JULY 27, 1987

business insurance®

Reporting weekly for corporate risk, employee benefit and financial executives / $1.75 a copy; $68 a year © Entire contents copyright 1987 by Crain Communications Inc. All rights reserved

update

Iowa, unauthorized insurers spar over purchasing groups

DES MOINES, Iowa—The Iowa Division of Insurance is challenging unauthorized insurers that sell or plan to sell insurance to purchasing group members in Iowa, setting the stage for the first litigation in the nation to determine states' authority to regulate purchasing groups under the federal Liability Risk Retention Act.

Iowa Insurance Commissioner

Continued on next page

Bonuses rebound for risk managers

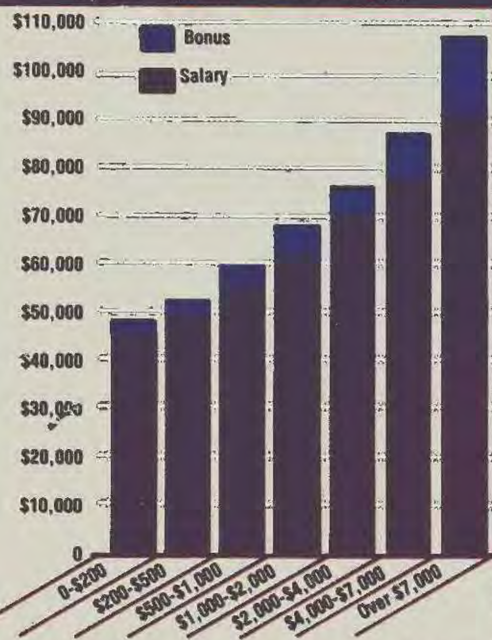
Bonuses are up for risk managers at companies of all sizes, Logic Associates' 1986 Risk Management Compensation Survey shows.

Last year's bonus increases were in sharp contrast with 1985, when bonuses supplementing risk managers' salaries plunged.

This week's coverage of the survey, which begins on page 3, provides details not only about compensation, but also about the increasing role of women in risk management (see story, page 34).

In addition, this year's survey breaks down compensation by industry groups (see chart, page 3).

Next week, a report will look inside corporate risk management departments—at risk managers' changing duties, access to risk management information systems and the use of captives.



Source: Logic Associates Chart: Amy Palmer

Superfund claim ruling turns tide for insurers

By STEPHEN TARNOFF

RICHMOND, Va.—Policyholders seeking coverage under comprehensive general liability policies for the cost of cleaning up Superfund sites are in danger of coming up empty-handed following a federal appellate court decision earlier this month.

And, without money from insurers to pay cleanup costs, some companies could be forced into bankruptcy, the cleanups may be delayed or curtailed, or taxpayers could pay a larger share of the costs, attorneys warn.

In Maryland Casualty Co. vs. Armco Inc., the 4th U.S. Circuit Court of Appeals ruled July 6 that because cleanup costs are essentially preventive, they are not "damages" that are covered under liability policies.

"In the absence of clear contract language or specific Congressional authorization . . . we decline to extend the obligations of insurance carriers beyond the well-illumined area of tangible injury and into the murky and boundless realm of injury prevention," the court said.

The decision, which interprets Maryland law, is a setback for hazardous waste site operators, waste generators and transporters in their battle to obtain liability insurance coverage under CGL policies for cleaning up hazardous waste sites across the country, which could cost billions of dollars.

While other state courts and another federal appellate court have found coverage under CGL policies for cleanup costs, this is the first federal appellate ruling on cleanup costs that has not found coverage for the policyholder.

Middletown, Ohio-based Armco could pay millions of dollars in cleanup costs if the decision is upheld.

Some policyholders' attorneys contend that other courts are not likely to follow the 4th Circuit's decision. The court's failure to rely on general notions followed in coverage disputes, such as interpreting policies broadly to promote coverage, and its failure to analyze the drafting history of the standard CGL policy may temper the impact of the decision, they say.

But attorneys for insurers interpret the decision as a strong judicial boost for their position that CGL policies do not cover mandated hazardous waste cleanups.

"It's clear that the 4th Circuit's ruling is an important, early precedent which counteracts efforts to transfer corporate responsibility for Congressionally mandated cleanup costs to past insurance contracts which were never intended to provide coverage for such remedial measures," said John D. Cole, vp and general counsel for Maryland Casualty.

"I think it is extremely significant because it applies to an ever increasing number of Superfund claims," said Roger Warin with the Washington firm of Steptoe & Johnson.

"This decision is very definitely pro-insurer," Mr. Warin said. "It is an example of a court fully and completely addressing all the aspects having to do with a particular issue that was well-briefed and well-argued by both sides."

Mr. Warin filed a brief on behalf of the Insurance Environmental Litigation Assn., a group of 18 insurers involved in environmental litigation.

"We think other courts should follow the reasoning,"

Continued on page 28

Policies 'ready, set' for Pan Am Games

By LINDA J. COLLINS

INDIANAPOLIS—The Tenth Pan American Games to be held next month in Indianapolis are outfitted with a wrap-up insurance program designed to take on any risk.

Insurance for the extensive property, liability and accident and health risks involved in the games was sewed up by Associated Group Inc., better known as Blue Cross/Blue Shield of Indiana.

BC/BSI is the official insurance sponsor of the games, which will be held at 24 sites in Indianapolis and other areas of Indiana Aug. 7-23.

Not only is the insurer underwriting the life, health and disability coverages for the games, but it also is paying the premiums for the property/casualty coverages it does not underwrite. BC/BSI subsidiary Regional Marketing, working with insurance agents and property/casualty insurers, developed a complete insurance package and risk management program for the games.

The Pan Am Games, which are held once every four years, represent the Western Hemisphere's version of the International Olympic Games. This year marks only the second time that the United States has hosted the games.

Approximately 4,500 athletes comprising the National Olympic Teams from about 38 countries will compete in 31 sporting events, including gymnastics, track and field, swimming and diving, basketball, archery, riflery, boating, cycling and equestrian competition.

Prominent U.S. athletes scheduled to participate in this year's games include Carl Lewis and Jackie Joyner-Kersee in track and field; Christi Phillips in gymnastics; David Robinson, the first-round draft choice of the National Basketball Assn.'s San Antonio Spurs, in basketball; Tracie Ruiz in synchronized swimming; and James Terrell in canoeing.

Some 1,200 sports officials and 500 dignitaries will participate in and attend the games, which will draw an estimated 250,000 spectators, according to officials with the organizing committee, Pan American X/Indianapolis Inc.

In addition, more than 20,000 private citizens have volunteered their efforts to produce the games.

Funding for the games is provided by public and private donations, the sale of approximately 600,000 tickets and a CBS Inc. television broadcast contract.

The wide range of exposures create some unusual risks for the games, says Sterling D. Gossett, chairman of insurance and risk management for PAX/I.

And those exposures made a detailed risk management and loss control program essential to obtaining coverage, noted Daniel F. Lennon, director of the

Continued on page 31

Photo: Thom Kondas Studio

Pan Am Games insurance pros visit a games site, from left: James A. Roe of Arlington/Roe & Co. Inc.; Sterling Gossett, chairman of the PAX/I Insurance Committee; Hugh McGowan of McGowan & Stanley Inc.; and Daniel Lennon of Blue Cross/Blue Shield of Indiana.

Risk management team plots strategy for making Pan Am Games a safe winner
Page 32

NEWSPAPER

update

Purchasing group battle set

Continued from previous page

William D. Hager last week summoned 21 insurers to an administrative hearing on Sept. 8 to determine whether they have violated the state's Unauthorized Insurers Act. If found in violation, insurers would be subject to a $50,000 penalty and a 2% premium tax.

All of the summoned insurers are writing—or have filed to write —liability insurance for purchasing group members in Iowa. None is an admitted or surplus lines insurer in Iowa.

Iowa regulators contend that purchasing groups doing business in Iowa must buy insurance from Iowa-authorized companies, said Deputy Commissioner Tony Schrader.

Many insurers and insurance buyers interpret the federal act as limiting such a requirement to the state in which the purchasing group was established—not all states in which members are based.

The state's action is expected to prompt a lawsuit by the insurers. The division hopes that however the issue is settled in Iowa, it will set a precedent that other states will follow.

Panel approves notification bill

WASHINGTON—The Senate Labor and Human Resources Committee last week approved a bill that would require employers to notify employees who are or have been exposed to hazardous substances in the workplace. The bill now moves to the full Senate.

The bill, S. 79, would require employers to notify current and past employees exposed to hazardous substances in the workplace over the past 30 years that they should seek medical testing to determine whether the exposure has or is likely to cause illness or disease (*BI*, June 15; April 27). Employers must pay for the medical testing.

An amendment adopted by the committee would exempt employers with fewer than 10 employees from the law.

The House Labor Committee passed a similar bill in May. However, the House bill, H.R. 162, does not contain an exemption for small employers and does not establish an exposure period. That bill is now before the full House.

Court strikes Miro pleadings

DALLAS—A federal judge has stricken pleadings filed by Carlos I. Miro and Miro & Associates Risk Management Inc. against the liquidator of Transit Casualty Co., former Transit directors and others.

M&A—a former Transit managing general agency—and Mr. Miro had filed the pleadings in response to an amended complaint filed against them by Transit's liquidator (*BI*, July 20, April 20).

But U.S. District Judge Jerry Buchmeyer ruled last Monday that the Miro and M&A pleadings—which totaled 444 pages—were longer than allowed by federal rules of civil procedure.

In addition, Mr. Miro and M&A leveled charges against 16 third-party defendants without seeking the court's prior approval, the judge ruled. And, Mr. Miro, M&A and their attorneys violated a federal rule that bars legal action intended to harass and that requires parties to have a reasonable basis for their complaints, the judge found.

Judge Buchmeyer ordered a hearing to determine what sanctions should be imposed for violation of the latter rule, though no hearing date has been set.

Meanwhile, the judge gave Mr. Miro and M&A until Aug. 7 to file "short and plain" answers to the liquidator's complaint and motions for permission to file amended third-party complaints.

House OKs catastrophic cover

WASHINGTON—The House last week overwhelmingly passed a bill expanding Medicare to cover catastrophic care.

By a vote of 302 to 127, the House approved H.R. 2470, which would limit a beneficiary's annual out-of-pocket expenses in 1989 for Medicare-covered services to $1,798.

After a $500 deductible, Medicare also would pay 80% of a beneficiary's out-patient prescription drug costs. This provision is a compromise of drug benefit proposals approved by the two House committees with jurisdiction over Medicare (*BI*, June 15).

All of the additional benefits would be financed by a supplemental annual premium based on a beneficiary's income plus an increase in the Medicare Part B monthly premium.

The maximum annual supplemental premium paid by a beneficiary in 1988 with an annual taxable income of more than $14,166 would be $580. The Medicare Part B premium, now $17.90 per month, would be $20.50 per month for the catastrophic program.

Meatpacker appeals OSHA fine

WASHINGTON—IBP Inc., the nation's largest meatpacker, will contest a record $2.6 million penalty proposed last week by the Occupational Safety and Health Administration, a spokesman said.

OSHA alleges that IBP "willfully" failed to record 1,038 job-related injuries and illnesses at its Dakota City, Neb., plant from January 1985 through December 1986. It is "the worst example of underreporting injuries and illnesses to workers ever encountered by OSHA in its 16-year history," said Assistant Secretary of Labor John A. Pendergrass.

In addition, OSHA alleges IBP denied federal inspectors access to the plant's records in December 1986, and then added 832 injuries and illnesses to update report logs just days before an inspection.

IBP also is charged with one instance of willfully failing to provide employee medical records to a worker representative.

IBP denies violating OSHA record-keeping requirements and said it revised its records only to meet new OSHA guidelines.

The independent Occupational Safety and Health Review Commission will decide what penalty, if any, will be imposed.

Continued on page 33

House panel approves flat $19 PBGC premium

By JERRY GEISEL

WASHINGTON—Passing over a variable-rate premium structure, a House panel last week approved legislation that would more than double pension termination insurance premiums employers pay the Pension Benefit Guaranty Corp.

Under the measure approved by the Labor-Management Relations Subcommittee and likely to be voted on this week by the full Education and Labor Committee, employers, regardless of the funding levels of their defined benefit pension plans, would pay an annual PBGC premium of $19 per participant, up from the current $8.50.

The package approved by the Labor-Management Relations Subcommittee is in sharp contrast to the variable rate PBGC and pension legislation proposed by the Reagan Administration (*BI*, March 30; March 23) and legislation approved last week by the House Ways and Means Committee (*BI*, July 20).

A flat rate increase, which would go into effect in January, stunned and angered business groups.

"This is ludicrous. It is punishing well-funded plans," asserted Stuart J. Brahs, executive director of the Assn. of Private Pension and Welfare Plans in Washington.

The legislation is designed to shore up the financial base of the PBGC, which is facing collapse under a $4 billion deficit, and improve pension funding.

Other bombshells in the legislation approved by the subcommittee include:

- Any employer that terminates a defined benefit plan during the next three years—beginning July 1, 1987—would be slapped with a whopping $200 per plan participant charge payable to the PBGC.

After July 1, 1990, this new "termination funding charge" would be based on the size of the PBGC deficit.

- Employers terminating overfunded pension plans no longer would be allowed to recover all excess assets remaining after participants' promised benefits are paid.

Instead, employers terminating overfunded plans could recover only assets exceeding 125% of plan liabilities, with plan participants getting the 25%.

This would result in employers losing billions of dollars they may have counted on recovering by terminating overfunded pension plans.

In 1986, for example, employers recouped more than $4 billion—or about $18,000 per plan participant—by terminating overfunded pension plans, according to the Employee Benefit Research Institute in Washington, D.C.

However, the subcommittee package would allow employers to remove surplus assets from on-going pension plans as long as a plan is at least 25% overfunded after the reversion and all other plans maintained by the employer and affiliated companies are at least 25% overfunded.

Continued on page 33

New tax plan to increase insurance costs in Texas

By MICHAEL BRADFORD

AUSTIN, Texas—Insurance buyers and self-insurers in Texas face higher costs with new taxes the state will levy on property/casualty and life insurers and administrative services companies beginning this fall.

However, a two-year. 20% surcharge on the taxes insurers pay on their gross written premiums and two new sales taxes applying to insurance administrators' fees and other insurance advisory services are not as burdensome as industry observers had feared.

Insurance administrators' revenues will be subject to a new 2.5% tax while other insurance-related services will be subject to the state's 6% sales tax.

Health insurance and health maintenance organizations are not subject to the 20% tax surcharge, which is effective on 1987 and 1988 taxes, because of the high cost of health care.

Together, the gross premium tax surcharge and the insurance administrative services tax are expected to generate at least $114 million, while earlier tax measures that died in the Legislature, including a 6% sales tax on premiums written by commercial and personal lines insurers and health maintenance organizations in the state, would have generated an estimated $1.8 billion.

Texas' current 3.5% tax on property/casualty insurers' gross written premiums raises about $400 million annually, according to the Texas State Board of Insurance in Austin. The 20% tax surcharge increases the effective rate to 4.2%.

Life and health insurers in the state are charged a base rate of 2.5%. The surcharge brings the effective rate to 3% for life insurance.

All insurers in Texas can reduce their premium tax rate by investing in the state, according to the Board of Insurance.

Gov. Bill Clements signed the new tax law, passed on the final day of a special legislative session, last week.

Insurers ultimately will pass their higher tax costs to policyholders, confirmed a spokeswoman for the Alliance of American Insurers in Austin.

"It doesn't matter if you're talking about a sales tax or a corporate tax, it will eventually be passed on to the consumer," the spokeswoman noted.

"The bottom line of the tax package is that eventually you and I and other consumers in Texas are going to pay for that," she said.

However, she said that insurance buyers are "better off with this bill," than they would have been if the 6% sales tax on premiums had passed because the new law does not seek to raise as much revenue.

Richard Geiger, a Dallas attorney who lobbies on behalf of 40 insurance companies that make up the Assn. of Fire & Casualty Companies in Texas, agreed

Continued on page 33

inside

- Proponents of federal product liability reform legislation are hoping to fine-tune the bill during the August Congressional recess. **PAGE 4**
- A new joint powers authority created by the California Legislature is offering public entities in the state excess liability coverage with limits up to $24 million. **PAGE 6**
- Two recent events clear the names of Alexander & Alexander Services Inc. and its London unit, Alexander Howden Group Ltd., this week's editorial says. **PAGE 8**
- The American Institute of Marine Underwriters is angry that a federal agency is allowing seven non-admitted French marine insurers to write hull insurance for a fleet of U.S. ships. **PAGE 10**
- Employers and labor are moving closer to a consensus on the language of the occupational disease reporting bills pending in Congress, observers said at the National Symposium on Workers Compensation in Airlie, Va. Coverage begins on **PAGE 16**
- Any repeal, partial repeal or amendment of the McCarran-Ferguson Act will create an unstable period of transition, asserts a special task force of the National Assn. of Independent Insurers. **PAGE 21**
- This month's A.R.M. exercise illustrates the distinction between the risk management decision process and the administrative process, and applies that distinction to a supermarket's embezzlement exposures. **PAGE 22**

departments

A.R.M. exercises 22
Classifieds 30
Comings & goings: buyers 15
Comings & goings: industry 23
Insurance services guide 34
Letters 8
London 24
Markets 14
Opinions 8
Perspectives 21
Speaking out 21
Ticker 35
Washington 19
Worldwide 13

Vol.21, No.29—*Business Insurance* (ISSN 0007-6864) is published weekly at 740 N. Rush St., Chicago, Ill. 60611-2590. Second-class postage is paid at Chicago, Ill., and at additional mailing offices. Postmaster: Send address changes to *Business Insurance*, Circulation department, 965 E. Jefferson Ave., Detroit, Mich. 48207; 313-446-1611. Copyright 1987 by Crain Communications Inc.

Paying risk managers

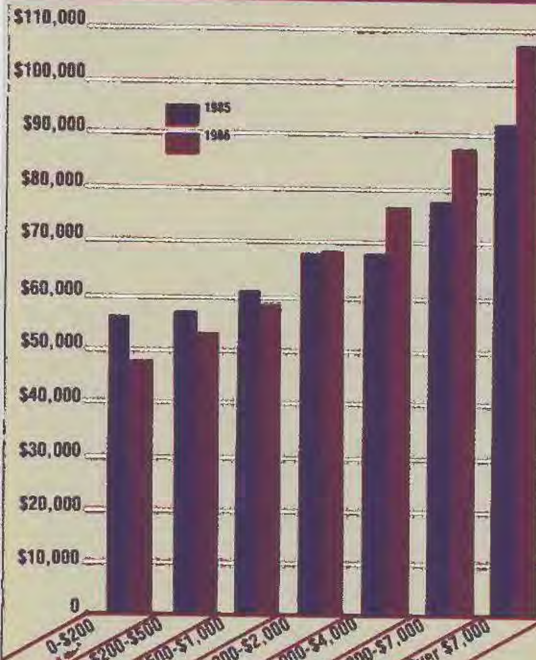
Largest employers boost salaries and bonuses

By ALISON KITTRELL

Bonuses are up for risk managers at companies of all sizes, but they are not large enough to offset the sharply lower average salary for risk managers at all but the largest companies, according to a recent survey.

Risk managers at the largest companies, however, enjoyed both larger bonuses and salaries in 1986, according to the fifth annual Risk Management Salary Survey, conducted by New York-based Logic Associates.

Last year's higher bonuses were in sharp contrast with 1985, when bonuses supplementing risk managers' annual base salaries plunged between 14% to 40%, depending on the size of company (*BI*, June 9, 1986).



Richard Meyers, a partner in Logic Associates and co-author of the survey, said the drop in average salaries among many companies in 1986 may partly reflect the larger number of responses to this year's survey, and more of those responses were from smaller communities, where salaries are lower.

This year, 1,302 risk managers responded to the Logic survey, up 27.4% from 1,022 last year.

The most significant bonus increase was among risk managers

Continued on page 34

The industry makes a difference

The highest paid risk managers work for consumer products companies with sales exceeding $7 billion.

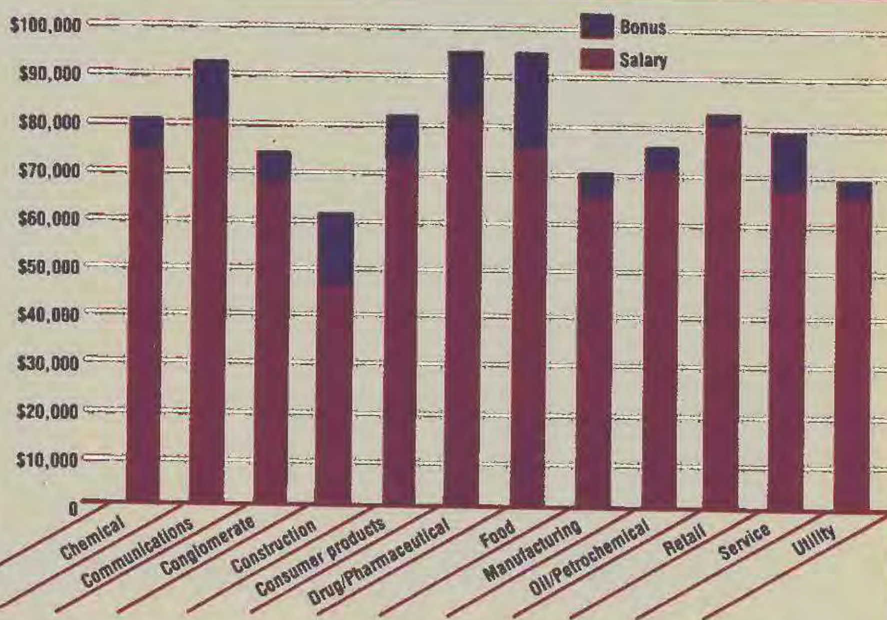
These risk managers earned $150,750 on average in 1986, $128,000 in salary and $22,750 in bonuses, says the Logic Associates survey.

Four risk managers employed by consumer products companies with sales exceeding $7 billion responded to the survey.

Generally, the largest number of risk managers responded in the $2 billion to $4 billion sales category (see chart).

However, averaging risk managers' compensation by industry, cosmetics comes out on top: the one risk manager responding earned $85,000 in salary and $20,000 in bonuses in 1986, for a total of $105,000.

The lowest paid risk managers are in publishing, where the three respondents earned total compensation of $50,787.



Other industries included:

- Oil and petrochemical, where risk managers earned an average salary of $73,396 and average bonuses of $9,146, for a total of $82,542.
- Drugs and pharmaceuticals, with an average salary of $66,753, bonuses of $7,909, for a total of $74,662.
- Communications, with an average salary of $67,094, bonuses of $6,459, for a total of $73,553.
- Conglomerates, with an average salary of $65,875, bonuses of $7,226, for a total of $73,101.
- Food, where salaries averaged $62,344 and bonuses averaged $10,672, for a total of $73,016.
- Retail, with an average salary of $66,000, bonuses of $6,121, for a total of $72,121.
- Chemical, with an average salary of $66,589, bonuses of $5,512, for a total of $72,101.
- Paper, with an average salary of $62,855, bonuses of $6,982, for a total of $69,837.
- Metals and mining, with an average salary of $62,850, bonuses of $6,763, for a total of $69,613.
- Consumer products, with an average salary of $62,471, bonuses of $5,995, for a total of $68,466.
- Manufacturing, with an average salary of $56,156, bonuses of $4,988, for a total of $61,144.
- Utilities, with an average salary of $59,006, bonuses of $1,950, for a total of $60,956.
- Service industries, where salaries averaged $52,802, bonuses $5,295, for a total of $58,097.
- Construction, with an average salary of $50,983, bonuses of $4,089, for a total of $55,072.

Food firm wins $4.5 million from Hartford

By JUDY GREENWALD

CHEVERLY, Md.—The Hartford Insurance Co. is seeking a new trial following a $4.5 million jury award to a food services company that sued the insurer for coverage of losses in a July 1985 fire at an Illinois racetrack.

Cheverly, Md.-based Allegheny Beverage Corp. and operating subsidiary Service America Corp. of Stamford, Conn., sued both Hartford and their insurance broker for business interruption coverage for a food concession at Arlington Park Racetrack in Arlington Heights, Ill. The racetrack facilities were destroyed by the fire (*BI*, Aug. 5, 1985).

In its suit, Allegheny stated that either Hartford or New York-based broker Tanenbaum-Harber Co. was liable for the company's losses.

State court Judge Robert Woods in Upper Marlboro, Md., agreed that Allegheny was entitled to recovery, and instructed the jury to determine which of the parties was at fault, and for how much, said attorney Donna S. Mangold of the Washington, D.C., law firm of Cooter & Gell, which represented Allegheny.

The jury decided Hartford was liable. "We were completely vindicated," commented Washington attorney Robert F. Reklaitis of Hamel & Park, which represented Tanenbaum.

A Hartford spokesman said the insurer disagrees with the verdict, but he did not elaborate.

At the center of the dispute was whether Allegheny's $5 million business interruption coverage included unscheduled locations. Arlington Park was among those locations not named in the Allegheny's all-risk policy, which ironically was delivered to Tanenbaum on July 23, 1985, just one week before the fire.

At issue was whether or not Tanenbaum had com-

Continued on page 12

BI opens annual nominations for Risk Manager of the Year

Nominating forms are now available for the 1988 Risk Manager of the Year Award.

The winner of this year's award will be announced in the April 18, 1988, issue of *Business Insurance*, which will coincide with the 26th annual Risk & Insurance Management Society conference in Washington, D.C.

"It's very important that people wishing to nominate candidates begin soon, because the nominating process does take time," commented *Business Insurance* Editor Kathryn J. McIntyre. "The nominating form is very extensive, in order to give our judges the necessary information to select the most qualified individuals," she explained.

Ms. Lichota

Anyone in charge of the risk management function for any corporation, government entity, financial institution or not-for-profit institution is eligible to be nominated for the award, which was inaugurated in 1978 to increase awareness of the risk management profession and to recognize outstanding performance in the practice of risk management.

Each year, candidates for the *Business Insurance* Risk Manager of the Year award are scored based on 10 specific criteria by a panel of 10 independent judges (see story, page 25).

The judges include past recipients of the award and members of previous years' Risk Management Honor Roll, top executives of insurance companies and insurance brokerage firms, consultants and risk management academicians.

The names of the judges who will select the 1988 Risk Manager of the Year will be announced next month.

While only one candidate will be named Risk Manager of the Year, as many as four others can be named to the Risk Management Honor Roll, which was established in 1980 to recognize risk management achievements in different types of employment settings.

Starting with the 1981 competition, candidates were separated by employment categories: corporations with sales exceeding $300 million; corporations with sales less than $300 million; government entities; and tax-exempt or not-for-profit institutions.

A fifth category was added in 1985 to recognize achievement by risk management professionals employed by financial institutions.

According to the rules of the competition, the employment category represented by the candidate with the highest cumulative score—who is named the Risk Manager of the Year—is eliminated.

Then, in each of the four categories remaining, the highest-scoring candidate is named to the Risk Management Honor Roll. However, in some years, there may not be a winner in every category.

A candidate need not spend full time handling risk management, but must be a full-time employee of the organization for which he or she directs the risk management program.

A candidate can be nominated by anyone familiar with the risk management professional's work. For example, any employee or group of employees can nominate the organization's risk manager; a broker, consultant or other service supplier can nominate a client; and a risk manager can nominate a colleague.

Nominations must be submitted according to the detailed instructions contained in a special nominating form available from the *Business Insurance* editorial office in Chicago. A new guide to assist in the preparation of the nomination will be provided this year.

The deadline for submitting nominations is Nov. 23.

The 10 previous winners of the Risk Management of the Year award are:

- Edith F. Lichota, senior vp at Irving Trust Co. in New York, in 1987.

Ms. Lichota was the first woman to be named Risk Manager of the Year.

- Donald Nelson, director of risk management at ARA Services Inc. in Philadelphia, in 1986.
- Harold C. Lang, then-director of insurance and risk

Continued on page 25

Panel to 'perfect' product liability bill

By JERRY GEISEL

WASHINGTON—Federal product liability reform legislation may be headed for its first vote of the current congressional session.

House Commerce, Consumer Protection and Competitiveness Subcommittee Chairman James J. Florio, D-N.J., says the subcommittee intends to "perfect" legislation during the August recess.

If a consensus can be reached, then the subcommittee will vote on reform legislation in September, according to an aide to Rep. Florio.

While business lobbyists are enthused that product liability legislation is headed for a subcommittee vote after months of hearings, they still must round up more Democratic support if the legislation is to have any chance of passing either the House or Senate this session.

'The difference between Republican and Democratic support is beginning to be bridged,' says Jim Anderson, senior director of government relations for the National Assn. of Wholesaler-Distributors in Washington.

Support for the legislation, H.R. 1115, introduced in February by subcommittee member Rep. William B. Richardson, D-N.M., is strongest among Republicans. Of the measure's 72 co-sponsors, 45 are Republicans and 27 are Democrats.

With the Democrats firmly in control of both the House and Senate, any legislation that receives the bulk of its support from the minority party clearly faces an uphill battle to win congressional approval.

But backers of Rep. Richardson's proposed legislation say more Democrats are coming on board and that support will come more evenly from both parties in the weeks to come.

"The difference between Republican and Democratic support is beginning to be bridged," said Jim Anderson, senior director of government relations for the National Assn. of Wholesaler-Distributors in Washington.

"We are getting more Democrats as co-sponsors and we are working to get even more Democrats," added Liberty Mahshigian, co-counsel for The Product Liability Alliance, a lobbying group that supports federal product liability legislation, based in Washington, D.C.

The Richardson bill is expected to be the starting point for the subcommittee when it begins to draft and vote on a bill.

Rep. Richardson's bill would:

- Abolish the joint and several liability provision for non-economic damages.

Under joint and several liability, a defendant only slightly at fault can be liable to pay 100% of a damage award if other defendants are unable to pay.

A similar joint and several liability provision was part of product liability legislation approved last year by the Senate Commerce Committee (*BI*, June 30, 1986), but that legislation later died on the Senate floor.

Rep. Florio

- Establish state-of-the-art and government standards defenses. Under a state-of-the art defense, a manufacturer cannot be held responsible for product defects if it was unable to foresee defects using the technology available at the time of manufacture.

A government standards defense protects manufacturers if their products met applicable government safety rules.

- Establish a statute of repose that would prohibit lawsuits against manufacturers involving capital goods products, like printing presses, that are more than 25 years old.
- Bar most punitive damage awards against manufacturers whose products were approved by federal agencies, unless the manufacturer withheld relevant information from the agency.
- Require product liability suits to be filed within two years of the time of the injury.
- Offset product liability awards by the amount of workers compensation benefits received by an injured worker.
- Eliminate liability against wholesalers and retailers except in cases where they are at fault or in cases where a manufacturer is bankrupt.

Product liability legislation also had been introduced in 1984 and 1985. ■

Ms. Seguine promoted on *BI* staff

Holly Seguine, 31, has been promoted to Assistant Managing Editor/Graphics at *Business Insurance*, announced Editor Kathryn J. McIntyre.

"This promotion recognizes Holly's increasing role and duties involved in the production of *Business Insurance* each week," Ms. McIntyre said.

Ms. Seguine

Ms. Seguine will continue to manage the graphics department at *Business Insurance* in Chicago.

Ms. Seguine joined the *Business Insurance* staff in 1984. Previously, she was a managing editor with Pioneer Press Inc., a chain of weekly newspapers in the suburban Chicago area. She also worked as a sports reporter and later a municipal reporter with Pioneer. She was named a managing editor in 1981.

Ms. Seguine is a graduate of the University of Wisconsin-Madison.

Ms. Seguine can be reached at 312-649-5277. ■

Report
from Number One Wall Street

If standby letters of credit keep your reinsurance business on hold, you need an alternative.

Irving Trust.

Irving Trust has developed innovative techniques and instruments for securing U.S. liabilities more cost-effectively than any other method in the marketplace.

If the word you most often hear when securing U.S. reinsurance liabilities is "standby," we suggest calling our international insurance specialists.

In addition, if the rising cost for letters of credit has become a major concern, again the answer is Irving Trust.

Our international insurance specialists are dedicated to helping you secure liabilities quickly and easily. With a level of personal attention and service that Irving Trust is famous for worldwide.

From our offices in London, Frankfurt, Tokyo and New York, we'll help you get your financial business done quickly and economically.

For more information, write or call Gerard T. Morda, VP, Irving Trust, One Wall Street, New York, NY 10015. Telephone: 212/635-8802; Telex: ITT 420268.

For companies located in the United Kingdom call Richard J. Lewy, VP, in our London office. Telephone: 1-626-3210; Telex: (851) 883265/6.

For companies located in Continental Europe call Wolfgang Meyer-Parpart, VP, in our Frankfurt office. Telephone: 069-714-1226; Telex: (416) 805/06.

For companies located in Asia call Mitsuru Takeuchi, Assistant VP, in our Tokyo office. Telephone: 81-3 595-1131; Telex: (781) 2226231.

Irving Trust

Member FDIC

For Palm Beach Clothing, Wausau is the common thread.

Every Palm Beach label signifies a close attention to styling and to detail. Their concern for quality is apparent in every garment they produce.

And their concern for their employees is apparent in the close attention they give to the work environment. So, when certain workers began to develop a debilitating wrist condition, Palm Beach called Wausau.

From experience, Wausau suspected carpal tunnel syndrome, a painful condition caused by performing repetitive tasks day after day, year after year.

"That led Wausau to conduct an ergonomics study at several plant locations — to see how work stations could best be fitted to our workers," says Palm Beach Treasurer William Beebe. "As a result, Wausau made specific recommendations on ways we could alleviate the problem."

Like thousands of companies across the country, Palm Beach relies on Wausau's special business insurance expertise. It's knowledge that comes from 75 years of concentrating solely on business insurance.

And, it's the common thread we can bring to your business.

WAUSAU WORKS.

WAUSAU INSURANCE COMPANIES
Wausau, Wisconsin 54401

A Member of the Nationwide Group.

Vital

business insurance Update

Surplus Lines

Surplus Lines Directory

Up-to-the-minute evaluations, insights and ranking of surplus/wholesaler marketers and surplus lines insurers.

publishing: August 10
ad closing: July 28

NEW YORK:
220 EAST 42ND STREET/NY 10017/(212) 210-0133
CHICAGO:
740 RUSH STREET/IL 60611/(312) 649-5276
LOS ANGELES:
6404 WILSHIRE BOULEVARD/CA 90048/(213) 651-3710

California JPA to offer $24 million excess limits

By STEVE TARAVELLA

LOS ANGELES—A new insurance authority created by the California Legislature, offering up to $24 million in excess liability coverage, is available to public entities in the state.

The Local Agency Self-Insurance Authority, or LASIA, will write excess liability coverage on both a direct and reinsurance basis, and will offer both claims-made and occurrence policy forms.

In the latter instance, the underlying layers also must be written on an occurrence basis, explains William S. Mortimer, president of Risk Management Consultants in Laguna Beach, Calif., and coordinator of the project.

LASIA will operate as a joint powers authority and, as such, its policyholders will be considered members of the JPA.

By law, the JPA can provide liability limits anywhere in an insurance program above $1 million, as long as the total coverage does not exceed $25 million. For instance, a public entity with $23 million in liability coverage could purchase no more than $2 million from the JPA.

Public entities in the JPA would pay an annual premium and, to accumulate initial capital, may be required to pay a premium surcharge their first year of participation. If premiums are not sufficient to cover incurred losses, LASIA may assess the entities a percentage of their base premium.

"We expect significant interest because virtually every (public) entity in the state has less than the $25 million we're authorized to offer," says Richard Maddalena, president of LASIA's nine-person board of directors and administrator of the Special District Insurance Authority, a Weaverville-based JPA for primary-layer public entity coverages.

By taking part in LASIA, California's public entities may eventually reduce their insurance premiums and, more importantly, enjoy a stable market: Policyholders cannot be canceled or non-renewed for loss experience, only for not meeting JPA rules, Mr. Maddalena explains.

Initially, the pool expects to offer liability capacity of $5 million, none of which is applicable to primary layers. Any public entity below the state government level is eligible to apply. This includes some 7,000 cities, counties, regional government organizations, school districts and special entities.

For its underlying $1 million of coverage, a public entity can be self-insured, commercially insured, or insured through a pool.

Many California public entities self-fund their general liability exposures through municipal pools (*BI*, Jan. 26).

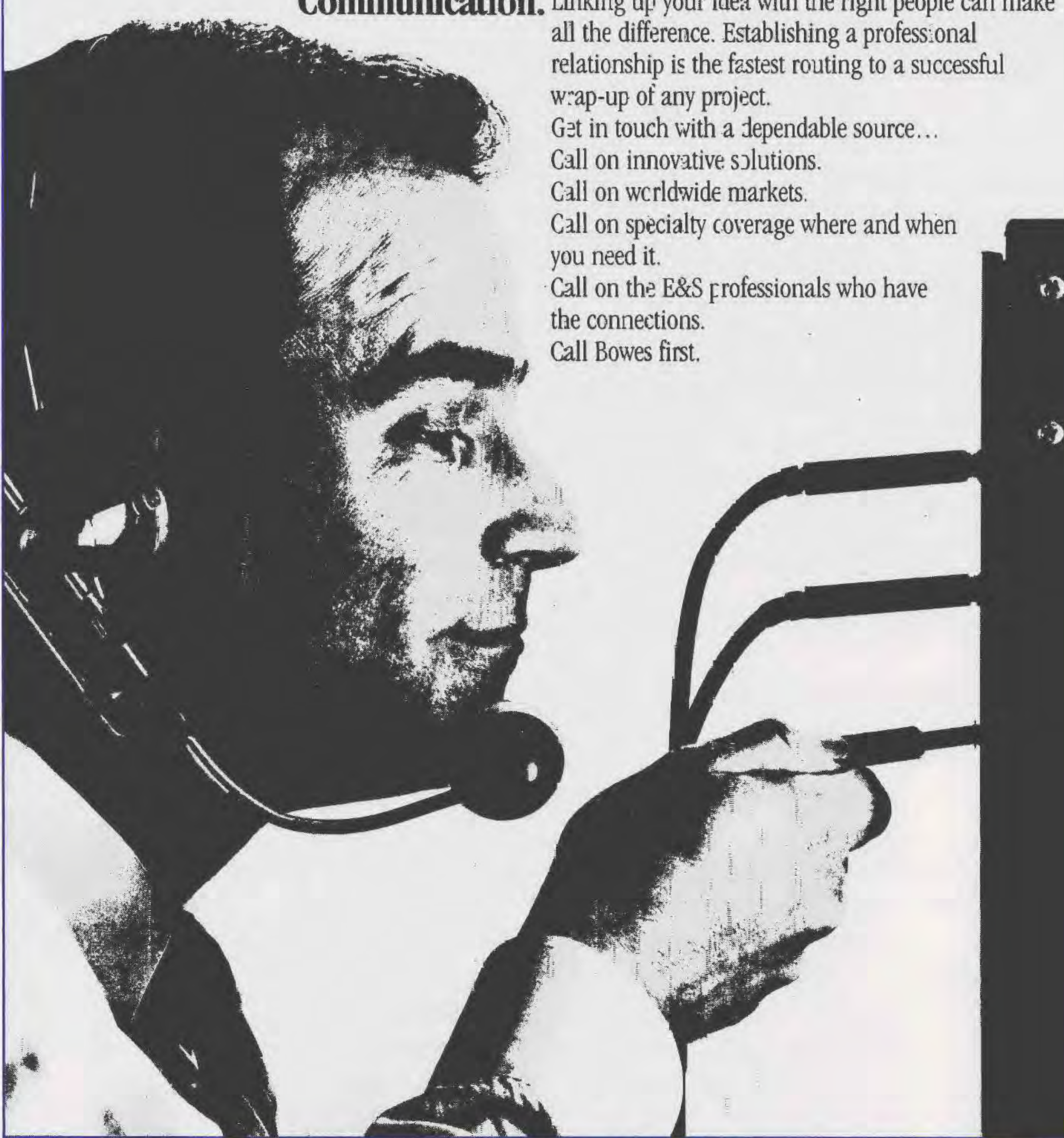
LASIA, which is soliciting applications now, will begin business when it has received $2.5 million in annual premium commitments, which should happen on or shortly after Oct. 1, Mr. Mortimer projects.

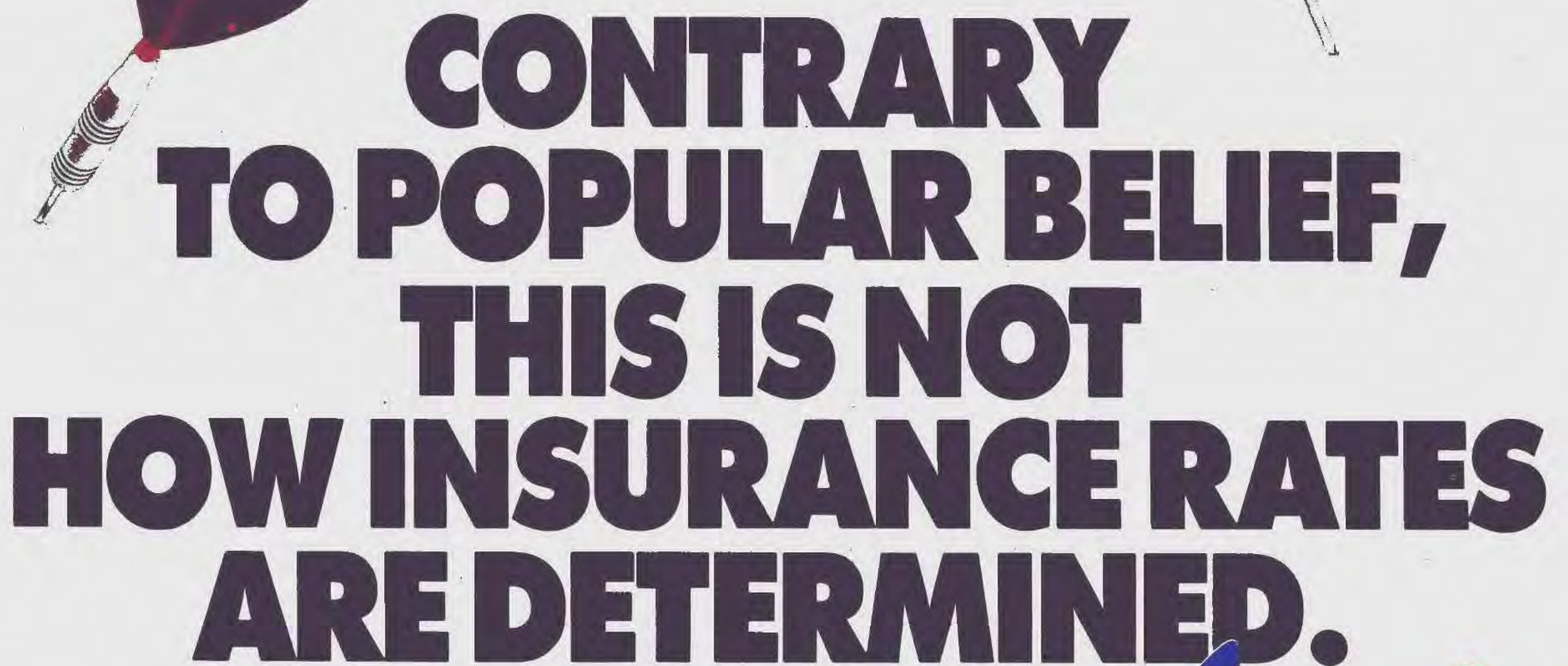
Submissions are welcome from agents or brokers but, since premiums will be quoted net of broker fees, brokerage compensation will be the responsibility of the public entity. Underwriters are in the process of being selected, Mr. Maddalena said.

Besides Mr. Maddalena, LASIA's directors are: Henry Bachrach, chief of risk and insurance management for Los Angeles County; Jeffrey W. Pettegrew, risk manager of Contra Costa County Municipal Risk Management Insurance Authority and president of the Public Agency Risk Management Assn.; Theresa A. Cook, Placer County supervisor; Don Fox, assistant superintendent for business at Ventura Unified School District; Ken Frank, Laguna Beach city manager; Dr. John Kazalunas, school psychologist with the Riverside County Office of Education; Kenneth Hess, Port Hueneme city council member; and Lyle W. Martin, past president of Associated California Water Agencies.

LASIA was established in late 1986 by A.B. 3554, a bill sponsored by State Assemblyman Dan Hauser, D-Arcata.

For an insurance application, contact Mr. Mortimer at Risk Management Consultants, 1700 Sunset Ridge Drive, Laguna Beach, Calif. 92651; 714-494-4451. ■

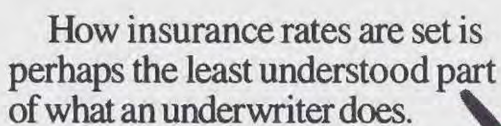




How insurance rates are set is perhaps the least understood part of what an underwriter does.

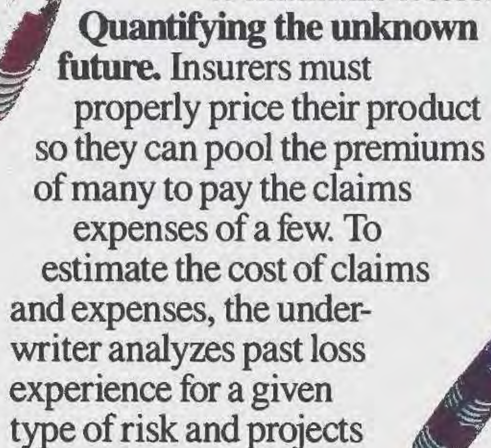
Actually, the process is quite straightforward.

The rate covers the projected cost of future claims, the insurer's anticipated expenses and a reasonable profit.



In addition, it reflects conscientious efforts made by the policyholder to minimize losses.

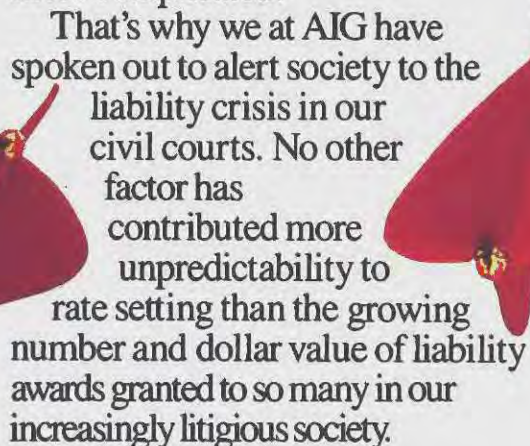
Quantifying the unknown future. Insurers must properly price their product so they can pool the premiums of many to pay the claims expenses of a few. To estimate the cost of claims and expenses, the underwriter analyzes past loss experience for a given type of risk and projects socioeconomic trends that may affect the future cost of the risk being covered.



The unpredictability problem. If an insurer can't predict the cost of risks, it has no way of knowing if its rates are adequate.

So when unpredictable factors enter the equation, the straightforward practice of rate setting becomes more complicated.

That's why we at AIG have spoken out to alert society to the liability crisis in our civil courts. No other factor has contributed more unpredictability to rate setting than the growing number and dollar value of liability awards granted to so many in our increasingly litigious society.



It's not just an insurance industry crisis. Insurance is simply a mechanism for spreading the costs of risk. When risks cost more, everyone pays more.

That's why it's a problem for society as a whole, not just the insurance companies.

Do we want to continue to allow this problem to undermine society's ability to secure much needed protection from the unknown? Or do we want to work together to make certain that insurance is readily available and affordable for all? The future course of insurance depends on society's answers to these questions.

AIG AMERICAN INTERNATIONAL GROUP OF INSURANCE COMPANIES

Our Policies Are Your Best Insurance.

opinions

Slow wheels of justice

FIVE YEARS is a long time to wait to see criminal charges brought in the so-called Howden scandal.

It's a long time for Alexander & Alexander Services Inc., which uncovered a financial mess when it bought Alexander Howden Group P.L.C. in London in 1982, and it's a long time for the five former Howden directors who were arrested earlier this month (*BI*, July 20).

While we can imagine that A&A is gratified that authorities in London have acted to bring this issue to a close once and for all, there is a danger that A&A's name and the name of its London unit could be dragged through the mud all over again.

That would be wrong.

Today's Alexander Howden Group Ltd. should not be judged by the alleged sins of its ex-directors who were criminally charged recently for fraudulent activities that allegedly occurred before A&A acquired the company.

Howden should be judged today for what it has become since A&A sorted out the legal and financial hardships that were caused by the Howden scandals: a well-respected and powerful brokering force in the London market.

And, A&A should no longer be criticized for buying Howden in the first instance. There's been enough hindsight uttered on that issue, and most of it unfounded.

Afterall, A&A relied on public records before making the acquisition. The records were faulty, as the $24 million payment by the auditors to A&A attests.

Indeed, A&A finally should get some credit for being the first company to ever blow the whistle on shenanigans at Lloyd's of London. Without A&A's audit of Howden in 1982, there would have been no exposure of the Howden scandal, and probably no other discoveries of the misappropriation of Lloyd's members' money.

To put the best face on this and the other scandals, they did lead to the massive reforms at Lloyd's that should prevent abuses of position and power in the future.

On a personal level, A&A's retiring Chairman John A. Bogardus deserves to be remembered for pulling Howden and A&A out of the mire. His ability to stick with it, while maintaining the support of employees, the A&A board and shareholders, was nothing short of amazing. He is held in the highest regard in London for rebuilding Howden.

A lot of the credit for helping get Howden back on its feet goes to two Americans A&A sent to Howden: Richard M. Page, former Howden chairman and now chairman and chief executive officer of Fred S. James & Co. Inc., and Ronald Berardi, former Howden financial officer and now James' chief financial officer.

While they no longer are with Howden, and are now fierce competitors of A&A, others recruited by A&A to help rebuild Howden remain. One is Dennis Mahoney, hired away from Sedgwick Group P.L.C. to become chairman of wholesale broker Alexander Howden Ltd. and co-chairman of the group. Mr. Mahoney, an inexhaustible leader in his early 30s, has hired people from Sedgwick, Willis Faber and other brokers to build a team of dedicated professionals. The North American property and casualty department is considered one of the finest in London.

Of course, business at Howden isn't perfect. For example, Howden's chairman of aviation, Michael Hughes, left earlier this year to join C.E. Heath P.L.C., and about seven aviation people have followed him.

Ironically, the same week that the former Howden executives were arrested, A&A finally received word from the U.S. Securities & Exchange Commission that it had concluded its investigation, begun in 1983, of how A&A handled disclosures related to the Howden acquisition and found no basis for taking action against the company.

The SEC doesn't invest four years in an investigation to come up empty-handed if it can help it. While we in the press were often frustrated with A&A's reluctance to discuss events involving Howden as they unfolded, it is a credit to A&A management that after four years the SEC could find no basis for charges.

Ultimately, it appears that Howden will be a great asset to A&A and not the disastrous acquisition that it once was characterized to be.

letters

Fireman's Fund had right to pull out

To the editor: I am compelled to respond to your editorial concerning Fireman's Fund Insurance Co.'s withdrawal from writing insurance in Massachusetts —not because of the conclusion (you support their right)—but because of the tone (*BI*, July 13).

The insurance industry should not be driven by unwarranted concern over purported fears that commercial responsibility is somehow reprehensible.

Your primary criticism is with the insurer's lack of notice to policyholders and agents and brokers.

Legislatures and judicial systems, however, create obligations never accepted by either parties to insurance contracts and impose liabilities disproportionately on insurance companies in a manner that abjectly disregards the premiums charged.

They do so without warning.

No companies should be compelled to do business in any state under terms that guarantee a loss.

That is not good business; in the long run, it is economically dysfunctional. It will lead to a greater "liability insurance" crisis as fewer insurers remain viable enough to pay losses.

Patrick A. Cathcart
Partner
Hancock, Rothert & Bunshoft
San Francisco

Business Insurance welcomes letters from its readers. Please keep your comments as brief as possible. We reserve the right to edit letters for clarity or space. We will not publish unsigned letters. Send your comments to Letters to the Editor, Business Insurance, 740 N. Rush St., Chicago, Ill., 60611.

Viewpoint on image of industry on target

To the editor: Congratulations to Philip O'Connor for his insightful article on the image of our industry, "Uncertain image: Insurance industry must unite, put best foot forward" (*BI*, July 13).

Mr. O'Connor certainly appears to be right on target with his assessment of the void in leadership that exists in our industry. Anything we can do collectively to develop a more cohesive response to critics would go a long way to improving our image.

I recommend his article to anyone who may be unclear as to where the insurance business stands in our current political and economic environment.

Philip Prass
President and CEO
Rollins Burdick Hunter
of Wisconsin Inc.

Claims-made form not inferior product

To the editor: I certainly agree with the well-reasoned perspective by Howard C. Alper, "An Open Letter to Property/Casualty Insurers" (*BI*, June 29), with the exception of his comments relating to the claims-made form.

We do not believe that the claims-made form is an inferior product, nor is it a suicide product.

It is impossible to realistically price the insurance product, especially on long-tail business, when you don't know the "cost" of the product for 10 or 20 years. Conversely to Mr. Alper's opinion, we believe the claims-made form is one of the ingredients necessary to fulfill the challenge outlined in the article.

This article should be required reading for every CEO and vp of underwriting at all U.S. insurers.

E. Richard Crebs
President
Commercial Insurance
Alternatives Inc.
St. Helena, Calif.

business insurance®
Reporting weekly for corporate risk, employee benefit and financial executives

Publisher: Alfred Malecki *(New York)*

Editor: Kathryn J. McIntyre, A. R. M. *(Chicago)*
Managing Editor: James M. Burcke *(Chicago)*
Assistant Managing Editor: Dave Lenckus *(Chicago)*
Assistant Managing Editor/Graphics: Holly E. Seguine *(Chicago)*
CHICAGO: Stacy Adler *(Assistant Copy Editor)*
Karen Brown *(Assistant to the Editor)*
Linda J. Collins *(Agent/Broker Editor)*
Donna DiBlase *(Associate Editor)*
Meg Fletcher, A.R.M. *(Associate Editor)*
Karen Huelsman *(Copy Editor)*
Marilou Jones *(Directory Editor)*
Laura Mazzuca *(Agent/Broker Topics Associate Editor)*
Amy Palmer *(Graphic Artist)*
Roger Schillerstrom *(Editorial Cartoonist)*
Stephen Tarnoff *(Associate Editor)*
Paul Winston *(Assistant Copy Editor)*
Joanne Wojcik *(Copy Editor)*
DALLAS: Michael Bradford *(Associate Editor)*
LONDON: Stacy Shapiro *(International Editor)*
Carolyn Aldred *(Associate Editor)*
LOS ANGELES: Robert A. Finlayson *(Bureau Chief)*
Steve Taravella *(Associate Editor)*
NEW YORK: Douglas McLeod *(Bureau Chief)*
Judy Greenwald *(Associate Editor)*
WASHINGTON: Jerry Geisel *(Washington Editor)*
Deborah Shalowitz *(Associate Editor)*
Corporate: H.L. Stevenson *(Corporate Editor)*

Advertising Director: Donald A. Walsh *(New York)*
Midwest Sales Manager: Robert L. Niesse *(Chicago)*
CHICAGO: Deborah D. Neale *(District Manager)*
Margaret Hikido *(District Manager/Classified Sales)*
Elmer Kerstowske *(Production Manager)*
LOS ANGELES: Michael J. Sharpe *(District Manager)*
NEW YORK: Charles A. Horvath *(District Manager)*
Jack Forrest *(District Manager)*
Martin J. Ross *(District Manager)*
Courtney Bauer *(District Manager)*

Director of Communications: Ronnie I. Drachman *(New York)*
Corporate Marketing Manager: Alice Sieloff *(Detroit)*

EDITORIAL: Chicago: 312-649-5398
Dallas: 214-363-1066
London: 01-404-4226
Los Angeles: 213-651-3710
New York: 212-210-0100
Washington: 202-662-7200
ADVERTISING: New York: 212-210-0133
Chicago: 312-649-5276
Los Angeles: 213-651-3710
COMMUNICATIONS: New York: 212-210-0132
CIRCULATION: Detroit: 313-446-1611

Published by Crain Communications Inc., Chicago
G.D. CRAIN JR.
Founder (1885-1973)
MRS. G.D. CRAIN
Chairman
KEITH E. CRAIN
Vice chairman
S.R. BERNSTEIN
Chairman-executive committee
RANCE CRAIN
President
MARY KAY CRAIN
Treasurer
MERRILEE P. CRAIN
Secretary
WILLIAM A. MORROW
Senior Vp-operations

Published weekly at 740 Rush St., Chicago, Ill. 60611, Telex 6871241, Cable CRAINCOM. Offices: 220 E. 42nd St., New York, N.Y. 10017, Telex 640207 CRAIN COM NYK; 1 Northpark, East Suite 114, 8950 N. Central Expressway, Dallas, Texas, 75231; Suite 814, National Press Building, Washington, D.C. 20045; 6404 Wilshire Blvd., Los Angeles, Calif. 90048; 20-22 Bedford Row, London WC1R 4EB, England. $1.75 a copy. $68 a year in U.S. Canada and all other foreign add $16 for surface mail. Europe and Middle East only add $47 for air delivery. First-class mail to U. S. and Canada only, add $48. Bermuda only, $105 per year expedited delivery. WILLIAM STRONG, vp-circulation. BARBARA KISCH, circulation manager. JOHN HUFFMAN, fulfillment director. Four weeks' notice required for change of address. Send subscription correspondence to Circulation Department, *Business Insurance*, 965 E. Jefferson Ave., Detroit, Mich., 48207, or phone 313-446-1611. Microfilm copies are available from University Microfilms, 300 Zeeb Road, Ann Arbor, Mich. 48013. Microfiche copies available: Bell & Howell, Micro Photo Division, Old Mansfield Road, Wooster, Ohio 44691. Portions of the editorial content of this issue are available for reprint or reproduction in other media. For information and rates to reproduce in general circulation media, contact: ART MERTZ, The Crain Syndicate, 740 Rush St., Chicago, Ill. 60611, 312-649-5303. For reprints or reprint permission contact: Reprint Department, *Business Insurance*, 220 E. 42nd St., New York, N.Y. 10017, 212-210-0229.

Member of Business
Publications Audit of Circulation

[illegible]efore you choose a [illegible]e benefits plan, remembe[illegible]... time is money.

[illegible] CNA [illegible] Companies, we've created a [illegible] that can be up and running, [illegible] 60 days. The plan is so simple that [illegible] your program—including flexible [illegible] options and full salary conversion—[illegible] your current benefits plan.

[illegible] "60-Day Solution" gives you and [illegible] dollar savings with [illegible] pay through tax savings for [illegible]

- Decreased FICA payments for your company
- Reduced medical and dependent care costs for employees

In addition, CNA assures a smooth transition by providing complete administrative support including processing enrollments, educating employees with our communication kits, and paying claims.

Save time and money with a CNA Flexible Benefits Plan. Contact your local CNA agent or broker, or call John Reed at (312) 822-6602.

CNA

For All the Commitments You Make®

Underwritten by Continental Assurance Co. and Continental Casualty Co., two of the CNA Insurance Companies.

Use of French marine insurers irks AIMU

By MICHAEL BRADFORD

NEW YORK—The American Institute of Marine Underwriters is "deeply distressed and angered" that a federal agency is allowing seven non-admitted French marine underwriters to write hull coverage for a fleet of U.S. ships.

The AIMU charges that the French insurers, which are writing 20% of the hull coverage for eight ships owned by Energy Transportation Corp. in New York, were not required to meet the same "high financial security standards" that U.S. and British insurers must meet before they are allowed to write such coverage.

Federal regulations require MARAD, an agency of the U.S. Department of Transportation, to approve all insurers that write hull coverage on vessels that receive federal financial assistance. Energy Transportation received government-backed mortgage-type financing on the vessels.

In a sharply worded letter directed to MARAD Administrator John Gaughan, AIMU Chairman George S. Zacharkow called the agency's action "the most extraordinary display of ignorance and/or bad faith on the part of government officials we have witnessed."

Mr. Zacharkow claimed that the "rash approval" of the French underwriters "makes a mockery of all the preparatory work by MARAD and others" in developing guidelines that could be used to approve foreign hull insurance underwriters. The decision "flies in the face of every safeguard we have urged be adopted," he wrote.

However, a MARAD spokesman said that the same basic criteria for approving American insurers was used when considering the French underwriters. He said each French insurer was limited to accepting an amount of risk equal to no more than 5% of its net policyholder surplus, the same limit required of American underwriters.

In addition, the hull policies include a provision that would allow coverage disputes to be settled by a New York court.

However, Mr. Zacharkow of the AIMU called the clause "meaningless" in his letter to MARAD, charging that the French insurers have no assets in this country that could be used to pay losses.

But the MARAD spokesman disputes that contention. "If they check, they will find that all those companies have trust funds or other assets in the U.S."

While the MARAD spokesman did not have specific figures on the total amount of coverage written, he said the French insurers were limited to writing a total of 20% of the hull insurance limits. Of the remaining coverage, 55% was written by 20 to 25 American insurers and 25% by British underwriters.

The French insurers are: Assurances Generales de France; La Concorde S.A.; Groupe des Assurances Nationales; Assurances du Groupe de Paris; Preservatrice Fonciere T.I.A.R.D; La Reunion Francaise S.A.; and Cie. D'Assurances Maritimes, Aeriennes & Terrestres S.A.

The coverage was brokered by Fred S. James & Co. Inc. in New York.

Kendall Chen, vp of Energy Transportion, said his company was able to buy coverage at cheaper rates from the French insurers and preferred their underwriting experience over that of some American companies.

The French insurers have "a long background" in underwriting liquid natural gas risks, said Mr. Chen. "They have a very thorough understanding" of our business.

Remarking on the coverage controversy, Mr. Chen said: "We found the better mousetrap, or one that was at least as good as the one we had, and we wanted to bring it into the equation of how we do business." ■

Do you have to return it?

If you're racing through this issue of Business Insurance because you have to return it soon,
why not have your own personal subscription?
Use the card in this issue or the coupon to
SUBCRIBE TODAY.
Business Insurance
Circulation Dept. 965 E. Jefferson Detroit, MI 48207

Business Insurance gives you total news coverage of loss prevention, risk financing and benefit management. Every week. Annual subscription (52 issues) in U.S. dollars.

(Check here:)	Surface Mail	By Air
USA	☐ $68	☐ $116
Canada	☐ $84	☐ $116
Bermuda (air only)		☐ $115
British Isles		☐ $115 or £82
Europe/Middle East		☐ $115
All other foreign		Rates on request

☐ new subscription. ☐ renewal. ☐ payment enclosed.
☐ bill me. ☐ bill company.
☐ Please send information on your special 20%-off group rate for five or more subscriptions.

name (please print)
title telephone
company
nature of business
☐ business or ☐ home address
city state/country zip/postal code
☐ I prefer not to receive information or advertising by mail from companies not affiliated with Crain Communications.

Mail to: Business Insurance, Circulation Dept., 965 E. Jefferson Ave., Detroit, MI 48207 IBCB7

HERE TODAY.

HERE TOMORROW.

At Hilb, Rogal and Hamilton, we believe that a good insurance sales executive is persistent before the sale—but a great one is persistent afterwards. Most of our executives have been with us between 10 and 20 years, making new sales...and keeping the good clients we have. So, when an HRH executive sells you a program—he may be the last insurance agent you'll see. But you won't have seen the last of him.

Hilb, Rogal and Hamilton Company

Atlanta,GA; Birmingham,AL; Charlottesville,VA; Chesapeake,VA; Dayton,OH; Daytona Beach,FL; Ft. Myers,FL; Goldsboro,NC; Jackson,MS; Manchester,CT; Mobile,AL; New Orleans,LA; Orlando,FL; Pittsburgh,PA; Richmond,VA; San Diego,CA; Tampa,FL

IT'S AMAZING WHAT YOU CAN DO WITH THE RIGHT GROUP OF PEOPLE.

Appointing a small group of experts to perform a huge task that will affect many lives. What a revolutionary idea.

We're talking, of course, about starting a flexible benefits program. You probably know how such a program could benefit your company. But you're unsure how to go about implementing one.

That's precisely why we developed the account-dedicated team. A highly-specialized group of people who will relieve you of the administrative burdens by following an all-encompassing plan for implementation. What's more, they'll work with you to develop a communications program for your employees.

Your main contact is the team coordinator. One person who's there to address any concerns you may have about your Flexible Benefits program. In short, this person is dedicated to the pursuit of happiness. Yours.

Why not get in touch with us and we'll help you determine if Flexible Benefits is right for your company. If it is, we can recommend a customized program, drawing from a full spectrum of products and services. We can even integrate *other* carriers' products into your program. And naturally, we'll provide ongoing maintenance and management reports.

Starting a Flexible Benefits program could be one of the greatest decisions you'll ever make. Before you make it, write to Peter Goff, CIGNA Companies, Hartford, CT 06152.

A Flexible Benefits plan that grants independence to the benefits manager. It's one more example of CIGNA's commitment to personalized service to business.

CIGNA

John Trumbull: *The Declaration of Independence* (detail) ©Yale University Art Gallery

ALTERNATIVE COMMERCIAL LINES INSURANCE MECHANISMS

A Strategic Analysis detailing:

- The Driving Forces
- How Alternatives Fit into the Commercial Market
- Keys to Survivability of the new Mechanisms
- Projections: Market share and areas impacted
- Implications: Primary, Broker, Excess and Reinsurance

Insurance Analytical Service - A Series of Reports for Insurance Professionals

Conning & Company

Members of the New York Stock Exchange, Inc.

101 Pearl Street, Hartford, CT 06103

Contact: David Schupp - 203•520-1277

Racetrack claim

Continued from page 3

municated Allegheny's desire for business interruption cover at unscheduled locations, whether Hartford had agreed to provide this coverage, and whether this was reflected in related documents.

Allegheny claimed in its suit that a quotation letter and a subsequent binder supported its contention that the Arlington Heights facility was covered. It also said the actual policy, which included an endorsement that limited coverage to scheduled locations, was wrong.

Hartford, in turn, said the quotation letter was not binding, and that Allegheny misinterpreted the binder.

Allegheny said in court papers that in late 1984 it instructed Tanenbaum to duplicate its then-existing coverage with Allianz Underwriters, which had provided business interruption and extra expense coverage for both scheduled and unscheduled locations.

According to court papers, Hartford sent an April 15, 1985, letter to Tanenbaum that said it would provide business interruption and extra expense insurance of "$5 million blanket."

The offer, says Allegheny's papers, "said nothing about excluding business interruption or extra expense coverage at unscheduled locations. This offer was subsequently accepted by ABC (Allegheny Beverage Corp.), and became the contract of insurance.

"Because the contract between ABC and SAC (Service America Corp.) and the Hartford was created when ABC accepted the Hartford's April 15, 1985, offer, it is that offer and acceptance that governs the rights of the parties."

Hartford, however, disagreed about the letter's significance, describing it as "at most a contract of temporary insurance, intended to provide coverage until the issuance and acceptance of formal binder or the final policy. As such, any effect it had terminated no later than the date that the final policy as accepted by Tanenbaum—July 23, 1985."

There also was disagreement about what was said at an April 17, 1985, meeting attended by representatives of Hartford, Allegheny and Tanenbaum. According to Allegheny and Tanenbaum, Hartford confirmed then that all locations were covered, while Hartford officials said coverage was limited to schedules locations.

The two sides also disagreed over the meaning of a subsequent July 8, 1985, binder, which said: "Extra expense and business interruption is blanketed at all locations for $5,000,000 combined limit.

"Exception to coverage are following locations:

Macke Circle, Cheverly, Md.—$6,300,000.

Luzerve St., Philadelphia, Pa.—$6,800,000."

The binder was signed by Hartford's underwriter, Simon Wethered, on July 15, 1985.

In its court papers, Allegheny pointed to the first statement as proof that unscheduled locations were covered. According to testimony by a Tanenbaum account executive, this binder was prepared after he complained that a preliminary policy that did not provide the coverage at all locations in accordance with the earlier agreement.

Despite this, the same endorsement erroneously appeared in the final July 23, 1985, policy delivered to Tanenbaum, according to Allegheny's court papers.

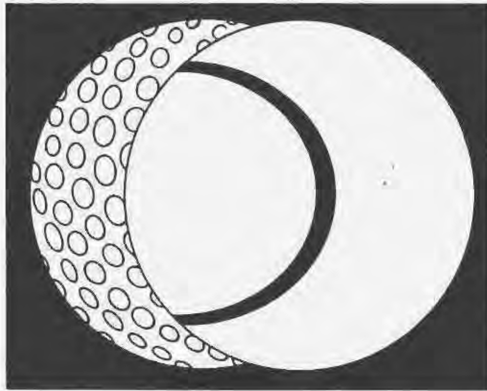
According to the Hartford, however, the second statement in the July 8, 1985, binder is also pertinent: "The record evidence demonstrates that the sole purpose of that binder was to increase coverage at two specific locations, and not to expand extra expense and business interruption coverage from specifically scheduled locations to all locations, as plaintiffs and Tanenbaum suggest."

Furthermore, the insurer said, it would have been contrary to its policy to provide this coverage.

"Hartford could not, and would not, provide this coverage, because it is not the practice among standard line insurance companies, of which Hartford is one, to provide business interruption coverage at unscheduled locations; consequently, Hartford does not generally provide this coverage," the insurer said.

"Moreover, the standard insurance forms used by Hartford and filed with the New York State Insurance Department do not provide for business interruption coverage at unscheduled locations."

Ms. Mangold said Hartford filed a motion for a new trial with Judge Woods. If that is denied, she said, Hartford may file a similar motion in appellate court. ■



AIG CHALLENGES YOU TO BRING OUT YOUR BEST GOLFERS AND TENNIS PLAYERS

American International Group challenges all organizations in the insurance industry to pit their golf foursomes and tennis doubles teams against the best the industry has to offer during the weekend of September 11–13 at the Mount Mansfield Resort in Stowe, Vermont.

The weekend will begin with a special AIG product seminar and talk by top AIG executives on Friday afternoon and continue on Saturday and Sunday with golf at Mount Mansfield's Stowe Country Club and tennis at the Mount Mansfield Racquet Club.

The first day's golf competition will be a best ball scramble, and on Sunday, corporate foursomes will compete for the Challenge golf championship. Saturday's tennis competition will include a doubles round robin tournament, and on Sunday, men's, women's, and mixed doubles teams will compete in elimination tournaments.

Insurance organizations can enter one golf foursome and tennis doubles teams in each division, but hurry. Only a limited number of teams will be accepted, and you wouldn't want to be the one who missed the Challenge.

To find out more about entering golf or tennis teams, please send in the coupon below, or call Ron Berenson at (212) 770-3157.

AIG Insurance Industry Golf and Tennis Challenge

Please mail to:
AIG Insurance Industry Golf and Tennis Challenge
70 Pine Street; Department A
New York, NY 10270

NAME

COMPANY

ADDRESS

CITY | STATE | ZIP CODE

TELEPHONE NUMBER

Canadian hospitals forming reciprocal

TORONTO, Ontario—Fifty Ontario hospitals are joining forces to form a reciprocal liability insurance plan in an effort to stabilize their liability insurance costs.

Hospital Insurance Reciprocal of Ontario opened for business on July 1, providing members with $5 million Canadian ($3.8 million U.S.) in primary liability coverage per occurrence and $5 million Canadian excess of $5 million.

The Ontario Superintendent of Insurance office defines a reciprocal as "a group of like organizations that contract with each other to share their losses in a predetermined manner. . .in a group that is large enough to form a mutual insurance association but is not incorporated." Canadian reciprocals, which must be approved by the superintendent, are not required to be capitalized before writing coverage for members.

The Ontario Hospital Assn. loaned HIRO $500,000 Canadian ($379,000) to cover startup costs.

The hospitals were prompted to form the reciprocal following average rate increases of 450% in 1985-86 and 200% in 1986-87.

"The prime purpose of a reciprocal is to stabilize and to insulate against the large swings—not to provide cheap insurance," said Michael McNeill, attorney and chief operating officer of HIRO.

In fact, reciprocal members will pay more than the $13 million Canadian ($9.9 million) in premiums they paid last year to Scottish & York Insurance Co., the lead insurer to the Ontario Hospital Assn.

HIRO offers a two-year occurrence policy, and members must give two year's notice if they intend to leave the reciprocal.

But Donald Batten, chairman of the Reinsurance Research Council of Canada, warns: "One has to keep in mind that (in Canada) it can take between five and nine years to have a serious injury adjudicated by the courts. During that time, inflation may escalate by as much as 25% a year."

HIRO officials said they have taken long-tail claims into account by including a contingency clause in their agreement with participants that allows the reciprocal to assess members in proportion to the premiums they paid in the year a financially burdensome claim is reported to the facility.

"I think all insurers welcome the involvement of such groups," Mr. Batten observed. "This will make the groups more aware of the difficulties of insurers. I would hope they would not turn their back on the insurance industry."

But Mr. McNeill said insurers had turned HIRO away when it tried to obtain reinsurance.

"We have approached reinsurers, but as long as there are traditional stock insurance companies keen to write this kind of business, reinsurers will line up behind them and refuse to do business with us," Mr. McNeill said.

Jack Lyndon, president of the Insurance Bureau of Canada, which represents the insurers writing 80% of Canadian property and casualty insurance, noted that a reciprocal formed by the textile industry in the 1960s "slowly disappeared."

However, Mr. McNeill said that scenario is unlikely for HIRO because modern computer technology makes it easier to track individual members' involvement.

If HIRO is successful, actuaries predict that hospitals can expect a handsome bonus in five years.

—*By Tony Thompson*

Insurer to pay damages

HERBORN, West Germany—Compensation for the damage,

worldwide

death and injuries suffered in Herborn after a gas tanker ran into an ice cream parlor July 7 will be paid by the tanker's insurance company, KRAVAG, a spokesman for the insurer said.

The small town in the German state of Hesse was rocked when the tanker, owned by Hartmann Spedition in Koblenz, spun out of control, ran into the restaurant and spilled 8,000 gallons of gasoline. Fire broke out in the restaurant, killing at least four people and injuring 36 others.

The tanker's driver, who escaped unhurt, was reported to have said that the truck's brakes failed.

Hartmann's auto liability insurance, which will pay for property damage and bodily injury, is unlimited, said a KRAVAG spokesman. KRAVAG denies that it has set up a liability fund, which other German sources say is 12 million deutsche marks ($6.5 million).

KRAVAG's reinsurers, who may also help pay for the loss, are led by Gerling-Konzern Globale Ruckversicherungs A.G., the KRAVAG spokesman confirmed. KRAVAG is the leading liability insurer for the West German trucking industry.

Another tanker—owned by ESSO S.A.F, a unit of Exxon Corp.—with 30,000 liters of gasoline exploded in the Black Forest July 6, causing about 1 million deutsche marks ($543,500) in damages, German sources say. ESSO's tanker was insured for liability losses with American International Underwriters Gmbh.

—*By Stacy Shapiro*

RLI

Consolidated Statutory Financial Information for
RLI Insurance Company and Mt. Hawley Insurance Company

STATUTORY SURPLUS (000 Omitted)	COMBINED RATIO
1986 — $53,063	1986 — 84.1
1985 — $37,037	1985 — 99.7
1984 — $16,739	1984 — 97.0
1983 — $12,238	1983 — 94.9
1982 — $11,084	1982 — 99.1
	5 YEAR COMBINED RATIO: — 92.9 (1982-1986)

ASSETS (000 Omitted)	LOSS RESERVES (000 Omitted)
1986 — $159,568	1986 — $46,243
1985 — $105,993	1985 — $22,784
1984 — $ 48,719	1984 — $ 9,150
1983 — $ 35,156	1983 — $ 4,985
1982 — $ 36,171	1982 — $ 4,455

SOLID.
To Protect Policyholders • To Honor Obligations
RLI Corp.
9025 North Lindbergh Drive
Peoria, IL 61615
Rated A- (Above Average)* By Standard & Poor's Corporation
Listed—New York Stock Exchange
*Earnings and Dividend Ranking
RLI Insurance Co. — Mt. Hawley Insurance Co. — American Capacity Insurance Co.
For Specialty Insurance Coverages

Association offers new D&O coverage

markets

The National Assn. of Corporate Directors in Washington, D.C., is offering two new programs to cover directors and officers liability risks.

One is a surety bond program and the other is conventional directors and officers liability insurance.

The surety bond program, which is underwritten by Aetna Casualty & Surety Co. of Hartford, Conn., and Seaboard Surety Co. of New York, is open to NACD members as well as other directors.

The surety bond program guarantees that a corporation will have enough money to indemnify its directors for the costs of defending or settling a D&O lawsuit.

Only directors serving companies in states that allow corporate indemnification are eligible.

According to John M. Nash, NACD president, some 30 states have passed statutes that allow corporations to indemnify their directors.

Surety bonds with aggregate limits of $20 million are available. Depending on the financial strength of the corporation, premiums range from $10 per $1,000 to $20 per $1,000.

NACD members can receive premium discounts of 20% to 30%, depending on the number of NACD seminars and educational programs a member has completed.

As Mr. Nash explained, directors who are "thoroughly apprised of their responsibilities and the issues facing directors," are better risks.

The surety bond program was developed in conjunction with Marsh & McLennan Inc. Managing Director Michael Tilton in New York.

In addition, the NACD is offering its members traditional D&O liability coverage underwritten by North Atlantic Casualty & Surety Insurance Co. of Greenwood, Ind.

The claims-made coverage, which is only available to NACD members, is available for limits of $1 million for a full board or $250,000 per director for those corporations that do not qualify for full board coverage. To qualify for full board coverage, a company must be in good financial standing, Mr. Nash said. The program will not insure inside directors of companies that are emerging from bankruptcy, he explained.

NACD members can receive premium discounts of 5% to 30% depending on the number of NACD courses they have completed.

A sample premium for a one-year policy with limits of $1 million annual aggregate, retentions of $5,000/$10,000/$15,000, prior acts coverage and a 90-day discovery period might be $4,200 to $8,400 for a company with assets under $5 million and eight directors, Mr. Nash said.

The discovery period gives corporations 90 days to discover a loss.

For a larger company with $25 million to $50 million in assets and 22 directors, the premium might be $14,565 to $31,075 for similar coverage he said.

Mr. Nash said that although the D&O market is showing signs of easing and there is increased capacity, the price for D&O coverage is still high (*BI*, April 13). This type of coverage is still needed by NACD members, he said.

For further information, contact Mr. Nash at NACD at 1707 L St. N.W., Suite 560, Washington, D.C. 20036; 202-775-0509.

Belvedere licensed

Belvedere America Reinsurance Co. has received its license from the New York Insurance Department.

According to Robert M. Huggins, president of Belvedere America, the approval of the company's license was "gratifying recognition by the department of our fitness to do business."

Previously, the reinsurer was only accredited in New York for regulatory purposes. This means that New York-domiciled insurers can take annual statement credits for reinsurance ceded to Belvedere America.

Belvedere America is licensed in 16 states and operates as an approved or accredited reinsurer in 27 other states.

"We are working to become licensed in the remaining states," said Mr. Huggins.

Belvedere America is the U.S. reinsurance unit of Belvedere Corp., which went public this year.

St. Louis HMO

Blue Cross/Blue Shield of Missouri and U.S. Healthcare Inc. of Blue Bell, Pa., have joined to launch a new health maintenance organization in the St. Louis area.

HMO Missouri will be formed by BC/BS, and U.S. Healthcare, a publicly traded company that owns and manages HMOs on the East Coast, will manage the HMO.

For details, contact Lawrence T. Longacre, senior vp and treasurer, U.S. Healthcare Inc., 980 Jolly Road, P.O. 1109, Blue Bell, Pa. 19422; 215-283-6827.

New risk consultant

Urbach Kahn & Werlin P.C., an Albany, N.Y.-based accounting firm, has launched a risk management consulting firm.

UK&W Technical Resources Ltd. will offer risk financing, risk management, loss control and marketing advice to closely held businesses and non-profit organizations.

Barbara Garro, who had been director of risk management for Comcast, a large cable television company, heads the new consultant.

UK&W Technical Resources Ltd. is located at 66 State St., Albany, N.Y. 12207; 518-449-3166.

PruCare expands

Prudential Insurance Company of America has begun marketing its PruCare Plus preferred provider organization and its PruCare health maintenance organization in Philadelphia.

"The combination of our PruCare HMO, PruCare Plus and other insurance services provides Prudential with maximum flexibility in addressing employer health care needs, enabling us to sell products singly or as a true 'triple option'," said Richard Rivers, vp group operations.

For more information contact Mr. Rivers, Prudential Insurance Co. of America, Central Atlantic Group Operations, 250 Gibralter Road, Horsham, Pa., 19044; 215-443-2000.

MetLife expansion

MetLife HealthCare Network, a subsidiary of Metropolitan Life Insurance Co., has been licensed to operate a health maintenance organization in New Jersey, and licensing of a New York HMO is expected shortly.

For more information contact: George Strotcher, vp and executive director, MetLife HealthCare Network of New Jersey, 365 W. Passaic St., Rochelle Park, N.J. 07662; 201-587-2750.

Mergers/acquisitions

Harleysville Group Inc. of Harleysville, Pa., has acquired **Atlantic Mutual Fire Insurance Co.** of Savannah through its newly formed subsidiary, Atlantic Insurance Co. of Savannah. In addition, Harleysville made a $9 million capital contribution to Atlantic Insurance.

Ingham Liedman & Co., a Miami-based subsidiary of Wolper Ross & Co., has acquired **Associated Pension Consultants Inc.** of Hollywood, Fla. ■

136,500

executives turn to this spot every week.

Every week your prospects turn to Business Insurance for the latest news in the industry. They also turn to BI's Insurance Services Guide to learn about companies that supply the products and services they need.

Insurance Services Guide is especially designed to provide small space advertisers with a clutter free, highly visible environment each and every week. When it comes to small space advertising no one delivers the impact and visibility that BI does.

Call Margaret Hikido today for ad rates and space reservations: (312)649-5340.

insurance services guide

Announcing A Breakthrough In Cafeteria Compensation Administrative Services.

MGIS is proud to announce the introduction of the MGIS CLASS Plan — Cafeteria Ledger Administrative Support Services — an administrative support system designed to help companies install and maintain a cafeteria compensation program for their employees.

MGIS Offers Service and Experience.

MGIS has nearly twenty years of experience in the field of group insurance administration, and an excellent reputation for the quality of their administrative services. MGIS currently services over 1,600 employers with over 85,000 employees. Thanks to MGIS' expertise, the CLASS Plan minimizes the administrative impact of cafeteria compensation from proposal state to monthly accounting.

THE MGIS Class PLAN

Cafeteria Compensation Is Fun To Market.

Cafeteria compensation is an exciting product to market since it could benefit the employers and the employees of virtually any size company. Besides, MGIS has assembled a complete set of effective marketing tools, including two audio/visual presentations separately targeted for employers and employees. Also, the MGIS CLASS Plan provides agents with a perfect vehicle to sell a menu of other insurance products, particularly Universal Life.

Get The Whole Story!

Don't miss out on this opportunity — find out more about how you and your clients could benefit from the MGIS CLASS Plan — call Julie Johnson for the whole story:

The MGIS Companies
85 Great Oaks Boulevard
San Jose, CA 95119
Post Office Box 530951
San Jose, CA 95153-5351
(408) 224-5400
Toll Free: (800) 231-9656
In Calif: (800) 874-9301

American General creates new human resources post

Arlen G. Ferguson, 45, has been named senior vp-human resources at American General Corp. in Houston. In this newly created position, he oversees corporate employee benefits and personnel functions for the diversified insurance and financial company. Mr. Ferguson reports to Michael G. Poulos, president. Previously, Mr. Ferguson was a principal in the Houston office of human resources consultant Sibson & Co. Mr. Ferguson received a bachelor of business administration degree from Southwest University in Georgetown, Texas, and a master of business administration degree with a concentration in insurance from the University of Texas at Austin.

* * *

Janet Morris, 38, has been named claims administrator of the industrial insurance division at the State of Washington Department of Labor & Industries in Olympia. In this position, she will oversee a staff of 400 that handles some 160,000 claims per year. Ms. Morris reports to Bob Lewis, assistant director of industrial insurance. Previously, she was claims administration manager for the State of Idaho in Boise, where she implemented a claims information system. Prior to that she served as a claims unit supervisor for Wausau Insurance Co. in Phoenix, Ariz. Ms. Morris received a bachelor of science degree in education from the University of Idaho in Moscow. In addition, Ms. Morris holds the Certified Professional Insurance Woman designation and is a member of the National Assn. of Insurance Women (International).

comings & goings: buyers

* * *

Thomas C. Mosier, 52, has been named manager-casualty insurance at the Jim Walter Corp. in Tampa, Fla. In this position, he is responsible for workers compensation and all forms of liability insurance, including general/products and automobile liability. Mr. Mosier reports to Weldon N. Emmons, manager, corporate insurance department. Prior to joining the building materials concern, Mr. Mosier served as director of risk management for Southwestern General Corp. of Golden, Colo. He received a bachelor of business administration degree from Western Michigan University in Kalamazoo.

* * *

Gary Avants, 27, has been named risk manager for the Clarke County Board of Commissioners in Athens, Ga. In this newly created position, he oversees the county's safety and loss control programs as well as all insurance coverages. He reports to Russ Crider, county administrator. Previously, Mr. Avants was a group underwriter with Confederation Life Insurance Co. in Atlanta. He received a bachelor of arts degree in economics from the University of Georgia in Athens. In addition, Mr. Avants is a Fellow of the Life Management Institute and is a member of the Public Risk & Insurance Management Assn.

* * *

Helen Koenig, 23, has been appointed assistant risk manager at Jostens Inc. in Minneapolis. In this newly created position, she is responsible for maintaining Jostens' cost-allocation system, tracking workers compensation loss experience and providing risk management support. Ms. Koenig reports to Gerald Ciardelli, manager-risk management. Jostens produces educational materials and services, including class rings, graduation announcements and yearbooks. Ms. Koenig holds a bachelor of business administration degree with a concentration in finance from the University of Minnesota School of Management in Minneapolis-St. Paul.

●

We'd like to report on staff changes in your company's risk management, safety or employee benefits department. Just drop a note to Paul Winston, assistant copy editor, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611-2590, or call 312-649-5442. Please send a photograph, too.

AMERICAN RISK RETENTION ACT ASSOCIATION
(in formation)
A nationwide trade association dedicated to the advancement of the goals of the Risk Retention Act

For membership information correspond with:

American Risk Retention Act Association
12222 Merit Drive, Suite 1660, Dallas, Texas 75251
Attention: Daniel D. Dinur

MEDIEVAL CELLE

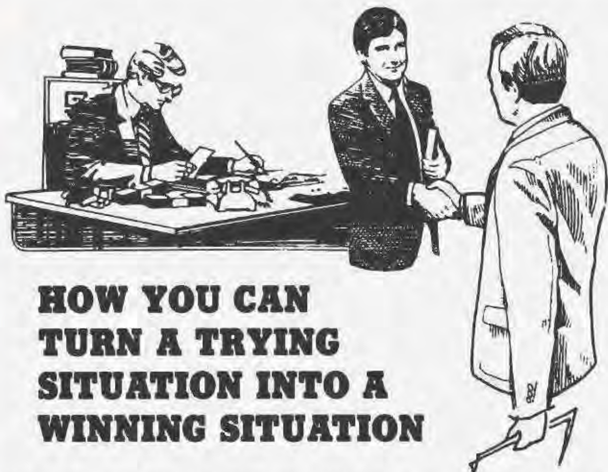
These buildings have withstood the ravages of time and we have withstood the ravages of the market. We are both rooted in the same traditions: Consistency, Craftsmanship, Creativity. We blend old virtues and skills with the innovation of today.

HANNOVER Re: your partner for the future.

Rated 'AAA' by Standard & Poor's

HANNOVER RE
Karl-Wiechert-Allee 50 · D-3000 Hannover 61 · West Germany
Telephone 49-511-5604-0 · Telex 922 599 (hanr)

STRUCTURED SETTLEMENTS



HOW YOU CAN TURN A TRYING SITUATION INTO A WINNING SITUATION

When you are the defendant in a liability case and your money is at risk you may want to come to terms . . . favorable ones . . . without a lengthy and costly court battle. That's when you need the experience of specialists in structured settlements. DONALD R. FISHER & ASSOCIATES, INC. can save you time and money with professional assistance in the design, negotiation and placement of structured settlements.

For more information at no obligation, CALL:

DONALD R. FISHER & ASSOCIATES, INC.

Suite 1125 Fisher Building
3011 West Grand Boulevard
Detroit, Michigan 48202
(313) 872-2800

Toll Free (Outside MI)
1-800-255-6652
FAX: (313) 872-0493

Work Comp Symposium

Consensus may be forming on occupational disease bills

By MEG FLETCHER

Photo courtesy of the Airlie Foundation

More than 60 people met in a retreat-type setting at Airlie House in Airlie, Va., for the National Symposium on Workers Compensation, which was held July 5-10.

AIRLIE, Va.—Employers and labor are moving closer to agreeing on the language of the occupational disease reporting bills now moving through both houses of Congress, some observers say.

"In fairness to the bill's sponsors, I want to underscore that the bill, as reported by the Senate Labor Subcommittee, is significantly improved over the bill as introduced," noted Rick Lawson, counsel for the American Insurance Assn. in Washington, D.C.

"But it is not yet good enough. Major problems remain which must addressed."

Mr. Lawson was among panelists who discussed the legislation during the National Symposium on Workers Compensation July 5-10 in Airlie, Va.

The legislation, known in both houses as the High Risk Occupational Disease Notification and Prevention Act of 1987, would establish a program under the Department of Health and Human Services to identify, notify and treat current and past employees who are at increased risk of illness or disease due to workplace exposure to hazardous substances (*BI*, April 27).

Both S. 79 and H.R. 162 call for establishing a Risk Assessment Board, comprised of government and non-government scientific and medical specialists, that would determine which employee groups should be notified.

The board's determination would be based on clinical or epidemiological studies that indicate current or former workers exposed to a particular substance are likely to become ill.

While HHS is responsible for notifying targeted employees, private employers may establish their own notification programs, which must be certified by the HHS secretary.

The bills also provide for development of a series of health centers to train and educate physicians monitoring the health of notified workers.

The House bill "will pass for sure," predicted Don Elisburg, administrator for the Washington, D.C.-based Occupational Health Legal Rights Foundation. H.R. 162 has been approved by both the House's Education & Labor Committee and the Rules Committee and is awaiting action on the House floor.

Meanwhile, the Senate bill has passed from the Labor Subcommittee of the Senate Committee on Labor and Human Resources to the full committee, where it is now being amended.

One amendment to S. 79 exempts employers with 10 or fewer employees from many of the requirements.

Panelists said that employers and labor have narrowed down to five their points of disagreement over the legislation. They include:

- The extent to which the notification process will increase insurers' and employers' exposure to additional workers compensation or tort claims.

The AIA's Mr. Lawson said he approves of language added to the Senate bill that protects employers by prohibiting an employee from using a notification of exposure as the legal basis for a workers compensation or tort claim.

"However, additional language is still needed to extend this prohibition to records of proceedings of the board, as well as to board reports and to the content or description of any board notice.

"In addition, board findings, determinations and evidence should not be allowed to serve as the basis of expert testimony in a workers compensation proceeding or in tort litigation," Mr. Lawson said.

"This language would not prevent the introduction into any proceeding of any scientific report; it would merely prevent that report from being given any added luster because it was part of the board's proceedings," he added.

In addition, the AIA would like language inserted to prevent employees from filing workers comp claims for stress related to a notification.

However, Peg Seminario, assistant director for the AFL-CIO's Department of Occupational Safety, Health and Social Security, said she thinks the concern about stress claims from the notification process is exaggerated.

The AIA also would like employers that cooperate with HHS to be shielded from liability if, after a good faith effort, the employers were unable to notify everyone exposed.

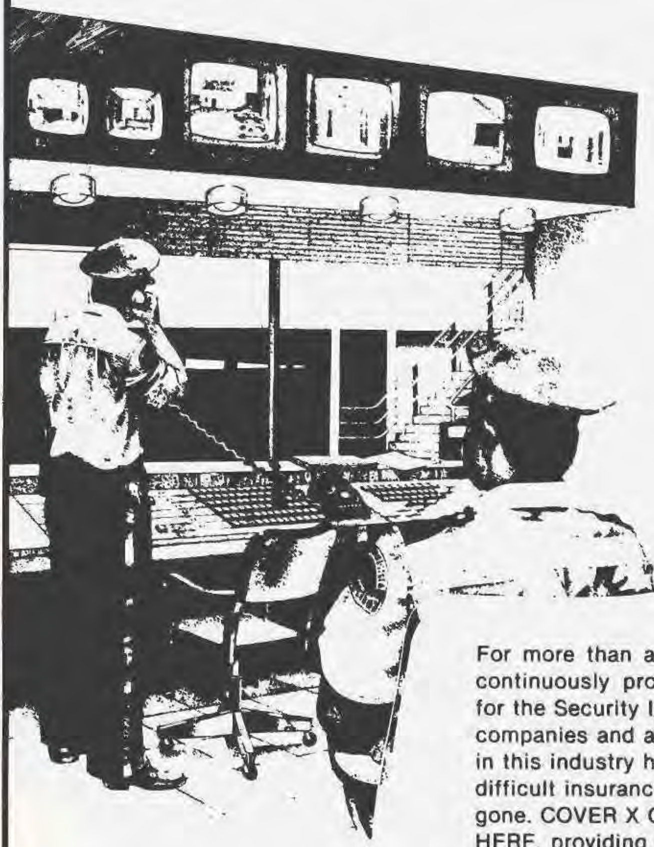
- The period for which current and past employees should be notified of exposure to an occupational health hazard.

S. 79 requires notification of current and past employees who may have been exposed any time within the last 30 years, while H.R. 162 requires notifying those over a "reasonable"—although undefined—period.

"We do not believe there is any way that an accurate personal notification process can be developed for this long of a time span," said

Continued on next page

A BRIEF MESSAGE ABOUT INSURANCE PLACEMENTS FOR



- Security Guards,
- Patrol Services,
- Detective Agencies,
- Armored Car Service,
- Alarm Monitoring and
- Alarm Installation

For more than a decade Cover X Corporation has continuously provided a stable insurance product for the Security Industry. During that time many companies and agencies professing to "specialize" in this industry have come and gone. In today's difficult insurance marketplace most are simply gone. COVER X CORPORATION IS STILL HERE, providing that industry with custom tailored GENERAL LIABILITY, PROFESSIONAL LIABILITY and WORKERS COMPENSATION.

If you have current or potential clients in the security industry whose long range interests lie in obtaining a quality insurance product in a stable market then you owe them a Cover X quotation.

For further information or applications call or write . . .

COVER X CORPORATION

P. O. Box 5096, Southfield, Michigan 48086
Telephone: (313) 358-4010 – Telex: 23-5635

GENERAL AGENT (WHOLESALE) TRUCK PROGRAM

Admitted and non-admitted markets available to established GA, MGA and E + S Brokers with established transportation book of business.

Richard D. Slautterback
Chairman
Telex: 80-4319

1-800-647-3769

AMERICAN TRUCK UNDERWRITERS, INC.
P.O. Box 105257 Atlanta, GA 30348

© 1987 American Truck Underwriters, Inc. ® All Rights Reserved

NCCI alters experience rating plan

By MEG FLETCHER

AIRLIE, Va.—The National Council on Compensation Insurance will introduce a more sensitive experience-rating formula for large employers' workers compensation premiums next year.

"Someone with worse than average experience will pay more, and those with lower plan costs will pay less," said Anthony Grippa, the NCCI's senior vp of filing and research, at the council's National Symposium on Workers' Compensation in Airlie, Va., July 5-10.

The formula change will provide greater equity among employer policyholders but will not affect insurers' profits, he said.

The NCCI's insurer members are expected to use the new formula for policies beginning in the latter half of 1988, Mr. Grippa added.

The change is the fourth major update of the plan since 1940. It was last altered in 1977, he said.

Experience rating uses the previous three years of an employer's claims history to adjust the manual rate, which is the average cost for similar employers grouped together in a class.

Experience rating typically is used for employers with at least 15 employees, because a minimum volume of exposure is needed in a class for the data to have any rate-making value.

"The recent trend has been for consumers to call for a more responsive experience-rating plan," Mr. Grippa said. That means greater credits for employers whose past claims experience has been better than average, and greater debits for those whose experience has been worse than average.

"The balance between rating-plan responsiveness and stability is always a judgment issue," Mr. Grippa added. A plan that is 100% responsive eliminates the transfer of risk because each employer would be called upon to pay his own claim costs, no matter how high, he pointed out.

Stress claims

The growing acceptance by states of stress-related workers compensation claims may spur legislative action to reduce those claims, predicts Michael Camilleri, senior vp and general counsel for the NCCI.

In the past 10 years, the number of states allowing

Continued on next page

FOUNDERS MEETING
NATIONAL ASSOCIATION
OF
RISK RETENTION GROUPS
Chicago, September 20-22
For more information, write to:
NATIONAL ASSOCIATION OF RISK RETENTION GROUPS
P.O. Box 9289, Crystal Lake, IL 60014
ATTN: Harley Bierce or call (202) 783-1135

Notification bills

Continued from previous page

Mr. Lawson, referring to S. 79's 30-year requirement.

Limiting notification to a company's current workers and perhaps its retirees would be more workable, he said.

However, while acknowledging that it is difficult to keep track of former employees, labor spokesmen say extended notification is necessary because some occupational diseases take a long time to manifest.

- Whether the Risk Assessment Board's determinations regarding which substances are hazardous should be subject to scientific review.

AIA's Mr. Lawson recommends an independent, scientific check of all board findings.

But Mr. Elisburg thinks that provisions in the legislation establishing a diverse, expert board and soliciting public comment are adequate to ensure that the appropriate employees and hazardous substances are targeted.

- Whether there is an appeal process after a particular occupational health hazard has been identified.

The AIA's Mr. Lawson proposes that the HHS secretary be authorized to ask the board to reconsider its determinations and to slow the risk assessment and review process.

As the legislation is currently drafted, only 105 days are provided from the date the first notice appears in the Federal Register to publication of a rule ordering a notification.

However, Mr. Elisburg asserted that subjecting the board's decisions to HHS review would delay the system and make it more political. The goal is a "fair but speedy process," he said.

For example, it took 20 years for the government to establish standards for workers' cotton dust exposures, Mr. Elisburg noted.

- Whether workers' needs could be better served by first giving the hazard communication standard, promulgated by the Occupational Safety and Health Administration, a chance to work.

The standard requires all chemical-using manufacturers to implement a hazard communication program. However, OSHA is expected to expand that standard to apply to all employers following a recent court ruling (*BI*, June 15).

Mr. Lawson said he is disappointed that some persons are not willing to allow the standard to work and to evaluate its effectiveness before establishing another government program to accomplish essentially the same goal.

However, others contend that the OSHA standard is too limited and that the agency does not have sufficient resources to enforce it. ■

SKANDIA AMERICA GROUP

Wage loss formula in some states under review

By MEG FLETCHER

The few states that compensate workers with permanent partial disabilities as long as they can demonstrate a loss of earnings capacity may be pressured to revert to providing those payments for a fixed period, workers compensation experts say.

After determining that a worker's medical condition will not improve, most state workers compensation programs pay benefits for a fixed duration based either on an injury schedule or lost earning capacity, both of which are related to that employee's average weekly wage.

The injured employee's ability to return to his same job or another one is not an issue in states that award scheduled benefits.

However, Florida and in some cases New York are among the few states that do not award the benefits for a fixed duration, explained John F. Burton Jr., professor at Cornell University's New York State School of Industrial and Labor Relations in Ithaca, N.Y.

In those states, an injured worker must demonstrate a loss of actual earnings to be compensated for an unspecified period.

Mr. Burton discussed the topic at the National Symposium on Workers' Compensation in Airlie, Va., July 5-10.

However, the Florida system of tying benefits to wage-loss is being weakened because more compromise agreements are resulting in lump-sum payments, said John H. Lewis, a Coconut Grove, Fla., attorney.

When an employee agrees to a lump-sum payment, he or she typically signs a legal waiver to release the employer from future liability, Mr. Burton explained.

Legislation supporting development of a hybrid system—combining fixed duration impairment benefits with actual income replacement, like the Florida approach—has been introduced in New York following a study released last year, noted Richard Winsten, director of legislation and research for the New York State AFL-CIO.

The study was conducted by New York's Temporary State Commission on Workers Compensation and Disability Benefits, of which Mr. Winsten was a member.

Insurers and self-insured employers seem to prefer a fixed payment approach because it makes it easier to calculate costs. However, they complain that slightly injured workers receive a disproportionate amount of benefits under such systems speakers said.

Also, because the attorney gets a percentage and because the lump-sum payment is reduced through negotiation, a worker receives about 25% less than he would if he received fixed duration payments, the New York study found.

However, labor representatives often protest any effort to limit a worker's ability to receive a lump-sum payment, he said. They often argue that an injured employee needs the lump sum to start a new business, although a study showed between 4% and 14% of the recipients used the money for that purpose, Mr. Winsten noted.

The commission also recommended that a worker not be allowed to waive medical benefits as part of lump-sum negotiation.

Although attorneys often say that insurance companies eager to close their files urge them to accept lump-sum payments, in reality, it is the attorneys that prefer lump sums, said Theodore Ronca, an attorney in Westbury, N.Y.

Mr. Ronca computed that on an hourly basis, lump-sum cases are 20 times more profitable for attorneys than other kinds of workers comp cases. ■

Stress claims

Continued from previous page

mental-mental stress claims has increased to 26 from fewer than five, he said.

A mental-mental claim is one in which a psychological factor is considered the cause of a psychological ailment. In contrast, a physical-mental claim is one in which a physical condition or event is considered the cause of a psychological ailment, and a mental-physical claim is one in which a psychological factor causes a physical ailment.

Employers in the states allowing mental-mental claims account for 70% to 75% of the workers compensation premium volume, he said. Those states include all the larger, industrial states, he added.

However, stress claims represent only two-tenths of 1% of all workers compensation claims, although the number of such claims is growing in some states, such as California, Mr. Camilleri said.

Mental-mental claimants are typically younger than traditional claimants—38 years old compared with 45 years old—and a significantly higher proportion of them are female rather than male, he added.

A recent study by the National Institute of Occupational Safety and Health found that the 12 most common occupations giving rise to stress claims were: laborers, secretaries, inspectors, clinical laboratory technicians, office managers, foremen, managers/administrators, waiters/waitresses, machine operators, farm owners, miners and painters.

Stress claims are increasing with the shift from manufacturing to service-sector jobs. Stress claims typically differ from other claims in that there is greater attorney involvement, probably because the cases are more difficult to prove and the payout is about twice that of a typical workers compensation claim, Mr. Camilleri said.

"The real issue is: Will the system be able to handle it, and what will it mean to the system," Mr. Camilleri observed. ■

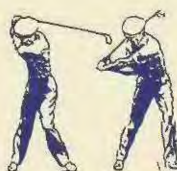
A Secure Future, From

Government spending posed a major crisis a hundred years ago. In 1887, the government collected an excess of $100 million in taxes. Instead of reducing taxes on American-produced luxuries like whiskey and tobacco. President Grover Cleveland insisted on reducing tariffs on necessities like sugar, wool, and salt, even though it would open American markets to stiff foreign competition. It was courageous, but it cost him his office. Of course things are different today. The Federal government spends President Cleveland's annual budget in about eight hours.

For one hundred years, Protection Mutual has been a leader in loss prevention. Ours is a history of innovation and accomplishment, with an unsurpassed record of engineering and research contributions. The same dedication our founders showed for improving the earliest sprinklers, we show today for the hazards created by new materials and new technologies. Anticipating the future has, for a hundred years, been the mutual concern of those who have joined with us in a shared commitment to loss prevention. A century of reliability, and partnership with our policyholders, has placed Protection Mutual in a preeminent position, from which our insureds can see a secure future, from a century of success.

1887~1987

In 1887, Golf took its first swing on U.S. soil. That was the year that John Mickle Fox brought the game back with him after seeing it played in Scotland. He founded the Foxburg Golf Club in Foxburg, Pennsylvania, the first club to literally put the game "on course".



The Chicago Directory Company was created by R.R. Donnelley & Sons to separate its printing and publishing operations. The eldest son, Reuben H. Donnelly became manager in 1887, and created the company's first Chicago telephone directory. Considered quite an advancement in its day, the directory listed all 4,000 Chicago telephone subscribers alphabetically. It had 108 pages of classified listings and a full six pages of advertising. Its cover, of course, was yellow.

Congress advances FTC probe of insurers

By DEBORAH SHALOWITZ

washington

WASHINGTON—Congress is moving toward directing the Federal Trade Commission to study the insurance industry.

The House Energy and Commerce Committee earlier this month approved legislation directing the FTC to conduct studies of commercial and professional liability insurance markets and of Medigap insurance marketing practices.

The directive is one part of a bill, H.R. 2897, which renews the agency's funding and authorization. It is almost identical to a measure approved by the Senate (*BI*, April 13).

Under both the House and Senate legislation, the FTC would study the reasons for the sharp increases in recent years in property/casualty insurance rates for small businesses, local governments, physicians, dentists and day-care centers.

Another study would examine the marketing of so-called Medigap policies to the elderly and whether deceptive or misleading sales practices are being used.

Under current law, the FTC may only conduct studies of insurers when specifically requested to do so by Congress. The FTC's authority to conduct studies expires at the end of the session during which Congress made the request.

Work comp pools

Self-insured workers compensation pools should be relieved of any taxes levied against them for years before Jan. 1, 1987, recommends a House subcommittee.

Historically, self-insured workers compensation pools have operated as mutual insurance companies—collecting premiums from their members to pay operation costs and claims and returning excess money as dividends. Such mutual operations are not taxed because they retain no funds.

Last year, however, an Internal Revenue Service audit of a Michigan pool resulted in a notice for $18 million in back taxes, interest and penalties. Other IRS audits of self-insured workers compensation pools in Michigan also resulted in levies against the pools.

The Tax Reform Act of 1986 imposed a one-year moratorium on these audits to allow time to study the issue, but the moratorium expires Aug. 16.

Almost all Michigan legislators have supported Congressional initiatives to amend the tax code to specifically exempt self-insured workers compensation pools from taxation (*BI*, April 27). Identical bills to accomplish this, H.R. 1709 and S. 1019, are pending before the House Ways and Means Committee and the Senate Finance Committee.

After conducting two hearings on the subject, the House Ways and Means Select Revenue Measures Subcommittee earlier this month recommended to the full committee that the pools be granted tax relief for tax years prior to Jan. 1, 1987.

The subcommittee did not recommend future tax treatment of the pools. The full committee will consider the matter as part of a larger budget reconciliation bill.

HMO regulatory fee

A prepaid health plan seeking certification as a federally qualified health maintenance organization must pay an administrative fee of $18,400 to the federal government under new rules.

Under final rules issued by the Health Care Financing Administration, the government also will charge fees to federally qualified HMOs seeking to expand their service areas or qualify a regional component as an HMO.

Effective July 13, prepaid health plans seeking federal qualification pay a one-time fee of $18,400. HMOs seeking to expand their service areas pay $6,900.

According to HCFA, the fees are designed to cover administrative costs incurred by the government in processing applications.

Under a 1973 federal law, an HMO must meet certain tests for financial stability and offer a comprehensive benefit package to be deemed federally qualified.

Mandate impact

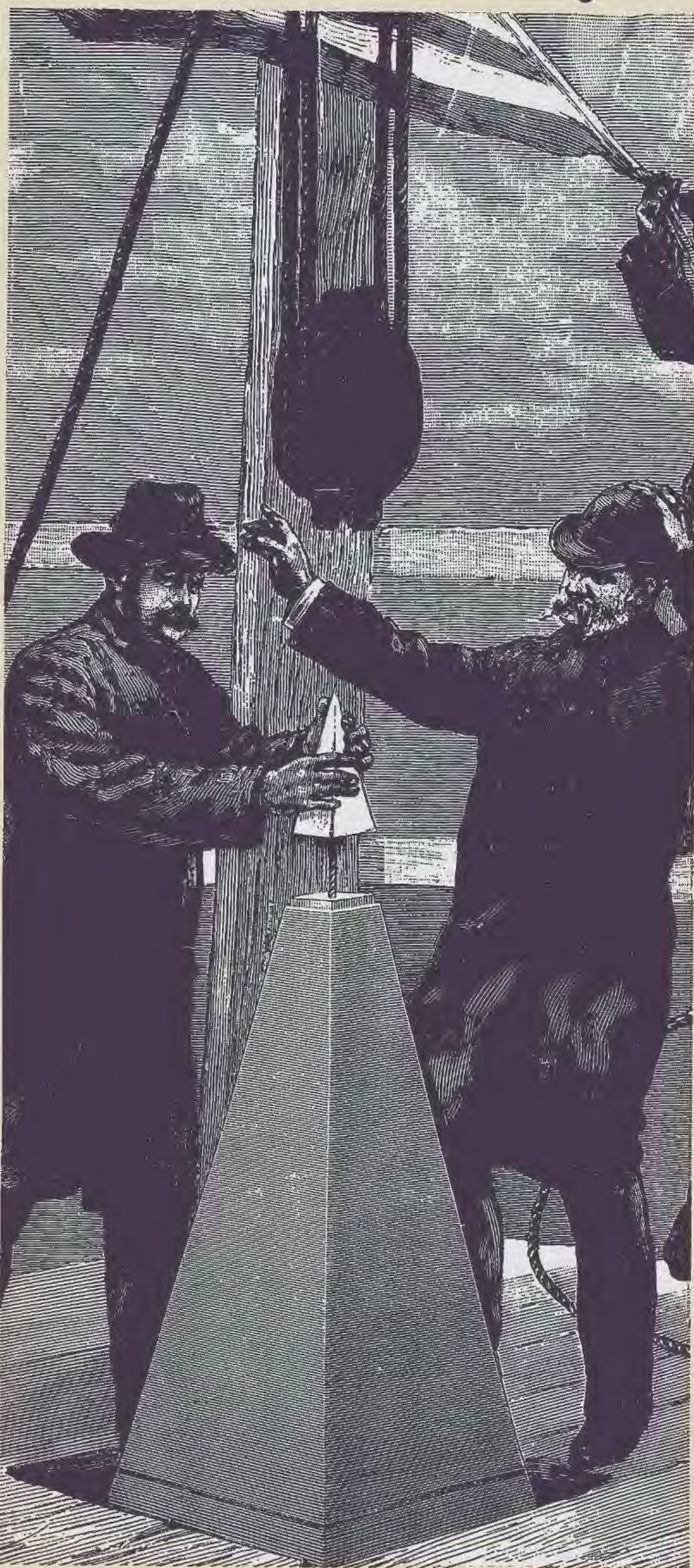
All Senate committees should consider the economic impact on employers of mandated benefits, according to a non-binding amendment to the omnibus trade bill adopted by the Senate.

The so-called "sense of the Senate" amendment only asks members of Senate committees to consider and, if possible, obtain documentation of the economic impact on employers of mandated benefits. However, it does not require any action, explained a legislative aide.

The amendment, sponsored by Sen. Dan Quayle, R-Ind., is similar to Senate Resolution 218, which the Senator co-sponsored with Sen. Dale Bumpers, D-Ark. (*BI*, June 15).

In addition to calling on Senate committees to secure "an objective analysis" of the impact of legislation on employers, the amendment also states that the Senate finds that "requiring employers to provide new employee benefits may impose substantial costs on employers," especially small businesses. ∎

A Century of Success!



Although it had been first proposed in 1783, and its cornerstone had been laid on the 4th of July 1848, and it had been officially dedicated on its honoree's birthday in 1885, the American public was still waiting two years later to set foot inside the Washington Monument. After 36 years of construction in fits and starts, work still continued on 898 iron steps and a steam driven hoist that would take visitors to the top of the 555-foot white marble obelisk in a precarious 12-minute ride. Although people couldn't go in it, they could still mill around it, as did National Guard units from 31 states in 1887, competing in drills of skill and discipline. It was the largest display of military strength in the nation's capital since the Civil War.

You amaze me, Hope... Elementary, my dear Sacker... Arthur Conan Doyle's first attempt at detective fiction titled, "A Tangled Skein" was intended to supplement a modest income from his medical practice. Doyle changed his detective's name from Sherrinford Hope to Sherlock Holmes and his narrator from Ormon Sacker to Dr. John Watson. In 1887, the book was published with a new title, A Study in Scarlet.

Protection Mutual

Protection Mutual Insurance Company
300 South Northwest Highway
Park Ridge, Illinois 60068

A $25 MILLION UMBRELLA IS EASIER TO RAISE THAN YOU MIGHT THINK.

SOME VERY GOOD NEWS ABOUT OUR EXCESS UMBRELLA COVERAGE

American Home Assurance Company, a member of American International Group, Inc., has long had a commitment to serving the needs of the excess liability marketplace. When those needs change, so do we.

AN EXCLUSIVE OFFER

That's why we're offering a unique new package of casualty insurance: $25 million lead umbrella coverage. Available on either a claims-made or occurrence basis, we provide special consideration for insureds coming off the first year of claims-made coverage and seeking an occurrence policy.

IT'S A STURDY UMBRELLA

Our A + rating from Best & Co. assures you of our stability. For more information, please ask your agent or broker to call the American Home representative in the nearest AIG office.

Don't wait for a rainy day.

AIG AMERICAN INTERNATIONAL GROUP OF INSURANCE COMPANIES

Our Policies Are Your Best Insurance.

REGULATORY DEBATE

McCarran-Ferguson tinkering troubling, says NAII task force

By Lowell R. Beck

THE SPONSORS of bills to repeal or amend the McCarran-Ferguson Act are fast learners. Reacting to the criticisms of insurers, first Sen. Paul Simon, D-Ill., and more recently Sen. Howard M. Metzenbaum, D-Ohio, dropped their earlier calls for outright repeal and rewrote their legislation to scoop out "safe harbors" for some joint activities of insurance companies. In the House, Rep. Don Edwards, D-Calif., and six fellow Democrats have started out on a drastic repeal route, but as they become more knowledgeable about insurance, they probably will modify their bill, too.

This is the normal course for most legislation, but it puts the insurance industry in an awkward position. With each change, the forces of repeal look more conciliatory and the industry's opposition appears more intransigent. This is not the way to win friends and influence people in the Congress, most of whom are unfamiliar with insurance and can be persuaded by their "insurance expert" colleagues that insurers are uncompromising and need a hard lesson.

Close inspection, however, reveals that the opponents of McCarran-Ferguson are not conciliatory at all. Their safe harbors are full of mines. Regardless of the sponsors' best intentions or skill in drafting, any repeal, partial repeal or amendment of the McCarran-Ferguson Act will create an unstable period of transition, three to five years in length, during which today's competitive system would be destroyed and replaced by a monopoly.

That is the conclusion of a special 22-company McCarran-Ferguson task force of the National Assn. of Independent Insurers, which has just completed its work.

speaking out

Not surprisingly, the task force, which was led by R.M. Jamieson, chairman of the Zurich Insurance Cos. in America in Schaumburg, Ill., unanimously opposed any change in McCarran-Ferguson. That is hardly news. But the task force reports also offer an insight, the first of its kind, into the specific steps these companies would actually take in a world without McCarran-Ferguson.

About that world, the task force made four major points:

- The industry would contract and competition would not be increased as the sponsors believe, but reduced, resulting in higher prices and less choice of products and insurers for the public.
- Litigation would burgeon as each company's procedures, rates and policy language were tested in the nation's courts to determine if they fell within a particular safe harbor.
- A costly and confusing system of dual regulation would be imposed, but eventually the state system would collapse under the strain of extra filings and conflicting rules and federal regulators would take over.
- Reinsurance would dry up as reinsurers' pricing and services ran afoul of the federal antitrust laws.

The repeal proposals sanction the joint collection of data, but not the vitally important actuarial services furnished by rating organizations. Companies would have to develop from scratch their own edit and audit functions, define territories, determine relativities and take all of the other intricate steps required to turn raw data into a rate. Most are not equipped for that job. A recent survey by the NAII showed that only 46% of our members had an actuarial staff.

As Harleysville Mutual Insurance Co. of Harleysville, Pa., put it: "The development and integration of an actuarial function takes three to five years. At best, companies seeking to become independent will have a very difficult transition period. In any environment where data is considered untrustworthy or not credible, there will be a tendency to overreact to it under adversity. We feel this could produce extreme cycles in our business, particularly when results turn negative."

"If substantial changes were required in contracts, forms and endorsements, we would have to develop expertise, which we don't have today, at substantial cost. We see a major public deficit if each company went its own way on coverage. No one would know what they're getting. We see increased costs of developing and maintaining our own manuals, more actuarial, processing and filing activities. We see costs similarly increased for independent agents, who would now have a different set of everything for every company."

Harleysville said it would limit options, eliminate high limits and physical damage series rating, stop writing motor homes, trailers, motorcycles and difficult casualty lines such as products and municipal liability.

Others echoed Harleysville's sentiments.

State Automobile Mutual Insurance Co. of Columbus, Ohio, said: "We simply do not have an adequate amount of experience to develop our own rates. If we sell commercial coverages which lack credibility, there would be a significant amount of rate volatility. This would cause disruption in the marketplace.

"Our other choice is to simply stop selling commercial lines. For us to stop selling commercial coverages would probably cause us to lose a substantial portion of our personal lines book, as our agents seek out carriers that are big enough to meet all their customers' requirements."

As rates became more volatile and the cycles more extreme, companies would retrench.

"Our size does not make it cost-effective to retain our own actuarial, ratemaking staff," said Motor Club of America Cos. in Newark, N.J. "Not being able to utilize the statistics and data gathered by rating organizations throughout the states in which we want to expand might make the risk of loss greater than reasonably prudent businessmen should take. The cost of even starting to compete in a new area or in a new line of insurance would be increased to a large extent and we may be forced to confine our writings to one or two major lines."

New lines and risky business would not be the only things that companies would avoid. Product development would suffer, too.

"We would be reluctant to innovate or experiment because of inadequate information," said John Deere Insurance Group of Moline, Ill.

And State Auto added: "Innovation in product design would be left to the larger insurers. As a result, they would gain a further competitive advantage over small and mid-size insurers."

A transition period would be inescapable under any pending proposal and at the end of it there would be markedly fewer companies. Inaccurate rates, a severe cycle and competitive disadvantages would drive out hundreds of smaller insurers. Only the largest, financially strongest companies could ride out a post-McCarran storm, inheriting what was left of the business. The smaller companies that survive would withdraw into increasingly narrow niches. For the consumer, the bottom line reads fewer companies, fewer products and higher prices.

A crucial fact, which McCarran repealers have shown no sign of understanding, is that they have no control over the reaction of the legal profession to the removal of McCarran's partial antitrust exemption.

"The possibilities of federal litigation would be a new bonanza for plaintiff's lawyers, who would either bring class action lawsuits or add a count for discrimination and antitrust to every claim or policy interpretation question that arose," said the Erie Insurance Group of Erie, Pa.

The Deere Group went even further. "It would be necessary for us to restrict our lines of business and/or our rates of growth to minimize exposure to litigation as the unknowns are sorted out in the coming years," Deere said. "There would be a sense of paralysis in our operation as we go through a conversion to new methods of operation. This would arise in large part from exposure to treble damages as aggressive parties declare war on all insurance

Continued on next page

Keys to risk management process

By The Insurance Institute of America

A.R.M. exercises

The following question and answer are drawn from the curriculum for the Associate in Risk Management designation awarded by the Insurance Institute of America. They represent the type of question asked—and the possible answers—in one of the three examinations for the A.R.M. designation.

This month's exercise, drawn from a May 1987 national examination, illustrates the distinction between the risk management decision process and the risk management administrative process; and applies that distinction to a supermarket's embezzlement exposure.

Q: The risk management process, which is widely applicable to many loss exposures facing many organizations, has been described both as a decision process and as an administrative/management process.

✓ Distinguish between risk management as a decision process and as an administrative/management process.

✓ With specific reference to a supermarket's exposure to employees' embezzlement of cash, describe the elements in risk management when viewed as, first, a decision process and, second, as an administrative/ management process.

A: Risk management has its roots in both the "hard" and "soft" sciences.

The "hard" or physical science aspects of risk management are reflected in the decision process—comparable to the problem-solving methods of a physicist or engineer. The "soft" or behavioral science aspects of risk management are reflected in its administrative process—comparable to the methods generally employed by management in business.

The risk management decision process is a way of discovering the choices available for the treatment of potential losses and then determining the effectiveness of the choices made.

The steps in the risk management decision process are generally agreed to include:

- Identifying and analyzing exposures to loss.
- Examining alternative methods of treating the exposures.
- Choosing a method of treatment.
- Implementing that method.
- Monitoring the results achieved through implementation.

The risk management administrative process is frequently a way of performing the decision process with or through other people.

The steps in the administrative process are generally agreed to be:

- Planning.
- Organizing
- Leading (or directing).
- Controlling others involved in the risk management function of a firm or client.

Each step in the decision process requires all four steps of the administrative process.

Identifying and analyzing a supermarket's exposure to loss by embezzlement, for instance, requires planning, organizing, leading and controlling others. The risk manager, agent or other individual charged with this responsibility would need to discover how embezzlement could occur, the values subject to loss and the patterns of their fluctuations, and the probability of loss.

It could be that a flow chart analyzing the movement of cash from customers to checkers to a safe and, then, to a bank would be of help. The preparation of such a chart would involve the use of the other employees of the supermarket as well as members of the staff of the supermarket's bank and, conceivably, an accounting firm.

Similarly, the examination of alternative treatment methods would involve working with others. For instance, a pre-screening of applicants for employment is a risk control alternative that could only be examined fruitfully with members of the personnel department.

Such an alternative might also need to be considered from the point of view of the supermarket's counsel or legal department.

The use of insurance as a risk financing technique might also include the consideration of a fund to support the retention of the exposure, an option requiring the cooperation of the supermarket's portfolio manager.

Choosing the appropriate treatment method or combination of treatment methods would require the establishment of a criterion for the choice—profitability, perhaps. Clearly, the risk manager would need to plan, organize, lead and control others to establish an acceptable criterion and work through a cost-benefit analysis of the treatment methods under consideration.

Implementation of the chosen technique or techniques can take place only if the risk manager is able to obtain the cooperation of others, the primary purpose of the administrative process.

Monitoring the effect of the treatment method chosen would again require the determination of a criterion—embezzlement losses down by a certain percentage, perhaps—with other members of the supermarket's managerial staff. Monitoring the choice or choices would also require access to the appropriate records to determine whether or not the criterion has been met. If the criterion has not been met, the managerial team would need to begin again the risk management decision process.

The sample questions and answers used in this column are taken from the Associate in Risk Management designation curriculum of the IIA. For more information on the content of the A.R.M. program, write Dr. G.L. Head, Vp, Insurance Institute of America, P.O. Box 314, Malvern, Pa. 19355.

Insurers reject McCarran-Ferguson change

Continued from previous page

companies, seeking out what might be perceived as even a minute infraction of the law."

Harleysville anticipated litigation and increased costs for all companies that developed their own forms. "Our litigation costs would rise," it said, "as case law definition would have to be established on our particular wording."

Opponents of McCarran claim to support state regulation and point out that their proposals specifically guarantee a place for it. But that only guarantees a dual system of regulation, which would hurt all companies, large and small, by increasing their administrative expense and ultimately the cost of their product.

But, as the Erie Group warned, the pending bills confer only "judicial immunity. The courts will not proscribe activities protected by the state action doctrine. This is not, however, legislative immunity. Even with the state action doctrine, the federal government can, at any time, change the rules and pass laws which pre-empt state laws."

The Zurich-American Insurance Group foresaw another problem. "There is a high probability that the states will fortify their regulatory roles to create a state action antitrust exemption. If so, they would compound the expense and interference with daily business activities."

"Many states will continue to require insurance company filings of final rates and those with limited resources will have to individually calculate expense factors for those filings, instead of relying on the bureaus to make the calculations. State insurance departments will also be severely impacted by the consequent proliferation of filings and their limited ability to review and evaluate them."

Should the states, in their desire to demonstrate that they are actively regulating, adopt non-uniform statistical plans, that would have "major cost and credibility implications," said Harleysville. "Rate regulation, if any, would be without adequate data and would lead either to standardization or chaos."

When the cycle turns downward again and prices rise and availability is reduced, this would be viewed as proof of state regulation's failure; and shrill cries would be heard for more federal control.

"Without the McCarran-Ferguson Act," said Erie, "Congress will slowly, inevitably occupy the field of insurance and state regulation will exist only to implement federal policy."

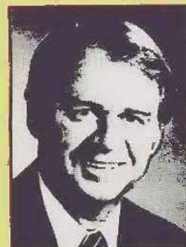
The task force also pointed out that many reinsurers' pricing and service activities would be illegal without McCarran's protection, an issue that has not received the attention that it deserves.

"As a reinsurer," said American Agricultural Insurance Co. of Park Ridge, Ill., "We are relatively free of regulation of our basic pricing and contract activities. This freedom has proved very beneficial by allowing the reinsurance industry to be responsive to customer needs and flexible in our operational activities. Any replacement mechanism (for McCarran-Ferguson) is likely to sweep in the reinsurance industry and subject reinsurers to increased regulation."

That regulation, without the McCarran shield, would never tolerate such routine reinsurer activities as providing smaller companies with forms and rates, requiring them on occasion to adjust their prices, curtail underwriting or withdraw from hazardous markets.

In what was perhaps the best summary of the task force's feelings of dismay and puzzlement, Harleysville said: "The sponsors of this legislation have not taken the time to look behind their rhetoric and blind bias against anything that the federal government can't control, to see whether the existing statute wasn't based on good logic initially and hasn't served the public well over its 40 years and, most important, provides the most cost-efficient and competitive operating base for insurers of all sizes. It's truly frustrating to realize not only that they haven't done their homework, but don't intend to or want to since it would only confuse what is now a simplistic solution."

The 22 companies that participated in the task force were: Allstate Insurance Co.; American Agricultural Insurance Co.; Auto-Owners Insurance Co.; Concord General Mutual Insurance Co.; John Deere Insurance Group; Erie Insurance Group; Farm Bureau Mutual Insurance Co.; GEICO; Harleysville Mutual Insurance Co.; Keystone Insurance Co.; Meridian Mutual Insurance Co.; Motor Club of America Insurance Co.; National Reinsurance Corp.; Secura Insurance, formerly Home Mutual Insurance Co.; Shand, Morahan & Co.; Southern Farm Bureau Casualty Insurance; State Automobile Mutual Insurance Co.; Transamerica Insurance Co.; United Services Automobile Assn.; Westfield Insurance Co.; and Zurich-American Insurance Co.



Lowell R. Beck is president of the National Assn. of Independent Insurers.

Maryland Casualty names 25-year veteran president

Marvin W. Ham has been elected president and chief operating officer of The Maryland Casualty Co. in Baltimore.

Maryland Casualty is the principal property/liability insurance subsidiary of American General Corp., a Houston-based diversified financial services company.

Mr. Ham succeeds **Don D. Hutson**, who will continue as chairman of the board.

Prior to his promotion, Mr. Ham was executive vp and vice chairman of the board, positions he assumed in 1986. His career with Maryland Casualty spans more than 25 years.

Mr. Ham

Also at Maryland Casualty, **Jamie L. Pirtle** promoted to executive vp-marketing and branch operations. Previously, Mr. Pirtle was senior vp-claims. In addition, **George F. Cass** promoted to executive vp-insurance operations from senior vp. And, **William C. Alexander** elected vp-claim operations. Previously, Mr. Alexander was director of marketing and branch operations for the Southeastern region.

Excess/surplus

James A. Roe elected president and chief operating officer of Arlington/Roe & Co. Inc., an Indianapolis-based managing general agent and surplus lines broker.

Also at Arlington/Roe, **Allen J. Grau** and **Nancy E. Young** named vps. Mr. Grau's responsibilities include marketing professional liability coverages. Ms. Young is commercial lines manager and specializes in casualty underwriting.

Robert G. Griffing named president of Douglass Financial, the holding company for Spencer Douglass Insurance Associates, in San Diego. Mr. Griffing succeeds **R. Spencer Douglass**, who will serve as chairman and chief executive officer. Previously, Mr. Griffing was president of Classified Insurance Corp. in Waukesha, Wis.

Reinsurance

Anthony J. Falkowski joined Executive RE and ERIC Reinsurance Co. in Hartford, Conn., as senior vp-claims. Previously, Mr. Falkowski was assistant vp and senior claims officer at the Chubb Group of Insurance Cos. ERIC is the exclusive reinsurer for Aetna Life & Casualty's Executive Risk Management Associates affiliate, which writes directors and officers

comings & goings: industry

liability insurance.

Michael F. Gregorio promoted to senior vp at J.L. Kelley Inc. reinsurance brokers in Franklin Lakes, N.J. Mr. Gregorio will be responsible for treaty production and marketing.

At General Reinsurance Corp. in Stamford, Conn., **Philip G. Clay, Franklin Montross IV** and **David I. Sullivan** were promoted to vps. In the Chicago office, **Ruth A. Hinkelman** was promoted to vp.

Edward C. Jerge joined Trenwick Group Inc. in Westport, Conn., as vp-claims. Previously, Mr. Jerge was assistant vp with General Reinsurance Corp. in Stamford, Conn.

Charles T. Black joined G&R Intermediaries Inc. in New York as vp from assistant vp with E.W. Blanch Co. in New York.

Agents/Brokers

At Johnson & Higgins in New York, promoted to senior vp: **John E. Casey, Jerome Karter, Charles W. Mathers, Howard M. Metzger, Fred L. Packer, David F. Peck,** and **Robert F. Rose.** Mr. Casey is a consultant in the property resource unit. Mr. Karter is manager of the international department. Mr. Mathers manages the firm's national structured settlements group. Mr. Metzger and Mr. Packer are members of the J&H national casualty office. Mr. Peck is senior account manager in the New York property department. Mr. Rose is a manager in the New York casualty department financial institutions group.

In addition, elected to vp at J&H in New York were: **Richard J. Burggraf, Teresa Cassin, Thomas J. Celic, Kenneth J. Harden, Alexander J. Levine, Robert J. Overland, Ray H. Rodriguez, Leonard J. Schisano, Diane T. Shallis, Alfanso P. Stazzone, Matthew K. Swingle,** and **Kenneth S. Zignorski.**

Other suppliers

Katherine A. Rich transferred to the Chicago office of Buck Consultants Inc. from the New York office. She is an investment consultant in Buck Pension Fund Services Inc., a subsidiary.

David A. North promoted to the newly created position of vp-client services and loss prevention at Gallagher Bassett Services Inc. in Rolling Meadows, Ill. Prior to his promotion, Mr. North was vp of the client services division.

Also at Gallagher Bassett Services, **Richard J. McKenna** promoted to executive vp, responsible for field operations, property and casualty, product support, and planning and development. Previously, Mr. McKenna was vp of product support and field services.

In addition, **Thomas R. Ballmann** promoted to vp-field operations at Gallagher Bassett Services, managing the network of branch offices. And, **R. Michael Rideout** promoted to vp-product support-casualty at Gallagher Bassett Services, specifically in workers compensation and liability lines.

Jon D. Sutcliffe joined William M. Mercer-Meidinger-Hansen Inc. in Los Angeles as senior pension consultant specializing in defined contribution plans. Previously, Mr. Sutcliffe was president of Sutcliffe & Associates in Los Angeles.

Walter G. York appointed a consultant with Insurance Buyers' Council Inc., an independent risk management and insurance consulting firm in Baltimore. Previously, Mr. York was an insurance analyst with Baltimore Gas & Electric. ■

ON JUNE 30TH, INA REINSURANCE BECAME CIGNA REINSURANCE

INA Reinsurance Company has changed its name to CIGNA Reinsurance Company. We will still offer the same great service. Only our name has changed.

Security • Capacity • Technical Ability

CIGNA Reinsurance Company
a CIGNA company

One Franklin Plaza
Philadelphia, PA 19102
Tel: (215) 241-2841

CIGNA

MULTI-MARKETS
PHYSICAL DAMAGE
CARGO
GROUP

Call:
Richard D. Slautterback
Chairman

Telex: 80-4319

1-800-647-3769

American Owner/Operator Underwriters Inc.
P.O. Box 105257 Atlanta, GA 30348

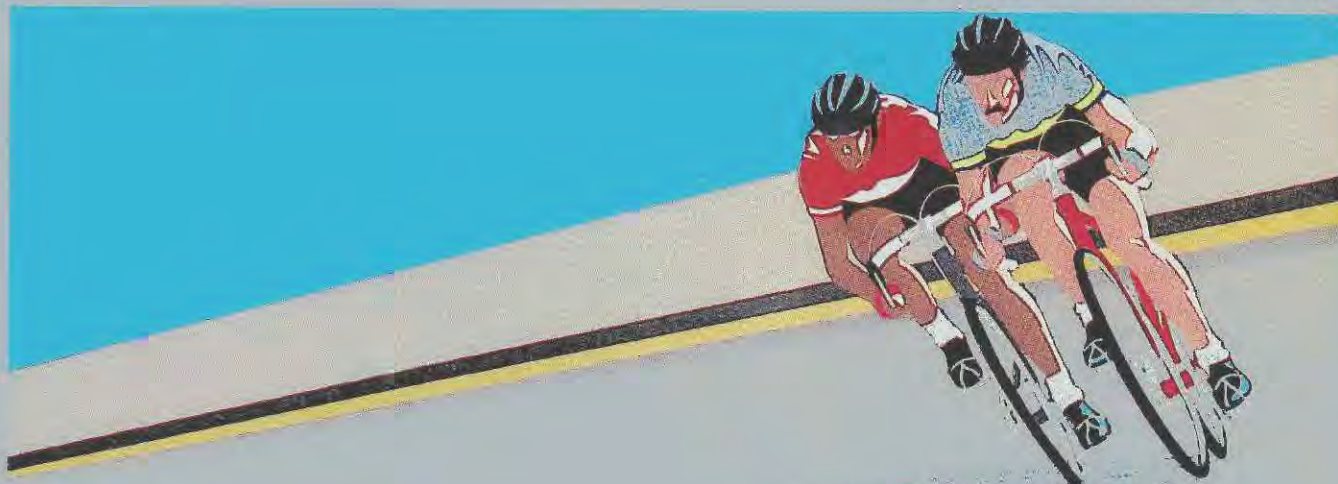
© American Owner Operator Association, Inc. ® All Rights Reserved

Enter the new arena.
Managed Healthcare from Lincoln National.

Managed Healthcare and Flexible Benefits are today's solution for tomorrow's healthcare needs.

Through our new partnerships with the country's most respected local HMO's and PPO's, you can now better *manage* healthcare benefit costs, *and* give employees a *choice* of benefits.

Ask your employee benefits representative about Lincoln's new era in healthcare cost management today.



LINCOLN NATIONAL
EMPLOYEE BENEFITS

© The Lincoln National Life Insurance Co. and other Lincoln National affiliates, 1300 South Clinton, Fort Wayne, IN 46801.

Hogg suitor to lobby against splitting firm

By STACY SHAPIRO

LONDON—Sparks are expected to fly at today's extraordinary general meeting of London broker Hogg Robinson Group P.L.C. after last week's unfriendly takeover bid by financial services conglomerate TSB Group P.L.C.

The meeting is being held to approve the split of Hogg's brokerage and travel divisions into separate companies and the sale of additional stock to raise 33.7 million pounds ($53.8 million) for the new travel company, Hogg Robinson P.L.C. (*BI*, July 13; June 29).

However, in a move last week that surprised stock analysts, TSB made a 282 million pound ($450.1 million) cash offer for the entire Hogg Robinson Group, contingent on Hogg shareholders rejecting the breakup proposals.

Hogg shareholders are expected to hear strong arguments from Hogg for splitting the travel and brokerage segments and equally tough opposing arguments from TSB officials.

TSB and funds managed by TSB already own approximately 3.8% of the Hogg Group.

However, Hogg has openly rejected TSB's offer, and board members are expected to urge Hogg shareholders to accept the split instead.

Under TSB's offer, TSB proposes to keep the travel side of Hogg and sell the brokerage to a small Lloyd's of London broker, Dewey Warren Holdings P.L.C., for 116 million pounds ($185.1 million).

Dewey Warren—involved last year in unsuccessful acquisition talks with C.E. Heath P.L.C.—is 42% owned by Bell Group International Ltd., which is owned by Australian businessman Robert Holmes a Court (*BI*, Feb. 16). News reports say that Dewey Warren is poised to raise roughly 180 million pounds ($287.3 million) in two stock issues to fund planned developments, which may include purchasing Hogg's brokerage division.

However, stock analysts believe that Hogg is worried that TSB is trying to "dump" the brokerage division onto Dewey Warren.

Dewey Warren and Hogg Robinson did not return phone calls.

Deposit box raid

Lloyd's of London could be liable for as much as 3.15 million pounds ($5.03 million) of the losses in what police fear may be Britain's largest robbery.

The haul from the raid earlier this month on the Knightsbridge Safety Deposit Centre in London is at least 9 million pounds ($14.4 million), according to the police. However, so far, only 49 of the 126 people who had deposit boxes rifled have contacted the police, who fear the total taken could exceed the 26 million-pound ($41.5 million) British Brinks-Mat bullion raid two years ago.

Robbers broke into the 800-box deposit center two weeks ago. While one robber held the center's security guards at gunpoint, two others raided the boxes.

Each box is insured by the center for up to 25,000 pounds ($39,900), said Manager Parvev Latif. The center's insurance broker is Worktown Adams Ltd. The insurance was placed at Lloyd's through Lloyd's broker Gibbs Hartley Cooper Ltd., confirmed John Davies, Worktown's managing director.

The insurance policy does not cover cash left in the boxes, he said. But if all 126 rifled boxes contained at least 25,000 pounds worth of goods, Lloyd's could pay out up to 3.15 million pounds ($5 million).

Many people use safe deposit boxes to store expensive items because of the prohibitive costs of insuring such valuables, especially in London, Mr. Davies said.

However, since so few of the people with safety deposit boxes have contacted the police so far, much of the stolen contents may not be insured.

"Even if they are insured, the difficulty will be proving what was in the boxes," Mr. Davies noted.

Medical malpractice

A record medical malpractice award in Britain of more than 1 million pounds ($1.6 million) will trigger increases in doctors' insurance costs, a medical group warns.

A London High Court Judge awarded 1.032 million pounds ($1.65 million) in damages to a former engineering student who suffered irreversible brain damage because of negligent care by three National Health Service doctors following a successful 1982 operation.

The award is the first time damages of more than 1 million pounds have been awarded in a British court for a personal accident claim. It also is 353,000 pounds ($563,388) more than the previous highest amount awarded for medical negligence, according to Dr. John Wall, deputy secretary of the Medical Defence Union Ltd. In that judgment in December 1985, the Medical Defence Union paid 679,000 pounds ($991,340 at Dec. 31, 1985 exchange rates) to a 17-year-old girl who suffered brain damage following a tonsillectomy.

All three of the National Health Service doctors, none of whom contested liability were insured by the Medical Defence Union, which will pay the entire award, Dr. Wall said.

The union is reinsured through Lloyd's of London under a treaty placed by broker Alexander Stenhouse Ltd. Dr. Wall would not comment on the terms of the treaty.

"We will pay for the costs of the award by raising our subscription fees accordingly," Dr. Wall noted.

The Medical Defence Union was formed in 1885 to provide medical and legal services for doctors. It is one of three such societies in Britain that provide insurance and other services to doctors for an annual subscription fee, he explained.

Currently, all doctors employed in Britain's National Health Service hospitals are required to have medical malpractice insurance.

Because of the high premiums for medical malpractice insurance in the commercial market, "virtually all" hospital doctors and general practitioners are members of one of three medical defense societies, he explained.

Although the insurance costs of British doctors are still low compared with those in the United States, "the increasing amounts of damages being awarded in British courts is causing concern," Dr. Wall added.

For example, the union, which has 150,000 members in Britain and throughout the world, excluding the United States and Canada, was forced to raise its annual membership fee to 576 pounds ($919) this year from 336 pounds ($498 at year-end 1986 exchange rates) in 1986.

PCW settlement

Only 24 of 1,547 members of Lloyd's of London syndicates formerly managed or associated with PCW Underwriting Agencies Ltd. have not accepted Lloyd's settlement offer to bail them out of their losses, Lloyd's has announced.

According to audited figures compiled by accounting firm Ernst & Whinney, 98.4% of the members accepted the offer by the extended deadline of June 19. This amounts to 93.2% of the total 34 million pounds ($54.3 million) required by members as part of the 138 million-pound settlement ($220.2 million).

The members who accepted the offer include 23 who are considered hardship cases, for which Lloyd's had contributed 230,000 pounds ($367,080). ■

reinsurance

August 31
Insurance Exchanges
Distribution @ Monte Carlo Rendez-Vous
ad closing: August 18

September 21
Monte Carlo Rendez-Vous Report
ad closing: September 9

November 16
Reinsurance
Intermediaries Directory & Distribution @ NAII
ad closing: November 3

New York 220 East 42nd Street NY 10017 (212) 210-0133 / Chicago 740 Rush Street IL 60611 (312) 649-5275 / Los Angeles 6404 Wilshire Boulevard CA 90048 (213) 651-3710

Nominations

Continued from page 3
management at Leaseway Transportation Corp. in Cleveland, in 1985.

Mr. Lang currently is director of risk management for the Kohler Co. in Kohler, Wis.

• Richard M. Inserra, then-director of insurance and risk management at American Can Co. in Greenwich, Conn., in 1984.

Mr. Inserra currently is vp of risk management at Triangle Industries in New York.

• John A. O'Connell, then-executive director/risk manager at Holy Cross Shared Services Inc. in Notre Dame, Ind., in 1983.

Mr. O'Connell has since been promoted to president of Holy Cross Shared Services, the management arm of the 950-member Congregation of the Sisters of the Holy Cross.

Mr. O'Connell was the first risk manager of a not-for-profit institution to receive the top award.

• Eckart Russell, then-risk and insurance manager at Alcan Aluminium Ltd. in Montreal, in 1982.

Mr. Russell is now vp-client services for broker Johnson & Higgins Willis Faber Ltd. in Montreal.

• Duane E. Allen, then-assistant treasurer at Hanna Mining Co. in Cleveland in 1981.

Mr. Allen is now a principal of Applied Risk Funding Services in Laguna Hills, Calif., a consulting, management and administration firm specializing in captive insurance company funding programs.

• Thomas V. Hallett, then-risk manager at General Motors Corp., in Detroit in 1980.

Mr. Hallett is now senior vp of broker Frank B. Hall & Co. Inc. in Briarcliff Manor, N.Y. He also is chairman of Hall subsidiary Risk Science International in Washington, D.C.

• Edward L. Erickson, director of insurance at American Broadcasting Cos. in New York, in 1979.

• Howard T. Weber, director of insurance at Minnesota Mining & Manufacturing Co. in St. Paul, Minn., in 1978.

The 1981 Risk Management Honor Roll included: Robert Bieber, then-risk manager of Westchester County, N.Y., representing government entities; and William Ryan, insurance and risk manager of the University of Michigan at Ann Arbor, representing not-for-profit institutions.

Mr. Bieber is now president of Ebasco Risk Management Consultants Inc. in New York.

In 1982, the Risk Management Honor Roll was expanded to recognize a runner-up to the Risk Manager of the Year when the judges' scores are very close. Spencer J. Traver, then-assistant treasurer of The B.F. Goodrich Co. in Akron, Ohio, was named runner-up.

Mr. Traver currently is president of International Risk Services Inc. in Charlotte, N.C.

Other 1982 honor roll members were: George N. Pierce, risk manager of Orange County, Fla., representing government entities; Paul B. Harvey, then-risk manager of Ponderosa Homes in Irvine, Calif., representing small companies; and Gene M. Marsh, then-executive vp for risk management for the General Conference of Seventh-day Adventists in Takoma Park, Md., representing a not-for-profit entity.

Mr. Marsh currently is president of California Hospitals Affiliated Insurance Services Inc. in Sacramento, and Mr. Harvey has retired.

The Risk Management Honor Roll in 1983 included: Jerri Nelson MacMillian, then-risk manager of Aetna Life & Casualty Co.'s real estate investment department—which has since been renamed Aetna Realty Investors Inc.—in Hartford Conn., representing large corporations; and Robert L. Sinclair, then-risk manager of the Metropolitan Government of Nashville and Davidson County, Tenn., representing a government entity.

Mr. Sinclair currently is director of risk and insurance management at Vanderbilt University in Nashville.

The 1984 Risk Management Honor Roll included: the late Sidney D. Blatt, risk and administrative manager of Holloway Construction Co. in Wixom, Mich., representing corporations with less than $300 million in sales; and Gene Snyder, administrator of the Department of General Services, Risk Management Division for the state of Oregon.

Mr. Blatt died this year.

The 1985 Risk Management Honor Roll included: Susan M. Weiner, then-executive director of the division of risk management for Dade County Public Schools in Miami, representing a government entity; and Eva F. Goodrich, manager of insurance and risk management for Cincinnati Electronics Corp., representing corporations with sales of less than $300 million.

Ms. Weiner has since been promoted to assistant superintendent of the office of risk management for the school district.

The 1986 Risk Management Honor Roll included: Delmer Ison, then-risk manager for the Washington Metropolitan Area Transit Authority in Washington, D.C., representing government entities; and William E. Rogers, then-director of community health services and risk management for Conemaugh Valley Memorial Hospital, representing not-for-profit institutions.

Mr. Ison has since retired and Mr. Rogers is now director of risk management for the Gleason Agency in Johnstown, Pa.

The 1987 Risk Management Honor Roll included: Mark F. Wilson, corporate risk manager at First Mississippi Corp. in Jackson, Miss., representing corporations with less than $300 million in annual sales; and Susan M. Werner, director of risk management for Hardee's Food Systems Inc. in Rocky Mount, S.C., representing large companies.

No winners were named representing governmental entities or not-for-profit institutions.

To nominate a candidate for the 1988 Risk Manager of the Year Award, request a nominating form by writing: *Business Insurance*, 740 N. Rush St., Chicago, Ill. 60611-2590.

Information supplied in the nominating statements, which must be endorsed by the candidate's superior, will be kept in strictest confidence. Only the names of the winners will be announced. ■

Nominated risk managers to be judged on 10 criteria

Ten criteria will be used to score the nominations submitted for the 1988 *Business Insurance* Risk Manager of the Year Award and Risk Management Honor Roll, which are designed to recognize outstanding performance in the practice of risk management.

The 10 independent judges of the annual competition will score each candidate on a scale of one to 10 according to how well he or she:

• Established and implements an effective risk management program within the organization.

• Tackled and solved one or more major problems for his or her organization.

• Innovatively applies the diverse tools of risk management and insurance.

• Creatively and effectively uses the insurance markets to structure an insurance program that serves the needs of the organization (specifically addressing the types of policies purchased and manuscripted policies, if any, developed).

• Established a workable intelligence system inside and outside the organization, culminating in a flow of information about events and activities that affect the organization's risk management and insurance. (How the risk manager secures information on risks from other departments and the use of risk management information systems are addressed in this criterion.)

• Skillfully performs the functions of management in the overall organization and within the risk management/insurance department. (The functions include planning, organizing, directing and controlling.)

• Achieves the most effective program at the optimum cost over the long term.

• Developed technical expertise in any or all of the broad categories included within risk management, leading to a better managerial grasp of the operations aspects of the job.

• Exhibits an attitude and performs activities fostering the advancement of the risk management profession (such as professional activities, speaking engagements, teaching and related activities).

• Develops in his or her career (as exhibited by job history, including current job description, education, honors and memberships). ■

FIRE...
DESTROYS PAINT SPRAY BOOTHS

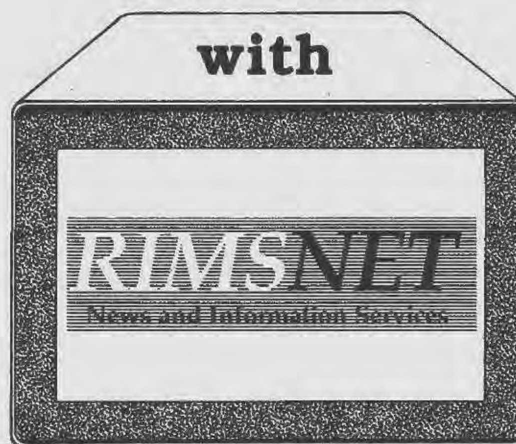
Whether it starts in the booth or in the ductwork, a fire can shut down an auto body shop or stop an entire production line. But take heart! Ansul, the world's leading manufacturer of fire protection systems, has developed ingenious, cost-effective solutions that you should know about.

Write for our free booklet "The Standard of Excellence in Fire Protection."

Ansul, Dept. 1A, Marinette, WI 54143
Or call (715) 735-7411

ANSUL

Add A Specialist To Your Staff with



Add RIMSNET, the electronic news and information network for *risk management, employee benefits*, and *property/casualty insurance.*

Access (via terminal, telephone and modem) to . . .

- Daily news abstracts from 160 publications . . . plus gateways to AP and UPI newswires
- Standard & Poor's insurer ratings
- Legislative/regulatory highlights
- Keyword-searchable database
- E-Mail . . . for on-line communication with all other users

Risk and Insurance Management Society, Inc.

Brochure/information from
Brynell Somerville (212) 286-9292
205 East 42 Street, New York, N.Y. 10017

Employee Benefits Communications Conference

On August 3 & 4 an influential group of employee benefit executives will meet to explore issues critical to their professional responsibilities. The annual Business Insurance Conference provides an opportunity to gain valuable insight into communicating benefits to employees.

Speakers

Jim Biggerstaff
Manager, Compensation & Benefits
PEARL HEALTH SERVICES
Tax Reform and 401K

Catherine A. Corse
Employee Benefits Officer
BARNETT BANKS INC.
Communicating COBRA

Laura Fairman
Director, Product Research & Development
Group Insurance Marketing
METROPOLITAN LIFE INSURANCE COMPANY
PANELIST: *Triple Options*

Victoria George
Benefits Specialist
Benefit Planning Department
BANKAMERICA CORPORATION
PANELIST: *Utilization Review*

Sally Gottlieb
Flex Plan Coordinator
PACIFIC GAS & ELECTRIC COMPANY
CASE STUDY: *Total Benefit Programs*

Alfred Hayes
Director, Human Resources
SONY CORPORATION OF AMERICA
CASE STUDY: *Computer Communications*

Jeffrey Horn
Principal
TOWERS, PERRIN, FORSTER & CROSBY
CASE STUDY: *Total Benefit Programs*

Alfred Malecki
Publisher
BUSINESS INSURANCE
EBC AWARDS

H. L. Marchant
Principal
WILLIAM M.MERCER-MEIDINGER-HANSEN,INC
CASE STUDY: *Interactive Video*

Kathryn J. McIntyre, A.R.M.
Editor
BUSINESS INSURANCE
OPENING REMARKS

Arnold Milstein, MD
President
NATIONAL MEDICAL AUDIT
PANELIST: *Utilization Review*

Agenda

Keynote Address ***Monday, August 3***
Influence — Elaina Zuker, President of Success Strategies, sets the tone for the 1987 EBC Conference. Effective communication possesses a powerful ability to influence. Communicators sometimes get lost in a maze of glitz and glitter, worrying too much about deadlines and production values. Employee benefits communicators may also get bogged down by legislative and health care cost control requirements. But no communicator should ever lose sight of the impact communication has ... its potential to influence attitudes, choices and response. Ms. Zuker will walk you through six influence styles — discover an approach that can get you results.

Communicating COBRA
COBRA Simplified — Creative ways of communicating COBRA to employees and keeping paper work down to a minimum. Find out how one company took the sting out of COBRA.

Triple Options
The Challenge — Communicating indemnity plans, HMO and PPO options to employees. The challenge begins with devising a plan that keeps information overload to a minimum and ends with effective communication that still defines the parameters of employees' choices.

EBC Awards Luncheon
Achievement — Recognizing outstanding communications programs, Alfred Malecki, Publisher, Business Insurance, presents the 15th Annual EBC Awards. Also shown will be the first place a-v winner.

Research — Techniques
Inspiration — Developments in consumer research and statistical techniques inspire a new management strategy that identifies employee satisfaction with benefits and their direct relation to corporate benefit costs.

Case Studies
Informal workshops, presented as concurrents, give you the opportunity to attend all sessions.

Flexible Benefits — A Total Program
Innovative — Pacific Gas & Electric Company's benefits program, "Flex," is a 1986 award-winning example of a total communications effort, effectively communicating flexible benefit options. They've taken the complexity out of choice. Their innovative approach incorporated input from their employees.

Interactive Videos
Creative Technology — When is it appropriate? This case study of the Ford Motor Company will cover the evaluation process that confirmed the use of interactive videos, the strategy for implementing this communication program, and examples of the technology used: touch screen, digital audio and video disc.

John Parkington, PhD
Director, Organization Research & Analysis Services
THE WYATT COMPANY
Research

Timothy Stentiford
Consultant
HEWITT ASSOCIATES
CASE STUDY: *Computer Communications*

I. B. Wallman
Employee Benefits department, Employee Relations Staff
FORD MOTOR COMPANY
CASE STUDY: *Interactive Video*

Herb Zeltner
President
HERBERT ZELTNER CONSULTING INC.
You Be The Judge

Edward J. Zeman
Director, Employee Services
THE LONG ISLAND RAILROAD
PANELIST: *Triple Options*

Elaina Zuker
President
SUCCESS STRATEGIES
KEYNOTE: Influence In Communication

Computer Communication
The Cutting Edge — Why Sony Corporation opted for computer communication and how they combined market trends with technological innovations to implement state-of-the-art interactive computer communication vehicles. This case study walks you through personalized benefits and provides scenarios for combining benefit options.

Case Studies ***Tuesday, August 4***
All three case studies ated.

You Be The Judge
A-V Excellence — Prese annually, this energetic session presents audio-visual programs submitted to the EBC Competition. You be the judge — see what other industry professionals are doing in this medium.

Luncheon
A final opportunity to gather with industry leaders and peers.

Utilization Review
Performance — The nature of utilization review demands peak performance. This session provides an examination of operations, key findings on performance levels and a look at how one benefits department performs this communications task.

Tax Reform & 401k
Issues and Ideas — Better marketing is essential to communicating tax reform and 401k, especially to lower paid employees. Find out how humor and a promotional contest got attention and boosted participation.

Adjournment
Until next year ...

The BI Conference opens Sunday, August 2, with registration check-in and a cocktail reception from 5-7pm. Sessions begin Monday, August 3 at 8:30am. The conference adjourns Tuesday, August 4 at 4:30pm.

The cost is **$650**. A 10% discount is offered to additional registrants from the same company. The fee includes sessions, workbook, educational materials, and scheduled functions.

Payment required with registration. All registrations will be confirmed.

Cancellations must be received in writing. A refund will be made on cancellations received prior to July 1. A **$100** service charge will apply to cancellations received after July 1. No refund will be made on cancellations received less than 5 business days prior to the conference. If your plans change, you may substitute the name of another person from your company without penalty.

To register, complete the form and send it with your payment to:

Business Insurance, Communication Services Department,
220 E. 42nd St., Suite 930, New York City, NY 10017
For information call: Barbara Dalton, Registrar, at (212)210-0780.

Hotel Accommodations

We have set aside a limited block of rooms at a special rate of **$130 single/$150 double**, at the Grand Hyatt Hotel in New York City. These rates are available to Conference Registrants only, and will be honored until July 13.

You must mention the *Business Insurance Benefits Conference* when making your reservations. Hotel cards will be included with your Conference Registration Confirmation. Or call the Grand Hyatt Hotel at **(212)850-5900**; or toll free at **(800)228-9000**.

Travel Arrangements

We have arranged for discounted airline tickets to New York City from almost every location in the U.S. Contact Travel Technology Group at **800/524-4442**. You must mention the *Business Insurance Benefits Conference* to take advantage of these low rates with no restrictions.

Awards Luncheon

A luncheon ticket is included with your Conference registration. A limited number of additional seats are available for the EBC Awards Presentation Luncheon. Additional tickets are **$60** each, available on a first come-first serve-basis; **reservations required.** Contact Registrar.

Please register me for the 1987 BI Conference
Employee Benefit Communications:
August 3 and 4 • The Grand Hyatt Hotel in New York City

Name ____________________
Title ____________________
Organization ____________________
Address ____________________
City ____________ State ______ Zip ________ Phone ( ) ________

Additional Registrant from my organization:
Name ____________________
Title ____________________

Name ____________________
Title ____________________

☐ Payment Enclosed ☐ Visa ☐ Mastercard ☐ American Express ☐ Optima Card
Account # ____________________ Expiration Date ____________
Signature ____________________

business insurance

Business Insurance, Communication Services Department
220 East 42nd Street, New York, NY 10017
Barbara Dalton, Registrar — (212)210-0137

BI 6/22

Cleanup costs

Continued from page 1
said Richard Blatt, an attorney with the Chicago firm of Peterson, Ross, Schloerb & Seidel, which filed an amicus brief on behalf of a Lloyd's of London underwriter with R.W. Sturge & Co. "We think it's persuasive."

Armco's attorney in the case also is concerned about the decision's precedential effect on other decisions. Although the policy at issue was a manuscript policy form, Benjamin Rosenberg with the Baltimore, Md., firm of Venable, Baetjer, & Howard, says: "The language construed here was not manuscript but was standard form language."

Mr. Rosenberg called the decision an "unduly narrow and restrictive reading of the insurance policy," and inconsistent with the recent trend in insurance coverage decisions.

Speaking generally, Mr. Rosenberg said findings against coverage would have a detrimental impact on policyholders facing actions by governmental bodies and also hinder efforts to clean up the sites.

"It seems to me it would significantly impair the government's interest in getting a prompt resolution to Superfund hazardous waste sites," Mr. Rosenberg said.

"Inevitably it will involve parties who are not financially able to bear the cost."

Indeed, some parties to other cleanup litigation in Missouri "have demonstrated that they would be unable to pay on their own," said Shelly Woods, an attorney with the Missouri attorney general's office. "Somebody would have to pick up the tab if insurance is not available—it would be the taxpayers."

Some policyholder attorneys, however, say the decision should not be followed by other courts.

"We will be arguing that the decision ought not to be followed by other courts," said Robert Sayler, with the Washington firm of Covington & Burling, who filed an amicus brief on behalf of numerous policyholders.

Whether or not other courts interpret the decision to involve a manuscript policy or one using standard language, the decision should not be followed, he contends.

If other courts treat the 4th Circuit's decision as based on a manuscript policy, then the decision should not affect their interpretation of standard form CGL contracts, said Mr. Sayler.

However, even if other courts treat the 4th Circuit's decision as based on a standard policy, the decision's impact should be limited, Mr. Sayler said. He explained that when courts interpret a standard CGL policy, they most often consider such issues as the drafting history of the standard form insurance contract and the general notion that insurance contracts should be read broadly and promote coverage, Mr. Sayler explained. This court failed to do so.

In addition, Mr. Sayler said that the court failed to recognize that actual damages occurred at the site, for which there should be coverage.

Mr. Sayler also criticized the public policy effects of the decision, which he said will hinder the cleaning up of hazardous waste sites.

"As a matter of public policy, this court has it all backwards," Mr. Sayler said.

Eugene Anderson, an attorney with the New York firm of Anderson, Russell, Kill & Olick, admits the case is "important because of the stature of the court," but characterized the decision as "wrong and contrary to a myriad of lower court decisions."

Previously, policyholders have won coverage under CGL policies for cleanup costs.

For example, last January, the 8th U.S. Circuit Court of Appeals in St. Louis ruled that cleanup costs are "property damage" and can be recovered under CGL policies. That decision by a three-judge panel in *Continental Insurance Cos. vs. Northeastern Pharmaceutical & Chemical Co. Inc.* is currently on rehearing before the entire 8th Circuit in St. Louis (*BI*, Feb. 9).

On July 2, a state appellate court in New Jersey ruled that cleanup costs are "damages" and can be recovered under CGL policies (see related story).

The Armco case stems from a lawsuit brought by the federal government against owners of a waste storage facility in Missouri and various waste generators, which included Armco.

The suit, filed in 1982 in U.S. District Court in Kansas City, was brought under the Resource Conservation and Recovery Act of 1976 and the Comprehensive Environmental Response, Compensation and Liability Act of 1980, better known as Superfund.

It alleged that improper maintenance in storing hazardous waste allowed toxic chemicals to seep into the soil and groundwater on adjoining properties.

The complaint also alleged that the chemicals migrated into the Missouri and Blue rivers and were a health threat.

The suit sought to compel the defendants to implement a comprehensive remedial action program, to reimburse the government for all investigative and other response costs and enforcement activities related to the site and for future costs of cleaning up the area.

Recently, the defendants reached an agreement with the federal government on a remedy for cleaning up the site, although the agreement is not yet final, said Robert Kroenert, an attorney representing Armco with the Kansas City, Mo., firm of Morrison, Hecker, Curtis, Kuder & Parrish.

Although the cleanup costs are unknown, estimates are they could approach $25 million.

"We don't know that Armco will have to pay," said Mr. Kroenert. If Armco does have to pay, it would pay one-fourth of what the generator defendants pay—over 20-30 years.

Moreover, various insurers of Conservation Chemical Co., the owner and operator of the site, already have agreed to pay about $4 million. And, about 200 third-party defendants that also used the waste site and were brought into the litigation by the original defendants also have agreed to pay a total of about $4 million, Mr. Kroenert added.

Maryland Casualty, which also insured Conservation Chemical, has agreed to fund a portion of the $4 million settlement on behalf of Conservation Chemical. The settlement led a federal district judge in Missouri to vacate his prior order that Maryland Casualty and other CGL insurers owed Conservation Chemical defense costs in the government action—a precedent the insurers did not want to see stand.

However, Maryland Casualty filed a declaratory judgment action in U.S. District Court in Baltimore against Armco, contending it did not have to defend or indemnify Armco for cleanup and other costs sought in the Conservation Chemical litigation. Maryland Casualty issued Armco general liability insurance from 1966 to June 1, 1983.

Last September, Judge Joseph H. Young agreed with the insurer, holding that claims for equitable relief by the government are not claims for damages under liability insurance contracts and thus Maryland Casualty was not required to provide coverage to Armco (*BI*, Sept. 8, 1986). Armco appealed to the 4th Circuit.

At issue was whether the government's claims in the Conservation Chemical litigation for injunctive relief and restitution in the form of reimbursement of costs, including engineering and clean-up costs, were "damages" recoverable under the policy.

According to the policy, Maryland Casualty was obligated "to pay on behalf of the insured all sums which the insured shall become legally obligated to pay as damages because of injury to or destruction of property."

In its appeal, Armco argued that the word "damages" in the policy means virtually any claim for monetary relief, which includes the costs for remedial and clean up action sought by the government.

However, the 4th Circuit rejected this argument, ruling that the definition of damages should mean payments to third persons who have a legal claim for damages as opposed to where injunctive relief or restitution is sought.

Addressing the damages sought from Armco in Conservation Chemical litigation, the court found that the relief requested by the government under Superfund was not "damages" in the legal sense.

"The general comprehensive liability policy between the parties covers 'damages' but not the expenditures which result from complying with the directives of regulatory agencies."

In its decision, the 4th Circuit rejected the decisions in *Continental Insurance Cos. vs. Northeastern Pharmaceutical and Chemical Co. Inc.* and *United States Aviex Co. vs. Travelers Insurance Co.*

The 4th Circuit ruled that restoration costs are not necessarily the same as the costs a party has to pay in damages for a loss.

Moreover, "it is a great step, and a dangerous one, for courts to begin to construe insurance policies to encompass costs of compliance with injunctive and reimbursement relief," the court said.

The court noted that insurance policies traditionally reimburse only damages arising from actual, tangible injury and that insurers are reluctant to cover "essentially prophylactic measures such as safety precautions." This is because such expenses are made at the policyholder's discretion and not connected with harm to specific third parties.

"The less obvious, but perhaps more telling reason that insurers are reluctant to cover avoidance costs is that insureds are far more likely to overutilize safety measures where another party is paying the bill," the court added.

"Should policies be construed to cover some forms of harm-avoidance measures, courts would be faced with the very difficult problem of separating needed prophylactic measures from unnecessary or inefficient ones," it added.

In the CCC litigation, the government decided not to wait to determine if the environmental spill in Missouri created a hazard, the court noted.

"This case thus presents no instance of harm to human or animal life, but merely the prevention of such harm."

"Even if some such harm had occurred, the fundamental nature of the government's intervention is the same: the government seeks to prevent or mitigate the occurrences or reoccurrences of hazardous waste contamination.

"This action is fundamentally prophylactic, and is not of the sort that Maryland Casualty contracted to cover."

Because there is no possibility that Maryland Casualty will have to indemnify Armco in the CCC litigation, it follows that the insurer does not owe the company a defense in the government action, the court also held.

Joining in an amicus brief on behalf of policyholders with the 4th Circuit were AT&T Technologies Inc., The Boeing Co., Carter Day Industries Inc., the Chemical Manufacturers' Assn., Ex-Cell-O Corp., International Business Machines Corp., Key Pharmaceuticals Inc., SCM Corp., Stauffer Chemical Co. and 3M Co. The state of Missouri also filed an amicus brief supporting Armco.

Lumbermens Mutual Casualty Co. filed an amicus brief supporting Maryland Casualty.

Armco has filed a petition for a rehearing with the 4th Circuit. ■

Insurer liable for pollution claim: N.J. court

By STEPHEN TARNOFF

HACKENSACK, N.J.—A property owner's expenses for preventing the release of pollutants on adjacent property are covered under comprehensive general liability policies, a New Jersey state appellate court says.

In addition, coverage for gradual but unforeseen and unexpected discharges of contaminants is not barred by the pollution exclusion clause in such policies, the decision by the appellate division of the New Jersey Superior Court holds.

In *Broadwell Realty Services Inc. vs. The Fidelity & Casualty Co. of New York*, the appellate court ruled that Fidelity must indemnify Broadwell for measures Broadwell took on its own property to prevent damage to third parties.

However, the court held that Fidelity is not liable for Broadwell's costs to rid its own property of contaminated materials.

The case was remanded to the trial court to determine Broadwell's costs to clean up its own property, which are not covered by the Fidelity policy, and whether the pollution was sudden and accidental rather than expected or intended, which also would preclude coverage.

About $50,000 is at stake in what Broadwell's attorney Adrian I. Karp called a "test" case brought by insurers.

Mr. Karp, of the Morris Plaines, N.J., firm of the same name, said the decision does not break new ground but said it emphasizes the unwillingness of insurers to adhere to the terms of the policies that they drafted.

Fidelity, which is a unit of The Continental Corp., has not decided whether it would seek a rehearing or appeal the decision, said its attorney, Harry V. Osborne II.

Fidelity, for example, disagrees that the clean-up costs can be characterized as property damage, said Mr. Osborne, with the Redbank, N.J., firm of Evans, Osborne, Kreizman & Welch.

Mr. Osborne also said it will be difficult for the trial court to determine how much Broadwell spent cleaning up its own property compared with how much was spent to prevent damage to the property of third parties.

The insurance litigation followed a "directive letter" from the New Jersey Department of Environmental Protection, advising Broadwell that hazardous substances had escaped from several underground storage tanks on its premises onto adjacent lands.

Broadwell owned the property but had leased it to Globe Petroleum Inc., which operated a Citgo Service Station franchise on the premises. Gasoline leaked from Broadwell's property into two New Jersey Bell cable vaults and also was discharging into a nearby stream.

Under the state's Spill Compensation and Control Act, the DEP directed Broadwell to take immediate cleanup action to stem the migration of the hazardous waste and to remove and dispose of contaminated soil.

Broadwell's cleanup and removal expenses totaled $42,000, and the state billed Broadwell for $8,000 more.

Broadwell was an additional insured under Globe's $1 million CGL policy written by Fidelity & Casualty in 1982.

Fidelity denied Broadwell's claim, arguing that the cleanup efforts involved Broadwell's contaminated property, for which there is no coverage. It also argued that a pollution exclusion clause barred coverage for discharge or release of the gasoline.

Broadwell sued Fidelity for coverage.

The trial court ruled that Broadwell incurred the expenses to "mitigate damages" to adjacent property and that these amounts were covered under the Fidelity policy. The judge also found that coverage was not precluded by the pollution exclusion clause.

Fidelity then appealed.

Affirming the trial court's ruling that Broadwell's costs for measures it took to prevent damage to third parties were covered, the appellate court ruled: "We are convinced that the expenses incurred by Broadwell to abate the continued release of contaminants on to the property of others fall within the category of coverage for which liability insurance ordinarily applies."

The court noted that Fidelity would have been liable for remedial measures on adjacent properties to prevent further damages to that property.

The court further noted that expenses Broadwell incurred in complying with the DEP directive are "legal claims for damages," which are covered under the policy.

Broadwell made the expenditures to satisfy its legal obligations to the DEP or at least to prevent avoidable legal obligations to pay damages to a third party, the court said.

The court rejected Fidelity's argument that expenses for preventive measures on the Broadwell's property, even though taken to prevent damages to third parties, were not covered under an exclusion in the policy. This exclusion provides that there is no coverage for "damage to property owned or occupied or rented to the insured" or "property in the care, custody or control of the insured."

"We recognize that the policy is not designed to afford first party coverage," the court said. "It is far different to suggest, however, that abatement remedies performed to prevent continued contamination and damage to the property of third parties fall within the exclusionary language."

The court added, however, that damages confined to Broadwell's property are not covered by the policy.

The court also rejected Fidelity's argument that Broadwell was not entitled to coverage because it was barred by the pollution exclusion clause. This clause says insurance does not cover bodily injury or property damage arising out of the discharge, release or escape of various pollutants unless the discharge is "sudden and accidental."

The court, citing decisions in New Jersey courts and elsewhere, found the pollution exclusion clause prohibits coverage for only expected and intended injuries. ■

IF YOU WANT TO SELL INSURANCE IN DETROIT, MAKE A POLICY OF GOING STRAIGHT TO THE BOSS.

With over 33,000 subscribers, Crain's has Detroit business covered. If your insurance company wants to up its coverage in the Motor City, an ad in Crain's can help insure your success. Because Crain's delivers a premium business audience: 53% of Crain's subscribers have a say in their employee benefit programs, and 42.9% help decide on their companies' insurance and risk management. With an average net worth of $630,900, their personal finances aren't a bad risk either. And because our readers are top executives with busy schedules, they put a premium on their time. and surprisingly enough, they don't spend that time reading national general business publications that you usually advertise in.* So if you want to underwrite Detroit business, you can't afford to overlook Crain's.

If you'd like to claim more of Detroit's insurance market, just call (313) 446-6032 for more information, a complete media kit or to place an ad.

This time, you'll be the beneficiary.

Crain's Detroit Business

CRAIN'S MEANS BUSINESS

*Source—Erdos and Morgan, Inc. Subscriber Survey, 1986.

the professional marketplace

RATES AND CLOSING TIME:

Rates: Display classified is $86.25 per column inch, minimum of one inch. Straight classified is $7.00 per line, minimum of 5 lines. Count 34 characters per line (include each space and punctuation as a character). Additional $13.00 charge for blind box ads. Only those responses which fit into a business size envelope will be fowarded. Responses are fowarded daily.

Closing: Published every Monday. Copy must be in typewritten form by noon Tuesday, 6 days preceding publishing date. No verbal phone copy accepted. Prepayment required for straight advertisements. Mail ads to Margaret Hikido, Classified Advertising, 740 N. Rush St., Chicago, IL. 60611. For more information call 312-649-5340.

AUTO PHYS DAM REINSURANCE

Substantial off-shore reinsurer desires to joint venture with insurer writing auto P.D. only since inception. Opportunity to write a large volume if surplus a problem. Offshore company will become approved in same states. Respond in confidence to:

IRM
P.O. Box 41-4043
Miami Bch., FL 33141

WANTED RETAIL INSURANCE AGENCY

Metro-Chicago Loop agency is interested in discussing acquisition/merger of commercial lines oriented agency having solid markets and a stable book with premium writings excess of $500,000. Producers/key individuals to join our firm. Price and terms are negotiable. Reply in confidence to: **Box 2322, Business Insurance, 740 Rush St, Chicago, IL 60611-2590**

PRODUCER/MANAGER

WANTED:
Mature commercial producer with experience or interest in sales management. Position involves new sales as well as sales management and training for large, professional agency.
MINIMUM REQUIREMENTS:
CPCU, CLU or ARM degree. Stable employment history. $200,000-book (commission income) to be purchased by our agency at a multiple paid based on retention over four (4) years.
POSITION:
Sales manager, leading to vice president. Sales benefits: Salary in $50,000 range, plus 30% new/renewal commission on book of business: Car: expense account: bonus: profit sharing.
"We're Building the Best"
Reply to:
Box 2321. Business Insurance
740 Rush St.
Chicago, IL 60611-2590

DIRECTOR OF RISK MANAGEMENT

This supervisory position will be responsible for the coordination of activities within the following areas: risk determination & evaluation; claims administration; insurance coverage; administration of self-insurance programs and group health benefits; employee safety and health; loss prevention; administration of the Office of Risk Management.
Candidate must have bachelors degree with major course work in risk management, insurance, or related subject, and 4 years progressive supervisory experience in overall administration of a comprehensive risk management program. Experience in municipal risk management is preferred.
Send resume and salary requirements by August 31 to:
Barbara Lipscomb
City Hall, City of Lakeland
Lakeland, FL 33802
Equal Opportunity/Affirmative Action M/F/H

HELP WANTED

REGIONAL MARKETING MANAGER
Growing insurance corporation seeks individual to develop and expand group life and health business in Ohio. Will work through statewide network of independent agents and brokers. Must have 1-2 yrs. group life and health sales experience. Please respond with resume and salary history in confidence to: Human Resources Manager, **First Transcontinental Life Insurance Corp.,** 10400 W. North Ave., Suite 420, Milwaukee, WI 53213. Equal Opportunity Employer

RISK MANAGER
Well-established and rapidly expanding Public Real Estate Development Company in Orange, CA has an immediate opening for this newly created position in its Treasury Department. Primary responsibilities include property/casualty insurance administration, claims administration and coordination, and supervision of employee benefit programs. Individual must have a degree in business or public administration with 2-4 years experience in risk management. Some background in accounting, finance or statistics, and good communication skills desired. Non-smoker. Full company benefits. Send resume to: **CENTENNIAL, Risk Mgr., P.O. Box 399, Orange, CA 92666-0399.** For additional information only: (714) 634-9200.

HELP WANTED

ASSOCIATE BENEFITS ADMINISTRATOR
National trade assoc. located in NYC (Wall St. area) seeks qualified individual to fill new position in insurance dept. Will assist in rating, claims evaluation, some marketing, general admin. and customer service for $17 mill. group ins. program. Min. 2 yrs. group ins. rating experience with recognized insurer, excellent math and analytical skills and exposure to customer service required. Degree preferred. Must be organized and self-disciplined. Starting salary to mid-30s plus excellent benefits. Forward resume, in strict confidence, to: **Director of Insurance Services, Securities Industry Association, 120 Broadway, New York, NY 10271.**

REINSURANCE INTERMEDIARY

Rapidly growing, national insurance brokerage and consulting firm, specializing in developing and implementing solutions to insurance and risk management problems, seeks reinsurance intermediary to develop new casualty reinsurance operation specializing in professional liability. Operation will be located on East Coast.
Position demands a highly motivated individual with strong initiative and excellent communication skills who would excel in a startup situation. Successful candidate will have 7 to 10 years reinsurance brokerage experience. Compensation commensurate with experience.
Send resume to:
MICHAEL MAGLARAS
EXECUTIVE VICE PRESIDENT
GLENN, NYHAN & ASSOCIATES, INC.
P.O. BOX 757, WALLINGFORD, CT 06492

INSURANCE ANALYST

Consolidated has a challenging opportunity for an individual with three to five years property/casualty insurance experience with an insurance company, insurance broker or risk management staff. Candidates should possess a bachelor's degree in business, finance or related discipline; CPCU/ARM designations and personal computer experience preferred. Strong verbal and written communication skills a must.

Salary commensurate with experience and includes an excellent benefits package. Reply in writing including resume and salary requirements to:

CONSOLIDATED NATURAL GAS SERVICE COMPANY, INC.
Human Resources Department
Four Gateway Center
Pittsburgh, PA 15222
Equal Opportunity/Affirmative Action Employer

BUSINESS OPPORTUNITIES

PROGRAM BUSINESS
Brokers and Agents looking for an insurance company to support their program or association should contact Box 2134, Business Insurance, 740 Rush St., Chicago, IL 60611. We are a firm specializing in program placement, development and control.

Looking for a candidate to fill the Job?

Advertise in The Professional Marketplace and reach 136,500 Top Professionals!

Call 312/649-5340 for details.

MANAGER
RISK MANAGEMENT

Direct An Innovative Program For An Industry Leader!

OGDEN ALLIED, America's largest provider of total business services, has an immediate need for an experienced risk management professional to help implement our "Safety Plus" project — a comprehensive loss prevention program.

Wide ranging responsibilities will include analysis of insurance costs, claims control and monitoring insurance accrual. You'll also participate in the rolling out of "Safety Plus" nationwide.

To qualify you'll need 3-5 years of related experience. PC experience is a must and a Business Degree is preferred.

OGDEN ALLIED provides a comprehensive compensation package including an excellent salary and generous benefits. For consideration, send your resume with salary history, in confidence to: OGDEN ALLIED SERVICES CORPORATION, DEPT HMRM, 2 PENN PLAZA, 20TH FL, SUITE 126, NEW YORK, N.Y. 10121. We are an equal opportunity employer M/F/H/V.

OGDEN ALLIED *Services Corporation*
AN OGDEN COMPANY

UNDERWRITING SUPERVISOR

Medical Claims Service, Inc. an administrator of self-funded benefits, is seeking a Stop Loss group underwriting supervisor with a minimum of 3 years experience for a growing Boston office Duties will include:

1. Supervision of 2 underwriters.
2. Review and underwrite all renewal and new business quotations prior to issuance.
3. Undertake rate negotiations with insurers and reinsurers.
4. Serve as a liason between sales, underwriting and claims dept.
5. Assume responsibilities for setting up new accounts on the computer.

An excellent salary and benefits package makes this position especially attractive to the right person. Please submit resume to:
Medical Claims Service
119 Beach Street
Boston, MA 02111
Attn: Office Manager

ACCOUNT EXCUTIVE

Industrial commercial property casualty insurer seeks experienced Account Executives to handle **FORTUNE 1000 NATIONAL ACCOUNTS** in the Boston, Toronto, Chicago, L.A., and New York markets. Must have current related successful sales experience.

$50-70,000 SALARY +
$10,000 GAUR. DRAW +
COMM. TO $50,000 +
JR. ACCT. EXECUTIVE POSITIONS ALSO AVAILABLE
$35-50,000 SALARY +

Co. Car Expenses, Benefits
All Relocation Expenses paid
Call Confidentially for immediate local interview:

312-790-4545

Joe Ross or Charles Chase

Business Insurance

Circulation Breakdown*

Commercial Consumers

Administrative:	
CEO's Presidents and Owners	2,426
Vice-presidents, General Managers and Other Administrative Personnel	3,136
Financial:	
Chief Financial Officers and Vice-presidents of Finance	2,683
Secretaries, Treasurers, controllers and other Financial Personnel	4,888
Risk/Employee Benefits:	
Vice-presidents, directors, managers, and other related department personnel of: insurance, risk, employee benefits, personnel, compensation, pension, safety, security, industrial relations, human resources and employee/labor relations	8,144
Sub-total	**21,277**
Associations	506
Government, Unions and Educational Institutions	1,400
Commercial Consumers	
Sub-total	**23,183**
Insurance Agents and Brokers	11,009
Insurance Companies	7,111
Financial Institutions	989
Actuaries, Attorneys, Adjusters, Appraisers and Consultants	5,560
Others Allied to the Field	1,442
TOTAL	**49,294**

* Source Business/Occupational breakdown of qualified circulation, November 24, 1986 issue, as submitted to BPA for December 1986 BPA Publisher's Statement.

NATIONAL ACCOUNTS UNDERWRITING

Are you interested in making a change? Have you considered a dynamic, growth oriented company? **NORTHBROOK PROPERTY & CASUALTY,** a wholly owned subsidiary of **ALLSTATE INSURANCE,** continues to grow in the market place and has immediate openings for individuals who possess the following:

- 6-8 years of casualty experience including general liability, heavy workers comp and auto including at least 2-3 years in large accounts ($500,000+annual premiums).
- recent experience with loss rating, multi-line retro and deferred premium plans essential.

We offer a broad range of benefits including Group Life/Medical, Sears Profit Sharing, Pension, Sears Discount and much more. For consideration, please call or send resume with salary history.

Frank Cooper
(312) 551-2406

NORTHBROOK PROPERTY & CASUALTY INSURANCE CO.
Allstate Commercial Plaza
51 W. Higgins Road
South Barrington, IL 60010

We are an equal opportunity employer and we encourage women and minorities to apply.

DIRECTOR OF NATIONAL ACCOUNTS INSURANCE SALES

Successful sales management candidate with strong Casualty Insurance knowledge is wanted to direct a national accounts insurance sales effort. Exceptional insurance experience is required that will enable working with accounts generating annual Casualty premium in excess of $500,000. This opportunity is with a large Midwestern insurance company with current national accounts annual premium volume of $100 million.

In addition to salary, compensation includes an incentive bonus plan based upon annual sales results, development of new markets, and management of an experienced national account sales team. Total income potential up to six figures for candidates with proper qualifications, experience and results.

Department 7—CH—365
NAS CONFIDENTIAL REPLY SERVICE
35 E. Wacker Dr., Suite 3900
Chicago, IL 60601
An Equal Opportunity Employer M/F

Pan Am Games

Continued from page 1

property/casualty division of Regional Marketing. Mr. Lennon organized the insurance and risk management programs for the games.

While Mr. Gossett set a budget of $1 million to cover the costs of the entire insurance program for the games, the total bill came to $999,627, Mr. Lennon noted.

However, BC/BSI has estimated the total value of its sponsorship at about $1.5 million, including its personnel costs.

BC/BSI sponsored the games for two reasons, Mr. Lennon said. "It was a community event for the good of the city. And, we felt it would be a good opportunity to demonstrate to the public our greatly expanded capabilities in terms of providing insurance and insurance-related services."

"It was a surprise to me that Regional Marketing had the capabilities to do this kind of a program," Mr. Gossett said, complimenting Mr. Lennon and the two agents working with him for a "tremendous job."

The coverage that BC/BSI has arranged for the games includes:

- Employee benefits and workers compensation coverage for PAX/I employees.
- Directors and officers liability insurance for PAX/I officials.
- Accident and health insurance for participants and officials.
- Property and liability coverages.
- Commercial auto for passenger transport and cargo vehicles.
- Inland marine coverage for property in transit.
- Medical malpractice coverages.

BC/BSI began underwriting the PAX/I employee benefit plan in October 1986.

The PAX/I organizing committee was formally established in January 1985 as a department of the Indiana Sports Corp., a nonprofit corporation that promotes the city as a sports capital. Although PAX/I was separately incorporated in March 1986, it remained covered under Indiana Sports' insurance program until BC/BSI began its sponsorship of the games in August 1986.

BC/BSI underwrote PAX/I employees' triple-option health insurance program, and subsidiary Associates Life Insurance Co. of Indianapolis wrote life and disability insurance. The coverage runs from October 1986 through the end of 1987.

Directors and officers liability insurance with $1 million in aggregate limits for PAX/I officials was underwritten by International Surplus Lines Insurance Co. of Chicago, a Crum & Forster subsidiary. The coverage is in effect from Jan. 1 to Dec. 31, 1987.

Workers compensation coverage for approximately 100 PAX/I staff members was written by Indianapolis-based Indiana Insurance Co., a subsidiary of Nationale-Nederlanden Group in the Netherlands.

Because of the limited insurance funds available, PAX/I self-insured the first $30,000 of the health claims for the athletes and officials in the Pan Am Games.

Regional Marketing placed a $150,000 per-occurrence catastrophic accident program over the self-insured retention with Los Angeles-based Transamerica Insurance Co. to cover only injuries incurred during practice or competition. The policy is in force from November 1986 to November 1987.

The remaining risks are covered under a wrap-around insurance program.

Regional Marketing placed the initial property/casualty package for the games on Aug. 25, 1986, with Nationale-Nederlanden's IIC, Mr. Lennon explained.

As most of the coverages IIC wrote expire at various points preceding and during the games, other insurers' coverages begin.

Most of the coverages initially included in the IIC package will reactivate after the games, when most of the policies that picked up the coverages IIC originally wrote expire. The IIC insurance package will remain effective until year-end 1987 as PAX/I winds down its activities, Mr. Lennon explained.

Liability insurance

IIC wrote $1 million in aggregate primary liability coverage for the games until late April. On April 30, 1987, Transamerica replaced IIC, writing a $5 million combined single limit general liability policy.

The only aggregate on the policy is for the "vicarious" product liability exposure involving souvenirs sold during the games that sport the PAX/I emblem, Mr. Lennon said.

The Transamerica policy excludes coverage for the opening ceremonies and expires on Sept. 6.

A Fort Wayne-based agency specializing in providing sports coverage—K&K Insurance Agency Inc.—represents Transamerica and was responsible for arranging all coverages placed with that insurer, Mr. Lennon said.

Liability coverage for the opening ceremonies, expected to draw 65,000 spectators, is underwritten by United States Fire Insurance Co. of Morristown, N.J., another Crum & Forster subsidiary. It provides $10 million in liability coverage, effective from Aug. 7 through Aug. 8, for the dress rehearsal and the ceremonies.

However, the policy excludes coverage for the fireworks display scheduled to be held during the ceremonies. That exposure will be covered by an endorsement to a $2 million liability policy covering fireworks manufacturer New York Pyrotechnic Products Co. Inc. of Bellport, N.Y. The policy is written by American International Group Inc. surplus lines insurer Lexington Insurance Co. of Boston. The endorsement names PAX/I, Buena Vista and the Indianapolis Motor Speedway—where the opening ceremonies will be held—as additional insureds.

Automobile insurance

IIC wrote a $1 million general liability and physical damage policy with a $500 physical damage deductible on 400 sedans and 50 cargo vehicles donated for use during the games. The vehicles will be driven by volunteers.

On July 1, Transamerica wrote a $4 million excess of $1 million policy for these vehicles.

Also on that date, National Indemnity Co. of Omaha, Neb., a subsidiary of Berkshire Hathaway Inc., wrote a $1 million primary policy and Lexington wrote a $4 million excess of $1 million policy to cover 150 passenger vans that will be used to transport athletes between sites.

The combined premium costs for the entire auto package, effective from July 1 to Sept. 1, totaled less than $250,000, Mr. Lennon said.

He declined to specify individual premiums for any of the Pan Am coverages, at the request of the insurers.

Umbrella insurance

IIC wrote an umbrella policy providing aggregate coverage of $5 million excess of $1 million for both the primary general liability and the auto coverages. The general liability coverage includes volunteers as additional insureds.

Property insurance

IIC wrote about $2 million in scheduled coverage for PAX/I property.

On June 6, IIC also wrote a property policy with $4 million of limits to cover property housed at the main PAX/I warehouse in Indianapolis.

On July 1, Aetna Insurance Co. of Philadelphia wrote an additional $4 million property policy for the main warehouse on a pro rata basis with IIC.

Both insurers' policies for the main warehouse expire on Sept. 6.

IIC also wrote a fire policy with $50 million in limits effective July 1 through Sept. 6 to cover the main athlete village established on the grounds of the U.S. Army's Fort Benjamin Harrison in Indianapolis.

The insurer also wrote $1 million in property coverage with the same effective dates for PAX/I property stored at a U.S. government warehouse in Indianapolis.

And, IIC wrote property policies with limits of $500,000 each to cover barracks at Camp Atterbury—where participants are housed—and the Indiana School for the Deaf—where PAX/I uniforms are being stored.

Other coverages

IIC wrote crime coverage, including a fidelity bond with a $100,000 limit and loss-in-and-out coverage with $100,000 per occurrence.

IIC wrote inland marine coverage, including $1.1 million in limits for data processing equipment and a $100,000 per-occurrence transit floater.

On July 15, Aetna Insurance Co. wrote a $10 million inland marine policy to cover scheduled and unscheduled PAX/I and athlete property in transit and at competition sites, replacing the IIC coverage.

Unscheduled property is insured for up to $100,000 with a $5,000 deductible. The policy also insures all of PAX/I's data processing equipment that was previously covered by the IIC package.

The bulk of the coverage expires on Sept. 6, but the data processing equipment coverage extends until year-end 1987.

Aetna also wrote a bailment policy effective from Aug. 1 to Sept. 1 to cover athletes' horses, equipment and weapons in the care, custody and control of PAX/I.

IIC wrote about $2 million of construction coverage for the only two permanent competition sites constructed for the games—an equestrian site in Johnson County Park and a shooting range at Camp Atterbury, a U.S. Army Reserve Forces training ground, also in Johnson County. IIC retains the general and excess coverage for construction activities until year-end 1987.

In addition to those coverages, the games are insured for medical malpractice and aviation liability.

Medical malpractice coverage of $100,000 per occurrence, the statutory limit under Indiana law, was underwritten by PHICO Insurance Co. of Mechanicsburg, Pa., from June 30 through Sept. 1. It has no aggregate limit.

The insurance covers PAX/I as well as nurses and pharmacists who have volunteered to provide on-site first-aid care to athletes and spectators. More than 1,200 trainers, emergency medical personnel, doctors and nurses will be on hand.

When Mr. Lennon began structuring the insurance program, he enlisted the help of two Indianapolis-based property/casualty agents: Hugh B. McGowan, president of McGowan & Stanley Inc., assisted in lining up standard markets, and James A. Roe, president and chief operating officer of Arlington/Roe & Co. Inc., helped place coverage with surplus lines markets. Mr. McGowan and Mr. Roe also assisted in the risk management program.

The three were assisted by volunteers from the local insurance community, who comprised the PAX/I Insurance Committee.

In addition to Mr. Gossett, committee chairman, the insurance committee members are Robert E. Jordan, risk manager for Indiana University; Lynne Kuhns, an adjuster for CNA Cos.; Mark Langer, manager of Marsh & McLennan of Indiana; Ed Miller, life department manager for Gregory & Appel Inc. agency; Frank Alderson, executive vp with Insurance Audit & Inspection Co.; and Pat O'Conner, vp with City Securities Insurance Agency.

Mr. Lennon and others stressed that Michael J. McDonald, assistant vp and regional manager for IIC, has provided considerable ongoing assistance. ■

the professional marketplace

RETAIL TRUCK PRODUCERS WANTED

Due to program expansion, we are currently seeking experienced, licensed, retail producers to represent "A" rated truck physical damage program in the following states: Florida, Georgia, Kentucky, Mississippi, Oklahoma, Virginia and W. Virginia.

Please reply to:
Box 2320, Business Insurance
740 Rush St.
Chicago, IL 60611-2590

FINANCIAL SERVICES BROKER

Professional Liability Dept. of a leading wholesale/specialty insurance operation is seeking a broker to join its metropolitan New York office. The successful candidate needs to possess a working knowledge of D&O/E&O markets, have a familiarity with financial statements, and be well-versed on today's business issues. Salary commensurate with experience, please send resume to:
Box 2311 Business Insurance, 740 Rush St., Chicago, Ill. 60611-2590

HARVARD AIMES GROUP
Executive Search
Risk Management, Benefits and Insurance Professionals
6 Holcomb St PO Box 16006
West Haven, CT 06516
(203) 933-1976

BI Classifieds assure top quality results!

J.M. PENAN & ASSOCIATES
Executive Recruiting Specialists
For and In the Insurance Industry
10308 Stormhaven Way
Indianapolis, IN 46256
(317) 842-4492

ASSISTANT DIRECTOR RISK MANAGEMENT
Emphasis in claims management and workers' compensation. B.A. degree and 2-3 yrs. exp. Call or write:
University of Vermont
Employment Office
237 Waterman, Burlington, VT 05405
802-656-3494
A.A/E.O.E

RISK MANAGER

The City of Arlington, Texas is seeking a proven professional to direct its risk-management program.
The successful candidate should be thoroughly experienced in all phases of risk management, including identifying and estimating recurring risks, evaluating and recommending changes in insurance coverages, directing loss-prevention and control efforts, and administering the City's self-insurance programs.
Minimum qualifications include a Bachelor's degree in Business Administration with an insurance emphasis, plus 5 years experience in the risk management field. The starting salary will depend on qualifications, and falls in a range of $43,440 to $52,130.
For immediate consideration, please send your resume with a cover letter summarizing your qualifications and salary history to:
Personnel-Dept. N/C
City of Arlington
P.O. Box 231
Arlington, TX 76010
City of Arlington Texas
An EEO/AA/Handicapped Employer

SALES REPRESENTATIVE

One of the nation's top Independent Medical Review firms is seeking an experienced Sales Representative for the Northwestern United States, to be based in Seattle, Washington. A Substantial customer base and market demand have created an excellent opportunity for the right person.
A minimum of two years marketing experience with Medical Review Firms, Third Party Administrators or Insurance Companies is preferred.

Direct all inquiries to:
Vice President - Marketing
THE AUGUST FUND INC.
14032 Enderle Center Drive
Tustin, California 92680
(714) 731-8200

UNDERWRITERS
Move Into
RISK MANAGEMENT
DETROIT SUBURBS

A large conglomerate located in the N.W. Detroit Suburbs is looking for an individual to assit in the Property/Casualty functions of our Risk Management Department. The ideal candidate will have 3 to 5 years of either Underwriting, Brokerage, or Risk Management experience.
Send your resume and salary requirements to:
Box 2323, Business Insurance
740 Rush Street
Chicago, IL 60611-2590

Safety officers ready for Pan Am Games

INDIANAPOLIS—Every day of the 17-day Pan Am Games, each of the 30 venue sites in use will be inspected by its appointed venue safety officer.

They will be checking the safety of the bleachers, the concession stands and the grounds.

This is just one aspect of the carefully structured risk management and loss control program for the Pan Am Games, to be held Aug. 7-23 in Indianapolis and other Indiana sites.

Sterling D. Gossett, chairman of insurance and risk management for game organizers Pan American X/Indianapolis Inc., and members of the insurance and risk management team that secured coverage for the activities initially met with the venue coordinators for each of the Pan Am sporting events and conducted extensive risk management surveys.

They also conducted preliminary inspections of all competition sites and of the seven temporary "athlete village" sites that will house athletes and others participants. Following the surveys and inspections, they developed guidelines for insurance coverages and the loss control programs.

The safety officers that will conduct the daily inspections are almost all Indianapolis area firefighters who volunteered for this additional duty during the games. They will conduct the daily inspections using a pre-designed checklist.

The checklist includes such items as: that the temporary bleachers are properly based and bolted to prevent any collapse; that the concession stands are secure to prevent movement; that the trash is picked up to prevent slip-and-fall claims; and that anything that could create a fire or explosion is properly stored.

The safety officers were required to attend a four-hour training program taught by Dr. Robert Piercy, a professor in safety planning from Indiana University. During the program, the volunteers "were briefed in general safety procedures and concepts," explained Daniel F. Lennon, head of the three-man insurance team and director of the property/casualty division of Regional Marketing, a subsidiary of Blue Cross/Blue Shield of Indiana, the official insurance sponsor of the games.

Spot site inspections also will be conducted by the three-man insurance team. They will monitor the safety officers.

Security precautions—including accreditation badges, security guards and fences surrounding sites—have also been developed so that only authorized personnel will have access to the competition, practice and athlete village sites.

To confirm health coverage eligibility for the athletes and officials participating in the games, PAX/I provided area hospitals with lists of eligible individuals. This ensures that ill or injured participants will receive prompt medical attention.

And, to control losses involving the 400 sedans, 50 cargo vehicles and 150 passenger vans that will be driven by 1,200 volunteers to transport participants and equipment to and from competition sites, Mr. Gossett and the insurance team members structured a driver safety program.

All of PAX/I's volunteer drivers are required to attend the two-hour driver safety program, which Mr. Gossett also is teaching. The training includes defensive driving tactics and claims reporting procedures.

As an added precaution, the insurance team developed an automated driver screening system to check motor vehicle reports and other eligibility requirements for volunteer drivers.

Before anyone is permitted to drive, his or her name will be checked against the list of approved and ineligible drivers.

A centralized insurance and risk management desk will be staffed whenever events are under way. The staff is responsible for directing the activities of the risk management team conducting the spot inspections and dispatching response teams to areas where incidents that could result in claims occur.

—By Linda J. Collins

Photo: Thom Kondas Studio

On the scene of the Pan Am Games are Bob Babcock, left, construction superintendent for the athlete village at Fort Harrison, and Gary Miller of Blue Cross/Blue Shield of Indiana. Mr. Miller is an executive on loan to Pan American X/Indianapolis, Inc., the local committee organizing the event.

Employee Benefits Communications

business insurance Update

EBC Awards

Profiles of award winning programs from BI's annual Employee Benefits Communications Competition.

publishing: August 3
ad closing: July 22

EBC Conference Report

Coverage of industry innovations and trends presented at BI's Conference.

publishing: August 17
ad closing: August 5

NEW YORK:
220 EAST 42ND STREET/NY 10017/(212) 210-0133
CHICAGO:
740 RUSH STREET/IL 60611/(312) 649-5276
LOS ANGELES:
6404 WILSHIRE BOULEVARD/CA 90048/(213) 651-3710

PBGC proposals

Continued from page 2

The most striking difference between the subcommittee's proposal and the Ways & Means proposal is its adherence to a flat rate PBGC premium while more than doubling the premium to $19 from $8.50.

Under the Ways and Means Committee proposal, the variable-rate PBGC premium would be lowest for employers with the best funded plans and highest for employers with poorly funded plans, ranging from $14 to $50.

A wide range of business groups endorse a variable-rate premium, saying it is only fair that employers with poorly funded plans pay the highest premiums because they pose the greatest risk.

Their argument was taken up by subcommittee member Rep. Marge Roukema, R-N.J., who unveiled, but did not formally introduce, a proposal in which premiums would range from $15 to $45.

A straight premium hike is unfair to employers who have done a good job of funding their plans, Rep. Roukema said.

She added that employers will be discouraged from setting up new plans covering low-wage workers if the PBGC premium keeps rising.

A higher flat rate premium rate will begin to "drive responsible employers out of the defined benefit plan system," said PBGC Executive Director Kathleen P. Utgoff.

But Subcommittee Chairman Rep. William Clay, D-Mo., said a variable-rate premium could do "irreparable harm" to employers that are in financial difficulty.

The committee's proposal to assess a $200 termination funding charge per plan participant on employers folding their defined benefit plans also is opposed.

"It's unfair. Pension plans are voluntary, and in a voluntary benefits system, employers should be free to terminate plans without punitive action being taken against them," said Mark Ugoretz, executive director of the Washington-based ERISA Industry Committee, also known as ERIC.

"What kind of an incentive does an employer have to set up a defined benefit plan with this kind of penalty? It undermines the defined benefit system," said Mr. Brahs of the APPWP.

But an aide to Rep. Clay said the $200 charge would give employers an incentive to stay in the defined benefit plan system as well as provide more revenue to the PBGC.

In addition, business lobbyists and administration officials claim that the subcommittee's recommendation to give participants a portion of excess assets when an employer terminates an overfunded plan is unfair and would discourage sound funding of plans.

"If you fund your plan in a responsible way, why should you be penalized" by not being able to receive all excess assets, asked James Klein, manager of pensions and employee benefits at the U.S Chamber of Commerce in Washington, D.C.

"Participants are entitled to the promises made by their pension plans, but providing more by law puts Congress in the position of unilaterally changing the benefit agreement between employers and employees," said Mr. Ugoretz.

Indeed, reversions from overfunded pension plans have been an important revenue source for employers facing financial difficulty.

For example, during the hard commercial insurance market, several property/casualty insurers terminated overfunded pension plans and added the excess assets to depleted policyholder surplus.

But the subcommittee contends that plan participants should receive a portion of a reversion.

Pension activists charge that participants can be hurt when an overfunded plan is terminated because, among other things, retirees' benefits often are frozen. Thus, the retirees lose any opportunity to receive cost of living adjustments.

Meanwhile, an amendment by Rep. James Jeffords, R-Vt., to the subcommittee package would make it easier for employees leaving a company to roll over lump-sum pre-retirement pension distributions into new portable plans maintained by investment managers.

While the Labor-Management Relations Subcommittee was acting, the Ways and Means Committee completed action on PBGC/pension provisions that will become part of a budget reconciliation bill being drafted.

The Ways and Means Committee proposal generally follows recommendations made by its Oversight Subcommittee (*BI*, July 20), but several changes were made. Those changes include:

- Setting the range of PBGC premiums under a variable rate structure at $14 to $50. The Oversight Subcommittee had recommended a $15 to $50 range.
- Charging only plans that are less than 100% funded a PBGC premium greater than the $14 base premium. The Oversight Committee had recommended that plans that are less than 110% funded be assessed a greater premium.

Plans that are less than 100% funded would pay an additional funding charge of $5.50 per $1,000 of underfunding. Plans with fewer than 100 participants would pay only a $14 premium.

- Exempting from the special excise tax employers that transfer reversions from terminated overfunded pension plans into another defined benefit plan. The Oversight Subcommittee had recommended a 10% excise tax.

However, the Ways and Means Committee accepted a subcommittee recommendation to impose a 20% excise tax on all other pension reversions.

In addition, the Ways and Means Committee rejected a proposed amendment by Reps. Rod Chandler, R-Wash., and Bill Archer, R-Texas, that would have allowed employers to transfer excess pension assets from an ongoing plan to fund retiree health care benefits.

Both the Ways and Means Committee and Labor-Management Relations Subcommittee proposals would require employers to improve plan funding, make it more difficult for employers to receive pension funding waivers from the Internal Revenue Service and increase the liability of financially distressed companies to the PBGC when they terminate underfunded plans to 100% of unfunded guaranteed benefits, up from the current 75% liability cap.

After the Education and Labor Committee approves its subcommittee's recommendations, the proposal will be tacked onto the House's budget reconciliation bill.

It is possible that the House will vote on a budget reconciliation bill that contains PBGC/pension provisions produced by both the Ways and Means and Education and Labor Committees.

In addition, the Senate's Finance and Labor and Human Resources committees will draft their own PBGC/pension provisions, also as part of a budget reconciliation bill.

A conference committee will iron out the differences among all of these pieces of legislation. ■

New Texas taxes

Continued from page 2

that the tax surcharge likely would be footed by property/casualty insurance buyers.

Companies that self-insure probably will pay more for administrative services due to the new, permanent 2.5% tax on a wide range of insurance administrative services, including claims administration, clerical, management and advisory or technical services.

The 2.5% tax, effective Sept. 1, will be levied against third-party administrators, insurance companies offering administrative-services-only arrangements and other companies that provide the services.

The administrative services tax is expected to generate about $26.3 million over a two-year period, according to a spokesman for the Board of Insurance.

And, beginning Oct. 1, the state's new 6% sales tax, up from 5.25%, will be levied for the first time on companies that provide insurance services such as claims adjusting and processing, loss or damage appraisal services, insurance inspections, insurance investigations, insurance actuarial analysis or research and insurance loss prevention services.

The insurance department spokesman said no estimate exists on how much revenue the insurance services portion of the 6% sales tax will generate.

Altogether, the tax package aims to generate $5.7 billion in new taxes during the next two years.

The tax package was passed as companion legislation to a $38.3 billion budget bill in an effort to increase income in the state, which is being battered as a result of the economic downturn in the oil industry.

Because Texans pay no state income tax, legislators had to look elsewhere to cover budget shortfalls.

Insurance buyers take a dim view of the tax surcharge.

"Any additional tax on insurance is horrifying and unconscionable," said James Strickland, executive director of Child Inc. day care programs in Austin, and president of the Central Texas chapter of the Risk & Insurance Management Society.

"We're just coming off a really bad cycle, and people can't afford insurance anyway," he declared.

He predicted that increased rates charged to make up cost of the surtax will "force more and more buyers offshore, out of state and into markets where they haven't been before."

Mr. Strickland said the additional taxes could influence businesses considering Texas to locate elsewhere.

Mr. Geiger said the current 3.5% tax rate on insurers' gross premiums is one of the highest in the nation. A typical rate levied by states is 2%, he noted.

Surplus lines insurers pay a 3.85% gross premium tax in Texas and are not allowed to reduce that by making investments in the state, Mr. Geiger pointed out. The 20% surcharge will increase their taxable rate to 4.62%.

The boost in gross premium taxes is causing one insurer to reconsider its position in Texas.

Robert J. Vairo, president of Crum & Forster Corp., released a statement last Thursday, saying, "Based on our '86 writings and premium tax of $5 million, this tax would mean approximately $1 million to C&F."

Mr. Vairo said: "This development exacerbates what has been a deteriorating climate for our industry in Texas. It causes us to again re-evaluate our very significant position in that state."

Having dodged the sales tax bullet fired earlier in the special legislative session, other members of the insurance industry were more resigned to the tax treatment.

"We're grateful that they didn't go through with the 6% sales tax," said the AAI spokeswoman. "The hit we took was much less."

She said that while insurers are not happy with the tax surcharge, they "are aware of the need for revenue and have a responsibility to help out." ■

update

LTV says pension plan legal

DALLAS—LTV Corp. says new pension plans to be set up as part of a tentative pact with the United Steel Workers union are legal and are intended to ease hardship for retirees and provide coverage for active employees.

The Pension Benefit Guaranty Corp. had charged that the new plans are an illegal continuation of LTV pension plans that the PBGC earlier terminated when LTV was unable to make funding contributions. The new plans, among other things, will pay supplementary benefits that the PBGC does not guarantee.

But, an LTV spokesmen said the new plans are "in no way a continuation of the old plans. They are something vastly different," noting that the new plans are defined contribution plans, while the terminated plans were defined benefit plans.

The PBGC, which incurred a $2.3 billion loss when the LTV plans were terminated, said it may try to force LTV to reassume responsibility for the terminated plans if the new plans are established.

Saudi buys Transamerica stock

LOS ANGELES—A flurry of trading of Transamerica Corp. stock last month that spurred rumors of a takeover attempt (*BI*, July 6) has been attributed to the acquisition of 5.3% of the corporation's stock by Competrol B.V.I., an investment group operated by Saudi Arabian investor Suliman S. Olayan.

Mr. Olayan has stated the purchase was only an investment.

Transamerica stock rose to $42.88 per share on the New York Stock Exchange on June 26 from $34.88 on June 11.

Transamerica and financial analysts attributed the trading activity to investment presentations Transamerica had made worldwide and the recommendations of several analysts. Trading since has slowed. On July 22, the stock was selling for $39.60.

Nuclear plant charges advance

WASHINGTON—In the event of a nuclear accident, nuclear power plants would pay a 5%, or $3.15 million, per-reactor surcharge, if legal and administrative costs exceeded a maximum $63 million per reactor assessment, under a compromise hammered out last week in three House committees.

This week, the House also is expected to debate other changes in the Price Anderson Act, the federal law limiting the liability of the nuclear power industry in the event of an accident, including raising the liability assessment limit of nuclear plants to $63 million per reactor from $5 million per reactor.

Price Anderson will expire Aug. 1. If it does, operating plants and those under construction are grandfathered.

The basic point of contention in the three House committees considering Price Anderson was whether defense costs should be included in the liability limits set by Price Anderson (*BI*, June 1).

Although all three committees passed a version of H.R. 1414 that includes defense costs within the liability limit, observers predict an amendment will be introduced that would exclude at least some portion of defense costs from the liability limit.

Briefly noted

The World Health Organization's International Agency for Research and Cancer has designated **fiberglass** wool, most commonly used in thermal insulation, as "possibly carcinogenic to humans" based on studies that show when implanted in laboratory animals, these fibers caused tumors. However, no evidence links the inhalation of fiberglass to cancer. Also identified as possible carcinogens were mineral wool, commonly used for insulation and ceiling panels, and ceramic fiber, used in high-temperature industrial applications. . . .A new Illinois law effective Jan. 1 subjects **medical malpractice claims filed on behalf of minors** to an eight-year statute of limitations. In addition, claims must be filed before the child reaches age 22. . . . A U.S. District court judge has rejected all appeals to **Manville Corp.'s reorganization plan**, moving Manville a step closer to emerging from reorganization and to paying asbestos claimants. . . . **William E. Wall**, chairman and CEO of the Asbestos Claims Facility, has resigned. Mr. Wall joined the facility in May, replacing Wade H. Coleman, who resigned last November (*BI*, Nov. 17, 1986). . . . Illinois Gov. James R. Thompson signed a bill that calls for the creation of a post-insolvency **guaranty fund for health maintenance organizations**, increased financial standards for licensing HMOs and increased protection for HMO enrollees in the event of an insolvency. The guaranty fund will be effective immediately, covering insolvencies prior to July 1. . . . **Lloyd's of London** last week finished its reregistration of Lloyd's underwriting agents, by registering 234 underwriting agencies, 80 which are members agencies, 59 which are managing agencies and 95 that perform both functions. . . . **Marsh & McLennan Inc.** has acquired theatrical insurance broker R.A. Boyar Inc. for an undisclosed sum. Robert A. Boyar, the firm's principal, has been elected an M&M senior vp. He and his staff will join M&M's entertainment and leisure group in New York. . . . A federal judge knocked out 113,000 claims brought by women against **A.H. Robins Co.** because the women failed to return a questionnaire detailing the extent of injuries alleged to have been caused by the Dalkon Shield, an intrauterine device that Robins formerly manufactured. However, U.S. District Judge Robert Merhige Jr. said he would reinstate any claim if the women had a good reason for not returning the questionnaire. . . . Accounting firm **Arthur Young & Co.** will seek a new trial following a July 17 state court order to pay the former investors in the defunct Osborne Computer Co. $4.3 million because Young was negligent in preparing audits of the firm. The court found that the audits failed to warn about deficiencies in the company's financial controls. However, the jury found that Young and Osborne founder Adam Osborne did not intend to deceive investors and that Young did not misrepresent Osborne Computer's financial condition.

Logic survey

Continued from page 3

employed by companies with more than $7 billion in annual sales. Bonuses for risk managers in this category rose 108.6% to an average of $15,934 in 1986 from $7,639 in 1985.

The lowest percentage increase in bonuses was at companies with annual sales from $201 million to $500 million: Risk managers in this category saw their average bonus rise 18.9% to $3,385 in 1986 from $2,848 in 1985.

Risk managers at the smallest companies, with annual sales of $200 million or less, saw their average bonus grow 22% to $2,599 in 1986 from $2,130 in 1985.

At companies with annual sales from $501 million to $1 billion, bonuses grew 30.6% to $4,243 from $3,248. At companies with sales from $1 billion to $2 billion, average bonuses were up 48.8% to $6,357 from $4,273.

At companies with $2 billion to $4 billion in annual sales, average bonuses rose to $6,141 in 1986 from $4,294, a 43% increase.

And bonuses were up a hefty 91.1% on average at companies with sales of $4 billion to $7 billion, to $9,146 in 1986 from $4,786 in 1985.

"Companies are a little more conscious about what they give up front" in terms of salary, Mr. Meyers noted. But, he added that bonuses "are almost a given right now. And, bonuses on average are running 15% to 25% of salary."

Still, the rising bonuses could not make up for shrinking salaries, and total compensation for risk managers fell from last year's levels at companies in all but the three largest sales categories.

The survey found that:

- At companies with $200 million in sales or less, the average salary fell 16.5%, to $44,851 from $53,736, and total compensation, including bonuses, was down 14.8%, to $47,450 from $55,682.
- At companies with $201 million to $500 million in sales, the average salary fell 8.2%, to $49,608 from $54,026, and total compensation fell 6.8%, to $52,993 from $56,874.
- At companies with $501 million to $1 billion in sales, the average salary was down 3.3%, to $55,000 from $56,857, and total compensation was off 1.4%, to $59,243 from $60,105.
- At companies with $1 billion to $2 billion in sales, the average salary fell 2.8%, to $61,593 from $63,370, but total compensation held steady, at $67,950 in 1986 and $67,643 in 1985.
- At companies with $2 billion to $4 billion in sales, the average salary rose 10.5%, to $70,018 in 1986 from $63,379, and total compensation was up 12.5%, to $76,159 from $67,673.
- At companies with $4 billion to $7 billion in sales, the average salary was up 7.7%, to $77,793 from $72,243, and total compensation increased 12.9% to $86,939 from $77,029.
- At companies with more than $7 billion in sales, the average salary rose 7.6%, to $90,992 from $84,568. But, the large jump in bonuses boosted average total compensation 16%, to $106,926 from $92,207.

"Salaries and bonuses are definitely going up" for risk managers at the largest U.S. corporations, Mr. Meyers observed.

The honor of highest-paid risk manager was shared in 1986 by two risk managers at New York consumer products companies with more than $7 billion in sales. These two risk managers received an average of $149,000 in salary plus $26,000 in bonuses for total compensation of $175,000 each.

This was significantly more than the amount taken home by the highest-paid risk manager in 1985, who worked for a Missouri company with between $501 million and $1 billion in sales and earned $106,000 in salary plus $30,000 in bonus, for total compensation of $136,000.

In addition to questions about salary, the survey queried risk managers about other benefits, such as a company car.

The largest increase in access to company cars was among risk managers at companies with annual sales of $2 billion to $4 billion: Twenty-four percent of these risk managers had access to a company car in 1986, compared with 13% in 1985.

And, 22% of the risk managers at companies with $1 billion to $2 billion in sales had a company car in 1986, compared with 12% in 1985.

The percentage of risk manager at companies with $200 million in sales or less who had access to company cars rose to 21% from 15%.

But while 21% of the risk managers at companies with between $201 million and $500 million in sales also had access to a company car in 1986, that percentage was down from 25% a year earlier.

At companies with sales of $501 million to $1 billion, the drop in the number of risk managers with access to company cars was even steeper: 8% in 1986 compared with 13% in 1985.

And, access to company cars at the largest companies also fell slightly in 1986, dropping from 22% from 24% a year earlier at companies with $4 billion to $7 billion in sales, and to 13% from 14% at companies with more than $7 billion in sales.

But, risk managers at companies in the largest sales category saw the biggest jump in the availability of stock purchase options: Some 71% of the risk managers at these companies had such an option in 1986, up from 58% in 1985.

The availability of stock plans rose for risk managers at companies in all sales categories but two: At those companies with $200 million in sales or less, 37% offered stock plans in 1986, down from from 38% a year earlier. And at companies with $1 billion to $2 billion in sales, stock plans were available to 43% of the risk managers in 1986, compared with 51% a year earlier.

The availability of stock plans rose to 43% from 41% at companies with $201 million to $500 million in sales; to 44% from 35% at companies with $501 million to $1 billion in sales; to 54% from 50% at companies with $2 billion to $4 billion in sales, and to 63% from 54% at companies with $4 billion to $7 billion in sales.

Pension coverage remained a common benefit for risk managers: At least 90% of the risk managers in each sales category were covered by a pension plan.

However, at companies with $501 million to $1 billion in sales, the percent of risk managers with a corporate pension plan fell to 90% from 97% in 1985.

Pension plan coverage also fell at companies with up to $200 million in sales, to 91% in 1986 from 93% in 1985.

But the percentage of risk managers at companies with $201 million to $500 million in sales with pension plan coverage rose to 90% from 87%. At companies with $1 billion to $2 billion in sales, the percentage increased to 93% from 91%. And at companies with $2 billion to $4 billion in sales, the percentage rose to 92% from 89%.

In companies in the two largest sales categories, pension plans covered all the risk managers in 1986, as was the case in 1985.

•

Copies of the survey are available for $60 each from Logic Associates, 170 Broadway, Suite 1708, New York, N.Y. 10038; 212-227-8000.

insurance services guide

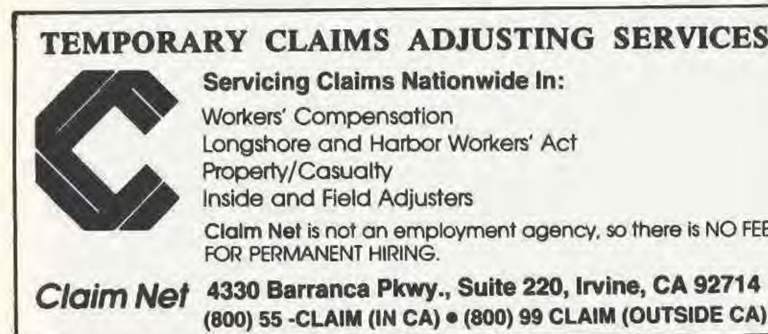
CASUALTY ACTUARIES, INC.
Robert F. Lowe F.C.A.S., M.A.A.A., F.C.A
• Loss Reserve and Rate Evaluations for Insurance Companies and Self-Insureds.
• Statutory letters of opinion on loss and loss expense reserves.
12115 Lackland Road, Suite 370
St. Louis, Missouri 63146-4012
(314) 878-5002

TROUBLE COMMUNICATING WITH DP?
We have the experience in DP and insurance to
- represent your interests
- document your needs
- create user manuals
- train users
- assist in system testing
Excellent references / Reasonable rates
Sandra Lowry
P.O. BOX 744 / LONDONDERRY, NH 03053
(603) 437-5731

Use the Insurance Services Guide to reach your best prospects.

COLLECTION TROUBLES??
CHARLES M. GILES, P.C.
Attorney at Law
Insurance Collection
AUDITS, PREMIUMS, SUBROGATIONS
ANYWHERE IN THE WEST
(602) 274-2222

HEALTH CLAIMS COMPUTER SYSTEM FOR IBM PC XT/ AT
Eligibility & Benefits Calc., Checks, EOB's, Correspondence, Provider Utilization Reviews, & More. Ideal For Self Insured's & TPA's. Single and Multi-User Versions Available
INSTALLATIONS COAST TO COAST
ALL FUNCTIONS AND STATE FORMS
Insurance Software Packages, Inc.
5118 NORTH 56TH STREET
TAMPA, FLORIDA 33610
(813) 621-6069 (FL)
(800) 237-8133 (U.S.)



For advertising information in the INSURANCE SERVICES GUIDE
Contact: Margaret Hikido, 740 N. Rush Street, Chicago, Illinois 60611
Telephone (312) 649-5340

More women risk managers

By ALISON KITTRELL

The number of women risk managers is increasing at companies of every size—with one glaring exception.

At companies with more than $7 billion in annual sales, the percentage of women risk managers plummeted to 3% in 1986 from 17% in 1985, according to the fifth annual Logic Associates' Risk Management Salary Survey.

However, Richard Meyers, a partner at New York-based Logic Associates and co-author of the survey, surmises that the huge drop is at least partly due to differences in respondents in the relatively small category. Some 59 risk managers in this category responded in 1986, compared with only 40 last year.

Overall, Mr. Meyers predicts, more and more women will be joining the ranks of risk managers.

As proof, he offers the increases seen in the rest of the sales level categories: The percentage of women doubled at companies with up to $200 million in annual sales, to 16% in 1986 from 8% in 1985, and it more than doubled at companies with $4 billion to $7 billion in sales, to 11% from 5.2%.

The percentage of women also was up at companies with $501 million to $1 billion in sales, to 16% in 1986 from 9.6% in 1985; at companies with $1 billion to $2 billion in sales, to 15% in 1986 from 10.3% in 1985; and at companies with $2 billion to $4 billion in sales, to 11% from 6.3% last year.

The representation of women fell slightly at companies with $201 million to $500 million in sales, to 22% in 1986 from 22.8% in 1985.

Mr. Meyers says more women are entering the risk management field each year. "I think that over the next couple of years, you will find the numbers continue to increase," especially at smaller companies.

Smaller companies are somewhat more likely to hire women in risk management, he says, noting that "the chance to meet those challenges is affording women the chance at more upward mobility" into larger companies.

Risk managers also are more educated and have more professional designations than reported in 1985. "It is becoming much more competitive today than ever before," Mr. Meyers observes.

The survey figures educational levels based a scale of 1 to 4, with 1 being no degree, 2 being a bachelor's degree, 3 being an MBA degree, and 4 being a law degree.

In the 1985 survey, all the sales categories except the largest one had education levels of 1.9 or 2.1. But, in 1986, no category has an education level below 2, or the level of a bachelor's degree.

Risk managers at companies with up to $200 million in sales and with $201 million to $500 million in sales have education levels of 2.

At companies with $501 million to $1 billion in sales, risk managers have a level of 2.2, and at companies with $1 billion to $2 billion sales, the level jumps to 2.4.

Risk managers at companies with $2 billion to $4 billion and $4 billion to $7 billion in sales have education levels of 2.3 each.

At companies with more than $7 billion in annual sales, the average educational level was down slightly, to 2.4 from 2.6.

Similar increases are seen in the prevalence of Associate in Risk Management and Chartered Property/Casualty Underwriter designations in 1986.

At companies with up to $200 million in sales, 23% of the risk managers had the ARM designation and 9% were CPCUs, compared with 15% who had the ARM designation and 7% who were CPCUs in 1985.

At companies with sales of $201 million to $500 million, the percentage of ARMs dropped slightly, to 25% in 1986 from 28% in 1985. And, the percentage of risk managers with the CPCU designation also fell, to 10% in 1986 from 14% a year earlier.

But, at companies in the range of $501 million to $1 billion, the percentage of ARMs doubled, to 36% in 1986 from 18% in 1985. The percentage of CPCUs was down slightly, however, to 18% in 1986 from 22% in 1985.

Thirty-six percent of the risk managers at companies with $1 billion to $2 billion in sales also held the ARM designation in 1986, compared with 30% in 1985. And, 30% had the CPCU, compared with 18% in 1985.

At companies with $2 billion to $4 billion in sales, 27% of risk managers held the ARM designation and 27% also were CPCUs in 1986, compared with 26% holding the ARM and 25% CPCUs in 1985.

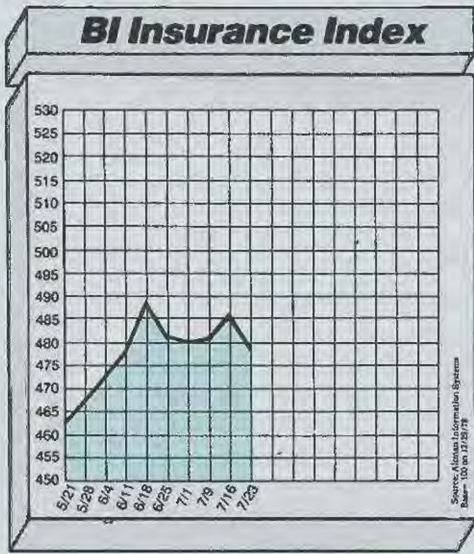
At companies with $4 billion to $7 billion in sales, 26% of the risk managers were ARMs in 1986, compared with 18% in 1985. But, only 15% held the CPCU designation in 1986, compared with 22% a year earlier.

Nineteen percent of the risk managers at the largest companies held the ARM designation, and the same percent held the CPCU title in 1986. In 1985, 25% had the ARM and 19% had the CPCU.

Mr. Meyers says the overall increase in the number of risk managers holding these professional designations is evidence of the growing professionalism of risk management.

"Today, it is not a question of whether you do it (achieve the professional designations); it is only a question of when," he says. ■

BI Insurance Index



Insurance industry stocks plummeted last week as the *Business Insurance* stock index fell 7.0 points to 478.1 on July 23 from 485.1 on July 16. The index had climbed 3.9 points the previous week. A total of 43 issues declined during the trading period, while only 10 posted gains and 11 remained unchanged. The largest decreases were reported by: American Indemnity Financial Corp., down 15.6%; Business Men's Assurance Co. of America, down 11.2%; Hanover Insurance Co., down 6.9%; Alexander & Alexander Services Inc., down 6.8%; and Northwestern National Life Insurance Co., down 6.3%. The largest increases were reported by: Statesman Group Inc., up 14.3%; Liberty Corp. S.C., up 6.6%; Acceptance Life Holdings Inc., up 6.0%; Fremont General Corp., up 3.1%; and Berkshire Hathaway Inc. of Delaware, up 3.0%. The *BI* index fell slightly less than two of the three major market averages. The *BI* index dropped 1.4%, while the New York Stock Exchange composite fell 1.5% and the Standard and Poor's 500 average fell 1.6%. By comparison, the Dow Jones 30 Industrials fell 1.0%.

British Issues

July 21 Companies	Price pence	P/E	Div. pence	Yield %	1 Week High—Low pence pence
Comml Union	386	13.3	17.8	4.6	387—374
Genl Accident	1125	12.2	38.3	3.4	1,125—1,118
Gdn Royal Exch	1125	14.1	46.5	4.1	1,137—1,125
Royal	567	9.6	21.2	3.7	587—546
Sun Alliance	1062	12.2	32.2	3.0	1,062—1,037
Brokers					
CE Heath	549	16.4	34.5	6.2	555—525
Hogg Robinson	636	19.6	15.7	2.4	636—569
JH Minet	419	13.7	12.9	3.1	425—415
Sedg Grp	329	15.0	16.4	5.0	329—322
Stew Wrightson	643	19.2	17.8	2.8	668—636
Willis Faber	435	15.3	14.8	3.4	460—435

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

Merger mania bypasses big insurance brokers

By LEONARD M. WILSON

Special to Business Insurance

TAKEOVERS of every stripe are the order of the day on Wall Street. Giant deals that a few years ago would have seemed unthinkable are now commonplace. The only question for the participants in this high stakes arena is: Can it be financed?

Thus far, the insurance brokers have not been caught up in the takeover wave. On the face of it, there seems to be good reason. Insurance brokers do not fit the mold of today's typical acquisition target. They lack tangible assets like inventories and production equipment that reassure lenders, or hidden assets that can be divested to help finance the transaction. Because people with expertise are critical to insurance brokerage, unfriendly overtures that threaten the loss of key staff are will fail.

Mr. Wilson

The public brokers were, to be sure, the object of a mini-wave of acquisition activity five years ago when Fred S. James & Co. and Rollins Burdick Hunter Co. were gobbled up on a friendly basis by Transamerica Insurance Group and Aon Corp., formerly Combined International Corp. Reliance Insurance Cos. also became the controlling shareholder in the E.H. Crump Cos., now owned by Fred S. James & Co. None of these combinations involved true vertical integration where the parent became a primary market for the subsidiary's placements.

At that time, there was considerable speculation that other publicly owned insurance brokers would be acquired, presumably by major property and casualty underwriters. Expectations were fueled by proponents of vertical integration. It was held that a carrier could secure an assured flow of business by acquiring a major broker.

On close examination, though, vertical integration proved to be a flawed concept. The insurance broker's client was not about to embrace the idea that his interest could be sacrificed to the relationship between parent underwriter and subsidiary broker. This is the conflict of interest issue. In addition, the broker's other insurance markets could not help but be concerned that the parent underwriter might get first look at the best classes of business. Whether these fears, in fact, are justified, they carried enough weight to deter what seemed to be gathering momentum toward acquisition of publicly owned brokers by underwriters.

Leonard M. Wilson, a managing director at L.F. Rothschild, Unterberg, Towbin in New York, specializes in insurance brokerage stocks. He is a member of the New York Society of Security Analysts.

As a consequence, insurance brokers, asset-poor and people-rich enterprises, appear on the face of it to be immune to financial bounty hunters. Logic also argues against linkage with a major underwriter.

Why, then, has Fireman's Fund Insurance Cos. acquired a significant interest in Alexander & Alexander Services Inc. if recent history and our closely reasoned exposition have any relevancy? What is the intent of Fireman's Fund? Are the public insurance brokers about to be put into merger play?

Some observers initially interpreted Fireman' Fund's investment in A&A as the first step preceding a full-scale acquisition. We doubt that the insurer is bent upon vertical integration. The case for separation of underwriting and brokerage seems too persuasive for a billion dollar gamble.

Alternatively, Fireman's Fund's presence as a major investor in Alexander & Alexander could serve as a catalyst for another acquirer with a clear-cut basis for outright merger. This is a possibility, but Fireman's Fund is an important market for Alexander & Alexander Services, and therefore a friendly relationship is paramount.

We believe that a plausible rationale for the investment can be inferred from the carrier's annual report, which describes the company as mostly invested "in companies with short-run operating difficulties, but whose financial strength is great."

An investment in A&A would be clearly consistent with such a strategy. A&A has experienced recent earnings disappointments, and yet there is no denying it is one of a few world class brokers.

Most investors focus on current earnings as the basis for stock valuation. A&A probably appears adequately valued in the context of the earnings outlook for this year and next. Investors with a longer time horizon can, however, postulate much higher earning power several years from now. A rise in earnings could occur with internal measures to enhance profitability, growth in the revenue base and eventually a hardening in the market. Were all of these factors to come into play, then the average annual rate of return to the investor might be attractive.

This scenario is not without risk, including the present soft insurance market and the effect it could have on profit margins and earnings growth over the next several years. The short-term investor weighs these risks more heavily as well as investment alternatives. The long-term investor stresses the potential of a strong competitive position and an eventual positive outcome.

We characterize this disparity in viewpoints as a function of actual earnings and potential future earning power. When a company stumbles, that disparity grows. Couple that with a depressed stock price and the long-term investor may see opportunity.

With the advent of a soft market, the insurance brokers face a cloudier current earnings prospect. Price earnings ratios have contracted as investors have taken to the sidelines in the face of the uncertainties engendered by the change in the commercial insurance market. Paradoxically, less visibility and depressed valuations could make insurance brokers vulnerable to takeover activity, notwithstanding our earlier comments.

Do unfriendly takeovers still have a low probability due to the intensive nature of the insurance brokerage business? Yes, *but*. . . The "but" arises from the apparent acceptance of a takeover offer by the directors of JWT Group, one of the leading advertising agencies. Advertising is akin to insurance brokerage as a service business with people the key ingredient. JWT's sub-par profitability was the magnet. What started out as an unfriendly overture eventually warmed up when the right price was struck. There could be a lesson in this for public insurance brokers, but we shall have to await developments.

Fireman's Fund

Fireman's Fund Insurance Cos. is reporting a $92.3 million operating loss for the first half following a $587 million boost in loss reserves.

About one-third of the reserve increase was attributed to increasing cumulative trauma claims and California Superior Court Judge Ira Brown's ruling in May interpreting liability insurance coverage for asbestos bodily injury claims (*BI*, June 1).

Fireman's Fund expects the decision, which expanded insurers' liability for asbestos claims, will increase insurers' liability for environmental liability claims.

The insurer reported a $70.1 million profit for the first half of 1986.

About $227 million of the boost was normal increases in loss reserves, said a spokeswoman.

About $180 million of the loss reserve increase was attributable to loss expenses and to additional reserve boosts needed for two subsidiaries, Interstate Fire & Casualty Co. in Chicago and San Francisco Reinsurance Co. The spokeswoman refused to say how much was added to the loss reserves of each company.

The spokeswoman noted about $300 million of the extraordinary $360 million reserve boost was made during the second quarter. For the second quarter alone, the insurer posted a $158.9 million operating loss vs. a $40.1 million operating profit in the second quarter of 1986.

The loss reserve boost resulted in a 122.8% combined ratio for the first half vs. a 109.8% combined ratio for the comparable period a year go. Underwriting losses totaled $408.5 million compared with $146.1 million in 1986's first half.

Nonetheless,t Fireman's Fund reported a $93.4 million net profit in the first half, after $124 million in realized capital gains and a $61.6 million gain from terminating a pension plan. This compares with an $85.2 million profit in the first half of 1986.

Premiums increased 11.2%, to $1.84 billion from $1.65 billion in the first half of 1986.

BI Industry Stock Report

July 23, 1987 7/1787 thru 7/23/87

Brokers		Price	% Chg.	P/E	$ Div.	% Yld.	High	Low	Vol.(000)
Alexander & Alexander Svcs	NYSE	23.88	-6.8	28.4	1.00	4.2	25.25	23.88	143.4
Baldwin & Lyons Inc	OTC	20.00	0.0	8.4	0.20	1.0	23.00	20.00	0.2
Corroon & Black Corp	NYSE	30.25	-3.6	14.1	0.84	2.8	31.63	30.13	223.4
Gallagher Arthur J & Co	OTC	20.50	1.2	15.4	0.40	2.0	21.25	20.50	348.1
Hall Frank B & Co Inc	NYSE	11.88	-5.9	0.0	0.00	0.0	12.50	11.88*	161.3
Marsh & Mclennan Cos Inc	NYSE	59.88	-3.4	15.6	2.40	4.0	62.38	59.88	605.4
Poe & Assoc Inc	OTC	12.25	0.0	15.5	0.40	3.3	12.25	12.25	17.2
				=====		=====			
AGENTS/BROKERS	AVERAGE			14.7		3.1			
Conglomerates & Holding Cos.									
Berkley W R Corp	OTC	24.50	-1.0	8.4	0.28	1.1	25.00	24.50	616.1
Berkshire Hathaway Inc Del	OTC	3720.00	3.0	123.5	0.00	0.0	3720.00*	3640.00	1.2
CIGNA Corp	NYSE	63.75	-1.2	9.1	2.80	4.4	65.13	63.75	1,177.5
CNA Finl Corp (CNA)	NYSE	52.13	0.7	11.9	0.00	0.0	54.00	52.00	361.0
General Re Corp	NYSE	50.13	-2.7	15.4	1.00	2.0	51.88	50.13	1,755.4
ITT (Hartford Group)	NYSE	62.13	0.4	13.6	1.00	1.6	62.13	61.25	2,398.1
Sears Roebuck & Co. (Allstate)	NYSE	52.00	1.7	13.5	2.00	3.8	53.00	51.38	4,766.3
Transamerica Corp (Occidental)	NYSE	42.75	3.0	8.7	1.76	4.1	44.25*	40.63	2,321.7
				=====		=====			
CONGLOMERATES/HOLDING COS.	AVERAGE			66.6		0.2			
Insurers									
Acceptance Ins Hldgs Inc	OTC	13.25	6.0	7.4	0.00	0.0	13.25*	12.00	214.6
Aetna Life & Cas Co	NYSE	58.38	-2.1	8.9	2.76	4.7	59.63	58.38	898.2
American General Corp	NYSE	39.88	-0.3	10.7	1.25	3.1	40.38	39.88	905.2
Amern Heritage Life Invt Co	NYSE	31.50	-1.6	15.9	0.96	3.0	32.00	31.50	16.3
American Indty Finl Corp	OTC	12.88	-15.6	0.0	0.56	4.3	15.13	12.75*	131.4
American Intl Group Inc	NYSE	67.88	-1.5	15.0	0.25	0.4	68.75	67.00	1,539.0
Ameco Reins Ltd	OTC	2.13	-5.6	0.0	0.00	0.0	2.25	2.13	21.0
Avemco Corp	NYSE	23.25	-3.1	14.6	0.28	1.2	23.88	23.13	126.3
Business Mens Assurn Co Amer	OTC	39.75	-11.2	0.0	1.10	2.8	47.50*	39.75	1,024.3
Chubb Corp	NYSE	60.63	-1.8	9.6	1.68	2.8	62.00	59.38	443.4
Aon Corp	NYSE	27.25	-0.9	9.7	1.20	4.4	28.25*	26.75	528.8
Continental Corp	NYSE	45.75	-0.3	10.4	2.60	5.7	46.00	45.13	376.8
Crown Life Ins Co	OTC	270.00	0.0	9.3	6.40	2.4	270.00	270.00	1.0
Durham Corp	OTC	33.25	-0.7	19.6	0.92	2.8	33.50	33.25	9.1
Farmers Group Inc	OTC	42.13	-3.2	13.3	1.20	2.8	43.50	42.00	607.9

		Price	% Chg.	P/E	$ Div.	% Yld.	High	Low	Vol.(000)
Fairmont Finl Inc	AMEX	17.63	0.0	9.9	0.00	0.0	0.00	0.00	0.0
Fireman Fd Corp	NYSE	35.00	-2.1	12.0	0.40	1.1	35.50	34.38	1,905.9
Fremont Gen Corp	OTC	16.63	3.1	0.0	0.60	3.6	17.13	16.25	306.0
Great West Life Assurn Co	OTC	700.00	0.0	14.4	18.00	2.6	0.00	0.00	0.0
Home Group Inc	AMEX	19.00	-0.7	4.9	0.20	1.1	19.75	19.00	436.5
Hanover Ins Co	OTC	32.13	-6.9	7.7	0.36	1.1	34.00	32.13	94.2
Harleysville Group Inc	OTC	16.25	-2.3	5.1	0.40	2.5	16.38	16.13	38.2
Hartford Steam Boiler Insptn	OTC	29.75	-0.8	12.9	1.00	3.4	30.50	29.75	139.1
Kans City Life Ins	OTC	29.25	-4.1	11.3	0.96	3.3	29.50	29.25	24.7
Kemper Corp	OTC	32.25	0.4	11.2	0.60	1.9	32.25	32.00	1,257.5
Liberty Corp S C	NYSE	44.50	6.6	16.0	0.72	1.6	45.75*	42.88	42.3
Lincoln Natl Corp Ind	NYSE	51.13	0.7	10.8	2.16	4.2	51.50	51.00	238.5
Mission Ins Group Inc	PAC	1.38	0.0	0.0	0.00	0.0	4.38	0.69	2.5
Monumental Corp	OTC	55.63	0.0	18.8	0.00	0.0	55.63	55.63	1.1
Nac Re Corp	OTC	24.25	-3.0	31.9	0.00	0.0	24.88	24.25	191.4
Nobel Ins Ltd	OTC	12.50	-3.8	9.4	0.37	3.0	13.00	12.50	12.4
Northwestern Natl Life Ins	OTC	26.25	-6.3	7.5	0.96	3.7	28.25	26.25	327.7
Ohio Cas Corp	OTC	43.50	-0.6	12.4	1.68	3.9	43.75	41.75	437.4
Old Rep Intl Corp	OTC	30.38	0.4	10.8	0.80	2.6	30.50	30.25	150.2
Orion Cap Corp	NYSE	23.25	-1.1	0.0	0.76	3.3	23.75	23.00	27.5
Protective Corp	OTC	14.88	-0.8	12.1	0.70	4.7	15.13	14.75	210.0
Provident Life & Acc Ins Co	OTC	21.75	0.6	12.0	0.84	3.9	22.38	21.75	561.7
Reliance Group Hldgs Inc	NYSE	10.00	0.0	11.1	0.16	1.6	10.00	9.88*	99.6
St Paul Cos Inc	OTC	47.50	-1.6	11.0	1.76	3.7	48.88	47.25	846.1
SAFECO Corp	OTC	30.50	-0.8	11.3	0.96	3.1	30.50	30.25	1,460.6
Scor U S Corp	OTC	11.75	-4.1	14.0	0.00	0.0	12.25	11.75	245.4
Seibels Bruce Group Inc	OTC	15.50	0.8	96.9	0.80	5.2	15.50	15.38	353.9
Selective Ins Group Inc	OTC	26.00	0.0	10.0	0.92	3.5	26.00	25.75	191.4
Statesman Group Inc	OTC	6.00	14.3	0.0	0.05	0.8	6.13	5.63	597.5
Tokio Marine & Fire Ins Co	OTC	68.25	0.0	76.7	0.19	0.3	68.25	68.25	18.1
Torchmark Corp	NYSE	28.50	0.0	10.2	1.20	4.2	29.00	28.38	1,330.9
Travelers Corp	NYSE	44.50	-0.3	9.5	2.28	5.1	45.00	44.50	1,956.0
Trenwick Group Inc	OTC	12.50	-3.8	21.2	0.00	0.0	13.25	12.50*	113.9
United Fire & Cas Co	OTC	29.50	0.0	9.4	0.96	3.3	29.50	29.25	11.6
United States Fid & Gty Co	NYSE	38.88	-2.5	9.4	2.48	6.4	40.00	38.88	1,225.8
Unum Corp	NYSE	23.00	-3.2	0.0	0.40	1.7	23.75	23.00	624.5
Uslife Corp	NYSE	38.00	-1.3	9.7	1.20	3.2	39.38	38.00	138.9
Washington Natl Corp	NYSE	31.63	-0.4	16.3	1.08	3.4	31.88	31.50	60.4
Zenith Natl Ins Corp	OTC	21.50	-2.3	12.4	0.80	3.7	22.00	21.13	204.9
				=====		=====			
INSURANCE COMPANIES	AVERAGE			12.1		2.7			

System design: Altman Information Systems

HAVING TROUBLE STAYING ON TOP OF YOUR HMOs?

If the confusion and complexity of handling your company's HMOs have you wondering what's around the next bend, call the HMO-USA network, sponsored by Blue Cross and Blue Shield Plans.

Nobody can help you simplify your HMO program better than HMO-USA. With HMO-USA you don't have to negotiate a separate contract with each HMO—no matter how many you select. Instead, you can work with one master contract, one consolidated billing statement, and one master membership list. And you'll be working with the nation's largest network—covering more than 200 cities—to help you put it all together.

To find out more about how we can simplify your HMOs, just make one simple call: 1-800-4-HMO-USA.

HMO-USA is just one of the many innovative products from the nation's Blue Cross and Blue Shield Plans designed to help you effectively manage your health benefits program.

HMO USA℠

The "simplified administration" HMO network.

Carry the Caring Card.®

The card that cares for the U.S. Olympic Team.