

business insurance

WEEK OF JULY 5, 1982

update:

Peer review covered by antitrust laws

WASHINGTON—Peer review panels used by insurers to evaluate whether physicians' bills are reasonable aren't entitled to the protection from federal antitrust laws that insurance companies enjoy under the McCarran-Ferguson Act, the Supreme Court says.

The court ruled 6-3 last week that a peer review panel is not a contract.
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Aviation cover

Rates for U.S. airlines climb 20% to 25%

By STACY SHAPIRO
and LEN STRAZEWSKI

LONDON—Aviation insurance rates—at least for U.S. airlines renewing this month—are soaring steeply higher.

In the last few weeks, at least six U.S. airlines have been trying to renew hull and liability insurance policies by July 1. With London underwriters in the lead, the world aviation insurance markets are seeking rate increases of 20% to 25%.

Some discounts for good loss records are being eliminated and deductibles, raised early last year, remain high.

"Rates had drifted too low. Thus, most American internal airlines are seeing increases in the order of 20% or more," explains Charles Jessup, secretary to the Aviation Offices Assn. in London.

In France and the United States, insurers are increasing rates to a fraction under the London market to stir up competition, brokers and underwriters say.

"If London lets it be known that it wants rate increases of 20%, other markets can say, 'Well, let's go for 15%.' And if London had said 15%, they might have gone for 12.5%," Mr. Jessup confirms.

The aviation marketplace is responding to its own cycle, brokers and underwriters explain.

After the 1977 ground collision of two Boeing 747 jetliners operated by KLM Royal Airways and Pan American World Airways at Tenerife in the Canary Islands (BI, April 4, 1977), London underwriters raised rates substantially, losing business to the two largest U.S. aviation insurance pools, Associated Aviation Underwriters and U.S. Aviation Insurance Group.

In 1978, London underwriters cut their rates to regain the lost premium but regretted their decision as a series of air crashes in 1979, 1980 and 1981 produced increasing losses.

Rates have been on the upswing ever since, culminating this year when underwriters opened negotiations by asking for 20% to 25% increases, U.S. and London sources say. And rates could go even higher as losses continue to

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United no longer leading way

LONDON—The first would prefer to be last.

United Airlines, the largest insured airline in the world and usually the first to negotiate hull and liability policy renewals, is the recognized rate pacesetter for all other airlines.

And United was the leader again this year, sharing a July 1 renewal date with Delta Air Lines, Pan American World Airways, Pacific Southwest Airlines, World Airways and American Airlines.

But the airline flying the friendly skies doesn't plan on taking the lead anymore.

Although Donald Hansen, United's director of insurance, would neither confirm nor deny the airline's new hull and liability policy terms, sources in the London underwriting and brokerage communities told *Business Insurance* that United has decided to leave the limelight by extending this year's insurance policies to Nov. 15, 1983, instead of having a July 1 renewal next year.

By doing so, United becomes the last among airlines up for renewal next year and can take advantage of other airlines' insurance negotiations, said a London aviation underwriter. Previously, the last to renew were Air Canada and Trans World Airlines, whose policies expire on Nov. 1.

According to the aviation reinsurance slip circulating in London, United will pay a deposit premium of \$16 million for 16 months of retrospectively rated coverage. Hull and liability loss experience will be evaluated separately under new policy terms.

The annual deposit premium is up 29% to \$12 million this year from a deposit premium of \$9.3 million last year.

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Business split imperils tort bill

By JERRY GEISEL

WASHINGTON—Federal tort reform legislation is being threatened by a sharp and deepening split in the business community over whether work-related product liability awards should be reduced by an employer's negligence.

Proponents fear congressmen will not back the bill if business support is divided.

A group of capital goods manufacturers supports a provision in the federal tort reform legislation introduced by Sen. Robert Kasten, R-Wis., that would require courts to reduce product liability awards by the extent that an employer's action caused a workplace accident.

For example, in a case of a \$1 million product liability award where the employer was 20% at fault, the amount the manufacturer would have to pay would be reduced to \$800,000. The employee injured on the job also could apply for workers compensation benefits.

The manufacturers, led by the powerful National Machine Tool Builders Assn., say they shouldn't be held liable for all damages if they aren't totally at fault.

But officials of insurance trade groups, like the American Insurance Assn., and some employer organizations fear that this comparative fault provision eventually could open employers to employee lawsuits.

They fear that once courts reduce a work-related product liability award by the employer's percent of fault, injured workers are going to sue their employers to get more than their workers compensation benefits.

And these suits, now generally barred by state laws that make workers compensation an injured employee's sole source of recovery against his employer, would be allowed, some fear. They say courts and legislators

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Health plan hikes spark action by college faculty

By CAROL G. BLITZER

SAN FRANCISCO—The University of California is discovering that holding the line on its share of health insurance premiums sparks employee interest in health care costs.

University faculty and staff quickly organized a committee this spring to recommend a new health insurance plan to university regents after learning that employee contributions to one current plan would more than double this year and their contributions to another would more than triple.

Effective Aug. 1, Blue Cross of Northern & Southern California and Prudential Insurance Co., which underwrite two of the four health insurance plans offered to university employees, will increase premiums 30% and more than 40%, respectively, compared with the previous policy year.

However, the university governing board, citing budget restraints, decided not to increase its contribution to premiums.

This means employee premium contributions for 1982-83 under the Blue Cross plan are rising 146% to \$37.50 a month from \$15.26 in 1981-82 for single coverage. Contributions for family protection are increasing 118% to \$100.50 a month from \$46.14.

Under the Prudential plan, employee contributions for single coverage are jumping 388% to \$40.42 a month from \$8.28. For family coverage, employee contributions are rising 369% to \$78.82 from \$16.82.

The health insurance subcommittee of the staff's Academic Senate's Welfare Committee was assigned the task of coming up with alternate health care insurance proposals to help stem the rising costs. Late last week, the group was to present its first recommendations to the Academic Senate.

"Our subcommittee will be putting together suggestions and then getting a price tag on a plan that I think will be better than what they've (the

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Peer review not covered by act

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review committee, set up by the New York State Chiropractic Assn. to aid insurers in deciding whether a chiropractor's treatments and charges are reasonable and customary, does not qualify as the "business of insurance" exempt from antitrust scrutiny by the McCarran-Ferguson Act.

That law, among other things, holds that the business of insurance is the spreading and underwriting of a policyholder's risk. An insurer's use of a peer review committee "plays no part in the spreading" and underwriting of a risk, the Supreme Court said.

The Supreme Court case involved a suit by a New York chiropractor whose treatments of Union Labor Life Insurance Co. policyholders were found by the peer review committee to be occasionally unnecessary and his charges unreasonable.

The chiropractor said Union Labor Life used the peer review committee as part of a conspiracy to fix prices.

Court supports manifestation

BOSTON—The 1st U.S. Circuit Court of Appeals last week became the first federal appellate court to approve the manifestation theory of coverage for a company defending asbestos claims.

In *Eagle-Picher Industries Inc. vs. Liberty Mutual Insurance Co.*, the court rejected arguments that broader policy interpretations be used to pay claims to thousands of asbestos victims. The manifestation theory says coverage is triggered only when symptoms of asbestos-related disease appear.

The ruling followed a decision by a U.S. District Court certifying the manifestation theory, which is generally considered to provide the least coverage. In *Eagle-Picher's* case, however, manifestation provides more coverage than the exposure theory, which says coverage is triggered when a claimant is exposed to asbestos.

Although *Eagle-Picher* had argued for the manifestation theory in the trial court, the company asked the appellate court to rule in favor of the triple-trigger theory, which maintains that all insurers on an asbestos risk from exposure through manifestation are liable for coverage.

Lloyd's, Itel settle dispute

SAN FRANCISCO—Lloyd's of London and Itel Corp. have finally settled their long dispute over more than \$300 million in computer leasing claims, the San Francisco company announced.

As outlined earlier this year (*BI*, Jan. 4), Lloyd's will continue to pay Itel claims and will release \$2 million from an escrow account and pay Itel about \$4 million more. Lloyd's and Itel will also drop all other litigation against each other.

Itel says the settlement should aid its current reorganization under Chapter 11 of the Federal Bankruptcy Act.

The leasing losses stem from a dramatic drop in the value of leased computers. When leases were not renewed, the resale value of the computers was far less than the anticipated lease value, a loss insured by Lloyd's.

P&G's bid for new trial rejected

CEDAR RAPIDS, Iowa—A federal judge last week dismissed Procter & Gamble's bid for a new trial in a case involving the Rely tampon in which the family of a woman who died of toxic shock syndrome was awarded \$300,000 in compensatory damages.

Judge Edward McManus dismissed P&G's arguments that there wasn't sufficient evidence linking the disease to tampons.

The suit was filed by Michael Kehm, who said his wife died of toxic shock syndrome four days after she used a Rely tampon. Mr. Kehm initially sought \$30 million in damages for himself and two children, but the four-man, four-woman jury awarded the family only \$300,000.

Lords' panel OKs Lloyd's bill

LONDON—The Lloyd's of London self-regulation bill has cleared yet another hurdle without major alteration.

A committee in the House of Lords has approved the bill and sent it to the floor with just one minor change in the clause that would make the proposed Council of Lloyd's immune from liability claims from Lloyd's members.

The revised bill, which also requires brokers to divest themselves from underwriting agencies, is expected to win approval from both houses of Parliament later this month.

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Court in Mississippi awards \$1 million to asbestos worker

By STEPHEN TARNOFF

BILOXI, Miss.—Two long-standing defendants in asbestos litigation will have to pay more than \$1 million in damages to a former shipyard worker following the state's first asbestos trial.

In the first of 500 cases filed by workers at the Ingalls Shipyard in Pascagoula, Miss., a U.S. District Court jury found Johns-Manville Sales Corp., a subsidiary of Manville Corp., and Raybestos-Manhattan Inc., now Raymark Corp., liable for failing to warn James L. Jackson of the dangers of working with asbestos products.

Mr. Jackson, 55, was awarded \$391,500 in actual damages and \$625,000 in punitive damages. Johns-Manville was assessed \$500,000 of the punitive damages while Raybestos-Manhattan will have to pay \$125,000 in punitive damages.

A third defendant, H.K. Porter Co., was not held liable. Defendant Owens-Illinois Corp. settled during the trial for about \$1,750, said Danny E. Cupit, Mr. Jackson's attorney.

A number of other defendants also settled before the trial for a total of about \$45,000, said Mr. Cupit of the Jackson, Miss., law firm of Cupit & Maxey.

Johns-Manville and Raybestos-Manhattan have filed a request to overturn the verdict and to reduce damages and have asked for a new trial.

If that request is turned down, the defendants will probably appeal, according to an attorney for one of the defendants.

Mr. Jackson worked in the Ingalls Shipyard from 1953 through 1971. He learned that he had developed asbestosis, a scarring of the lungs caused by breathing asbestos fibers, in 1978.

Strict liability was the only theory of liability alleged by the plaintiffs, Mr. Cupit said.

Punitive damages were sought on the theory that as early as the 1930s, the defendants knew of the dangers of asbestos and willfully concealed those dangers from workers.

Mr. Cupit contended that Mr. Jackson was injured by his exposure to asbestos, even though he now manages a warehouse for a utility in Mobile, Ala.

He said the disease will get progressively worse and that Mr. Jackson has an increased risk of contracting cancer because of his exposure to asbestos.

However, Walter Epps, an attorney for H.K. Porter Co., said the damages are largely speculative and that Mr. Jackson may never suffer serious injuries from his exposure to asbestos.

Mr. Jackson has probably not missed 30 days of work within the past five years and, according to testimony by defendants' experts, he could be cured with rehabilitation, said Mr. Epps of the Meridian, Miss., law firm.

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Some oil firms look for smaller policies

By JOHN MILLER
and STACY SHAPIRO

LONDON—Not all oil drilling companies need the huge insurance capacity offered by the Lloyd's of London master drilling rig slip, U.S. and London brokers say.

"It serves a purpose for North Sea interests, but not here in the Gulf of Mexico," said Tom Ebner, senior vp of Cravens Dargen, a surplus lines brokerage in Houston.

Although the master rig slip now offers limits up to \$825 million, plus another \$500 million in excess coverage (*BI*, June 14), many oil-related risks have insured values of only \$100 million.

The master rig slip can cover these risks, but some oil companies are looking for smaller, more streamlined insurance packages, London sources say.

To answer this need, Cravens Dargen, a subsidiary of Stewart Wrightson Holdings P.L.C., has pulled out of the master rig slip and formed its own policy.

"The steady rise in the London market's capacity limits to \$825 million, largely because of the huge North Sea exposures, is more than Cravens Dargen's (clients) require," said Ken Brooks, a Stewart Wrightson director in charge of marine offshore policies.

"Broadly speaking, Cravens Dargen's (clients') limits are no more than \$100 million, so they feel the time has come to make a change," he said.

Cravens Dargen—which placed coverage for U.S. rigs in the London market before the master rig slip was conceived in 1966—is offering U.S. companies up to \$100 million in coverage. The policies are placed with the same Lloyd's and London underwriters on the master rig slip, says Mr. Ebner, although the coverage may be placed with others in the future, including Norwegian and French markets.

Other combinations of U.S. brokers and insurers also offer policies with smaller limits than the master rig slip, he says.

"The master rig slip is serving the purpose for which it was intended—strictly capacity," Mr. Ebner says. "The American market is making pretty big inroads into that."

"Besides, the master rig slip is just another facility, not a monopoly," he says.

However, some firms may find it advantageous to insure even smaller risks through the master rig slip, says Philip Hallett, a director of C.T. Bowring (Insurance) Ltd.

"Just because there is an \$825 million limit doesn't

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A&A to expand Western network with Clifton & Co.

By LEN STRAZEWSKI

NEW YORK—Alexander & Alexander Services Inc., the nation's second-largest insurance brokerage, will soon merge with Clifton & Co., the second-largest private brokerage based in California.

The acquisition, agreed to in principle late last week, will cost A&A approximately 355,000 shares of common stock or about \$9 million.

Clifton, which ranks behind Dinner-Levison & Co. as the second-largest private brokerage in California, employs 135 people and maintains offices in San Francisco, Los Angeles, Seattle, Casper, Wyo., and Reno, Nev.

Although the firm has consistently refused to reveal its annual revenues, industry sources estimated the brokerage earned about \$8 million in commissions and fees in 1980 and about \$9 million in 1981.

A staunchly independent firm founded in 1964, the brokerage actively recruited new clients and personnel by emphasizing its independence from national broker networks.

The demand for advanced services, however, finally caught up with Clifton.

"We reached a crossroads in our development, seeing an increasing client need for more sophisticated capabilities," explained President Edwin A. Flinn. "From our viewpoint, A&A is in the best position to offer these services together with maximum career opportunities for our employees. We are very enthusiastic about the prospects of joining the A&A network."

Clifton brings to A&A a utility industry specialty and one new city, Reno, says A&A President Tinsley H.

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errors & omissions

• Walter Kaye Associates Inc. was inadvertently omitted from *Business Insurance's* ranking of the 100 largest U.S. agents/brokers (*BI*, June 26). The company, with \$9.75 million in gross revenues in 1981, is the 23rd-largest broker participating in the survey.

Also, Frenkel & Co. Inc. of New York ranks 24th on the list, with \$7.34 million in gross revenues, not 92nd as reported in the June 26 issue. The 93rd-largest broker in the country, according to the revised rankings, is The Frankel Co. in Pittsburgh. *Business Insurance* regrets the errors.

The next top 80 brokers

Rank & Company	Gross Revenues
21 B.R.I. Coverage Corp.	10,200,000
22 Rhulen Agency Inc.	9,789,000
23 Walter Kaye Associates Inc.	9,750,000
24 Frenkel & Co. Inc.	7,336,000
25 John M. Riehle & Co. Inc.	7,200,000

• Marsh & McLennan Inc. reiterates that it resigned the Johns-Manville account earlier this year, as reported previously (*BI*, Feb. 15). Johns-Manville said then it was a mutual agreement to terminate the client-broker relationship. In articles June 21 and June 28, it was stated once that Johns-Manville severed the relationship and once that M&M lost the account.

Court allows punitive suits after plaintiff's death

By STEPHEN TARNOFF

CHICAGO—An Illinois appellate court decision opens the door for defendants in asbestos litigation to be sued for punitive damages even if the person filing suit dies before the case comes to trial.

However, the defendants plan to appeal the decision to the state Supreme Court.

Overturning what has been Illinois law for more than 100 years, the decision June 25 by the 5th Division of the 1st District Illinois Appellate Court permits the estates of three plaintiffs who died from diseases allegedly caused by asbestos to seek punitive damages against 22 defendant companies.

At the same time, the opinion emphasized the need for finding alternatives for assessing punitive damages in mass tort litigation, like asbestos, so companies will not go bankrupt (see related story).

The appellate court decision centered on the state's Survival Act, which allows the estate of an injured person to sue and recover damages even if the plaintiff dies.

But the act has always been interpreted to preclude a plaintiff's estate from recovering punitive damages, which are assessed to deter future similar conduct by defendants, the court said.

However, the doctrine was eroded recently when the state

Supreme Court ruled that punitive damages can be assessed in a survival action when a lawsuit is based on a particular state statute.

The appellate court, agreeing that the Survival Act neither authorizes nor prohibits punitive damages, extended the high court decision to include common law actions as well.

"We agree that there is no apparent basis for distinguishing between statutory provisions for punitive damages... and actions for punitive damages based on the common law."

"And we are persuaded that the holding in National Bank (the Supreme Court case of National Bank of Bloomington vs. Norfolk & Western Railway Co.) is based on an interpretation of the Survival Act as a neutral vehicle which 'neither authorizes nor prohibits punitive damages,' in both statutory and common law."

"We, therefore, conclude that under the binding precedent of National Bank, common law actions for punitive damages survive the death of the injured person," the ruling said.

The court noted that "Illinois case law has for more than 100 years interpreted the act as providing that actions for punitive damages abate at the death of the injured person."

"Thus, as far as liability for punitive damages is concerned, it continued to be cheaper to kill people rather than to merely injure them."

The particular case the court ruled on involved three plain-

tiffs who contracted bronchogenic carcinoma or mesothelioma, two forms of lung cancer related to asbestos exposure.

The three asbestos workers were exposed for long periods of time to asbestos products manufactured and sold by the defendants which include the major defendants in current asbestos litigation.

Among them are Johns-Manville Corp. (now Manville Corp.), Owens-Corning Fiberglas Corp. and Celotex Corp.

Two of the plaintiffs died while their cases were pending while the third case was brought by his estate after he died.

The punitive damages issue was taken to the appellate court after the trial court struck the count seeking punitive damages from the plaintiffs' complaint.

Last week, lawyers were split on the decision's impact, although they agreed it could go beyond asbestos cases and affect other types of toxic and mass torts as well.

"The net effect will be that the punitive damages carry on for someone injured, even though he dies before trial," said John M. Burke of the Chicago firm of Burke & Burke.

Mr. Burke, who represents the estates of the three plaintiffs, said that the ruling could have significant effect when there is a case backlog in the courts.

In some cases, asbestos victims wait several years for their trial. If they die during that period, the new ruling allows

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Cash-flow rules take effect in California

By JERRY GEISEL

LOS ANGELES—Final rules governing cash-flow plans for workers compensation risks in California clear the way for more plans to be written, but buyers may not like the terms.

The new rules, which went into effect July 1, eliminate years of confusion on the terms that insurers can offer to buyers, but they also are more strict than rules proposed last July (BI, July 20, 1981).

Specifically, buyers must pay a larger deposit premium on deferred premium plans and insurers must charge a higher interest rate on the unpaid balance than previously proposed.

Despite these restrictions, insurers are relieved to have rules. "What you can and cannot do are much more clearly defined," said Carl Friedewald, vp at Fireman's Fund Insurance Cos. in San Francisco.

"It brings an element of certainty where chaos previously prevailed," another insurer added.

While provisions of individual agreements differ, cash-flow plans generally defer full premium payment on a workers compensation policy according to a predetermined schedule or until losses are paid. The unpaid balance is collected by the insurer in the form of a promissory note at the start of the policy period.

California insurance regulators have objected to the terms of these plans because they were concerned about the security offered the insurers. They also objected to cash-flow plans because they circumvented the state minimum rate law for workers compensation.

The final Insurance Department rules governing cash-flow plans for workers compensation specify:

- Insurers that offer cash-flow arrangements known as premium deferred plans must receive a deposit premium equal to 40% of the premium billed. Earlier rules published last July would have required a deposit premium of only 30%.

The remaining 60% of the premium due can be guaranteed through promissory notes, like irrevocable letters of credit or surety bonds, purchased by the buyer.

- Although the buyer and insurer can negotiate the schedule of premium payments for premium-deferred plans, the promissory note guaranteeing the balance of the premiums must mature no later than 30 months after the policy was issued.

- Under paid-loss arrangements—the second

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Benefit bounty

Offerings range from vacations to free lunch

By JAMES M. BURCKE

LINCOLNSHIRE, Ill.—Hawaii on \$10 a day?

Not quite, but that's the gist of a none-too-ordinary employee benefit that a West Coast financial institution is offering.

Workers can rent completely furnished apartments on Waikiki Beach or the Kona Coast for only \$10 a day. Reservations are limited to one- or two-week stays and employees receive reservation priority based on length of service.

If sun and surf is not what your employees are looking for, you can copy a Midwest organization, which gives its workers the opportunity to stay—free of charge—in a three-bedroom cabin in the Colorado Rockies from April 1 to Nov. 30 each year.

Although all employees have an opportunity to use the cabin, high-ranking staff members get priority for reserving dates. But a worker can stay at the cottage only once every two years to allow all workers an opportunity to use it.

Still another company, Oneida Ltd., the flatware maker in Oneida, N.Y., rents cottages and campsites at low rates to employees at company-owned lake-front property. While vacationing, the workers can dine at a company-subsidized restaurant on the property.

These benefits—a bit different from the standard group life and health insurance plans that almost all employers offer—are just some of the innovative plans offered by companies around the nation, according to a report by Hewitt Associates, a benefit consulting firm based in Lincolnshire, Ill.

Some of the more innovative plans offered by the unnamed companies, according to the report, complement existing benefit plans.

For example, in addition to its regular health coverage, Massachusetts Mutual Life Insurance Co. in Springfield, Mass., will pay for employees to stop smoking—through hypnosis.

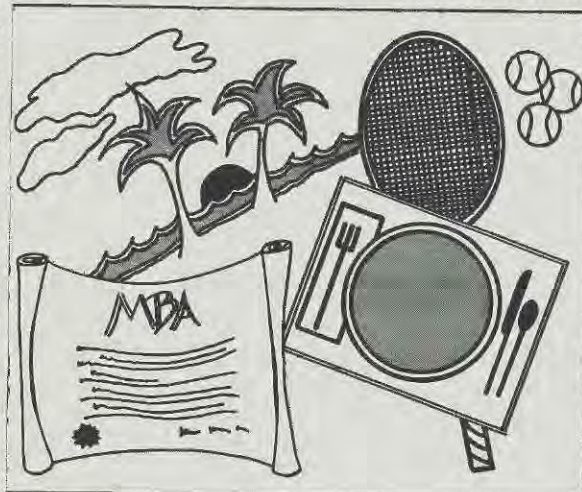
The employer pays up to \$100 for two sessions with a certified practitioner of the employee's choice. Massachusetts Mutual pays half of the amount when the treatment begins and will pay the other half if the employee kicks the

habit for at least six months.

And although many companies are now adding hospice and home health care provisions to their medical plans, one company will grant employees, with at least six months on the job, leaves of absence to care for sick members of their immediate families.

"Immediate families" are defined by the company as a married employee's spouse and children or a

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Student athlete can file comp claim: Court

By STEVE TARAVELLA

INDIANAPOLIS—Unless a recent ruling by the Indiana Court of Appeals is overturned, students who receive scholarships from Indiana colleges may be eligible for workers compensation benefits if they are injured in a university-related activity.

The court ruled last month that Fred Rensing, a Indiana State University football player paralyzed in April 1976 from injuries sustained during a punting drill, was indeed an employee of the university and entitled to workers compensation benefits.

James E. Sullivan, attorney for the university, says the ISU board of trustees will appeal the decision by this week.

Donald M. Hilt, the university's treasurer and acting vp, says ISU opposed the appellate court ruling because it could mean all students that receive aid from the university would be covered by workers compensation.

"We have various kinds of grants-in-aid," he says. "His happened to be in football," adding that ISU, located in Terre Haute, offers similar grants in fields ranging from chemistry to music.

"I think this could be extended (to apply to other grants) quite easily," Mr. Hilt says. "We don't know what the fallout

will be."

Mr. Hilt says the university believes that grant recipients should not be considered employees. "He'd never been under our employment or received a W-2 (form) during his attendance."

Although no one is sure what the ruling's impact will be, industry sources are concerned.

"If the ramifications are very widespread, it could apply not just to athletics, but to any category—a law student, lab assistant, whatever," theorizes Darlene Kepner, an administrative assistant with the Indiana Workers Compensation Rating Bureau.

Eric Oxfeld, associate director of employee benefits at the U.S. Chamber of Commerce, adds: "You can't determine how broad a coverage this (ruling) will be given. Will it apply to every student given a scholarship?"

"It's a gross distortion of the purposes of the workers compensation system to pay benefits to a student athlete. I don't think there's any state that would provide benefits for someone injured in football," Mr. Oxfeld says.

The court's decision would also affect how insurers rate a college's workers compensation exposures.

Miss Kepner says that workers compensation insurers would have to totally revise college and university loss his-

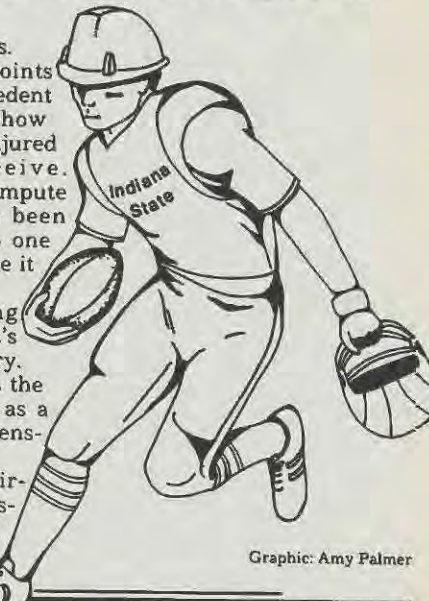
tories if the ruling stands.

And Mr. Sullivan points out that there is no precedent upon which to decide how much in benefits an injured student should receive. "There's no way to compute the award. It's never been computed before so no one knows what scale to base it on," he says.

The appellate ruling considered the student's scholarship to be a salary. The university contends the scholarship was given as a grant to further Mr. Rensing's education.

John N. Shanks, chairman of the Indiana Industrial Board, which will determine the amount

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Graphic: Amy Palmer

3M changes employee stock plan rules

Employees at Minnesota Mining & Manufacturing Co. soon will be able to buy a bigger slice of the company for less.

The manufacturer, based in St. Paul, Minn., has modified its stock plan to allow employees to purchase more shares of company stock.

Under the changes, which go into effect this month, employees will be able to deduct from 3% to 10% of their monthly salaries to buy five- or 15-share lots of 3M stock, according to a company spokesman.

The cost to employees will be 85% of the stock's fair-market value the day the price for the program is set, he says.

The new plan offers the employees a better deal because 3M "increased the discount," the spokes-

benefit beat

man says.

Formerly, employees could purchase only four-share lots at 90% of the fair-market value.

The changes are connected with the company's recent announcement that it will purchase 1.3 million of its 118 million outstanding common shares.

All of the company's U.S. employees, more than 54,000 people, are eligible to participate in the program.

Retirement savings

RCA Corp. and Union Carbide Corp., two large Fortune 500 companies, are allowing their employ-

ees to make contributions to their retirement savings through salary reductions or payroll deductions.

Employees at RCA can either make payroll-deductible contributions to Individual Retirement Accounts managed by the Dreyfus Fund or participate in a company-sponsored 401(k) salary reduction plan.

According to Henry Kreiger, the company's manager of benefits administration, employees participating in the IRA program must contribute a minimum of \$10 per week, up to the annual maximum \$2,000.

The 401(k) feature was added to the company's savings plan and

allows employees to defer 11% of their salaries for retirement savings.

RCA will match the first 4% of employee salary reductions under the plan.

Salary reduction plans generally allow workers to defer more income toward retirement savings than possible through an Individual Retirement Account.

All of RCA's 75,000 employees are eligible for both programs, Mr. Krieger says.

At Union Carbide, a chemicals and plastics manufacturer based in New York, some 80,000 workers will be able to contribute to the IRA of their choice through payroll deductions.

The company will transfer the contributions to the IRA account but will take no part in asset man-

agement or any other IRA function.

Early retirement

Faced with the dilemma of either reducing their workforces or freezing employee salaries, two insurance companies—a large property/casualty insurer and a major life and health underwriter—have implemented early retirement programs that have provided benefits for both the employers and the early retirees.

"It became clear we had to do something with expenses," Robert P. Cassidy, senior vp of human resources at Continental Corp. in New York, says to explain the motive behind the insurance holding company's early retirement program.

"We had considered salary freezes and layoffs, but we decided that wasn't what we really wanted to do," he says.

The solution, Mr. Cassidy explains, was an early retirement program offered in February and March that allowed 1,300 eligible employees to retire with full pension benefits, Social Security supplements and additional pay to aid the smooth transition into retirement.

Some 900 workers took Continental up on the early retirement offer.

Under the Continental plan, employees 55 or older with at least 20 years of service with the company were awarded full pension benefits, with no discounts for early retirement.

Early retirees between ages 55 and 60 will receive a Social Security supplement of \$435 monthly until they reach age 62, while early retirees between 60 and 65 will receive \$550 a month until they reach 65.

The company also will give its early retirees transition pay equal to a minimum of three months' salary for employees with 20 years of service or a maximum of six months' salary for those with 30 or more years of service.

At New York-based Metropolitan Life Insurance Co., employees with 20 or more years of service were eligible to take early retirement and receive full pension benefits, full savings and investment plan accumulations and an amount equal to a year and a half of pay.

Health care benefits will be continued until Medicare benefits start if the early retirees continue to make contributions to the company's plan, explains James Doyle, Metropolitan's assistant vp of human resources.

Life insurance coverages, with a face value equal to double the employee's base salary, will also be continued. That coverage is reduced to one-half of policy face value when the retiree reaches age 66.

Early retirees with 20 years of service but under age 50 received a deferred annuity in lieu of pension benefits.

Some 190 of the 480 employees who were eligible for the program, which ran from late March to late April, opted for early retirement, Mr. Doyle says.

However, early retirees are allowed to stay on the job until Sept. 3, he adds.

Benefit beat keeps insurance and employee benefit managers informed on what other companies are doing and of current developments in the employee benefits field. We'd like to know if you've made any changes. Write James Lawson, Associate Editor, Business Insurance, 220 E. 42nd St., New York, N.Y. 10017; 212-210-0143.

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editorial opinions

Wrongful interpretation

A STATE INSURANCE regulator is trying to accomplish through semantic arguments what insurance commissioners couldn't do in Congress: thwart the development of risk retention groups.

As we reported last week, Delaware Insurance Commissioner David Elliott is telling a national home builders' association that he doesn't think its captive can qualify as a risk retention group under Delaware law. He says the home builders' exposure for defective products isn't a product liability risk, which must be the primary risk insured by these risk-pooling groups to enjoy exemption from most state regulation under the Risk Retention Act.

Mr. Elliott contends that the two-year warranty offered by the home builders is a surety coverage and the eight-year structural defect coverage is property insurance.

Mr. Elliott should review the intent of Congress when it passed the Risk Retention Act last year before he makes his final decision. A Senate Commerce Committee report specifically notes that it "is our intention to permit home builders to establish a risk retention group under this act to insure against any potential product liability."

The 11,000-member Home Owners Warranty Corp. says it will take Mr. Elliott to court if he refuses to certify its captive as a risk retention group. If the home builders do press their case, we think Mr. Elliott will find his arguments against certifying the group hold up about as well as a house of cards in a strong breeze.

We are still concerned, however, that Mr. Elliott's reaction to a request for state certification by a risk retention group could signal the beginning of a string of objections by state regulators to approving qualified groups.

We predicted problems like these when the original Risk Retention Act was amended to remove any federal regulation of the groups to appease industry trade organizations.

State insurance commissioners had better show they will fairly regulate risk retention groups. A Congress that finds its intentions are being ignored can grow impatient enough to amend the law. The options then could include the creation of a federal office to regulate risk retention groups.

We're sure that is something state insurance commissioners don't want.

letters

Why NBC claim is contested

To the editor: The article "Insurers have change of heart on NBC claim" (BI, May 31) says some U.S. insurers that excluded war risks from NBC's policy for the 1980 Olympics in Moscow "apparently are having second thoughts about paying it." This implies, to me, these companies now are attempting to recoup through arbitration after paying too promptly in the first place. This is simply not true.

Both the war risk insurers (represented by Stephen Merrett, whom you quoted) and the six U.S. companies who excluded war risk coverage reserved all their rights as to deciding coverage and engaged in lengthy negotiations regarding that question. This resulted in the U.S. companies eventually settling with NBC's rights under the policies.

On Jan. 22, 1981, the war risk exclusionary insurers sent notice to the London-based war risk insurers invoking arbitration in accordance with terms of the latter's policy. Thus, the decision to arbitrate is not a recent event. The war risk insurers first agreed to arbitration and selected an arbitrator to represent them. They apparently had second thoughts and commenced a court proceeding to stay arbitration, alleging a champertous undertaking by the U.S. companies.

This petition for the stay of arbitration was dismissed by the special term of the New York Supreme Court on Dec. 4, 1981, on the grounds that the petitioning companies had waived their rights to object to arbitration. The London insurers then moved to reargue their motion before the special term, but the motion to reargue was denied. Petitioners now have taken an appeal from that order denying reargument and that issue is still pending.

On behalf of Southern American Insurance Co. and the other five U.S. companies that refused to provide the war risk coverage for additional premium, I would like the record to show that we have always maintained the question of applying the war risk exclusion should be arbitrated and our position has not changed. The action taken by these companies in paying what they felt was a questionable claim was done in good faith and after long deliberation. Such actions should not be construed as lack of resolve on our part, for we are determined to see this issue finally settled through the oper-

ation of the arbitration process.

Bill Hamm
Assistant vp
Southern Aviation Insurance Co.
Memphis, Tenn.

NAPSLO seminar

To the editor: On May 18, the National Assn. of Professional Surplus Lines Offices conducted a seminar in London for brokers doing business in the United States. *Business Insurance* was represented by your London correspondent, who interviewed various panel members and called back to the United States for additional information.

The story that resulted (BI, June 14) was a well-written article about the new Kansas surplus lines law. It quoted two of the panel members at the seminar, but you did not report the purpose and content of the seminar.

NAPSLO sponsored the seminar to acquaint the London insurance community with various state surplus lines regulations. NAPSLO was elated that more than 140 people attended, representing all of the major London brokerage houses, as well as members of the Corp. of Lloyd's.

NAPSLO conducted this seminar at the personal invitation of Sir Peter Green, chairman of Lloyd's of London. To our knowledge, this was the first time that an insurance association from the United States was asked for educational input from another country.

Our association is very proud of the faculty who took time out of their busy schedules to share their expertise with the London brokers.

Members of the panel were: A. Norman Dubois of Insurance Brokers Service in Chicago, chairman of the seminar; W. Dana Roehrig of Dana Roehrig & Associates in St. Petersburg, Fla.; James Bryson of James Bryson & Associates in Jenkintown, Pa.; Joseph Graham of Cameron & Colby in Los Angeles; and Jay Greer of LeBouef, Lamb, Leiby & MacRae in New York.

NAPSLO is an association organized in 1975 to represent the excess/surplus lines industry. Currently, there are more than 650 members, of which 76 are London brokers. The association performs many functions, not the least of which is education.

J. Dale Bohm
Executive director
National Assn. of Professional
Surplus Lines Offices
Roswell, Ga.

Drug plans defended

To the editor: I am compelled to take issue with many points made in the article "Most employers don't plan to offer drug plans" (BI, June 21), based on an Employee Benefit Board survey.

I believe the respondents misrepresented several important areas of this fine employee benefit.

Several benefit managers cited administration costs as being disproportionately high relative to the cost of benefits. This is simply not true when considered in light of the option: having drugs covered under major medical coverage. How many insurance companies do you know that will process a major medical claim for 60 cents, the average administration fee charged by our company?

A second issue is cost sharing. Prescription drug plans do provide for employee cost sharing in the form of a co-payment. By regulating the co-payment, an employer or insurer can select whatever level of cost sharing is desired.

A third contention of survey respondents is that the prescription drug card is not a visible benefit as compared with a savings plan or other benefits. A plastic card program is probably the most visible of all employee benefits in that every employee carries the card with his employer's or insurer's name on it and uses it to avoid handing over cash every time a prescription is filled. This tangible, immediate benefit to the employee cannot be duplicated by any other type of program.

Finally, the notion that utilization of prescription drugs is better controlled under a major medical program is absurd. In fact, few insurers scrutinize prescription drug claims under major medical coverage to determine whether the drug should be covered and whether the price charged was reasonable. Through computerized pricing, claims control and reporting, third-party prescription drug claims processors can control costs and save administration dollars that can be used to provide other benefits or defray other expenses.

Joseph H. Boiseau
Vp and general manager
Paid Prescriptions
Paramus, N.J.

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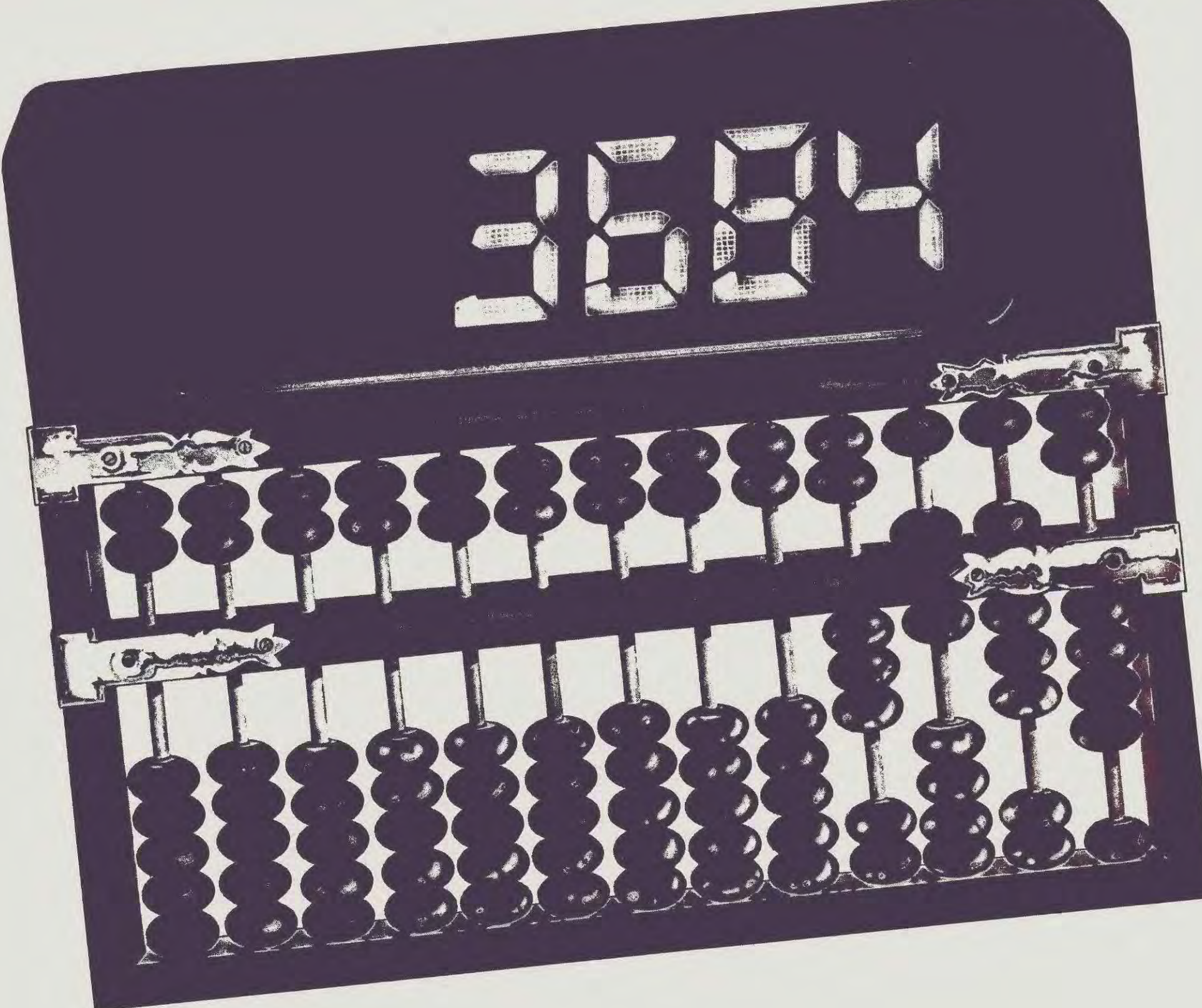
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A vintage abacus with a digital display at the top showing the number 3584. The abacus has two rows of beads, with the top row having 10 columns and the bottom row having 12 columns. The beads are dark and the frame is light-colored.

3584

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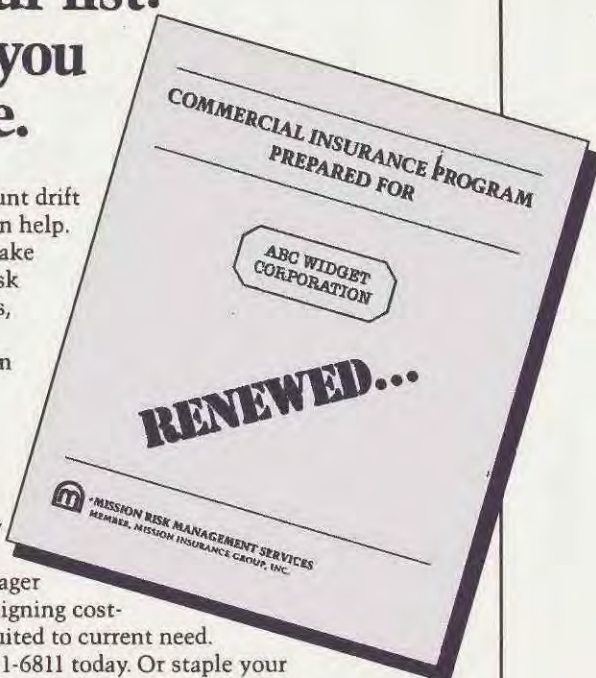
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| ☐ Multi-state or multi-national operations? | ☐ Is there a genuine interest in true risk management instead of just insurance buying? |



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Illinois prohibits sales by church health plan

SPRINGFIELD, Ill.—The director of the state Insurance Department has prohibited the Christian Health Plan from soliciting business in the state until it obtains authority to sell insurance.

Insurance Director Philip R. O'Connor took the step after consumers informed the department that they had filed claims with the health plan that were not paid.

Fewer than 100 policies were sold in Illinois by the health plan, which is operated by the Universal Church of Jesus Christ, based in Ohatchee, Ala.

At an Insurance Department hearing, church spokesmen argue that the health plan is not an insurance product because money collected is viewed as contributions to the Universal Church of Jesus Christ and that all donations may be used for any purpose by the organization.

A minister of the church also said the plan is protected from state regulation by the First Amendment.

The Insurance Department contended, however, that the health plan is an insurance product because it established contracts where individuals pay fees or premiums to the health plan. The plan promises to pay any health care costs incurred by those individuals, even if those costs exceed fees and premiums paid.

Mr. O'Connor found that the contracts were insurance products labeled as a religious activity and subsequently prohibited the plan from operating in Illinois.

JUA refund

TALLAHASSEE, Fla.—Approximately 2,500 doctors, hospitals and other providers will share in the first portion of what will be a \$6.2 million refund by the Florida Medical Malpractice Joint Underwriting Assn.

Those belonging to the insurance pool in 1975-76 will share the initial payment of almost \$618,900, with the average refund totaling \$250. The \$6.2 million, or an average of \$2,400 per policyholder, will be paid to JUA members over the next six years.

The association is an insurance pool through which doctors and hospitals can obtain primary medical malpractice coverage up to \$250,000.

Receiver ordered

NASHVILLE, Tenn.—Cotton

Ohio comp fund lowers rates an average of 1%

COLUMBUS, Ohio—Employers in Ohio received an average 1% decrease in workers compensation insurance rates from the state's workers compensation fund effective July 1.

Of the fund's 229 employer classifications, rates for 107 decreased, 115 increased, six remained unchanged and one new classification was created.

"This is the fifth consecutive year in which we've held the line on premium rates while maximum worker benefits provided by the General Assembly increased nearly 40%," says the fund's chairman, W. Craig Zimpher.

Agricultural rates dropped an average of 8%, manufacturing and commercial industry rates went down 3% and rates for service industry decreased 9%.

Construction rates climbed an

around the states

Belt Insurance Co. of Memphis, Tenn., has been placed in receivership by the Tennessee Insurance Department and ordered to stop writing insurance business.

The court order affects all states. Nationwide, the company had a premium volume of \$6 million in 1981, primarily in surety insurance.

Dental plans rejected

TRENTON, N.J.—The state insurance commissioner has rejected applications by two out-of-state corporations seeking licensing as dental plans.

Insurance Commissioner Joseph F. Murphy denied applications by Associated Health Services Inc. of Chicago and North American Dental Administrators Inc. of Wayne, Pa.

It was the second time the Insurance Department rejected Associated Health's attempt to obtain a certificate of authority as a dental plan. The application was turned down partially because of absentee ownership.

Associated Health seeks to offer dental services to members of Local 54 of the Hotel & Restaurant Employees Union, which represents employees in Atlantic City's casinos.

North American's application was turned down because its role would be purely administrative and would not provide the kind of services outlined in the state's Dental Plan Organization Act.

Work comp rates

NASHVILLE, Tenn.—Workers compensation insurers operating in Tennessee are seeking approval of a 2.9% rate increase to offset benefit increases approved by the Legislature.

The maximum weekly benefit paid to injured workers will increase from \$126 to \$136, and raise the maximum aggregate amount payable from \$50,400 to \$54,000.

The proposed increase in coverage rates, which has been submitted to Insurance Commissioner John C. Neff for approval, would be applied to policies purchased or renewed, as well as outstanding policies, effective Aug. 1.

average of 5%, transportation rates rose 10% and utility rates increased 12%.

Also, contributions to the state fund from self-insuring employers were increased July 1 because of a 0.25% increase in the state surplus fund charge.

Rates charged to employers for the Disabled Workers' Relief Fund will remain the same for all employer groups.

The new rates were approved earlier in the year by the state Industrial Commission.

The state fund is the only source of workers compensation coverage available to Ohio employers.

A ballot issue that would have allowed commercial insurers to sell workers compensation in the state was overwhelmingly rejected last year by the voters (BI, Nov. 9, 1981).

Blue Cross, Blue Shield groups officially merge

The Blue Cross Assn. and the Blue Shield Assn. have merged into one corporation.

The new entity, called the Blue Cross & Blue Shield Assn., will have one board of directors instead of two, President Bernard R. Tresnowski said.

The merger, designed to promote greater efficiency and economy, was approved at a special meeting of member plans last month.

Steps toward the merger began in 1977 when the Blue Cross Assn. and the Blue Shield Assn. approved consolidation of their staffs and the election of one chief executive officer.

Comp reinsurance

The Statutory Workers Compensation Group has been formed in Bermuda by leading U.S. and European insurers to provide unlimited reinsurance of workers compensation risks, according to Brian O'Hara, senior vp of Trenwick Re and the group's manager.

Previously, workers compensation reinsurance has been written with both aggregate and specific limits.

"This coverage will fill a crucial void and be a boon to carriers and larger self-insurers," says Joseph Zaffarese, senior vp of New York-based Interocean Agency, which represents the group.

Asian joint venture

Fireman's Fund Insurance Cos. and Sime Darby Group of Kuala Lumpur, Malaysia, have agreed to link some of their insurance activities in Southeast Asia.

markets

Sime Darby's insurance interests include United Malayan Insurance Co.; Berhad, a major insurer in Malaysia; and Malayan International Ltd., an insurance holding company based in Hong Kong.

The agreement proposed that Fireman's Fund purchase a 20% interest in Sime Darby's Malaysian insurance operations and 50% of its Hong Kong and Singapore insurance operations. Sime Darby will acquire a 5% interest in San Francisco Reinsurance Co., a Fireman's Fund subsidiary.

In addition, Fireman's Fund and Sime Darby will combine their ownership in RMCA Re, a reinsurance company headquartered in Singapore.

Underwriter formed

Trenwick Ltd., a reinsurance group based in Bermuda, has formed Trenwick Guaranty Insurance Co. Ltd. to underwrite casualty lines.

In many cases, the company will return a portion of its underwriting profits and investment income on a particular policy to the buyer or to the broker that placed the policy, according to Trenwick Senior Vp Brian O'Hara.

The company will write primary coverage, either as insurance or reinsurance.

Texas HMO planned

INA Healthplan of Texas Inc. will spend \$11 million to establish a

prepaid health care plan and associated medical centers in the Houston area.

James E. Buncher, president of INA Healthplan, said the decision to open a health maintenance organization in Houston followed a study of the nation's largest metropolitan area and discussion with many of Houston's larger employers.

"The analysis indicated that Houston's employment base, projected growth and employers' increasing concerns over escalating costs of health care make this a favorable area for development of a health care program of this type," Mr. Buncher said.

The Houston HMO will open later this year.

INA Healthplan now operates nine HMOs in Arizona, California, Florida, Washington and Texas

that serve more than 600,000 people.

Shares purchased

A wholly owned subsidiary of Aneco Reinsurance Co. Ltd. in Hamilton, Bermuda, has purchased 16% of Aneco's shares that had been held by a reinsurance subsidiary of Federated Development Co.

The purchase price for the shares was \$1.46 million, or \$4.50 per share.

Aneco President Francis J. Mulderig said the purchase would eliminate questions over the control of Aneco that have hurt the company's business operations over the last 18 months (BI, July 20, 1981).

Aneco and Federated have stated that all outstanding litigation between the two companies has been terminated.

New name

Forst & Goan Inc. in Milwaukee

has changed its name to Burdick Kellenberger Insurance Co.

Acquisitions

E.H. Crump Cos. Inc. has agreed in principle to acquire Hickman-Smith-Brett & Fendley Agency Inc. in Baton Rouge, La. The acquisition will be made in the first quarter of 1983.

New offices

Underwriters Adjusting Co. has opened a new office in the Uptown Building, Eastgate Center, Suite 228, Box 8665, Chattanooga, Tenn. 37411; 615-899-2548.

Alexander & Alexander Services Inc. has opened a new office at 1949 E. Sunshine, Suite 312, Box 4225 GSS, Springfield, Mo. 65808.

United Risk Management Inc., a risk management consulting firm, has opened new offices at 14261 E. 4th Ave, Suite 261, Aurora, Colo. 80011; 303-364-5372.

June storm losses total \$187 million

NEW YORK—Five June storms caused an estimated \$187 million in insured property damage, according to C.E. Hermanson, vp of property claims services at the American Insurance Assn.

A combination of wind, hail, tornadoes and flooding in portions of the Southwest, Southeast and Midwest June 5-10 resulted in estimated insured losses of \$102.3 million. The storm was assigned Catastrophe No. 61 by the Insurance Services Office.

Wind and flooding that swept portions of Connecticut, Rhode Island and Massachusetts June 5-7 (BI, June 14) caused an estimated \$15 million in insured property damage, not counting damage covered by the National Flood Insurance Program. The storm was assigned Catastrophe No. 60 by the ISO.

Estimated insured losses caused by wind and hail in Texas June 11 and 12 totaled \$10 million. The ISO assigned the storm Catastrophe No.

62. Wind and hail that struck the Colorado Springs, Colo., area on June 12 caused an estimated \$40 million in insured property damage. The storm was assigned Catastrophe No. 63.

Estimated insured losses caused by wind, tornadoes and flooding in Florida are estimated at \$19.5 million, not counting losses covered by the National Flood Insurance Program. That storm was assigned Catastrophe No. 65.

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Panel OKs exempting workers from Medicare

By JERRY GEISEL

WASHINGTON—The Senate Finance Committee wants employers to pay older workers' health insurance costs.

The committee has approved legislation backed by the Reagan administration that would shift most medical and hospital costs of workers who stay on the job after age 65 from the federal Medicare program to employers' group health insurance plans.

Under the legislation, which is supposed to save the federal government about \$300 million annually, employers with more than 25 employees would have to provide the same health insurance benefits to workers between the ages of 65 and 69 that they offer to employees under 65.

If the legislation is enacted, nearly every employer would be forced to overhaul its group health insurance plan.

Most employers, under so-called Medicare "carve-out" plans, now only offer supplemental benefits to workers over 65 to pick up medical care costs not covered by Medicare.

washington

Under the administration's plan, which would go into effect Jan. 1, cost shifting would be turned around so that the employer's health plan would be the primary payer of older workers' medical care bills.

Medicare would become a supplemental program for these workers over 65 years old.

Employers with generous health insurance plans and a high proportion of older workers would be hit with the highest costs under the proposal.

In addition, the committee approved a series of changes that will further reduce government payments to hospitals for patients treated under the Medicare program.

If those changes are enacted, hospitals will shift these unreimbursed Medicare costs onto private patients covered by commercial insurers, resulting in a further escalation of health care cost increases for employers.

Public pensions

State and local government retirement systems paid out \$13.8 billion in benefits during fiscal 1980-81, up 13.1% from the \$12.2 billion payout during the previous fiscal year.

In addition, public pension plans in fiscal 1981 collected \$43.4 billion in receipts, compared with \$37.3 billion in receipts in 1980, according to a report by the Census Bureau.

Public pension plans held a total of \$210.4 billion in assets at the close of 1981, with about 20% of assets invested in government securities.

Benefit tax caps

Putting a cap on the amount of tax-free health insurance an employer could provide to employees would raise billions of dollars in revenues, according to a Senate Finance Committee report.

A \$150-a-month ceiling on the amount of tax-free health insurance an employer could provide for family coverage would result in \$4.4 billion in revenues in 1984 alone, the report said.

However, the report warns that a tax cap would lead to administrative difficulties for employers that self-insure their health benefits.

In addition, the cap would discriminate against employees who work in areas of the country, like the West, where health care costs are the highest.

Tort reform bill

Sen. Robert Kasten, R-Wis., is winning bipartisan support for his federal product liability legislation.

Co-sponsors of the Kasten legislation, S. 2631, now include Sens. James Abdnor, R-S.D.; Jake Garn, R-Utah; John Glenn, D-Ohio; Daniel Inouye, D-Hawaii; Richard Lugar, R-Ind.; Charles Percy, R-Ill.; and Robert Stafford, R-Vt.

Under Sen. Kasten's bill, which would pre-empt state product liability laws, a product liability award would be reduced by the extent that a plaintiff's negligence caused an accident.

In addition, manufacturers of major capital goods would not be held liable in personal injury suits in which a product was more than 25 years old.

Repeat violators

The Occupational Safety and Health Administration has adopted a national policy specifying when the agency will try to penalize employers for repeat violations of safety and health rules.

Under the new policy, OSHA inspectors will be able to seek a fine for a repeat violation only if an employer violates the same OSHA standard within three years of the initial violation.

Previously, in some areas of the country, OSHA regional inspectors sought fines for repeat violations within five years of the initial violation.

OSHA officials can seek a fine of \$1,000 for an employer's initial citation for a serious safety or health violation and up to \$10,000 for a repeat violation. These fines are subject to review by an independent commission.

Prior to the adoption of the new rule late last month, OSHA regional offices had often developed their own guidelines on for citing employers for repeat violations.

A national policy was needed, according to OSHA chief Thorne Auchter, because "the health and safety of American workers, as well as employer understanding of agency rules, are best served by a consistent policy throughout the country."

Medical group elects officers

WASHINGTON—Dr. Vincent G. Hammond, vp and medical director of Security Mutual Life Insurance Co. of New York, has been elected chairman of the medical section of the American Council of Life Insurers for 1982-83.

Other life insurance company medical directors that were elected officer at the group's recent annual meeting include: Dr. Lloyd Gregory Jr. of American General Life Insurance Co., vice chairman; Dr. William A. Henry of Franklin Life Insurance Co., program chairman; Dr. C. Richard Fravel of Sun Life Insurance Co., secretary; and Dr. Maurice E. Rougraff, American United Life Insurance Co., historian.

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Levi Strauss risk manager released in staff cutback

Richard Soper has been terminated as director of risk and insurance management at Levi Strauss & Co. in San Francisco, part of a 25% to 30% reduction in management at the company due to the recession. Joseph Burghold, vp and treasurer, will be acting risk manager until risk management duties are formally reassigned.

John Hillinn, 38, is the new manager of U.S. compensation at Honeywell Inc. in Minneapolis, responsible for both compensation and benefits planning. Previously, he was manager of direct compensation for U.S. operations. He also held compensation and human resources positions in Honeywell's Phoenix, Ariz., office. Mr. Hillinn received a bachelor of arts degree in English from St. Bonaventure University in New York and a master of business administration degree from Arizona State University in Tempe. He reports to Dan Lesh, manager of compensation and benefits, and replaces G. Victor Lemesis, 39, now director of compensation and benefits with United Airlines Inc. in Elk Grove Village, Ill. Mr. Lemesis will design and administer compensation and benefit programs for the company. Mr. Lemesis had held human resources positions with Honeywell for nine years. He received a bachelor of arts degree from Wesleyan University in Middletown, Conn., and is a member of the employee benefits committee and ERISA subcommittee of the U.S. Chamber of Commerce. Mr. Lemesis replaces Irving Brand, who retired, and reports to James Guette, vp of personnel.

Stanley E. Smith, 38, is the new corporate insurance manager of Schnitzer Steel Products in Port-

comings & goings: buyers

land, Ore. He succeeds Don White, 59, who is retiring to the San Francisco area. Mr. Smith was formerly manager of the marine department of Marsh & McLennan Inc. in St. Louis. He holds a bachelor of science degree in marine transportation from the U.S. Merchant Marine Academy in Kings Point, N.Y., and served four years in the Merchant Marine before entering the insurance profession in 1970.

Continental Insurance Cos. in New York has named John L. Langheld, 42, vp of human resources. In his new position, Mr. Langheld will oversee benefit administration, compensation, recruitment and other human resources areas. He has held assistant director, director and assistant vp positions in the personnel-human resources division of the company since 1974. Mr. Langheld received a bachelor of arts degree from Montclair State University in Upper Montclair, N.J. He reports to Vic

Vogel, a Continental vp.

Thomas Myers, 44, has been appointed director of risk management at Tampa Electric Co. in Tampa, Fla. In the newly created position, Mr. Myers has responsibility for property/casualty insurance, claims and loss prevention. Mr. Myers has held risk management positions with U.S. Gypsum Co. in Chicago and with U.S. Home Corp. in Houston. He received a bachelor of arts degree in insurance at the University of Illinois in Urbana and has earned Certified Property/Casualty Underwriter and Associate in Risk Management designations. Mr. Myers reports to Alan Oak, corporate treasurer.

We'd like to report on staff changes in your risk management or employee benefits department. Just drop a note to Sallie Drury, Editorial Assistant, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611, or call 312-649-5398.

HMOs can be attractive to investors, study says

WASHINGTON—Health maintenance organizations can be "highly attractive" to investors, according to a new study.

HMOs represent a growing \$4 billion industry and "proposals in Congress to encourage more competition in health care are likely to give HMOs an additional boost in terms of public recognition and favorable marketing environment," according to the survey prepared

by consultant Touche Ross.

The study, "An Investor's Guide to HMOs," reports substantial evidence that effectively managed HMOs are sound investments. Analyses of several highly successful HMOs show a return on equity of more than 20%, which is above the average in almost any industry.

The objectives of investors currently with a stake in HMOs vary, the study says. Some investment banking firms have been interested in placing tax-exempt debt issues for large and well-established HMOs, while venture-capital firms and small-business investment companies are interested in the recently established for-profit organizations with high growth and profit potential.

Copies of the report can be obtained by writing Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402. Specify publication No. 82-501-85.

datebook

JULY 11-14. Communicating Employee Benefits program in Hershey, Pa., sponsored by the International Foundation of Employee Benefit Plans; members, \$390; non-members, \$465. IFEBP, 18700 W. Bluemound Road, Box 69, Brookfield, Wis. 53005; 414-786-6700.

JULY 12-14. Managing Employee Benefits seminar for financial executives in Lincolnshire, Ill., sponsored by Hewitt Associates; \$850. Beverly McRae, Hewitt Associates, 100 Half Day Road, Lincolnshire, Ill. 60015; 312-295-5000.

JULY 12-16. Sixth Annual Symposium on Workers Compensation in Orono, Maine, sponsored by the University of Maine, Conferences and Institutes Division; \$725. Helen H. Thomas, Symposium Coordinator, 1721 Pine St., Philadelphia, Pa. 19103; 215-735-0205.

JULY 12-16. Environmental and Safety Risk Management program in Cambridge, Mass., sponsored by the Massachusetts Institute of Technology; \$850. Director of Summer Session, Room E19-356, Massachusetts Institute of Technology, Cambridge, Mass. 02139; 617-253-2101.

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

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

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

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

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

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

AUG. 2-6. Basic Safety Management seminar in Houston, sponsored by the International Safety Academy; \$335. ISA, 10575 Katy Freeway, Box 19600, Houston, Texas 77024; 713-932-9400.

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

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

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

AUG. 11. Risk Management Information Systems seminar in Kansas City, sponsored by Corporate Systems; \$50. Also Aug. 24-25 in St. Louis. Matt Davis, Corporate Systems, Box 31780, Amarillo, Texas 79120; 806-376-4223.

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

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

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

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

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

AUG. 28-SEPT. 1. Corporate Benefit Management conference in Hershey, Pa., sponsored by the International Foundation of Employee Benefit Plans; members, \$470; non-members, \$545. IFEBP, 18700 W. Bluemound Road, Box 69, Brookfield, Wis. 53005; 414-786-6700.

SEPT. 12-15. International Benefits seminar in St. George's, Bermuda, sponsored by the Interna-

tional Foundation of Employee Benefit Plans members, \$470; non-members, \$545. IFEBP, 18700 W. Bluemound Road, Box 69, Brookfield, Wis. 53005; 414-786-6700.

SEPT. 13-17. Basic Safety Management seminar in Houston, sponsored by the International Safety Academy; \$335. ISA, 10575 Katy Freeway, Box 19600, Houston, Texas 77024; 713-932-9400.

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

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

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

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

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

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

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

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

OCT. 7-8. Basic Radiation Hazard Control: Meeting Licensing Requirements course in Washington, sponsored by the International Institute of Safety & Health; \$245. IISH, 5010A Nicholson Lane, Rockville, Md. 20852; 301-984-8969.

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

OCT. 15-20. 28th Annual International Foundation of Employee Benefit Plans Conference in Montreal; members only; \$390 for conference; \$130 per day for pre-conference sessions. IFEBP, Box 69, Brookfield, Wis. 53005; 414-786-6700.

OCT. 18-21. 76th Annual National Safety Congress and Exposition in Chicago, sponsored by the National Safety Council; before Sept. 10: members, \$65; non-members, \$100. After Sept. 10: members, \$90; non-members, \$135. Congress Planning, National Safety Council, 444 N. Michigan Ave., Chicago, Ill. 60611.

OCT. 25-26. Risk Management Concepts for the Safety Professional and Insurance Buyer course in Los Angeles, offered by the University of Southern California; \$225. USC, Institute of Safety & Systems Management, Office of Extension & In-Service Programs, Los Angeles, Calif. 90007; 213-743-6523/6524.

OCT. 25-27. Managing Employee Benefits workshop for financial executives in Lincolnshire, Ill., sponsored by Hewitt Associates; \$850. Beverly McRae, Hewitt Associates, 100 Half Day Road, Lincolnshire, Ill. 60015; 312-295-5000.

OCT. 27-29. Recognition of Accident Potential in the Workplace Due to Human Error course in Los Angeles, offered by the University of Southern California; \$300. USC, Institute of Safety & Systems Management, Office of Extension & In-Service Programs, Los Angeles, Calif. 90007; 213-743-6523-6524.

OCT. 29-30. Hazard Control Management Fundamentals seminar in Washington, sponsored by the International Institute of Safety & Health; \$245. IISH, 5010A Nicholson Lane, Rockville, Md. 20852; 301-984-8969.

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

NOV. 4-5. Product Safety Concepts and Practice course in Washington, sponsored by the International Institute of Safety & Health; \$245. IISH, 5010A Nicholson Lane, Rockville, Md. 20852;

NOV. 11-12. Confined Space Entry workshop in Dallas, sponsored by Loss Prevention Associates; \$285. Loss Prevention Associates, Box 59888, Dallas, Texas 75229; 214-241-0396.

NOV. 15-19. Assets Protection course in Saddle Brook, N.J., sponsored by the American Society for Industrial Security; \$395 members; \$650 non-members. ASIS, 2000 K St. N.W., Suite 651, Washington, D.C. 20006; 202-331-7887.



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RIMS ends '81 in black with excess of \$210,795

NEW YORK—The Risk & Insurance Management Society operated in the black last year after tripping into the red in 1980, according to the society's annual report.

RIMS generated revenues of more than \$2.86 million in 1981 and spent a little more than \$2.65 million, ending the year with an excess of \$210,795.

In 1980, the society ended the year with a deficit of \$40,544 on revenues of \$2.18 million and expenses of \$2.22 million.

Revenues earned during 1981 were composed of:

- Membership dues—\$316,416.
- Advertising revenues—\$455,352.
- Subscriptions to the society's magazine—\$269,882.
- Books and reprints—\$36,874.
- Conferences—\$1,598,947.
- Interest income—\$137,858.
- Schools and seminars—\$122,825.
- Miscellaneous—\$26,745.

In his notes in the annual report, William P. Stouffer, RIMS' vp of finance and treasurer during 1981-82, says that conference income comprises 55% of the society's total revenues and points to a need to diversify income base by beefing up other sources of revenue.

Expenses were broken down into the following areas:

- General and administration—\$410,112.
- Risk Management magazine and other publications—\$590,000.
- Conferences and seminars—\$790,489.
- Governmental and industry relations—\$161,380.
- Membership—\$101,692.
- Education and schools—\$108,929.
- Public relations—\$140,489.
- Research—\$84,012.
- Finance—\$72,764.
- Administration—\$37,619.
- Clerical—\$41,362.
- Executive referral—\$34,206.
- Communications—\$81,070.

According to the annual report, the society had assets of \$938,861 at the end of 1981. Liabilities at that time totaled \$112,321; unearned membership dues, subscription and conference income stood at \$481,565; capital lease obligations were \$22,716; and the general fund balance totaled \$431,590.

RIMS' membership grew 7% in 1981 to more than 3,713 entities. While RIMS is dominated by large businesses—more than 90% of the Fortune 1,300 are members—smaller entities are looking to RIMS for help in managing their risks, the annual report says.

Shand offers added cover for architects, engineers

Shand, Morahan & Co. Inc. has introduced "Project Performance" coverage for architects and engineers who currently have professional liability policies through the company.

The policy covers design professionals, architects and engineers for liability for completed projects that do not perform or produce results according to the design specifications' warranty or guarantee.

For the coverage to be triggered, the claimant must prove damages and the existence of a warranty.

Limits range up to \$25 million for three-year policies. Limits are written up to \$10 million for seven-year policies. These limits can apply to an additional three-year run-off option.

For more information contact Erv Kranberg, Shand, Morahan & Co. Inc., One American Plaza, Evanston, Ill. 60201; 312-866-0890.

Partnership coverage

Private placement limited partnerships can receive protection against member default with the Financial Guarantee Bond for Limited Partnerships from National Union Fire Insurance Co. of Pittsburgh, Pa., a member of the American International Group.

Limited partners are usually required to pay 25% to 50% of their capital contributions in cash, with the balance put into a promissory note due one to five years later.

The Financial Guarantee Bond indemnifies partnerships or their lenders against an investor's de-

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fault by guaranteeing the promissory notes held by the limited partnership or the partnership's bank.

Amounts of the bonds vary, depending on the amount of the notes the investor "owes" the partnership.

For further details contact Val Goldstein or Robert Ungerleider at National Union Fire Insurance Co., 70 Pine St., New York, N.Y. 10270; 212-770-6543 or 212-770-6566.

Detection system

Loveland Associates Inc. has developed a new system, Safety Ranger, that can detect the distance of an intruder from guarded objects or areas.

The Safety Ranger consists of two components: an acoustical transducer and a solid-state ultrasonic alarm circuit that can detect the presence, and distance of objects within a range up to 35 feet. An alarm sounds when an intruder penetrates the protected range. An optional digital display unit indicates how far the intruder is from the protected object.

A complete Safety Ranger system costs \$2,800.

For details contact Chuck Keller, Loveland Associates Inc., Box 3485, Peabody, Mass. 01960; 617-531-7235.

Employee health plan

The Brougher Agency Inc. is in-

roducing a self-funded employee health and life insurance plan with stop-loss protection, called Greenwood Plus, designed for self-insured medium-sized or small companies with as few as 10 employees.

The stop-loss features include a \$2,500 per-employee deductible, with employee lifetime maximums ranging from \$250,000 to \$1 million. Aggregate coverage can be increased to 50% of the employer's self-funded liability.

A minimum of \$5,000 in group life coverage is required for each covered employee, but the plan allows for varying schedules to fit an employer's requirements.

A short-term disability plan with accident coverage can also be added to the Greenwood Plus plan. The benefit period ranges from 13 to 26 weeks and is based on a formula of 60% of basic weekly earnings, up to a maximum of \$150 per week.

For more information on the Greenwood Plus benefit plan contact Jan Gulden, Brougher Agency Inc., Box BAI, Greenwood, Ind. 46142; 317-535-8212.

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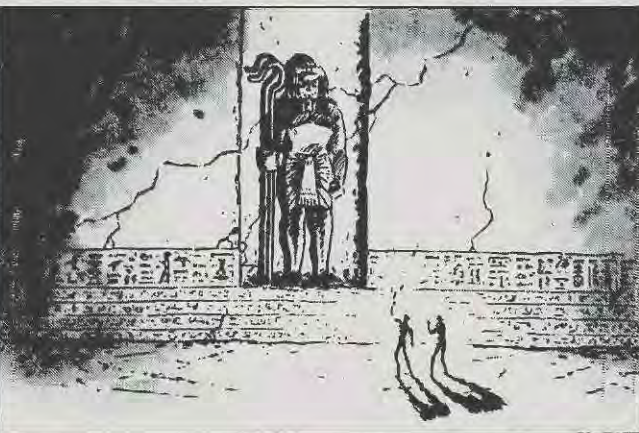
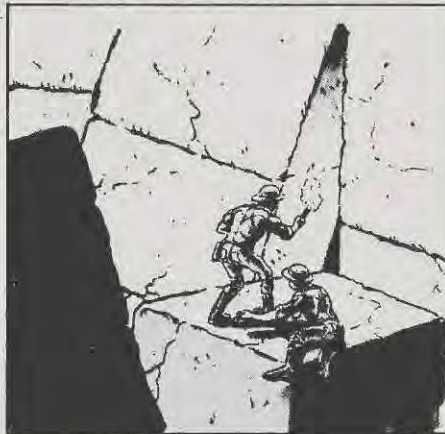
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PROCRASTINATING MAY BE A BIGGER RISK THAN POLLUTION.

While you may consider your reasons valid for putting off pollution liability coverage, kindly consider the growing list of EPA and Justice Department lawsuits.

A company in Pennsylvania is sued for gradually contaminating groundwater that leached into the Delaware River. Clean-up costs: \$67,000.

A company in New Jersey is sued retroactive to 1973. Penalty: \$500,000 put in escrow

as assurance that remedial actions will be completed.

A company in Indiana is made to reimburse the government \$860,000, plus interest, in clean-up costs because of a gradual leakage of chemicals.

Etc., etc., etc. The figures for this growing list (now, by the way, up to 50 suits a year) belong to EPA and the Justice Department, not us.

What's more, even obeying today's environmental laws is

no guarantee against a future catastrophe.

At the AIG Companies, we consider the problem of accidental pollution, whether gradual or sudden, so crucial, we've set up a special department to handle it.

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A. Our Loss Control professionals will research the company and help develop

a program tailored to the situation. We'll show how The Hartford can help the company control losses. By coming in before we make a quote, we can explore ways of reducing losses up front to help customers control their insurance costs.

Q. What is the scope of The Hartford's Loss Control capability?

A. Our range of Loss Control services is one of the broadest in the industry. It covers construction, fire protection, commercial auto, industrial hygiene, medical professional liability, manufacturing...you name it. And we're one of the few companies equipped to handle security and crime prevention.

We have the people, too—some 450 experienced Loss Control consultants located throughout the country, with an additional 75 or so in the home office.

Q. Is that tremendous capability available to companies across the country?

A. Absolutely. We're ready to respond on an "as-needed" basis anywhere in the U.S. And we'll bring in whatever level of expertise the situation demands.

Q. Is it available to big risks on an unbundled basis?

A. Yes, through our subsidiary, Hartford Specialty. Some of the largest corporations in the country currently take advantage of The Hartford's Loss Control capability on an unbundled basis.

Q. It sounds like The Hartford has made a major commitment in the Loss Control area.

A. Yes. And an ongoing commitment. We're always trying to improve the scope and quality of our Loss Control services. For example, we recently doubled the size of our industrial hygiene lab and added sophisticated new equipment to increase our effectiveness in this key area.

Q. How can insurance buyers find out more about The Hartford's Loss Control capability?

A. By contacting their broker or independent agent who represents The Hartford.

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An idea whose time has come . . . again

Continued on next page



Please, let's stop the progress of benespeak by returning to plain English when discussing employee benefits. In so doing, we'll prevent the widening of the communication chasm between those responsible for employee benefits and the mainstream of organizations.

perspective

Listening: A manager's untapped, and most neglected, personnel skill

By Kenneth P. Shapiro

REMEMBER THE children's game "telephone?" A message is whispered from player to player; the object of the game is to see how garbled the message has become by the time it reaches the last player.

In "telephone," the players listen carefully—and still the final message bears little resemblance to the original. Imagine what happens when we, as managers, listen to people with only half an ear.

Of the four communication skills—reading, writing, speaking and



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

management

listening—we spend more than 30% of our time listening. Yet our formal education has always emphasized reading, writing and speaking—and neglected listening.

Effective listening is more than just hearing spoken words. It involves four stages:

- **Sensing.** This is the physical part of listening. It is receiving the message using multiple senses: hearing, seeing, touching and even smelling.

- **Interpretation.** Did the words and actions mean the same to the speaker and the listener?

- **Evaluation.** Here a judgment is made about the usefulness of the information.

- **Response.** Based upon what is heard, understood and evaluated, the listener responds both verbally and non-verbally.

In general, we are ineffective listeners. Studies have indicated that the average listener has heard, understood, evaluated

and retained about half of what was said immediately following a 10-minute oral presentation. Two days later the listener has retained only half again as much.

Dr. Diana Whitney of Hay Associates, who teaches listening seminars for managers, stresses these techniques for effective listening:

- **Prepare.** Review and familiarize yourself with the subject and language. Become aware of your own internal barriers.

- **Pay attention.** Concentrate, put your own ideas aside and look for the main ideas and speaker's intent.

- **Summarize.** Keep track of key words and thoughts; continually review main ideas.

- **Listen between the lines.** Pay attention to how things are said: voice inflection, rate of speech and non-verbal

communications.

- **Ask questions.** It will help you clarify points, amplify ideas, probe for answers and direct the conversation.

- **Take notes.** Jot down key words, main ideas and patterns of ideas.

- **Paraphrase.** Summarize and restate the speaker's main ideas.

- **Evaluate.** Make judgments and draw conclusions after the entire conversation and after you've checked your own biases.

- **Provide feedback.** Give responses that reflect your level of clarity and understanding.

- **Associate.** Relate new information with something you already know.

- **Visualize.** Create mental pictures for yourself; check to see if they are congruent with the speaker's picture.

- **Show you are listening.** Use body language in non-verbal responses.

- **Communicate your commitment to respond.** Identify what the speaker expects from you, express your willingness and how you plan to meet those expectations. ■

The return of the defined benefit floor plan

Continued from previous page
equivalents of profit-sharing plan accumulations).

Floor plans have been around for years. They were prohibited for a time, but Revenue Ruling 76-259, issued in 1976, permitted employers to again operate profit-sharing plans with a guaranteed minimum benefit: that is, if the pension equivalent of the profit-sharing accumulation is insufficient to provide a given level of retirement income, the defined-benefit floor plan can make up the difference.

Through such an arrangement, employers can sponsor profit-sharing plans for their employees with a minimum floor guarantee not available in traditional stand-alone plans.

By designing a retirement program that takes advantage of both salary reduction under Section 401(k) and the floor-plan concept, an employer can, in effect, offer a contributory pension plan to which employees make pretax contributions. Presently, there appear to be no IRS regulations that would prohibit such a combination.

To illustrate, XYZ Co., a service company that employs a large number of highly mobile, young technical/professional employees, sponsors a contributory pension plan. In recent years, though, participation has fallen below 80%, primarily because employees have been more attracted to available tax-deferred savings vehicles. Consequently, the company has found it increasingly difficult to demonstrate that its plan covers a non-discriminatory group of employees.

Therefore, XYZ is replacing its contributory pension plan with a 401(k) savings plan and a floor plan that, in combination, will provide employees with the same pension as the old plan would have. Here's how the new plans work:

- **401(k) savings plan.** Employees elect salary reductions in the same amounts as they contributed to the old pension plan. The company, in turn, contributes these amounts to a savings plan that maintains separate accounts for each employee. No company contributions are made to this plan.

- **Floor plan.** The company's old contributory pension plan is being converted to a defined-benefit floor plan with a pension formula identical to that of the old plan. However, the plan will now provide that the pension payable from the new floor plan will be reduced by the pension equivalent of each participant's accumulated balance in the savings plan.

Designing a retirement program that takes advantage of salary reductions, with Section 401(k) and the floor-plan concept, means employers can offer a contributory pension plan to which employees make pretax contributions.

The floor plan itself is non-contributory, but participation is restricted to those employees who are members of the savings plan.

The advantage of such a combination is clear: employees can make pretax salary reduction contributions to the retirement program and receive a pension—from both plans—comparable to the pension that would have been provided under the old plan. Here are some advantages:

- From the younger employees' viewpoint, the program operates as a tax-deferred savings plan.

- From the older employees' viewpoint, the program operates as a defined benefit pension plan.

Because there is something in the program for every employee, overall participation is likely to be improved. But, there are also some disadvantages:

- There are now two plans instead of one, requiring more paperwork and administrative expenses.

- The discrimination tests under Section 401(k) must be satisfied.

- An active employee may not withdraw the savings plan contributions unless he or she can demonstrate financial hardship as required under the proposed 401(k) regulations.

The company's overall cost may increase because the cost of "termination benefits" from the savings plan will reflect actual investment results rather than the 5% return credited under the old pension plan and increased participation may lead to higher costs.

Plan sponsors considering a similar move must first address a number of issues. For example:

- Should the company make matching contributions to the savings plan? This may be necessary to bring overall participation up to a desired level or to help ensure that the Section 401(k) discrimination tests are satisfied. The cost can be minimized if the floor plan also offsets the pension equivalent of these matching contributions. The cost can also be controlled by adopting appropriate vesting requirements.

- Should employees be permitted to make additional supplemental contributions, through salary reductions, to the savings plan?

- How should the savings plan funds be invested? Should employees be given a choice in these investments? The investment performance of the savings plan has a significant impact on the level of pensions payable from the floor plan. Therefore, the plan sponsor has a direct financial stake in the plan's investment performance.

- What payout options should be available from the savings plan? Employees taking lump-sum distributions may be eligible for favorable 10-year-forward averaging tax treatment. However, employers opposed to lump-sum distributions from pension plans may wish to restrict the availability of lump sums from the savings plan.

Most contributory pension plan sponsors would welcome legislation permitting employees to claim contributions to defined benefit pension plans as tax deductions. Until this occurs, however, employers may want to consider adopting the salary-reduction savings plan/floor plan approach that achieves virtually the same result.



Thomas S. Terry is a principal at Towers, Perrin, Forster & Crosby in Chicago.

Chairman of Lloyd's knighted by queen

LONDON—Lloyd's of London Chairman Peter Green has been knighted by Queen Elizabeth II, it was announced on the queen's annual birthday honors list, published on June 12.

Mr. Green, who has been a Lloyd's underwriter since 1947 and has served as Lloyd's chairman since 1977, is now known as Sir Peter Green.

Syndicates results

Lloyd's of London syndicates will do surprisingly well on their three-year global figures to be released on September, says the Assn. of Members of Lloyd's.

Investment income and capital appreciation will lift marine syndicate profits 16% in the 1979 accounting year, which is closed out this year, the group of Lloyd's members says.

Non-marine syndicates will report a 69% increase on income, while the aviation syndicates will report triple the profits earned in 1978, it estimates.

But reserve funds for future asbestos claims and other losses may reduce some of the checks that Lloyd's' 20,000 members are receiving from their syndicates, said John Rew, one of the association's leaders.

Still, he said, "I got my best check ever."

Members on some other syndicates won't fare quite so well, however.

One member whose interests are managed by a large Lloyd's broker will receive 792 pounds (about \$1,362) this year for his 100,000-pound investment.

In the past, the member reports he has received up to 15,000 pounds (\$28,800).

According to the preliminary estimates, the size of the syndicate can make a difference.

The large syndicates led by underwriters Ian Posgate and Stephen Merrett are among the most profitable, according to the association.

But the Tanter Syndicate shows a 20,000-pound (\$1.03 million) loss for 1979, according to the group, which amounts to a 1,900-pound (\$1,268) loss per member. Also, the E. Willett Syndicate, an aviation syndicate, will report an 188,000-pound (\$323,360) loss.

The association's estimates are based on the results of 40 underwriting syndicates that make up 1% of Lloyd's 2.5 billion-pound premium volume.

World premiums

Total non-life world insurance premiums amount to \$260 billion, according to Swiss Reinsurance Co. Ltd.

Companies based in the United States write 48% of the world's non-life premiums, according to Swiss Re, and the North American continent accounts for 51% of the world total.

How substantial this share becomes apparent when the list of countries by country is considered," says Swiss Re.

"None of the other countries, not even West Germany, which ranked second, had a world share reaching 10%."

However, other areas of the world are beginning to write more non-life premiums.

london line

European Economic Community combined write nearly 30% of the world's non-life premiums, and Japan insures more than 7% of world premiums, according to the Swiss Re report.

In 1980 the world premium volume, including life insurance, was \$435 billion, up 11% from 1979, the Swiss Re report says.

"But if real values are considered, a slightly declining tendency in the growth of world premiums was to be observed for this period, taking into account a world inflation rate of 15.5%," the Swiss Re report adds.

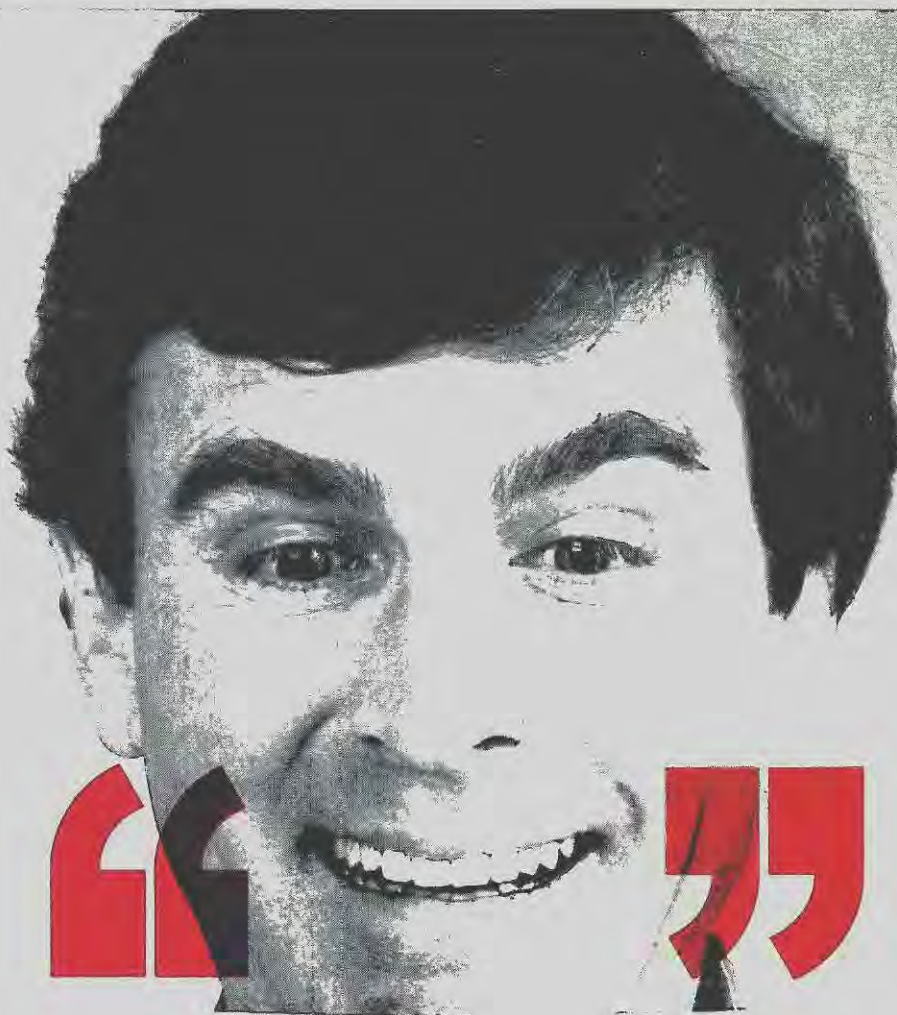
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Bretherick to head Continental group

John H. Bretherick Jr. has been named president of The Continental Insurance Cos., The Continental Corp.'s group of property/casualty insurers. His new assignment is part of a major realignment of executive responsibility for the corporation's operating divisions.

Mr. Bretherick, who is also corporate executive vp of property/casualty insurance operations, has been given responsibility for those operations worldwide. He also will supervise Continental Reinsurance Corp. and its overseas subsidiaries; Foremark Corp., Continental's excess/surplus insurance subsidiary; and other international operations.

Mr. Bretherick, who joined Continental in 1968, replaces **John P. Mascotte**, who was named chair-

comings & goings: industry

man of the property/casualty group and president and chief operating officer of The Continental Corp.

Also, **V. Lee Barnes**, another corporate executive vp, has been named to head a newly formed office of corporate development. Mr. Barnes is responsible for integrating the corporation's strategic planning and acquisitions, among other duties.

Other insurer changes:

Kathy Bethards appointed vp of claims at Cypress Insurance Co. in Pasadena, Calif. She has staff and line responsibility for all claims activity at Cypress, which specializes in workers compensa-

tion coverages. Ms. Bethards was previously assistant vice president of claims.

J. William Lee named senior vp for underwriting at Reliance Insurance Co. in Philadelphia. He continues to oversee property/casualty, marine and personal lines underwriting services. Mr. Lee previously was head of Reliance's commercial property department.



Mr. Lee

Reinsurers

Six people have been promoted at General Re Corp. in Greenwich, Conn. Five were appointed senior vps: **James E. Gustafson** in the treaty underwriting department; **Kenneth J. LeStrange** and **Dallas W. Luby** in treaty marketing department; **Thomas J. McCarthy Jr.** in the property facultative division; and **William E. Thiele** in the casualty facultative division. **Horton D. Amos** named a vp in the New York office.

Excess/surplus

Kieran P. Burke appointed president of New Amsterdam Excess Inc., a wholesale excess/surplus lines subsidiary of Fred S. James & Co. Inc. in New York. Mr.

Burke was most recently senior vp and director of casualty marketing at James.

William H. Robert appointed vp and operating head of Falcon Insurance Co., Commercial Union Insurance Cos.' surplus lines insurer, based in Boston.

Agents/brokers

Douglas B. Owen promoted to president of the Arthur L. Owen Co. Inc., a Dallas-based brokerage. Mr. Owen had been vp and legal counsel. **Arthur L. Owen**, founder and former president, becomes chairman and retains the title of chief executive officer. **C. Edward Dunn** was promoted to executive vp from vp.

Other suppliers

Robert D. Krinsky elected president of Martin E. Segal Co. in New York. Mr. Krinsky, formerly executive vp, replaces **Earl Palay**, who died recently. Also, **John F. Gentleman** elected executive vp of the company. Mr. Gentleman had been senior vp at the Middle Atlantic regional office.

James S. Carpenter elected president of ESIS Inc., the risk management services subsidiary of CIGNA Corp. He was most recently senior vp of INA Underwriters Insurance Co. and its subsidiary, Pacific Employers Insurance Co.

Margaret Wilkinson joined Warren, McVeigh & Griffin Inc. in Newport Beach, Calif., as a consulting actuary.

Patricia Neal appointed vp at Cal-Surance Benefit Plans Inc. in Torrance, Calif. She heads the large qualified retirement plans, funding and investment strategies division. Ms. Neal was previously with Connecticut General Life Insurance Co.

Clifton & Co. elected **Cameron J. Chandler**, **James J. Czesak**, **James F. Murphy** and **Neil I. Swanson** vps. Mr. Chandler and Mr. Swanson are account executives in the San Francisco office. Mr. Czesak is manager of the employee benefits department in the Los Angeles office. Mr. Murphy is in the risk management department in San Francisco.

Allan D. Affleck appointed national director of life insurance at Milliman & Robertson, an employee benefit consulting and actuarial firm. Mr. Affleck was a consulting actuary in the Seattle office. **Herbert Fritch** named vp and principal at Milliman & Robertson Inc. in Brookfield, Wis. Mr. Fritch was a consulting actuary in that office. **Fenton R. Isaacson** named national director of pensions. Mr. Isaacson was manager of the Omaha, Neb., office and is the supervising principal of the Washington, D.C., and Minneapolis offices.

Donald M. Barton appointed vp of Fireman's Fund Risk Management Services Inc. in San Francisco. He also is operations executive for claims administration for the risk management services division.

James A. Kuhns named a partner at Kwasha Lipton in Fort Lee, N.J., in the compensation services division. He was a consultant with Towers, Perrin, Forster & Crosby.

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30. Risk Management Board Survey	JUL 26	Jul 14
31.	AUG 2	Jul 21
32. EXCESS/SURPLUS	AUG 9	Jul 27
33.	AUG 16	Aug 4
34. Employee Benefits Board Survey	AUG 23	Aug 11
35.	AUG 30	Aug 18
36.	SEP 6	Aug 25
37. MARINE INSURANCE: IIAA Convention	SEP 13	Aug 31
38. Risk Management Board Survey	SEP 20	Sep 8
39. EMPLOYEE BENEFITS: PERSONNEL ADMINISTRATION	SEP 27	Sep 14
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agent/broker topics

A REGULAR EDITORIAL SECTION EXCLUSIVELY FOR AGENTS AND BROKERS

Can your energy team win the tug-of-risk?

By DONNA LEIGH YANISH

Don't think hiring an energy "expert" or two will guarantee you'll strike it rich in oil, gas, nuclear or alternative energy coverage.

But if you don't already have a team of experts ready to analyze, package and market the large and unusual energy risks, you may never enter the competition that now includes everyone from the largest brokers to small independent agents.

Though energy risks have existed in one form or another since the birth of insurance, it took the headlines, price changes, shortages and gluts of the 1970s to introduce producers to new opportunities.

The largest brokers took advantage of their size by sinking money into engineering and other energy industry needs to expand service to existing clients and position themselves for developing risks.

Smaller agents and bro-

kers, however, found that size isn't an absolute requirement to serve the energy industry.

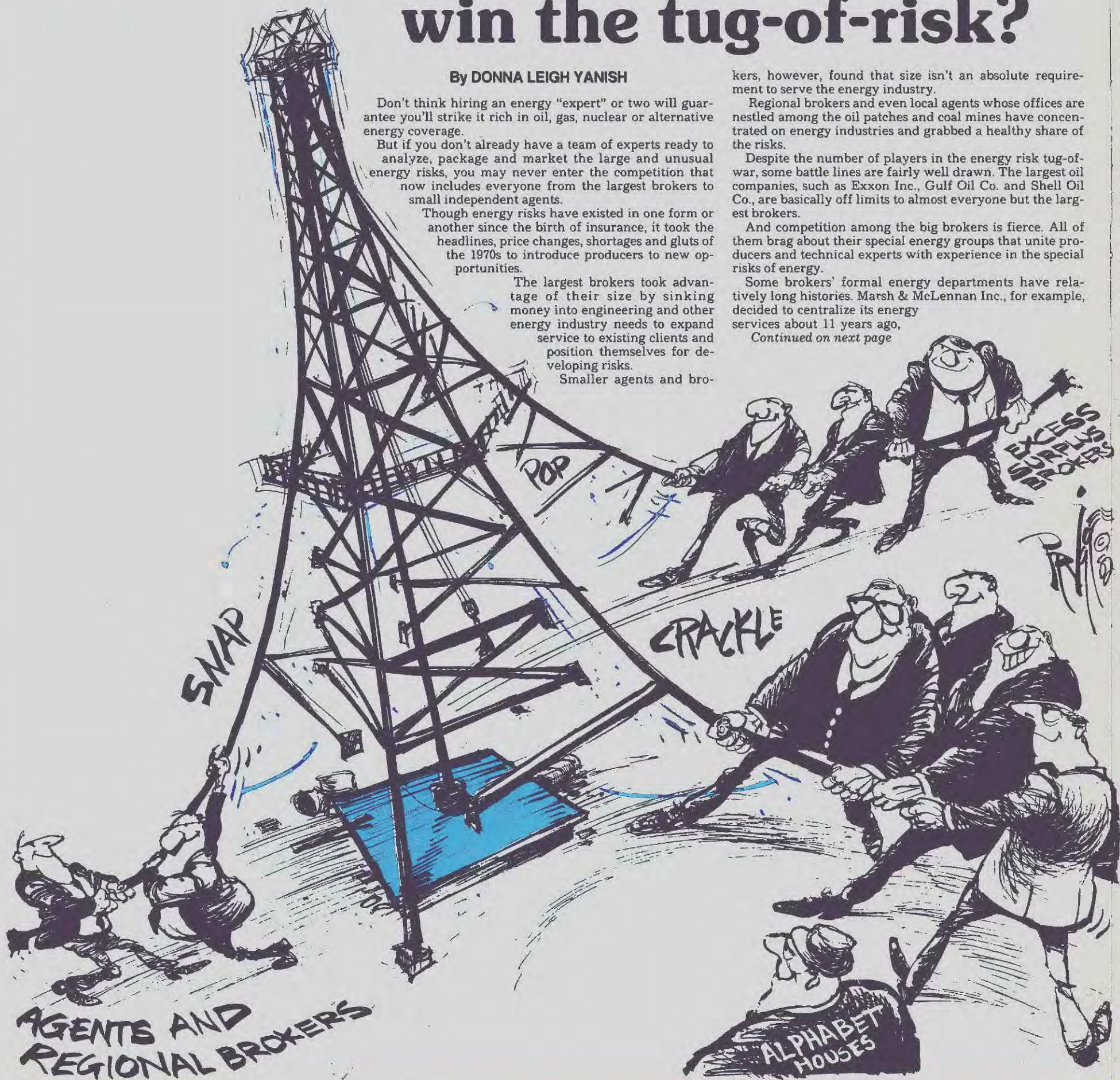
Regional brokers and even local agents whose offices are nestled among the oil patches and coal mines have concentrated on energy industries and grabbed a healthy share of the risks.

Despite the number of players in the energy risk tug-of-war, some battle lines are fairly well drawn. The largest oil companies, such as Exxon Inc., Gulf Oil Co. and Shell Oil Co., are basically off limits to almost everyone but the largest brokers.

And competition among the big brokers is fierce. All of them brag about their special energy groups that unite producers and technical experts with experience in the special risks of energy.

Some brokers' formal energy departments have relatively long histories. Marsh & McLennan Inc., for example, decided to centralize its energy services about 11 years ago.

Continued on next page



NAIB Annual meeting: coverage begins on Page 20D

Alternative energy presents special needs

Pursuing alternative energy risks isn't at all like tilting at windmills.

The pioneers developing wind, steam and garbage as sources of energy have real insurance needs and some that go beyond the conventional insurance program.

"Alternative energy is inevitable," contends Henry E. Maddocks, account executive in the Minneapolis office of Alexander & Alexander Inc. "The question is how soon will it become economically viable," he says.

That's the question on the minds of potential investors in alternative energy projects. And it broadens the insurance needs of the developers.

In addition to the conventional property and casualty insurance, some sort of performance or resource guarantees are often needed by alternative energy developers.

"People think it's a normal type of energy risk," Mr. Maddocks says. "They don't understand the new types of financing."

Many alternative energy plants are financed by debt, and creditors want security. Before investors are willing to finance an alternative energy project, they want to make sure there's money to complete it, Mr. Maddocks says.

If, for example, a fledgling company is building a budgeted \$50 million garbage-to-energy conversion plant, the investors want the assurance they won't have to come up with another \$5 million to cover a cost overrun.

And when the project is completed, the investors want some as-

urance it will produce what the developers promise.

The state of the technology in some forms of alternative energy makes the investments uncertain, Mr. Maddocks of A&A explains. The broker must, for example, determine the risk that a client building an alcohol plant will produce what is projected.

If the plant is supposed to yield 2.5 gallons of alcohol per a given input, but only produces two gallons, it may not be company's fault. The firm is working with new processes at the state of the art.

That's the risk of technology and it must be insured to guarantee yield to satisfy some investors.

Mr. Maddocks has worked with a variety of projects around the country using a multitude of new energy techniques: grain to fuel-grade alcohol, solar, garbage to electricity, geothermal and small scale hydroelectric.

"The availability of insurance can make or break an (alternative energy) project," agrees John Deitchman, vp and casualty account executive in the Los Angeles office of Johnson & Higgins. "You have to satisfy the investing community."

Mr. Deitchman notes that these production or resource guarantees are written as part of the entire property/casualty program and are carefully underwritten with exclusions that narrow the underwriters' liability and limit the financial guarantee.

There also are some alternative energy risks that aren't being covered although they are insurable,

Mr. Maddocks contends. At small-scale hydroelectric plants, for example, inadequate water flow isn't covered under some policies.

But, in many cases, records are available for up to 200 years documenting the water flow in the area. That's far more data than is usually available for assessing risks, Mr. Maddocks points out.

Most of the insurance is written by admitted insurers because developers and their investors want a known name and one insurance company.

"Whenever we can, we use the insurance company's credit rating to insure financial responsibility," adds Willis King, vp and casualty department manager in the same office of J&H.

"A lot of insurers see this as a foothold with tremendous growth potential," Mr. Deitchman notes. Insurance Co. of North America, for example, is active in underwriting alternative energy projects.

Surplus lines insurers, however, are trying to jump on the alternative energy bandwagon.

Mr. Maddocks has been approached by excess and surplus brokers trying to get a piece of the action, he says. As admitted insurers dived heavily into the coal, oil and gas industry, many E&S brokers and insurers lost a traditional market and have turned to the reasonable alternatives.

Alternative energy investors, however, aren't really interested in using many different insurers with unfamiliar names.

Rather than a layered insurance program, "They would prefer cov-

erage through an insurance company with reinsurance," he says. "They want to deal with one company."

Non-admitted insurers that don't have a high profile aren't the drawing card that major admitted insurers are, Mr. Deitchman agrees, but the excess and surplus brokers may fill in some holes, he says.

Some projects, however, may not be worth a broker's time. The broker needs to assess how realistic the project is.

The criteria used to assess the viability of the project depends, at least in part, on the specifics of the project itself. "You can't say (for example) that all geothermal projects are a good risk," J&H's Mr. Deitchman says.

"Management is extremely important," he stresses, and a demonstrated track record in business can be very attractive.

Many small companies are managed by people who held senior positions with established companies where they did basic research in alternative energy. They saw the great potential in alternative energy sources and made the move on their own, Mr. Deitchman notes.

A broker will want to be sure his client has the important financial or technical background, he adds.

Unlike most commercial insurance areas, competition isn't fierce among the brokers for the business. Many agents and brokers don't understand or actively pursue the business.

Whether excess and surplus lines brokers will begin to compete with the agent/broker specialists for



Photo: DOE/NASA

Windmills are just one of several new alternative energy risks.

risks like wind farms and waste plants remains to be seen, but those agents and brokers actively working on multiple projects now say they are preparing for the time when competition for the business becomes fierce.

However, they are not worried. They say the alternate energy industry will turn to the broker who's been there from the start.

Do you have what it takes to win energy risks?

Continued from previous page

according to Lorne Palmason, senior vp and managing director for professional services.

Now this energy group trains local office account executives to service energy risks. One subgroup within the energy group—the nuclear team—was formed even before the nuclear industry matured. The idea was to know as much as possible about the field before the industry grew up, Mr. Palmason says.

He says M&M now has about 70% of all nuclear business.

At Johnson & Higgins, nuclear risks are handled by a group separate from J&H's Energy Group, according to George J. Kadri, vp and manager of the group.

The nuclear specialist group actually was formed before the brokerages's general energy group began full operation in early 1981, Mr. Kadri explains.

The current energy team has seven full-time members, two assistant managers and five technical support experts, he says.

But J&H's oil, gas and coal expertise reaches beyond those players. One of the major functions of the energy group is to keep track of energy risk expertise within the J&H structure, Mr. Kadri says.

The group also keeps track of account executives with experience in handling a particular energy risk and is also especially skilled in a specific type of insurance, such as property/casualty, marine and fire.

That way, the energy group managers know whom to tap if they need, for example, a property insurance specialist with expertise in handling mining risks, Mr. Kadri says.

Each J&H office also has an energy coordinator who acts as a liaison between the branch and the energy group, Mr. Kadri adds.

How much the energy specialists actually get involved in a project

depends on the branch office, Mr. Kadri explains. The energy group managers haven't formally monitored how often energy specialists are tapped.

The account executive working with the client may use the energy group as a resource to field questions or he or she may ask the group to coordinate the project, Mr. Kadri says.

Utilization studies may, in fact, be difficult to execute for most of the brokers' energy specialists, particularly those that are less formally organized.

Not monitoring utilization, however, can be masking the actual cost of maintaining the program. If specialists aren't tapped because, for example, account executives are afraid of losing control over accounts, maintaining such a specialty group can be costly on an actual per-use basis.

Some brokers, however, do have a feel for how often their energy specialists are tapped.

The Energy Committee at Fred S. James & Co. is "very active," according to Thomas W. Hobbs, corporate vp. Specialists receive calls "several times a week for some types of specialties," he continues.

Two representatives from each of the broker's eight regions make up the committee. Each has specific expertise in technical services, sales or marketing, Mr. Hobbs explains.

These areas form the subcommittees of the energy committee, coordinated by the national committee that reports directly to top management, he says.

Unlike their counterparts at Johnson & Higgins, the specialists on the subcommittees at James don't get actively involved in accounts, but act only as advisers.

Alexander & Alexander reorganized its energy council a year ago and formed six subcommittees: coal, integrated oil and gas, inde-

pendent oil and gas, contractors, transportation and storage and utilities and nuclear, according to Peter J. Fogarty, vp and co-chairman of the national energy division.

Each subcommittee has four to six members from offices all over the country, he said.

Where the specialists are located is actually coincidental though "we would prefer not to have (subcommittee) makeup centralized," he notes.

Spreading the energy subcommittee membership may increase the specialists profile—a task A&A wanted to accomplish.

"We are trying to make it easier (for account executives) to know whom to go to," Mr. Fogarty says. "We wanted to make it easier for these people to be available without question" to be tapped locally, he continues.

The brokerage has succeeded in putting the energy experts in the limelight, according to Robert H. Lange, vp and chairman of the Coal Task Force of A&A's national energy team.

After holding meetings to advise branch offices of his group's resources, Mr. Lange's subcommittee is "getting called into play more often," he says.

"Now offices are more aware and we're having all we can do to divide up our time. We have our own accounts as well."

Letting branch offices know what a new energy committee has to offer can be a time-consuming task. Corroon & Black Corp.'s Corporate Energy Resource Services has held in-house energy seminars to educate account executives about the group that was formed in August 1981, according to CERS President Frank L. Eblen.

The group also holds production seminars for clients and prospects to fill them in on new laws and

conditions in the industry, he adds.

Although CERS has a staff of four now, Mr. Eblen projects that number will grow to 25 in the next three years.

The group also plans to recruit regional energy coordinators who will "handle run-of-the-mill problems," he adds.

Like the other brokers in the industry, CERS maintains a file of about 80 energy experts in Corroon & Black offices who are available for consultation, Mr. Eblen says.

Breaking into the oil risk business isn't easy if you haven't already put an energy team to work—even if you are willing to concede the very big risks.

About two years ago, the Dallas office of Arthur J. Gallagher & Co. began a drive to build a reputation among the independent oil people who sell to the national petroleum companies.

It was late on the scene and even the resources of a large brokerage didn't help much.

The broker discovered "smaller oil operations would rather see the person in charge (of the account) rather than 14 experts," says James Higbee, director of the Dallas office.

But the same oil people are learning there's more than one broker in town, Mr. Higbee says. The fraternity among the big brokers for the oil business is cracking, he says.

Regional brokers and local agents are ready to fill in those cracks. They're building the expertise to handle energy clients. Although they don't have the vast resources the big brokers enjoy, the smaller agents and brokers are they'll pull their piece out of the energy business.

Even without 80 energy experts within their ranks, they have made a big mark on the energy industry.

Some specialty brokerages, like

Sherar, Cook & Gardner Inc. in Metairie, La., have mastered enough expertise in oil to attract the attention of the major oil companies.

The firm has several \$750 million projects under its belt, according to President J. William Sherar.

The broker built its business on expertise and being available, Mr. Sherar says. "We have one of our engineers on site. In the oil industry people's game, if you're in the oil patch, it suggests expertise and availability," he adds.

Gaining the necessary expertise to be able to talk the industry's language isn't easy. There really isn't a lot of material available to teach non-industry people the ins and outs of the various types of energy, according to Douglas B. Owen, president of Arthur L. Owen Co. Inc. in Dallas.

Hands-on experience is perhaps the best way to learn the business, he says. The agency has tapped people from within the oil industry who want to get into insurance, he notes. The Owen agency, like many local agencies, has found its niche in the industry in the exploration side of the oil industry, insuring drilling contractors.

These businesses tend to be the small to medium-size accounts that have traditionally formed the marketplace for small and medium-size agents and brokers.

Mr. Owen, an attorney, designs insurance programs from operating agreements and drilling contracts. He also lectures at the Petroleum Insurance Conference and, along with the staff there, is writing a book on oil field loss control from the operators' perspective.

It's that kind of expertise and high profile that's helping the small agents break into the energy fraternity. And, as with many other industries, once an agency or brokerage has broken ground, reputation helps build the operation.

Specialty agency grows up with coal risks

BLUEFIELD, W. Va.—Coal in West Virginia is as old as the hills and so is Flat Top Insurance Agency that grew up with the coal industry.

Located in one of the country's major coal producing areas, the 85-year-old agency is one of the leading sellers and designers of special insurance products for coal mine operators.

It's a classic case of being in the right place at the right time.

Flat Top's founder, G.A.D. Kellogg, gave his own name to the original agency—the Kellogg Agency—but sold it to three local businessmen in 1897.

That's the year Flat Top Insurance Agency was really born, says vp Sidney O. Nash. The new owners renamed the firm after a local mountain peak.

While other local businesses also bear the mountain's name, few probably can attribute as much of their success to the terrain.

Early in its career, Flat Top started designing specialty products for the coal industry and continues to update them.

These include a special comprehensive general liability policy, designed in 1922; a comprehensive coal mine package that includes coverage for gradual pollution and contamination of water and air (1976) and coverage for contract miners (1977), explains Thomas M. Giffen, executive vp.

Premium volume for the agency is "approaching \$40 million," generated at the firm's 10 offices, Mr. Nash says.

Though the agency only had one engineer on staff 10 years ago, it now has five engineers, including two mining engineers and three insurance loss control experts, Mr. Nash says. The engineering staff supports about 25 producers.

Flat Top also has a wholly owned subsidiary—McHugh Adjustment Bureau, which "handles primarily casualty and coal mine liability losses," Mr. Nash explains.

Despite its reputation and history, Flat Top faces competition from all sides. Strong local agents, regional brokers and the Top 20 brokers all are grabbing for a share of the coal industry risks.

But the more competition, the more resources become available.

Though the agency lost a national exclusive contract with Commercial Union Insurance Cos. about two years ago, it still has local exclusive authority to underwrite comprehensive general liability coverage on behalf of CU.

It also has found new acceptance from other insurers who are willing to turn over underwriting authority to the agency experts.

"Because of our expertise, insurers that previously wouldn't underwrite mining risks turn the underwriting over to us," Mr. Nash says.

Flat Top uses excess and surplus brokers far less often than in the old days when admitted insurers shunned coal risks, he adds. But surplus lines brokers and other special markets still have their place in coal.

For example, for its coal mine package for property and comprehensive general liability coverage, Flat Top uses several markets. It taps a surplus lines market for pollution coverage while workers compensation coverage is handled strictly through assigned risk pools, Mr. Nash says.

Cash-flow programs fill other coal mining company needs.

The agency met the challenge waged by Congress with the Federal Surface Mining Act of 1977 by creating special programs to ease compliance with new reclamation bonding requirements, Mr. Nash says.

Under the legislation, mining

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companies must post bonds to guarantee land reclamation, according to assistant bond manager Ava M. Walker, but surety companies have hesitated to underwrite the bonds at a cost the operators can afford.

With premiums often as high as \$1 million, funding can be a major problem for small operators.

Using Flat Top's program, however, the mining companies can post part of the bond requirement and use the coal produced as collateral for about \$1 per ton to make up the rest of the bond requirement, Ms. Walker explains.

Over its years in the coal industry, Flat Top has had to respond to

other changes, too.

"Many of the small mom and pop mining companies are disappearing—purchased by larger energy companies," he notes.

"There was a time when it was fashionable for non-energy companies to buy coal companies," Mr. Nash recalls. When the price of coal shot up in 1974 and 1975, many firms were attracted to the industry and "get-rich-quick schemes," he contends.

For example, some construction companies that were falling on hard times thought that if they could move dirt to build roads, they could move dirt to mine coal, Mr. Nash says.

"They learned their lesson," he claims. Many of those coal mine operators are bailing out now while big oil firms are moving in looking

for bargains.

"The coal industry is probably in the most depressed condition it's ever been in," Mr. Nash says. Along with the general complaint of the economic slowdown, the recent oil glut has delayed many plans to convert oil-fueled equipment to coal-fueled, he explains.

Despite these ups and downs, the coal industry has consistently grown about 4% a year. And, there's no reason to think the long-range future won't be rosy for coal companies, Mr. Nash says.

However, Flat Top has moved into other energy areas in search of business opportunities.

"We haven't consciously looked outside the coal industry," Mr. Nash notes. "But in many places where you find coal, you also find oil and gas," he adds.



Mr. Nash

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Photo: Len Strazewski

Brokers set sights on new legislative goals

By DONNA LEIGH YANISH

KEYSTONE, Colo.—The National Assn. of Insurance Brokers has begun to climb the mountain, but it hasn't reached the top yet.

After an organizational revamp one year ago, a new administration has taken giant steps toward its goals, outgoing president Donald R. DesCombes told representatives of member brokers attending the annual meeting here. But, he added, there's still a long way to go.

Over the year, the association successfully completed a move to

Washington and began work on one of its major goals—increasing its presence among the regulators and legislators.

To lay the groundwork for a more active role in political action, the group held gatherings for government decision makers to tell them what NAIB is all about, Mr. DesCombes said. "We're now being sought out by people in Washington," he notes.

Although the organization lost its chief lobbyist recently, the legislative fires aren't being left untended—even temporarily. Executive

Director Donald L. Jordan is a registered lobbyist and will fill the bill, at least for a while.

Having a registered lobbyist was part of NAIB's push to have an effective voice in Washington, Mr. Jordan later told *Business Insurance*. However, the exact focus of NAIB's lobbying effort is still unclear.

"We're still putting together a legislative agenda," he said, stressing that the organization is looking ahead. "We don't want to be reactionary."

"We want to alert and educate

Congress and the administration to let them know who the brokers are and how they differ from the (insurance companies) and agents," Mr. Jordan said.

While last year's efforts in Washington focused on regulatory policy as reflected in the Motor Carrier Act and tax law, this year's emphasis will switch more to legislative support in Congress, he remarked.

"We want to develop a relationship with committees" that affect the brokers, Mr. Jordan said, citing, for example, tax and commerce

committees.

To help with its legislative program, the NAIB is considering developing a political action committee, Mr. Jordan revealed. That process takes time, he said, "It's not the kind of thing you put in place when you need it."

What the group does need now is greater clout with a cross section of legislators, Mr. DesCombes also added later. Often, an organization's clout comes from its members and their individual pull with their elected officials.

Continued on facing page

Continued from facing page

"We need to have members in Congressional constituencies," Mr. DesCombes said. "We need the people who've dealt with these Congressmen."

NAIB members are concentrated in certain parts of the country, including the Northeast and the West Coast, he said. "We need more members in the South," he said.

Along with political clout, NAIB has another reason to be anxious to increase its ranks through new members. As the trend in the industry toward consolidation continues, current members may be gobbled up by the large national brokerages, Mr. DesCombes noted. "We're anxious to bring in the national (brokerages) because we'd like to convince other biggies to join," he said.

Tactics to attract new members have been refined, he continued. "We haven't used enough of a rifle-shot approach," he said. Using a generalized shotgun technique, the

organization can increase membership but not necessarily win the attention of the particular brokers it wants to attract.

Touting its new focus, NAIB is emphasizing its position as the only association to exclusively represent commercial brokers. Along with members' influence, NAIB says it needs their funds. Last year, the organization raised its dues to \$300. An increase in activity requires an increase in income, Mr. DesCombes noted.

Stepping up activity also requires increasing staff. Last year NAIB hired its first director of public affairs who is working on increasing the flow of information from the association, Mr. DesCombes said.

"We're making an open attempt to become more visible," he said, noting that the group opened its board meetings to all members. Last year was also the first open annual meeting for the organization. ■

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Deregulation has perks, risks

KEYSTONE, Colo.—Times are changing for the better in the nation's capital, and brokers should be ready for new opportunities, says Donald L. Jordan, executive director of the National Assn. of Insurance Brokers.

"Washington is looking to the private sector for answers," he said, and both political parties broadly support paring down federal regulation.

But someone has to pick up the slack left by the feds stepping to the sidelines.

"There's a shift in public policy to pass the ball more to the private sector," Mr. Jordan said.

With that philosophy, government is giving the insurance industry two messages, he said. First, Washington has faith in the business community and second, that means there is increased opportunity for the insurance industry.

Given the economic condition of the Social Security system, for example, it's clear that funding for retirement must come from the private sector, Mr. Jordan said. That creates incredible opportunity for employee benefits specialists.

And with moves afloat to restructure the Medicare program and phase out crime insurance underwritten by the federal government, doors may be opening for other insurance specialists as well, he continued.

But along with those opportunities may come some dangers, Mr. Jordan warned.

In passing the ball to the insurance industry, quasi-regulatory responsibility may be attached, he said.

As the regulatory sector of the government loses authority, the insurance industry may be forced to become policemen and patrol their clients, he explained.

For example, brokers and insurers may be forced to oversee policyholders' financial responsibility in matters like hazardous waste cleanup if the brokers are selling pollution coverage or structuring self-insurance plans.

That can be a dangerous conflict of interest for brokers and insurers alike, Mr. Jordan said, adding the insurance industry isn't meant to be an enforcer.

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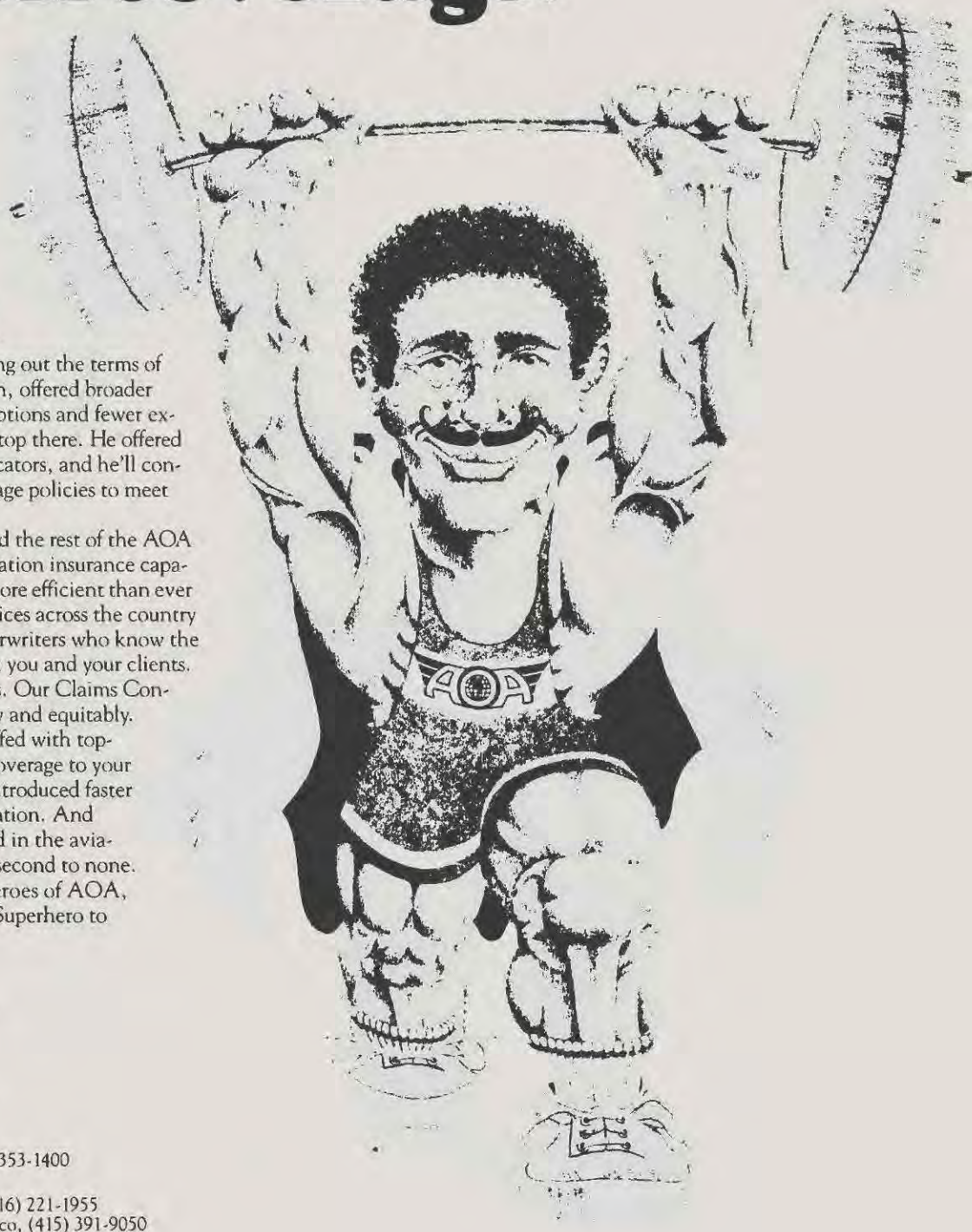
Thanks to Superstrength and the rest of the AOA Superheroes, we offer you broad aviation insurance capabilities. Our service is quicker and more efficient than ever because we now have six branch offices across the country — all staffed with experienced underwriters who know the industry well and work directly with you and your clients. We provide very competitive quotes. Our Claims Control Center handles claims promptly and equitably. Our Special Risk Department is staffed with top-flight underwriters who will tailor coverage to your clients' own unique needs. We've introduced faster policy issuance through computerization. And with a growth profile unprecedented in the aviation insurance field, our stability is second to none. Join up with the Aviation Superheroes of AOA, and see how quickly you become a Superhero to your clients.



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Can you handle the high-technology risks?

KEYSTONE, Colo.—Wake up, brokers. There's tremendous opportunity waiting to be exploited.

Businesses all over the country are busy in their laboratories, developing new technologies in fields ranging from genetics to semiconductors, and the companies doing that research need your help.

That's the message panelists delivered to members of the National Assn. of Insurance Brokers at a workshop on insuring high-technology products.

But do you or your insurers have the know-how?

Resources aren't available today to assess risks being created by high-technology researchers, according to panelist Joseph F. Quinn, president of Hartford Specialty Co., a subsidiary of Hartford Insurance Group.

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In the past, underwriters could tap legal and financial experts on their staffs to help them assess risks, but insurers don't have many scientific experts, he says.

That expertise will develop. But it remains to be seen whether brokers or insurers will take the lead in scientific risk assessment, he contended.

"I'd be surprised if brokers wouldn't see this as an opportunity to exploit," Mr. Quinn said.

Some brokers do recognize the opportunities in high technology—but not very many, added panelist Fritz Bodenheimer, vp of Emmett & Chandler Northern California Inc.

in San Francisco.

Mr. Bodenheimer brokers insurance for the semiconductor industry, which is heavily concentrated in the region south of San Francisco known as the Silicon Valley.

Gaining the technical knowledge necessary to meet the needs of the semiconductor—or any high-technology—industry isn't difficult, but it is time-consuming, Mr. Bodenheimer said.

Interact with people in the high-technology fields and use their publications and seminars to gain insight into the industry and its potential risks, he advised.

Asking the right questions also helps reveal potential exposures that may not be insured.

"When you're dealing in high-technology products, ask yourself

'what if,'" Mr. Bodenheimer said.

Other questions that a broker should ask include:

- What will happen if the device fails? Will a defective semiconductor crash the computer system or are backups designed to accommodate a failure?

- What kind of quality control does the high-tech manufacturer use to avoid defects?

- Who are the suppliers? "Familiarize yourself with the production process and property," he said. "Be familiar with the raw materials used."

Buyers of semiconductors are concerned with those raw materials and so should their brokers.

For example, Mattel Corp., which manufactures electronic games, sent letters to its semiconductor suppliers requesting infor-

mation on what chemicals were used in manufacturing the products it uses, Mr. Bodenheimer said.

Toymakers are increasingly using semiconductors to make dolls talk and motors move, he said.

Brokers should also explore the distribution chain, he remarked. Must the manufacturer protect the vendors? And brokers should explore the potential for product recalls.

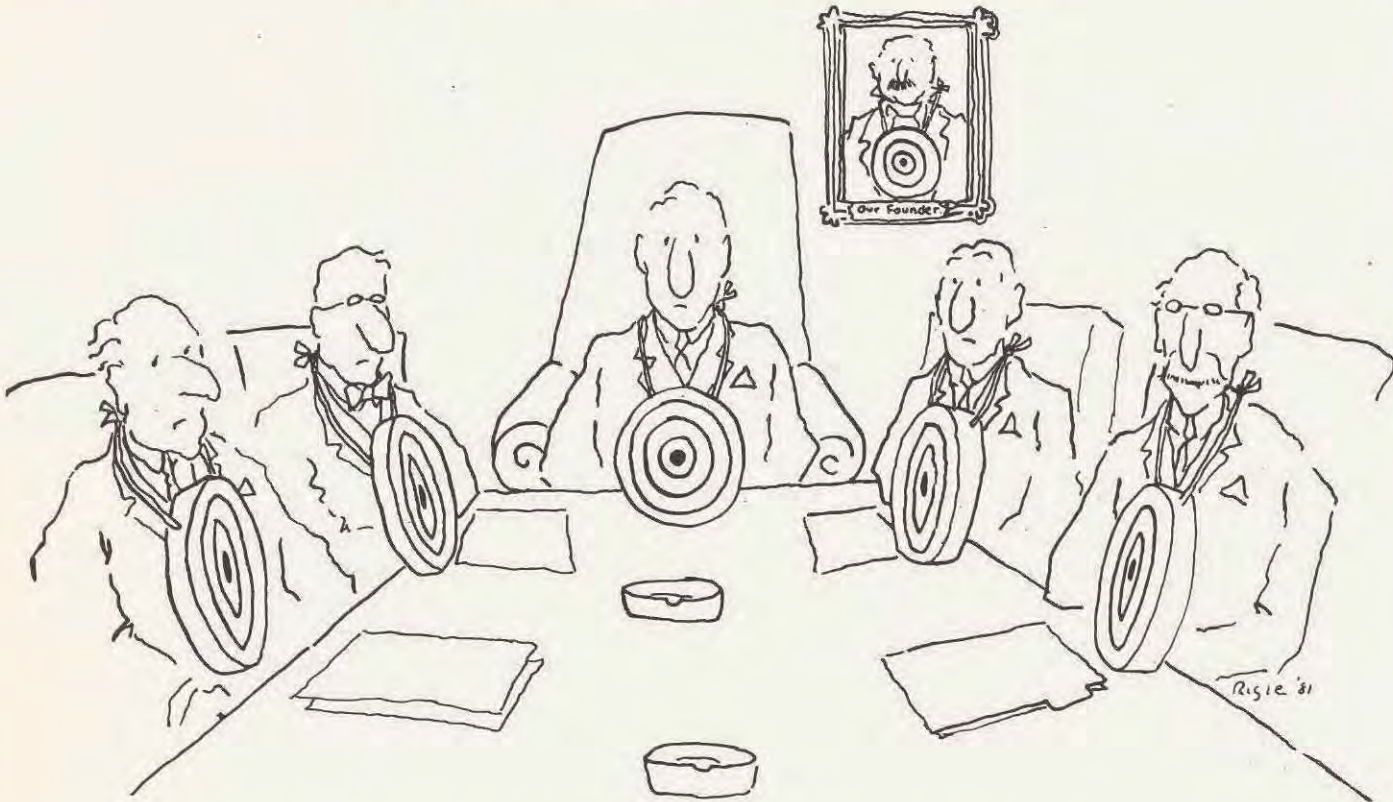
Don't ignore foreign product exposures either, Mr. Bodenheimer warned. Many semiconductor companies, for example, have production plants as well as markets for their products outside the United States. Perils may not be covered elsewhere.

With this information in mind, brokers must present these high-tech clients to the markets, and that can be quite a sales job, Mr. Bodenheimer noted.

"High-tech industries are scary to a lot of people," he said.

Underwriters may indeed be hesitant to take the chances needed to develop products for emerging industries, agreed panelist James Barrett, president of International Technology Underwriters, an underwriting manager specializing in satellite risks that has underwriting authority from Insurance Co. of North America.

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Mr. Bodenheimer

Mr. Barrett—who was president of the company that developed the first satellite insurance program for Intelstat I and then chief executive officer of Corroon & Black Corp.'s International Space Risk Management Systems—has first-hand experience in trying to develop interest among insurers for high-technology products.

In the early 1960s, Corroon & Black didn't have any aerospace or telecommunications accounts, but it saw the opportunities in the field. The broker reasoned that if it could learn the language, it could talk to clients and underwriters and win the business, he recalled.

Mr. Barrett's enthusiasm for high technology and salesmanship were two qualities that convinced C&B to develop a high-tech department, he said.

But when he tried to spread his enthusiasm for the fledgling satellite industry to insurers, he met mixed reception.

Some insurers sat up and took notice, he recalled, and "some wouldn't have anything to do with it."

"Brokers must give the information to the insurance companies to sell them on high tech," Mr. Barrett said. Some insurers need to be taken by the hand through the client's plant for a first-hand glimpse of what the company is all about.

The aerospace industry has changed dramatically from those days. The technology now advances faster than what's available from the insurance industry, Mr. Barrett said.

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Legislators may put brokers under scrutiny

By LEN STRAZEWSKI

KEYSTONE, Colo.—If insurers fail and claims go unpaid, brokers could be blamed, says a New York state legislator.

Deregulation of insurance companies is a growing trend, state Sen. John R. Dunne of New York, chairman of the Council of Insurance Legislators, told the National Assn. of Insurance Brokers annual meeting. But deregulation also brings risks to insurers, consumers and brokers.

Sen. Dunne was a special guest speaker at the NAIB presidential reception at the Keystone resort late last month.

"More states are abandoning prior approval of rates and adopting competitive rating for workers compensation to give better price and broader coverage for the comp dollar," Sen. Dunne said. "Deregulation is a fact.

"But regulation of any sort is intended to protect the public, so deregulation may be bringing greater risks—political as well as economic," he said.

Deregulation increases the risk of insurance company insolvencies and subsequent claims payment problems, he noted, especially if underwriting losses continue to grow and investment income shrinks.



Sen. Dunne

If insurers fail to pay claims, regulators and legislators will do more than confront the insurer. Brokers will be on the hook, too, he added.

"If insurers fail and claims go unpaid, legislators will attempt to identify wrongdoers and may wonder why certain risks were directed to financially insecure insurers," he told the brokers.

"They may well question your power to direct business to one insurer or another, often times pretty much at will.

"Let's take, for example, a case in which a manufacturing company illegally dumps toxic waste, which causes cancer among a particular constituency. No legislator would sit idle and demand accountability from whatever professional or intermediary that was responsible for placing the manufacturer with an insurer that may have gone belly up," he said.

If investigation leads legislators to the conclusions that brokers have irresponsibly placed risks with financially troubled insurers and reinsurers, "legislators may indeed transfer their attention to your special turf" for additional regulation of brokers and other service firms, he said.

"Legislators will turn around to focus on what you do and hold you responsible for the interests of your clients."

In general, however, Sen. Dunne believes that deregulation of insur-

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ers is a consumer good that should rapidly grow from state to state.

"The Hyman Commission, appointed by the governor of New York to review New York insurance law and inspect the permitted functions of New York insurance companies, is one such major step in deregulation.

"The Hyman Commission will do for all insurance what the Armstrong Commission did for deregulation of life insurance some 75 years ago," he proclaimed.

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Ever considered Hawaii as a benefit?

Continued from page 3

single employee's parents, if they are in the employee's care.

The amount of time off is based on the employee's length of service.

Some employers are helping their employees help themselves.

Florida Power & Light Co. in Miami sponsors a six-week speed-reading course and a two-week ses-

sion on memory and listening improvement. The free courses are held at the workplace and all employees and their spouses and teenage children are eligible to enroll.

Honeywell Inc. in Minneapolis has joined forces with a university to offer workers a master's of business administration program at the jobsite. Honeywell pays for tuition, books and all fees.

Some employers help their employees help others. Aetna Life & Casualty Co. in Hartford, Conn., allows workers to take a leave of absence and volunteer their time at an approved social service organization for up to one year, with full salary and benefits guaranteed.

Aetna's rationale for the program is to show its commitment to social causes and to increase the morale of

its employees, according to the Hewitt report.

And, some employers help their workers in times of need. Sel-Pro Co. in Skokie, Ill., sends a check for \$250 to employees when a spouse, child, parent, mother- or father-in-law, sister or brother dies. The check is intended to be a substitute for flowers and to help the employee pay funeral expenses.

Others just try to make life easier for their employees. For example, Aerospace Corp. in El Segundo, Calif., runs an on-site barber shop to save time for workers.

Chase Manhattan Bank in New York City operates a miniature department store in the basement of its building. Employees and retirees can purchase merchandise stocked by the store at a discount.

Many employers are now promoting recreational activities, often at no cost to the worker.

Employers maintain swimming, tennis and other athletic and recreational facilities on company property, while others will pay part of an employee's country club expenses.

But some firms offer more unusual recreational activities. For example, Borg-Warner Corp., based in Chicago, arranges private showings of popular museum exhibits for their workforce during evenings.

Another company surprises its employees with unscheduled events, like picnics or swimming, at the worksite.

Seillain Corp. in Michigan City, Ind., sponsors a barbecue each Friday afternoon during the summer. Employees pay a buck for the feast, while the company covers the rest.

One company has taken Friday afternoon leisure time a step further. From mid-May through mid-September, employees can leave work at noon on Fridays if they work an extra half-hour and give up 15 minutes of their lunch hours the other four days.

At a Midwest consulting firm, the president gives a 15- to 30-minute presentation every Friday afternoon summarizing the major events of the week. All employees are invited, and free wine and beer are served after the presentation, giving workers a chance to discuss company issues and socialize with management in a relaxed setting.

Of course, too much socializing can be a bad thing, and two American Can Co. subsidiaries are doing something about that, too. Fingerhut Corp. and Pickwick International reimburse employees if they take a taxi home from non-office-related Christmas and New Year's parties because they're unsure about their driving abilities.

The companies also reimburse employees—with no questions asked—if they call a cab and pay the fare for anyone else they feel should not drive.

Another consulting firm has refuted an old maxim and proved there is, indeed, such a thing as a free lunch. The firm also provides continental breakfasts and snacks at no charge to its employees.

And for the do-it-yourselfers, another company furnishes its workers who want to grow their own food with 20-by-20-foot plots of land at a company-owned recreation area. The company throws in free water and gardening tools.

Free copies of the 10-page report entitled "Innovative Benefits" are available from Christine Seltz, Hewitt Associates, 100 Half Day Road, Lincolnshire, Ill. 60015; 312-295-5000.

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Indiana court allows comp for injured university athlete

Continued from page 3

of compensation Mr. Rensing will receive if the decision stands, says the award would probably be based on Mr. Rensing's \$2,400 scholarship.

The weekly benefits that would be awarded in the Rensing case are small, but they could be much more substantial if a private university that awards large scholarships were involved, Mr. Shanks says.

Although university and industry sources disagree with the appellate decision, Mr. Rensing's attorney, James L. Crawford, says he's happy with the ruling.

"I think there's a significant difference between an athlete and those on other scholarships," Mr. Crawford says. "The chemistry student is receiving credit for what he's doing—the college athlete isn't."

The attorney also points out that the university charges admission to the public to watch football players, not chemistry students.

In its 2-1 decision, the appellate court turned to the definition of

"employee" in the Indiana Workers' Compensation Act.

The statute gives employee status to anyone in "the service of another, under any contract of hire or apprenticeship, written or implied, except one whose employment is both casual and not in the usual course of the trade, business, occupation or profession of the employer."

Daily football practice sessions, which are held 16 weeks each year, constituted a "periodically regular, but not permanent" term of employment, the court said.

It also found that a football player was employed in the usual course of university business because the sport plays "a beneficial role in creating the desired educational environment... as evidenced by increased enrollment over the last few years as the university has prospered athletically through nationally recognized intercollegiate athletic teams."

Judge V. Sue Shields, who concurred with the majority, says the

ruling was intended to be applied to Mr. Rensing only and that other cases must be judged on their individual merits.

But Judge James B. Young, the lone dissenter on the panel, says, "I didn't feel that college students who participate in intercollegiate sports are employees in terms of the statute. I felt he (Mr. Rensing) was not a worker, but a player."

The university has paid \$15,000 of Mr. Rensing's medical bills, but his bills may exceed \$140,000, Mr. Crawford says. ISU and its insurers would have to pay the rest of those bills if Mr. Rensing is considered an employee.

Mr. Hilt says that a \$250,000 accident and life policy that ISU purchased in the mid-1970s to cover student athletes, trainers and cheerleaders has covered the medical payments made so far to Mr. Rensing.

He also said the university has workers compensation insurance over a \$50,000 self-insured retention, but would not specify the insurers involved.

Rules for cash-flow plans finalized

Continued from page 3

kind of cash-flow plan covered by the Insurance Department rules—the buyer must pay at least 10% of the premium due as a deposit.

Insurers writing paid-loss plans must bill and collect every month from buyers 100% of the losses paid that month. The promissory note for the unpaid balance must mature within 69 months after the policy is written.

• The minimum rate of interest an insurer can charge for the balance of the premium due cannot be less than 1.5% below the prime rate the Bank of America charges on

corporate loans. The Bank of America's prime rate is now 16.5%, creating a minimum interest charge for deferred premiums of 15%.

The July 1981 Insurance Department rules had called for buyers of cash-flow plans to pay insurers the discount rate set by the Federal Reserve Bank of San Francisco. That rate, which is the going rate for loans to member commercial banks, was 12% last week.

Using the discount rate as the minimum interest rate insurers could charge for the balance of a workers compensation premium was scrapped because "this borrow-

ing rate does not at all times systematically track with the investment returns obtainable by insurers upon their securities," the department said.

Although cash-flow plans in California will be more costly under the final rules, they will be especially attractive to companies short of cash or those that would have to borrow the same amount of money deferred in premium payment.

The final rules make it clear that the Insurance Department no longer believes that the only way to protect the solvency of workers compensation insurers is by requiring the buyer to pay 100% of the premium in cash at the time a policy is written, the insurance department says.

"In this day and age, we recognize that the equivalent of cash (like promissory notes) can be as good as cash," said Frank Damon, chief deputy insurance commissioner.

Also, the final rules effectively raise the cost of cash-flow plans by charging policyholders an interest rate for the unpaid balance and removing some of the cash-flow advantages to the buyer. This brings them closer to compliance with the minimum rate law.

Mr. Damon warned that the department won't tolerate cash-flow plans that deviate from its final rules. "We have concise, coherent rules in place," Mr. Damon said. "We are hopeful these rules won't be abused. But if they are, we will prosecute violators."

California Insurance Commissioner Robert Quinn, who described the cash-flow rules as a "keystone," also warned that the department is fully prepared to require adherence by all parties.

North Carolina drops BC/BS

By MARGARET LEROUX

RALEIGH, N.C.—The state of North Carolina will self-insure group health benefits for its 200,000 employees and 240,000 dependents and retirees as of Oct. 1.

The move will end a 10-year insurance contract with Blue Cross & Blue Shield.

The \$10.6 million administrative services only contract with Electronic Data Systems Inc. of Dallas will save the state \$15 million to \$20 million through cash flow over the next three years, said John Coalson, consultant with William M. Mercer in Charlotte.

Mercer recommended the state switch to a self-insured plan.

Blue Cross says it will be in better financial shape without the state insurance program, which generated premium of \$142.2 million in 1981.

The cost of servicing the account was \$27 million more than the premium paid by the state, according

to a Blue Cross spokesman.

Blue Cross, however, bid on the ASO contract, but lost to Electronic Data Systems. Its bid was \$6 million lower.

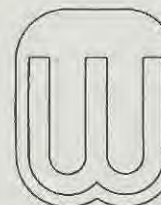
EDS will administer a new comprehensive medical plan that includes an annual \$100 deductible per person. For family coverage, the maximum annual deductible is \$300. After the deductible, state employees will pay 5% of the next 2,000 in medical expenses, but employees' total share of medical expenses will be limited to \$200 annually.

The state had been paying Blue Cross \$40.26 per employee for the experience-rated plan; the amount was increased to \$47.80 as of July 1. For dependent coverage on a family basis, employees are paying an additional \$69.22, up from the former rate of \$58.32.

Under the Blue Cross plan, state employees are paying a \$100 deductible and 20% of major medical costs.



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Disagreement threatens tort reform bill

Continued from page 1

will seek "justice" to make an employer that is partly at fault pay a portion of a product liability award.

This mixing of the 70-year-old state no-fault workers compensation system and the fault-based tort liability system could sound the death knell for workers compensation as the exclusive remedy for compensation for workplace injuries, some predict.

The disagreement over employers' liability in work-related product liability suits reached a peak during a recent meeting of The Product Liability Alliance, a Washington-based organization that is trying to develop a business consensus on the key elements of federal tort reform legislation.

At a June 23 meeting, Dennis

Connolly, senior counsel at the American Insurance Assn. in New York, and James Mack, public affairs director of the National Machine Tool Builders Assn., clashed sharply over the issue of employer fault.

Although tempers later cooled, some TPLA members warn that the feud threatens the unity of the 200-member group.

If the TPLA, the spearhead for tort reform legislation, breaks up over the issue of employer liability, it could destroy any chance that a uniform federal product liability law can be enacted.

Sensitivity over the issue is so great that several TPLA members urged *Business Insurance* not to write about the dispute. They fear if the dispute is publicized, it might cause some members of Congress to

withhold support for federal product liability legislation.

In testimony last week before the Senate Commerce Committee, the tool builders said that in 65% of product liability claims brought against tool builders, the failure of the employer to properly train employees in use of the equipment was a factor in an injury to the worker.

It isn't fair to make manufacturers 100% liable for the mistakes of other parties in a work-related product liability suit, the machine tool builders argue. An award should be based just on the manufacturer's fault, they argue.

But others fear that if a court greatly reduces the manufacturer's share of a product liability award because the employer was at fault to a large degree and then does not

order the employer to pay damages, the employee will take the case back to court to get a share from the employer.

"When a court finds it 'justice' to bring a party in, they will. Non-product sellers will find that it isn't in their interest for courts to determine a percent of fault," one source, who asked not be identified, said.

Mr. Mack counters that the Kasten bill wouldn't let the employers be dragged into court. It prohibits an injured worker from filing a product liability claim against his employer.

But, in recent years courts have allowed employees to go outside the workers compensation system to sue employers for damages beyond what work comp would provide.

Besides the debate over employer fault, Sen. Kasten's product liability legislation faces other problems, too. They include:

- The current refusal of Rep. Henry Waxman, D-Calif., chairman of the House Health and the Environment subcommittee, which has jurisdiction over product liability legislation, to endorse Sen. Kasten's bill.

- The Reagan administration's decision to withhold support for federal product liability legislation. The administration says a federal product liability law clashes with the New Federalism, the administration's plan to turn more power over to the states.

All these problems can be resolved.

Rep. Waxman may not endorse Sen. Kasten's bill, but he still favors a uniform federal product liability law. And, Victor Schwartz, counsel for TPLA, is optimistic that the administration will later change its mind and support a federal bill.

Meanwhile, Sen. Kasten's bill continues to pick up congressional support with the addition of seven Democratic and Republican cosponsors in the Senate.

Worker gets \$1 million

Continued from page 2

of Epps Watts & Shannon.

The verdict's effect on approximately 500 other pending shipyard cases is uncertain, according to Mr. Cupit. "Whether it will prompt action is too early to tell."

But he pointed out that the case was based on evidence that is similar to what will be presented in other cases.

Mr. Epps said several more judgments must be handed down before any pattern of verdicts and their potential impact on settlements can be established.

"You have different plaintiffs doing different things at different times at different places," he said. "I'm not willing to say it will be a determining factor in future cases."

But he admitted that the damages awarded to Mr. Jackson were quite high for Mississippi, where juries usual award conservative judgments.

"The amount of the verdict, especially on the punitive side, will cause all companies to take a much more serious look at the punitive damage aspect," he said.

An attorney for Johns-Manville said the case would not set precedents for future awards or settlements.

Estimating Mr. Jackson's case to be worth \$50,000 to \$75,000, Roy Williams of the Pascagoula firm Megehee, Brown, Williams & Mes-tayer said that inconclusive evidence of alleged prior misconduct by the defendants inflamed the jury, triggering the large judgment.

He said defendants in future shipyards cases in Mississippi would try each case individually rather than use this case as a precedent for settlement.

Johns-Manville has been defending cases and paying claims on its own since its primary coverage with The Travelers Insurance Co. was exhausted last year. It is currently engaged in litigation in California with its excess insurers and The Travelers over coverage.

The primary insurers for Raybestos-Manhattan, which is also in litigation with its insurers, are Zurich Insurance Co. of Schaumburg, Ill.; Federal Insurance Co. part of the Chubb Group in Short Hills, N.J.; and Commercial Union Insurance Co. of Boston.

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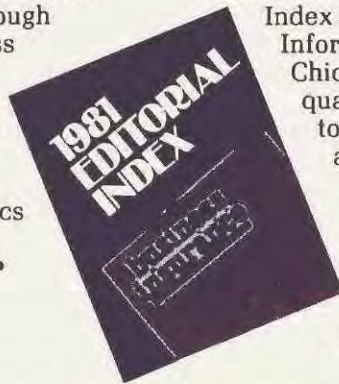
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Health plan hikes spark action at university

Continued from page 1

regents) come up with," explains the subcommittee's chairman, Dr. Marvin Siperstein, an internist at the University of California at San Francisco.

Any new plan for next year would be presented to staff and faculty for approval before presenting it to the board of regents.

"We're encouraged about what can be done, and I think the administration will be reasonably flexible," he adds. "I think they're worried."

The university is concerned, says Tim Snyder, benefit analyst at the university, which offers employees either the Blue Cross or Prudential fee-for-service insurance or enrollment in one of two Kaiser health maintenance organizations.

In the last two years, Blue Cross premiums have risen 60% while Prudential's have more than doubled (see chart), but at the same time, benefits have been whittled away in an attempt to curb costs, he says.

Since 1980-81, deductibles were increased to \$200 from \$100 under the Blue Cross plan and to \$200 from \$75 under the Prudential plan. The cap on employee contributions to health care bills was raised to \$5,000 under the Blue Cross plan from \$2,000 in 1981-82 and \$1,000 in 1980-81. Under the Prudential plan, the stop-loss cap rose to \$5,000 for 1982-83 from \$3,000 in 1981-82 and 1980-81.

The Blue Cross plan formerly paid 100% of hospitalization; this year, a 20/80 co-insurance provision has been added.

Negotiating new health care contracts is an ongoing process between the insurers, the university administration and its benefit consultant, explains Mr. Snyder. The university uses Towers, Perrin, Forster & Crosby as its consultant.

"Change in deductibles and stop loss limits was an attempt to balance the rate increase and coinsurance," Mr. Snyder explained. "Since there was a limit to the employer money and the costs had to go up, this was an attempt to balance the effect rather than have it all premium. Had we not done anything, premiums would have been even higher."

Mr. Snyder attributes the hefty premium increases from Blue Cross and Prudential to high utilization, increases in the number of claims and the popularity of the health maintenance organizations among university employees.

He said the younger, healthier population seem to choose the HMOs, while older employees, including retirees still covered by the plan, prefer to stay with doctors with whom they have a long-term relationship and, therefore, are not willing to switch to an

HMO. These older workers' health needs often are greater than the younger workers'.

Of the 85,800 university employees on nine campuses and in three laboratories, about 47% are enrolled in HMOs, with most in two Kaiser plans in Northern and Southern California.

Some 28,700 of the university employees are in the Prudential plan with 17,700 in the Blue Cross plan. However, since latest rate increase was announced, "a lot are dropping the fee-for-service insurance and moving over to HMOs," says Mr. Snyder.

The university is holding open enrollment until mid-July to allow employees to change plans. Statistics on how many moved to HMOs will not be available until August.

The university had been self-insured through a minimum premium plan with both Prudential and Blue Cross until this latest renewal. Blue Cross now has dropped the minimum premium option and instead is using a pooled conventional plan that is not experience-rated.

Under a minimum premium plan, the insurer and buyer estimate the size of claims for the coming year and the policyholder agrees to pay those losses plus a percentage above that. After that cap is reached, the insurer picks up the rest of the losses.

"We had been liable for 110% of claims estimates under the Blue Cross minimum premium plan, but claims had exceeded that," says Mr. Snyder. "They've been upping their estimates, but even then they've been seriously wrong. Both utilization and number of claims are up substantially."

He said both Blue Cross and Prudential lost \$4 million to \$5 million on the university policy last year.

Two fee-for-service plans have been offered university employees to give them more choice, but both Blue Cross and Prudential have told the university that a larger population would help spread the risk and the university should consider a combined Blue Cross/Prudential plan, Mr. Snyder explains.

"They're not looking to ace the other out of the market, but looking at it from a risk point of view. Although from our experience in the last couple of years, nobody would want to have this business," he adds.

"We had a lot of discussion this year about going to a combined Prudential and Blue Cross plan, but there was a lot of reluctance all the way around," says Mr. Snyder, noting that the companies would have to share data and work together.

This year's dramatic premium hikes were simultaneous with a state decision to hold the line on its contributions to health care, says

HMOs grow by 14% in 1981, study says

EXCELSIOR, Minn.—The number of health maintenance organizations jumped 14% during the last year, a new survey says.

Between June 1981 and June 1982, the number of HMOs rose to 277 from 243, according to InterStudy, an HMO research group based in Excelsior.

Twenty new HMOs opened their doors for the first time in North Central states, while 12 new HMOs began operating in Western

states and eight in Southern states. Seven HMOs started in Northeastern states.

Three new HMOs opened in both Boston and St. Louis, while two new plans opened in Atlanta; Grand Rapids, Mich.; Columbus, Ohio; Milwaukee; and Salt Lake City.

InterStudy expects to publish a national census detailing total HMO enrollment and growth patterns by specific geographic area in October.

Lower rig cover offered

Continued from page 2

mean you have to accept the whole limit," he says. "It would be to your advantage to use the facility because it can respond quickly."

Although some 107 Lloyd's syndicates and 48 British insurance companies are on the master rig coverage, brokers only need contact the lead underwriters to insure a risk or a file a claim, Mr. Hallett explains. On smaller policies, however, brokers may have to contact each underwriter on the coverage, he says.

Although Mr. Hallett concedes the master rig slip is getting stiff competition from the smaller policies, companies with large platforms are still buying coverage through the master rig slip. Premium volume is running about 15% above last year's, London sources say.

The two newest rigs on the slip—the Magnus, owned by British Petroleum P.L.C., and the Bray, owned by Marathon Oil P.L.C.—will probably be insured for about \$1 billion each.

"But big is not always beautiful," says Mr. Brooks of Stewart Wrightson. "More and more insurance brokers are placing risks on a facultative basis, while others are offering the smaller insurance packages."

"It is just a change in broking approach, but an important one," he says. Although Stewart Wrightson, the parent of Cravens Dargen, will continue to offer the master rig slip to clients, they will be involved with Cravens Dargen's approach, too.

"The new approach on our part will give us more direct control over where the business is being placed, rather than having it spread widely throughout the market, especially as far as this particular account is concerned," Mr. Brooks says.

Monthly family premiums at University of California

		1982-83	1981-82	1980-81
Blue Cross	Employee	\$ 100.50	\$ 46.14	\$ 33.28
	Employer	138.00	138.00	117.00
	Total premium	238.50	184.14	150.28
Prudential	Employee	\$ 78.82	\$ 16.82	0
	Employer	138.00	138.00	\$ 105.18*
	Total premium	216.82	154.82	105.18
Kaiser North	Employee	0	0	0
	Employer	\$ 137.22*	\$ 122.30*	\$ 105.94*
	Total premium	137.22	122.30	105.94
Kaiser South	Employee	\$ 37.92	\$ 17.12	\$ 18.14
	Employer	138.00	138.00	117.00
	Total premium	175.92	155.12	135.14

* Total cost was less than employer contribution to other plans.

Source: University of California

Mr. Snyder.

Historically, the university governing board has followed a contribution formula worked out by the state Public Employees Retirement System for its 200,000 employees.

The formula is based on a weighted average of premiums from the four largest health care plans in the state—Kaiser North and South, Blue Cross/Blue Shield, and Cal-Western Transamerican Occidental, said Robert W. Wilson, chief of the health benefits division of the Public Employees Retirement System.

This year's recommended state contribution is \$71 for a single person and \$168 for a family of three or more.

But the university regents decided to freeze their contribution at last year's \$58 for a single employee and \$138 for family coverage because of state budget restraints that directly affect how much money they have to run the school, says Morley Walker, director of university benefits. "When we say it's frozen, it's because people voted yes on tax issues that reduced the state budget."

"We're not like a normal business," says Mr. Snyder. "We're not tied to production per se; we're more tied to government. Money is more and more limited on that side, yet health care costs have not slowed down. The employees are caught between and have to make some tough choices, whether to bear a serious out-of-pocket cost or consider an HMO."

Many cost-containment features, from a second opinion program to a rebate plan like the one in Mendocino County, Calif., that awards employees that do not tap their health insurance (BI, Dec. 7, 1981) have been discussed, notes John Miller, a principal Towers, Perrin, Forster & Crosby and a member of the teachers' Welfare Committee.

"There isn't any magic answer," he concludes. The university is, however, planning a few pilot cost-containment programs, in-

cluding a low-option plan at its Santa Cruz campus where no HMOs are available.

University Chancellor Frank A. Sooy also has asked several deans to study the feasibility of setting up a medical care program at University of California at San Francisco facilities for university staff and faculty. The study will focus on costs and the feasibility of providing medical and dental care, including hospitalization.

To help employees make choices in the most recent enrollment period, which was moved up from November after the rate hikes were announced, experts were brought to the campus for employees to consult on their personal needs and medical care choices.

The teachers' health insurance subcommittee also hired an actuary independent of the university to gather utilization data from Blue Cross and Prudential to determine how premiums would be affected by varying deductibles of \$75, \$200 and \$500.

The committee is studying the feasibility of offering employees a choice of health plans that cost less but have higher deductibles or a more expensive plan with minimal deductible, explains Mr. Siperstein, the subcommittee chairman.

"Higher medical costs and higher utilization are hitting the employees very hard, regardless of insurer," said TPF&C's Mr. Miller. "One difference between the university and the private sector is that some employers can draw on other resources (possibly affecting bottom-line profitability) to subsidize employee benefits. In this case, the state froze its existing subsidy so the entire rate increase fell over onto the employee. There's no magic to changing that—except to cut back benefits."

Ultimately, the university may end up with only prepaid plans, Mr. Miller says. "With no recourse to subsidy, an experience-rated plan won't survive," he adds.

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High rates forcing airlines to fly to U.S.

Continued from page 1

Worldwide aviation losses for the first six months of 1982 reached \$200 million, compared with about \$250 million in losses for all of 1981.

The first of the U.S. fleets to feel the pinch of rate increases was United Airlines, the largest airline in the world after the Soviet Union's Aeroflot. Usually the yardstick for the rest of the world's airline insurance terms, United will pay an annual deposit premium of about \$12 million for its retrospectively rated hull and liability insurance, a 29% increase over last year's \$9.3 million, says one of United's reinsurers (see related story).

United decreased its London insurance share by 10% and now insures 45% of its policy with U.S. insurers, London sources say.

Other U.S. airlines are being hit by increases as well. Pacific South-

west Airlines, American Airlines, Delta Air Lines, Pan American World Airways and Northwest Orient Airlines will see increases ranging from 13% and 25%, says an aviation reinsurer.

Some of these increases may reflect the loss records of the individual airlines, but even airlines with good loss records, like United, will pay increases.

Faced with these rate requests, U.S. airline insurance representatives bargained with world underwriters until the last possible moment during this renewal period.

Although Pan Am's broker, Frank B. Hall & Co. Inc., would not discuss the renewal in progress last week, London and U.S. sources both told *BI* that participation in the vertical quota-share policy saw-sawed between U.S. and London markets until as late 4 p.m. in Lon-

don on June 30.

At first, Hall placed none of Pan Am's insurance in London, though its British subsidiary, Leslie & Godwin, had been seeking quotes.

But the day before renewal, USAIG was named lead underwriter with London participating on the risk after all, according to U.S. and London sources.

As late as two days before renewal date, Delta executives said they had not seen final coverage details, either, and that the renewal was still in the hands of their broker, Johnson & Higgins.

At that time, a London aviation underwriter said the airline was tentatively placed in nine different markets—all with increased rates.

Delta had planned to decrease its London share to 17.5% from 40%, London sources say.

Although these last-minute negotiations are unusual, according to a Lloyd's aviation insurance broker placing some of the U.S. airlines, one airline insurance buyer who renewed his coverage in October said last-minute wheeling and dealing was going on then, too.

"We could have placed all of our coverage with U.S. markets," noted Jack Dow, vp of corporate affairs and secretary of Republic Airlines. "But London got competitive at the last minute and we wound up with quotes from London, U.S. and French markets."

U.S. insurers finished the competition with about 50% of Republic's coverage, a dramatic increase from 1980 when London underwriters had 80% of the policy.

"Because of our rate increases, London insurance orders have been reduced," confirms Mr. Jessup, who is also an underwriter for Guardian Royal Exchange. "But the rate increases are moving in the

right direction and some say they aren't enough."

U.S. and European insurers, like L'Arienne in Paris, are winning the risks, he says, but eventually the reinsurance comes back into the London market.

Although U.S. airlines are fighting the rate increases with aggressive negotiations, most aviation insurers think the premium rate increases are long overdue. Aviation insurance rates have been too low for too long, they say, and the effects are cutting into their profits.

"There is fear throughout the world about the effect of underwriting losses, particularly in the aviation field," said a Lloyd's underwriter. "Everyone is concerned for their jobs in the end, and there are not many happy people around."

Underwriters fear, too, that the world's aviation premium volume—estimated at about \$700 million—will not cover a major U.S. aviation catastrophe.

"Everyone fears the day when two jumbo jets collide over New York," an aviation reinsurer said.

Also, the aviation insurance market is still paying off some old air crashes—the most expensive being the American Airlines DC-10 crash in Chicago, which killed 272 people.

And new claims over the last six months, including the crashes of an Air Florida 737 in Washington (*BI*, Jan. 18) and a World Airways DC-10 in Boston (*BI*, Feb. 1), will place a heavy toll on aviation claims.

"We have had five disasters in the last three or four months," said Mr. Jessup. "But just another year of a normal number of accidents would put us in the red again."

Some underwriters, including Swiss Re, are already getting out of aviation underwriting because there is no profit to be made, London sources say, which squeezes aviation reinsurance capacity for direct airline insurers.

United no longer leading the way

Continued from page 1

The policy, however, will cover 39 new Boeing 767s and several DC-10s that United has on order, in addition to its operating fleet that includes 18 747s, 46 DC-10s, 43 DC-8s and 148 727s.

Any one aircraft is insured for \$65 million, compared with \$55 million last year. Engine ingestion and hull deductibles are still about \$600,000 per any one wide-bodied aircraft.

According to the reinsurance slip, United hasn't changed its liability coverage of \$500 million per accident, but it did package the coverage in one policy. Last year, the airline purchased a \$100 million excess liability policy over a \$400 million primary layer.

United also set this year's trend by shifting some of its coverage from London to U.S. insurers.

Decreasing the participation of London insurers by 10%, United placed 55% of its hull and liability coverage with Lloyd's and London underwriters and 45% in the United States with U.S. Aviation Insurance Group as the lead domestic underwriter. For the first time, Insurance Co. of North America also participated in the coverage.

—By Stacy Shapiro

CIGNA planning layoffs

NEW YORK—As many as 500 CIGNA Corp. employees in the Hartford, Conn., area may lose their jobs when the insurance giant consolidates its property/casualty operations in Philadelphia this summer, a spokesman says.

Philadelphia was headquarters for INA Corp. before it merged earlier this year with Bloomfield, Conn.-based Connecticut General Corp., a major life and group health insurer. The merged company has a small headquarters in New York.

Of the 1,100 to 1,200 CIGNA property/casualty employees in the Hartford area, 300 will be retained in local field service posts, about 100 will be offered new assign-

ments in Philadelphia and about half of the remaining 700 to 800 will be offered new assignments.

However, the layoffs "could be as many as 500 people," a company spokesman says. The employees will be dismissed gradually, beginning Aug. 1.

CIGNA's newly formed investment group will be located in Bloomfield. About 35 of 125 Philadelphia-based investment employees will be asked to move, the company adds, and about half of those remaining will be offered assignments elsewhere in CIGNA. The rest will be dismissed gradually.

CIGNA employs about 40,000.

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Insurance Management: vps, directors, managers of insurance, risk, benefits, compensation, safety, security, etc.	5,791
Government, Associations, Unions, Educational Institutions	1,001
Commercial Consumers Sub-total	23,000
Insurance Agents & Brokers	9,741
Insurance Cos	4,735
Financial Institutions	303
Actuaries, Attorneys, Adjusters, Appraisers & Consultants	2,208
Others allied to the field	776
TOTAL	40,763

*Source: Business/Occupational
breakdown of qualified circulation
Nov. 2, 1981 issue, as submitted to
BPA for December 1981. BPA
Publisher's Statement.

Metal firms expecting comp cut

By JACK THORNTON

CHICAGO—Four groups of contract metalworking companies in Illinois are expected to get a break in their workers compensation rates through reclassification of their toolroom workers.

The reclassification was spearheaded by the Tool & Die Institute, a trade association based in Park Ridge, Ill., that negotiated the change with workers compensation insurers through the Illinois Council on Compensation Insurance.

The change is expected to save the metalworking companies from \$1.36 to \$4.40 per \$100 of payroll, says Bruce Braker, the Tool & Die Institute's director of general services.

Mr. Braker said the ICCI presented the reclassified rates to the Illinois Insurance Department several weeks ago and approval by state officials "is a formality."

The companies' toolroom workers were classified separately until 1979, when the Illinois bureau rates were made mandatory under the "bureau rating" system used to determine workers compensation premiums in Illinois, Mr. Braker explained.

When the law changed, toolroom workers were classified with production workers. That prompted higher rates, given the slower-paced, highly skilled nature of tool making compared with fast-paced production lines.

Mr. Braker said the reclassification was unfair to his association's members, since many of them have competitors in states with much lower workers compensation costs.

But reclassification of all toolroom workers "is not automatic," Mr. Braker said. There must be a physical separation of tool making from the company's general production areas and there must be no interchange of workers between toolrooms and production lines.

Because of this rule, setup men who change machines between jobs will remain classified as production workers, he says.

In addition, Mr. Braker says the reclassification does not apply to manufacturers with captive tool operations; it is limited to contract parts makers and to those workers who solely maintain or build new tools.

Mr. Braker argued the case on behalf of 12 Tool & Die Institute member companies for more than a year and a half. Because the reclassification is retroactive, one of the firms will get a \$12,000 refund from its insurer, he says.

Mr. Braker says he took his case to the National Council on Compensation Insurance in New York but that body "took no action," leaving each state to classify toolroom workers as they see fit, Mr. Braker noted.

Current Illinois premium rates for toolroom workers is \$3.10 per \$100 of payroll, Mr. Braker explains.

The four groups of companies affected by the ICCI change are plastic molding, machine shops not otherwise classified, metal fabricating not otherwise classified (contract metal stamping shops) and die casters.

Under Illinois law, the ICCI determines "experience modifiers" and other elements of workers compensation rates. Those rates go into effect automatically unless blocked by the Illinois Insurance Department.

A&A agrees to acquire Clifton & Co.

Continued from page 2
Irvin.

"We feel this represents an extremely significant step in our efforts to capture a greater share of the brokering business in the West," Mr. Irvin noted. "Clifton, through its location and highly professional staff, will enhance our growth in that area and introduce A&A to a new city, Reno, where we presently have no operations."

In other cities, Clifton and A&A offices will eventually be combined after the merger is completed, Mr. Irvin added, though the offices will remain separate temporarily.

Although A&A already has offices in 79 U.S. cities and has acquired independent agents and brokers at a rate exceeding one a month for the past four years, Mr. Irvin said there is still domestic expansion in the works.

'There are still some areas that A&A should be in, and in most of those areas dialogues are already in progress with acquisition prospects. Ultimately, there will be more mergers,' A&A President Tinsley H. Irvin says.

"There are still some areas that A&A should be in," he said, "and in most of those areas dialogues are already in progress with acquisition prospects. Ultimately, there will be more mergers."

Mr. Irvin declined to name the A&A targets, but the brokerage's pattern of acquisitions in 1981 and the first half of 1982 shows a propensity for West Coast and Southern brokerages.

So far in 1982, A&A has acquired Charles H. McDonough Sons Inc. in Hartford, Conn.; R.B. Augustine Insurance Agency Inc. in Richmond, Va.; Nahm, Turner, Vaughan & Landrum Inc. in Louisville, Ky.; Edward Lee Kozberg & Sons in Los Angeles; and Ivor M. Grant & Associates in Santa Ana, Calif.

In 1981, A&A bought 20 small brokerages, of which 16 were based

in the South and West.

However, A&A sold 10 offices in 1981, including seven in North Carolina that were picked up in an earlier acquisition.

Last week, A&A also completed the sale of its Wichita, Kan., office to Insurance Management Associates. The office, which became part of A&A through the 1979 acquisition of R.B. Jones Co., employed 15 people, 13 of whom will join Insurance Management.

The purchase adds approximately \$3.5 million in premium volume and \$500,000 in commissions and fees to Insurance Management's books.

A&A Managing Vp Donald S. Himes Jr. will be reassigned to another A&A office from Wichita, and several accounts will be shifted to A&A offices in Denver and Tulsa, Okla.

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Punitive damages allowed after death

Continued from page 3
their estates to continue punitive damage actions, he said.

An attorney for one of the defendants, however, says the impact is uncertain.

Plaintiffs will still have to establish willful and wanton conduct on the part of the defendants to get punitive damages, said Kendall Griffith of the Chicago firm of

Hinshaw Culbertson Moelmann Hoban & Fuller.

In addition, Mr. Griffith, who represents Owens-Corning Fiberglas Corp. of Toledo, Ohio, agreed that the decision applies only to plaintiffs who die after the occurrence of the disease.

Even with the appellate decision, the issue "is not a settled question in Illinois," said Mr. Griffith. Other

appellate courts and even some trial courts may come to different conclusions, he pointed out.

An attorney for Manville Corp. does believe defendants could have greater exposure for punitive damages as a result of the decision.

But the decision could focus future attention on the serious nature of punitive damages and whether they are warranted in such cases,

said Daniel P. Socha of the firm of Rooks Pitts Fullagar & Proust in Chicago.

The decision is significant because it applies not just to asbestos but to all actions arising under the Survival Act, Mr. Socha said.

One area where it could be applied is litigation stemming from airline crashes, but it probably would not have a practical effect.

Although punitive damages have never been awarded in a major airline crash, the appellate court's decision appears to permit such suits in airline cases, said Chicago attorney John J. Kennelly of the firm of John J. Kennelly & Associates.

"To the extent Illinois law applies to any aviation case, it (the appellate court decision) would govern unless the Illinois Supreme Court changes it," he said. "But it's unlikely it will have a practical effect."

Plaintiffs will still have to prove willful and wanton conduct on the part of the defendants to receive punitive damages and most airline cases are based on negligence, Mr. Kennelly said.

The decision should not affect the suits stemming from the worst U.S. air crash, the American Airlines DC-10 crash in Chicago in May 1979 that killed 272 persons, according to an attorney for McDonnell Douglas Corp., the manufacturer of the DC-10.

"It will have no effect on pending cases," said Norman J. Barry of the Chicago firm of Rothschild Barry & Myers said. "That issue is out of it. From the perspective of the DC-10, it has no significance."

Mr. Barry says McDonnell Douglas has stipulations in every case except one that only compensatory damages will be paid.

Many insurers in Bermuda miss deadline

HAMILTON, Bermuda—The deadline has passed for most insurance companies registered in Bermuda to file statutory financial returns, but a large number of companies did not meet the requirement.

Under the country's 1978 Insurance Act, companies must make audited accounts available at their offices within six months of the end of their financial years and are required to file a detailed return with insurance authorities within that period.

But the June 30 deadline that applied for an estimated 650 Bermuda insurers that closed their books on Dec. 31 passed with only about 170 completed returns submitted to regulators.

About 150 of the tardy insurers have been granted exemptions, while the rest must file within a 21-day grace period. Companies that do not file within that time could lose their licenses.

However, the Registrar of Companies, which supervises the Bermuda insurance industry, does not seem overly concerned that many insurers have missed the official deadline.

The required returns include an auditor's report, a declaration of statutory ratios and a certificate of solvency signed by the company's principal representative in Bermuda and two directors.

Although the contents of individual returns are strictly confidential, the Registrar of Companies is expected to release aggregate figures later this year which should, for the first time, provide an official measure of the size of Bermuda's insurance industry.

Alternatives needed, says judge

CHICAGO—There has to be a better way to assess punitive damages in product liability cases that affect large numbers of people, an Illinois appellate court justice said recently.

Addressing the financial difficulties that companies face from such damages, Justice John J. Sullivan suggested a re-examination of the concept of punitive damages and a search for an alternate way of assessing damages.

His views were expressed in a concurring opinion to a decision by the 1st District Illinois Appellate Court that broadened the ability of plaintiffs in asbestos and other common law cases to seek punitive damages.

Although the court ruled specifically on claims brought by victims of asbestos-related diseases, its views on punitive damages are applicable to other types of product li-

\$4,000 a day for hospital bed?

WASHINGTON—Soaring inflation could push the cost of a hospital room to more than \$4,000 a day by the year 2000, according to the Health Insurance Assn. of America.

The average cost of a hospital confinement would then zoom to about \$30,000, it reports.

The average cost of a hospital room in 1981 was \$344, or \$2,614 for an average stay.

ability litigation where thousands are injured by a particular product.

"It cannot be denied that the specter of the destruction of companies, and even individuals, as a result of punitive damage awards is a threatening, present reality," Justice Sullivan said. "Such awards have become increasingly greater in recent years."

Justice Sullivan noted the potential inability of companies to pay punitive damage claims in hundreds of suits nationwide.

One major error in a product could force a company, that otherwise has a maintained a record as a responsible business, into bankruptcy and hurt innocent stockholders, he said.

The possibility is even more likely in Illinois because punitive damages are readily obtainable and can be applied in cases where the defendants' conduct is not much greater than negligence, he added.

Justice Sullivan, along with the majority opinion, suggested that the defendants ask the trial court to consider certifying a class action of asbestos claimants to resolve the issue of punitive damages.

A separate trial on the issue for all present and future plaintiffs could settle at once how much in punitive damages would be paid to plaintiffs based on a percentage of compensatory damages received.

An attempt to use the class-action approach to decide punitive damages in litigation stemming from injuries allegedly caused by

the Dalkon Shield interuterine device was recently rejected by the 9th U.S. Circuit Court of Appeals in San Francisco (BI, June 28).

Acknowledging that there may be some societal need for punitive damages, Justice Sullivan added those needs should be re-examined.

Issues that should be looked at include:

- Whether the reason for punitive damages has ceased to exist and, if not, whether punitive damages should be awarded only for extremely flagrant conduct.

- Whether recovery should be allowed only by statute.

- Whether the amount recovered should bear some relation to the harm involved and the compensatory damage received.

- Whether the awarding of unlimited damages as a punishment to deter similar offenses is unfair compared with the fixed minimum and maximum criminal penalties that are imposed as punishment and deterrence.

- Whether the standard of proof should be "clear and convincing" rather than preponderance.

- Whether payment of such awards should be made other than to the already fully compensated plaintiffs, such as to a public fund.

Hooker Chemicals sued over its Hyde Park landfill

By JAMES C. LAWSON

NIAGARA FALLS, N.Y.—A group of homeowners is suing Hooker Industrial Specialty Chemicals over the dumping of chemicals at a local waste site, even though the federal government has reached a settlement for them with Hooker.

The eight Lewiston, N.Y., homeowners, all of whom live adjacent to a drainage basin that flows from Hooker's Hyde Park landfill, have filed a class-action suit that seeks new homes, medical care and \$100 million in punitive damages.

The suit, filed June 25 in the Niagara County division of the state Supreme Court, also cites Occidental Chemical Corp. and Occidental Petroleum Corp., Hooker's parent companies, charging "reckless and wanton conduct" stemming from the dumping of toxic wastes into the landfill.

The Hyde Park landfill is 10 miles northeast of the Love Canal landfill in Niagara Falls, the subject of more than 500 suits from residents and environmentalists that seek more than \$10 billion in damages. The suits claim the landfill damaged the environment and exposed them to the danger of cancer and other life-threatening diseases (BI, Jan. 14, 1980).

The Lewiston residents contend that the settlement between Hooker and the federal government, approved by a federal judge April 30, was inadequate and didn't fully protect the interest of the neighborhood, says Lewis Steele, a public interest attorney representing the homeowners.

The homeowners also allege that Hooker, which offered in the settlement to buy some of the homes in the affected area, has devised a purchase procedure that is "stacked in Hooker's favor" because the chemical company will hire the property appraisal firm that will help determine the fair market value of the homes.

In addition, the plaintiffs want Hooker to extend its purchase offer to more homeowners.

"There's no assurance that the market value estimated by them will allow people to move out of the area. There's likely to be a difference in cost between what they are given for their homes and what they will have to pay for new but comparable homes," explains Mr. Steele.

The settlement, Mr. Steele contends, does not provide the mechanism to:

- Allow the residents to leave the neighborhood if they wish.

- Properly deal with the problem of wastes seeping from the Hyde Park landfill.

- Provide compensation of property owners in affected areas.

- Provide medical detection and monitoring of pollution-caused diseases and other illnesses.

- Properly deal with the abatement of the nuisance.

Officials of Hooker Industrial Specialty Chemicals, formerly known as Hooker Chemical & Plastics Corp., have declined to comment on the lawsuit. However, a company spokesman did say that Hooker is negotiating to purchase nine homes within a block of the

company's cleanup operations.

"We have offered to purchase houses directly in line with the site," he explains. "We hope we can work out a settlement with the homeowners."

The company hopes to complete negotiations and make offers to the homeowners within the next 12 days, the spokesman says, adding that Hooker will use an outside property appraisal firm to help determine the fair market value of the homes and will provide homeowners with a list of outside appraisers to arrive at their own estimates.

Hooker is now studying how it will clean up the 14-acre Hyde Park site that is contaminated primarily by chlorinated organic chemicals, the spokesman says.

It's not known how much the chemical firm will have to spend to remedy the pollution problem, purchase homes of residents and pay medical claims and other damages.

Hooker officials have also declined to specify insurance coverage for claims arising from the Hyde Park landfill, but the company contends the site is covered by different policies than those covering the Love Canal site.

Hooker and Occidental Petroleum, their four principal liability insurers—Hartford Accident & Indemnity Co., Continental Insurance Co., Highlands Insurance Co. and National Union Fire Insurance Co. of Pittsburgh, Pa.—and Lloyd's of London are contesting coverage for Love Canal claim. Hooker says it carries at least \$15 million in liability insurance for the Love Canal site.

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Soft market wounding British insurers

By ALAN H. CLIFTON
and PHIL V. OLSEN

Special to Business Insurance

IN OUR LAST column, we noted how the final 1981 results for the major British insurers were, in general, a good deal better than most analysts had predicted.

However, it's clear from the first-quarter figures that 1982 will undoubtedly be far less satisfactory.

The key reason for the deterioration is the collapse in profitability of the British insurance market and the continued worsening of experience in other major territories, including the United States.

In the United Kingdom itself, there are two essential factors behind the downturn. Foremost was the exceptionally severe winter weather, which alone probably cost British insurers some 250 million pounds (approximately \$430 million). But more importantly, there is increasing evidence that the United Kingdom has at last gone the way of other insurance markets and developed what some are calling suicidal competitive conditions.

Rate cutting has moved into top gear in commercial lines and premium reductions in the 20% range are now commonplace. Fire, general liability and commercial auto lines have all witnessed fierce competition, and many insurers freely admit that they have never experienced such conditions before.

In releasing its first-quarter figures last month, Royal Insurance said that its commercial property premiums declined nearly 10% on practically unchanged risk volume, while General Accident Fire & Life Insurance reported a nearly 20% premium shortfall. Commercial Union Assurance only held its premium volume by accepting more admittedly underpriced business.

Commercial property lines have borne the brunt of the competitive pressures, but rates have been cut on a worrisome scale in other

lines, too, as insurers attempt to retain accounts. The British recession has reduced the available pool of commercial business, and there is an understandable determination on the part of all insurers to secure as much of the remaining business as possible.

Although rate cutting has now reached unprecedented proportions, insurers have hitherto been willing to offer lower premium rates because of very satisfactory underwriting results in the past and substantial returns on investments. These justifications are no longer as powerful, however, and it is questionable whether any insurers will be achieving a positive bottom-line result on British commercial business if the current rating practices continue.

While the United Kingdom is at last falling into line with other leading world insurance markets in becoming notably unprofitable from a pure underwriting standpoint, some hopeful signs are beginning to appear in parts of the world that have been producing losses for the past several years.

Australian underwriting results, for example, are expected to be somewhat better than last year when existing poor experience was exacerbated by unfavorable court rulings affecting workers compensation business. Premium rate levels have hardened considerably in key commercial lines and combined ratios should fall from the 130% level of 1981.

Qualified optimism is also being expressed about a possible amelioration of heavy Canadian underwriting losses following sharp hikes in personal auto and homeowners rates last year. The market, however, remains beset by overcapacity and excessive competition, and it would be difficult to assert that recovery is firmly in progress.

Turning to the Lloyd's of London insurance brokers, there are few indications as yet

of how business is developing in 1982. Those signs that are available might lead the casual observer to presume that the brokers operate on a different planet than the underwriting fraternity.

Marsh & McLennan's first-quarter report, for instance, reveals that C.T. Bowring's London brokerage reported an increase of 53% in operating revenue in British pounds (23% in U.S. dollars). This handsome growth rate, of course, was boosted by Bowring's substantial reinsurance activities. First-quarter revenue growth from Bowring's London reinsurance activities totaled 77% in sterling (42% in dollars).

Meanwhile, Bowring's retail brokerage revenues grew a respectable 13% in the first three months of 1982.

Alexander Howden Group Ltd. disclosed at a meeting held recently for Alexander & Alexander Services Inc.'s British shareholders that its brokerage operations grew 27% during the first months of 1982 (17% if the favorable influence of currency changes is excluded).

Since our last column, Sedgwick Group, Willis Faber, Minet Holdings, Stewart Wrightson and C.E. Heath have announced 1981 results. The brokers posted a composite revenue growth of about 21%, ignoring major structural changes and acquisitions. However, this excellent performance was aided very considerably by the weakness of the British pound. If the beneficial impact of currency exchanges is excluded, the adjusted underlying growth rate of brokerage averaged only 12%.

In this respect, Minet Holdings seems to have led the field with a 15% revenue increase, while Stewart Wrightson Holdings was the back marker with only an 8% increase. In between, Sedgwick Group grew by 14%, Willis Faber by 12% and C.E. Heath by 9%.

Brokerage growth was supplemented by the substantial increase in interest earned on investment funds. Investment income rose about 32%, not counting currency gains.

This average advance was attained not only because of high interest rates but also as a result of restored balances after the cash squeeze of 1980.

Expenses increased about 17% for these

British Issues

29 June Companies	Price pence	P/E	Div. pence	Yield %	1 Week High-Low pence	
Comm Union	131	11.9	16.86	12.9	131-128	
Eagle Star	327	11.7	21.43	6.6	327-321	
Genl Accident	298	7.7	23.21	7.8	298-294	
Gdn Royal Exch	280	7.0	25.00	8.9	280-276	
Phoenix	252	10.1	24.00	9.5	252-244	
Royal	333	8.6	36.07	10.8	333-328	
Sun Alliance	744	9.5	61.43	8.3	744-734	

Brokers

	Price pence	P/E	Div. pence	Yield %	1 Week High-Low pence
CE Heath	325	8.9	18.71	5.8	325-319
Hogg Robinson	97	7.5	8.57	9.3	99-97
JH Minet	144	13.1	5.43	3.8	147-141
Sedg Grp	162	10.5	8.57	6.0	163-161
Stewart Wrightson	109	8.5	7.28	6.7	112-109
Willis Faber	239	8.5	18.57	7.8	240-238
Willis Faber	472	11.8	21.43	4.5	472-469

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

five companies, and since a high proportion of total costs is incurred in the United Kingdom, the adjusted underlying growth rate still averaged about 12%. Minet, C.E. Heath and Stewart Wrightson proved to be the best at controlling expenses, largely through significant reductions in head count and lower salary increases.

Thus profit from brokerage operations last year soared, in British currency, from 57.5 million pounds to some 87.5 million pounds. But as we have attempted to show, this 52% increase relied heavily on weakness of sterling during 1981. Excluding currency influences, brokerage income grew 24%.

Of course, these are not the complete profit stories for these Lloyd's brokerage holding companies since they also include underwriting agencies, insurance companies, affiliates and certain non-insurance businesses. Adding the results from these interests, the group reported pretax net income increased 38%. When adjusted to eliminate currency fluctuations, the increase stands at 16%.

Last year was undoubtedly an exceptional year for the major Lloyd's brokerage groups, making it difficult to post similarly excellent results this year. The weakness of the pound should again be helpful, but not as much as in 1981. Meanwhile, interest earned on investment funds is not going to escalate as it did in 1981 and, after the rigors of cost containment in recent years, there may be less of an effort to hold down costs.



Alan H. Clifton, left, and Phil V. Olsen are analysts with London-based Kitcat & Aitken. They report quarterly on the British insurance industry for Business Insurance, in addition to supplying weekly earnings reports on British companies for BI Ticker.



BI Industry Stock Report

Insurance Cos.		JUNE 29, 1982				6/23/82 THRU 6/29/82			
		Price	% Chg	P/E	S Div	% Yld	High	Low	Vol (000)
Aetna Life & Cos Co	NYSE	38.50	2.2	5.6	2.52	7.3	34.50	33.75	880.8
American Bankers Ins Group	OTC	7.38	3.5	5.8	0.48	6.5	7.50	7.38	59.6
American Gen Ins Co	NYSE	41.25	7.1	6.0	2.20	5.3	41.25	38.25	309.0
American Indty Finl Corp	OTC	13.00	0.0	7.5	1.12	8.6	13.00	13.00	6.0
American Intl Group Inc	OTC	57.75	2.7	9.2	0.48	0.8	57.75	57.50	458.8
American Mutl Ins Co	OTC	14.00	0.0	6.1	0.76	5.4	14.00	14.00	21.5
American Svs Life Ins Co	OTC	16.50	-2.9	5.3	0.80	4.8	17.00	16.50	0.5
Aveco Bsns Ltd	OTC	2.63	0.0	0.0	0.00	0.0	2.63	2.63	20.6
Aveco Corp	AMEX	11.88	-3.1	7.3	0.58	4.5	12.25	11.88	7.2
Banks Iowa Inc	OTC	35.50	0.0	6.2	1.48	4.2	35.50	35.50	1.9
Biteco Corp	OTC	28.00	0.0	4.2	1.92	6.9	28.00	28.00	1.2
Carolina Cas Ins Co	OTC	6.50	0.0	6.0	0.32	4.9	6.50	6.50	0.0
Chubb Corp	OTC	37.00	-0.3	4.6	2.92	7.9	37.75	37.00	83.5
Combined Intl Corp	NYSE	18.38	-2.6	4.9	1.80	9.8	18.75	18.00*	131.7
Continental Corp	NYSE	23.38	1.6	6.5	2.60	11.1	23.50	23.25	194.7
Crawford & Co	OTC	13.75	0.0	10.3	0.56	4.1	14.00	13.75	7.9
Crown Life Ins Co	OTC	74.50	0.0	5.5	3.10	4.2	74.50	74.50	0.0
Cum & Forster	NYSE	25.00	0.5	4.4	1.68	6.6	25.00	24.63	229.6
Employers Cas Co	OTC	28.00	0.0	6.1	1.20	4.3	28.00	28.00	2.2
Equifax Inc	NYSE	30.00	-2.0	9.0	2.60	8.7	30.75	29.75	11.9
Excelsior Ins Co	OTC	14.50	-3.3	37.8	0.70	4.8	15.00	14.50*	1.6
Farmers Group Inc	OTC	30.50	1.7	8.6	1.24	4.1	30.75	30.25	76.6
First Colony Life Ins Co	OTC	66.25	0.0	18.8	1.02	1.5	66.25	66.25	0.0
Foremost Corp Amer	OTC	26.75	-1.8	7.5	1.12	4.2	27.25	26.75	5.0
Great West Life Assurn Co	OTC	195.00	2.6	7.4	10.00	5.1	195.00	180.00*	2.5
Hanover Ins Co	OTC	27.25	0.0	3.7	0.88	3.2	27.50	27.25	5.8
Hartford Steam Boiler Inaptn	OTC	35.50	-2.7	6.6	2.80	7.9	36.00	35.50*	8.4
Jefferson Mutl Life Ins Co	OTC	37.50	2.7	10.3	0.76	2.0	38.50	36.50	3.6
Kemper Corp	OTC	28.88	0.0	4.7	1.80	6.2	29.00	28.88	19.3
Lincoln Mutl Corp Ind	NYSE	38.25	0.7	6.2	3.00	7.8	38.25	37.75*	38.1
Mission Ins Group Inc	NYSE	22.75	3.4	5.8	0.80	3.5	22.75	21.88	35.1
Nationwide Corp Ohio	OTC	26.50	-0.9	7.7	0.70	2.6	26.75	26.50	2.2
Northwestern Mutl Life Ins	OTC	22.25	2.9	4.6	1.50	6.7	22.25	21.75	10.0
Ohio Cas Corp	OTC	36.88	2.1	5.5	2.36	6.4	37.00	36.63	28.9
Old Repl Intl Corp	OTC	17.25	-2.8	4.1	0.92	5.3	17.75	17.25	70.5
Preferred Risk Life Ins Co	OTC	20.25	-2.4	5.8	0.92	4.5	20.75	20.25	1.0
Provident Life & Acc Ins Co	OTC	40.50	-4.7	5.1	2.34	6.0	41.50	40.50*	26.0
Ryan Ins Group Inc	OTC	21.75	6.1	9.0	0.16	0.7	21.75*	20.50	9.3
St Paul Cos Inc	OTC	36.00	0.0	8.8	2.60	7.2	36.50	35.88	423.1
Safeco Corp	OTC	32.38	-0.4	5.9	2.20	6.8	32.75	32.25*	131.2
Sri Corp	OTC	17.75	0.0	3.9	1.00	5.6	17.75	17.25*	17.9
Seibels Bruce Group Inc	OTC	18.88	2.7	10.0	0.80	4.2	18.88	18.63	8.8
Statefarm Group Inc	OTC	5.63	2.3	4.8	0.15	2.7	5.63	5.50	4.9
Tokio Marine & Fire Ins Co	OTC	86.00	-2.3	6.9	1.00	1.2	87.50	86.50*	1.8
Travelers Corp	NYSE	21.13	1.2	5.2	1.64	7.8	21.38	21.13	423.2

Insurance Cos.		JUNE 29, 1982				6/23/82 THRU 6/29/82			
		Price	% Chg	P/E	S Div	% Yld	High	Low	Vol (000)
United Fire & Cas Co	OTC	25.50	0.0	8.5	0.88	3.0	25.50	25.50	0.0
United States Fid & Gty Co	NYSE	38.25	-1.0	6.9	3.60	9.4	38.63	38.00*	277.9
United Svs Life Ins Co	OTC	14.50	0.0	5.4	1.00	6.9	14.75	14.50	10.9
USLife Corp	NYSE	17.13	6.2	3.6	0.84	4.9	17.50	16.88	212.5
Washington Mutl Corp	NYSE	16.00	-2.3	6.7	1.08	6.8	16.00	15.50	52.5
Zenith Mutl Ins Corp	OTC	14.25	3.6	6.8	0.76	5.3	14.25	14.00	7.5
INSURANCE COMPANIES	AVERAGE			6.4		5.1			

Agents/Brokers

		Price	% Chg	P/E	S Div	% Yld	High	Low	Vol (000)
Alexander & Alexander Svs	NYSE	24.75	0.5	8.5	1.94	7.8	24.75	24.00	139.9
Baldwin & Lyons Inc	OTC	34.50	0.0	6.4	0.80	2.3	34.50	34.50	0.4
Corroon & Black Corp	NYSE	19.63	-1.9	10.2	1.76	9.0	20.00	19.63	5.0
Crump E H Cos Inc	OTC	8.88	2.9	18.9	0.40	4.5	8.88	8.63	13.9
Daett & Chandler Cos Inc	OTC	8.63	1.5	9.7	0.00	0.0	8.63	8.63	11.8
Hall Frank B & Co Inc	NYSE	28.13	16.0	10.6	1.70	6.0	28.13	23.75	175.9
Integrated Res Inc	AMEX	16.63	7.3	6.3	0.90	0.0	16.75	15.38	51.8
James Fred S & Co Inc	NYSE	20.00	2.6	9.5	1.60	8.0	20.00	19.50	21.1
Marsh & McLennan Cos Inc	NYSE	32.00	-2.3	9.8	2.20	6.9	32.50	32.00	99.7
PennCorp Finl Inc	NYSE	7.75	-4.6	6.0	0.16	2.1	8.00	7.75	99.5
Poe & Assoc Inc	OTC	9.00	0.0	10.1	0.80	8.9	9.00	9.00	0.2
Reed Stenhouse Cos Ltd	OTC	11.00	0.0	9.5	0.60	5.5	11.00	9.50*	23.9
Rollins Burdick Hunter Co	OTC	16.50	-4.3	10.9	1.32	8.0	17.25	16.50*	6.5
AGENTS/BROKERS	AVERAGE			8.7		5.6			

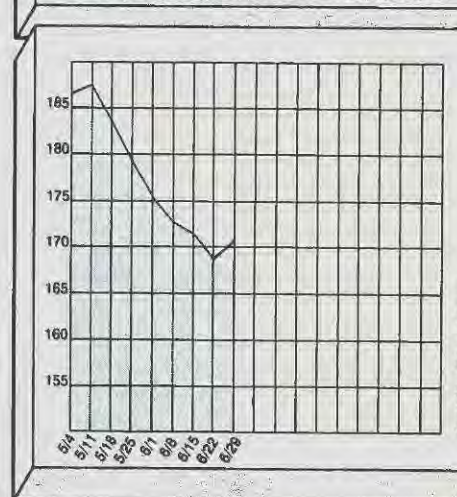
Conglomerates/Holding Cos.

		Price	% Chg	P/E	S Div	% Yld	High	Low	Vol (000)
American Express(Fireman's Pd)	NYSE	40.25	-1.8	7.1	2.20	5.5	41.88	40.25	1,652.7
Anderson Clayton(Ranger/PanAm)	NYSE	29.00	6.9	5.8	1.32	4.6	29.00	27.75	31.3
Amoco Inc	NYSE	17.25	0.7	4.3	1.80	10.4	18.50	17.00	240.5
City Investing Co. (Home Ins.)	NYSE	18.63	-9.1	5.8	1.70	9.1	19.50	18.50*	821.3
CNA Finl Corp (CNA)	NYSE	14.00	30.2	5.5	0.00	0.0	14.00	11.38	51.9
Control Data (Comm. Credit)	NYSE	24.63	1.5	5.6	0.55	2.2	24.75	24.38	783.3
General Re Corp	NYSE	36.75	6.5	8.6	1.08	2.9	37.00	36.00	307.6
Gulf Wld Corp	NYSE	20.25	1.2	7.1	1.32	6.5	21.25*	20.25	423.0
Cigna Corp	NYSE	34.00	1.9	4.4	2.30	6.8	34.13	33.75	497.1
ITT (Hartford Group)	NYSE	23.25	1.1	5.1	2.68	11.5	23.63	23.13	583.7
Optimum Hldg Corp	OTC	8.75	0.0	6.6	0.00	0.0	8.75	8.75	0.5
Sears Roebuck & Co. (Allstate)	NYSE	19.13	0.0	9.2	1.36	7.1	19.75	19.13	1,541.6
Baldwin Wld Corp	NYSE	53.63	3.6	6.7	1.60	3.0	53.63	50.63*	213.0
Teledyne Inc (Argonaut)	NYSE	100.38	2.3	5.1	0.00	0.0	101.00	98.88	500.3
Transamerica Corp (Occidental)	NYSE	19.50	0.0	5.8	1.40	7.2	19.63	19.38	165.9
CONGLOMERATES/HOLDING COS.	AVERAGE			5.8		4.2			

*Record high/low since Jan. 1, 1982

System design: Altman Information Systems

BI Insurance Index



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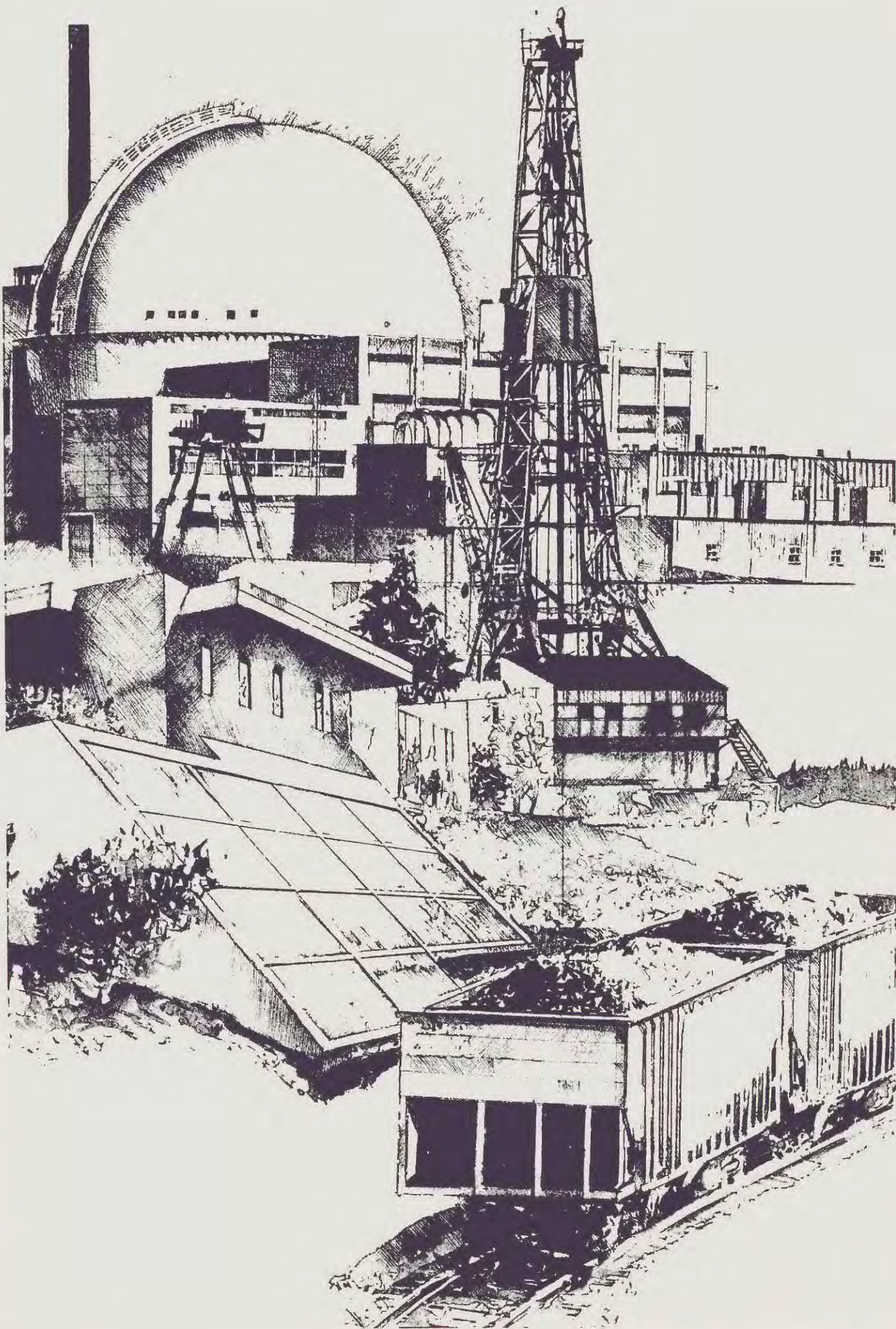
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