

business insurance

the national newsweekly of loss prevention, risk financing & benefit management/\$1 a copy; \$30 a year

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update:

NCCI, Illinois employers try to settle out of court

CHICAGO—Confusion and disagreement over the intent of a circuit court judge's June 23 ruling on a request to refund some \$750 million in workers compensation premiums to employers has triggered yet another attempt to settle out of court.

The Illinois Insurance Department says Judge James C. Murray's ruling, in effect, *Continued on next page*

Hotel cover may top \$300 million

BI Roundup

Investigators dissecting the rubble of the July 17 catastrophe at the Kansas City Hyatt Regency Hotel may trace the cause of the skybridge collapse to designers or builders, but only the operator and the owner of the hotel appear to have enough insurance to cover the estimated \$100 million in liability costs.

The greatest amount of coverage purchased by any of the architects, engineers, contractors and subcontractors that worked on the year-old elegant hotel may be the \$10.5 million purchased by the general contractor.

Policies purchased by the architects, engineers and subcontractors are believed to each provide less than \$10 million of coverage.

These policies won't go far to cover the cost of settlements and awards to the 188 people injured and families of the 111 people killed by crashing skywalks in the hotel lobby.

"Liability costs certainly will be close to \$100 million," says one reinsurance company executive respected for his claims expertise.

When other sources of funds run out, the liability costs will fall to Hyatt Hotels Corp., which operated the hotel, and possibly to Hallmark Cards Inc., whose Crown Center Redevelopment Corp. subsidiary owned the hotel.

Hyatt Hotels has at least \$100 million of liability insurance that also covers the Hallmark subsidiary as a named insured, *Business Insurance* confirmed with insurers. Hallmark is believed to have \$100 million of liability insurance that might be shielded by the Hyatt policies, or Hallmark might be shielded by Hyatt under a hold-harmless agreement.

Hyatt and Hallmark refused to comment on their insurance, and Marsh & McLennan, which brokered the insurance for both companies, ordered all its employees to refuse interviews.

Six *Business Insurance* reporters learned details of the Hyatt, Hallmark and contractors' insurance in more than 60 interviews with brokers, insurers and reinsurers in the United States and London. Most of the insurance was written by U.S. insurers, but reinsurance of the risk is spread around the globe to reinsurers who are assessing their exposures.

Hyatt may have purchased another \$100 million of insurance, industry sources say, but *Business Insurance* was able to confirm only the following \$100 million:

- A \$1 million primary insurance policy underwritten by Occidental Fire & Casualty Co. of North Carolina, a subsidiary of McM Corp. The first \$100,000 of the heavily reinsured policy was reinsured with Western General Insurance Co. in Bermuda. Western General Insurance, though

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Photo: UPI

The skybridges that collapsed in the Hyatt Regency, killing 111, lay outside the building last week.

Tort reform moving slowly in legislatures

By JERRY GEISEL

WASHINGTON—Businesses are losing their battle to gain sweeping product liability reforms at the state level.

They also have not been successful on the federal level, but new federal product liability legislation is to be introduced next month.

Product liability scorecard on page 19.

An informal alliance of trial attorney groups and consumer activists successfully blocked tort reform bills in more than a dozen states as legislatures reached the midpoint of the 1981-82 term.

In one state, business groups disbanded a product liability task force after it was stung with legislative defeats three years in a row.

"We just weren't getting anywhere," said Richard Ervin, who chaired the Iowa Product Liability Task

Force.

Two states, Kansas and Washington, did pass tort reform legislation this session. That's one more than last year, but down from the five states that passed major product liability bills in 1979 and the 13 in 1978. In 1980, Idaho was the only state that enacted a tort reform bill.

The zip began to go out of the tort reform movement three years ago when product liability insurance premiums, which soared in the mid-1970s, leveled off.

"It's not the kind of crisis it was five years ago," said David Sloane, director of congressional relations at the National Assn. of Wholesaler-Distributors, a business group that has played a key role in the product liability movement.

Some business groups have shunned reform at the state level and are concentrating lobbying efforts at the federal level to convince Congress to pass a federal tort law.

But those efforts have run into a wall of indifference.

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Insurers say new laws not solving the problem

State tort reform legislation isn't holding back the rising tide of product liability suits.

Weaknesses in the reform measures, a lack of uniformity and the failure of states to pass comprehensive measures are why the new laws aren't curbing litigation, according to insurance company product liability experts.

"I cannot see where any one reform has helped to reduce litigation," said Nicholas Peck, director of product liability claims at The Travelers Insurance Co. in Hartford, Conn.

While 24 states have passed reform legislation to strengthen manufacturers' defenses against product liability suits, insurers say nearly all states have to pass similar comprehensive bills if corpo-

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NCCI wants ruling explained

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overturned a 24% rate increase approved in 1979. The department says that the increased premiums collected since then should be returned to employers.

However, The National Council on Compensation Insurance, the ratemaking organization that files rate increases on behalf of workers compensation insurers, says the effect of the ruling is unclear.

The NCCI has asked the judge to clarify what rates can be charged. He is expected to rule on that request July 27.

Both the NCCI and attorneys for the employers groups that originally requested the refund are attempting to settle out of court.

Employers groups originally were willing to drop their suit demanding the 24% rollback if insurers would trim five points off the rate increase, but the NCCI refused that offer without consulting the 250 insurers that it represents (BI, June 29).

Argonaut sues two reinsurers

NEW YORK—The Argonaut Insurance Co. is suing two foreign reinsurers for unpaid claims and unearned premiums under facultative reinsurance agreements written in 1975.

The California-based company is suing the Halvanon Insurance Co. of Tel Aviv, Israel, for more than \$343,333 in unpaid claims for some 82 reinsurance contracts in 1975. Argonaut wants an additional \$251,550 in unearned reinsurance premiums on policies it says were terminated by Halvanon before their expiration date.

In a filing in U.S. District Court in New York, Halvanon claims the coverage was "of short duration only, having been canceled for non-payment of premium in 1975."

Argonaut is also suing the Korean Reinsurance Co. of Seoul, South Korea, for \$193,656 in unpaid claims under reinsurance agreements it had with the company in 1975, and for an additional \$21,606 in unearned premiums on policies that were terminated before their expiration date. Korean Re has countersued Argonaut for \$4 million, including \$2 million in punitive damages. Korean Re claims that Argonaut submitted policies with lower premiums than what Argonaut actually charged its policyholders.

Both cases involve C.J.V. Associates, a defunct New York reinsurance intermediary that the court has ruled acted as an agent for Halvanon in the United States. C.J.V. also acted as an intermediary for Argonaut, Halvanon and Korean Re. C.J.V. is also being questioned by a U.S. grand jury and the New York Insurance Department concerning the affairs of Promotora De Occidente de Panama S.A., a Panamanian reinsurance intermediary (BI, July 13).

Restraining order issued

CHICAGO—A U.S. District Court judge has issued a temporary restraining order blocking the Central States, Southeast and Southwest Areas Teamsters' pension fund from collecting liability payments from a trucking company that withdrew from the plan.

The multiemployer plan told Johnson Motor Lines Inc. of Charlotte, N.C., that it owed the plan \$16.5 million to cover unfunded pension liabilities (BI, July 20).

Johnson and its parent company, Republic Industries of Kansas City, Mo., are suing the pension fund, charging that the Multiemployer Pension Plan Amendments Act of 1980, which mandated the payments, is unconstitutional.

Judge dismisses Yankees' suit

AKRON, Ohio—A federal judge has dismissed a suit by the New York Yankees seeking the \$4.5 million value of Thurman Munson's contract. Mr. Munson, a star catcher for the Yankees, was killed in an airplane crash Aug. 2, 1979.

The judge ruled that the Yankees are not entitled to the amount or any other damages from Cessna Aircraft, the manufacturer of the jet Mr. Munson was flying at the time of his death, and Flight Safety International Inc., the firm that provided flight training.

Still pending is a \$42.2 million damage suit against Cessna and Flight Safety filed by Mr. Munson's widow (BI, March 20, 1980).

Lilly appeals DES decision

INDIANAPOLIS—Eli Lilly & Co. will again petition New York state's highest court to review the landmark Bichler decision.

Last February, an appellate court ruled that victims of DES, an anti-miscarriage drug linked with cancer, can sue manufacturers who acted in concert to market the product, even if the specific manufacturer cannot be identified (BI, March 2).

The New York Court of Appeals, the state's highest court, denied an earlier Lilly petition based on constitutional grounds. Lilly says it expects its next petition, based on legal issues, to be successful.

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Fruit fly quarantines spur demand for coverage

By CAROL G. BLITZER

STOCKTON, Calif.—Fear of losing their market rather than fear of Mediterranean fruit flies ruining their crops is creating demand among California fruit growers for rejection insurance.

If fruit is rejected in other markets fearful of fruit fly infestation and not permitted to leave the state, California's billion-dollar agricultural industry would suffer vast losses, even though many orchards are filled with edible, uninfested fruit.

IWest Insurance Managers Inc. is putting together an insurance package to cover these losses, but its price tag may be a stumbling block.

So far no commercial fruit growers have been forced to strip their trees, but produce grown in three infested counties is under federal quarantine and cannot be sold outside the area.

After weeks of debate, Gov. Edmund G. Brown Jr. ordered aerial spraying of the chemical malathion over the three mostly residential counties near Santa Clara where

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Photo: Wide World

The tiny Mediterranean fruit fly, smaller than a man's fingernail, is causing big headaches for fruit growers in parts of California.

Lloyd's bill clears hurdle in Parliament

By STACY SHAPIRO

LONDON—The latest battle over the Lloyd's of London self-regulation bill is over, but the war hasn't been won yet.

Lloyd's will not have to divorce its member agents from its managing agents, a House of Commons committee voted last week.

But the bill does require brokers to divest themselves from Lloyd's underwriting agencies within five years after the law is enacted.

And a new amendment approved by the committee requires the proposed 27-man Council of Lloyd's to investigate the member agency system. The council will have to make all information available to present and prospective members.

"I think that will satisfy us," said Michael Meacher, the House of Commons committee chairman whose request that member agents be separated from managing agents prompted heated controversy in the London insurance market.

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errors & omissions

• Swett & Crawford Management Co., under the umbrella of the new holding company, Foremark Corp., is an underwriting manager for Pacific Insurance Co., a subsidiary of Harbor Insurance Co., another subsidiary of Foremark, and London Guarantee & Accident Co., which is not part of Foremark Corp. The relationships were incorrectly stated in the July 20 issue. *Business Insurance* regrets the error.

• Shand Morahan & Co. says its insurance programs for stockbrokers were incorrectly described in the July 20 issue as covering errors and omissions. It does not. *Business Insurance* regrets the error.

World's Fair group hoping for refund

By WILLIAM BOOTH

KNOXVILLE, Tenn.—If the Sunsphere towering over the 1982 World's Fair in Knoxville radiates good luck against losses, it could save the organizers 60% of the \$1.5 million they are paying for insurance.

Although the size of the endeavor presents a few unusual risks, Jim Monahan, assistant vp at Marsh & McLennan in Atlanta, says placing insurance for the Knoxville International Energy Exposition Inc., the organizers of next year's World's Fair, did not present unusual problems.

"It's like a giant jigsaw puzzle," Mr. Monahan says. "You have a lot of unusual risks, but they all fit into existing forms. You don't have to reinvent the wheel."

In this case, the wheel comes in several parts, including:

• An all-risk policy written by The Hartford Group to insure losses up to \$10 million against fire and catastrophic loss on property owned by the organizers.

• A workers compensation and general liability package written by The Home Indemnity Co. that is expected to cost Knoxville International about \$1 million for three years of coverage.

• Excess liability coverage written by Mission Insurance Co. with a limit of \$25 million.

• Special directors and officers liability coverage provided by a member of the Crum & Forster group.

The premium for the organization's total insurance package will probably run close to \$1.5 million, Mr. Monahan says.

At present, there have been no major claims filed by the group, says John Proffitt,

treasurer and vp of special projects for Knoxville International. If the loss record continues favorable, the fair organizers will receive a substantial premium refund, perhaps as much as 60%, Mr. Monahan says. If the settled claims are less than the advance premium, the difference is returned to the World's Fair group. But if the claims cost more than the

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Photo: 1982 World's Fair

The Sunsphere will tower over the rest of the World's Fair in Knoxville.

NCCI is 'mortally wounded': Regulator

By EILEEN NORRIS

ORONO, Maine—If the national ratemaking bureau for workers compensation insurance is to survive the advent of open competition, it better redefine its role, critics warn.

The National Council on Compensation Insurance, which files rate requests on behalf of insurers in more than 30 states, already has been "mortally wounded," said Arkansas Insurance Commissioner William H.L. Woodyard III.

The NCCI came under attack last week during a daylong session devoted to the role of the rating bureaus at the Fifth National Symposium on Workers Compensation at the University of Maine.

Georgia Insurance Commissioner Johnnie L. Caldwell was even more critical of the ratemaking bureau. "Only a small fraction of the world believes in religion anymore, and even less than that believes in the NCCI," he said.

Associate Editor Eileen Norris spent July 13-17 in the backwoods of Maine at the 5th National Symposium on Workers Compensation. Her report on what the experts had to say on OSHA, controlling claims and improving safety is on Pages 24 and 25.

The council was defended by Kevin M. Ryan, the new president of the group. But even he conceded that the rate-making agency needs to re-examine its function and offer employers and insurers more simplified explanations of how it sets rates.

"We are more than a ratemaking and statistical-gathering agency," Mr. Ryan said. "We plan to analyze and explain the process more in the future."

The council already is at work, on a state-by-state basis, on a program to assist companies in developing their own rates, an outright admission that open competition is being taken seriously by the group.

The bureau's role is being questioned and the function of the NCCI may change dramatically in the future, said Wheeler H. Hess, senior vp of The Travelers Insurance Co. and chairman of the NCCI board.

But even if states follow Minnesota's lead and pass legislation that allows workers compensation insurers to compete with rates for risks, the NCCI should still be retained as a statistical agency for reporting losses, Mr. Hess said.

"Until someone does it better, the rating bureau should stay," he said.

Besides Minnesota, which plans to phase in competition by July 1983, similar laws are being considered or studied in

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Coors urging employees to belly up for fitness

By RHONDA L. RUNDLE

GOLDEN, Colo.—Adolph Coors Co. is brewing healthier, happier employees in its new "wellness center" that opened last month.

Under the personal direction of President Bill Coors, the Rocky Mountain brewer has revamped a 20,000-square-foot super-market outside its front gate into a full-service fitness center.

The facility contains a gym full of specialized equipment and an elevated 1/18-mile track. It will be used for educational programs on nutrition, stress management, weight control, smoking cessation and alcohol abuse.

Employees will participate in setting their own "fitness prescriptions." They will share in the cost of some programs, but if they achieve their objective, some cost will be rebated.

The center has all kinds of positive offshoots for Coors, explains Gerry L. Kavny, vp for human resources. "Healthier people are more vibrant and energetic," he says. "They miss less time from work. They have a brighter outlook on life."

"The center may also assist in recruiting new employees to the company. We are satisfied that you make a better investment putting money into wellness programs than you do putting dollars into medical treatment."

Coors is self-insured for group medical, accident and health benefits and is acutely conscious of medical costs, he adds.

In the month since the center opened, more than 700 employees

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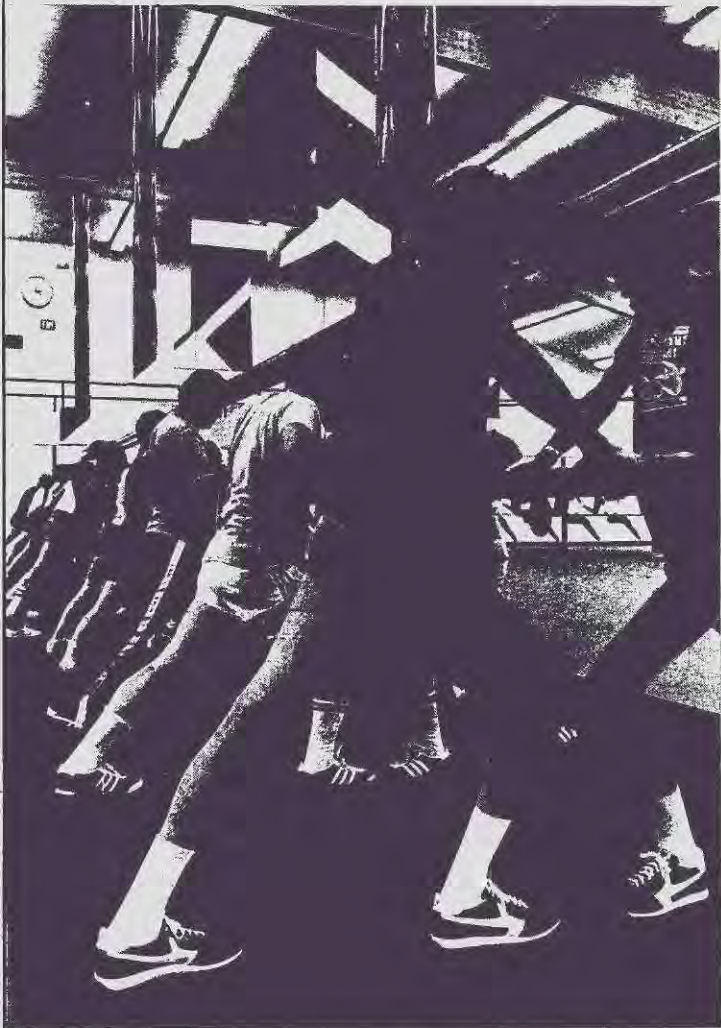


Photo: Coors
Coors employees work out in the company's 'wellness center.'



Photo: New York College of Insurance

College of Insurance President A. Leslie Leonard, left, and Richard I. Purnell examine the blueprints detailing the college's new building.

J&H official's talents help college expand

By LISA BERGSON

When The College of Insurance opens its new headquarters in 1983, it will be in no small measure due to Richard Purnell, 62, the chairman and chief executive officer of Johnson & Higgins.

As Princeton University, the United Fund and the Republican Party can attest, Mr. Purnell has a knack for fund raising. And he has turned that ability to obtain \$19 million in donations to pay for the sorely needed facility.

As he sees it, "This is a material way of showing gratitude to the industry."

Such dedication has not gone unrecognized. Mr. Purnell, who is expected to retire from J&H by the end of the year, was recently appointed chairman of the board of trustees of the college. He succeeds Bernard Daenzer, who is now a trustee emeritus.

For more than a decade, the college has lacked a dormitory and adequate classrooms, offices and library facilities.

In contrast, the new facility is designed to accommodate a projected 54% increase in enrollment over the next 10 years. It will have dormitory,

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Insurance for royal fireworks to cost \$2

By STACY SHAPRIO

LONDON—The fireworks that will explode over London the night before the wedding of Prince Charles and Lady Diana Spencer will cost plenty, but the general liability coverage for the display costs about \$2.

The fireworks that burst over the heads of the royal family in Hyde Park July 28 will carry a 5 million pound general liability policy as required for public events by the Department of the Environment. But the premium will be only one pound.

The policy is the British insurers' contribution to the royal wedding, said Hamish Ritchie, managing director of Hogg Robinson (U.K.) Ltd., the broker for the policy.

"But you must charge a nominal fee to make it a contract, and the consideration is one pound," he said.

The insurers' generosity also will benefit the International Year of the Disabled, which receives all the proceeds from the display.

"We are selling the television rights

worldwide," said Maurice Colton, an official of Hyde Park Fireworks 1981 Ltd., which is putting on the show. "Should there be any surplus, that will go to the International Year of the Disabled."

Souvenir programs on sale at Hyde Park will bring in some 300,000 pounds for the cause, he said, and collections will be taken at celebrations around the country.

Ten insurers, including Commercial Union Assurance Co. and Lloyd's of London, have agreed to take 10% of the risk, Mr. Ritchie said.

The premium, although miniscule, is 10 times larger than the premium for the last charitable policy British insurers offered. In 1978, the International Year of the Child threw a children's party in Hyde Park, which was covered by a 2.5 million pound liability policy from the Sedgwick Group Ltd. The premium was one English penny, Mr. Colton said.

However, the cancellation coverage for the fireworks show is strictly business. The premium for the 80,000-pound policy is

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Photo: UPI

The next parade featuring Prince Charles and Lady Di will be their wedding procession.

Levi Strauss to offer adoption benefit

Levi Strauss & Co. plans to add an adoption benefit when it switches to a flexible benefits plan, according to Cathy Ott, manager of employee benefits.

Ms. Ott said the adoption benefit could be offered before implementation of flexible benefits, which is planned in the next few years.

"We think having an adoption benefit is more equitable," says Ms. Ott, but she noted that not many people have asked specifically for the benefit.

The specific program to be offered by Levi Strauss hasn't been worked out yet, she says, but the company is considering payments for legal fees and the medical expenses of the natural mother. "The norm for expenses is about \$1,000," she says.

benefit beat

Health workshops

In an effort to "do more than just pay claims," Blue Cross/Blue Shield of New York is offering low-cost health education workshops to employees in New York City, says Mary Taylor, administrator for the program.

As part of the BC/BS Health Education Center's goal to promote good health, lecturers travel to area worksites to speak on a variety of subjects from stress and hypertension to good nutrition and exercise.

Drawing from administrative funds, with an annual budget of \$40,000, the seminars are provided

at cost to any interested employer regardless of his insurer, Ms. Taylor explains.

Pension boards

The Connecticut State Board of Labor Relations has ruled that the state must bargain with state employees over who sits on two boards controlling state employee pension funds.

The labor relations board's action is first of a number of rulings anticipated from the board in an ongoing dispute involving the state and a coalition of six state employee unions over pension benefits. The unions charge the state is

not bargaining in good faith.

The board, in effect, has ruled that composition of the state Employees Retirement Commission and the Investment Advisory Council must be negotiated in contract discussions with the unions. The governor now appoints members of the commission and the council, which administer the state employee pension plans and supervise fund investments.

"The makeup of the retirement commission is critical to our objective of being able to achieve a secure, well-run retirement plan," says Donald Pogue, legal counsel for the six employee unions. "The same holds true for the (Investment Advisory) council because if the pension fund investments fail to earn enough interest, it puts pressure on the commission and

politicians to cut employee pensions."

Cash incentives

When Los Angeles-based U.S. Administrators was confronted with a 74% increase in its health insurance premiums, it decided to self-insure its health-care benefits and give employees cash incentives for staying healthy.

The company's self-care incentive program, Care About Health and Monetary Plan (CHAMP), credits \$500 to every employee. If this amount is not used to pay medical claims during the policy year, the surplus is given to the employee in cash, says Stephanie Jourdon, marketing representative for the company, an independent administrator of benefit programs.

The CHAMP program supplements the firm's regular medical coverage and is not intended to prevent employees from claiming necessary medical costs, Ms. Jourdon says. Rather, the plan attempts to reward employees who stay healthy.

Some 77% of the company's 350 employees have enrolled in the incentive plan.

Health-care costs

Health-care costs will continue to rise, but the rate of increase will begin to drop later this year because of slowing inflation, says Dr. Edward Mills, deputy director of The Voluntary Effort, a research group in Chicago.

"For reasons that are not absolutely clear, changes in medical costs lag somewhat behind the cost-of-living index," Dr. Mills says.

He attributed the delayed response to the fact that the medical industry is labor-intensive, that hospitals have the capacity to buffer costs by maintaining large inventories but are simply slow to respond to escalating costs.

Although medical costs climbed at a faster rate than other services during the first quarter of 1981, Dr. Mills predicts they will experience a slower growth rate in the third and fourth quarters.

The Voluntary Effort is a research coalition supported by health-care providers, insurers and labor organizations.

Made any benefit changes? Write John W. Milligan, Associate Editor, Business Insurance, 220 East 42nd St., New York, N.Y. 10017; 212-210-0141.

Few know much about work comp

SAN FRANCISCO—Most Americans know little about how workers compensation insurance works or what it does for them, according to a nationwide study commissioned by Fireman's Fund Insurance Cos.

Researchers found that eight out of 10 people had some knowledge of workers compensation as operated in their state. But the study also established that:

- Less than 50% didn't know that employers paid for the costs of the system. Many thought taxpayers were footing the bill; some thought employees paid.

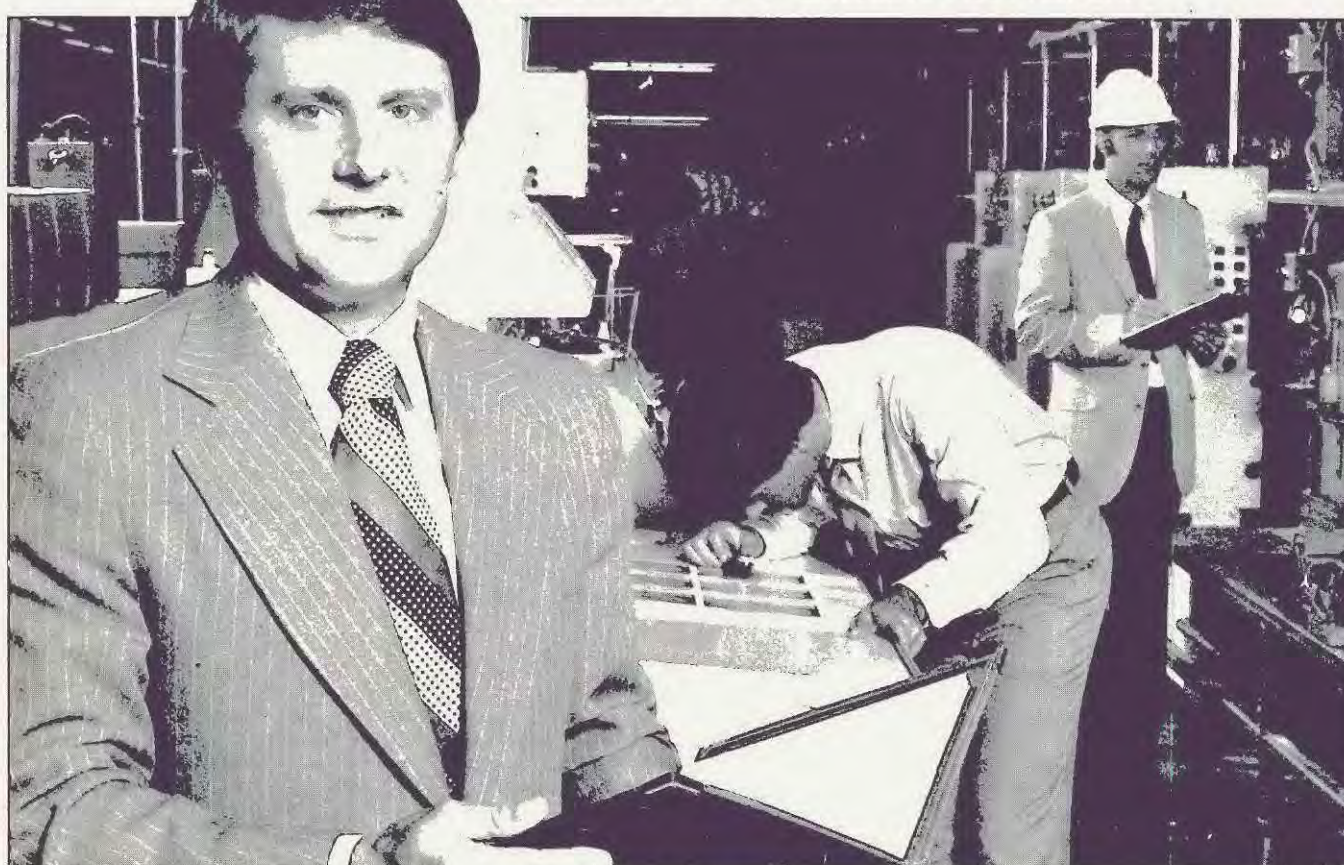
- Almost half were unaware that workers comp covers all medical bills for work-related accidents and illnesses.

- About 50% didn't know that workers compensation covers a substantial portion of loss income resulting from such accidents and illnesses.

The study was conducted for Fireman's Fund in 10 cities. ■

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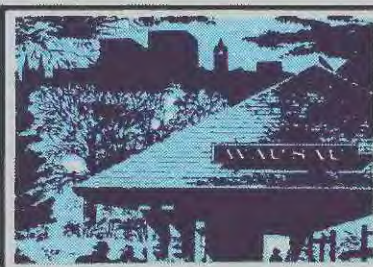
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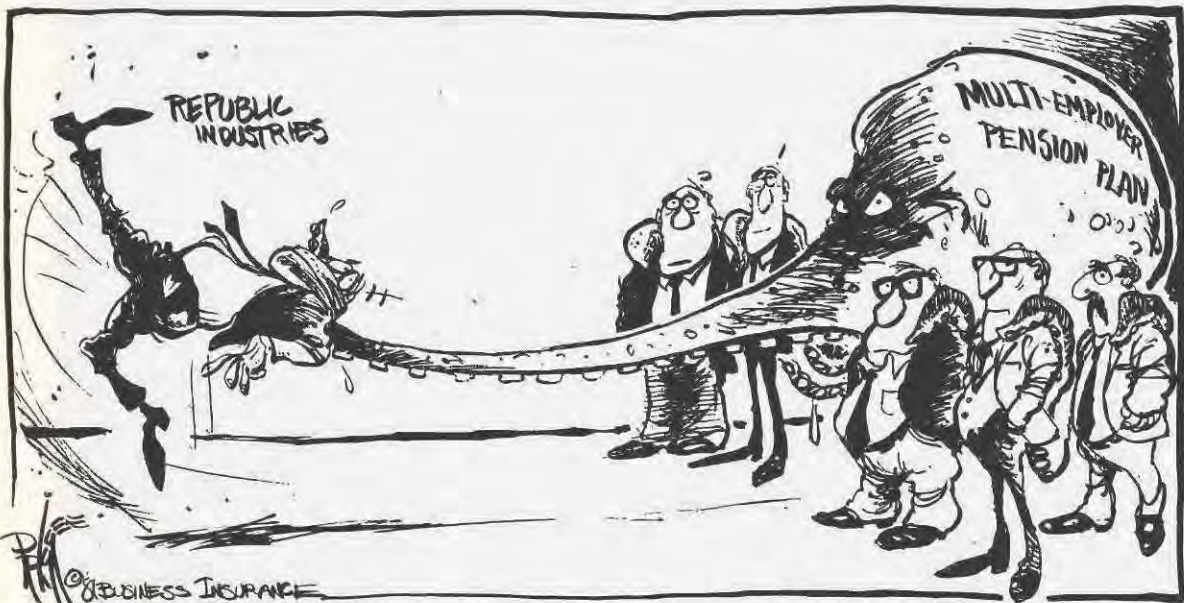
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editorial opinions



Ignorance isn't bliss

IF YOUR COMPANY is a member of a multiemployer pension plan and you don't understand the Multiemployer Pension Plan Amendments Act of 1980, you and your company are heading for big trouble.

Consider the plight of Republic Industries of Kansas City, Mo., as reported last week by Washington Editor Jerry Geisel.

The company closed one of its subsidiaries that was a member of a multiemployer pension plan. The next thing it knows, the multiemployer plan slaps it with a bill for \$16.5 million for its withdrawal liability, a bill totaling more than twice Republic's entire net worth. Two monthly payments toward the debt assessed by the plan trustees would approach the company's annual income in 1980, the Republic Industries' president says.

The trustees are within the 1980 law in determining Republic Industries' liability. The claim may be somewhat overstated, but probably not by enough to make the claim palatable to—or payable by—Republic Industries.

The law that has created this awful mess for Republic Industries was passed by Congress to strengthen the financially ailing mul-

tiemployer pension plans around the country. They are horribly underfunded after years of unions bargaining for big benefit gains, employers trying to keep their costs down and no one minding the unfunded liabilities. More realistic funding clearly was needed.

But is a law realistic that allows a pension plan to claim more than a company is financially capable of paying? Maybe, if you believe the 1980 law is justifiably designed to keep employers in these plans.

Unfortunately, Republic Industries didn't know about the 1980 law, it says.

To keep your company out of such trouble, you had better understand this law and start policing this potential liability by:

- Taking advantage of your right to know what your potential liability is.
- Weighing a plan's unfunded vested benefits before joining or acquiring a company in a plan.
- Holding benefit increases to what the plan and you can afford.
- Monitoring the plan's investments.

Ignorance isn't bliss. Just ask Republic Industries.

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letters

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Agents are not overrated

To the editor: I would like to respectfully submit some comments in rebuttal to Edward W. Siver's Perspective article "Independent agents may be overrated" (BI, June 29).

The average agent is not overrated, not overpaid. So much time and money is not spent portraying ourselves as professionals because these days we simply cannot afford it, with dropping commissions and increasing agency expenses. The agents, in the main, are spending their time and money on training and going to schools to bone up on their skills to better serve their clients and to keep their accounts.

In Tennessee, for example, during the last calendar year, some 3,000 agency personnel have paid travel and tuition costs for insurer-sponsored schools covering everything from workers compensation, liability, property, boiler insurance, personal lines and umbrella coverages.

The independent agent is more professional. There are some who "flash by" for a little while. But in the long run, without adequate on-the-spot response, they do not last long.

Mr. Siver doubts the agent will be there when a loss occurs. My goodness, what type of firm has he been associated with? Agents are well aware of coverages be they large or small, and after suitable training can walk through a burned-out plant with the best of experts.

Paul R. Smith Jr.

Vp
Jack Brandon Insurance
Agency Inc.
Nashville, Tenn.

... Nor should they be defended

To the editor: Within the spirit of open and controversial dialogue in your publication, I must question what legitimate end has been served by Edward W. Siver's Perspective in the June 29 issue.

I don't feel it necessary to defend the "average" independent agent as I'm comfortable with the veracity of our position, while recognizing the frailties we all share.

Impugning the average independent agent as "overrated and overpaid" and "anything but professional" is nothing but broad-brushed, vague rhetoric supported mostly by his individual bias and subjective opinion.

Will this style provide for future Perspective columns entitled "CPCUs-CLUs-consultants-editors (choose one) may be overrated?"

Timothy J. Cunningham

James H. Cunningham
Insurance Agency Inc.
Oak Park, Ill.

... From a callous, arrogant attack

To the editor: Regarding Edward W. Siver's Perspective in your June 29 issue, I am amazed by the callous and arrogant attack on independent agents.

This gentleman must feel rather insecure in his professional capacity as a consultant if he must crucify his competition in such an irresponsible manner.

Thomas H. Reilly

T.H. Reilly Brokerage Co.
Garden City, N.Y.

... However, it's food for thought

To the editor: E.W. Siver (BI, June 29) probably runs into an unrepresentative group of agents. Accounts that are well-handled are less likely to call him in.

Still, it was good to see a list of the old "aphorisms" to which we, as independent agents, and our worthy competitors, are dedicated.

William E. Sleeper

Vp
Sleeper, Sewell & Co.
Dallas

Broker clarifies comments

To the editor: I did not say, as stated in your June 29 issue, that C.E. Heath's broking operations were not up to par. I did say the trading on the broking side had been affected, like all other brokers with a large U.S. dollar account, by the strength of the pound. Where you got the expression "We knew exactly where the money wasn't coming from" completely defeats me, as it does another who was present at the interview.

Your statement that we trade heavily with other American brokers, including Marsh & McLen-

nan, through Rollins Burdick is utter nonsense. We trade heavily with Rollins Burdick, but this does not preclude us from doing business with many other prominent U.S. brokers, including Alexander & Alexander, and this is particularly the case with aviation. It is incorrect that the emphasis of our U.S. account is on aviation; it is an important but minor part of our U.S. business.

J.R. Mikami

Deputy chairman
C.E. Heath & Co. Ltd.
London

"Someone's going to pay for this!"



Modern technology has all but perfected the computer. But technological wizardry has yet to create the perfect human. Because they're only human, people who work with computers sometimes make errors. Catastrophic ones. Expensive ones.

For example, suppose your client's programmer accidentally erases a company's entire record of accounts receivable, accounts payable, or both. And your client is slapped with a multi-million dollar lawsuit.

Or suppose a client's new software package loses track of a manufacturer's parts inventory... and the manufacturer sues for \$750,000 in damages?

Some service companies may attempt to reduce their liability to customers through contractual "hold harmless" provisions in their supplier's agreement. The chance of eliminating responsibility entirely seems rather remote. Not to mention the

time and money required to defend a suit, whether well-founded or not.

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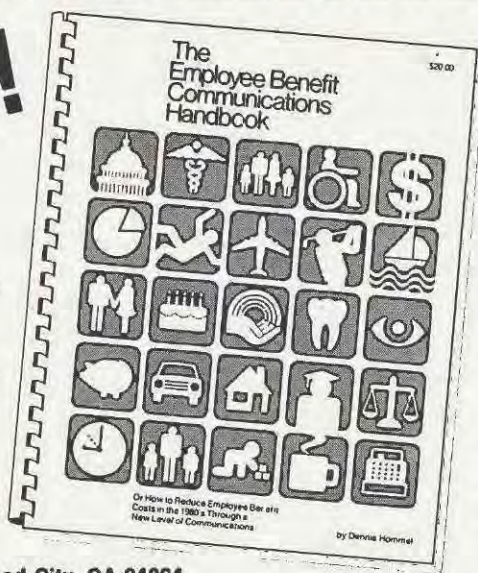
Successful step-by-step techniques are revealed to increase employee interest, understanding, appreciation and prudent use of benefits.

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Surplus companies excluded from fund

TRENTON, N.J.—Gov. Brendan Byrne has signed a bill that excludes surplus lines insurers from a state guaranty fund.

The New Jersey Property/Liability Guaranty Assn. Act of 1974 established a fund to pay claims owed by insolvent insurers. The act was written to cover only admitted insurers, but a state appellate court ruled recently that surplus insurers were covered by the law since they were not specifically excluded.

The New Jersey Supreme Court subsequently overturned the decision.

However, the ambiguity in the law prompted legislation to specifically exclude surplus insurers from the fund.

around the states

Work comp rate

TOPEKA, Kansas—Workers compensation insurers in Kansas are seeking an overall 15.1% rate hike that would increase the cost of coverage by about \$23 million.

Insurance Commissioner Fletcher Bell blamed the need for a rate hike on many factors, including current loss experience and an increase in the maximum weekly benefit.

Rates for manufacturers would increase an average of 15.4% under the proposal, contractors' rates would rise an average of 16.7% and other firms would be hit with an average increase of 14.3%.

If approved, revised rates for both new and renewal policies would go into effect Sept. 1.

Rate reduction

ST. PAUL, Minn.—State Insurance Commissioner Michael D. Markman has extended a 5% workers compensation rate reduction, effective July 1, to employers whose policies expired in June.

Mr. Markman ordered a change in the Workers' Compensation and Employers' Liability Manual that will allow insurance companies to extend workers compensation policies that expired in June for 30 days.

The need for the extension resulted from two recent changes in Minnesota's workers compensation rates. Rates increased 11.8% on June 1, following an order issued by Mr. Markman. On July 1, however, rates were decreased 15% as mandated by the Legislature earlier this year. The net result was a 5% reduction for employers with policies expiring on or after July 1.

However, employers with policies that expired in June were forced to pay the 11.8% increase, but were not eligible to benefit from the rate cut. The recent order will allow those employers to take advantage of the decrease.

Work comp ruling

GRAND RAPIDS, Mich.—The Michigan Court of Appeals will consider whether a Grandville, Mich., maintenance worker who injured his knee while playing softball should receive a lump sum of \$20,000 plus \$115 for each week since he lost his city job.

A state Workers Compensation Appeal Board awarded the benefits to Ronald Burmeister, 32, who was injured on city property in July 1976 while playing on a softball team sponsored by Grandville, a suburb of Grand Rapids. He underwent surgery and returned to his job, but was dismissed two months later because he could no longer climb in and out of manholes or walk on uneven ground.

The appeals board concluded that recreation activities were "within the course of employment" for Mr. Burmeister and that weekly payments should continue until he finds another job.

Group life sales rise

Group life insurance set up under new or revised group contracts totaled \$12.8 million in May, compared with \$9.6 million in May 1980, according to the Life Insurance Marketing & Research Assn.

The figures represent face amounts of insurance purchases.

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"Experienced administration, flexible underwriting, competitive cost. That's what our clients look for. It's our job to be sure they get it."

HOW DOES THE TECHNICAL AND ADMINISTRATIVE STAFF CONTRIBUTE TO IGP PERFORMANCE?

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In lots of ways. For one, we develop fast, accurate and in-depth data on plan performance. In fact, we are now expanding computer capabilities to monitor our programs even more closely. For another, we work

with our Associate Insurers to maintain our programs' cost effectiveness. A good example is the cost containment program we recently set up with an Associate Insurer. By applying sophisticated, U.S.-style claims control and approval procedures, we were able to help a client succeed in bringing their disability claims into line.

HOW DOES IGP HELP CLIENTS TRACK THEIR PROGRAMS' PERFORMANCE?

That's where we really excel. Take our comprehensive International Experience Report. It's broken down by country, subsidiary and coverage, and it tells the client exactly what's being spent overseas. But details alone aren't enough. The facts have to be timely so important decisions can be made and carried out. That's why IGP guarantees delivery of reports to the client within 90 days of the international year end...or we pay a penalty. Consistently delayed reporting can waste a lot of client money.

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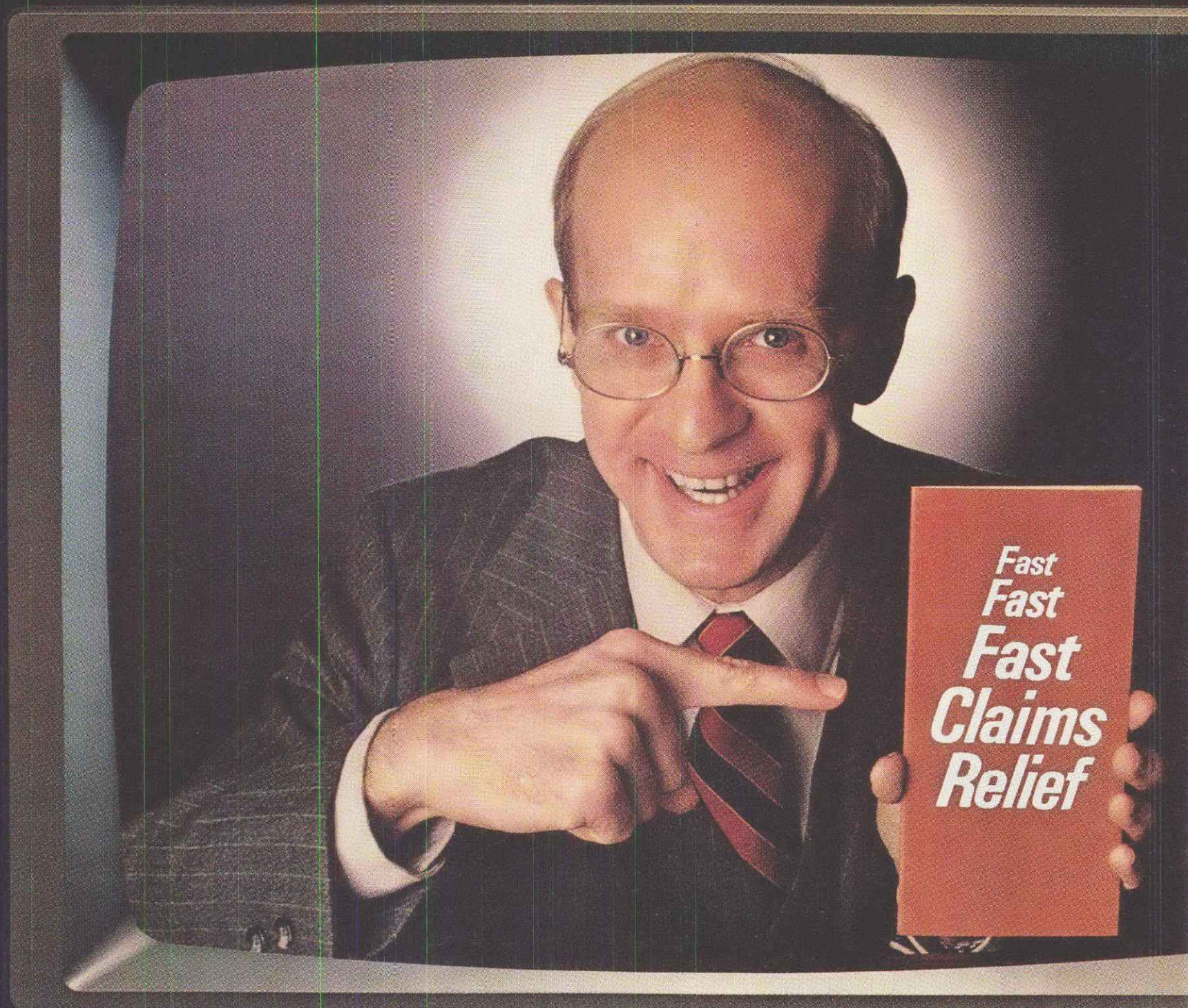
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02

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people instead of hired outside help.

In fact, one of the greatest strengths we offer your company is that we're strong in every area of claims service. From the simplest auto claims to the most complex product liability cases.

Of course, claims help is just one of many things Continental offers. We also have perhaps the most comprehensive selection of business coverages and services in the business.

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Task force to try to reduce paperwork for pension plans

By JERRY GEISEL

WASHINGTON—A congressional task force has been established to develop legislation to simplify the Employee Retirement Income Security Act of 1974.

The task force, which will be headed by Rep. John Erlenborn, R-Ill., and Rep. Peter Peyser, D-N.Y., will study ways to reduce the paperwork that the pension reform

law has imposed on employers.

"After a preliminary examination of the morass of paperwork required at the present time, clearly the ERISA program can be simplified without preventing the responsible government agencies from enforcing the law," Rep

Peyser said.

The task force, working on behalf of the House Labor-Management subcommittee, is expected to complete its study by the end of the year.

washington

Deadline delayed

The Labor Department has postponed for the fourth time sanctions against companies that defy a federal law that requires companies to pay employees' costs for abortions.

The Labor Department, in final rules that were to go into effect in late January, said employers who refuse to pay abortion-related costs under health insurance plans could be barred as federal contractors.

However, the rules' effective date was delayed to April 29, then June 29, then July 15 and now Aug. 25. The law is now being revised, a Labor Department spokesman said.

The rules apply to some 300,000 companies that do more than \$10,000 of business with the federal government.

The abortion benefits regulation is part of the agency's anti-discrimination rules governing contractors who serve the federal government.

The federal pregnancy benefits law and the Labor Department's contractor regulations require employers to offer equitable pregnancy benefits and pay for abortions on the same basis they pay other claims.

Employers also must pay for medical complications from an abortion.

PBGC notification

Multiemployer pension plans that terminate must notify the Pension Benefit Guaranty Corp. within 30 days, according to a proposed PBGC regulation.

PBGC needs the termination notice because it may have to act to protect the interests of plan participants or to prevent unreasonable losses to the multiemployer insurance system, said Robert Nagle, PBGC executive director.

The new regulation, which was published in the July 20 issue of the Federal Register, will go into effect Aug. 20 or the date it is approved by the Office of Management and Budget, whichever is later.

Low earnings

Social Security trust funds aren't earning enough interest, Sen. William Proxmire, D-Wis., charges.

"The rate of return received by the Social Security trust funds is scandalously low," Mr. Proxmire said in a Senate speech.

In fiscal 1980, the trust funds, which invest exclusively in government or government-backed securities, earned only 8.5% interest, while private financial institutions earned as much as 13.5% interest on their portfolios, Mr. Proxmire said.

"Before the administration cuts Social Security benefits or raises Social Security taxes, it must be required to get a return on the trust funds at least equal to the return everybody else can get on government or government-backed securities," he said.

A spokesman for the Social Security Administration said the rate of return has improved in recent months and recent investments have been earning about 13.5% interest.

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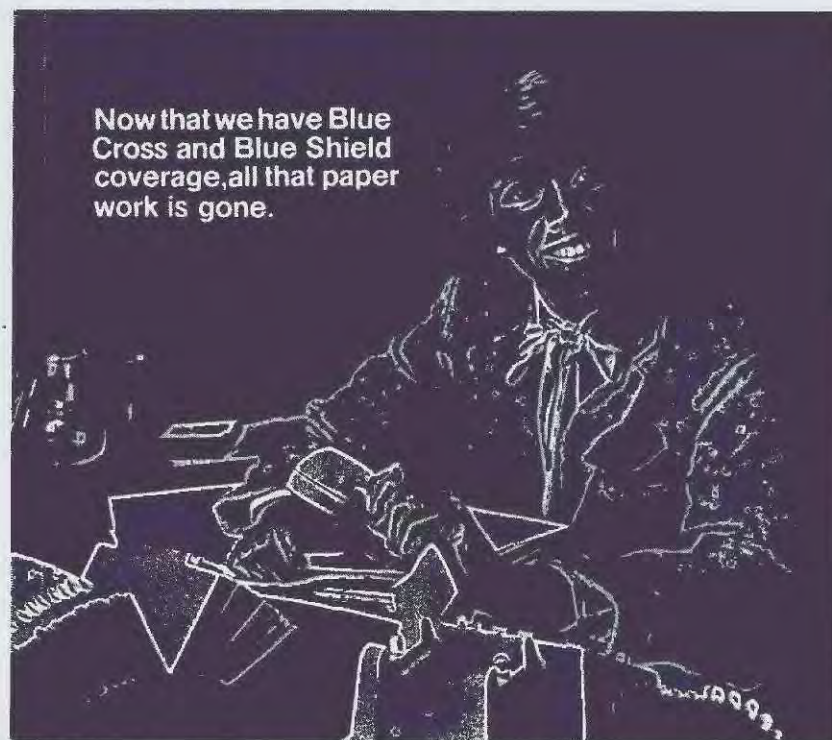
Now, the use of electronic systems to receive and transmit claims information is rapidly expanding among Blue Cross and Blue Shield Plans and is eliminating paperwork in a new way. Last year, more than 48 million claims were received using the new system. Through relationships with hospitals, physicians, and pharmacists, computer terminals and other data exchange systems are linked up with Blue Cross and Blue Shield Plans, allowing for this advance.

Now the time needed to process claims is greatly reduced by electronic transmitting. It minimizes errors, allows for on-line correction, and generally

helps keep down the cost of administering health care coverage programs. This puts your coverage dollars where they should be, in benefit costs and not administrative costs.

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Pool to pay for 10 trapped Greek ships

By STACY SHAPIRO

LONDON—A shipowners' war risk pool will pay \$36 million for 10 Greek ships trapped in the Shatt al-Arab waterway since the out-

break of the Iran-Iraq war.

The Hellenic Mutual War Risks Assn. (Bermuda) Ltd., a Greek war risk club managed by Thomas R. Miller & Son (Bermuda), will pay for the hulls and machinery of the

london line

ships that have been stranded since September 1980 when Iraq banned entry and exit to the river.

Three other losses totaling \$4 million to \$5 million already have been paid by the pool for ships that were damaged during fighting.

Nearly 2,000 ships representing a total value of \$14 billion are insured through the association.

Bowring sale

Marsh & McLennan Cos. has sold its Bowring Steamship Co. subsidiary for \$18 million to Drovebrook Ltd., a privately held British Co.

Marsh & McLennan, the largest

U.S. insurance broker, obtained the shipping company as part of last year's acquisition of C.T. Bowring & Co., a major British broker. M&M said earlier this year that it was seeking to sell its shipping interests.

Employee benefits

Bernard Marks, chairman of the Alfred Marks Bureau in London, says a happy employee is a well-informed one.

"By failing to publicize the cost to staff of fringe benefit packages, employers lose the considerable amount of goodwill and loyalty they deserve," Mr. Marks says.

Still, he says employee communication in Britain isn't what it should be.

"Of the 331 companies interviewed by Alfred Marks in a recent survey of fringe benefits, only 50% send circulars or handbooks to employees about their benefits. And 6% didn't say how they communicated to employees about benefits," according to the company's "Survey on Fringe Benefits 1981."

"In most firms the value of benefits, and any improvement in them, is communicated in a fairly ad hoc way."

"The staff relations value of an improvement in benefit is lost to a large extent if employees know little or nothing of the improvement," the survey says.

Between 30% to 50% of payroll at British companies is spent on employee benefits, the survey says.

For example, four weeks annual vacation is quite common for the 70,000 office employees of the 331 British companies surveyed. "A total of 85% of the sample are awarded 20 days holiday or more, with the national average being 20.5 days," the survey says.

Meals are another British benefit that most workers take for granted. Nearly 92% of the surveyed companies offer meal facilities to their employees, ranging from cafeteria food to silver-service midday dinners. The price, if any, is usually minimal.

Seventy-seven percent of the companies also offer free coffee and tea, the survey says.

Insurers' report

The 325 members of the British Insurance Assn. reported 310 million pounds in losses in 1980, according to its annual report.

The losses were cushioned by an increase of 147 million pounds in investment income.

"Last year proved difficult for BIA members. As the worldwide economic recession deepened, the effects of competition were felt more keenly and the premium growth on realistic terms was more difficult to achieve," according to the annual report.

The BIA represents 95% of the non-Lloyd's of London insurers in Great Britain.

Finnish fund under study

HELSINKI, Finland—The unique "Equalization Fund" system, which for nearly 30 years has allowed Finnish insurance companies to create a special risk-protection margin in addition to normal claims reserves, is under review by the Finnish Government.

The system may be getting out of hand, according to some experts, because too much money may have been put aside for future risks.

The plan is intended to balance random fluctuations in losses and is worked out on actuarial principles laid down by the Ministry of Social Affairs.

Reinsurance requirements are closely linked to the Equalization Fund.

Kansa Insurance Group, which nearly doubled its premium income in the past two years to about \$200 million annually, has commissioned a report on the situation.

After pointing out that solvency ratios in Finland have grown to as much as 80%, the study concludes: "If the ratio exceeds adequate limits, it can form an additional cost burden to insurance consumers, and one might well ask if it would be more justified to reduce premiums than to accumulate increasing margins from them."

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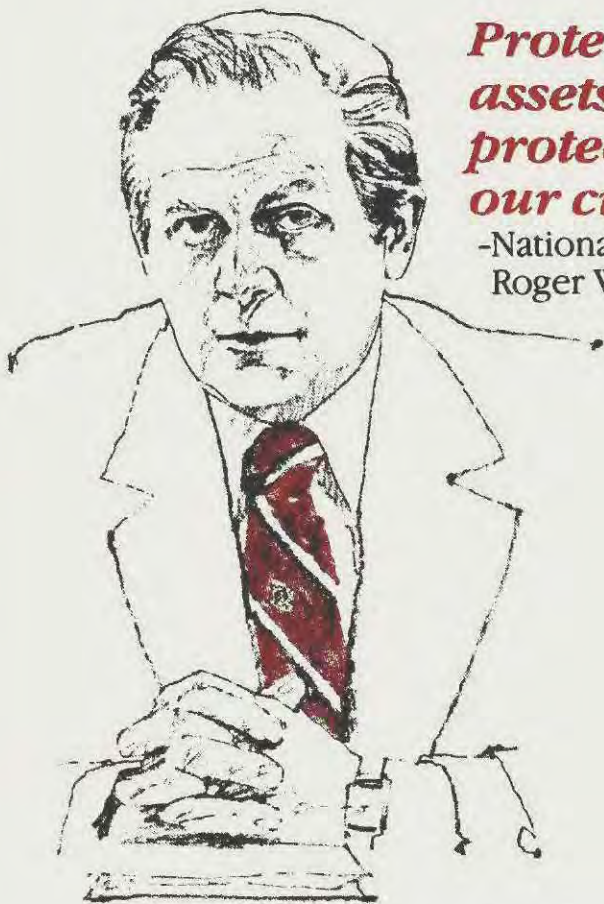
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Protecting our assets means protecting our customers.

-National Fuel's
Roger Wilcox

Long before widespread fuel shortages became a reality, some utility companies took steps to protect against seasonal shortfalls in supply.

"We were the first public utility to store natural gas reserves in depleted gas fields," says Roger Wilcox, manager of safety, claims and insurance for National Fuel, which serves areas of New York, Pennsylvania and Ohio. "Since the early 1900's we've developed 33 storage fields with a total capacity of more than 140 billion cubic feet."

It was only in 1979, however, that National Fuel began insuring its gas reserves. Wilcox explains: "As the value of natural gas escalated, we became concerned about the financial impact of a possible catastrophic loss of product, even though remote."

Skyrocketing fuel prices have made National Fuel's stored gas one of its largest single assets. Without insurance, the cost of a large loss from storage would have to be borne by the utility's rate payers or stockholders. "That's a burden we don't feel we can place on either group," comments Wilcox.

To obtain adequate coverage, INA Special Risk was called in. INA's response was a specialized, all-risk policy on the stored gas, including coverage for explosion and mechanical damage to the wellhead, leakage and migration resulting from earthquake.

Besides protecting its rate base, National Fuel has realized an income-producing benefit from the INA program. "The fact that we have coverage has helped us lease storage space to other utilities," reports Wilcox. "These leases create revenue for us, and help attract investors to National Fuel."

The soft drink industry has traditionally faced substantial product liability exposures.

"In order to limit our risks, we've become totally dedicated to quality control," says Stan Sheridan, chief financial officer of the Faygo Beverage Company, which markets products in 20 states. "Today, our procedures far exceed industry standards."

To ensure the quality of its bottles, for example, Faygo requires its glass suppliers to maintain uninterrupted

Quality control reduced our costs.

-Faygo's Stan Sheridan



production runs. Experience has shown that this results in stronger, safer glass.

Faygo also conducts daily tests on bottles pulled at random from its bottling line. "We'll set aside a dozen truckloads of bottles where a single sample proves defective," comments Sheridan.

Faygo's high quality control expenditure has to be offset in other areas of operation, including insurance. INA and the bottler's broker, R.L. Jones & Assoc., were able to translate Faygo's impressive loss control efforts into a deductible program that reduces premiums. "We carry a \$5,000 deductible per occurrence on product liability coverage," explains Sheridan, "and in four years we've only had one claim exceed that amount."

Savings are also generated by Faygo's participation in a bottlers' association "safety group" organized by MarketDyne, an INA subsidiary. Sheridan notes: "The group's loss record has been so favorable that, in each of the last few years, we've received a four-figure dividend on our annual insurance premiums."

Captive insurance companies, once practical only for large corporations, are now being used by trade associations to make needed coverages available to their members at lower cost.

"The thrift industry established its own captive reinsurance company in 1971," says Henry J. Hand, president of Ban Ser Corporation, the insurance service for the National Association of Mutual Savings Banks. "This reinsurer is unusual in that it is owned, not by the association per se, but by individual savings banks which act as shareholders."

***Affordable
coverage
for thrift
institutions.***

-Ban Ser's
Henry Hand



With this arrangement, the captive is not required to write any outside business, freeing it to concentrate on the needs of the association's members. Notes Hand: "We now offer several coverages that savings banks previously found either unobtainable or unaffordable." These products include mortgage impairment, D&O liability and fidelity bond insurance.

"The bond coverage, for example, is written by INA and then reinsured back through the captive," he explains. INA's cooperation, coupled with the mutual savings banks' willingness to take slightly higher deductibles, has enabled the association to provide substantially lower premiums to the 130 institutions participating in the program.

"Over the last three years," Hand estimates, "the banks' premium savings on the fidelity bond program alone have been well in excess of a million dollars."

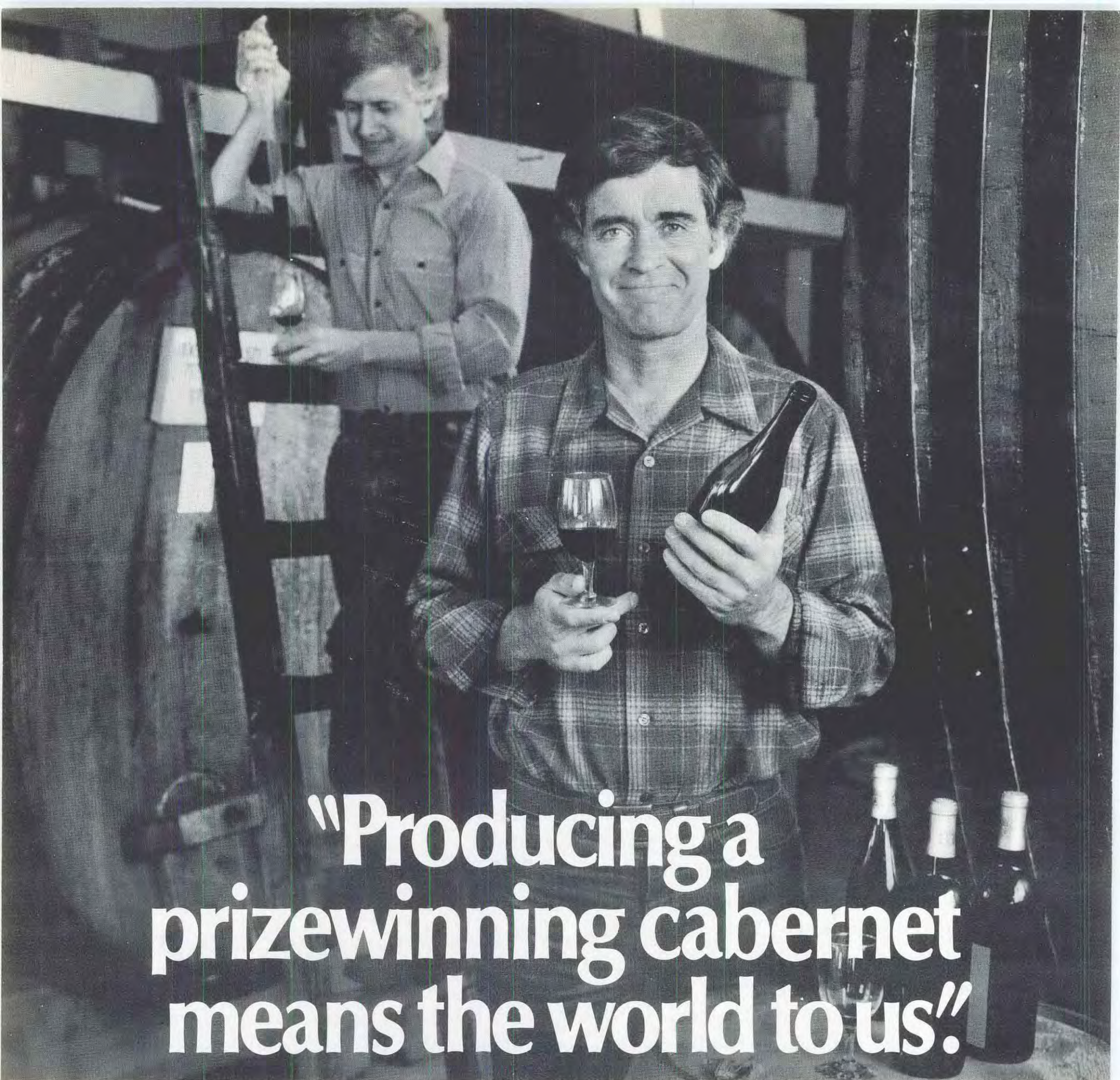
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Product Liability Score Card

By Jerry Geisel
Washington Editor

Status of Legislation

Defenses*

State	Tort reforms enacted	Bill pending	Cleared house	Cleared senate	S/R	State of the art	Failure to warn	Standards	Alteration	Sellers' exclusion	Remarks
Ala.	1979				X						Establishes a 10-year limitation on filing suits.
Alaska											No action expected.
Ariz.	1978				X	X	X	X	X	X	Bill also prohibits asking for specific damages in a suit.
Ark.	1979										New legislation expected.
Calif.		X		X					P		Tough battle ahead.
Colo.	1977				X	X		X		X	Second state to pass major reform legislation.
Conn.	1979				X				X		Closely resembles model Commerce bill.
Del. ²											Cloudy outlook in state.
Fla.	1978				X						Establishes a 12-year limitation on filing suits.
Ga.	1978				X				X	X	Establishes a 10-year limitation on filing suits.
Hawaii		X			P		P	P	P		Commerce Dept. model bill introduced.
Idaho	1980				X					X	Establishes a 10-year limitation on filing suits.
Ill.	1978				X						Bill establishes 10- and 12-year limitations on filing suits.
Ind.	1978				X	X	X	X	X	X	Establishes a 10-year limitation on filing suits.
Iowa											Gloomy outlook.
Kan.	1981				X			X	X	X	Resembles Commerce Dept. model bill.
Ky.	1978				X	X	X	X	X	X	One of the most comprehensive bills passed.
La.											No chance of action.
Maine											No action.
Md.											No action.
Mass. ¹		X			P	P	P	P	P		No chance of passage.
Mich.	1978										Award could be reduced if plaintiff were negligent.
Minn.	1978									X	Law prohibits asking for specific damages in a p/l suit.
Miss.											Bills died in committee.
Mo.											Bill died on senate floor.
Mont.											No action until 1983.
Neb.	1978				X	X	X		X	X	Establishes a 10-year limitation on filing suits.
Nev.											No information available.
N.H.	1978				X				X		Establishes a 12-year limitation on filing suits.
N.J.					P	P	P	P	P		Poor chance of getting p/l legislation passed.
N.M.											No information available.
N.Y.		P	X		P				P		No action expected.
N.C. ¹	1979				X		X		X	X	Establishes a 6-year limitation on filing suits.
N.D.	1979				X			X	X	X	Establishes a 10- and 11-year limitation on filing suits.
Ohio											Bill to be introduced in fall.
Okla.		X			P				P		Uncertain outlook.
Ore.	1977				X				X		Third state to pass p/l legislation, 8-year s/r.
Pa.		X		X	P				P		Possible chance of success.
R.I.	1978				X				X		Establishes a 10-year limitation on filing suits.
S.C.											No information available.
S.D.	1979, 1978				X				X	X	Establishes a 6-year limitation on filing suits.
Tenn.	1978				X	X	X	X	X	X	Establishes a 10-year limitations on filing suits.
Tex.											Legislation died after major battle.
Utah	1977				X	X	X	X	X		First state to pass reform legislation.
Vt.											No information available.
Va. ¹											No action expected in near future.
Wash.	1981				X			X	X		Similar to Commerce Dept. model bill.
W. Va.											Bill died in committee.
Wis.		X			P	P	P	P	P		More than 20 bills introduced.
Wyo. ¹											No information available.

Business Insurance's Product Liability Score Card summarizes efforts to enact tort reform in state legislatures. The first section details the status of tort reform legislation in the state; the second section indicates what tort reform proposals are included in the legislation. When a bill is pending, the tort reforms alive are indicated: P.

*The tort reform elements charted are: a statute of repose, which limits suits to certain time periods after a product was first sold or manufactured; allowing a defense that a product met the state of the art at the

time it was manufactured; elimination or restriction of a failure to warn claim; allowing a defense that a product met government standards or specifications; allowing a defense if the product were altered or modified, and reducing retailers', wholesalers' or distributors' exposure to strict liability suits.

¹These states do not permit product liability suits on the basis of strict liability.

²Some legal experts contend Delaware does allow suits based on strict liability.

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Tort reform faring poorly in states

Continued from page 1

ence. With the exception of Sen. Bob Kasten, a first-year Republican from Wisconsin, and Sen. Richard Lugar, R-Ind., few members of the Senate have displayed a consistent interest in product liability issues.

"It (a federal tort bill) is definitely a back-burner issue," said veteran Washington observer Les Cheek, vp for federal affairs at Crum & Forster.

But Mr. Cheek and other experts agree that congressional interest in tort reform may revive when a federal product liability bill, drafted by administration and Senate Commerce Committee staffers, is unveiled sometime next month.

"There is a need to focus on one bill," said Victor Schwartz, who chaired a federal task force on product liability and is now an attorney with Crowell & Moring in Washington.

"The issue is just beginning to develop," Mr. Schwartz said. More and more large businesses are beginning to see the need for federal product liability legislation, he added.

While several product liability bills are still alive in several state legislatures, the only bill that is given a chance of passing is in Pennsylvania, where the state Senate cleared a compromise bill last month.

That measure, which places a number of restrictions on filing product liability suits, is expected to pass the State Assembly if a loose working agreement between business and trial attorneys sticks (BI, July 6).

In the state of Washington, though, business and legal groups were able to resolve their differences, enabling passage of a major tort reform bill.

"The different interest groups worked together to hammer out legislation that all could live with," said Derwyn Christensen, director of communications for the Assn. of Washington Business in Olympia.

The seeds of product liability reform were planted in the state in 1979 when a major product liability measure died in a conference committee after each legislative branch passed its own measures.

Because the proposal attracted so much interest, a special legislative study committee was set up last year to probe product liability issues.

Various interest groups, including employers, trial attorneys and consumers, met with the committee to put together compromise legislation.

By the time the Legislature returned for the 1981 session, the major differences separating the competing interest groups had been ironed out, setting the stage for legislative approval of reform legislation. "A cooperative interim effort made the difference," Mr. Christensen said.

The reform legislation, which cleared the Washington Legislature by wide margins, will make it more difficult for an injured consumer to sue a manufacturer 10 years after a product is delivered.

The measure also gives manufacturers a positive defense if the injury-causing aspect of the product was, at the time of manufacture, in compliance with a mandatory gov-

ernment contract specification, a provision eagerly sought by Seattle-based Boeing Co., one of the nation's largest government contractors.

In Kansas, where the tort reform movement took root in 1976, the Legislature also passed a reform proposal after the business community and trial attorneys reached agreement on a compromise bill.

Like the Washington law, the Kansas legislation places a greater burden on the plaintiff to prove that a product was defective after it has been in use for 10 years.

The 10-year limitation, though, would not apply if the injury was caused by prolonged exposure to a defective product, such as asbestos.

Meanwhile in Montana, a measure that would have barred product liability suits eight years after purchase, or 12 years after manufacture, died in a House committee.

"There was no interest in it," said Janell Fallon of the Montana Chamber of Commerce in Helena. The Legislature doesn't reconvene until 1983.

In Mississippi, several reform proposals, including one that would have given manufacturers stronger defenses if their products complied with the state of the art, died in Senate and House judiciary committees.

Business groups say they will plug away next year for product liability reform when the Legislature returns. But they concede the going will be tough.

"It's an uphill battle," said Hugh Ketchum, director of government affairs for the Mississippi Manufacturers Assn. in Jackson. "They (trial lawyers) like the law as it is."

In neighboring Louisiana, tort reform is not likely to get off the ground until a special legislative study committee completes a report examining product liability issues.

On the East Coast in New Jersey, a watered-down bill that establishes a 10-year statute of repose for consumer goods and a 20-year limitation on suits involving non-consumer products, did clear an Assembly committee.

But the measure is unlikely to go further. "The trial lawyers have come out attacking with machetes," said Eileen Measel, assistant vp with the New Jersey Business & Industry Assn. in West Trenton.

In Massachusetts, reform bills have never moved out of committee. This year will be no exception. "It never has been a priority issue in this state," said William J. McCarthy, general counsel for Associated Industries of Massachusetts in Boston.

Reform proposals won't get out of committee in Massachusetts until there is a legislative study of product liability problems "so legislators can get a better understanding of the issue," he said.

In Maine, a bill that would have more clearly established responsibility in product liability suits also died in committee. "Interest in product liability reform has tapered off as insurance premium increases have leveled off," said Rod Colby, executive director of the Associated Industries of Maine in Augusta.

Most employers in the state are more concerned about curbing the state's liberal workers compensa-

tion benefits than supporting a major battle to get a tort reform bill enacted, Mr. Colby explained.

In Ohio, business groups are searching for a new legislative strategy after watching earlier reform bills die at the last moment.

"We are not going to spend a lot of time and money on a bill if it won't fly," said Bob Dey of the Ohio Manufacturers Assn. in Columbus.

Some type of reform legislation, though, is expected to be introduced in the Ohio Legislature in the fall, observers say. But its chances of success are considered slim because of the power and influence of state trial attorneys.

In Wisconsin, more than 20 product liability bills have been introduced, but they've been sitting on the back burner while the Legislature grapples with finding solutions to state budgetary problems.

In California, a measure that would bar product liability suits against wholesalers and retailers if the product is altered or modified and the modification causes the injury has cleared the Senate and is awaiting action in the Assembly.

But the prospects for more substantive legislation are gloomy. The Senate and Assembly judiciary committees, which control product liability legislation, are dominated by trial attorneys who oppose the tort bills.

"The trial lawyers have inordinate control of the judiciary committees," complains Paul Gladfelty of the California Manufacturers Assn. in Sacramento.

Elsewhere around the country, reform proposals died in West Virginia, Texas and Maryland.

Insurers question tort reform bills

Continued from page 1

rate exposures are to be reduced.

"Because of the interstate nature of products, a reform bill passed, for example, in Connecticut isn't going to help if other states don't have the same laws," said Brian Scott, assistant vp of the commercial lines department at Aetna Life & Casualty Co. in Hartford.

But insurers stress that while the new laws may not have an immediate effect on holding down the number of claims, they say the proposals eventually will help better estimate exposures by giving more certainty to the legal system.

"How can you estimate what will constitute liability 15 years from now?" asked Marty Bondy, vp of insurance operations at Crum & Forster in Morristown, N.J. "These laws are trying to make the legal system more certain" and, therefore, are needed, he said.

Some insurers complain that business groups have spent too much time fighting for tort reform proposals that, if passed, will have little effect on holding down the number of claims.

For example, the proposal that has received the most attention from business groups is a statute of repose, which would limit a manufacturer's exposure to product liability suits to a fixed time after a product is sold or manufactured.

But insurers say that the vast majority of product liability claims involve relatively new products, limiting the effectiveness of a statute of repose.

A sweeping study of product liability claims emphasized that point. The 1977 Insurance Services Office survey of 24,000 product liability claims found that in more than 90% of the claims where payments were made, the defective product was less than 10 years old (BI, Oct.

31, 1977).

Insurers disagree whether the number of claims has increased since the ISO survey.

"There's no question in anybody's mind that the frequency and severity of product liability claims are increasing," asserted William Bailey, senior vp in charge of claims at Commercial Union Insurance Co. in Boston.

But James Rafferty, director of The Hartford Insurance Group's general liability line, hasn't seen a "significant increase" in frequency.

Although insurers were reluctant to specify how much it now costs to settle an average claim, Mr. Peck at The Travelers described how the cost of settling one type of product liability claim—loss of a finger—has skyrocketed.

The Travelers estimates that it now has to pay out between \$100,000 and \$125,000 to settle a loss-of-finger case. Just three years ago, a similar case could have been settled for \$30,000.

"Loss of a finger now equals what was paid out three years ago for loss of a hand," Mr. Peck said.

Insurers say much of the increase in the number of product liability cases can be attributed to toxic substances claims. "The biggest thing now is asbestos, chemicals and drug liability cases," said Edward Harris, vp with Underwriters Adjusting Co., a subsidiary of Continental Insurance Corp. in New York.

While toxic substances claims, particularly those involving exposure to cancer-causing asbestos, are sharply rising, the new tort reform laws don't offer manufacturers and their insurers much protection.

Kansas' new product liability reform law, for example, excludes injuries arising from prolonged exposures to harmful substances in its

10-year statute of repose.

Some insurers say product liability trends change so fast that they doubt whether any one piece of legislation can cut down on litigation.

The Travelers' Mr. Peck said bluntly that business should give more time and attention to managing claims rather than trying to exclude them.

Commercial Union has set up eight national account claims teams, each composed of an attorney and a claims expert to give it a more powerful defense in fighting product liability claims.

"Since we've taken a more aggressive stand, we have begun to notice a decline in some types of claims," Mr. Bailey said.

Some reforms, which most state legislatures have resisted, could cool product liability costs, insurers say. Mr. Bailey favors restricting a plaintiff from introducing post-accident product improvements as evidence. Such evidence, defense attorneys say, biases juries.

Other insurers, such as Jon Livers, executive vp with INA Special Risk Facilities in New York, favor imposing restrictions on the amount of contingency fees plaintiffs' attorneys can collect, a proposal the trial bar strongly opposes.

Product liability insurance premiums have leveled off or plunged during the last three years. But insurers say a capacity glut, not tort reform laws, has kept the lid on premiums.

Insurers won't predict how much premiums will rise when the market tightens, but the brunt of rate increases will fall most heavily on small and medium-sized companies that can't retain as much risk as their larger counterparts, insurers say.

action line

Pay some comp claims yourself to reduce rates

Action Line: The following article, published in the June 15 edition of *Boardroom Reports*, lists *Business Insurance* as the source:

"Reduce premium costs on state-mandated workers compensation coverage. Pay medical bills for work-related incidents directly (say up to \$500) instead of filing each loss claim with the carrier.

"Firms with minimal loss history get premium discounts. Cost savings: For every \$1 spent on medical bills, nearly \$4 in discounted premiums."

What would be the minimum insured payroll on which one could expect to obtain premium discounts on workers compensation coverage?

Karen P. Walters
Director of corporate service
Independent Newspapers Inc.
Dover, Del.

According to Ron O'Nan of Corroon & Black in Chicago, \$750 would be the minimum insured payroll on which one could possibly obtain such a discount. However, companies with such a small payroll would seldom obtain discounts large enough to offset the cost of paying for the work-related injuries.

Mr. O'Nan says a company must cut its losses to save under this system and should have a minimum insured payroll of at least \$5,000 in order to save by paying some claims from company funds. The larger the payroll, the more oppor-

tunity usually exists for cost savings.

Self-insurers are organized

Action Line: Several recent issues of *Business Insurance* have made reference to the National Council of Self Insurers. Could you provide any information or an address for this organization?

Kathy I. Reid
Risk manager
Mayflower Corp.
Indianapolis

The National Council of Self Insurers was formed in 1945 to serve as a national forum for self-insurance associations of various states. In 1972, the council's constitution was amended to allow corporate members and a special category of professional membership that includes attorneys and third-party administrators.

You can obtain more information about the organization by writing the NCSI, 420 Lexington Ave., New York, N.Y. 10017.

Action Line will answer readers' requests for information. If you have a question regarding insurance, risk management or your profession, write *Action Line*, *Business Insurance*, 740 N. Rush St., Chicago, Ill. 60611.



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Ex-Allianz head takes new post

Donald Munson, the former president of Los Angeles-based Allianz Underwriters Inc., has been appointed president of the West Coast division of Capacity Managers International Inc.

He replaces **James Torie** who has taken a similar position with the Orange County, Calif., operation of Frank B. Hall & Co.

Capacity Managers International Inc., a subsidiary of New York-based Midland Insurance Co., is scheduled to undergo a name change, company officials said. Presently, it has two presidents—Mr. Munson in California and **Lee A. Orabona**, the newly appointed president of the New York office.

Mr. Munson was president at Al-

comings & goings: industry

lianz for 2½ years.

His resignation comes three months after Allianz sued reinsurers and intermediaries for failing to properly reinsure Allianz's share of the major league baseball strike coverage (BI, April 6). Allianz denies statements from industry sources that the change in management is related to the incident.

Allianz is seeking a new president to replace Mr. Munson. So far, four candidates—none of whom is from within the company—are being considered for the position, a company spokesman said.

William Sheppard, an Allianz senior vp, is serving as acting president.

In another move, **James P. Craig** has been elected president of Midland and chairman of Capacity Managers International Inc.

Mr. Craig had previously served as president of Midland Insurance Co. before joining Capacity Managers Inc. in 1976 as that firm's first president.



Craig

James J. Meenaghan, 42, has been named president of U.S. property/liability operations for Fireman's Fund Insurance Cos. Mr. Meenaghan will be responsible for all domestic underwriting, sales, field operations, claims, actuarial services and commercial group operations for the San Francisco-based insurer.



Meenaghan

Mr. Meenaghan joined Fireman's Fund in 1964. He became senior vp and actuary in 1975, assumed responsibility for commercial lines underwriting in 1976 and was named senior vp and senior underwriting officer in 1978.

He will report to O.D. Oliphant, vice chairman and chief operating officer.

Other insurer changes:

William W. Ray appointed vp and head of inland marine underwriting nationwide for Fireman's Fund Insurance Cos. He succeeds Rudy A. Zoellner who is retiring.

Dean W. Case elected president and CEO of General Casualty Co. of Wisconsin. Mr. Case most recently was senior vp of underwriting at Reliance Insurance Co. He replaces Donald E. Fisher who has moved to another position within The Reliance Cos.

Agent/brokers

William R. Kersten has been named vp of Bayly, Martin & Fay International Inc. and president of its newly formed Risk and Benefit Management Systems division. RBMS consolidates into one organization all of the risk management service companies of Bayly, Martin & Fay. It encompasses Diversified Risk Management Services Inc., Imperial Industries, Risk Treatment Services Co., Risk Treatment Services/Colorado and Risk Treatment Services/Bermuda.

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Rehabilitation called key to work comp

By EILEEN NORRIS

ORONO, Maine—The future of workers compensation may be closely linked to how well insurers can make rehabilitation function to return injured employees to work at a cost the system can bear.

If employers and insurance companies fail to keep their application of rehabilitation in tune with the times, it may be considered an open invitation to mandate yet another expensive and less-efficient public program, warns George P. Sawyer, consulting associate with IMARC of Rosemead, Calif.

Mr. Sawyer, a retired vp with Liberty Mutual Insurance Co., spoke about rehabilitation at the Fifth National Symposium on Workers Compensation held July 13-17 at the University of Maine. He said rehabilitation is no longer an option but a necessity for self-insured employers and insurance companies.

"The responsibilities of carriers and employers to provide rehabilitation services specifically directed toward returning injured workers to suitable gainful employment are spreading to all jurisdictions," he said.

Each year more states establish agencies to assure that employers or their insurers provide the required rehabilitation services to injured workers, Mr. Sawyer said.

"At this point, carriers and employers have a basic description of what must be done, but in most jurisdictions they are left on their own in structuring those services," he added.

Call it "medical management," "disability control" or "rehabilitation," just as long as the program has sound case management techniques, he said.

Claims personnel should shuck the title of grudging "dollar dolers" and become advocates of good care directed to-

ward the earliest possible return of the injured worker to safe employment, he said.

"The disability, not the claimant, becomes the adversary to be overcome," Mr. Sawyer said.

Emphasis on returning to work, however, cannot be the sole measure of a successful rehabilitation program, he said.

"For some claimants with severe injuries, a practical goal may be to restore a sufficient functional level to permit independence from full-time assistance and perhaps total self-care for daily needs.

"The real focus must be on the claimant and finding a way to match remaining ability and talent with available, safe employment," he said.

And the direction of that rehabilitation program is not a job for an amateur, Mr. Sawyer said. A credible job can be accomplished only by properly trained personnel, claims handlers, rehabilitation nurses or others skilled in understanding medical issues and social problems. Each claim has to be considered individually, he said.

"At the very least, I believe every compensation insurer should have someone at the senior staff level in claims management to develop company policy and to be accountable for the direction of activities associated with rehabilitation," he said. The essential ingredients for an effective rehabilitation program, according to Mr. Sawyer, include:

- A systematic approach to early case identification.
- Continuous evaluation of care to make certain it is by the right people at the right time and in the right place.
- Close follow-up to assure continuity.
- A tracking system to determine the effectiveness of the procedures used.

Brain damage, spinal-cord injury, severe burns, major amputations or fractures and severe back injuries should trigger

prompt, decisive action by an insurer or self-insured employer, Mr. Sawyer said. The more serious injuries are likely to require specialized care, he added.

Indicators that can bear directly on the success of returning people to work—factors that Mr. Sawyer said can be tracked quite early—include age, time on the job, type of work and the injured worker's wages.

He said that employees under the age of 20 may be easier to rehabilitate than those over age 55. Experience of more than 10 years on the job is preferable to less than one year of experience when it comes to identifying cases that are likely to require a special effort on the insurer or employer's part.

"It's more likely to find suitable employment in light jobs than for extra-heavy work," Mr. Sawyer said. "When wages are more than twice the level of disability income, people are more likely to return to work than they are when wages for work are less than the disability benefit income."

Insurers need to carefully review how well their own rehabilitation programs are working.

"Have they moved beyond physical restoration and included return to work as a major objective?" Mr. Sawyer asked. "Properly applied, rehabilitation can be a socially responsible solution to at least part of the economic problems of the compensation system," he added.

"The future of the compensation system as an insurance industry product may be closely allied with how well carriers make rehabilitation function as a means of returning injured workers to productive employment and at a cost that is reasonable for the system to bear," he said.

"Failure to keep pace with the times could be considered an open invitation from the entire insurance industry to allow others an opportunity to mandate a more expensive and less efficient public program."

Occupational disease claims can be controlled

ORONO, Maine—A few encouraging words for employers faced with mounting occupational disease claims: The exposure, according to one expert, has been greatly exaggerated, at least in one case.

Still, occupational disease is a complex, compounding political can of worms, says Robert P. Smith, special occupational disease examiner for Liberty Mutual Insurance Co. in Boston.

"Ralph Nader reported in 1970 that there were 250,000 North Carolina textile workers who could be affected by cotton dust disease (byssinosis).

"We wanted to find out what the exposure was, so we did our own study and found fewer than 35,000 employees were in the exposed areas and (estimated that) fewer than 3,500 of those qualified for payment," Mr. Smith said.

"Of those, only 1,688 claims were actually filed, and we came up with 600 workers that were actually entitled to the benefits," he told employers, insurers and state and federal employees attending a workers compensation symposium at the University of Maine.

"We see too much exaggeration," he added.

Employers can control their exposure to occupational disease claims, he said, by requiring that job applicants list past employers and all doctors who have treated the worker. The employer and its insurer then have factual ammunition if the employee files an occupational disease claim.

Structured comp awards gaining favor with insurer

ORONO, Maine—Settlement awards doled out over a period of time rather than in one lump sum can be used in workers compensation liability cases, but not without a few hitches.

That's the opinion of Robert E. Paris, a consultant for Aetna Life & Casualty Co. in Hartford, Conn., whose company is becoming more and more keen on the idea of structured settlements (BI, July 20).

The insurer took to the plan after the life insurance industry found that widows of employees often were spending the one-time death benefit settlement within two years of its receipt, Mr. Paris said.

Although Aetna feels the advantages of monthly settlement checks for a defined time period definitely

outweighs those of a one-time, very possibly huge sum of money, there are problems with the technique, Mr. Paris added.

For one, insurance company claims personnel have to be taught how to deal with structured settlements, which require closer tracking of money paid out over a longer period of time.

For another, a claimant is asked to sign a release form once a settlement is agreed upon—a request that may cause more than a little concern on the recipient's part since the total amount of the settlement may not be in hand for several years.

Probably the biggest stumbling block, according to Mr. Paris, is the lack of acceptance by some insurance commissioners of a release that is written in the narrative

form, rather than the shorter version usually agreed to in lump-sum settlements.

"Some 36 jurisdictions now approve structured settlements, but there are commissioners within those states that still refuse to work with a structured settlement," Mr. Paris said.

Aetna took part in 1,129 structured settlements in 1980, Mr. Paris said, but workers compensation cases accounted for only 170 or about 15% of those claims.

Aetna's largest workers compensation structured settlement guarantees an injured workers \$25,000 a month for life, he said.

"Structured settlements are an advantage to the claimant, who has a guaranteed income for protection every month that is tax-free," Mr. Paris said.

Insurers must dispute claims: O'Connor

ORONO, Maine—Depending on who is doing the talking, workers compensation insurers are doing a great deal to reduce medical claims costs or they are doing almost nothing.

"There has been no systematic effort to dispute claims," said Illinois Insurance Director Philip R. O'Connor, speaking to a diverse group of industry participants at The National Symposium on Workers Compensation at the University of Maine July 13-17.

There is a tendency, he said, for insurers to treat workers compensation claims like a blank check—simply filling in the amount requested by the claimant.

Mr. O'Connor said systematic programs and methods of cost containment should be provided by insurers that often defend workers compensation claims by saying the bill for services is "too much" without defending why the charges may be excessive.

That criticism of workers compensation insurers, he said, was verified in an extensive study commissioned by the Illinois Department of Insurance to find out what insurers were doing to keep

costs down. The report was delivered to the governor in April 1980.

Dr. Kenneth Tannenbaum, the special hearing officer, discovered after almost two years of study that insurers were not doing an effective job of policing claims and that claims payments for medical care often exceeded what was deemed reasonable and necessary.

While most employers and insurers will agree that medical cost containment is here to stay, insurance companies are not willing to take the full blame for the impact of medical losses on the overall costs of state and federal workers compensation systems, said George P. Sawyer, a retired vp of Liberty Mutual Insurance Co. who is now consulting in the field.

Both disability benefits and medical loss, two major elements of cost in any compensation system, have increased dramatically in the last decade, Mr. Sawyer said.

"While there can be no doubt that benefits had lagged behind rising wage levels in some areas, it can be argued that some changes may now result in an overcorrec-

tion," he said.

The move to allow workers to choose their physician may be the most critical legislative change affecting workers compensation medical costs, he said.

"While a license to practice grants broad privileges to a physician, it is not an assurance that every doctor is necessarily qualified by training, experience or interest to handle the special problems posed by trauma. The best interest of the patient may not be served when his selection of a doctor is based on a lack of knowledge about qualifications," he said.

Further complicating the consequence of "doctor shopping," Mr. Sawyer said, is the lack of administrative support from workers compensation governmental agencies for medical cost-containment efforts by insurers or employers.

"In most areas, with the exception of a few states, it has been generally difficult, if not impossible, to interest administrators in resolving issues over charges by physicians or hospitals even when statutes contained language giving them apparent jurisdiction in those matters," Mr. Sawyer said.

Items that need checking

ORONO, Maine—The need for itemized hospital bills to control medical costs rang true for one workers compensation insurer when it discovered an employee laid up with a work-related hernia had some bunion removed from his feet.

Another time, the same insurance company asked a Florida hospital to itemize the pharmacy charges on a claim—a request that upset the accounting department at the hospital.

But in going through the pharmacy charges, the hospital found a \$750 mechanical error. "We have put through a proper charge of \$7.50 and credited the \$757.50 item," the hospital wired back.

"The strongest line of defense must be the review of bills before payment," says George P. Sawyer, a consultant and retired vp at Liberty Mutual Insurance Co.

Since production volume tends to breed errors and money, once spent, is seldom returned, it's better to be sure about a bill before checks are sent, Mr. Sawyer said.

Here are some items to check before approving any medical bill:

- Does the bill pertain to the right case?
- Are charges itemized?
- Do treatment dates coincide with the date of the accident?
- Has any or all of the bill been paid before?
- Is the arithmetic correct?
- Are the charges consistent with a fee schedule or usual charges in the area?
- Are unusual charges explained on the bill or by a medical report?
- If the case is being contested, should the bill be paid at this time?

OSHA director promises 'cost-effective' regulations

ORONO, Maine—Only the most "cost-effective" workplace safety and health regulations will survive a review of the Occupational Safety and Health Administration's standards for employers, its new director says.

OSHA's fresh look at standards inherited from the Carter administration will spell out a new course of "regulatory relief" for industry, said Thorne G. Auchter, the Reagan administration's new assistant secretary of labor.

Mr. Auchter received a warm reception from the 125 insurers, employers and federal and state employees attending the Fifth National Symposium on Workers Compensation held July 13-17.

"In its 10 years of existence, OSHA has emphasized compliance without realizing its job is to protect the employer, not issue citations," Mr. Auchter said.

"We want to eliminate the hazards; not do damage to business," he told the audience at the University of Maine.

"Congress gave us other tools to work with when they gave us the act," he said, pointing to consultation services and educational and special training grants that can be given to employers.

OSHA also will change its approach to preparing regulations, Mr. Auchter said.

Because of a recent Supreme Court decision barring

the agency from weighing benefits against costs when coming up with occupational health standards, Mr. Auchter said the most "cost-effective" regulations would be the criteria used in preparing new OSHA rules.

In a nutshell, OSHA will attempt to issue regulations that will cause the least financial hardship on employers, provided a specific level of workplace safety and health protection is reached, he said.

"The new standards may be more performance-based and open-ended," he said, adding that some changes may come as early as October.

OSHA has already outlined four new points it will consider before approving a new occupational health standard:

- "Significant risk" will have to be demonstrated before a standard can be promulgated.
- A proposed standard must be shown to reduce the risk and actually protect workers.
- The "economic feasibility" of an entire industry complying with a standard will be considered along with scientific data to justify any new regulation.
- The standard must be "cost-effective."

OSHA plans some drastic changes from the way the agency was run in the past, Mr. Auchter said. Of utmost importance, he said, is for the agency to provide regulatory relief to business.

Think safety: Executive

ORONO, Maine—Even though the current air of deregulation may be alluring, employers and insurers shouldn't backslide on advances made in providing a safe workplace, a steel executive warns.

A mixed blessing in the form of less regulation from the Occupational Safety and Health Administration but improved quality of rules presents a unique challenge to the industry, said Richard F. Schubert, vice chairman at Bethlehem Steel Corp.

"The Reagan administration intends to ensure a move from compliance and conformity to one of cooperation, but that doesn't mean it will abandon OSHA regulations," Mr. Schubert said.

"There's a chance that some will misread deregulation as a reduced commitment to safety and health in the workplace."

"It would be a big mistake for companies to throttle back on innovation in safety," he warned. "Backsliding on safety could even bring back stricter regulations."

With a new president at the helm in Washington, some identifiable trends in the occupational health and safety environment can be wagered, he said.

An improvement in the quality of the regulatory process can easily be predicted for employers, but Mr. Schubert said he also sees more labor involvement in workplace safety.

More frequent and candid communication between employers, insurers and the governing agencies also is foreseen, he said.

"We'll see a significant improvement in OSHA, which I believe will step back and assist the industry in accident prevention," Mr. Schubert said.

"But business executives have to make judgments based on good business sense. They may have to spend now to get the benefits later. If a business isn't viewed that way, it's usually a shortsighted venture," he added.

Health hazards can be detected early

ORONO, Maine—The insurance industry must be involved in a holistic approach to workplace safety, beginning at the design level, if occupational health hazards are to be decreased.

All too often, says one loss-prevention specialist, the tendency has been to simply build an industrial facility to make a product that can be sold at a profit, without really examining the consequences of that marketable item.

It's later discovered that hazards and injuries are byproducts that have been designed into the operation, says Carl Kruse, vp and assistant general manager of Liberty Mutual Insurance Co.'s loss-prevention department.

"Having designed in the hazards, we wait for accidents to identify them and then attempt to design them out," he told the Fifth National Symposium on Workers Compensation at the University of Maine.

The systems safety people and others, Mr. Kruse said, say that insurers should begin to look at the whole system, including the people, the equipment, the environment, the work method and the management that controls each of the elements.

"So far, the systems approach has primarily been limited to large projects, but I'm convinced system safety should play a much broader role in improving safety and health in the workplace," Mr. Kruse said.

Closely allied with system safety is the application of ergonomics, or the science of man, machine and the task relationship to workplace safety, he said. Historically, the distribution of types of accidents hasn't changed much, with materials handling remaining the major source of injuries over the years, he said.

"Most of these are back injuries, and they're expensive," Mr. Kruse said. "For 40 years, we have taught people the correct way to live without agreeing on what the correct way was. We talked about screening through physical examination without knowing if screening was effective."

"Up to now, we have concen-

trated on selecting and training and controlling the person. But when we look at the entire system, the greatest opportunity probably lies in taking the person as we find him or her, with the built-in limitations all of us share, and working instead with the other elements of the system, notably the equipment and the task itself," he said.

Research and other field experience indicated that a great deal can be done to reduce back injuries by simply recognizing the limitations of the worker and by redesigning the task so that it falls within the capabilities of the working population, he said.

Sometimes the solutions are complicated and expensive, but more often they are as simple as purchasing raw materials in 40- or 50-pound bags instead of traditional 100-pound bags, installing a lift table or changing the height of a work station, he said.

Fitting the task to the person, Mr. Kruse said, appears to be the most important area for future progress in reducing work injuries and their cost to the insurer, the employer and ultimately the injured worker.

"When safety engineering was in its infancy, the insurance industry provided leadership in developing mechanical guarding and in safety organization and training," he said.

"When occupational disease first became a concern, our industry once again provided much of the leadership in identifying, evaluating and controlling occupational health hazards."

"The result has been a steady decline in accident rates over many years, but in recent years the decline flattened out, due in part to more liberal interpretations of what constituted a work injury," Mr. Kruse said.

Insurers should continue to provide that same kind of leadership in adapting the element of systems safety and the concept of ergonomics, but there still are three major threats hovering over loss-control efforts, he said.

The first threat has to do with the legal climate that workers compensation insurers are facing, he said. Many insurers are concerned that providing loss-control services will expose them to liability losses they might not face if they didn't attempt to prevent accidents.

"Fortunately, most state legislatures have recognized the social

Comp experts take to the woods

Every year for the last five years, a diverse group of insurers, employers, attorneys and representatives from labor and government agencies trek into the woods of Maine to brainstorm about workers compensation.

It is no small miracle that such a diverse group of 125 persons can share and debate the latest information on claims litigation, medical cost containment, workplace safety and numerous other workers compensation topics—and leave five days later as friends.

It happened July 13-17 at the University of Maine at Orono, a setting that has worked well since the inception of the National Symposium on Workers Compensation. It is a non-partisan yearly event presented by the Conferences and Institutes Division of the university.

The symposium's goal is simple: to pull issues and

trends together for inspection by some of the field's experts.

Most of the participants forego checking into the one small hotel located near the quaint campus to return to the sparse but pleasant campus life where the only hookup with civilization is a pay telephone on the dormitory floor.

Dress is jeans and sneakers. One participant, who was dressed in a three-piece suit, was all but hooted out of the cafeteria line the first day of the symposium.

The conversation in the daylong sessions complements the casual dress, but in no way diminishes the expertise of the various speakers.

Anyone interested in workers compensation may attend next year's symposium, but most of the participants have considerable experience in the subject.



Kruse

value of insurance company loss-control services and have granted immunity in some form. But this immunity is under legal attack in several states and the threat remains," Mr. Kruse said.

The second threat described by Mr. Kruse involves deregulation of workers comp insurance rates.

"Loss-control services are a major, important competitive tool and my concern is that with rate deregulation, competition may shift largely from services purely to price," he said.

"I'm not worried about large employers," he said. "They recognize the value of loss-control services. Even large, self-insured employers continue to contract for the services from carriers, but the problem lies with the small businesses where the value of the services is not perceived as clearly."

"If loss-control services fall victim to price competition, safety and health in the workplace will inevitably suffer," he added.

A third threat lies with state-mandated loss-control services, he said.

"Fortunately, the states that have regulated services have worked closely with the workers compensation carriers in developing regulations."

"But other states may decide concentration should be placed on things that can be counted like visits or numbers of recommendations or numbers of pieces of paper, rather than those things that are really important, but hard to measure," he said.

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Nationwide rating bureau is proposed

ORONO, Maine—The president of the California workers compensation rating bureau proposes a National Federation of Rating Bureaus to oversee local or regional rating organizations in pricing workers compensation insurance.

The overall function of pricing workers compensation insurance should be performed at the local level by independent rating bureaus, said Leo Souza, who made his proposal at the Fifth Annual Symposium on Workers Compensation.

He did not address what part, if any, the National Council on Compensation Insurance would play in the plan.

"A regional concept could be used for small states and where geographical similarities exist," he said. "Branches could be established to perform the field and inspection work," he said.

A federation of bureaus, advisory in nature, then could be formed to conduct basic actuarial and economic research to keep pace with ratemaking problems, Mr. Souza said.

The federation, he said, could formulate uniform statistical plans and calls for information. It could also design standardized formats and procedures for the reporting of data.

In addition, the national bureau could be responsible for legal research and could serve as the liaison with the federal government, he said.

Regulators, insurers blast NCCI

Continued from page 3

Oregon, Arkansas, Arizona, Illinois, Wisconsin and Georgia. A change in the laws would allow insurers doing business in those states to file rates individually for state approval.

Some insurers are strongly opposed to open rating in workers compensation, but others support the idea and say set rates prohibit companies from competing for the risks (and from lowering premiums).

Some states allow workers compensation insurers to file a special rate deviation for individual risks, but that method is time consuming and requires separate approval from the state's insurance commissioner.

One California insurer heavily into workers compensation risks is critical of all ratemaking bureaus. California is one of about 13 states that has an independent workers compensation rating bureau.

"The NCCI and all independent rating bureaus should evaluate their work. There seems to be a lack of candor in criticizing their own work and an undue reverence for their own procedures," said Larry Baker Jr., president of Argonaut Insurance Co.

The NCCI's data base has a large margin of error, Mr. Baker said, adding that the data-processing system is no better than what is put into it. "Self-insured employers are not accounted for in the data base," he said, pointing to one area where the data base was inconsistent. "The bureaus should not set rates,"



Photo: Eileen Norris

Some of the participants at the workers compensation symposium make a side trip to Bar Harbor.

he said.

That view was echoed by Richard Ackerman, risk manager for R.J. Reynolds Industries Inc. in North Carolina and a speaker at the symposium. "The rating bureaus can tell me what they can do for me, but don't tell me what I have to do," he said.

Commissioner Caldwell from Georgia and Minnesota Commissioner Michael Markman said they

were not promoting "throwing out" the NCCI, but they criticized the system, which hooks up an estimate of premium with the reporting of data.

"I'm not arguing to throw out the rating bureaus," Mr. Markman said. "We should allow them to contribute data, but let insurers and employers haggle it out from there."

"As soon as two or three major carriers compete, the rest will follow," predicted Commissioner Woodyard of Arkansas. "Then, legislatures will amend the laws to allow competition in many states. It's coming very rapidly."

Open competition may mean extinction for the national ratemaking bureau, but he said its likely the NCCI will remain intact for as long as the industry needs it.

Medfly threat prompts demands for cover

Continued from page 2

the medfly has been found. But widespread concern over the spread of the pest has led several Southern states to consider quarantines against all California produce.

The medfly lays its eggs after boring a hole in a wide variety of fruits. As the larvae mature, the maggots make deeper inroads into their host, turning it into an inedible, unappetizing pulp.

A number of growers and canners from the state's unfested Central Valley are seeking insurance to protect themselves against the individual state quarantines that would prevent them from selling their good fruit.

IWest is negotiating coverage that is similar to rejection insurance, familiar to marine underwriters, says James A. Bradley, IWest's president. Business interruption insurance would be part of the package.

Rejection insurance covers the cost of products that are refused upon delivery. IWest is trying to place the unusual farm coverage with both U.S. and London markets.

There definitely is a need for the rejection/business interruption type of farm insurance, Mr. Bradley says, but whether it will be affordable or available quickly enough is not known.

A large stumbling block is price. "The growers are concerned enough to pay 3% to 5% of what they consider their at-risk exposures. Underwriters are talking about a 15% rate. And somewhere in between is the right rate," Mr. Bradley says.

"We're also having trouble setting indemnities; how much per acre are we going to indemnify that grower for? Are you going to insure to cost-to-date or potential loss? We need to define quarantine

for the fresh fruit market and the effect on the canned goods industry."

Last year, a similar coverage was attempted through underwriting managers Rathbone, King & Seeley, but it was never finalized. The agency made a few inquiries but discovered that growers were willing to pay a 0.5% rate and underwriters were asking about 10%.

Federal Crop Insurance is not available in the three counties infested with medflies, but it is available for citrus farmers in California's major tree-crop area, the Central Valley.

According to the program's regional director, Leo Verville, the insurance is very new in these counties and offers an all-weather package with specific coverage for loss of crops because of medfly infestation. But the question of indemnifying losses on good fruit because of quarantines is not addressed in the policy, he adds.

"Under Federal Crop Insurance policy provisions, normally something like that would not be covered because it isn't damage to a crop. And at this time we haven't addressed that situation to determine how we will handle that," reports Bill Jones, a research and development specialist for Federal Crop Insurance in Kansas City, Mo.

Insurance for medfly infestation was specifically written into this coverage "because there is considerable concern. It is not fully understood how much control growers would have over the problem. We did not want to leave growers out in the cold if, even with adequate spraying, growers could not protect themselves from the destruction of the medfly," he adds.

Under Federal Crop Insurance, a grower can insure 65% of his crop and receive a 30% federal subsidy on the premium. Those who carry private insurance are also eligible

for the federal subsidy if the private insurance is reinsured through Federal Crop Insurance. Farmers may insure an additional 10% yield through the program, but without the premium subsidy.

Mr. Jones says the language of the federal policy cites unavoidable loss of production resulting from adverse weather conditions or by earthquake, fire or Mediterranean fruit fly damage.

Besides the proposed rejection/business interruption coverage, there is an attempt to piggyback coverage for loss of market off the commercial rain insurance some farmers purchase when they plant crops outside the deadlines for Federal Crop Insurance,

IWest's Mr. Bradley says.

When an area is put under quarantine, growers are required to cool and fumigate fruit to kill the fruit flies before marketing the produce. This shouldn't be a big problem because the growers can cool and fumigate, Mr. Jones says.

Grower Mitch Mariani of Santa Clara County disagrees. "Fumigation is really kind of haphazard. In some there's about 5% damage, in others 95% damage."

The fumigation process is fairly costly, about \$400 per truckload, he says. But, depending on the product, it may not be a high percentage of its value.

Some fruits, like avocados and

strawberries, are ruined by the fumigation process. Others, like pears and apples, can be placed in cold storage for long periods to kill fruit flies without harming the crop.

Even if all the fruit in the state were fumigated, "you can't save the volumes we're getting involved in in the state. In the three counties it's posing a problem, but it's not of the magnitude as if it were applied to the rest of the state," says a spokesman for the Medfly Information Center in Los Gatos.

The medfly problem does not threaten the wine industry, he pointed out. Although grapes are a host fruit for medfly, in the process of making the wine, the pests are killed, he says.

Fair organizers may receive refund

Continued from page 2

initial premium, the fair is not responsible for any additional payments.

To establish their exposures, the fair group pooled information from a variety of sources, Mr. Proffitt says. In addition to studying and combining the packages submitted by the competing brokerage firms, Knoxville International hired an outside risk consultant, reviewed other large events similar to the fair and listened to the recommendations of a local review committee composed of 12 Knoxville insurance agents.

"There's a lot of research that has to be done for something like this," says John Bales, major lines account executive for The Home Indemnity Co. in Atlanta. "Nobody knew anything about it. We had to sit down and figure out what every possible exposure was because we're committed to the fair for three full years."

All the principal insurers have

policies designed for three-year terms: two years of construction at the fair site, six months of operation and six months of shutdown procedures.

Some 24 countries and scores of corporations will sponsor exhibits. The organizers expect 11 million people to attend the six-month fair to view such sights as a piece of the Great Wall of China.

Participating entities—the exhibitors, retailers, concessionaires, transportation companies, foreign

Group studying open comp rating

NEW YORK—The American Insurance Assn. is studying the implications of open rating of workers compensation risks.

T. Lawrence Jones, president of the association, described the project as a "major research program" designed to produce an empirical and judgmental analysis of competitive rating for both insurers and regulators.

nations and the U.S. government—will either modify their existing policies, self-insure their own risks or purchase additional insurance. The only mandatory coverage required of exhibitors is a common liability fund that the fair group finances through leasing agreements, Mr. Monahan says.

Marsh & McLennan received the fair account after outbidding Fred S. James & Co. Marsh & McLennan was the primary broker for Expo '67 in Montreal.

Mr. Jones said the study is being conducted by the AIA's policy development and research department.

The study's conclusions will be drawn from in-depth interviews with insurers, self-insurers, regulators, producers, industrial commissioners, labor union officials, rating organization personnel and others, according to the AIA.

info

• A new booklet from INA Corp., **Insurance Decisions: Countering Political Risk Worldwide**, explains how multinational companies headquartered in the United States and abroad are turning to political risk insurance to meet a growing need for protection against losses due to unexpected developments in international operations. To obtain a free copy write INA, Department R, 1600 Arch St., Philadelphia, Pa. 19101.

• The Spring 1981 edition of "Poster," a publication compiled by State Mutual Life Assurance Co. of America, takes a look at the **problem of long-term disability** and the financial consequences for employer and employee when the need for coverage is ignored. Entitled "Long-Term Disability—The Ignored Risk," the publication is available free of charge. Write Group Marketing, State Mutual Life Assurance Co. of America, 440 Lincoln St., Worcester, Mass. 01605.

• Thomas F. Sheehan Inc. has published a 16-page booklet entitled **Some Do's and Don'ts and Questions and Answers for Design Professionals**. The booklet provides guidelines with which professionals can evaluate the legal implications of their job in the light of increasingly complex construction technology and lengthy rules and regulations governing their work. The booklet also offers some strict limitations on professional conduct and procedures to avoid financial and legal errors. For free copies write Thomas F. Sheehan Inc., 460 South Northwest Highway, Park Ridge, Ill. 60068; 312-896-3366.

• A comparative study of **insurance regulation in the United States and the European Economic Community** has been published by the International Insurance Advisory Council of the U.S. Chamber of Commerce. Entitled "The Regulation of Insurance Companies in the United States and the European Communities: A Comparative Study," the study was commissioned by the International Insurance Advisory Council to fill a gap in the information on the present state of insurance regulation and to provide a basis for strengthening insurance relations. Copies of the study may be purchased from the Chamber for \$50. Orders should be sent to Robin Yacur, International Division, U.S. Chamber of Commerce, 1615 H Street N.W., Washington, D.C. 20062.

• The National Fire Protection Assn. has developed a new audio-visual program detailing **how fire departments can control and extinguish fires using automatic sprinkler systems**. Entitled "Fire Attack at Sprinklered Properties," the program consists of 35mm color slides, a synchronized cassette tape and an illustrated instructor's guide. NFPA catalog number SL-23 is available for \$55 per set. For the complete program, write Publications Sales Division, National Fire Protection Assn., Batterymarch Park, Quincy, Mass. 02269; 617-328-9230.

• The 1981 edition of a pocket-size summary of **data relating to property/casualty insurance** is now available from the Insurance Information Institute. The folder, "Insurance Statistics," is designed to provide people in the insurance business a ready reference source of data. The summary covers more than a dozen categories including operating results of property/casualty insurers, trends in costs of

insurance, average annual rates of return, work-related accidents, residual markets, catastrophe losses, fire losses and crimes against property. Single copies are available free from the Insurance Information Institute, 110 William St., New York, N.Y. 10038.

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37.	MARINE INSURANCE	SEP 14	Sep 1
38.	IIAA CONVENTION ISSUE	SEP 21	Sep 8
39.		SEP 28	Sep 16
40.		OCT 5	Sep 23
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Charles Kolodkin joins The Western Co.

comings & goings: buyers

Charles S. Kolodkin, 25, has joined The Western Co. of North America in Fort Worth, Texas, as senior risk analyst. His responsibilities include supervision of risk financing programs and management information systems. Mr. Kolodkin is a recent graduate of the University of Georgia where he received a master's of business administration degree in risk management. Mr. Kolodkin will report to Richard H. Mosicki, the company's director of risk management. Western is engaged in the well servicing and offshore drilling industries.

Peter W. Carlson has been named director of insurance at Moore McCormack Resources Inc. of Stamford, Conn. He will be responsible for the insurance programs of the company and its subsidiaries. Mr. Carlson was previously director of insurance at Moore McCormack Lines and general counsel and secretary at Moore McCormack Bulk Transport. Mr. Carlson is a graduate of

St. Lawrence University and Washington & Lee University Law School. He recently completed the Program for Management Development at Harvard Business School. In the newly created position, Mr. Carlson will report to Donald Beck, vp and treasurer.

Central Illinois Light Co. in Peoria, Ill., has appointed **Ramon S. Dexheimer**, 51, corporate risk manager with responsibilities for insurance, claims and safety. Mr. Dexheimer's appointment follows consolidation of several risk management functions within the company on July 1. In the newly created position, he will report to James Johnston, manager of industrial relations. Mr. Dexheimer was previously insurance manager in the corporate treasurer's office. Mr. Dexheimer joined the company in 1960 as claims administrator in the employee relations department,

was promoted to administrator of insurance in 1971 and was appointed corporate insurance manager in 1976.

Jim Doumas has joined Dyson-Kissner-Moran Corp. in New York as director of risk management, a newly created position. For the past two years, he was manager of risk management at Wallace Murray Corp. Mr. Doumas, 39, has a bachelor of arts degree from Queens College and a master's of business administration from Hofstra University. He will report to Henry C. Ulrich, treasurer of the corporation.

Elvan L. Spilka, CPCU, has been named



Spilka

to the newly created position of risk and insurance manager for AGRI Industries, a regional grain marketing cooperative headquartered in West Des Moines, Iowa. Mr. Spilka will be responsible for management of all property/casualty exposures. His duties will include identifying and evaluating potential risks and purchasing of insurance. He also will be responsible for the administration of claims and losses. Before joining AGRI Industries, Mr. Spilka was with Holmes, Murphy and Associates Inc. of Des Moines for 14 years. He has been in the insurance industry for 25 years. A native of Ft. Dodge, Iowa, Mr. Spilka is a graduate of the University of Iowa.

We'd like to report on staff changes in your risk management or employee benefits department. Just drop a note to Stephen Tarnoff, Associate Editor, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611 or call 312-649-5482. We would also like a picture.

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Panel approves revised Lloyd's bill

Continued from page 2

The House of Commons committee's decision went along with a vote taken by Lloyd's members before the committee met last week. Some 85% of the members voted in favor of divestment of brokers and underwriters, but 89% voted against divorce of members and managing agents.

The decision to pass the bill to the floor of the House of Commons with new amendments satisfied both Lloyd's and the Lloyd's members petitioning against the bill, lawyers for both sides said.

"We are anxious that this bill should proceed," said Michael Mann, attorney for the petitioners, who are financed by underwriting magnate Ian Posgate and Lloyd's broker Malcolm Pearson.

"We hope in time the imperfections will be resolved," Mr. Mann said.

Lloyd's Chairman Peter Green, who with Mr. Posgate walked into the committee room on the day of the vote, also was pleased.

"To have satisfied the committee on these points is a substantial step in the bill's progress," Mr. Green said.

"The bill is of great importance to the future of Lloyd's, not the least in maintaining the market's international reputation."

But while many are relieved that the bill was not killed in commit-

tee, others are preparing for a fight against certain sections when it gets to the floor of Commons in November.

Mr. Pearson is still strongly opposed to the immunity from liability clause, known as Clause 11, granted to the proposed council in the bill. The clause prohibits any member of the Lloyd's community from suing Lloyd's for negligence.

"The only reason they need Clause 11 is if they're sued for negligence and it is proven," he said.

Mr. Pearson's attorneys and Lloyd's are now discussing possible alternatives to Clause 11 before Mr. Pearson takes further action.

Some members of Parliament, however, may also oppose this clause, sources say. And the petitioners could still pose problems for the bill when it reaches the House of Lords if the immunity issue is not settled.

A petition may also be lodged against the new divestment clause by a group led by Ronald Comery of Alexander Howden Group Ltd. and supported by other brokers from J.H. Minet and C.E. Heath.

If such a petition is filed, the present petitioners and Lloyd's will join forces to oppose the brokers.

"We welcome divestment and look forward to making common cause with the promoters (Lloyd's) against whosoever is doughty enough to oppose it," Mr. Mann said.

Insurers slash rates for fireworks cover

Continued from page 3

1,000 pounds. But the show, full of rockets, mortars and a huge catherine wheel that will shoot 170 feet in the air, will go on even if it rains because natural perils are not included in the cancellation policy.

Mr. Colton said the fireworks will go on unless the Thames overflows. He said the company supplying the fireworks won't cancel for rain.

Security will be tight for the royal family. The organizers are following the instructions of the Metropolitan Police, Mr. Colton said, and one of the organizers, John Radley, is deputy assistant commissioner of police.

Prince Charles will light the first of 101 bonfires that will stretch across the country the night before the wedding, but Lady Diana won't be there to help. She will be getting ready to walk down the aisle in St. Paul's Cathedral the next day.

However, James Tye, the director general of the British Safety Council, says St. Paul's is a fire hazard.

It would only take a simple smoke bomb to turn the ceremony into a major disaster, Mr. Tye said.

Safety council to hold courses

The National Safety Council has released its 1981-82 safety training course schedule. Most courses are five days long and are held at various times until June 30, 1982.

Most of the courses are taught at National Safety Council headquarters in Chicago.

For a copy of the schedule, application forms and other information contact Safety Training Institute, National Safety Council, 444 N. Michigan Ave., Chicago, Ill. 60611; 312-527-4800.

He said that officials are so concerned about security that they are overlooking fire and safety hazards.

There are only four fire exits in St. Paul's, and they open inward, he said. One of the exits will be blocked by extended choir stalls and another will be blocked by iron gates.

There are no alarms, no fire barriers and no fire extinguishers in public view, Mr. Tye said.

These problems were found by Mr. Tye and Harry Beckingham, a former fire chief and Home Office Fire College technical expert, in an informal inspection of St. Paul's.

"On July 29, there will be some 2,700 people, many of them old, in St. Paul's. Even a small fire or a smoke bomb could cause enough panic to kill many. The emphasis is all on preventing people from getting in, not in getting people out," Mr. Tye said.

St. Paul's, however, isn't in violation of fire safety codes because houses of worship are exempt from the British Fire Prevention Act. But entertainment areas must comply, and St. Paul's is visited more by sightseers than churchgoers, Mr. Tye said.

"St. Paul's should, therefore, be redesignated a place of entertainment to bring the risks under control," he said.

Police in London have said Mr. Tye's statements are unduly alarming.

Security for the royal wedding is the top priority in a country that has been torn by riots in recent weeks. Every police officer in the Financial District will be on duty that Wednesday.

Offices along the parade route that hold parties must give a list of guests to the police, including the dates of birth and passport numbers of foreigners. Invitations will be used as police permits to get into buildings along the route.

Employees belly up for fitness

Continued for page 3

have signed up for individual health screenings that will give them a base for measuring their progress. "We want all the programs to be designed with measurable goals," Mr. Kavny says.

Coors views the center as a logical extension of its employee assistance program begun in the early 1970s. The company employs a full-time clinical psychologist to help workers and their dependents identify problems and find treatment.

"The problem might be work-related or it might not," Mr. Kavny explains. "But if the problem is serious enough, it has an impact on their job performance."

At about the same time, Coors developed its own medical center, staffed with doctors, physicians' assistants and nurses to provide on-site treatment to employees.

"We became more and more aware that the best way to manage this entire arena is to concentrate on wellness rather than treatment after illness," Mr. Kavny says. Mr. Coors also became convinced that stress management, aerobic exercise and nutrition

are the components of good health.

These influences came together and the wellness center project was conceived about a year ago. Coors executives and staffers visited other companies with fitness facilities, including Johnson & Johnson and Eastman Kodak Co.

Four staffers—three instructors and an exercise physiologist with a doctorate—have already been hired to conduct the physical fitness modules. A cardiologist has been retained to oversee the initial evaluations.

Physical fitness facilities include the elevated indoor track, treadmills, bicycle ergometers, rowing machines and jogging ramps. A 2½-mile outdoor jogging track is also planned. The center contains group exercise areas, classrooms, locker rooms and shower facilities.

Spouses are also welcome to use the wellness center and to enroll in program modules. Their hours are restricted to weekday mornings and evenings and Sunday afternoons. The center is open to employees for 16 hours on weekdays and eight hours on Saturday and Sunday.

Program trains personnel to work in Bermuda market

By WILLIAM BOOTH

NEW YORK—Johnson & Higgins considers it a good investment. Students from Bermuda consider it the chance of a lifetime. And all agree that J&H's pilot scholarship program is a great way to fill the need for insurance professionals in Bermuda.

Presently, two Bermudian students are taking advantage of a full five-year, \$50,000 scholarship to The College of Insurance in New York, sponsored by J&H. As their 1982 graduation approaches, J&H is calling the program a "complete success."

The scholarships were offered to native Bermudians who agreed to return to their country after graduation.

"We wanted to encourage and lift the level of professionalism in Bermuda," explains William Dunn, senior vp for J&H in New York. "We decided it would be better to work from the ground up."

In 1977, Dr. A. Leslie Leonard, president of The College of Insurance, met with the Bermudian minister of education and the director of the Johnson & Higgins' captive management company, J&H Ltd., to design the scholarship program.

Some 50 students filed applications and took U.S. entrance exams after the program was announced in July 1978.

Two women, Thelma Trott and Kathryn Bull, were selected to participate in the college's five-year

work-study program. It gives students the chance to earn a bachelor's of business administration while working in the commercial insurance industry.

The Bermudian students alternate four months of study with four months of full-time work for J&H, where they are trained in the property and casualty departments.

The scholarship pays for room, board, tuition, books, spending money and transportation to and from Bermuda.

Although J&H doesn't "own" the students it sponsors, a great number of the students in the United States who have participated in other J&H scholarships continue working for the broker after their education is completed. Mr. Dunn says he hopes the Bermudians will decide to stay with J&H, too.

"It is a selfish investment," Mr. Dunn says, "but it is also a very good investment. We want to plow something back into the insurance industry."

Brokerage official's talents aiding college's expansion

Continued from page 3

library, classroom and office space under one roof. The college's chosen site in downtown Manhattan is convenient to many corporate headquarters.

Since February, when he began to solicit contributions, Mr. Purnell has drawn \$6.8 million in pledges. Among the big donors are American International Group, \$1 million; the Continental Insurance Co., \$1 million; Crum & Forster, \$800,000; and the Insurance Co. of North America \$600,000.

In addition, Johnson & Higgins, Maurice H. Saval, Alexander & Alexander Services, Frank B. Hall and Marsh & McLennan have each contributed \$500,000.

"We all need to worry about more than simply training our own people," he says.

"We have to make sure that the whole industry is full of intelligent people who can communicate with one another," Mr. Purnell continues.

In its 16-year history, the college has turned out 1,100 graduates, many taught by industry professionals and through work-study programs. Another 125,000 professionals have taken individual courses at the college.

Ninety-five percent of the college's graduates remain active in the insurance business. Their knowledge and skills, thus, have proven a resource to the insurance industry.

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Disaster coverage

Continued from page 1

technically not a Hyatt captive, involves the interests of the Pritzker family, which controls Hyatt Hotels Corp.

Transit Casualty Co. of Los Angeles reinsured half the \$750,000 layer excess of \$250,000, and New York-based intermediary Donald F. Muldoon Inc. placed the other half with other insurers. Occidental may or may not have any of the remaining \$150,000.

- A \$25 million excess of \$1 million policy with Northbrook Excess & Surplus Insurance Co., a Northbrook, Ill.-based subsidiary of Allstate Insurance Co. This layer, \$20 million of which was in London until February 1980 and \$5 million of which remained in London until February 1981, was written on a net line basis, meaning Northbrook has no reinsurance on the \$25 million exposure, it confirmed.

- A \$25 million layer placed with Baccala & Shoop Insurance Services, which placed it on a quota-share basis with Pine Top Insurance Co. for \$10 million, Centaur Insurance Co. for \$10 million and Insko Ltd. in Bermuda for \$5 million. Pine Top, a Greyhound Corp. subsidiary, and Insko, a Gulf Oil subsidiary, say they are heavily reinsured; Centaur, a Borg-Warner Corp. subsidiary, did not comment.

- A \$25 million layer with unidentified insurers.

- A \$25 million layer, \$5 million of which is with Pine Top and another \$20 million with unidentified insurers.

Hallmark's \$100 million in liability insurance is believed to be:

- A \$1 million primary policy and \$10 million in excess of \$1 million with Commercial Union Insurance Co. in Boston. The insurer would only confirm that Hallmark is a policyholder.

- A \$50 million excess insurance policy with Fireman's Fund Special Risks, unconfirmed by the insurer.

- Another \$40 million with unidentified insurers.

Eldridge & Sons Construction Co. of Kansas City, Mo., the Hyatt's general contractor that is now dormant for lack of money, is insured under a \$500,000 primary policy with The Home Insurance Co. and a \$10 million umbrella insurance policy underwritten by Sayre & Toso in Los Angeles for Mission Insurance and reinsured with about 200 other companies. The premium was \$4,000 for the umbrella policy.

Although \$10 million of liability insurance is considered small coverage for a company that built the \$50 million hotel, Eldridge might not have been able to afford more. It reported expected 1981 receipts of less than \$1 million.

CNA Insurance in Chicago is involved with a policy on PBNM

Architects Planners Inc., the consortium of three Kansas City architects that designed the building, and a policy on Jack Gillum & Associates of Kansas City, the structural engineer that worked on the bridges. CNA and its underwriting manager for architects and engineers insurance, Victor O. Schinnerer of Washington, D.C., refused to comment.

Potomac Insurance Co., which accepts engineers professional liability risks through Evanston, Ill.-based Shand Morahan & Co., says it has no exposure on the loss. It does underwrite a \$3 million policy for CBM Engineers Inc., a Houston-based associate of Gillum. The companies are associated through Gillum-Colaco Structural Engineers, a St. Louis marketing company under whose shingle work for the Kansas City Hyatt was performed. But Gillum performed all the work, *BI* was told.

The Potomac policy, however, includes a special endorsement to cover Gillum-Colaco.

Any additional insurance for the three architects in the consortium—Patty Berkebile Nelson Associates Architects Inc., Monroe & Lefebvre Architects Inc. and Duncan Architects Inc., could not be learned.

Havens Steel Co. of Kansas City, Kan., which supplied the steel for the bridges, is insured by The Home Insurance Co., but limits weren't disclosed by sources. Insurers for other subcontractors, including Fordyce Concrete Inc. of Kansas City, Mo., which supplied the concrete, and Concordia Project Management Co. Ltd. of Toronto, which was hired by Crown Center Redevelopment to conduct inspections and other tasks, could not be confirmed.

Property insurance, including business interruption coverage, on the Hyatt Regency Hotel is believed to have been placed by Hallmark with Allendale Insurance. Allendale refused to comment.

Already, Western General Insurance Co. in Bermuda has paid its \$100,000 share to Crawford & Co., hired by Occidental to adjust the liability claims.

Total liability claims to be filed could surpass \$500 million, predicted Max Foust, a Kansas City attorney who filed the first two lawsuits July 20.

Many affluent and prominent citizens were among those killed and injured in the disaster, he said. "The value of the cases can vary tremendously but there were a lot of high wage earners with wives and children to support," he said.

A number of retired persons were among those in the lobby, along with others in their late 40s to mid-60s, the generation that enjoyed dancing to the Big Band

\$223 million in lawsuits already filed in disaster

Here are the details on seven lawsuits, seeking a total of \$223 million in damages, that were filed as of July 23, in connection with the Kansas City Hyatt Regency Hotel disaster:

- The first two lawsuits were filed July 20 in Jackson County Circuit Court, three days after the disaster. One seeks \$100 million in punitive damages and \$1 million in compensatory damages for Mark D. Williams, 34, of Kansas City, Mo., who was trapped under the heavy debris for nine hours.

The other, also filed in circuit court, was lodged on behalf of the children of Richard DeKruyff, 55, a Kansas City, Mo., high school vice principal who was killed. It seeks \$2 million.

- A \$2 million lawsuit was filed July 23 in U.S. District Court in Kansas City, Mo., by Paul Moberg of Overland Park, Kan., on behalf of the children of Susan Moberg, 46, who was killed.

- A \$101 million suit was filed July 21 in Jackson County Circuit Court by Maxine Rhodes, 50, of Kansas City, who was trapped under the debris. It seeks \$1 million in compensatory damages and \$100

million in punitive damages.

- A \$2 million lawsuit was filed July 21 in federal court by the husband of Connie Alcalá, 33, of Topeka, Kansas.

- A \$1 million lawsuit was filed July 23 in federal court in connection with the death of Dolores Galvan, 26, of Topeka.

- A \$7 million lawsuit was filed July 23 in Jackson County Circuit Court by the children of William and Betty Jean McLane, both 57, of Prairie Village, Kansas, who were killed.

- The parents of death victim Paul Wynett of Shawnee Mission, Kans., filed a \$7 million lawsuit July 23 in circuit court. It seeks \$2 million in compensatory damages and \$5 million in punitive damages.

All of the suits name as defendants the Hyatt Corp., which operated the hotel, and the Crown Center Redevelopment Corp., a wholly owned subsidiary of Hallmark, which owned the hotel. The McLane and Wynett suits also name 10 other defendants.

sound, according to Mr. Foust.

The lawyer said he knew four attorneys who attended the dance. A prominent doctor and a noted electrical engineer were among those killed, he said.

As of last Thursday, seven lawsuits demanding a total of \$223 million had been filed.

Insurers agree many of those killed were well-to-do people with large incomes and those injured were severely and painfully injured, suggesting awards will be high. However, they mostly scoff at final liability cost projections much above \$100 million.

A Missouri law prohibiting punitive damages from being awarded in wrongful death cases may help control the ultimate liability costs.

The cost of claims settled in the 1979 crash of an American Airlines DC-10 crash in Chicago also suggests ultimate payouts in the hotel disaster will be about \$100 million. Of the 275 possible claims from the crash, 130 have been closed, seven by jury verdict, 123 by settlement. Most of the settlements have been for less than \$1 million, said Robert Alpert, claims chief for U.S. Aviation Underwriters, the primary insurer for American.

Plaintiff's attorney Mr. Foust said he moved swiftly to file the lawsuits so he could obtain a court order allowing his specially hired engineers to inspect the rubble in the hotel lobby for evidence before the area was sealed off by authorities.

But one insurer charged that attorneys who rush to court with lawsuits usually have something different in mind: headlines. "People will sue for \$100 million and settle for \$10 million but the lawyers draw up those numbers to get their names in the press," said an executive with a New York insurer.

Liability for the tragedy won't

be determined for months, sources say, as the yet-undetermined cause for the collapse of the bridge is investigated.

Litigation in the case will drag on even longer as Hyatt and Hallmark name any other companies that they think should contribute to liability awards.

The rumors of an agreement under which Hyatt would hold Hallmark harmless for any losses at the hotel confuses some insurance experts. If Crown Center Redevelopment Corp. is named in Hyatt policies, a hold-harmless agreement isn't needed, some say. Also, hold-harmless agreements govern operations and wouldn't hold up if the accident was caused by errors at the building stage, sources say. Hyatt was not involved in the construction, sources say.

"When the hold-harmless agreement was drawn up, if there is one, no lawyer would have dreamed of this happening," said one risk manager who is well-versed in these types of agreements. "The real key is what the agreement says and we won't see that until the fight is in court."

Such fighting is expected not only between plaintiffs and defendants but also among the defendants who will try to involve others who might be liable for a portion of the damages.

Insurers generally try to make settlement offers quickly after such a major disaster, as was done after the DC-10 crash, but the unknown cause of the accident and the number of potential defendants may delay the formation of a pool to pay settlements.

Marsh & McLennan, as broker for both Hyatt and Hallmark, will certainly be involved in the adjustment of the claims. The broker, for example, spent more than \$300,000 adjusting the claim for the accident

at the Three Mile Island nuclear plant.

If M&M's clients develop an adversary relationship in this loss, M&M could prevent any conflict-of-interest problems by assigning the two offices that produced the business to adjust their own clients' claims: Kansas City for Hallmark and Chicago for Hyatt.

Meanwhile, Lloyd's of London underwriters and London insurers, who claim to have no direct involvement in the loss, are breathing a sigh of relief that London broker Bain Dawes lost the \$25 million layer on the Hyatt account to Northbrook.

There are a number of theories on why the bridges collapsed. Some say harmonic vibrations from the foot-tapping and swaying of spectators on the fourth-story skywalk caused it to fall.

A structural engineer hired by the Kansas City Star said a design change during construction doubled the stress on three beams supporting the fourth-floor walkway, according to a copyrighted story in the newspaper. Two engineers hired by a law firm handling a lawsuit stemming from the accident said the number of people on the walkways overloaded them.

Hyatt President Patrick Foley is quoted as saying, "Those catwalks are designed to hold people shoulder-to-shoulder, as many as you can get on." Reports have said as many as 50 persons were on the fourth-floor walkway and 200 on the second-floor one.

Separate investigations are being conducted by Kansas City, the Hyatt Hotel chain, the architects and Crown Center Redevelopment Corp.

A reported investigation by the Internal Revenue Service into charges of payoffs to building inspectors could not be confirmed. ■

This story is based on reporting by Business Insurance Editor Kathryn J. McIntyre in Chicago and Associate Editor Steve Sherwood in Dallas, with additional reporting by Business Insurance staffers Rhonda L. Rundle in Los Angeles, Stacy Shapiro in London, John Maes in Chicago and Lisa Bergson and John W. Milligan in New York. It was written by Ms. McIntyre and Mr. Sherwood.

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Report criticizes long-span construction

By JOHN MAES

"If there is a next time, we may not be so lucky."

That conclusion in an American Institute of Architects report criticizing "long-span" construction practices turned out to be a premonition.

The report, "Toward Safer Long-Span Buildings," was unveiled in May at an AIA convention and was being readied for distribution to those in the architecture and design field on July 17—the day the skybridges fell at the Kansas City Hyatt Regency Hotel, killing 111 people. The study questions the safety of many long-span construction projects, like the Hyatt skybridges.

"Few people have died because of collapse, even though the cost of replacement and lost revenues has been very high," the report says.

"If there is a next time, we might not be so lucky."

A collapse at Kansas City's Kemper Arena last year and the collapse of the roof of the Hartford Civic Arena in 1979 raised the concern of architects, said David O. Meeker Jr., AIA executive vp. Both roofs are examples of long-span construction.

In summarizing the findings of the 22-month study for *Business Insurance*, Mr. Meeker said the researchers found these problems in many long-span projects:

- A lack of "redundancy" in structural parts that would continue to support the structure if others failed.

- Buildings using long-span construction are usually places of public access, such as arenas, where "the potential for hurting a lot of people is quite large."

- Builders too often want their structures to be known as having the biggest, tallest or longest of something.

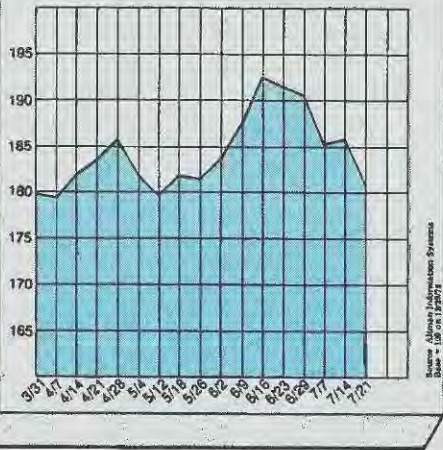
- Construction projects are too often managed on a "fast-track" basis that tends to "blur lines of responsibility."

- In the haste to move a project along, construction is sometimes begun before the design is completed without adequate study of the "construction implications," he said.

- Building codes and standards do not adequately consider the stress caused by moving people.

Still, Mr. Meeker said he does not believe long-span construction, especially suspended walkways, is inherently dangerous. There are thousands of high school gymnasiums, civic auditoriums and suspension bridges "that have never given a hint of trouble." ■

BI Insurance Index



New coverage may trigger life insurance industry losses

By MYRON PICOUT

Special to Business Insurance

THIS COLUMN traditionally has discussed topics primarily related to the commercial property/casualty industry. This week, we offer a bit of a twist.

When discussing unrealized losses in bond portfolios, corporate risk managers normally focus on property/casualty portfolios. This is not a total surprise given the perceived vulnerability of the casualty industry to large increases in claims and the need to strengthen its reserves.

However, the shoe could be on the other foot before too long.

The sale of the new "universal life" policies or facsimiles could force life insurers with large books of mature, "traditional" policies to liquidate old bonds and mortgages at significant losses.

Hence, the historical air of complacency that normally surrounds the perceived solvency of some life insurers may no longer be well founded, and risk managers will have to be more aware of the adversity engulfing the life industry and the corresponding impact on various types of corporate life insurance coverages.

Inflation and high interest rates have caused numerous major problems for the life insurance industry involving revenue and expense factors. One of the problems has been the eroding perception of the value of the traditional whole-life contract. This has led to excessive competition in the term-life insurance market and the development of new, low-premium products.

Myron M. Picoult is a vp and senior insurance analyst with Oppenheimer & Co. in New York. He is the past president of the Assn. of Insurance & Financial Analysts and a member of the New York Society of Security Analysts. His column for Business Insurance appears the fourth Monday of every month.



Picoult

BI ticker

In an attempt to reverse the trends of the past 20 years, during which life insurers' share of personal savings has eroded, life insurance companies are turning to "universal life." The new policy basically promises two things: permanent life insurance and double-digit interest paid on the cash value that builds up the policy.

The problem with universal life as we see it, aside from questionable margins, is that it could result in high degrees of cannibalization on old in-force policies. Policyholders with mature contracts would seem to have the incentive to cash out their existing policies and buy a universal life product. Life insurers with large books of mature cash-value policies could be forced to liquidate old bonds and mortgages at a significant loss to raise cash if normal cashflows proved insufficient to meet surrender demands.

While such a change will not occur overnight, it will surely press margins for mature life insurers for many years to come. It also could cause added disruptions to their investment process beyond the recent problems of high policy loans and inability to capitalize on the current high-yield environment.

At the end of last year, the average U.S. life insurance company had about 72% of its invested asset base in bonds (corporate and U.S. government issues) and mortgages. Stock life companies had about 75% invested in bonds and mortgages while mutual life companies invested about 72% of their assets in bonds and mortgages.

By contrast, stock property/casualty companies invested approximately 56% of their assets in bonds and mortgages (with less than 0.6% in mortgages), and mutual property/casualty companies invested 64% in bonds and mortgages (with 0.2% in mortgages).

We estimate that if bond losses were realized, the current book value of a representative group of property/casualty companies would be reduced by about 50%. However, multiline companies such as Aetna, Connecticut General and The Travelers with larger bond portfolios, due to their life insurance

subsidiaries, would have a somewhat sharper reduction. Admittedly, the impact would be softened by adjusting corresponding policyholder liabilities, which incorporates low actuarial assumptions, to the higher-yield curve.

Bonds are purchased for yield, not appreciation. Adjusting bond portfolios to market value and calculating a book-value figure is a valid computation, but not truly applicable in the real world because these holdings are rarely sold. If property/casualty or life insurance companies were forced to liquidate bonds to cover claims or surrenders of policies, the economic environment that likely would prevail would be such that investors would have to concern themselves with much more than simply the value of bond portfolios.

Hence, while the preceding scenario may be more apparent than real, the fact remains that the stability and solvency of life insurers can no longer be taken for granted.

Financial briefs Prudential

The Prudential Insurance Co. will seek to acquire all shares and convertible debentures of Connecticut General Mortgage & Realty Trust through a tender offer of \$42 a share that commenced July 15. The trust's board of trustees has given its approval to the \$340 million offer.

The trust was organized in 1970 and is advised by Congen Realty Advisory Co., a wholly owned subsidiary of Connecticut General Insurance Corp. Its investments are located in 24 states and include shopping centers, office buildings and hotels.

Last month, Second Bouverie, a company controlled by the Pension Fund of the National Coal Board of the United Kingdom, offered \$33 per share as part of an acquisition attempt. The trust's management opposed that offer.

Reliance Group

A group of Reliance Group Inc. shareholders is attempting to block an attempt by Chairman and President Saul Steinberg to take the company private.

Ellen Greenfield, who holds an unspecified number of Reliance shares, filed a class action suit on behalf of 5,700 Reliance shareholders. The complaint claims the offer announced July 14 "is intended to cash out stockholders at a grossly unfair price."

The suit asks to enjoin the transaction permanently.

Mr. Steinberg proposes to take complete control of Reliance and Leasco Corp. in a securities and cash transaction valued at \$500 million. The Steinberg family owns about 15% of Reliance and controls another 25% of its shares that are owned by Leasco, a company controlled by the Steinbergs.

The offer seeks 4.6 million shares of Reliance common stock for cash and securities amounting to \$100 a share.

Meanwhile, Reliance has declared a regular quarterly dividend of 75 cents per share on the company's common stock, 55 cents per share on its Series B preferred stock and 65 cents per share on its Series C preferred stock.

The common stock dividend will be paid Sept. 15 to shareholders of record Aug. 17, and the preferred stock dividends will be paid on Sept. 1 to shareholders of record Aug. 17.

Lincoln National

Lincoln National Corp. and First Penn-Pacific Life Insurance Co. have agreed to the acquisition of First Penn-Pacific by Lincoln National for an undisclosed amount of cash and notes.

First Penn-Pacific, headquartered in Oak Brook, Ill., is a leading writer of universal life insurance. Lincoln National is a multi-line insurance holding company headquartered in Fort Wayne, Ind.

British Issues

7/21 Companies	Price	P/E	Div. pence	Yield %	1 Week High-Low pence
Comm Union	180	12.2	15.45	8.6	185-173
Eagle Star	301	10.0	21.43	7.1	307-298
Geni Accident	330	8.0	19.29	5.8	340-326
Gdn Royal Exch	328	8.4	22.14	6.7	340-326
Phoenix	262	7.7	21.29	8.1	274-260
Royal	368	10.1	34.29	9.3	370-363
Sun Alliance	884	8.8	47.14	5.3	898-880

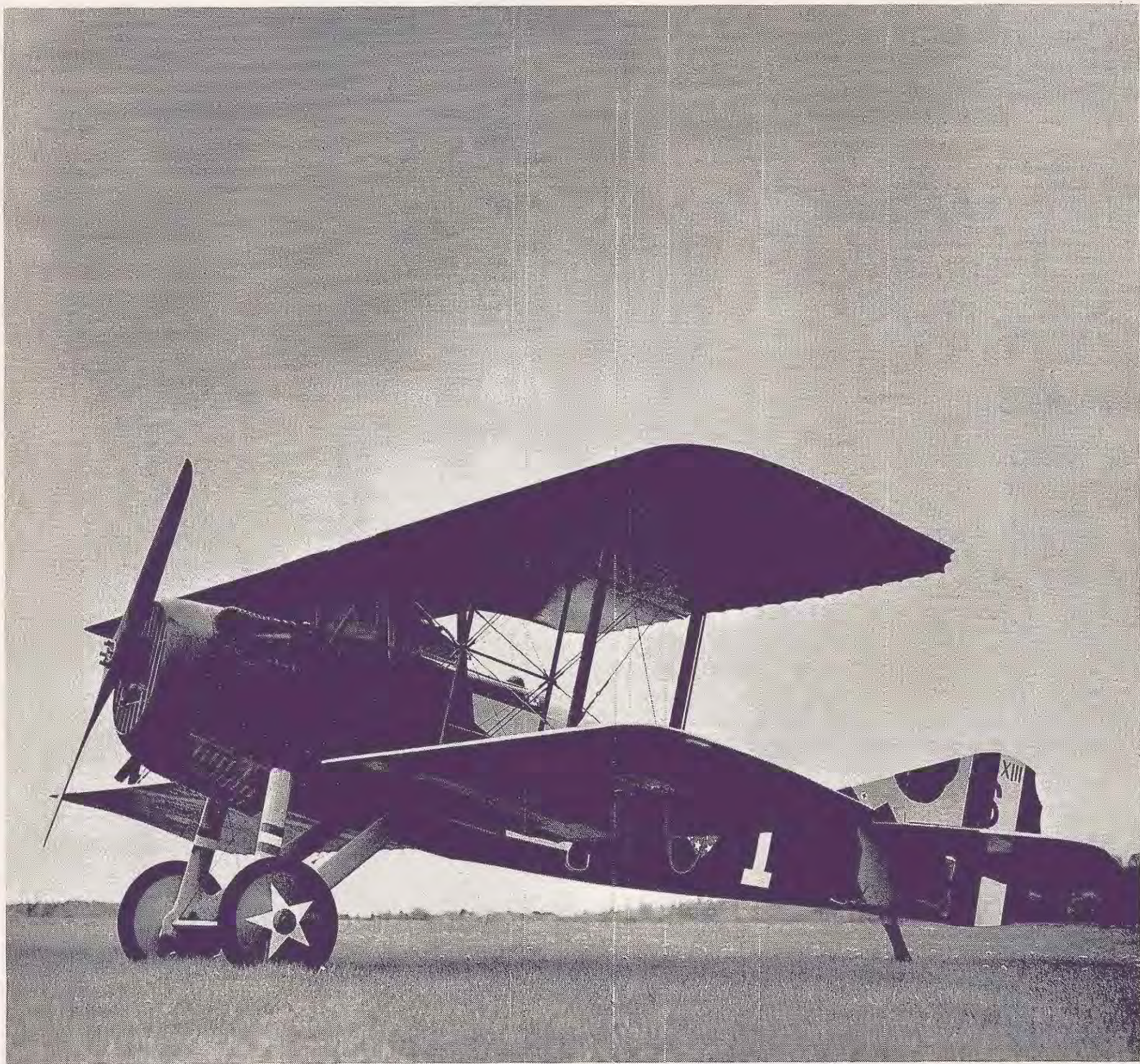
Brokers	Price	P/E	Div. pence	Yield %	1 Week High-Low pence
CE Heath	284	11.1	15.00	5.3	292-284
Hogg Robinson	114	9.1	8.57	7.5	119-104
Alex Howden	125	8.1	10.00	8.0	129-125
JH Minet	131	13.1	6.50	5.0	140-131
Stedg Grp	137	11.9	7.14	5.2	144-137
Penhouse Hldg	91	8.3	6.64	7.3	94-91
Stew Wrightson	205	10.8	17.14	8.4	217-205
Willis Faber	353	12.2	17.14	4.9	367-353

Source: Philip Olsen/Alan Clifton, Insurance Industry Specialists Kitcat & Aitken Stockbrokers, London

BI Industry Stock Report

JULY 21, 1981										7/15/81 THRU 7/21/81										JULY 21, 1981										7/15/81 THRU 7/21/81																			
Insurance Cos.		Price	% Chg	P/E	\$ Div.	% Yld.	High	Low	Vol. (000)			Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol. (000)			Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol. (000)																				
Aetna Life & Cas Co	NYSE	38.13	-3.2	6.4	2.32	6.1	39.25	38.13	377.8	Statesman Group Inc	OTC	7.13	-5.0	6.0	0.15	2.1	7.50	7.13	33.7			Tokio Marine & Fire Ins Co	OTC	152.25	-3.0	16.8	1.03	0.7	155.75	152.25	0.6																		
American Bankers Ins Group	OTC	7.63	0.0	12.1	0.44	5.8	7.63	7.50	141.1	Travelers Corp	NYSE	45.25	-5.2	5.3	2.88	6.4	47.88	45.25	127.1			United Fire & Cas Co	OTC	38.00	-5.0	9.9	1.00	2.6	39.75	38.00	1.7																		
American Gen Ins Co	NYSE	41.00	-4.4	6.3	2.00	4.9	43.13	41.00	181.3	United States Fd & Gty Co	NYSE	44.63	-3.8	5.9	3.20	7.2	46.38	44.63	87.9			United Svcs Life Ins Co	OTC	13.88	-1.8	5.7	1.00	7.2	14.25	13.88	16.0																		
American Indty Pnl Corp	OTC	17.13	-1.4	6.5	1.12	6.5	17.38	17.13	7.7	USlife Corp	NYSE	25.38	-4.2	6.2	0.78	3.0	26.88	25.38	167.0			Washington Natl Corp	NYSE	31.13	0.4	9.2	1.08	3.5	31.13	30.50	75.6																		
American Intl Group Inc	OTC	54.00	-4.4	10.3	0.40	0.7	57.00	54.00	123.1	Zenith Natl Ins Corp	OTC	16.75	-1.5	9.3	0.60	3.6	17.25	16.75	11.9			INSURANCE COMPANIES																											
American Natl Ins Co	OTC	13.38	-4.5	6.0	0.68	5.1	14.00	13.38	34.5	AVERAGE										7.9										4.0																			
American Sts Life Ins Co	OTC	20.00	0.0	6.6	0.72	3.6	20.00	20.00	4.5	Agents/Brokers																																							
Aneco Reins Ltd	OTC	3.00	-14.3	0.0	0.00	0.0	3.50	3.00*	14.1	Alexander & Alexander Svcs	OTC	32.00	-5.2	10.6	1.84	5.8	33.75	32.00	110.5			Baldwin & Lyons Inc	OTC	34.50	0.0	5.9	0.80	2.3	34.50	34.50	0.6																		
Appalachian Natl Corp	OTC	2.56	2.5	7.3	0.00	0.0	2.56	2.50	0.3	Corroon & Black Corp	NYSE	24.13	0.5	11.2	1.76	7.3	24.13	23.75	48.2			Crump E H Cos Inc	OTC	14.38	-5.0	16.2	0.40	2.8	15.00	14.38	16.1																		
Avanco Corp	AMEX	10.25	-2.4	8.5	0.50	4.9	10.38	10.25	5.4	Hall Frank B & Co Inc	NYSE	25.25	-0.5	9.3	1.60	6.3	25.50	25.13	177.9			Integrated Res Inc	AMEX	15.50	-3.1	7.0	0.00	0.0	16.25	15.50	27.4																		
Banks Iowa Inc	OTC	31.50	0.0	5.2	1.44	4.6	32.50	31.50	4.8	James Fred S & Co Inc	NYSE	24.75	-1.0	10.9	1.60	6.5	25.00	24.75	12.0			Marsh & McLennan Cos Inc	NYSE	37.50	-2.0	12.3	2.00	5.3	38.75	37.50	160.0																		
Bitco Corp	OTC	41.00	-4.7	5.8	2.16	5.3	43.00	41.00	3.7	Pennrock Pnl Inc	NYSE	6.38	-3.8	7.2	0.16	2.5	6.63	6.38	125.0			Poe & Assoc Inc	OTC	10.50	-4.5	9.3	0.80	7.6	10.50	10.50	0.2																		
Carolina Cas Ins Co	OTC	7.25	-3.3	5.2	0.32	4.4	7.50	6.75*	1.8	Reed Stenhouse Cos Ltd	OTC	11.25	-6.2	9.8	0.56	5.0	11.88	11.25	9.2			Rollins Burdick Hunter Co	OTC	24.75	-2.0	12.9	1.24	5.0	25.25	24.75	18.8																		
Central Natl Pnl Corp	OTC	9.88	-1.3	3.6	0.65	6.6	10.00	9.88	0.0	AGENTS/BROKERS										AVERAGE										9.6										4.9									
Chubb Corp	OTC	43.25	-5.2	5.2	2.68	6.2	45.88	43.25	98.4	Conglomerates/Holding Cos.																																							
Combined Intl Corp	NYSE	20.63	-8.3	5.8	1.60	7.8	22.63	20.63	46.9	American Express(Fireman's Fd)	NYSE	44.25	-1.4	8.3	2.00	4.5	45.00	43.50	760.3			Anderson Clayton(Ranger/Panam)	NYSE	24.50	1.0	6.7	1.20	4.9	25.25	24.13	23.1																		
Connecticut Gen Ins Corp	NYSE	47.50	-5.9	6.1	1.76	3.7	51.13	47.50	182.5	Arco Inc	NYSE	31.00	-2.0	7.9	1.64	5.3	31.88	31.00*	130.2			City Investing Co. (Home Ins.)	NYSE	25.13	-4.7	7.0	1.60	6.4	26.75	25.13	436.7																		
Continental Corp	NYSE	27.13	-6.1	8.6	2.40	8.8	28.75	26.88	417.9	CNA Pnl Corp (CNA)	NYSE	16.00	0.0	6.3	0.00	0.0	16.00	16.00	26.7			Control Data (Comm. Credit)	NYSE	68.50	1.1	8.0	1.00	1.5	69.75	68.13	346.5																		
Crawford & Co	OTC	16.50	-2.9	12.7	0.52	3.2	17.00	16.50*	5.4	General Re Corp	NYSE	75.25	-2.1	10.2	1.76	2.3	77.25	75.25	124.2			Gulf Utd Corp	NYSE	20.38	-7.4	7.4	1.28	6.3	22.00	20.38*	76.9																		
Crown Life Ins Co	OTC	112.00	1.8	9.4	2.80	2.5	112.00	110.00	0.0	INA Corp (Ins. Co. of NA)	NYSE	42.25	-2.9	5.9	2.40	5.7	43.88	42.25	254.4			ITT (Hartford Group)	NYSE	28.38	-1.7	5.6	2.60	9.2	28.75	28.38	627.0																		
Crum & Forster	NYSE	31.00	-7.5	5.4	1.44	4.6	33.75	31.00	93.3	Reliance Group Inc	NYSE	37.50	-11.2	7.2	3.00	3.4	90.75	87.50	171.8			Sears Roebuck & Co. (Allstate)	NYSE	18.00	-4.0	8.9	1.36	7.6	18.88	18.00	1,553.1																		
Employers Cas Co	OTC	37.00	-4.5	5.6	1.20	3.2	39.00	37.00	6.8	S & H Co. (Bayly Martin & Fay)	NYSE	33.75	0.0	14.5	1.00	3.0	33.75	33.50	2.1			Teledyne Inc (Argonaut)	NYSE	158.50	2.3	8.7	0.00	0.0	159.00	156.75	350.0																		
Equifax Inc	NYSE	24.38	0.0	7.5	2.40	9.8	24.88	24.25	13.8	Transamerica Corp (Occidental)	NYSE	20.88	-10.2	5.7	1.28	6.1	23.25	20.88	234.5			CONGLOMERATES/HOLDING COS.																											
Excelsior Ins Co	OTC	16.25	1.6	13.2	0.70	4.3	16.25	16.25	0.2	AVERAGE										7.9										3.2																			
Farmers Group Inc	OTC	31.75	-5.6	10.0	1.12	3.5	33.25	31.75	205.2																																								
First Colony Life Ins Co	OTC	44.50	3.5	14.6	0.80	1.8	44.50	43.50	10.2																																								
Foremost Corp Amer	OTC	30.50	-1.6	9.5	0.80	2.6	31.00	30.50	15.1																																								
Great West Life Assurn Co	OTC	251.00	0.4	10.2	10.00	4.0	255.00	251.00	0.4																																								
Hanover Ins Co	OTC	10.75	-6.1	4.1	0.72	2.3	32.75	30.75	12.9																																								
Hartford Steam Boiler Insptn	OTC	47.00	-3.1	9.5	2.60	5.5	48.50	47.00	22.4																																								
Jefferson Natl Life Ins Co	OTC	35.50	0.0	32.0	0.64	1.8	35.50	35.50	6.1																																								
Kemper Corp	OTC	35.00	-2.2	5.4	1.60	4.6	36.00	34.50	73.2																																								
Lincoln Natl Corp Ind	NYSE	41.88	-1.5	9.9	3.00	7.2	42.50	41.38	48.3																																								
Majic Invst Corp	NYSE	34.13	-3.9	9.2	1.28	3.8	35.75	34.13	280.3																																								
Mission Ins Group Inc	NYSE	43.38	-5.7	8.2	1.00	2.3	45.38	43.38	18.6																																								
Nationwide Corp Ohio	OTC	24.75	0.0	7.1	0.70	2.8	24.75	24.75	3.4																																								
Northwestern Natl Life Ins	OTC	25.25	-8.6	6.2	1.36	5.4	27.63	25.25*	26.1																																								
Ohio Cas Corp	OTC	40.75	-7.4	7.0	2.04	5.0	42.50	40.75	43.9																																								
Old Rep Intl Corp	OTC	15.13	-6.2	4.2	0.92	6.1	16.00	15.13	35.2																																								
Pinehurst Corp	OTC	6.63	3.9	0.0	0.00	0.0	6.63	6.38	26.2																																								
Preferred Risk Life Ins Co	OTC	18.50	2.8	6.2	0.80	4.3	18.50	18.00	9.2																																								
Provident Life & Acc Ins Co	OTC	47.50	-1.0	7.0	2.20	4.6	48.00	47.50	10.7																																								
Ryan Ins Group Inc	OTC	24.00	-5.0	9.6	0.12	0.5	25.25	24.00	1.7																																								
St Paul Cos Inc	OTC	44.63	-6.5	8.4	2.32	5.2	46.63	44.63	151.7																																								
Safeco Corp	OTC	38.13	-3.8	7.1	2.00	5.2	39.50	38.13	93.1																																								
Sri Corp	OTC	24.50	-5.8	5.6	0.80	3.3	26.00	24.50	40.3																																								
Selbels Bruce Group Inc	OTC	20.00	-3.0	10.8	0.80	4.0	20.88	20.00	17.2																																								

If you were restoring this 1917 SPAD XIII,
you'd go to an expert.
Why buy Workers' Comp. any differently?



Location courtesy of the Owls Head Transportation Museum, Owls Head, Maine.

You don't have to go far to find a Workers' Compensation program for your business. But finding the expertise to make it work for you is another matter.

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And we can also tailor general liability and commercial auto insurance plans for you. With the same know-how we're known for.

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