. The acquisition is subject to approval by Dependable shareholders and regulatory authorities. If acquired, Dependable will operate as a unit of Drum Financial Corp., St. Regis' insurance services subsidiary.

CREDITRIFT Financial Inc., a subsidiary of Houston-based **American General Corp.**, announced it will sell two insurance subsidiaries to another San Francisco company, **Great Falls Insurance Co.**, an excess/surplus lines

markets

insurer, and **Alpine Insurance Service** will be sold to **Dunedin Financial Group Inc.** The sale is subject to regulatory approval.

Putnam, Knudsen & Weaver Inc. and **Wiekling, Connolly & Associates Inc.**, two insurance brokerage firms based in Oakland, Calif., have merged to form **Putnam, Knudsen & Wiekling Inc.**

LJR Insurance Services Inc., a

claims adjusting and self-insurance administration firm based in Emeryville, Calif., has acquired **Nuzum Adjustment Co.** of Phoenix, Ariz.

Torchmark Corp., an insurance holding company based in Birmingham, Ala., announced it has completed the acquisition of **J. Gordon Gaines Inc.**, a property/casualty underwriting man-

agement company based in Akron, Ohio.

New offices

The Houston branch of **Frank B. Hall & Co. Inc.** has moved to 1000 Cashco Tower, 8 Greenway Plaza, Houston, Texas 77046; 713-877-8000.

North Star Management Corp. has moved to new offices at 230 W. Monroe St., Chicago, Ill. 60606. The firm's phone number, 312-346-7890,

remains the same.

Carnow, Conibear & Associates Ltd., a Chicago-based occupational health consulting firm, has opened an East Coast office at One Marine Midland Plaza, Suite 306, Binghamton, N.Y. 13901; 607-772-6255.

Associates for Professional Rehabilitation & Injury Management Inc., headquartered in Oak Brook, Ill., has opened a branch office at 280 Regency Court, Suite 200A, Waukesha, Wis. 53186; 414-784-8540.



"We neglected to clean oily lint out of the ducts."

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Twelve hours and two million dollars later, the fire was under

control. Poor housekeeping was a major contributing factor to the loss. Oily lint had been allowed to accumulate in non-sprinklered ductwork and crawl spaces. An electrical malfunction ignited the lint, and that was that.

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Milliman & Robertson names James Curtis as new chairman

James A. Curtis has been named chairman of Milliman & Robertson Inc., the actuarial and employee benefit consulting firm.

Mr. Curtis, who had been M&R's president and chief executive officer, replaces **Stuart A. Robertson**, who retired. Mr. Robertson, one of the company's founders, will continue as a consultant to the company.

Mr. Curtis, who has been M&R's president since 1971, joined the firm as a consulting actuary in 1957.



Mr. Curtis

Reinsurers

Charles H. Jaeger Jr. named executive vp and chief operating officer for facultative reinsurance at Skandia America Reinsurance Corp. in New York. He had been executive vp and chief operating

comings & goings: industry

officer of casualty facultative reinsurance at Skandia. He assumed the property facultative insurance duties after **F. Philip Moskie** was named president and chief operating officer of Hudson Re, part of the Skandia America Group.

Peter C. Martin and **Simeon (Skip) Crandall** elected senior vps of Fremont Reinsurance Co. Mr. Martin is director of underwriting, while Mr. Crandall's duties include claims, marketing and administration.

Thomas J. Tartaro named vp of Prudential Reinsurance Co. in Newark, N.J. He will head the captive and direct treaty department. He was most recently vp-direct treaty underwriting.

William M. Kinney named vp of General Re Services Ltd. in Bermuda. General Re Services, a subsidiary of General Re Corp., produces and underwrites facultative and treaty business in Bermuda.

branch manager for Allianz Insurance Co. in Los Angeles. American Centennial is part of the Benico Insurance Group, a subsidiary of Beneficial Corp.

Donald D. Larson appointed senior vp of Great American Insurance Cos. in Cincinnati. Mr. Larson will now be responsible for the company's field operations in New Jersey, Pennsylvania, Delaware, Maryland and West Virginia. He had been vp in charge of corporate planning and development.

Agents/brokers

Terry P. Sellers was named vp for Marsh & McLennan Group Associates in Dallas, a recently established subsidiary of Marsh & McLennan Inc. established to aid small and medium-sized businesses and professional, trade and affinity groups. Mr. Sellers previously was a regional manager for Blue Cross & Blue Shield of Texas.

Emory M. Sawver Jr. named managing vp of the Alexander & Alexander Inc.'s St. Louis office. He succeeds **William T. Deemer**, who was named regional marketing director. Mr. Sawver was most recently the managing vp of the A&A office in Pittsburgh.

David B. Scheffler appointed vp of Penn General Services Corp. of Los Angeles. He had been general manager of the PGS operations in Maine and New Hampshire, and will continue to serve northern New England. Penn General Services is a unit of Republic Hogg Robinson Inc.

Diane L. Thormodsgard and **John R. Simacek** have been promoted at First System Agencies Inc. in Minneapolis. Ms. Thormodsgard is now senior vp-operations. She previously was senior vp and treasurer of the FBS corporate support group. Mr. Simacek joined FBS as vp-agency services. He had been an insurance underwriting consultant.

Insurers

Richard H. Wratten and **Fred G. Marziano** promoted at Fireman's Fund Insurance Cos. in Novato, Calif. Mr. Wratten was named executive vp. He had been a senior vp for commercial lines and rural markets. Mr. Marziano succeeds Mr. Wratten as senior executive for commercial lines and rural markets. He had been a vp and senior underwriting executive for commercial lines.

James C. Cavitt promoted to vp-primary lines underwriting at Comstock Insurance Co. in Los Angeles, a property/casualty subsidiary of Fremont Indemnity Co. He was previously underwriting manager for Fremont's Glendale division.

American Centennial Insurance Co. named **James F. McKenna** as vp responsible for new property/casualty business in the Newport Beach, Calif., branch office. He had been a secretary and

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Helicopter crash claims expected to be small

By STACY SHAPIRO

LONDON—Liability costs from the recent crash of a British Airways helicopter that killed 20 people will be relatively low by American standards.

A spokesman for British Airways says the carrier does not expect any surviving relatives to file lawsuits against the airline seeking damages for negligence.

British Airways' insurers agree that liability lawsuits are unlikely, partly because plaintiffs cannot afford to pay legal fees themselves.

In Britain, attorneys explain, the contingent fee system does not exist, so plaintiffs must pay attorneys even if they do not win their case.

"We like to think that British Airways and others will be responsible people and settle this as quickly as possible to help the aggrieved families," said Barry Coleman, former chairman of Lloyd's of London Aviation Underwriters Assn. and one of the underwriters on the risk.

Even if they do not sue, the victims' relatives will receive compensation from British Airways and its insurers.

Under the Carriage by Air Act, each passenger on a British flight is insured by the airline for about \$120,000.

British Airways has up to 450 million pounds (about \$684 million) of liability insurance, sources say. The coverage is brokered by Sedgwick Group P.L.C.

Six people survived the incident when the Sikorsky 61 helicopter—insured for \$2 million—ditched into the sea on a July 16 flight from the English mainland to the Scilly Isles off Land's End.

Reports that the aircraft's flotation system failed and safety procedures were not adequate on board are still being investigated by the government-owned airline.

"It is not yet possible to detect the cause of the tragic accident of the Sikorsky 61 helicopter," said Michael Ginn, managing director of British Airways' helicopter division.

"Pending coverage of the wreckage, there is no evidence yet available to investigators to suggest any specific malfunction to this helicopter.

"For this reason, at this stage of the investigation, it is our judgment that there is no basis for introducing any special technical checks on the other craft in our U.K. fleet," the British Airways official pointed out.

This helicopter crash was the second to hit British Airways in the past four months. The carrier lost another helicopter in the North Sea in March (BI, March 28).

A British Airways spokesman says these two helicopter losses are not related.

Satellite loss

One of RCA Corp.'s older communications satellites—Satcom F2—is malfunctioning and could cost underwriters up to \$20 million, market sources say.

According to one aviation underwriter on the risk, RCA notified its insurers in May that only 11 of the 24 transponders on the satellite were working and that it could file a claim for a total loss.

The satellite's life insurance policy says the underwriter will pay if 12 or more transponders fail to work.

The latest life insurance policy on the 7-year-old probe was purchased last July at a rate of 2.5% of its current value of \$20 million, which is roughly equal to about

London line

\$500,000.

If they pay the full \$20 million value of the satellite, the insurers may be able to salvage \$5 million by leasing the remaining, working transponders.

Underwriters could not estimate the original value of the RCA satellite, which was launched in March 1976.

This isn't the first time an RCA satellite has cost insurers.

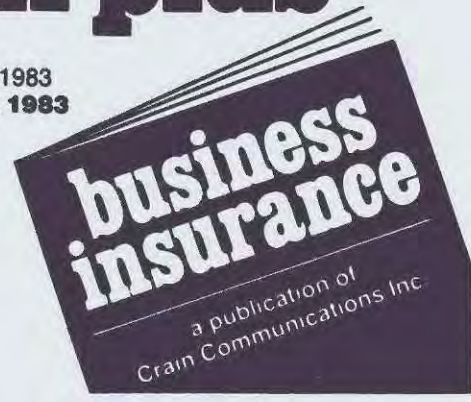
RCA filed the largest satellite claim ever—\$77 million—in 1979 when the satellite Satcom III disappeared shortly after liftoff (BI, Dec. 24, 1979).

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Case improves benefits for United Auto Workers

benefit beat

United Auto Workers members at J.I. Case Co. of Racine, Wis., will receive several benefit improvements as part of a recently ratified contract.

The agreement, which runs through Feb. 28, 1987, and affects approximately 6,300 employees, calls for establishment of an Employee Stock Ownership Plan that will issue common stock in Tenneco Inc., Case's parent.

ESOP benefits will equal 0.5% of pay for 1983 and 1984, and 0.75% in 1985. The first allocation, for 1983, will take place in October 1984.

Dividends will be reinvested and all shares will stay in the worker's account until employment is terminated.

Special early retirement benefits will be increased to workers who are at least 55 years old with 10 or more years of pension-credited service.

Under the program, early retirees' pension benefits will include the basic benefit, plus a temporary benefit of \$15 per month for each year of credited service to a maximum of \$450, up from the previous maximum of \$375.

Early retirees will receive the extra benefit until they become one month older than 62, at which time they become eligible for Social Security.

An employee who becomes eligible for special early retirement must exercise the option to retire within six months of the time he is first eligible.

In addition, earnings limitations for early retirees will rise to \$6,600 from the current \$6,000 in 1984, \$7,500 in 1985, and \$8,400 in 1986.

Benefit increases were also negotiated for life insurance and accidental death and dismemberment insurance coverages. Effective Jan.

1, 1984, life insurance for active employees will be raised to \$22,000 from \$20,000. AD&D coverage will be increased to \$11,000 from \$10,000 effective Jan. 1, 1984.

Life insurance for retirees will be increased effective Jan. 1, 1984, providing \$8,000 prior to age 65 and \$4,500 after age 65, an increase of \$500 in both cases.

All Case plans are underwritten by Metropolitan Life Insurance Co.

Workers and their eligible dependents at Case plants in Rock Island, Ill., Burlington, Iowa, and Bettendorf, Iowa, also will be offered the opportunity to enroll in the Quad-Cities Health Care Plan, a health maintenance organization, if it is accepting enrollees.

In addition, members and their eligible dependents in the Racine, Wis., area will be able to enroll in the Kurten Medical Group Comp-Care Plan, when arrangements can be made.

It has not yet been determined what percentage of the HMO premiums Case will pay.

In another health plan change, copayments for purchase of brand-name drugs for which generics are available and medically suitable will rise to \$3 from \$2, the level that remains in effect for all other drug purchases.

Workers hired or rehired on or after July 1 will be eligible for insurance-related benefits after completion of three months of continuous service, with the exception of dental, vision and hearing coverage, which will be provided after 18 months of active service.

Formerly, the waiting periods were two and 12 months, respectively.

All employees with 10 or more years of service who are laid off due to plant closings will be eligible for 24 months of group life and health insurance coverage, 12 more than were previously provided.

Laid-off workers who are rehired will receive all insurance and health care benefits immediately upon rehire.

The new pact, which was approved July 1, covers some 4,200 active and 2,100 laid-off Case employees in Racine, Terre Haute, Ind., Rock Island, Ill., Burlington, Iowa, and Bettendorf, Iowa.

Adoption benefit

The Campbell Soup Co. in Camden, N.J., is now offering an adoption benefit program.

The program, which became effective June 1, is being extended to nearly 30,000 Campbell employees throughout the United States. This includes all company and subsidiary employees, including those in its Pepperidge Farm Inc., Vlasic Foods Inc. and Mrs. Paul's Kitchens Inc. divisions.

The adoption benefit pays employees a maximum of \$1,000 in compensation for adoption expenses and fees.

If the adopted child is 4-weeks-old or younger, the parent is eligible for a four-week leave of absence with pay. If the child is older than four weeks, the parent can receive eight weeks off without pay.

ESOP formed

Employees of Dan River Inc. are gaining ownership of 70% of the company's common stock under a shareholder-approved plan for the century-old Danville, Va., textile manufacturer to become a private company.

Under the agreement, Dan River became a subsidiary of a holding company, known as D.R. Merger Subsidiary Inc. or DRMS, which is owned by a newly established Employee Stock Ownership Plan.

Most of the financing for the purchase of the company's 7.7 million outstanding stock shares came from a \$148.9 million term loan from Chemical Bank of New York.

The remainder of the financing, \$5 million, was provided by a group of Dan River officers and directors, who retained control of the company's management and own 25% of the holding company, and Kelso & Co., the investment banking firm that devised the ESOP, which will own the holding company's remaining 5%.

As the loan is paid off, the ESOP will receive common shares in the holding company, which are currently being held in trust by the United Virginia Bank of Richmond. The loan is scheduled to be repaid by March 31, 1989.

Shares in the holding company will be allocated among Dan River's approximately 12,000 employees "based substantially on their compensation," according to the proxy statement for Dan River's May annual meeting.

"By providing the holding company ESOP with a substantial equity interest, employee productivity and morale will be improved, since the employees will have a direct financial interest in Dan River," the proxy statement noted.

The ESOP merger was designed late last year to thwart a takeover effort by New York investor Carl Icahn, who had bought about 22% of Dan River's voting shares, said Dan River Secretary Paul M. Caruthers.

As a result of the merger, Dan River's pension plan was terminated. All accrued benefits were fully funded, and arrangements have been made to purchase single-premium annuities to insure payments to participants. A \$16 million surplus will be used to help repay the loan to the ESOP.

The company's profit-sharing plan, covering about 2,000 salaried employees, was amended to allow it to invest in the new holding company common stock and newly issued Dan River preferred stock.

As a result of the merger, Dan River's stock bonus plan, which held 1.7 million shares of the company's preferred stock for some 2,000 salaried employees, was terminated. Each share was converted into \$3.25 cash, which was distributed to plan participants.

Dan River's existing Tax Reduction Act Stock Ownership Plan, in which 2,149 employees participated, was also terminated. The 122,784 shares of Dan River common stock it held were converted into the right to receive \$2,762,640 in cash. The portion of that amount attributable to employer contributions, about \$2,459,810, was invested in new preferred stock. The portion attributable to employee contributions, about \$302,830, was reinvested by First & Merchants National Bank of Richmond, Va., the plan's trustee.

Benefit beat keeps insurance and employee benefit managers informed on what other companies are doing and of current developments in the employee benefit field. We'd like to know if you've made any changes. Write Claudette Dampier, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611; 312-649-5282.

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Many firms don't consider utilization when altering plans

LOS ANGELES—Many companies that receive health care utilization reports do not use them for cost-containment planning, a survey of 130 Southern California companies found.

Only 31% of the 130 companies participating in the study, conducted in April by the Los Angeles office of William M. Mercer Inc., an employee benefit consulting firm, said they used health care utilization surveys to make plan design changes during the past year, although more than 60% of the employers indicated they do receive such reports.

"Ironically, many companies may be making health plan design changes without identifying utilization excesses of their individual plans," the survey report said.

Part of the reason for the relatively low usage rate may be that companies do not understand the reports, the survey found. While 62% of participating companies received them, only 55% said they understood them and less than 30% said they asked for help from outside consultants to understand them.

"It appears that carriers and administrators are not being pushed by companies to provide utilization data," the report noted. "Further, when data is provided, it is not understood, useful or serving as a basis of action planning."

Nearly half of survey participants believe that Preferred Provider Organizations are the "direction of the future" in health care plans, but only 3.9% said they have negotiated a PPO. More than half of the survey respondents said they could not decide whether to negotiate a PPO as an individual employer or through a coalition.

"It is likely that many interested companies are unsure of how to initiate the process, or perhaps lack the expertise and data to identify the more efficient providers," the survey report stated.

More than half of respondents said they believed that improved employee health would result in lower absenteeism, higher productivity and reduced hospital confinements. But only 10.1% sponsor formal wellness programs and 14% have participated in community health fairs.

"Employers apparently still perceive that their rights and responsibilities to employees stop short of using behavioral modification techniques," the report stated.

However, 55.8% said that in the

future they would sponsor screenings for high blood pressure and 59.7% said they would sponsor voluntary physician-directed wellness programs.

And, more than 20% of the Southern California employers said they supported the idea of including a first-dollar benefit covering physician-certified wellness program.

"This response is somewhat higher than expected, in light of many corporations moving toward co-payment and deductible cost shifts to employees," the survey report stated. "This probably signifies a recognition that the wellness movement and appropriate public health programs should be encouraged."

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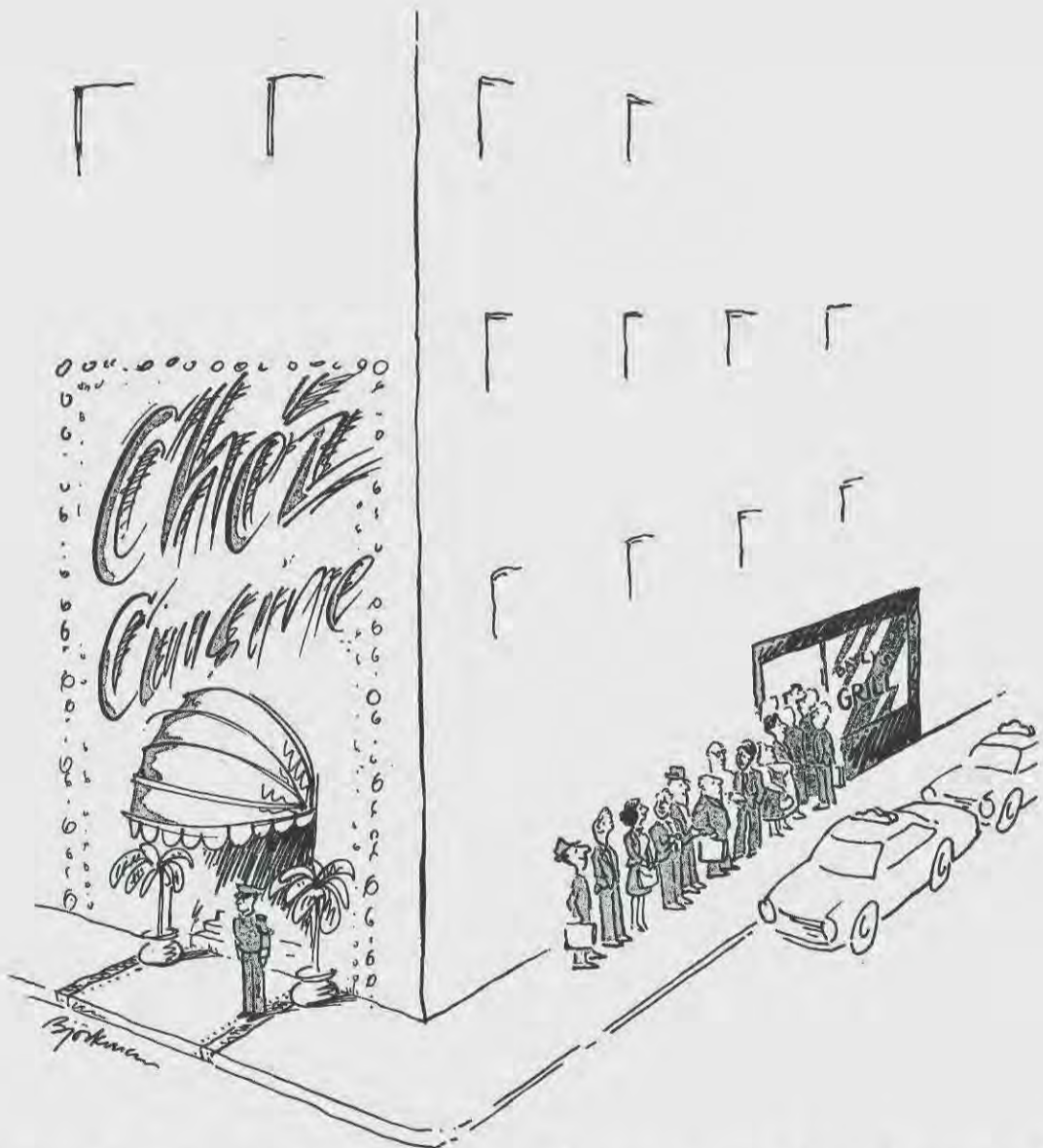
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Fred Marcon promoted at ISO

NEW YORK—Fred R. Marcon has become senior executive vp and chief operating officer of Insurance Services Office Inc.

Mr. Marcon was previously executive vp for insurance lines, actuarial and information systems at ISO, the nationwide data-gathering and rate-advisory organization for property/casualty insurance companies.

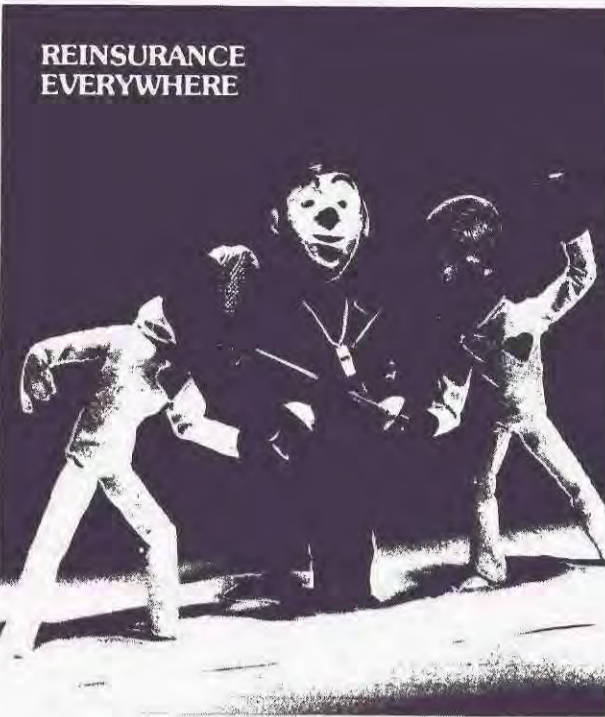
Besides his old duties, Mr. Marcon is now also responsible for ISO administration, industry relations and ISO Commercial Risk Services.

In addition, Charles R. Schader has been promoted to executive vp of ISO.

Mr. Schader, who was ISO's senior vp and general counsel, will now be responsible for ISO's legal, governmental relations, finance and research departments.

Under Mr. Schader, the research department will be broadened to include long-range corporate planning.

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M&M Protection Consultants, a division of Marsh & McLennan Inc., has developed a natural hazards information system—a computer system providing companies with worldwide weather and geographic information.

The hazards information system, which uses data from government and private sources in the United States and abroad, can:

- Determine potential property damage and analyze values at risk.
- Assess business interruption loss potential.
- Make site selection and expansion decisions.
- Aid in development of contingency plans.
- Calculate the appropriate levels of insurance premiums and determine their allocation among several sites.
- Determine appropriate levels of insurance coverage.

The data are displayed in a variety of ways. Area reports show historical data for a specific area or region and provide a tally of hazard frequency and intensity. Site impact reports detail the physical con-

sequences of a certain hazard on a specific location. Summary reports contain data for multiple locations using area and site impact reports.

The hazards information system service is available to M&M clients and non-clients. Report costs depend on the number of units of data (like hazards, locations, etc.) required and the depth of engineering analysis needed. For example, one report covering one location involving one hazard would cost about \$200. No engineering analysis would be included.

The system is cost-effective, according to M&M, since the cost per unit drops with the number of locations surveyed.

For more information on the system, contact Charles Pacella, NHIS Coordinator, M&M Protection Consultants, 222 S. Riverside Plaza, Chicago, Ill. 60606; 312-648-6043. Or, contact your local M&M Protection Consultants office.

completed in 30 to 45 minutes.

A program option is the Health Risk Profile. This computer-based profile can give employees an individual appraisal of health risks. The profile is based on factors like age, health, habits and diet.

The basic package, not including the Health Risk Profile option, includes text materials, a Control Data 110 microcomputer, a quarterly health magazine called WellTimes and promotional materials.

A company with 1,000 employees leasing this package would be charged a \$2,000 setup fee. The one-year lease itself would cost \$30,980 or 12 payments of \$2,415.

This package that includes the Health Risk Profile options comes with the WellTimes quarterly, the CD 110 minicomputer, a disk drive, a scanner and input and output forms (for the Health Risk Profiles), a manual to interpret the profiles, instruction/instructors manuals and the 12 disks. Promotional posters are also included.

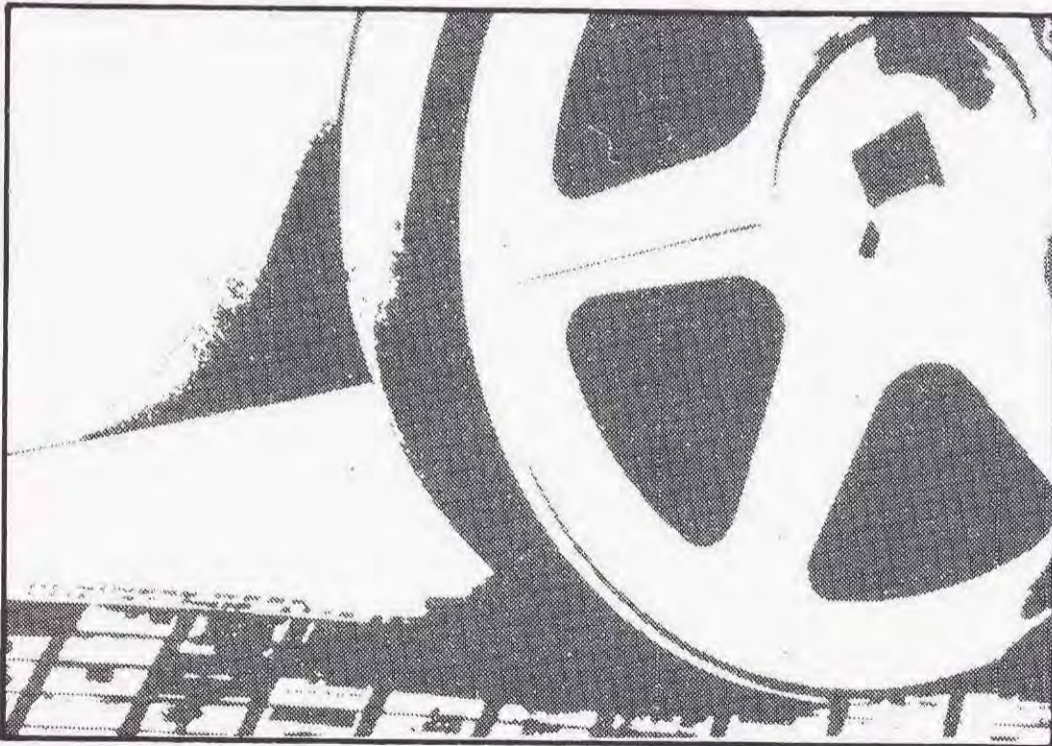
A one-year lease of this system for a 1,000-employee group would cost \$42,020 or \$3,335 monthly, plus the \$2,000 setup fee.

Plato Staywell courses can also be completed by employees at Control Data's Staywell centers in New York; Chicago; Lyndhurst, N.J.; and Philadelphia. The cost of the on-site courses is \$70 per employee.

Control Data also plans to sell Plato software packages that are compatible with other computers. These packages will be available by the end of the year.

For details contact Al Jones, Control Data Healthcare Services, Life Extension Division, 8100 34th Ave. S., P.O. Box 0, Minneapolis, Minn. 55440; 612-853-7777.

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- How to relax.
- How to maintain healthy blood pressure.
- How to lose weight.
- How to eat right.
- How to be fit.

With the microcomputer, employees can individually, at their own pace, complete the course of their choice. Each course has five to eight lessons and each lesson can be



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Settlements won't end Louisiana litigation

Continued from page 2

maining \$2 million in damages to Diamond Crystal. John M. McCollam, a lawyer representing the drilling company, would not comment on the company's insurance.

Under the settlement, the state of Louisiana will not have to make any damage payments. The state owns the lake bottom on which the drilling took place and had leased it to Texaco at the time of the accident, according to Robert H. Carpenter, Louisiana's assistant attorney general for lands and natural resources.

The settlement also calls for Diamond Crystal to pay back \$3.5 million of the \$10 million in property damage and business interruption payments it received from its insurers, which include Lexington Insurance Co., Lloyd's underwriters, The Home Insurance Co., The Mutual Fire & Inland Insurance Co., Utica Mutual Insurance Co. and Birmingham Fire Insurance Co. of Pennsylvania.

Besides the Diamond Crystal settlement, \$12.8 million will be paid to J.L. Bayless, a nearby resident whose house and land was da-

Mr. Carpenter said. That ruling is currently on appeal in the 5th U.S. Circuit Court of Appeals in New Orleans, he said.

If the court rules that Wilson Brothers can sue Texaco, Texaco will then pursue claims of more than \$20 million against Wilson Brothers for lost gas and oil reserves, as well as property damages, a Texaco attorney said.

The largest claim that remains outstanding is a \$100 million class-action suit against the state, Texaco and Wilson Brothers. The class is made up of about 250 Diamond Crystal employees who are seeking wages, benefits and personal property they claim to have lost as a result of the closing of the mine.

However, that claim has already been reduced substantially. A U.S. District Court judge in Lafayette

and a state District Court judge in New Iberia, La., have dismissed the portion of the claim that includes 150 workers who were not in the mine at the time of the accident, says Warren A. Perrin, an attorney representing the class.

The state court ruling is currently being appealed in the 3rd State Circuit Court of Appeals in Lake Charles, La., Mr. Perrin said. The appeal has been delayed pending a decision by the Louisiana State Supreme Court on another case involving an identical issue, he said.

The remainder of the class action, which includes the approximately 50 workers who were in the mine when the disaster struck, are pending in U.S. District Court in Lafayette, says Mr. Perrin.

Also pending are \$1.65 million in property damage claims in both state and federal courts by the owners of six barges and a tugboat that were destroyed or damaged in the accident.

All the suits name Diamond Crystal, the state of Louisiana, Texaco, Wilson Brothers, Mr. Bayless and the two Live Oak organizations, Mr. Carpenter says.

Wisconsin Barge Lines Inc. of St. Louis, which owned two barges destroyed in the disaster, is seeking \$500,000 in damages.

The Manhattan Barge Co. of New York City, which owned one of the destroyed barges and two damaged barges, also is seeking \$500,000. It is being joined in bringing suit by Conti Carriers & Terminals Inc., which chartered and operated two of the barges, and Eagle Star Insur-

ance Co. of America of New York, which insured the barges.

The Pillsbury Co. of Minneapolis, which owned one of the destroyed barges, filed suit for \$500,000. Its insurance company, Insurance Co. of North America, of Philadelphia, has also joined the action.

Damages of \$150,000 are being sought by Equitable Insurance Co. of Des Moines, Iowa, which insured the lost tugboat owned by Adams Towing Corp. of Morgan City, La.

Four personal injury suits totaling \$3.115 million that were filed against Texaco, the state and Wilson Brothers by Diamond Crystal miners who were injured during the accident are also pending.

Mr. Carpenter said all of these cases would not be heard until next year at the earliest.

Under the settlement, Diamond Crystal will receive \$32 million in payments.

amaged by the collapse; Live Oak Gardens Foundation, the owner of the botanical garden; and Live Oak Gardens Ltd., a nearby nursery. Both the botanical garden and the nursery bordered the lake.

Texaco will pay \$8.9 million, or 70%, of this amount through its excess coverage, while Diamond Crystal will pay \$3.255 million, or 25%, through its insurers. Wilson Brothers will pay the remaining \$645,000.

"This is a wonderful thing for everyone concerned because it (the pending legal action) was going to be a monster," said Mr. Carpenter, the state official.

He estimated that more than 100 witnesses would have been called and their testimony would have required at least two or three months before a decision could be reached in the U.S. District Court in Lafayette, La., where the cases had been scheduled to begin July 5.

However, the two settlements are not the end of the litigation by any means.

For instance, several claims filed by Wilson Brothers remain outstanding, though trial dates have not been set. The company and its insurers are seeking \$6.9 million from the state for the loss of a drilling rig and lost earnings not covered by its insurer, Mr. Carpenter said.

Wilson Brothers also reportedly has claims outstanding against Diamond Crystal, but Diamond Crystal's insurance manager, John C. Leyhan, said he did not know how much the suit asks or in what court it is filed.

The attorney for Wilson Brothers would not comment on the claim.

Mr. Leyhan said he was confident that Diamond Crystal's primary liability insurer, Aetna Life & Casualty Co., would pay the full amount of any claim assessed against the company.

Wilson Brothers had earlier brought suit against Texaco, but U.S. District Court Judge Eugene Davis in Lafayette, La., ruled that this claim was barred by the contract between the two companies,

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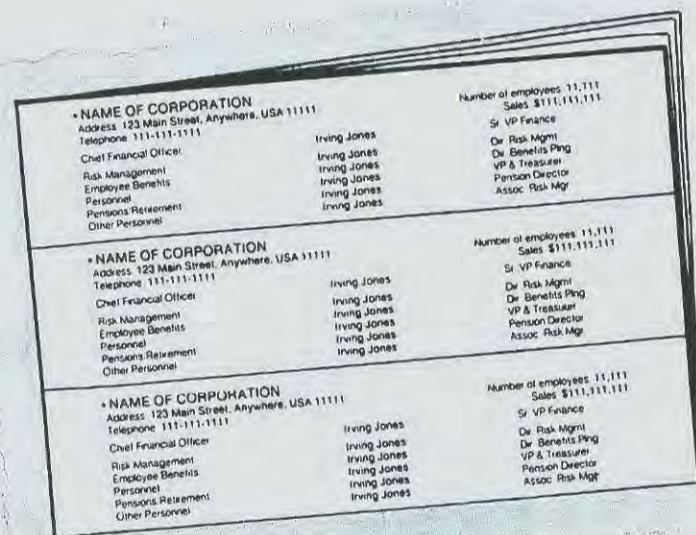
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Suburb fights police brutality, lawsuits

Continued from page 1

provoked the incidents and that the police officers involved acted reasonably and within what they believed to be their authority.

The lawsuits filed since 1979 include a 1979 case brought by three residents who claimed that in separate incidents they were beaten by police and arrested on such charges as "obstructing a police officer"—charges that were either never filed or subsequently dismissed.

This case was later consolidated with two others: a 1980 lawsuit in which three more men—including an aide to a state representative—charged they were beaten and unjustifiably arrested in three separate incidents; and another 1980 suit in which 21 residents charged they were beaten—and in one case attacked by a police dog—in 16 sep-

arate incidents.

In August 1981, four months after these so-called "White, Royal and Evans" cases were consolidated before U.S. District Judge William H. Orrick, the plaintiffs and city signed two consent decrees, negotiated with the help of the Community Relations Service of the U.S. Department of Justice. All parties agreed to avoid trial of the cases by submitting to binding arbitration of the 27 separate claims.

Without admitting guilt, the city also agreed to several police department administrative reforms, including revised guidelines on the use of force, the assignment of a black sergeant to the internal affairs division and the assumption of direct responsibility for internal affairs operations by the police chief.

None of the claims has yet been arbitrated to a conclusion. Last September, however, Judge Orrick awarded \$693,000 in fees plus interest to plaintiffs' attorneys for work performed in reaching the consent decrees.

Richmond has appealed the award to the 9th Circuit Court of Appeals, and is awaiting a decision, according to Timothy J. Murphy, a partner in the Oakland, Calif., law firm of Crosby, Heafey, Roach & May, which represents the city in insurance matters.

In 1980, the widow and mother of Johnny M. Roman, 25, who was shot and killed by police officers who had gone to his home to arrest him on burglary charges, sued the city. Police say he pointed a shotgun at them.

The Roman case was consolidated before U.S. District Judge Robert Aguilar with a 1982 lawsuit brought by the parents and brother of Michael Guillory, 22, who was shot and killed in police cross fire in his home. He was unarmed.

The consolidated cases went to trial last December after the Richmond City Council rejected a \$760,000 settlement offer recommended by one of its own attorneys. A mistrial was declared when the jury learned of the proposed settlement, and a second trial began in February.

On June 3, after 63 days of testimony by about 150 witnesses, the jury awarded \$3 million to the plaintiffs in what is believed to be the largest civil rights judgment of its kind in history. The families of each victim will receive \$1.5 million.

Judge Aguilar is expected to rule later on applications for attorneys' fees, which could range as high as \$1 million, according to John Scott, whose San Francisco firm, Cole & Scott, represented the plaintiffs. The judge is also expected to rule on demands by plaintiffs in the Guillory suit that further departmental reforms be undertaken, including automatic internal affairs division review of every police shooting incident and new procedures for insuring that violence-prone officers are "appropriately" assigned.

The Richmond City Council has voted to proceed with an appeal of the verdict, and the city's attorneys have filed a notice of motion for a new trial, scheduled for a hearing Aug. 4.

After the Roman-Guillory verdict, Chief Garfield decided to take a vacation until his scheduled Sept. 15 retirement, a city official said. Deputy Chief Clement has taken over as acting chief and has re-assigned two officers involved in the shootings to desk jobs.

Last year, another lawsuit was brought by the three surviving children of Willie Lee Drumgoole, who charged that he was beaten and choked to death by police officers when he "violently resisted" returning to his cell at Richmond city jail. He had been arrested on suspicion of burglary, but had not yet been arraigned, according to Mr. Scott.

In addition to compensatory and punitive damages, the suit seeks reforms in the operation of the city jail, including new hiring, training, assignment and supervision procedures for jail personnel, revisions of regulations on the use of force against prisoners and a system for review of incidents that require such use of force.

No trial date has yet been set.

Meanwhile last February, a lawsuit was filed behalf of the son of Donald Kizart, who was shot and killed by police while hiding in a closet in a friend's home. Police say Mr. Kizart was a suspected heroin dealer and that he fired on the offi-

cer who shot him as the officer entered the room.

Mr. Scott, who is also representing the plaintiffs in this case, says an unloaded gun belonging to Mr. Kizart's friend was later found in the room and that there was no evidence that Mr. Kizart had shot at police.

No trial date has yet been set.

These seven actions are apparently only the latest developments in a history of police brutality complaints dating back to 1968. In the 14 years before the Roman-Guillory verdict, Richmond and its insurers are reported to have paid \$2 million to settle 127 personal injury claims and lawsuits stemming from police misconduct, according to a copyrighted story in the San Francisco Examiner. Louise Gigliotti, the city's risk management analyst, believes both the dollar figure and number of claims cited by the Examiner are too high, but she could not provide any other figures.

But whether the city's insurers will respond to judgments in the present cases is the subject of another set of lawsuits the insurers have filed in federal and state courts.

Richmond insured its public officials errors and omissions exposure with Continental Casualty Co., an affiliate of CNA Insurance Cos., from November 1981 until last February, when Continental canceled the policy, according to court documents. The policy carried a \$1 million aggregate limit and a \$10,000 deductible per occurrence.

Richmond hasn't replaced the Continental policy, having decided to rely on its general liability policies instead, according to Ms. Gigliotti.

Richmond previously insured its public officials E&O with Forum Insurance Co. of Providence, R.I., with the same limit and deductible, Ms. Gigliotti said.

The city's \$30 million in general liability coverage includes a \$150,000 self-insured retention, Ms. Gigliotti said. The lead insurer since last March has been Planet Insurance Co. of Madison, Wis., a member of the Reliance Insurance Group, which carries the first \$850,000 layer.

Planet replaced Mead Reinsurance Co., which carried a \$900,000 layer over a \$100,000 self-insured retention from December 1979 until it canceled on March 31, Ms. Gigliotti said. Mead was preceded as lead insurer by Atlanta International Insurance Co., which provided \$900,000 of coverage over the \$100,000 self-insured retention in 1979 and \$400,000 over the same retention in 1978, according to court papers.

Other insurers currently participating in the CGL coverage include Granite State Insurance Co., which provides a \$5 million layer excess of \$1 million; Industrial Underwriters Insurance Co., which provides \$5 million excess of \$6 million; American Excess Insurance Co., which provides \$10 million excess of \$11 million; First State Insurance Co., which provides \$5 million excess of \$21 million; and Twin City Fire Insurance Co., which provides \$4 million excess of \$26 million.

Continental, Atlanta and Mead have each sued the city seeking to deny liability for judgments in a variety of the cases.

Granite State has also sent the city letters reserving the right to deny claims in which "intentional acts" by the city are found to have contributed to a loss, according to Ricardo Montes, claims manager of C.V. Starr Co., Granite State's managing general agent in San Francisco.

Continental's complaint for de-

claratory relief was filed in U.S. District Court in San Francisco last May, and asks the court to rule that the company is not liable for any loss, including defense costs, arising from the Drumgoole case. Continental had already sent two letters informing the city that claims from the case would not be covered, the complaint says.

The complaint cites sections of the policy that exclude coverage of losses arising from bodily injury or mental anguish or from false arrest and assault or battery.

Continental cites other grounds for denying coverage, including policy exclusions relating to acts of fraud or dishonesty by the insured and provisions of the California Insurance Code forbidding coverage of losses caused by "the willful act" of the insured, language which might be invoked if a "pattern and practice" of police misconduct is established in the case.

Although the complaint deals only with the Drumgoole action, attorneys for the city and Continental say the insurer has notified Richmond that it would also deny coverage of claims arising from the White, Royal and Evans, Roman-Guillory and Kizart cases.

Mr. Murphy, the city's attorney, added that Richmond also notified its earlier E&O insurer—Forum—of White, Royal and Evans and Drumgoole and received similar responses denying coverage.

Atlanta's complaint to deny coverage was filed last month in U.S. District Court, and asks the court to absolve it of any liability in the White, Royal and Evans cases "or any similar pending actions."

Atlanta contends that bodily injury under its policy is covered only if it is "neither expected nor intended from the standpoint of the insured." If allegations of a "pattern and practice" of police brutality are proven in White, Royal and Evans, this section of the policy and the "willful acts" exclusion of the California Insurance Code would bar the city from recovering, the complaint argues.

Atlanta also claims that it wasn't notified of the actions until May 1982, more than a year after the cases were consolidated and nine months after the city had signed consent decrees agreeing to binding arbitration. This, according to the complaint, violates policy requirements of prompt notice of claim and cooperation with the insurer in reaching settlements, and should, therefore, bar recovery of losses.

If the court does find Atlanta liable for any claims arising from incidents within its policy period, the complaint argues that the city's \$100,000 self-insured retention should apply separately to each occurrence.

Atlanta also contends that it is not liable for the \$693,000 in attorney's fees already awarded in the White, Royal and Evans cases because the award was made almost three years after the expiration of its policy.

Mead's complaint to deny coverage was filed last December in California State Superior Court in Martinez, a San Francisco suburb. The complaint addresses only the White, Royal and Evans cases and seeks to deny liability in those cases on several grounds.

Mead claims it was not notified of the cases until April 1982, and like Atlanta argues that this violates the prompt notice and cooperation provisions of the policy.

The complaint also argues that the policy excludes coverage of personal injuries that are caused by racial discrimination "committed by or at the direction of" the insured.

Noting that the inception date of
Continued on facing page

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Continued from facing page the policy was Dec. 8, 1979, Mead further argues that several of the White, Royal and Evans incidents occurring before that date should be excluded from coverage.

Mead also contends that if a "pattern and practice" of police brutality is proven, the pattern would constitute a "continuous and/or repeated exposure to an occurrence that occurred prior to the inception" of the Mead policy, and that

Mead is, therefore, not liable to indemnify the city in any of the cases.

Mead will be looking for California precedents on the occurrence question, including rulings in asbestos-related cases, according to Robert N. Schiff, a partner with the San Francisco firm of Maloney, Chase, Fisher & Hurst, which represents the insurer.

If Mead is found to be liable for any loss in the White, Royal and

Evans cases, the complaint goes on, the city's \$100,000 self-insured retention should apply separately to each of the 27 claims.

Mead is also suing the other insurers involved.

Mead's complaint not only seeks to deny liability in the cases, but also asks the court to rule that Atlanta, Forum and Continental should be held liable for all or part of the losses.

Mead argues that Atlanta should

be forced to indemnify the city for individual incidents occurring before the Mead policy's inception date, or for all the White, Royal and Evans incidents if the "pattern and practice" allegations are sustained.

Mr. Murphy said the city has notified Mead of its potential liability if the Roman-Guillory verdict is upheld, but that Mead has not yet responded.

"They've been very quiet," said the city's attorney.

Richmond officials point out that the extent of the city's liability in the civil rights cases is totally up in the air right now.

"We don't know how much will be paid by the insurance companies, how much will have to be paid by the city or what the terms of the payment will be," said Lyman Christopher, director of finance. Mr. Christopher explained that if the Roman-Guillory verdict is upheld, Richmond might be able to pay the award in installments.

The city's already serious fiscal problems would only be made worse if the judgments pile up and Richmond finds itself without insurance coverage, though.

The city anticipates revenues of \$22 million for its general operating

fund for the coming year, but with expenses estimated at \$29 million, the City Council is already considering new taxes, further spending cutbacks and service reductions, Mr. Christopher said.

"There's definitely not \$3 million in that fund to spare," he observed.

New lawsuits may also result if city finances are hurt by the lack of support from insurers, Mr. Murphy adds. If the refusal of insurers to pay judgments in the civil rights cases contributes to Richmond's deteriorating financial condition, reducing its credit rating or limiting its ability to raise new capital, the city may sue the insurers for damages, he said.

"If the actions of the insurers affect (the city's financial condition), then we are going to make sure they respond to that," he explained.

For their part, the insurers seem ready for such an action.

"That's very commonly done," said Mr. Schiff. ■

Lloyd's drafts disclosure rule

LONDON—Lloyd's of London will not disclose to policyholders all facets of the additional information it will demand from underwriters as part of an effort to combat abuses in the market, Lloyd's chief executive officer says.

For example, policyholders will be able to learn what insurance-related companies underwriters have interests in, but they will not know how much money is involved.

Keeping the matters private, Chief Executive Ian Hay Davison says, is in the best interests of the market. Besides, he adds, the policyholder will be protected from abuse by Lloyd's security even without knowing all details of an underwriter's financial holdings.

Lloyd's said it would demand more financial information from underwriters after allegations surfaced last year that officers of underwriting companies affiliated with Alexander Howden Group P.L.C. and Minet Holdings P.L.C. personally benefited from the reinsurance arrangements of Lloyd's syndicates they controlled (BI, Sept. 27, 1982).

Last week, the Council of Lloyd's officially drafted a long-debated bylaw on disclosure of insurance interests by underwriting agents to curb any future abuses.

Under this bylaw, each underwriting agent, whether a managing or a member's agent, and the agent's immediate relatives must disclose any financial interests in insurance-related companies.

The information will be recorded in two registers, one of which will only be open to Lloyd's officials and one that will be available for public scrutiny. The information must also be kept on hand at each underwriting agency office.

However, the public register will contain only the names of the agents and the companies in which they have interests. It will not contain the amounts involved, like the register that will be available to Lloyd's officials.

The council will receive comments on the proposed bylaw until

October, when it is scheduled to be officially ratified. The requirements would take effect next March.

Members of the Plaistow Working Party, which drafted the bylaw, are now working on rules that would force syndicates to disclose reinsurance arrangements.

Beside drafting the disclosure rule, the Lloyd's Council last week ratified other changes in the way Lloyd's will conduct its affairs.

For example, the council from now on will formulate two types of rules: bylaws and codes of conduct.

Bylaws are binding on all Lloyd's members and companies doing business at Lloyd's. Codes of

conduct will serve as guidelines for doing business at Lloyd's, but they will not be binding like the bylaws.

"We do not think it right to legislate for the market in great and labyrinthian detail," Mr. Davison said. "I am not here to catch crooks. I am here to raise standards."

A new rules committee, to be chaired by Stephen Merrett, chairman of Minet Holdings Ltd., will decide what issues should be covered by bylaws or codes of conduct.

A new investigations committee, to be chaired by external member Edward Walker-Arnott, will have the power to inquire into alleged wrongdoings in the market. ■

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Florida to start licensing MET administrators

Continued from page 2

powers to prevent those administrators from setting up new trusts.

For example, an administrator of a MET underwritten by Iowa State Travelers Mutual Assurance Co., which collapsed in February, also was associated with METs that earlier failed in both Texas and California (BI, March 7).

An administrator associated with a number of MET failures would not be able to get a license to operate in Florida under the new law, Mr. Butler said.

In addition, the legislation, which was signed last month by Gov. Bob Graham, will require METs sponsored by "legitimate" trade or professional associations to purchase fidelity bonds to protect participants' benefits if funds are misused. The amount of the bond must equal at least 10% of the funds handled by the MET.

Trade associations also will need permission from the Insurance Department before they can set up a MET for their members.

Furthermore, the legislation requires METs that say they are employee benefit plans and thus exempt from many state insurance regulations to prove their status. Such proof could come in the form of an advisory opinion letter from the U.S. Department of Labor certifying the MET as a benefit plan.

Without such a letter, the MET would be presumed to be an unauthorized insurer and could be shut down by the state.

"We expect to see the benefits of this legislation in the months ahead as we're able to spot more of these bogus trusts before they do harm to the unsuspecting people they've signed up," said Florida Insurance Commissioner Bill Gunter.

The Florida legislation, Mr. Gunter noted, is designed to complement a recent federal law that was enacted to close a loophole in the Employee Retirement Income Security Act that allowed third-party administrators to set up METs without effective state or federal regulation.

Under that new federal law, which was pushed through Congress late last year, self-funded METs must apply to the Labor Department for certification as an ERISA benefit plan. Even if that status were granted, the trust still would be subject to state rules governing reserves and contributions (BI, Dec. 27, 1982).

While Labor Department approval is pending, the MET still must meet all state insurance regulations, or the state could force it out of business.

By contrast, prior to the passage of the federal law, METs said the states had no authority to examine their books or attempt to shut them down because ERISA pre-empts state laws.

The METs continued to operate while the legal battles were being waged. By the time a court or the Labor Department ruled whether a MET really was a benefit plan, the trust, in many cases, had gone bankrupt.

Both the federal law and the Florida legislation put the burden of proof on the MET to prove that it is a benefit plan before it can operate.

Self-funded METs usually are set up by third-party administrators with an insurance sales background. They are often marketed to small employers that are attracted by the lower premiums charged by METs.

Government faces new Manville suit

Continued from page 2

mately 20,000 asbestos disease claims it faces were triggered by exposure to asbestos in either government shipyards or private shipyards they operated under government contracts.

The complaint alleges that the government, as part of the war effort, virtually took over the U.S. shipbuilding industry.

The government dictated the rapid construction of government ships, required that asbestos be used in both merchant and Navy vessels, purchased and supplied asbestos to insure its availability, controlled the use of asbestos and required Manville to comply with all government orders surrounding the material, the complaint says.

The suit further states that the government established standards for the safe use of asbestos, assumed the risk of worker exposure to the substance and subsequently violated those standards.

"The government controlled and limited the dissemination of information with respect to exposures to excessive concentrations of asbestos in the shipyards by classifying reports and documents containing such information, by prohibiting contract shipyards from disclosing information about the work done in the shipyards and by failing to describe accurately the conditions in the shipyards in its public statements."

The suit drew a sharp response from the government.

Assistant Attorney General J. Paul McGrath called the suit part of Manville's "five-year unsuccessful campaign in the press, media, legislature and the courts to shift responsibility for injuries due to exposure to asbestos products from the corporation to the shoulders of the taxpayers."

Manville and other asbestos defendants have sued the government on several previous occasions.

Those suits include:

- A third-party action brought by an affiliate, J-M Sales Corp., against the government under the Federal Tort Claims Act. The suit sought indemnification for any judgment against it won by plaintiffs claiming damages from exposure to asbestos while working in government shipyards.

The case was dismissed by a U.S. District Court in California. That decision was later affirmed by the 9th U.S. Circuit Court of Appeals.

- A suit by J-M Sales Corp. against the government that includes allegations of negligence and breach of implied warranty. The suit, seeking indemnification for a settlement paid to a former naval shipyard worker, is pending in U.S. District Court in San Francisco.

In another development, a U.S. Bankruptcy Court last Thursday extended the deadline for Manville to formulate its reorganization plan another 52 days.

Wisconsin employers must offer PPO, HMO option

Continued from page 2

but only required the coverage be extended for 12 months. Initially, self-insurers were included in the law, but were exempted later by a U.S. District Court ruling.

- That the voluntary Wisconsin Hospital Rate Review Program be replaced with a mandatory hospital rate-setting program administered by a three-member commission. The commission will review hospital budgets, disallow various categories of expense and revenue items and set maximum rates for most of the state's 145 acute-care hospitals beginning in 1985.

- That insurers and others be allowed to establish PPOs and HMOs. The PPOs would be limited to physician, hospital, podiatrist and chiropractic services.

Many of these provisions were recommended in March by Gov. Anthony Earl (BI, March 21).

The provision that requires employers to offer at least two health care plans, including a PPO or

HMO, becomes effective July 1, 1985, or upon expiration of labor contracts, whichever is later.

Employers that do not follow this order would lose their state tax deduction for health insurance premiums. Private, non-profit employers would lose their tax-exempt status, while local governments would lose 5% of state aid.

"If they're (PPOs and HMOs) out there and are viable and will save money, employers will use them," said Fred Shaffer, legislative counsel for the Wisconsin Assn. of Manufacturers & Commerce in Milwaukee, which represents more than 2,800 employers. "But, (employers) are philosophically against this provision...they're against being forced."

The law also will disallow tax deductions, tax-exempt status or state aid if employers don't comply with the health insurance continuation and conversion provision.

When the state first adopted this law in 1980, a class-action lawsuit

on behalf of the state's self-insurers was filed in 1981, seeking exemption from the law. The court ruled that self-insured plans were better regulated under the federal Employee Retirement Income Security Act, Mr. Shaffer said.

This month's new law isn't forcing self-insurers to comply, but they will lose their health insurance premium tax deduction if they do not, Mr. Shaffer said.

The extension of layoff coverage to 18 months from 12 months begins immediately for most employers. For self-insurers, the law takes effect Jan. 1.

"It's kind of ironic that you have a cost-containment bill that creates administrative burden and additional costs," said Dan DeBaker, manager of employee benefits for Kohler Co. in Kohler. The company, which manufactures plumbing equipment and small engines, self-insures its employee benefits and workers compensation program for its 6,000 employees.

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Government, Associations, Unions, Educational Institutions 1,024

Commercial Consumers Sub-total 23,176

Insurance Agents & Brokers 9,639
Insurance Cos. 5,384
Financial Institutions 385
Actuaries, Attorneys, Adjusters, Appraisers & Consultants 2,779
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*Source: Business/Occupational breakdown of qualified circulation, May 2, 1983 issue, as submitted to BPA for June 1983. BPA Publisher's Statement.

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Risk exchange

Continued from page 1
affiliates and even their fronting insurers or brokers.

The planned exchange will consider underwriting all kinds of risks. Capacity probably will be limited to \$3.5 million for marine risks, \$4 million for casualty risks and \$6 million for property risks.

"This is a totally new market structure," says Duane E. Allen, assistant treasurer of Hanna Mining Co. in Cleveland, who also is chairman of the 23-member Risk Exchange Study Committee established in January to explore the feasibility of a Bermuda-based exchange for captives domiciled there and elsewhere.

Hanna is the parent of Erieview Insurance Co. Ltd. of Bermuda.

Other study committee members include Thomas Duffield, vp-insurance and risk management at Archer Daniels Midland Co., which owns Agrinational Ltd. in the Cayman Islands; Richard Johnson, director of insurance operations at Owens-Illinois Inc., which owns Owens Insurance Ltd. in Bermuda; William J. Dahl, corporate risk manager of Houston Natural Gas Corp., owner of Gulf Co. Ltd. in Bermuda; Marlin E. Henning, corporate risk and insurance manager for Keystone Consolidated Industries, owner of Keystone Insurance Co. in Vermont; Harold Meeks, assistant secretary of Aluminum Co. of America, owner of Bermrisk Ltd. in Bermuda; Jurgen Herrmann of Swedish Match Co., owner of Three Star Insurance Co. Ltd. in Bermuda; and Jens Erik Ladelund of F.L. Smidth & Co., which owns Forenade Assurandoror.

The exchange, as envisioned by Mr. Allen and the other study committee participants, will meet the needs of captives that want to expand their outside underwriting activities but that shun widespread participation in the conventional reinsurance market.

Membership will be limited to captive insurance companies to guarantee—as much as possible—that only high-quality and thus potentially profitable business is brought to the exchange.

The only exception is the membership of Hudson Reinsurance Co. Ltd., a Bermuda-based commercial reinsurance company that is a unit of the Skandia America Group.

Following a competitive bid procedure, Hudson Underwriting Ltd., another Skandia America company, was selected by the study committee to act as the exchange underwriter, said Mr. Allen. Hudson Reinsurance will act as an underwriting member of the exchange to enhance its sister company's incentive to conduct proper underwriting.

"It is contemplated that Hudson's participation would be about 10% of each risk," said Mr. Allen. Hudson also would have first crack at any risks that exceed exchange capacity.

Some captives will give Hudson authority to underwrite on their behalf according to guidelines. Other captives may use their man-

agement company or existing officers to review and write risks.

Benefits of the exchange cited by the study committee members include:

- Creation of a substantial new source of unrelated—but controlled—insurance business that may increase captive income and reduce parent companies' tax problems.

- A sharp reduction in unproductive reinsurance ceding commissions and other costs that bite into captive underwriting profits.

- Improvement in each captive exchange member's risk profile through greater risk spread.

- Individualized underwriting acceptance that permits each captive to accept or reject risks according to its own management objectives and policy.

The study committee decided after a meeting last June to proceed with organization of the Risk Exchange Assn. in Bermuda.

However, the association cannot be formalized until the Bermuda Parliament passes enabling legislation to create the association.

The Risk Exchange Assn. Act of 1983, which already exists in draft form, will be introduced in the Bermudian Parliament when it reconvenes in mid-November. Mr. Allen expects the act to pass in two to six weeks so that the exchange can start up in December.

"We look upon the idea of the exchange favorably, but we need to examine the proposed legislation before commenting on the specifics," said a senior spokesman for the Bermuda Ministry of Finance, which regulates Bermuda's captive insurance companies.

Next month, the study committee will meet to organize the association and to approve the membership. At least 17 of the original 23 study committee members, plus eight captives that did not participate in the study, are expected to join. Anticipated combined capital and surplus of the participants is about \$350 million.

Although all of the study committee members represented single-parent captives, Mr. Allen said that association captives would be considered for membership. Membership will be subject to the approval of 75% of the members.

To join the exchange, a captive must have capital and surplus equivalent to \$1 million and must be financially responsible and in good standing in the country of its domicile. The exchange will monitor the financial condition of the members.

Each member's net line capability per risk will be limited to 3% of its capital and surplus.

In addition, a security fund would provide for payment of claims in the event of default by an underwriting member of the exchange. The security fund will be financed by an initial fee of \$10,000 plus 0.75% of premiums received by members.

A member leaving the exchange would be refunded its unused share of the fund if all its outstanding obligations have been met.

Exchange operations will be financed by a charge on premiums initially estimated at 1%. An ex-

change entry fee of \$30,000 will be charged (\$15,000 for study committee members) for start-up expenses and a portion of first-year operational costs, which are estimated at \$250,000 to \$500,000.

The captives most interested in the exchange concept tend to be subsidiaries of major U.S. and foreign industrial and commercial corporations with an interest in expanding their third-party insurance business without establishing large professional underwriting staffs in Bermuda.

Tax considerations also are "a significant interest item to some captives," added Mr. Allen.

It is axiomatic in Bermuda that some captives' appetite for third-party risks is fueled by the belief that the Internal Revenue Service is more likely to treat premiums paid by the parent to its captive as tax deductible if 50% or more of the captive's premium comes from outside business. United Kingdom tax authorities also are scrutinizing these deductions.

The 50% test could be shaken by the outcome of Mobil Corp.'s 5-year-old case against the Justice Department, which has finally come to trial in New York. Mobil is challenging the IRS's refusal to allow a deduction for premiums paid to offshore insurance subsidiaries from 1961 to 1969.

Asked how a hard-line decision against tax deductions taken on premiums paid to a captive might affect the risk exchange, Mr. Allen said he thought it might actually enhance the idea's appeal. That's because a member would be holding fewer parent company risks and its claim to being a bona fide insurance company would be strengthened.

Gulf Co. Ltd. (Houston Natural Gas Corp.), Erieview Insurance Co. Ltd. (Hanna Mining Co.) and Owens Insurance Ltd. (Owens-Illinois Inc.) said they definitely plan to join the association. Other captives leaning toward participation are reluctant to confirm their interest until they have discussed plans with their parent company.

"I have just given them (the study committee) a commitment letter to participate," reports Mr. Johnson at Owens-Illinois.

Substantially more than half of the premium volume written through Owens Insurance Ltd. is third-party business, said Mr. Johnson, who stressed that he welcomes the exchange as a mechanism to spread risk and as a new source of underwriting business.

"I think this is a big plus for Bermuda," he added. "It's a way to retain more reinsurance premiums in Bermuda rather than ceding them to London or to other markets."

"We plan to make our formal commitment (to the exchange) at the next meeting in August," said Mr. Dahl at Houston Natural Gas.

"Risk distribution is the prime consideration," he noted. "We're attracted to the ability to economically participate in the risks of other companies of equal standing. And we believe that there's no better business than captive business."

Mr. Dahl also stressed that asso-

ciation members can turn down business coming to the exchange. Unlike other types of pooling arrangements such as Corporate Insurance & Reinsurance Co. Ltd. (CIRCL), Hopewell International Co. Ltd., United Insurance Co. (Caymans) and First Island Reinsurance Assn., participants in the Risk Exchange are not committed to specific levels of risk assumption when they join.

When they sign up with the exchange, captives commit themselves to both acceptance and placement of risks, but not in any specific amounts. They can start off as a reinsurer as long as they agree to place risks in the exchange within a reasonable period of time. And they will not be required to give notice if they decide to leave the exchange.

A risk brought to the exchange will be passed among all of the members. Each member will individually scrutinize the risk or authorize the exchange's underwriter to act on its behalf according to preset guidelines. If the "slip" is not filled out after it has been circulated among all of the exchange members, the exchange underwriter will take the risk to the commercial reinsurance market, said Mr. Dahl.

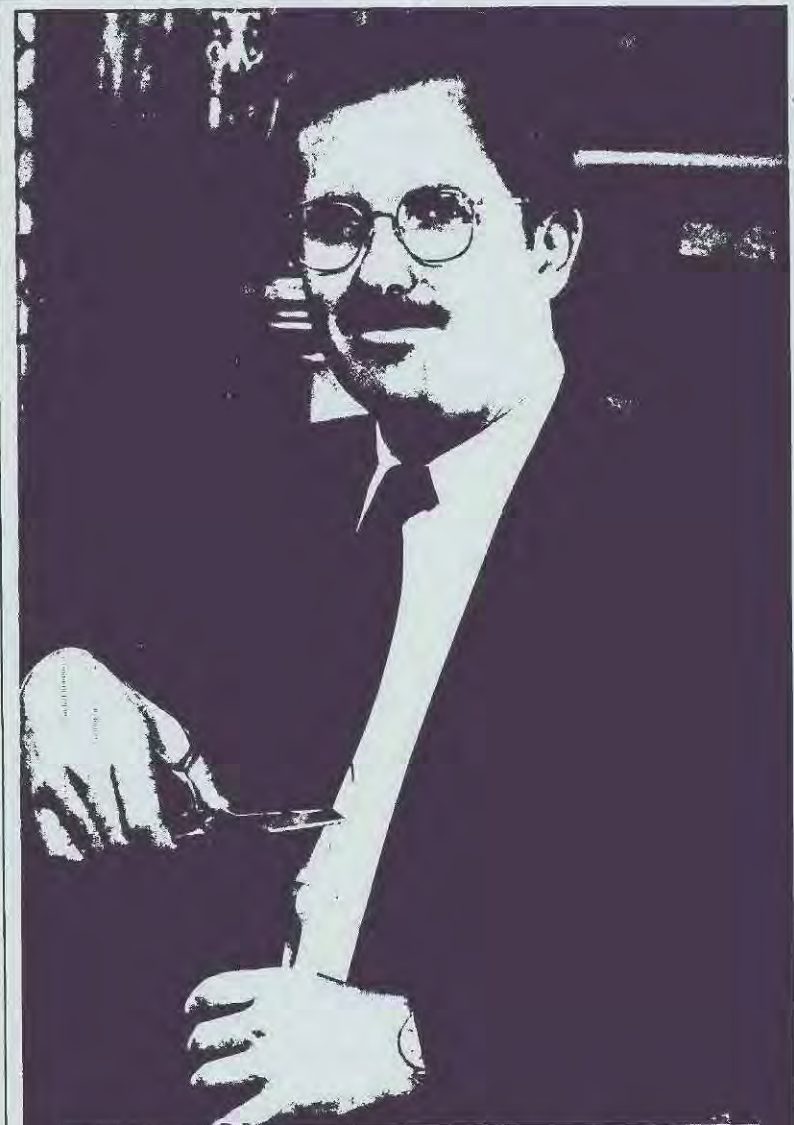
Typically, the rating for risks placed in the exchange will be set by a lead underwriting captive member of the exchange that is assuming a significant portion of the risk. On some occasions the exchange may act as the lead and its underwriter will set the rates. If the risk exceeds the capacity of the exchange, then the rate would be subject to acceptance by an outside commercial reinsurer.

When the exchange opens, the sole full-time employee will be the underwriter from Hudson Underwriting.

The exchange will be physically headquartered in the existing Hamilton offices of Altamid Management Co. Ltd., a captive management company unit of Hanna Mining Co. Altamid will provide management accounting and computer services for the exchange.

Altamid will furnish part-time support staff as needed on a time allocation basis. A permanent exchange staff of four people is envisioned by the end of 1984.

Other services the exchange will provide include monthly and quarterly reports prepared by the exchange for members; claims reserving and collection, and assistance in arranging letters of credit required by fronting insurers. ■



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Some captives not interested in exchange

HAMILTON, Bermuda—Some captives that considered the concept of the Risk Exchange Assn. have decided it isn't for them.

"It's a pool approach that doesn't fit our development plan," said Malcolm H. McLachlan, vp of Ancon Insurance Co. S.A., Exxon Corp.'s giant captive office in Bermuda.

"In the early days of expanding third-party business it might have been useful for getting our feet wet, but now we would rather compete and do our own thing."

Every member of a risk pooling group fears that the quality of busi-

ness it puts into the pot is better than what the others are putting in. Ancon tends to feel that way about pools in general—including the proposed risk exchange, said Mr. McLachlan.

Anderson-Hill Insurance Ltd., Pepsico Inc.'s captive, also has declined to participate.

"We'd rather do it ourselves," explains Allen Taft, managing director. "The idea is better suited to captives that don't have local underwriting staffs. Of course, if it proves itself, we might change our minds."

Bob Lee, director of risk man-

agement and insurance at Allied Corp., owner of a Bermuda captive, said Allied was aware of the plan but not interested. "We think the existing markets we are using are adequate."

He surmised that the approach would appeal to captives that lack strong market contacts to get good reinsurance. And he suggested that the flexibility so highly touted by the exchange might turn off some captives that prefer the protection afforded by underwriting pools with stronger commitment requirements and penalties for withdrawal. ■

Mercer brokers most benefits

Continued from page 1

Mercer's No. 1 ranking extends over both small and large businesses.

Of the smallest category of employers surveyed, those with 100 to 300 workers, Mercer placed 615 of the 10,227 total contracts. The M&M affiliate brokered 1,419 of the 14,100 total contracts in the next category, 300 to 10,000 workers. And, Mercer came out on top in the largest category, businesses with more than 10,000 employees, by brokering 168 of the 748 contracts.

Although the 748 contracts in the large-employer group represent only 3% of the 25,075 total contracts, they generate huge amounts of premium since so many individuals are covered under each contract.

Johnson & Higgins placed second behind Mercer in the two largest categories, but fell to third place in contracts among the smallest employers. J&H is credited with 142 contracts in the largest group and 940 contracts in the medium-sized group. But it only brokered 339 contracts for employers with 100 to 300 workers, fewer than the 364 contracts brokered by Alexander & Alexander Inc.

Alexander & Alexander, which ranks third overall behind Mercer and J&H with 1,152 contracts, is the third choice of the medium-sized companies, with 748 contracts, and of the largest companies, with 40 contracts.

A&A's benefit business includes contracts brokered by subsidiary R.B. Jones Corp., which A&A acquired in 1979.

Following A&A in fourth place—both overall and in all three size categories—is Frank B. Hall & Co. Inc. Hall has 558 total contracts: 142 among small firms, 380 among the medium-sized companies and 36 among the largest employers.

The fifth-largest broker by number of contracts is Fred S. James & Co. Inc., with 361 total contracts. It also ranks fifth in all three size groups, with 113 contracts from the smallest sector, 228 from the medium-sized sector and 20 from the largest sector.

It is interesting to note that the five largest brokerage companies, as ranked by *Business Insurance*, are all represented in the survey of the largest benefit brokers.

In the overall BI brokerage rankings (BI, June 27), Marsh & McLennan, Mercer's parent, came out on top, followed by A&A, Hall, J&H and James.

When the amount of benefit premium volume brokered is analyzed, A&A ranks a distant third behind Mercer and J&H. A&A brokered \$382 million, compared with Mercer's \$995 million and J&H's \$909 million.

The wide gap between the two largest benefit brokers and third-place A&A can be attributed to the great percentage of business the largest employers give to Mercer and J&H. Mercer places about 22% of the large-employer premiums and J&H places about 19%, while A&A places only about 5% of this business.

Hall also ranks fourth in premium volume by brokering about \$288 million in premiums.

However, Martin E. Segal Co. is the fifth-largest benefit broker by premium volume with \$118 million, edging Fred S. James, which ranked fifth in number of contracts brokered. Segal, with 234, places sixth when ranked by number of contracts.

James brokers \$108 million in premium to place sixth, according to the study.

One reason Segal ranks among the top five brokers according to premium volume is because it places contracts for large employers only, says Executive Vp John F. Gentleman.

The most popular market for each of the five-largest brokers by number of contracts is CIGNA Corp., the product of the merger of Insurance Co. of North America and Connecticut General Life Insurance Co. CIGNA receives more contracts than any other commercial insurer (BI, July 18).

However, each of the top five brokers have different market favorites after CIGNA.

For instance, the five insurers tapped most often by

top-ranked Mercer, according to number of contracts, are: CIGNA, 391 contracts; Aetna Life & Casualty Co., 212; Prudential Insurance Co. of America, 190; Union Mutual Life Insurance Co., 116; and The Travelers Insurance Co., 103.

Johnson & Higgins' taps CIGNA most often with 227 contracts, followed by Aetna with 153; Prudential, 121; Travelers, 80; and Union Mutual, 76.

Third-place Alexander & Alexander places 223 contracts with CIGNA, followed by Prudential with 107; Union Mutual, 79; Aetna, 77; and Provident Life & Accident Insurance Co., 50.

CIGNA receives 128 contracts from fourth-place Frank B. Hall, followed by Prudential with 51; Aetna, 46; CNA Insurance Cos., 40; and Union Mutual and Travelers, each with 31.

Finally, fifth-ranked Fred S. James places the most contracts—55—with CIGNA, followed by Travelers with 26; Prudential with 25; CNA with 22; and Aetna with 16.

However, when the brokers' favorite markets are viewed according to the amount of premiums written, the names and the ranking change.

For example, Mercer's top market by premium volume is Travelers. Although it was Mercer's fifth choice by number of contracts, Travelers leads the pack with \$167 million in premium. Following Travelers are Prudential with \$152 million in premium; CIGNA, \$121 million; Aetna, \$114 million; and The Equitable Life Assurance Society of the United States, \$75 million.

Equitable, interestingly enough, was not one of Mercer's top five insurers by number of contracts.

Aetna garners the most premium volume from Johnson & Higgins with \$150 million. Next is Travelers with \$142 million; Prudential, \$132 million; CIGNA, \$81 million; and Equitable, \$73 million.

CIGNA is A&A's No. 1 insurer in both number of contracts and premium volume. CIGNA writes \$81 million in benefit premium through A&A, the third-largest benefit broker. Behind CIGNA are Travelers with \$60 million; Prudential, \$37 million; Aetna, \$30 million; and Equitable, \$25 million.

Frank B. Hall places the largest amount of premium with Travelers—\$87 million. Ranking behind are Prudential with \$67 million; CIGNA, \$29 million; Aetna, \$27 million; and Equitable, \$15 million.

Martin E. Segal, which ranks fifth among the brokers in amount of premium, places \$49 million with Union Labor Life Insurance Co. Following are Aetna, with \$20 million; Blue Cross/Blue Shield plans, \$7 million; Pacific Mutual Life Insurance Co., \$6 million; and Prudential, \$5 million.

Although Blue Cross & Blue Shield dominates the group benefit market based on both number of group contracts written and premium volume, they seldom appear on brokers' lists of top markets because most of the Blues' business is not placed through brokers, says Charles N. Young, the Blues' manager of consultant/broker relations. But, he added, 95% of the Blues' business on the West Coast is placed through brokers.

The Blues are one of Segal's top markets, he says, because BC/BS has historically written a large number of benefit plans for labor groups, which is one of Segal's specialties.

Information about the brokers of employee benefit contracts and other information that companies report to the Labor Department on Form 5500 are compiled by ERISA Benefit Funds in the company's "Group Insurance Standard Directory." Brokers and insurers purchase the directory for assistance in planning marketing strategies for clients or potential clients.

A future *Business Insurance* article will examine how companies fund different types of employee benefits.

For more information on "Group Insurance Standard Directory," contact ERISA Benefit Funds Inc., 1341 G St. N.W., Suite 610, Washington, D.C. 20005; 202-638-1984.

Brokers' top five markets for benefits		
	By number of contracts	By premium volume
Mercer	CIGNA* Aetna Prudential Union Mutual Travelers	Travelers Prudential CIGNA* Aetna Equitable
J&H	CIGNA* Aetna Prudential Travelers Union Mutual	Aetna Travelers Prudential CIGNA* Equitable
A&A (Jones)	CIGNA* Prudential Union Mutual Aetna Provident Life	CIGNA* Travelers Prudential Aetna Equitable
Hall	CIGNA* Prudential Aetna CNA Union Mutual/Travelers	Travelers Prudential CIGNA* Aetna Equitable
James	CIGNA* Travelers Prudential CNA Aetna	Travelers Aetna CIGNA* United Benefit Life Prudential
Segal	Union Labor Life Aetna CIGNA* Prudential/Pacific Mutual Union Mutual	Union Labor Life Aetna BC/BS Pacific Mutual Prudential

*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 Standard Directory, ERISA Benefit Funds Inc., Washington, D.C.

The biggest benefit brokers (by number of contracts)			
No. of employees	10,000+	300-10,000	100-300
First choice	Mercer	Mercer	Mercer
Second choice	J&H	J&H	A&A
Third choice	A&A	A&A	J&H
Fourth choice	Hall	Hall	Hall
Fifth choice	James	James	James

Source: ERISA Benefit Funds Inc., Washington, D.C.

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Florida moves to protect Baldwin policyholders

TALLAHASSEE, Fla.—The Florida Insurance Department has joined regulators in two other states in taking action to protect policyholders of insurers owned by troubled Baldwin-United Corp.

The Florida action is directed at National Investors Life Insurance Co., University Life Insurance Co.

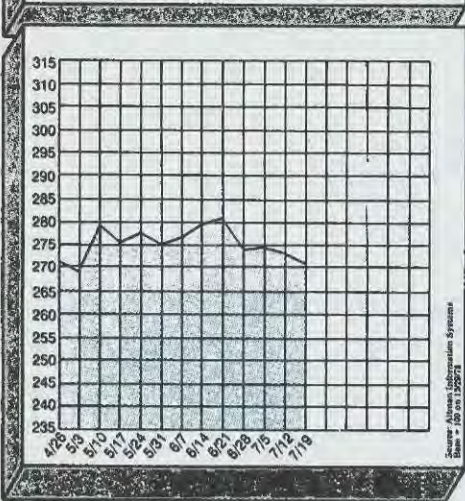
of America and S&H Insurance Co., three of the six Baldwin insurers placed in rehabilitation earlier this month by Arkansas and Indiana regulators.

Under the Florida order, the companies can no longer sell new policies, must continue to make monthly payments to holders of

annuities and must continue to make death or disability payments.

Analysts say the various actions taken against the three life insurance companies could further affect Baldwin, which owns several commercial property/casualty insurance companies including MGIC Investment Corp.

BI Insurance Index



Large reinsurers faring better than small players

By BILL DENSMORE

NEW UNDERWRITING data show that the largest U.S.-based reinsurers are achieving considerably better results than their small- and medium-sized counterparts.

Analysts say the numbers may indicate a tendency for direct insurers and their policyholders to prefer the largest and most secure backing when placing high-quality, low-loss reinsurance contracts.

"The large reinsurers are more able to dictate terms and conditions," says James MacGinnitie, casualty actuarial managing partner at Tillinghast, Nelson & Warren Inc. in Atlanta. "The smaller reinsurers are always following someone else."

The trend of better results for large reinsurers emerges from a survey of 149 U.S.-based reinsurers that voluntarily reported 1982 underwriting results to the Washington-based Reinsurance Assn. of America. The results were unveiled last month.

The RAA study finds that the aggregate weighted combined ratio of all of the reinsurers reporting was 111.6% for 1982, up roughly one percentage point from the previous year. Because of differences in the year-to-year data collected, the RAA says it can't state a comparable aggregate combined ratio for 1981.

For a smaller sample of 71 reinsurance companies and 18 pools and reinsurance departments for which year-to-year comparable results are available, the aggregate weighted combined ratio rose to 110.4% in 1982 from 106.9% in 1981.

A BI analysis of the RAA data for the 20 largest U.S.-based reinsurers shows their combined ratio, weighted by premium volume, was 108.3%, compared with the 149-company aggregate of 111.6%. Among the top 15 companies, the combined ratio dropped further to 107.3%. Among the top 10 it was 107.1% and among the top five—General Re, North American Re, Employers Re, Prudential Re and American Re—it was 105.8%.

Overall, says Mr. MacGinnitie, the results of the large RAA survey are about what were expected.

The survey shows that reinsurers suffered right along with direct insurers during 1982 and piled up substantial underwriting losses.

Experts differed, however, on whether the results should be interpreted as good or bad for reinsurers.

"I would use that data for what it is rather than come to subjective impressions that somebody might jump on you for," says James M. Shamberger, the senior vp at the RAA who put together the statistics.

"There's a likelihood that at least some of the numbers reported do not reflect adequate reserves and that reserves will have to be strengthened over the next few years," Mr. MacGinnitie says. The result of future reserve strengthening, of course, could be a tempering of an otherwise robust underwriting recovery for reinsurers.

"An awful lot of combined ratios in recent years have been estimates of incurred-but-not-reported losses," says Robert C. Langen, a general partner of Conning & Co. of Hartford, Conn. Mr. Langen, an investment analyst who follows the reinsurance business, says those IBNR estimates "will prove to be optimistic."

"The new competition hasn't got the foggiest notion what the losses are going to be," he adds.

One factor working in favor of the reinsurers, however, is a slowdown in the rate of inflation, analysts say.

Mr. MacGinnitie, the actuary, says a slowdown in the inflation rate could aid reinsurers by reducing the rate at which they must strengthen reserves for future loss payments.

Reinsurers that established reserves assuming an inflation rate of 15% or higher would raise the cost of paying claims in seven to 10 years, may now be able to revise their assumptions using a lower rate. This, in turn, makes today's reserves worth more in tomorrow's dollars.

There is a dispute, however, over the extent to which the general economic slowdown in inflation will be reflected in the sort of claims paid by reinsurers. Such claims are determined by major factors like property values, legal costs and medical expenses, which may suffer continued inflation.

"It's not as much of a benefit as it might appear to be," says June I. Hoffer, an insurance stock analyst with Prudential/Bache Securities in New York.

"I'm not sure there's a reduced inflation rate on claims costs," adds Ronald L. Bornhuetter, senior vp and controller at General Re Corp. in Greenwich, Conn., the nation's largest reinsurer. General Re wrote \$830.5 million in reinsurance premiums last year, according to the RAA figures, 60% more than its closest competitor, New York-based North American Re Corp., a subsidiary of Swiss Reinsurance Co. of Zurich, Switzerland.

General Re's 1982 combined ratio of 101.8% was nearly 10 points better than the 149-company aggregate but the company, accustomed to underwriting at a profit, wasn't happy, anyway.

"We're sitting at 102% and we think it was a lousy year," says Mr. Bornhuetter. "If we were at 111.0%, I wouldn't be here."

Inflation acts upon reinsurers in other ways, says Mr. Langen, which are magnified by the fact that reinsurers generally hold premiums for years longer than primary insurers before they have to pay claims.

For example, he says, a slowing of inflation retards investment yields, yet increases the market value of a reinsurer's stock and bond portfolio. It also slows inflation-driven premium growth by slowing the cost spiral that forces insurers to consider rate increases.

To the extent moderating inflation promotes a general economic recovery, Mr. Langen adds, it can also allow a reinsurer to collect higher premiums while keeping rates steady if the rates are based upon payrolls or other economy-related factors.

One result of the disparity between the results posted by the large and small reinsurers could be the departure from the market of lightly capitalized companies or captive insurance companies that are seeing underwriting losses rise and investment income shrink, one analyst says.

"What I'm anxious to see is whether those new players will get out of the market because their numbers are so much higher," says James B. Stradtner, a general partner with stockbroker Alex. Brown & Co. Inc. of Baltimore.

Would such a shakeout allow the remaining reinsurers to hike the premiums they charge?

"The withdrawal from the market of some captives probably can contribute to some strengthening," predicts Conning & Co.'s Mr. Langen. He says well-publicized reinsurance scandals in recent years have served to reduce general confidence in what he called "fringe markets."

Among the top 20 premium writers, the three reinsurers with the best combined ratios were USF&G Group at 97.7%, up from 86.5% a year earlier; Prudential Re at 100.5%, down from 101.9%; American Agricultural Insurance Co. at 101.4%, up from 97.2%; and General Re at 101.8%, up from 99.1%.

Those with the worst combined ratios were Universal Re at 128.6%, up from 120.6%; National Re at 126.2%, up from 109.9%; Constitution Re at 117.2%, up from 108.8%; and American Re at 113.8% down from 114.2%. The combined results of New York Insurance Exchange syndicates writing reinsurance were also among the poorest of the top 20 at 114.1%, up from 110.6%.

The top 10 reinsurers and their net written premiums for 1982 were: General Re, \$830,499; North American Re, \$511,411; Employers Reinsurance Corp., \$466,352; Prudential Reinsurance Co., an affiliate of Aetna Life & Casualty Co., \$368,684; INA Reinsurance Co., an affiliate of CIGNA Corp., \$293,959; Munich Re Group, \$208,160; Skandia American Reinsurance Corp., an affiliate of the Skandia Insurance Co. Ltd. of Stockholm, Sweden, \$183,410; Kemper Reinsurance Co., \$133,378; and Transatlantic Reinsurance Co., \$132,422.

Transatlantic is owned by eight U.S. and foreign insurers, including a 47.2% interest held by American International Group Inc. ■

Insurance-related stocks dipped again during the five-day trading period ending July 19 as the *Business Insurance* stock index dropped 3.0 points, to 270.6 from 273.6, July 12. Ten issues closed up, 37 suffered losses and 17 were unchanged. The largest gains were posted by Alexander & Alexander Services Inc., 6.8%; Great West Life Assurance Co., 4.7%; Bitco Corp., 4.1%; Orion Capital Corp., 3.2%; and USLIFE Corp., 3.2%. The largest losses were reported by Zenith National Insurance Corp., 8.1%; Combined International Corp., 7.6%; Continental Corp., 5.8%; Fremont General Corp., 5.5%; and Foremost Corp. America, 5.4%. The 1.1% drop in the *Business Insurance* index was larger than the decrease reported for the New York Stock Exchange composite.

British Issues

19 July Companies	Price	P/E	Div. pence	Yield %	1 Week High-Low
Comm Union	155	155.0	16.86	10.9	155-152
Eagle Star	416	15.6	24.29	5.8	416-408
Genl Accident	421	10.9	24.29	5.8	421-411
Gdn Royal Exch	460	11.8	27.26	6.1	461-456
Phoenix	302	14.4	25.00	8.3	306-302
Royal	486	13.1	37.86	7.8	486-480
Sun Alliance	1175	14.6	68.57	5.8	1181-1163

Brokers	Price	P/E	Div. pence	Yield %	1 Week High-Low
CE Heath	305	7.6	21.07	6.9	305-301
Hogg Robinson	112	8.0	8.57	7.6	112-105
JH Minet	117	9.8	6.50	5.5	117-112
Sedg Grp	210	10.8	10.00	4.8	210-201
Stenhouse Hldg	107	9.7	7.86	7.3	107-103
Stew Wrightson	246	7.9	20.43	8.3	246-231
Willis Faber	538	12.6	25.00	4.6	538-530

Source: Philip Olsen/Alan Clifton, Insurance Industry Specialists Kiteat & Aitken Stockbrokers, London

BI Industry Stock Report

JULY 19, 1983 7/13/83 THRU 7/19/83

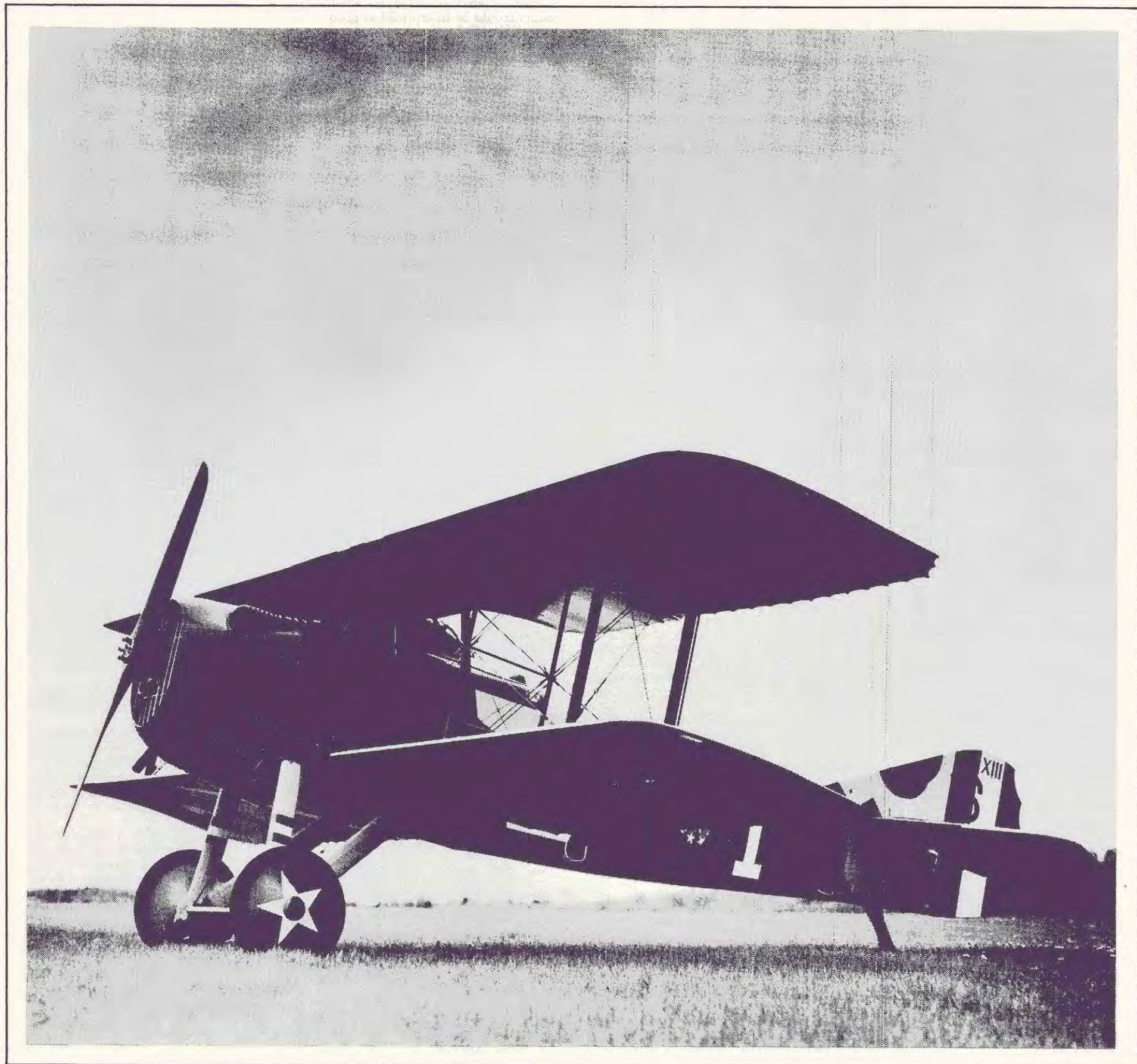
Insurance Cos	Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol. (000)
Aetna Life & Cas Co	NYSE 37.88	-2.9	6.6	2.64	7.0	38.88	37.38	930.9
American Bankers Ins Group	OTC 15.75	1.6	12.4	0.50	3.2	15.75	15.75	91.1
American Gen Ins Co	NYSE 22.50	-1.1	8.6	0.80	3.6	23.00	22.50	243.0
American Indty Flnt Corp	OTC 20.00	-2.4	14.8	1.12	5.6	20.13	20.00	6.0
American Intl Group Inc	OTC 67.75	-1.3	11.7	0.44	0.6	68.75	67.75	793.2
American Natl Ins Co	OTC 19.75	0.0	8.2	0.84	4.3	19.88	19.63	134.7
American Sts Life Ins Co	OTC 30.00	0.0	8.4	0.88	2.9	30.00	30.00	2.9
Aneco Reins Ltc	OTC 4.63	0.0	154.2	0.00	0.0	4.63	4.63	12.3
Aveco Corp	AMEX 18.75	1.4	10.1	0.58	3.1	18.88	18.13	9.9
Banks Iowa Inc	OTC 46.50	0.0	12.3	1.52	3.3	46.50	46.50	4.4
Bitco Corp	OTC 19.00	4.1	6.0	1.33	7.0	19.00	18.00*	84.6
Carolina Cas Ins Co	OTC 9.50	0.0	12.5	0.32	3.4	9.50	9.50	1.1
Chubb Corp	OTC 60.25	-1.4	9.4	3.12	5.2	60.88	60.25	126.4
Combined Intl Corp	NYSE 30.25	-2.4	10.1	2.00	6.6	33.00	30.25	223.9
Continental Corp	NYSE 28.50	-5.8	15.7	2.60	9.1	30.25	28.50	223.3
Crawford & Co	OTC 19.75	0.0	14.7	0.60	3.0	19.75	19.75	35.4
Crown Life Ins Co	OTC 104.00	0.0	6.8	3.10	3.0	104.00	104.00	0.0
Employers Cas Co	OTC 36.75	0.0	7.5	1.20	3.3	36.75	36.75	1.3
Equifax Inc	NYSE 33.25	-3.6	15.1	1.40	4.2	34.38	33.25	28.2
Excelsior Ins Co	OTC 15.00	0.0	9.6	0.70	4.7	15.00	15.00	2.3
Farmers Group Inc	OTC 37.50	-0.7	9.8	1.36	3.6	37.75	37.38	290.0
Foremost Corp Amer	OTC 48.00	-5.4	14.7	1.24	2.6	50.00	48.00	79.7
Fremont Gen Corp	OTC 25.88	-5.5	862.5	0.48	1.9	27.88	25.88	158.0
Great West Life Assurn Co	OTC 225.00	4.7	10.9	0.00	4.4	225.00*	215.00	8.7
Hanover Ins Co	OTC 58.00	-2.5	7.2	0.88	1.5	59.00	58.00	19.9
Hartford Steam Boiler Insptn	OTC 53.00	-0.9	11.6	3.00	5.7	53.50	53.00	8.1
Jefferson Natl Life Ins Co	OTC 51.00	2.0	16.0	0.76	1.5	51.50*	50.00	65.3
Kemper Corp	OTC 48.13	0.0	9.0	1.80	3.7	48.13	47.88	85.4
Lincoln Natl Corp Ind	NYSE 49.88	-4.1	9.1	3.00	6.0	51.13	49.63	82.9
Mission Ins Group Inc	NYSE 33.63	-3.9	9.3	1.00	3.0	34.88	33.63	43.1
Nationwide Corp Ohio	OTC 41.75	0.0	15.3	0.70	1.7	0.00	DID NOT TRADE	
Northwestern Natl Life Ins	OTC 33.88	-2.9	22.4	1.50	4.4	34.63	33.88	431.9
Ohio Cas Corp	OTC 51.00	-1.7	9.6	2.52	4.9	51.25	51.00	33.9
Old Rep Intl Corp	OTC 27.63	-4.3	6.7	0.90	3.3	28.75	27.63	44.6
Orion Cap Corp	NYSE 28.38	3.2	14.3	0.66	2.3	28.38	27.13	59.2
Preferred Risk Life Ins Co	OTC 31.00	-4.2	8.5	1.00	3.2	31.38	31.00	3.4
Provident Life & Acc Ins Co	OTC 59.00	-0.8	8.4	2.60	4.4	59.75	59.00	22.1
St Paul Cos Inc	OTC 62.75	-2.1	6.4	2.80	4.5	63.25	62.75	225.3
Safeco Corp	OTC 53.88	-2.0	11.2	2.40	4.5	54.50	53.88	78.6
Sri Corp	OTC 42.25	-0.6	7.9	1.12	2.7	42.50	42.00	25.2
Seibels Bruce Group Inc	OTC 29.13	-0.4	15.9	3.80	2.7	29.38	29.13	14.5
Statesman Group Inc	OTC 9.63	-2.5	7.1	3.15	1.6	9.63	9.13	46.9
Tokio Marine & Fire Ins Co	OTC 98.00	-0.5	15.7	3.92	0.9	98.50	98.00	0.1

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Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol. (000)	
Travelers Corp	NYSE 30.63	-0.4	8.1	1.80	5.9	30.75	30.13	279.4
United Fire & Cas Co	OTC 33.25	0.0	9.8	0.88	2.6	33.25	33.25	0.1
United States Fid & Gty Co	NYSE 52.00	3.0	12.2	3.84	7.4	52.00	50.75	118.4
United Svcs Life Ins Co	OTC 20.00	-1.8	6.0	1.00	5.0	20.13	19.50	25.8
USLife Corp	NYSE 24.50	3.2	6.8	0.88	3.6	24.50	23.25	195.2
Washington Natl Corp	NYSE 32.00	0.0	14.5	1.08	3.4	33.25	31.63	166.1
Zenith Natl Ins Corp	OTC 19.75	-8.1	9.4	0.80	4.1	21.00	19.75	35.0
INSURANCE COMPANIES	AVERAGE			10.0				3.8
Agents/Brokers								
Alexander & Alexander Svcs	NYSE 25.63	6.8	0.0	1.00	3.9	27.63*	24.13	2,625.3
Baldwin & Lyons Inc	OTC 43.00	0.0	7.9	0.80	1.9	43.00	43.00	6.0
Corroon & Black Corp	NYSE 24.38	-3.0	13.0	1.80	7.4	26.00	24.38	230.9
Crump E H Cos Inc	OTC 10.63	-2.3	15.4	0.40	3.8	10.75	10.63	14.3
Emett & Chandler Cos Inc	OTC 10.75	0.0	0.0	0.00	0.0	10.75	10.75	0.3
Hall Frank B & Co Inc	NYSE 30.00	-0.4	17.0	1.70	5.7	31.25	30.00	423.6
Integrated Res Inc	AMEX 36.75	-0.3	14.4	0.00	0.0	36.75	35.88	211.9
Marsh & McLennan Cos Inc	NYSE 43.13	0.9	12.5	2.20	5.1	43.75	42.63	371.0
Poe & Assoc Inc	OTC 6.75	0.0	0.0	0.40	5.9	6.75	6.75	13.0
Reed Stenhouse Cos Ltd	OTC 13.38	-4.5	13.4	0.60	4.5	14.50	13.38*	26.3
AGENTS/BROKERS	AVERAGE			16.5				3.6
Conglomerates/Holding Cos.								
American Express(Fireman's Fd)	NYSE 68.00	2.3	13.3	1.92	2.8	68.00	66.25	1,638.1
Anderson Clayton(Ranger/PanAm)	NYSE 28.50	-5.8	19.0	1.32	4.6	30.50	28.50	18.0
Arco Inc	NYSE 17.88	-2.1	0.0	0.40	2.2	18.38	17.88	313.9
City Investing Co. (Home Ins.)	NYSE 33.63	-1.1	8.0	1.80	5.4	33.88	33.38	457.9
CNA Finl Corp (CNA)	NYSE 20.75	0.0	8.2	0.00	0.0	20.75	20.63	20.8
Control Data (Comml. Credit)	NYSE 57.00	0.4	14.3	0.60	1.1	57.00	55.13	479.9
General Re Corp	NYSE 56.00	-4.5	11.8	1.28	2.3	57.50	55.63	742.8
Gulf Utid Corp	NYSE 26.75	-0.5	8.					

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