

# NY schemes won't lure stampede of new risks

By ELLIS SIMON

NEW YORK—Risk managers here say they would be in no rush to transfer risks back to New York even if two proposals to create an insurance free trade zone and a reinsurance exchange are approved.

"I wouldn't come back unless I could get reasonably priced insurance," said the risk manager for a pharmaceutical firm that now goes to London for product liability coverage. "The main problem is we don't have underwriters in New York. We have banking institutions. They're not taking any risks."

Meanwhile, legislation to create a reinsurance exchange was introduced in the state assembly last month with changes designed to limit the participation of brokers. AIG president Maurice R. Greenberg, one of the major supporters of measures designed to restore New York's position as an insurance center, vociferously objected to a reinsurance exchange that would allow brokers to engage in underwriting. Mr. Greenberg has reportedly agreed to the revisions.

Legislation to create a free trade zone was introduced in the  
*Continued on page 45*

## The inside story

### LA's herculean task

Despite mayor Tom Bradley's plan to appoint a committee to look for insurance, it appears that the city faces a herculean task finding an underwriter willing to guarantee that the city will not suffer a financial loss by hosting the 1984 summer Olympics. **Page 4.**

### Congress tackles preemption

A philosophical split emerged on a House committee as Congress tackled for the first time whether the pension reform law preempts state laws regulating employe benefit plans. The split may mean Congressional action to resolve the issue is far off. **Page 6.**

### Elsewhere:

- NEW RULES for insurance accounting for government contractors are proposed. **Page 2.**
- AMERICAN AIRLINES improves medical and dental benefits. Benefit beat, **page 3.**
- FUTURE WORK comp liability highlight the *Business Insurance* conference. **Page 9.**
- LITTLE TAX impact is forecast from one bill to allow self-insured reserves. **Page 12.**
- FLORIDA'S FIRST all-industry work comp pool is off to a claim-less start. **Page 21.**
- WARRANTS WON'T cripple OSHA, experts believe. **Page 22.**
- MICHIGAN DOCTORS halt Blue Cross boycott. **Page 26.**
- BEWARE SHIPS 'lost' for the insurance, says a Lloyd's attorney. **Page 27.**
- HOW YOUR work comp rates are set and why maritime premiums climb. **Page 29.**
- ANOTHER LOOK at the professions of broker and risk manager. RiskWatch, **page 37.**

### Tort reform update

It's been quite a year as supporters of tort reform have managed to get legislatures in 11 states to approve measures to right the tort reform balance. In the next issue of *Business Insurance* on June 26 we'll update the tort reform situation with our second Product Liability Score Card of the year. Don't miss it.

The people column  
pages 46, 45



AIG president Maurice Greenberg says he fears the reinsurance exchange could disrupt the normal relationships between brokers and underwriters.

# 11 farm manufacturers cultivate captive gains

By REBECCA A. FANNIN

NEW YORK—Eleven small, Midwestern manufacturers of farm equipment have activated a Bermuda group-owned insurance company to underwrite their product liability and contractual liability coverages at an expected insurance savings of 50%.

The company, known as Farmco, is made up of 11 stockholders, but plans are underway to expand it to 25 members.

Nordstrom-Larpenteur Inc., the Minneapolis broker which conceived the idea after several such manufacturers complained to it about the high cost of insurance, plans to activate another similar captive for farm machinery manufacturers because of the "keen interest," said Jerry J. Kroll, vp of Nordstrom Risk Management Inc.

Nordstrom has talked with approximately 50 to 75 manufacturers about joining in the business venture and about 40 manufacturers are actively considering it, Mr. Kroll said.

Beauman & Beauman Inc. of Indiadlandic, Fla., completed a feasibility study for the broker and, as a result of the study, arranged the insurance and reinsurance.

*Continued on page 43*

Week of June 12, 1978

# business insurance

the national newsmagazine of loss prevention,  
risk financing and employe benefit management

© Entire contents copyright 1978 by  
Crain Communications Inc. All rights reserved.  
75¢ a copy; \$15 a year

## High hurdles lowered for benefits in subsidiary

By JERRY GEISEL

WASHINGTON—The Labor Department and the Internal Revenue Service have proposed dismantling obstacles in the pension reform law that now block employers from insuring employe benefits through their insurance company subsidiaries.

The proposal would make it much easier for corporations to purchase annuity contracts and life and health insurance policies for their employes from their insurance subsidiaries. However, an offshore or non-U.S. captive insurance company still could not be used to underwrite benefit policies for the parent.

Currently, a subsidiary can sell policies to a parent only if the subsidiary is wholly owned by the parent and less than 5% of the subsidiary's revenues come from insuring parent company risks.

Labor and IRS have recommended that the wholly owned requirement be reduced to 50% ownership and that up to 50% of the subsidiary's revenues could come from the premiums of policies purchased by the parent from the subsidiary.

Thus, a corporation with an insurance subsidiary domiciled in the U.S. with a substantial amount of outside business would appear to be able to place benefits in the captive. However, a Colorado captive could not be used since that state does not permit employe benefits to be written by captives.

There seems to be some confusion whether the 50% outside business test includes parent company property/casualty risks underwritten by the subsidiary insurance company. Labor Department and IRS officials said 50% of the subsidiary's revenues must come from outside parties.

However, Ron Modlin, an attorney for John Deere & Co. of Moline, Ill., said the 50% test applies only to employe benefits. The proposal would permit, for example, a situation in which 90% of a

captive's premium came from insuring the parent's property/casualty risks and 10% of premiums came from insuring the parent's benefits, he said. John Deere was one of the companies that had applied for an exemption.

In addition, IRS and Labor have suggested that a parent be permitted to sell benefit policies to its subsidiary. This part of the proposal would give relief to insurance companies that under the prohibited transactions section of the

*Continued on page 44*

## Brokers don't need all your secrets: Consultant

By MARGARET LeROUX

OAKLAND, Calif.—It was a variation on "Who do you trust?" as Allon Greene, consultant with Warren, McVeigh & Griffin, led a discussion on responsibilities of risk managers versus those of insurance brokers at the northern California RIMS fourth annual Mayday conference.

Mr. Greene, a former risk manager and broker, stirred up the audience of some 50 representatives of those two professions when he said, "There are certain things it's better for a broker not to know about the account he's marketing."

The minimum coverage and the maximum premium the risk man-

ager is willing to accept are chief among these things, the consultant said. "If he doesn't know (what the acceptable units are), a broker can honestly say I don't think my client can accept that," when confronted with an uncooperative underwriter, Mr. Greene said. "Not all brokers are good liars."

This was too much for some of the brokers in the audience who had nodded in agreement at some of Mr. Greene's earlier admonitions about treating your broker as a member of your risk management team. Jerry Aparton of Johnson & Higgins best expressed their feelings when he interrupted Mr.

*Continued on page 44*

# New CASB proposals now open for comments

WASHINGTON—The Cost Accounting Standards Board is accepting comments on its most recent proposed rules for accounting for insurance costs, the first attempt to standardize cost accounting for insurance where there are wide variations in practices.

The rules, when promulgated, will affect anyone subject to Cost Accounting Standards, generally defense contractors with negotiated contracts for more than \$500,000. The rules could ultimately affect other government contractors if they are incorporated into the federal procurement regulations issued by the General Services Administration.

The fundamental requirements of the proposed standard are:

- The amount of insurance cost

to be assigned to a cost accounting period is the projected average loss for that period plus insurance administration expenses in that period.

• The allocation of insurance costs to cost objectives shall be based on the beneficial or causal relationship between the insurance costs and the benefiting or causing cost objectives.

Of particular concern has been the proliferation of self-insurance and the varying programs of self-insuring accounting. The proposed standard requires that the contractor make a self-insurance charge for each period for each type of self-insured risk which shall represent the projected average loss for that period.

If insurance could be purchased,

the self-insurance charge plus insurance administration expenses may not exceed the cost of comparable purchased insurance plus the associated insurance administration expenses. The contractor may use this premium cost of purchased insurance for comparable coverage as the basis for the self-insurance charge.

If, however, insurance cannot be purchased, the amount of self-insurance charge for each period shall be based on the contractor's experience, relevant industry experience and anticipated conditions in accordance with accepted actuarial principles. The contractor may recognize actual losses in those situations in which the distribution of actual losses may be expected not to differ significantly from the projected average loss for that period.

Robert Straith, associate director of CASB, said he doesn't expect the rules to require changes in the cost accounting practices of more than 10% of the government contractors. After considering 48 comments on the standard published in October 1977, the rules were "changed in form but not in substance," Mr. Straith said. For instance, he said more than CASB intended was read into the rules and they have clarified, for instance, that CASB does not intend to deal with immaterial amounts of losses.

Written comments on the proposed standard must be received by CASB by June 30. Comments should be sent to CASB, 441 G St. NW, Room 4836, Washington, D.C. 20548. A final standard could be presented to the board as early as August.

## for your information...

### Court says maritime workers' families can sue only for the loss of support

WASHINGTON—The Supreme Court ruled this month that families of maritime workers who die in accidents in international waters can collect damages in negligence suits only for loss of support and not for non-pecuniary items.

The decision clashes with earlier court rulings that held families may be compensated for non-economic items such as loss of love and affection when such accidents occur within three miles of shore.

The ruling overturns a decision of the Fifth U.S. Circuit Court of Appeals in favor of the families of three men who died in an Aug. 14, 1967, helicopter crash as they were returning from an oil drilling platform 100 miles out in the Gulf of Mexico.

### Pension assets top \$500 billion

WASHINGTON—Pension plan assets have topped the half trillion dollar mark for the first time, according to the Securities & Exchange Commission. At the end of 1977, the combined assets of private pension plans, state and local government retirement plans and federal pension plans totaled \$501.5 billion. That's up from \$456.1 billion a year earlier.

Assets of public pension funds grew by \$14.6 billion in 1977 and totaled \$221.9 billion. Assets of private pension plans were \$279.6 billion, up from \$248.8 billion the year before.

### FASB wants your comments on rules

STAMFORD, Conn. — FASB rules aren't chisled in stone.

At least the Financial Accounting Standards Board is putting into effect a formal review process that gives you a chance to comment on their rules that have been in effect for at least two years. Public comment is now being sought on the first 12 accounting rules mandated by the board, giving risk managers unhappy with FASB 5, accounting for contingencies, another crack at suggesting changes.

Written comments should be sent by Aug. 15 to the Director of Research and Technical Activities, File Reference 1055, FASB, High Ridge Park, Stamford, Conn. 06905.

Public hearings may be held after the comments have been reviewed. An FASB spokesman said that although the board normally evaluates comments before adopting a rule, reassessing rules after they have been in effect for at least two years can give the board a new perspective on them.

### Plan limits physician fee increase

MILWAUKEE—Surgical Care-Blue Shield here is capping physician fee increases at 5% for the next 12 months. The cap is with the blessing of the Medical Society of Milwaukee County which owns the plan and is believed to be the first time such a cap has been adopted by a health insurance plan.

Surgical Care is projecting a \$3 million to \$4 million savings during the next year due to the cap, said a spokesman. However, the impact the savings will have on premiums has to be viewed in the context that physicians' charges are just one component of health care costs, stressed the spokesman.

In the past, Surgical Care has limited increases in the prevailing physicians' fees to the approximate level of increase in the national Consumer Price Index for all items. Last year the increase in physicians' fees in Wisconsin was about 6% compared to 9.3% nationally.

### OSHA levies fines in elevator blast

WASHINGTON—The Occupational Safety and Health Administration (OSHA) has proposed slapping Continental Grain Co. with \$47,400 in fines for alleged violations of OSHA job safety and health standards.

The proposed fines, which Continental can appeal to the OSHA review commission, comes in the wake of the federal agency's investigation of an explosion last December at a Continental grain elevator in Westwego, La., that left 36 workers dead and injured nine others.

Continental's alleged safety violations cited by OSHA include: failure to provide proper current breaking contacts; failure to provide adequate means for removing static electricity from conveyor belts and failure to install adequate fire alarm facilities.

### Insurance covers historic films

ROCHESTER, N.Y.—The original negatives of 500 early cartoons, short subjects and feature films worth an estimated \$1 million and a still photo worth an estimated \$5,000 were destroyed in a two-alarm fire here at the George Eastman House International Museum.

The museum is "99% insured" for the damage, said Andrew Cumins, manager of finance and accounting. The museum has a \$1,000 deductible on a fine arts policy from Royal Globe Insurance Co., which covers the lost films and still photo.

The fire also burned four buildings on the museum grounds. The museum is fully insured by Aetna Life & Casualty for its buildings and their contents.

## errors & omissions

• Due to a typographical error in the May 15 issue, the plane that crashed at Cranbrook, B.C., was incorrectly identified as a Western Airlines jet. It was a Pacific Western Airlines jet.

## GUIDE TO FEATURES

Editorial opinions .....	10
Perspective .....	29
Info for buyers .....	33

Vol. 12 No. 12—Business Insurance is published every other Monday at 740 Rush St., Chicago, Ill. 60611. Controlled circulation postage paid at Brookfield, Wis., Chicago, Ill. and New York, N.Y. Copyright 1978 by Crain Communications Inc.

## SPECIALTY UNDERWRITERS AGENCY, INC.

UNDERWRITING MANAGERS FOR HARD TO PLACE CASUALTY • PROPERTY • TRUCKS

122 MAIN BUILDING / MILFORD, OHIO 45150 (513) 831-RISK TELEX: TWX 810-460-8322

# AMERICAN INTERNATIONAL UNDERWRITERS & AL CHARK OF EGYPT ANNOUNCE THE FORMATION OF THE EGYPTIAN AMERICAN INSURANCE COMPANY.

Egyptian American is the first American joint venture insurance company established in the Free Zone of Egypt and authorized to write all lines of insurance in U.S. dollars covering risks throughout the Middle East.

For full information please contact your local American International Underwriters office.



## the benefit beat

# American Airlines improves medical, dental benefits

**AMERICAN AIRLINES** has instituted major improvements in its medical and dental benefits. Director of employe benefits D. S. Scotland said the airline's lifetime medical maximum has been boosted to \$300,000 from \$200,000 for each employe and each eligible dependent. After the deductible is satisfied, the first \$5,000 of reasonable and customary hospital expenses are now being reimbursed in full, up from \$2,500, after that American pays 80% of expenses.

For emergency and accident claims, American has increased its maximum reimbursement to \$250 from \$100 per calendar year. Coverage for hearing aids and hearing examinations are now being provided on a once a year basis. Transplant operations for both recipients and donors also are being covered, Mr. Scotland said. Dental procedures, which were formerly reimbursed at a 50% rate, are now being paid at 80%, although orthodontic expenses remain covered at the old 50% rate.

**ILLIONIS STATE** employes in Chicago and the Springfield area can now join an HMO. The state will pay up to the \$38.32 monthly premium it pays for a single employe under its Blue Cross/Blue Shield plan plus the \$7 it contributes to dependent coverage. In Chicago, Intergroup and HAP, with monthly fees for one person of \$34.70 and \$33.60 respectively, fall under the BC/BS cost while Anchor at \$44.20 and Northcare at \$42.02 would require the employe to pay the difference in cost. In the Springfield area, the Foundation for Medical Care of Central Illinois charges \$44.54 and the Abraham Lincoln system costs \$42.52.

Group insurance manager Thomas P. Wall, projecting a 5% enrollment of eligible employes, expects single employes will find the HMO more attractive than those needing dependent coverage. Nearly half the state employes with dependents have chosen the low-option BC/BS plan, so joining an HMO would present a substantial increase in premium. For example, the BC/BS low option plan for two or more dependents carries a gross premium of \$42.98 while the least expensive HMO family premium is \$79.58 with Anchor and the most expensive is \$92.20 with Lincoln. The gross premium for the high option BC/BS plan is \$78.58, which is closer to the HMO family coverage charges.

**U.S. INDUSTRIES** has established a 501(c)(9) trust to provide long term disability benefits for 3,000 workers, but it has purchased a limited liability policy from Unionmutual to provide the benefits for the first two years. After that, the trust will pay the benefits to age 65 or death. The trust is being funded now to handle liabilities after Unionmutual stops paying. "We decided the two-year buy-out was to our best advantage," said employe benefit manager Ernest Reach. "The cost is low and we pick up the reserves." It's conceivable, he added, that with good loss experience the trust could be self-sustaining after a few years.

**IT CORP.** of Wilmington, Calif., has named Administrax of Irvine to administer its group health and dental programs, according to personnel director Bern Lefson. Mr. Lefson said the program's insurer concurred in the move since only a small proportion of the plan is self-insured.

**COORDINATION OF BENEFITS**, which prevents a health insurance

policyholder from collecting from more than one insurer for the same medical expenses, is threatened by a circuit court ruling in Chicago. Chicago Blue Cross was ordered to reimburse a Chicago couple for medical care costs under two family policies which each had purchased or else refund the premiums paid since 1970 on one of the policies. Chicago Blue Cross maintains that COB is approved by the Illinois department of insurance and plans to appeal the decision that would enable the couple to profit from receiving medical treatment. The actual court order implementing the judge's decision hasn't been issued yet. The Chicago Blue Cross legal department said it's unlikely, but possi-

ble, that the ruling could be extended to cases involving two insurers instead of being limited to instances of two identical policies. So far the ruling applies only in Cook County. COB was upheld earlier this year in North Dakota in a case involving a Blue Cross plan and workers compensation benefits.

**MANY CORPORATIONS** integrating their pension and profit sharing plans with Social Security would have to change their integration methods under proposed Treasury department rules, says A. S. Hansen Inc., employe benefit consultants. A study of Hansen clients designed to evaluate the impact of federal proposals to

change integration rules disclosed that about two-thirds of the 1,200 plans surveyed provide for integration of benefits with Social Security. Of these, 41% that integrate on a so-called one-step basis and 23% that integrate the benefits on an offset basis wouldn't comply with the Administration's proposed changes in the integration rules. As a result of its study, Hansen concluded that virtually all qualified pension and profit sharing plans will be affected by any changes in the integration methods allowed, and urged all plan sponsors to review their programs.

**HEALTH CARE** claims can be reduced by an average of 8.8% by

using coordination of benefit practices to deny certain claims, said Self-Insurers Service Inc., Chicago. SIS chairman Ray Muller said that this amount is what SIS is saving for clients by carefully screening their health claims, outpacing the performance of the insurance industry, which has been able to achieve average savings between 4.8% and 5.2%.

*Benefit Beat keeps insurance managers, employe benefit managers and others informed of changes in programs around the nation. We'd like to know if you've made any changes or know of any important developments. Write Greg David, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611.*

## The Rock's Group can make beautiful music for your company.



The reason is the staff. You'll be working with a Prudential group insurance team. Experts who can help you create



the programs that will satisfy your company's needs. The Team can put all that is Prudential right at your fingertips—



computerized claim service, flexible premium plans, periodic claims analysis, and "Group Focus," a Prudential periodical



that lets you know exactly how new laws affect your benefit programs. And Prudential has specialists who can help you through



the intricacies of HMO's, ERISA and cost containment. With all the benefits Prudential Group Insurance has to offer,



your company should have something to sing about. For more information, drop a note to: Director, Group Insurance,



Prudential Insurance Company of America, 3 Prudential Plaza, Newark, New Jersey 07101.

 **Prudential**  
Group Insurance

# Olympic insurance for LA may be herculean task

By JOANNE GAMLIN

LOS ANGELES—Mayor Tom Bradley is expected to appoint an insurance task force that will attempt to put together an insurance package to protect the city of Los Angeles from any financial liability for holding the 1984 summer Olympics games in the city.

However, insurance sources contacted by *Business Insurance* and a growing number of city politicians do not believe that the Olympics are an insurable risk or have decided that Los Angeles should immediately withdraw its bid for the games.

City councilman Marvin Braude, who for months has been a spirited advocate of the games as a way of bringing "the greatest show on earth" to the city, late last month abruptly reserved his stand and

proposed that the city withdraw its bid.

He charged that the International Olympics Committee (IOC) has assumed such an intractable position on its rule that places financial liability for the games on the city that further negotiation is pointless. His reversal means that Olympics critics hold at least a three to two majority on the city council's ad hoc Olympics committee. The group currently has before it a motion to withdraw Los Angeles's bid for the summer Olympics unless the city is absolved of financial liability for the games held here.

Likewise, councilman Bob Ronka now believes that the chances that Los Angeles will have the Olympics "are dim," according to his press secretary. The reason is

that he sees no way that insurance can be acquired that will cover such matters as cost overruns and bad management.

Mayor Bradley has pledged to city taxpayers, currently in a rebellious mood over soaring 1978 property tax assessments, that they would not have to bear a cent of cost for the games.

Television producer David Wolper, who was also a member of the Athens delegation and a strong advocate of the Olympics for Los Angeles, recently told the press that IOC attorneys were not serious when they suggested that the city obtain an insurance policy to guarantee against financial losses at the Olympics.

The producer of the smash hit, "Roots," went on to advocate that if insurance doesn't work, an Olympics organizing committee,

composed of private businessmen, could be formed.

"It would assume all the debts," he told *Business Insurance*. "There would be no need for insurance."

The press spokeswoman for Mr. Ronka, on the other hand, pointed out that the organizing committee for the Montreal Olympics folded, leaving the city with a \$1 billion debt.

Councilman Ronka, who estimates that insurance premiums would range from 3% to 7% of the amount of insurance bought, said that Los Angeles estimates of security costs have ballooned from \$1 million to \$2 million to \$7 million.

The councilman would find a lot of agreement for his position on the insurability of the Olympics games from insurance executives.

"It would be like asking a com-

pany to insure a woman who is on a shopping spree," asserted a spokesman for the Los Angeles office of a major brokerage firm. "There is no way of writing a limit on the Olympics games of 1984." She added that a member of the firm, as an exercise, contacted Lloyd's on the question of coverage and was turned down flat.

Gordan Gray, senior vp of Marsh & McLennan of Los Angeles, said as the largest brokerage firm in the city M&M would be happy to cooperate with the forces that want to bring the games to the city. However, he said that before M&M joins an insurance task force, it will want details of the assignment before that group.

He agreed that writing limits on games to be held in 1984 presents a nearly insurmountable problem.

Similarly, Sam Alcorn, senior vp, Bayly, Martin & Fay, Los Angeles, sees the games as uninsurable, even by Lloyd's.

On the other hand, Maurice Greenberg, president and chief executive officer of American International Group in New York indicated his firm would consider the risk if a broker would present it with all the details.

Los Angeles has until July 31 to finalize its bid with the IOC. If insurance does not emerge as a viable route for protecting the city taxpayers against financial liability, a spokesman for the mayor said that other means of protection will be explored. Among these will be performance bonds, the sale of special stock in the Los Angeles Olympics and the assumption of the financial risk by the federal government.

## Airline says gain resulted from accident

PENSACOLA, Fla.—A recent National Airlines plane crash here has resulted in an after-tax gain to the airline of \$1.5 million from recovering insurance in excess of the plane's book value.

"From an insurance standpoint, the plane is considered a total loss," said David R. Dynes, National Airlines insurance manager.

The Boeing 727 aircraft, which crashed into Escambia Bay on its final landing approach and drowned three of the 58 passengers aboard, was insured by three parties: United States Aviation Underwriters Inc., Associated Aviation Underwriters and Lloyd's of London.

Each insurer provided a share of the general liability and hull coverage, Mr. Dynes said. Lead underwriter for the risk is United States Aviation Underwriters, which will handle all the claims.

The aircraft has been sold to American Jet Industries of Van Nuys, Cal., for an undetermined amount.

Damage to the aircraft hasn't been determined. The aircraft was still lodged in thick mud in the bay 10 days after the crash because bad weather had delayed salvage. The plane crashed in water 13 feet deep, and most of the jet was above water.

Investigators have ruled out the possibility that the crash occurred because of an engine power failure or because of the aircraft's structure.

The FAA and the National Transportation Safety Board, conducting the investigation, are listening to tape recordings and checking the flight data recorder to determine the crash's cause.



## If you had time to read them all, you wouldn't need us as much.

One of the hardest parts of any risk manager's job is keeping up with the latest information and changing trends. The sheer volume of reading required is staggering.

But you have to know. What are the newest state and federal regulations? Are there new ways to cope with products liability? What's the latest on self-insurance? How do you reduce the possibility of fire loss?

It's the single, critical piece of information you miss that could make the difference in effective decision-making.

Where can you go for answers?

Try us.

R. B. Jones is a national firm. We've been providing major corporations with solid, up-to-date recommendations in all areas of risk management since 1889. Property. Casualty.

Marine. Surety. Employee benefits. You don't have to be a client to call.

When it comes to insurance and risk management, we believe you can never ask too many questions.

Our experienced professionals will be happy to supply the answers.

We have offices in Atlanta, Boston, Chattanooga, Chicago, Dallas, Ft. Worth, Houston, Jefferson City, Kansas City, Los Angeles, New Orleans, New York, St. Louis, Tulsa, Waterloo, and Wichita.

Or call our corporate headquarters in Kansas City, 816/391-1000.

## R.B. Jones Insurance.

# A record bridge for Old Man River.



Illustration courtesy Frankland and Lienhard, Consulting Engineers.

At 1,222 feet, the main span of the new Mississippi River Bridge near New Orleans will be the longest cable-stayed bridge span in the Western Hemisphere. This immense structure, more than two miles long, will soar to a height of 133 feet over the navigation channel. It will be poised on six piers that, alone, cost over 42 million dollars. The main pier is the largest ever placed in the Mississippi... a giant 201 x 84 foot caisson that was sunk through 90 feet of water to penetrate another 100 feet into the riverbed.

Pier construction on such a massive scale — battling scouring currents, bad weather, and

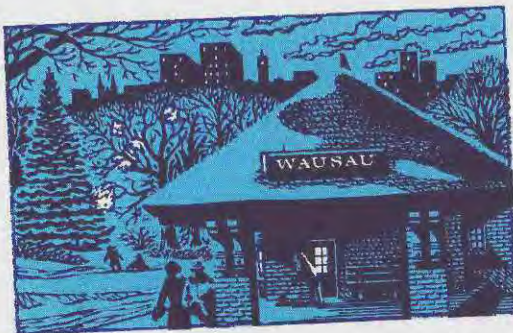
## Our Builder's Risk Coverage helped span the gap.

heavy river traffic — called for the utmost in construction skill. That's where joint-venture contractors Massman Construction Co. and Al Johnson Construction Co. came in. Putting together the builder's risk insurance coverage called for an insurer with plenty of capacity, a thorough understanding of construction problems, and willingness to get totally involved.

That's where we came in.

Whatever business insurance you're looking for — builder's risk, other property insurance, worker's compensation or just about any business coverage you can name — you'll find that we're the people who know business insurance like nobody else in the business.

A Wausau Story from



the Partnership People

EMPLOYERS INSURANCE OF WAUSAU, Wausau, Wisconsin

# Panel splits as Congress tackles preemption issue

WASHINGTON—A deep philosophical split quickly emerged this month as a Congressional committee for the first time took up the issue of state regulation of employee benefits.

Rep. Cecil Heftel (D-Hawaii) argued that Congress should not prevent states from passing legislation that requires employers to include certain benefits in employee benefit plans.

But Rep. John Erlenborn disagreed sharply, noting that the shape of employee benefit plans should be resolved through collective bargaining rather than as a result of state regulation.

"My feeling is that if we allow the states to mandate benefits, little by little employers and employees are being robbed of the ability to determine employee benefits," the Illinois Republican said.

The issue of state requirements for employee benefit plans has come into sharp focus as states have passed a welter of legislation requiring specific employee benefits.

New Hampshire, for example, requires mental health coverage in all group health insurance policies issued in that state. New York requires full coverage for maternity care.

Employers with multi-state operations contend that this hodgepodge of state requirements has imposed a costly administrative burden on businesses who have to continually revamp their benefit plans to comply with changing state regulations.

Employers also argue that a section of the Employee Retirement Income Security Act (ERISA)

preempts state regulation of employee benefit plans, leaving benefit requirements up to Congress.

The growing intensity of employer complaints clearly was evident as a House Education and Labor committee hearing that was supposed to discuss a variety of ERISA-related problems ended up as a forum on state regulation of employee benefits.

Committee sources said the hearing showed that Congress intends to take a close look at state regulation of benefits, but that the split that already has developed among committee members on the issue could mean that congressional action is far off.

One negative, often overlooked side-effect of state regulation is that employers are forced to drop key employee benefits to pay for state-mandated benefits, said

Robert Stone, one of the four attorneys who testified on behalf of the ERISA Industry Committee (ERIC), which represents 80 of the largest corporations in the country.

In one case, a union welfare plan in New Hampshire was forced to discontinue vision and dental coverage for participants to pay for the cost of adding state-mandated mental health care coverage to the plan, Mr. Stone said.

The crux of the matter is that the benefit pie is limited, observed Jerry Oppenheimer, who also represented ERIC. "In order to get something, you have to give up something else."

However, employers who eliminate benefits to pay for a state-required benefit may then find themselves out of compliance with another state that requires the

dropped benefit, Mr. Oppenheimer added.

But Rep. Heftel said a state's insistence that employees receive a certain level of benefits overshadowed the administrative burden state regulation may have imposed on corporations with multi-state operations.

"We shouldn't allow corporations like Standard Oil to determine (employee benefit) legislation just for their convenience," Rep. Heftel said. Guaranteed health care benefits for employees outweigh the possible inconvenience of varying state regulations, he said.

Rep. Erlenborn warned that state regulation of employee benefits could be a "very dangerous thing." While states could mandate benefits, they would lack the means to see that those benefits are funded adequately.

## 'Sea' McGee

For World Wide Expertise and Service



**Wm. H. McGee & Co., Inc.**  
Marine Underwriters

111 John Street • New York, N.Y. 10038

Atlanta • Baltimore • Boston • Chicago • Columbus • Dallas • Detroit  
Houston • Los Angeles • Montreal • Newark • New Orleans • New York Regional  
Philadelphia • Pittsburgh • San Francisco • Seattle • Toronto • Vancouver

Correspondents Throughout the World

## Bahamas act to encourage new captives

NASSAU—Buoyed by its success as an offshore financial center, the Bahama government has approved regulatory changes in its Insurance Act to encourage development of a captive insurance industry.

Under the new Non-Resident Insurers (Exemption) Regulations, companies insuring non-Bahamian risks are exempt from the 1% tax on gross premium payable by companies doing business in the Bahamas and from publishing their financial statements.

Acting insurance registrar Octavia Johnson said the exemption from the 1% tax was really "just a clarification," and that captives have not paid the tax, anyway.

While captives do not have to publish their balance sheets now, (some never have) they still must furnish the insurance registrar with a certified copy of their audited balance sheet and accounts.

The insurance changes have been two years in the making. The decision to proceed at this time is part of the government's new policy of actively encouraging foreign investment and expansion of the country's financial center.

It is also in response to last December's Bermuda civil disturbances which have raised questions about the future political stability of that captive haven. Government sources in the Bahamas say there have been numerous inquiries since then from companies looking to the Bahamas as an alternative domicile for their captive operations.

Currently, 105 insurance companies are registered in the Bahamas compared to 700 in Bermuda. Bermuda captive managers maintain that the disturbances last year have not slowed the registration of new insurance companies on their island.

Proponents of the Bahamas as a captive domicile point to its advantages of political stability and a sound economy as well as good communications and the legal and financial expertise to cope with more captive activity.

## HIAA taps Waller

Kelly Waller, president of SAFECO Life, has been elected chairman of the Health Insurance Assn. of America. Mr. Waller succeeds Robert A. Beck of the Prudential Insurance Co. of America as head of the organization of health insurance companies.

# Future liabilities key work comp conference

CHICAGO—Discussions about the future liability risks faced by employers, and how future workers compensation payments can be managed and funded, provide the thrust for a major national conference on the subject of workers compensation, sponsored by *Business Insurance* magazine July 24-26 here.

A roster of over 30 speakers includes corporate risk managers, safety experts, insurance company and brokerage authorities, claims administration specialists, labor leaders, federal regulators and noted academics. They'll direct their attention to present and future workers compensation exposures, the role of state and federal regulation in the workers compensation system, and the many techniques that can be used to control compensation costs.

The two-and-a-half day conference will be held at the Continental Plaza Hotel, and will include six general sessions and seven concurrent sessions covering nearly every important aspect of workers compensation regulation, insurance and self-insurance and loss control.

Robert C. Benjamin, claims and rehabilitation director of the California State Insurance Fund,

The registration fee for the workers compensation conference is \$385, with 10% discounts available to additional registrants from the same company. Direct all inquiries and registrations to Taylor Lucas, Crain Educational Division, 740 N. Rush St., Chicago, Ill., 60611, or call (312) 649-5245.

will join Alan Tebb of the California Workers Compensation Institute in a discussion of cumulative trauma claims, how they're increasing and how they can be handled.

The thorny problem of growing liabilities for occupational disease stemming from the broadening definition of those diseases is to be the subject matter of three leading experts on the subject. Dr. Thomas Mancuso of the University of Pittsburgh will join Dr. Peter Barth of the University of Connecticut to discuss the scope of the employer's exposure, the breadth of the occupational disease problem, and management's responsibilities now and in the future. Anthony Mazzochi, vp of the Oil, Chemical & Atomic Workers International Union, will present views of the problem from the worker's perspective.

Alternative methods of compen-

sation for workplace injuries will be presented and discussed by Ron Conley of the Department of HEW, Clarence Johnson of Employee Benefits Insurance Co. and Joseph E. Markey of the California Self-Insurers Assn.

Safety and loss prevention techniques are to be examined as the critical elements in controlling workers compensation costs by Walter Pfeiffer of the Coca-Cola Bottling Co. of Los Angeles and Harold Hodnick of Reed Shaw Stenhouse of California, who will present a systems approach to safety programming.

The specter of federal intervention in workers compensation will be examined within the context of what has happened under the federal Longshoremen's & Harbor Workers' Act. A trio of experts will meet to debate whether the act has gone too far or far enough.

An entire morning of the conference will be spent debating the issue of federal versus state regulation of workers compensation, as six leading national experts meet in a faceoff to argue the possible impact of a federal law, whether there's a need for federal legislation and the effectiveness of state programs.

Key speakers for this highlight session are Donald E. Elisburg, assistant secretary of Labor, Norman A. Weintraub, chief economist for the International Brotherhood of Teamsters, John Lewis, an attorney from Florida, Harry Dahl, an attorney from Des Moines, Robert B. Collyer, a Washington lobbyist

representing employers, and William Moshofsky of Georgia Pacific Co.

The seven concurrent sessions, to be held during the afternoons of the two days, will feature 15 speakers covering the following topics: Planning and administering the shift from an insured workers compensation program to a self-insured plan; the insurance environment for workers compensation coverage; investigating and preventing fraud in workers comp

programs; the tax aspects of accounting for self-insured workers compensation programs, with special emphasis on the Crescent Wharf & Warehouse Co. case against the IRS; rehabilitation programs and cost control tools; the use of health testing and audiometric programs in controlling workers compensation losses, and a working session on understanding the problems of working with state industrial boards and workers compensation administrators.

## Senators revise plan for U.S. work comp

WASHINGTON—New legislation to establish minimum federal standards for workers compensation benefits does not automatically invoke federal enforcement, a significant departure from previous bills.

The legislation (S. 3060), proposed by Senators Harrison Williams (D-N.J.) and Jacob Javits (R-N.Y.), would give states two years after the bill's enactment to upgrade their workers compensation benefits to comply with the proposed federal guidelines. If a state complied with those standards, there would be no federal involvement in claims settlement.

Even if the state were not in full compliance, an injured worker's claim still would be handled at the state level. However, after the worker received his or her final award, the worker could file a claim with the Labor Department's Benefit Review Board for supplemental compensation to make up for the difference between the state benefit and the federal standard.

No hearings have been set and a committee staffer doubts if sufficient time remains to get the bill to the floor before the current session of Congress ends later this year.

Under the proposal, injured workers would be entitled to two-thirds of their average weekly wage. For low-income employes, the benefit level would be no less than 100% of the statewide average weekly wage two years after the bill's enactment and no less than

200% of the state average weekly wage five years after enactment.

The bill only covers death and total disability benefits. Possible standards for partial disability would be studied by a Labor Department task force. The task force's recommendations would be due three years after the bill was enacted.

The legislation takes aim at the current product liability tangle by reducing a liability award a worker received by the amount collected in workers compensation benefits.

In addition, the proposal would authorize the Labor Department and the Department of Health, Education and Welfare to develop standards on what constitutes employment-related diseases.

The AFL-CIO, which has previously backed federal minimum standards for workers compensation benefits, has not yet endorsed the bill.

"The bill has good provisions, which we will support, and other provisions which we probably will oppose," said an AFL-CIO spokesman.

The National Assn. of Manufacturers is formulating its position, but is on record against minimum federal standards. "We feel the states have been doing a good job of improving benefits and we are ready to cite those improvements," said Phil Pulizzi, NAM director of legislative affairs and industrial relations.

## Panel clears no-fault

WASHINGTON—The bill that would establish federal standards for state no-fault automobile insurance plans cleared a minor hurdle last month when a House panel approved the measure.

But the proposal (H.R. 6601) will find the going tougher this month when the full Interstate and Foreign Commerce Committee begins debate on the bill, where sources said the outcome is in doubt.

The Senate Commerce Committee approved a similar measure (S.

1381) last month on a 9-7 vote.

Under the House bill, states would be given three years to enact no-fault automobile insurance plans that meet minimum federal standards. The Senate version calls for a four-year phase-in period.

If the states failed to adopt such standards, the federal standards contained in the bill would automatically go into effect.

No-fault legislation has been killed on the Senate floor by narrow margins in 1972 and 1976, and died in a House committee in 1974.

## "Are you insuring your insurance?"

The time to "smell smoke" is when you're reviewing your property insurance coverage—not later. With building and equipment costs soaring, and no end in sight, many companies are dangerously underinsured.

For nearly fifty years, Marshall and Stevens' clients have realized the security of "insuring their insurance"—by keeping values and property records up to date.

The smaller insureds need detailed inventories and values while the major companies (even those with "captive") require periodic independent study of procedures and resulting values. Either service, detailed appraisal or valuation consultation, assures that the property investment entrusted to management by the

stockholders is well protected.

If there's any doubt about your insurance "being insured," Marshall and Stevens would be pleased to review your specific situation.

Want to learn more? Any of our 17 local offices have detailed free information. For the one nearest you, call any Area Office—collect:

Los Angeles—(213) 624-3661  
St. Louis—(314) 621-7025  
Philadelphia—(215) 299-5700

Appraisals by  
MARSHALL  
AND STEVENS  
INCORPORATED

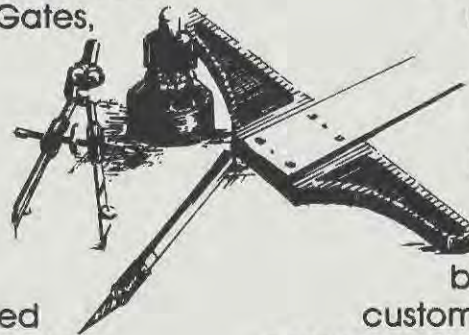
The Asset Management Professionals

## CUSTOMIZED

### WORKERS' COMPENSATION SELF-INSURED PLANS BY GATES, McDONALD

Your company is unique and so should your workers' compensation self-insured plan be unique. Gates, McDonald's administration of your plan is customized to your needs and wants. As examples: a tailored, integrated system that administers your plan quickly and efficiently; thorough review and processing of all claims with appropriate adjustments; everything necessary to provide

quality medical care for employees; and employee information and rehabilitation services. Just contact Gates, McDonald or your insurance broker for your customized workers' compensation self-insured plan. Go ahead—be particular.



GATES, McDONALD

CORPORATE OFFICE  
ONE NATIONWIDE PLAZA  
P. O. BOX 1944  
COLUMBUS, OHIO 43216  
614/227-7211

## editorial opinions

### You and your broker

WHEN YOU'RE WORKING with a supplier of any product or service, there's a spirit of good faith that has to govern your relationship. Negotiations can't even begin unless you're willing and, indeed, committed to disclosing all of the pertinent facts about your company, your needs and what you want to accomplish within this supplier-buyer marriage.

But when it comes to buying insurance, should you tell your broker all? Everything about the risk, yes. Everything about your company, its exposures, its claims, its loss history, its management policies, its operating methods. But should you go so far as to tell the broker how high you'd be willing to go on price (premiums) before you'd reject an insurance quote altogether?

Al Greene thinks not, and his views raise again the question about possible conflicts of interest for the brokers whose commissions depend on the size of the premiums paid, but whose ostensible objective is to get the best deal for the client.

The fact that Mr. Greene has been an outstanding risk manager for a major oil company and has worked within the brokerage community as an account executive for Corroon & Black lends weight to his remarks. Now that he's a so-called independent consultant, he can afford to use his broad experience and take a few soft-pedaled jabs at the business he knows well.

Mr. Greene's point, we think, is well taken though controversial. Brokers may well be more likely to drive a harder (and financially better) bargain for their clients if they know not the details of what the client has in mind for minimum acceptable coverage and highest acceptable prices. Without being privy to such purchasing parameters, brokers can deal with insurers in a totally honest fashion, without feeling obligated to shade the truth even a little bit.

Moreover, the broker who truly has the client's interest at heart should not care what is an "acceptable" product, but should be concerned only with the "best" product for a client.

At the same time, the corporate buyer surely feels a certain amount of pressure to get the "best" deal for his employer, not merely an "acceptable" deal.

Despite the semantic argument, it's all a matter of the premise you're operating from.

### The OSHA decision

IN THE WAKE OF A Supreme Court decision that OSHA inspectors can't walk into workplaces unannounced to do safety inspections, we sincerely hope the cause of safety hasn't been set back. We think OSHA's presence has helped employers over the years to be more conscious of their safety responsibilities.

Though OSHA inspectors seem to have gone off the deep end periodically, focusing their attention on things

like the height of toilets and the lettering on signs, the element of surprise was an essential ingredient of this kind of regulatory effort involving inspections and citations for safety violations.

The Carter Administration appears to have redirected the agency somewhat, putting it on a more sensible footing and instructing inspectors to concentrate on more serious workplace hazards. But it is possible that the Supreme Court's ruling could now leave the agency powerless to deal with safety problems that it's alerted to by employees. Some folks, including the director of OSHA, think the court's ruling won't hamper the agency's effort one bit. Others, such as the AFL-CIO, see the ruling as devastating.

It remains to be seen whether the search warrants now necessary before an inspection can take place will be speedily issued when needed. Most employers are sure to rejoice that their worries about OSHA are over for the time being. The temptation will be very great to start trading off safety for higher output and lower cost. That would be a grave mistake, on risk management grounds alone, if not for the fact that OSHA may still show up at your door any minute.

### Don't tax those perks

AMONG THE MANY reasons why the standard of living is so high in this country is because there have been incentives to work hard. There's the prospect of becoming wealthy. There's the prospect of earning the security and the "perks" that come with being employed by certain companies. And there's the prospect that if a worker excels, another company may compete for his talents by offering better pay and better benefits.

A flurry of recent stories about the IRS's aim to tax as income many kinds of fringe benefits has us worried.

This is nothing but a quick way to remove a tool that companies have to attract and hold their employees. And it's a sure-fire method of driving more employees to the unemployment and welfare rolls, as their tax burden becomes heavier and their incentives to work shrink.

There's no worry, of course, that health or medical benefits would be taxed or that pension contributions would be subject to any IRS proposal. Those benefits have been exempted by Congress from any taxation.

But now the Treasury Department is about to "interpret" a provision in the law that governs whether other forms of fringe benefits—things like discounts on merchandise for the employees of retailers, or free airline trips for employees of airlines—are taxable as compensation. There might even be some union-negotiated benefits, such as discounts on new cars for members of the UAW, for example, that could come under IRS scrutiny.

Should the IRS begin taxing various fringe benefits as compensation, it's foreseeable that the working public will soon find themselves without any fringes. For those who don't receive a lot of fringes now, there's no great loss. But we believe employees have a right to their tax-free fringe benefits, because they've often taken lower salaries or made other concessions in trade.

And we believe employers have a right to offer certain perks to their employees, as a way to keep payroll costs down and to insure a satisfied and motivated workforce.

## letters

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

### Naive about Lloyd's

To the editor: Your editorial comment that "Lloyd's doesn't understand free trade" (May 17) is somewhat naive. This is not the issue. I understand that under the proposed New York Reinsurance Exchange, corporations owned or controlled by non-U.S. entities are excluded altogether from broker or syndicate membership! Lloyd's Committee merely restricts control "by outside insurance interests" to 20%, and there is no nationalistic bias. Those who shout about unfair trade practices are guilty of double standards.

The issue is simply this. U.S. underwriters are notoriously unresponsive to the bizarre or the risk not statistically quantifiable. While it is an admirable idea to set up a New York Lloyd's, until such time as U.S. underwriters meaningfully commit their latent capacity with imagination and acumen, this idea just won't fly. It is naive to assume that merely setting up syndicates in a New York free trade area is going to eradicate overnight the inherent reserve of the U.S. underwriting market. The Lloyd's membership restriction won't hold up for long anyway.

Peter F. Reid  
Mountain Lakes, N.J.

### The word captive

To the editor: I note that the May 1 article on Gas Ltd.'s name change to AEGIS continues to refer to the company as a "captive." I think that a sophisticated insurance trade paper such as yours should make an effort to eliminate the careless usage of the term "captive," particularly in situations such as this where the company is obviously an industry mutual. The term "captive" used in connection with AEGIS is misleading to the more unsophisticated readers and has resulted in bothersome situations where senior executives use the term in this context. Further, the continued references to AEGIS as a "captive" in the press gives it undesired, unnecessary and an incorrect image with state and federal regulatory agencies and commissions.

One other point: The article reported that AEGIS will use a "retrospectively rated plan (which) is mandatory and consists of three separate plans . . ." The three-element retrospective rating plan originally considered has been dis-

Continued on page 36

## business insurance

the national newsmagazine of loss prevention, risk financing and employe benefit management

G.D. CRAIN JR.  
founder (1885-1973)

MRS. G. D. CRAIN JR.  
chairman of the board  
RANCE CRAIN  
president and editorial director  
DAVID J. CLEARY JR.  
senior vp-group publisher

S. R. BERNSTEIN  
chairman, executive committee

KEITH E. CRAIN  
secretary-treasurer  
ALFRED MALECKI  
vp-publisher (New York)

SUSAN ALT, editor (Chicago)  
GREG DAVID, managing editor (Chicago)

Associates: New York—REBECCA A. FANNIN, ELLIS SIMON, Washington—JERRY GEISEL, Los Angeles—JOANNE GAMLIN, Chicago—BARBARA JEAN GRAY, KATHRYN J. MCINTYRE, Editorial production chief Chicago—MERRILL SALTZMAN, Art director: JOE FARACI, Correspondents: London—JOHN MILLER (01) 946-4215, Seattle—HARRIET KING (206-888-2340), San Francisco—MARGARET LeROUX (415-525-5082).

DONALD A. WALSH, Advertising director (New York)

Advertising district managers: New York—CHARLES A. HORVATH, JACK FORREST; Chicago—ROBERT L. NIESSE, THOMAS N. WALLIN. Production manager: Chicago—FRAN PRYBYLO. Promotion manager: New York—RONNIE I. DRACHMAN. Assistant to the publisher: Chicago—CELIA MALOUHOS; New York—HOLLIS PIVOR.

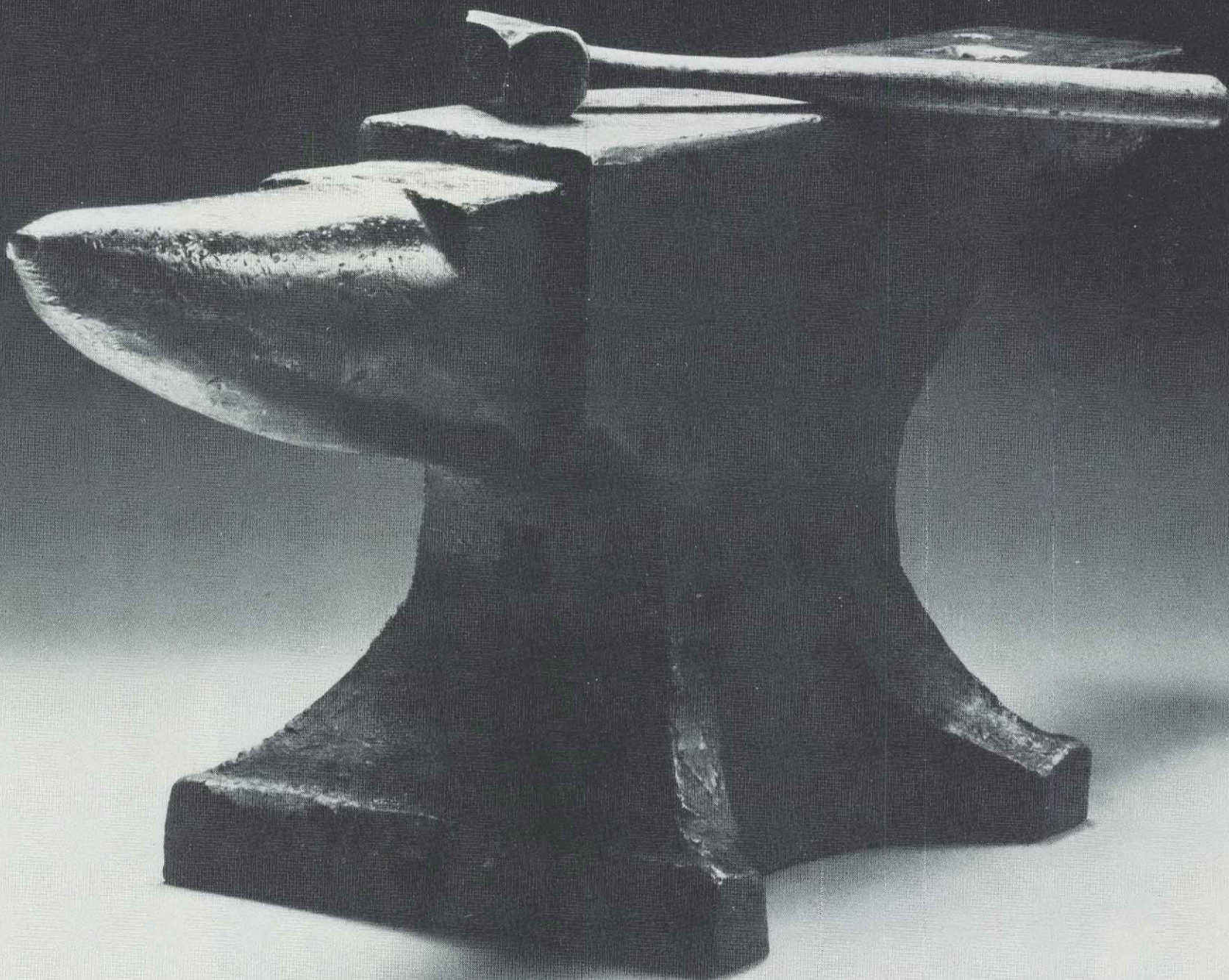
Published by Crain Communications Inc., Chicago, publisher of Advertising Age, Pensions & Investments, Industrial Marketing, KEITH E. CRAIN, secretary-treasurer; M.A. HARTENFELD, executive vice president; D. J. CLEARY JR., senior vice president; ALFRED MALECKI, J. J. GRAHAM, J. V. O'GARA, S.E. COHEN, LOUIS F. DEMARCO, WILLIAM STRONG, ROBERT W. KRAFT, STEPHEN D. GILKENSON, vice presidents; JAMES M. FRANKLIN, vp-finance and administration; MERRILEE P. CRAIN, assistant secretary.

Published biweekly at 740 Rush St., Chicago, Ill. 60611 (312-649-5200). Offices at 708 Third Ave., New York, N.Y. 10017 (212-986-5050); Suite 1253 National Press Building, Washington, D.C. 20004 (202-638-5300); 6404 Wilshire Blvd., Los Angeles, Ca. 90048 (213-651-3710). 75 cents a copy. \$15 a year in U.S. Foreign \$5 a year additional. WILLIAM STRONG, vp-circulation. PAMELA JANOUSEK, circulation manager; ROGER DiGREGORIO, fulfillment director. Four weeks' notice required for change of address. Address all subscription correspondence to Circulation Department, Business Insurance, 740 Rush St., Chicago, Ill. 60611. Telex number 25-4248; Cable address: CRAINCOM. Microfilm copies are available from University Microfilms, 300 Zeeb Rd., Ann Arbor, Mich. 48103. Microfiche copies are available from Bell & Howell, Micro Photo Division, Old Mansfield Rd., Wooster, Ohio 44691.



Member of Business Publications Audit of Circulation





# NATIONAL UNION BELIEVES IN PRODUCT LIABILITY COVERAGE THAT LASTS.

There's no substitute for good old fashioned product liability insurance.

That promises: If we covered a product at the time of injury, we'll honor a claim even if the policy is no longer in force.

That's why National Union is filling a major gap in the market. By reintroducing—in a big way—traditional occurrence product liability insurance for qualified risks.

With full \$1,000,000 limits. Plus defense costs up to 10% of limits.

With complete development-to-delivery engineering consultation services as part of

the program. Not just inspectors.

As an option, lower-cost claims made coverage is also available.

Best of all, National Union will write product liability, period. Without supporting insurance.

National Union, a member of the American International Group of insurance companies, is an admitted carrier in all 50 states.

For more information on all types of National Union product liability insurance, call your broker or send the coupon.

• NATIONAL UNION FIRE INSURANCE  
• COMPANY OF PITTSBURGH, PA.

• Dept. A, 102 Maiden Lane, New York, New York, 10005

• Please send more information on Product Liability coverages.

• Name \_\_\_\_\_ Title \_\_\_\_\_

• Phone \_\_\_\_\_ Company \_\_\_\_\_

• Address \_\_\_\_\_

• City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_



• A Member Company of American International Group

BSIN-6-220



EST. 1899

## DAVIS, DORLAND & CO. INSURANCE BROKERS

99 CHURCH ST., N.Y., N.Y. 10007

TEL: (212) 791-2100

### Product liability reserves

## Little tax impact seen for self-insurance plan

WASHINGTON—A federal agency's proposal to permit tax deductions for self-insurance funds that businesses set aside in a special reserve to pay product liability claims may only have a minimal impact on the U.S. Treasury.

The Commerce Department's recommendation that businesses be allowed to deduct a maximum of \$100,000 annually for money paid into a product liability self-insurance reserve would result in a tax revenue loss of only \$133 million in fiscal year 1979, according to an analysis made by the Joint Committee on Taxation.

In addition, the revenue loss

would decrease markedly in succeeding years. In fiscal year 1980, the revenue loss would drop to \$110 million and by 1982 the revenue loss would be down to \$22 million.

According to congressional sources, the Joint Committee's analysis was made at the request of Rep. Joe Waggoner Jr. (D-La.), chairman of the miscellaneous revenue measures subcommittee, which has jurisdiction over proposals that allow tax deductions for self-insured product liability reserves.

The sources said the Joint Committee's estimate was made after it analyzed 1.6 million corporate tax returns. One source said the committee's analysis "is as good or better than anything else done in the field."

The American Insurance Assn. currently is working on its own analysis of the tax revenue loss implications of the Commerce Department's and other liability self-insurance proposals.

However, AIA counsel Walter Vinyard Jr. estimated earlier this year that a measure introduced by Iowa Democratic Sen. John Culver would mean the loss of over \$2.4 billion a year in tax revenues from six major corporations alone—Boeing, Dow Chemical, General Motors, General Electric, Union Carbide and Warner & Swasey. Sen. Culver's bill would allow firms to deduct up to 3% of annual gross revenues for a product liability loss reserve.

Hearings on the Commerce Department and other tax deduction proposals have been delayed. Those hearings, to be held by a House Ways and Means subcommittee, had been scheduled for this month.

Chances of any tax deduction product liability plan to clear Congress this session are remote, a Congressional staffer said. He doubted that more than six members of the 37-member House Ways and Means Committee have a strong interest in the concept.

"The tax deduction proposals have not developed enough in-house support in Congress, and especially on the Ways and Means Committee, to get it bumped ahead of other measures," the staffer said.

### Consultants form audit company

NEWPORT BEACH, Calif.—A new company that will audit liability and workers compensation claims has been formed by risk management consultants Warren, McVeigh & Griffin and Kenneth J. Savage, claims management consultant.

Mr. Savage will be the managing partner of the new firm, to be known as Warren, McVeigh, Griffin & Savage.

Warren, McVeigh & Griffin began consideration of the new firm after encountering inefficiencies in claims management and the need for expertise to pinpoint causes and remedies, according to a spokesman for the consulting firm.

In accord with the professional ethics of risk management consultants, no assignments will be accepted from insurance companies, brokers, independent claims adjusters or others whose services could be the subject of analysis.

Attention to detail is the mark of a taut ship.  
And so it is at The Atlantic Companies.



PHOTO BY STANLEY ROSENFELD

At the Atlantic Companies we take pride in our attention to detail, well-harbored resources, quick and thorough service, and prompt and ungrudging claims settlements. That's the seafaring tradition in which we provide the very adaptable Atlantic Mutual or Centennial "Safeguard" package for covering businesses large and small. Our "Safeguard" is tailored for your business by selected independent agents and brokers.

Take advantage of our skilled crew. We've been running a taut ship for 135 years.



## The Atlantic Companies

Atlantic Mutual Insurance Company • Centennial Insurance Company  
Insurance in the seafaring tradition since 1842.

Home Office: Atlantic Building, 45 Wall Street, New York, N.Y. 10005

# We look, but do we see?

What's the first thing that comes to mind when you view this photo for the first time?

If, through shape association, you see a flame, that will tell you something about the mind's influence over the eye.

You're looking at the mineral coloration on the nearly dry bed of Owens Lake in California. Isn't it ironic that water could look like fire. Two totally opposite elements. Two adversaries, when it comes to industrial loss control.

Fire is, and has always been, the greatest single threat to industrial property. And water is still the first line of defense against fire.

As part of the Factory Mutual System, Allendale Insurance has done more to understand the destructive nature of fire in industry, and its control with water, than possibly any other organization in the world.

Let us share our understanding with you. So that when you look at fire or water you'll see them for what they are.



**Allendale Insurance**

Allendale Park, Johnston, Rhode Island 02919



The **INN** foreign poli



# 3.

## One domestic phone call should put you in touch with a world of international insurance expertise.

In the world of international insurance, the insurance rule of one country is the exception of another. So, by definition, a major international underwriter must have many experts, located in many countries, speaking many different languages. For the U.S. agent or broker, this can cause problems. You know the expertise is there—somewhere—but who do you call? And where do you call?

At INA International, one single *domestic* phone call will put you in touch with our world of insurance. That's because each of INA's seven domestic "international" offices is linked directly to over 100 INA facilities around the globe. If the expertise is not immediately available at the office you've called, we can easily track it down and respond to you promptly.

You shouldn't have to search for the answers you need within your international underwriter's organization. At INA you don't have to. One phone call does the job.

For further information and a new brochure write INA International at 1600 Arch Street, Philadelphia, PA 19101, or call one of our seven domestic offices in Philadelphia (215-241-2460), Houston (713-626-5060), Los Angeles (213-480-4270), New York (212-233-5010), San Francisco (415-391-9310), Atlanta (404-688-3228), or Dallas (214-688-0326).

---

*INA International, whose network of worldwide facilities is the largest of any single U.S. based insurance company, has developed a number of operating standards that should prove of interest to agents and brokers.*

*This is the third in a series.*

cy policy.

## around the states

# Florida fails to okay major work comp reforms

TALLAHASSEE—The Florida legislature adjourned last month without completing action on proposals that would drastically change the state's workers compensation system.

A proposal introduced by Rep. Thomas Patterson that called for awarding workers compensation benefits on the basis of loss of actual wages rather than on the degree of impairment and loss of earnings capacity was defeated by the House Commerce Committee.

The committee also voted against another part of Rep. Patterson's measure that called for replacing the current schedule of payments for different injuries

with a percentage scale so the amount of payments would have been based on the degree of permanent injury.

Under the percentage scale, an injured worker would have received \$100 for each percentage point of disability, up to 10% disability. Workers who were 11% to 25% disabled would have received \$200 for each percentage point of impairment.

### Liability limit

MADISON, Wis.—The City of Brookfield, and its liability insurer, Sentry Insurance Co., are anxiously awaiting a supreme court

ruling on the constitutionality of the state's \$25,000 statutory limit on governmental liability.

The court heard arguments in April on a judgment exceeding the liability limit against the Somerset School District. A decision was expected in May and is now anticipated to be handed down this month.

Brookfield is facing a \$946,000 judgment awarded by a jury to a plaintiff who was injured in an automobile accident. The city was found liable for improper road design that allowed the formation of ice on the highway. The icy highway allegedly contributed to the cause of the accident which left the

plaintiff paralyzed from the chest down.

Circuit Court judge Max Raskin ruled the statutory limit on liability unconstitutional in the Brookfield case. Brookfield and Sentry plan to appeal the ruling. It's possible the supreme court decision in the Somerset case "could be written to govern our case," said Brookfield city attorney George Schmus.

### Captive proposals

ST. PAUL—Hearings could be held this summer on a proposed captive insurance company law for Minnesota. The bill appears to be modeled after the Colorado law,

but its sponsor, Democrat Jerome O. Gunderson, said the bill is "just a sketch now" drawn before the end of the legislative session. "I was anxious to get something in the hopper," he said.

Sen. Gunderson was prompted to propose a captive law for when he saw that the University of Minnesota had created a Bermuda captive last year to insure the first \$3 million of its liability exposures.

Alexander & Alexander vp Don Bullene, who handles captives in A&A's Minneapolis office, said, "There is a definite need in the state of Minnesota for a captive law. There is a large number of home offices of corporations here, which is not true of Colorado or Tennessee," the only states with captive laws on their books.

Last winter, hearings were also held in the state of Washington on a captive insurance company law, but a lack of interest in the idea in that state and opposition from the insurance commissioner laid the bill to rest without its ever having been introduced.

### Rates slashed

COLUMBUS—The Ohio industrial commission has announced that workers compensation rates will be reduced 25% across the board during the second half of 1978 because the state apparently has been overcharging employers.

Commission chairman William Johnston said all insurance bills will be cut by 25% in June. Those bills are for injured workers insurance the last half of this year. The cut will reduce bills a total of \$71.2 million.

The commission has in each of the last two years increased insurance rates 30%, but the system is collecting more money than the fund needs. Mr. Johnston said the last 30% hike probably was too much, but he's not sure how much too much.

The commission will set new rates for 1979 by July 1, and they probably will reflect the flat 25% decrease it has approved.

Actuaries said two years ago that the state's insurance fund had a \$1.3 billion deficit. In 1976, that projected deficit was \$700 million. Mr. Johnston said that figures for last year are not complete.

### Written rulings

SALEM—The Oregon appeals court has announced it will no longer issue written opinions in workers compensation cases that involve only factual questions.

The court has decided child custody and criminal appeals without written opinions for several years. Last year it decided 145 workers compensation cases.

There has been an upsurge in workers compensation appeals since the 1977 state legislature said appeals could go directly from the workers compensation board to the appeals court, bypassing the circuit courts. In the last four months of 1977, 84 workers' appeals went to the court, compared with 39 in the same period in 1976.

### Special rates

HARRISBURG—Pennsylvania commonwealth court has upheld the state insurance commissioner's right to set rates that put a heavier burden on groups more able to pay.

The action means the state can structure the rates so senior citizens pay less and younger people still earning incomes pay more. ■



## Don't Quote Us.

Frankly, when price and price alone is king, we'd just as soon pass the buck. Our Group Dental, Group Pension and Group Life plans compete on *total value*. We place a premium on what you get for what you pay. Like quality benefits, the best computerized pension and profit sharing employer and employee status reports around, prompt and fair claims handling, continuous personal service, and . . . price. If this is the way you look at costs, great. We're going to be an unbeatable team. **And you can quote us on that.**

**State Mutual of America**  
has a lot of good Group ideas.

**Totaling Financial Services:** Quality employee benefit programs. Individual life, disability income with Non-Smoker Discounts. All forms of personal and business retirement income plans.

**Yes,** you might be able to quote me. Please deliver information about your Group:

- Life  Allocated Investment Dollars  
 Smile Guard Dental  Pension and Profit Sharing  
 Disability Income  All of the above

Other: \_\_\_\_\_

Name \_\_\_\_\_

Firm Name \_\_\_\_\_

Street Address \_\_\_\_\_

City \_\_\_\_\_

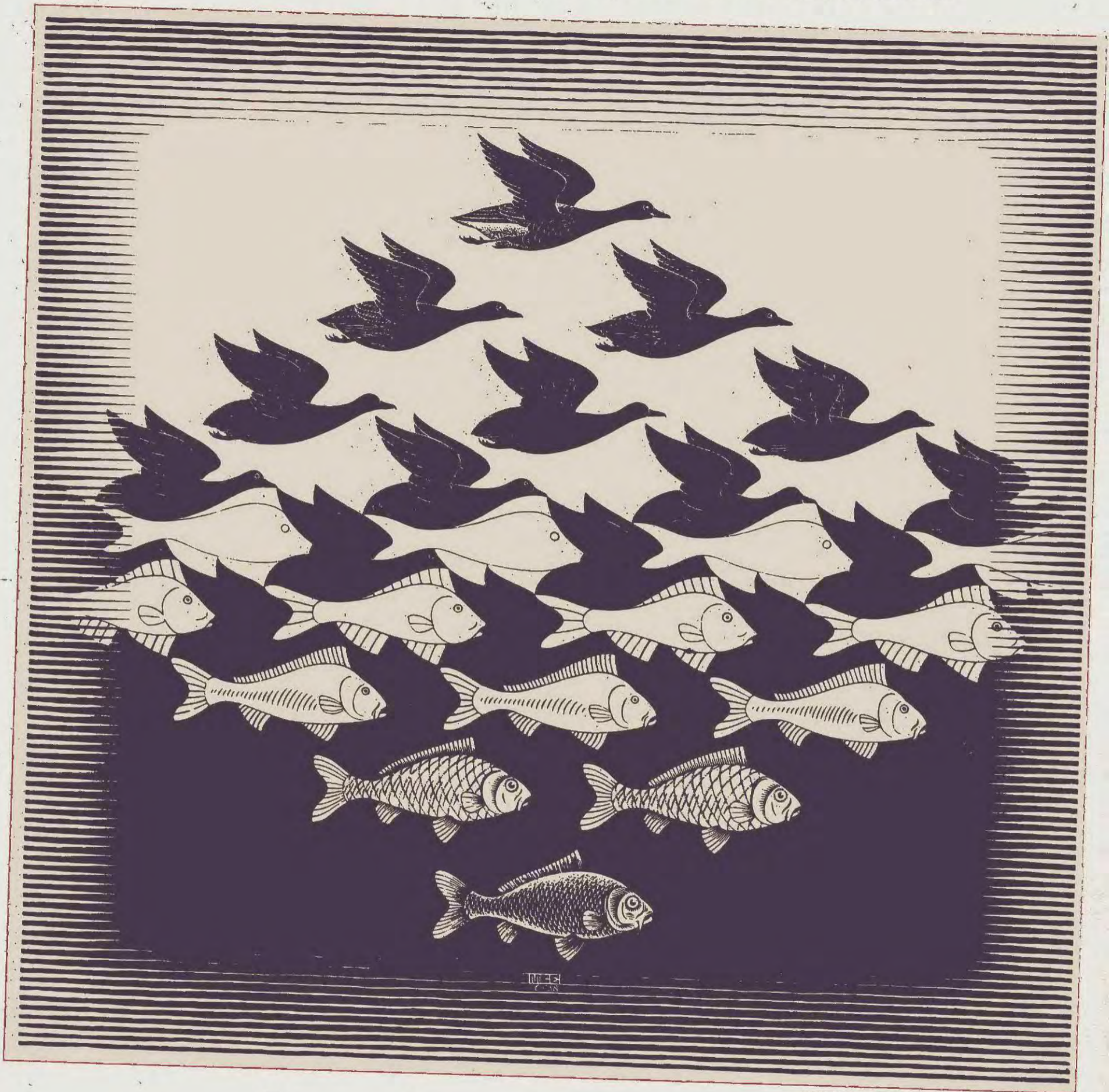
State \_\_\_\_\_

Zip \_\_\_\_\_

Telephone \_\_\_\_\_

Mail to: State Mutual Life Assurance Company of America  
Worcester, MA 01605. Attn: Mr. Crawford.

# Active Reinsurance is Flexible



M.C. Escher, Sky and Water I. Authorized Reproduction.

**I**t is compatible with uncommon needs and common goals. It shares exposures, adds financial strength, and suggests underwriting direction.

Active Reinsurance. Add its flexibility to your plans for growth.

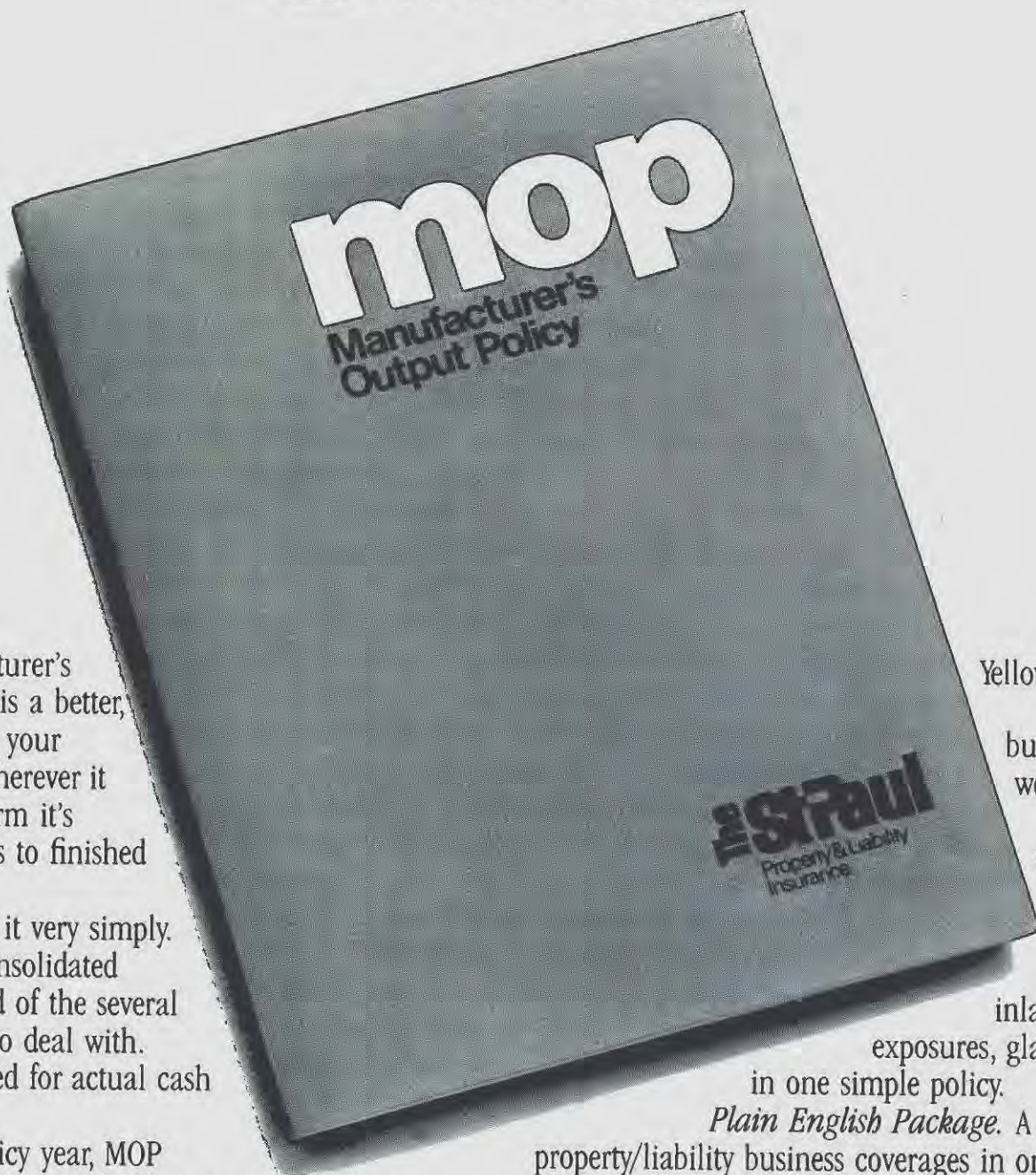


## General Re

*Active Reinsurance*

**What would you call  
a policy that  
protects parts coming in,  
finished products  
going out,  
inventories stored  
wherever,  
and most everything  
in your  
main plant?**

# Better.



The St. Paul Manufacturer's Output Policy (MOP) is a better, simpler way to protect your company's property, wherever it is. And in whatever form it's in, from raw materials to finished products.

And you can do it very simply. MOP coverages are consolidated into one policy instead of the several you'd normally have to deal with. Property can be insured for actual cash value or selling price.

During your policy year, MOP coverage automatically expands or contracts according to the value of property covered. That way, your assets are protected in peak or slow times. Whether inventories are high or low. Whether your firm is receiving, shipping or storing materials. Or all of these. All in one policy. There's also automatic coverage for new non-manufacturing facilities without notifying The St. Paul.

What's more, there's usually no deposit premium, which lets you handle premiums on a pay as you go basis. Which, in turn, can help cash flow. Good loss experience and deductible options can keep your insurance costs down. And there's no coinsurance required.

Want more information? Contact your Independent Insurance Agent representing The St. Paul. Check your

Yellow Pages.

Here's more business insurance we've made better:

*COMPACT.*

Commercial property insurance for buildings, contents, inland marine

exposures, glass and more in one simple policy.

*Plain English Package.* A variety of property/liability business coverages in one policy, without all the gobbledygook.

*EDP.* All-risk computer insurance from the company that originated data processing insurance.

*Umbrella Excess Liability.* One million dollars excess liability coverage on small businesses for as little as \$200 per year. Can also handle larger accounts with limits up to \$20 million.

*Commercial Auto.* The St. Paul has the expertise, people, resources and stability to back you strong in this coverage.

*Inland Marine.* We're one of the largest across the board writers. We've built expertise since 1853.

## We keep making insurance better.



Serving you through Independent Agents. St. Paul Fire and Marine Insurance Company/St. Paul Mercury Insurance Company/The St. Paul Insurance Company/St. Paul Guardian Insurance Company/The St. Paul Insurance Company of Illinois: Property and Liability Affiliates of The St. Paul Companies Inc., Saint Paul, Minnesota 55102.

## To make judgments more equitable

# Judge predicts changes in negligence

By HARRIET KING

SEATTLE—Changes in comparative negligence laws will be forthcoming not only in Washington state but nationally, contends the presiding judge of the King County Superior Court.

"The laws are evolving," says Judge Lloyd Bever, who recently gave the Washington chapter of the Risk & Insurance Management Society an update on comparative negligence. "We'll likely see changes in the laws that will make comparative negligence fairer to all." The judge adds that, "I don't really call the present law comparative because it isn't really comparative, it's a contributory negligence offset, to be precise."

Judge Bever makes the distinction because, under the law, a plaintiff's award is reduced or "offset" by the extent to which his own negligence contributed to the damage he sustained. However, the negligence of defendants is not necessarily compared in awarding damages. In fact, a defendant responsible to only a minor extent may have to pay all or most of a given award.

Multi-pronged changes are pending, the judge contends. First, he believes comparative negligence principles will soon be extended to product liability in this state. A California superior court judge did exactly that in *Daly vs. General Motors Corp.* just this spring, he notes.

"Our state supreme court may follow the California law in cases appealed to them. In the past, some of our precedent law has come from California and it can be expected that this may have an influencing affect," says Judge Bever.

However, the California case "may be just the leak in the dike and we'll see new areas open in the future, other than product liability, where comparative negligence principles will be applied," he says. "In fact, it might expand into any area of injury or damage law."

He also predicts that the state law will be changed in the 1979 legislature. "The contribution theory will be altered, as it can be inequitable against the parties at fault," he says. He adds that soon, changes will make the law fairer in awarding judgments against those who are really at fault, not just those who are most able to pay.

"Today, one defendant with minor liability may bear the brunt of the judgment if he is the more solvent," says Judge Bever. "Someone contributing as little as 10% of the total negligence may be paying 90% of an injury. It is inequitable because the parties responsible for the larger percent may not pay for anything. I'd like to see a more equitable distribu-

tion."

In time, however, he feels that a defendant will have some recourse to sue other responsible parties. "That defendant should be able to say (to another tortfeasor) 'We were sued and a \$500,000 judgment was awarded and you were mainly at fault. So you should reimburse us,'" says the judge. "There is general agreement that that would be a good rule."

Regardless of changes in the law, however, he says that the injured plaintiff will probably always be able to recover from a defendant who may be only partially responsible for the damages.

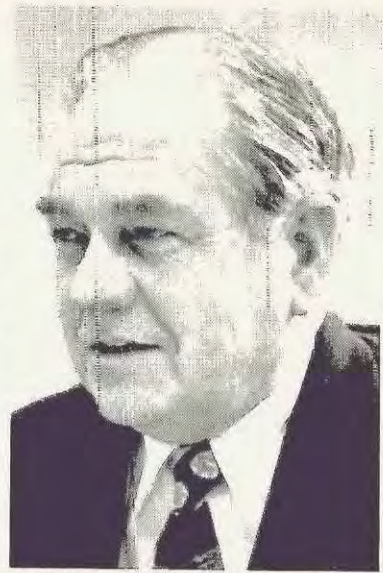
Since Washington state's com-

parative negligence law went into effect in 1974, "we've seen a reduction in the case load in the courts," says Judge Bever. Under the old law, if the plaintiff was in any way contributory, he was not likely to get anywhere if he brought a suit. Therefore, the defendant would be willing to go to trial if he thought he could prove even 15% negligence on the part of the plaintiff, notes the judge, who considers this "harsh at times."

Today, however, the defendant "can concede something he wouldn't have conceded before, so fewer cases are coming to trial. However, they are being settled out of court, so the legal costs are still there," he says.

Jury awards have remained about the same, says Judge Bever. "When you look at it overall, there is not that great a disparity. It is still the same when you evaluate what goes into damage awards, from the standpoint of loss, pain and suffering and disability. Of course, inflation has something to do with it, too."

Does he expect to see a change in the attitude of society in terms of the dollar amount of court settlements? "Not unless we go into a different type of an evaluation plan—and even Congress is having problems wrestling with compulsory no-fault laws," says the judge. "It's difficult to say what it will all lead to."



Judge Lloyd Bever: "One defendant with minor liability may bear the brunt of the judgment if he is the more solvent."



## MEMO FROM MARSH & MCLENNAN

### It used to be easy to tell the good guys from the bad guys.

Not any more. Many of today's most elusive criminals don't look much different from you and me. They may be right there on your payroll, without you knowing it. That is, until it's too late.

That's one reason why banks, stockbrokers, insurance companies and other financial institutions, though among the most respected elements of our business community, are beset by some of today's most severe insurance problems.

In the area of crime losses alone, many financial institutions have had difficulty obtaining adequate amounts of insurance and some even operate without coverage. In newer

## Small group plans offered

HARTFORD — Connecticut General Life Insurance Co. has designed a program of group life and health benefits for small businesses that emphasizes health care cost containment.

The new benefit program is designed for companies with 10 to 50 employees.

To encourage the use of less expensive forms of medical care, the plan emphasizes pre-admission testing, pre-surgical consultations, free-standing surgical facilities, skilled nursing facilities and home health care.

# Florida firms pool and not a claim since April

By JERRY GEISEL

LAKELAND, Fla.—Florida's first workers compensation self-insured fund that will cover all risk categories is rolling here and expects to have a premium flow of \$3.5 million during the first year of business.

That may only be the tip of the iceberg. "For our long-range potential, we may get 30% to 40% of the nearly \$600 million Florida employers now spend on workers compensation premiums," says C. C. Dockery, administrator of the Associated Industries of Florida Self-Insurers Fund.

Trade group sponsorship of a workers compensation self-insured fund is not a new concept in Florida. For example, groups such as the Florida Automobile Dealers Assn. and the Florida Nursing

Home Assn. sponsor successful workers compensation programs for members.

Those plans, however, only cover the trade group members, all of whom are in the same line of business. As the state's major business trade group, Associated Industries of Florida's membership roll cuts across all manufacturing and industrial lines.

Since the program is open to any qualified member of Associated Industries of Florida, the butcher, the baker and the candlestick maker will be able to participate for the first time in a self-insurers fund.

Aside from opening up a vast new market for Florida employers, who have found the going rough in the conventional insurance market, the program may help slash

constantly rising workers compensation expenses for state businesses.

By operating the fund with an administrative staff trimmed of all fat and by keeping a rigid eye on safety, Mr. Dockery believes the fund will show a healthy profit allowing some members to receive as much as a 40% cash dividend.

The key to a successful workers compensation program is safety and efficient claims handling, Mr. Dockery said. Companies that want to participate in the fund will have their loss experience screened for at least the last three years.

Firms that lack a solid commitment to safety or are poor credit risks may be rejected, Mr. Dockery said.

Once in the program, members' workplaces will be inspected

periodically by industrial safety engineers from Risk Management Services Inc., a subsidiary of Frank B. Hall & Co.

Employers can expect a minimum of two inspections a year, although some workplaces may be inspected as often as once a month to see that all safety regulations are being observed.

After each inspection, Risk Management Services engineers will draw up a report listing safety violations. The employer is given a copy of the report and urged to correct the unsafe working conditions immediately.

Mr. Dockery, who is a veteran in the workers compensation field, also receives a copy of the Risk Management Services safety report. If he sees glaring safety violations, he calls the employer to be

sure that the violations are corrected immediately.

If the employer hasn't corrected the violations by the time of a follow-up inspection, the fund has the option of canceling coverage.

The AIF fund should be a boon to companies with clean risks as well as for those companies that have found coverage difficult to obtain from insurers.

For example, an employer may have an excellent loss experience record, but an insurer may deny coverage simply because the firm falls within a bad risk classification. The firm then has to trudge over to the state assigned risk pool for coverage and is slapped with an automatic 8% surcharge.

The AIF fund has no surcharges. Manual premiums are charged. And the fund never would exclude a risk because it fell within a high risk category.

Advance discounts—ranging up to 15% of the standard premium—are offered to fund participants. The size of the discount depends on how big a premium the company pays.

The real savings, though, is in the fund's innovative dividend plan. Due to low administrative overhead, 70% of the premium dollars flowing into the fund can be budgeted for claims.

Since claims may eat up only 60% of the premiums and maybe less, the fund may show at least a 10% underwriting profit, Mr. Dockery said. Those profits then would be funneled back to fund members.

By contrast, insurance companies writing workers compensation don't pay dividends. Thus a firm that paid \$100,000 in annual workers compensation premiums and only had an annual claims loss of \$20,000 would not receive a dividend if its workers compensation program were written with an insurance company.

The profitability of the fund, the safety record and amount of premiums paid determine how much a member receives in dividends. If the fund earns a 10% underwriting profit, a member who paid \$100,000 in premiums and had excellent loss experience might receive as much as \$40,000 in dividends, said Mr. Dockery.

"With a self-insured fund, you have the best of two worlds," Mr. Dockery said. "You can offer high discounts up front and then give back your profits in the form of dividends."

Excess coverage is provided by Lloyd's of London. The Lloyd's policy covers losses in the \$100,000 to \$1.1 million layer, on an occurrence basis.

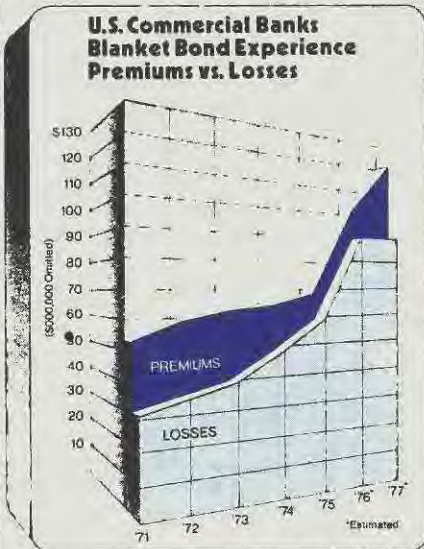
The fund also has an annual aggregate stop loss policy with Lloyd's. Under that policy, the fund puts aside 70% of premiums to pay for claims. Once that fund is exhausted, the Lloyd's policy will pay all claims up to the next million dollars.

Right now, the fund has 16 members. The average premium now paid into the fund is about \$15,000. But as the fund expands this summer, Mr. Dockery expects the average premium to jump to \$60,000.

The fund has been sailing on smooth waters since it went into business April 1. In fact, the fund has yet to receive a claim.

areas of insurance coverage—such as liability under ERISA, Electronic Fund Transfer, Automated Teller, and Debit Card—underwriters have granted insurance either sparingly or not at all.

Overall, insurance coverage in



this field has undergone several rounds of policy restrictions and substantial increases in deductibles in recent years.

## Two factors compound the situation.

First of all, the insurance market for most coverages purchased by financial institutions is served by a limited number of insurance companies, few of size, and several offering only specialized lines of coverage.

Second, in the category of crime insurance coverage, the insurance industry has paid out tremendous sums of money over the past five years, resulting in large operating deficits even after taking into account investment income.

Consequently, there is a crucial shortage of the capital and surplus necessary to provide

for the insurance requirements of the financial community. Paradoxically, these factors have converged at a time when the risks of loss confronting financial institutions have increased many times because of new technologies and business expansion, coupled with changes in the social and legal environment in which financial institutions operate.

## How Marsh & McLennan is tackling the problem.

**Specialization!** By bringing together a group of financial institution insurance professionals and making this a Marsh & McLennan resource available to our clients anywhere. The diversity of skills represented by this group, which can be tapped through our offices, includes experts in risk analysis, underwriting, claims management and loss prevention, as they relate to the truly unique loss exposures faced by financial institutions.

This group is actively engaged in an attempt to ease the pressure on financial institutions by increasing the underwriting capacity available to them, and by seeking widespread industry support for these efforts.

Further, in the area of crime claims, difficulty in establishing and proving losses is one of the most troublesome and frustrating aspects of this type of insurance. Marsh & McLennan, by concentrating the skills of its people in this field is thoroughly knowledgeable in the details necessary to establish claims properly with insurers. Also, we offer specific experience in the mechanics of documenting proof that losses were insured in those

cases where discovery of the losses was made long after the crimes had been committed.

Most of all, Marsh & McLennan has learned through specialization that standards for loss prevention, consistently applied are the best way to prevent or to reduce losses, and in turn, to reduce premiums.

Simply put, no insurance broker is better equipped or is better organized to respond to the diverse insurance needs of financial institutions.

In other words, we're good guys to have on your side.

*If you'd like to know more, we have prepared a kit containing up-to-date information on this important subject, which we'll send you on request. Write to Dept. 400 BI, Marsh & McLennan, Incorporated, 1221 Avenue of the Americas, New York, N.Y. 10020.*

*Our specialists in insurance for financial institutions are ready to serve you.*



**When it comes to insurance, come to the leader.**

# Marsh & McLennan

## Warrants won't cripple OSHA, experts believe

WASHINGTON—On Sept. 11, 1975, Idaho businessman Bill Barlow refused to allow an Occupational Safety & Health Administration (OSHA) field officer to make a routine inspection of his electrical, plumbing and heating subcontracting firm in Pocatello without a search warrant.

Mr. Barlow said OSHA's warrantless inspections violated the Fourth Amendment which protects citizens against unreasonable searches and seizures and filed suit to stop those searches.

Last month, the Supreme Court, in a 5-3 decision, agreed with Mr. Barlow, ruling that OSHA could no longer make searches of an employer's workplace looking for

job-safety violations without first obtaining a warrant.

While the decision is a victory for Mr. Barlow, and the conservative forces that helped finance his three-year legal battle, the ruling is not considered a major blow to OSHA.

While OSHA now will have to obtain a warrant from a court before making a search, OSHA still will retain the element of surprise in its inspection program by obtaining warrants in advance without notifying the employer.

"We are unconvinced . . . that requiring warrants to inspect will impose serious burdens on the inspection system or the courts will prevent inspections necessary to

enforce the statute, or will make them less effective," said Justice Byron White who wrote the opinion for the court.

At a news conference, OSHA chief Dr. Eula Bingham said the decision would result in more paperwork, more expense and litigation but added that the federal safety agency would not be significantly affected as long as businesses continue to consent to inspections without warrants as most currently do.

The AFL-CIO said the decision may "delay and complicate" OSHA enforcement of safety laws. The U.S. Chamber of Commerce, on the other hand, saluted the court's "blow for freedom."

The National Assn. of Manufacturers praised the court for upholding the constitutional right on search requirements and due procedure, but cautioned that the decision "paves the way to easy acquisition of warrants by OSHA inspectors." ■

## Insurer wins \$19 million in falling glass case

By REBECCA A. FANNIN

INDIANAPOLIS—College Life Insurance Co. moved into its freshly built, pyramid-shaped headquarters here in 1972 but soon afterwards its outside walls constructed of steel casings and glass fogged up and fell out and its concrete plaza cracked.

The life insurance company was recently compensated for its troubles when a federal court here awarded actual damages of \$5.2 million against the architect, Kevin Roche, John Dinkeloo & Associates in Hamden, Conn.; the bonding company for the general contractor, Fidelity & Deposit Co. of Baltimore; and the glass sup-

plier Libbey-Owens-Ford of Toledo.

In addition, punitive damages of \$10 million were awarded against the bonding company and nearly \$4.2 million were assessed against Libbey-Owens-Ford.

College Life's problems are similar to those of the John Hancock Tower in Boston. Both used double-layered, reflective glass supplied by Libbey-Owens that cracked and fell out.

The glass in the John Hancock building was replaced. Likewise, College Life Insurance is replacing its current plywood windows with different processed glass from Libbey-Owens and is replacing the steel casings that make up the "curtain wall" construction of its three buildings. Two walls of each building are made of the glass "curtain wall" while the remaining two walls are concrete.

*Business Insurance* learned that the architect has general liability coverage of \$1 million with a \$2,500 deductible from Victor O. Schinnerer, the chief architectural insurer and an underwriting manager for such professional liability policies for Continental Casualty Co.

The limits of coverage are reportedly pretty low for a relatively large firm like Kevin Roche. The architectural firm is well-respected for its unique designs, among them the Dulles Airport in Washington, D.C., and the stainless steel gateway arch in St. Louis. Sources said the firm hasn't had claims problems.

Insurers or amount of coverage for Libbey-Owens-Ford, however, couldn't be determined. Libbey-Owens said it is involved in a "dispute with all its carriers," and thus declined to comment further. Sources said the glass supplier's insurer is Aetna Life & Casualty, but this couldn't be confirmed.

Fidelity & Deposit Co. also declined to comment about any coverage it has in order to pay the liability award.

But the bonding company labeled the \$10.2 million punitive damages verdict against it as "unconscionable," and "not proper from a legal standpoint."

Fidelity & Deposit is planning to attempt to reverse the award and Libbey-Owens also said it would probably appeal.

Robert R. Beach, College Life's treasurer, said punitive damages were justified because of the defendant's "unconcerned attitude" about the "cost, time, trouble and embarrassment" that College Life endured because of the construction problems.

College Life's complaint against Fidelity & Deposit, the bonding company, was that it failed to see that the construction job was completed after the general contractor, Midrepublic Construction Co., went bankrupt.

Mr. Beach said his company hired its own general contractor to carry on with the job.

Punitive damage awards against surety companies are unusual, according to sources. The last such punitive damages came in the Crevolin case, which concerned the building of a Holiday Inn, and sent huge shock waves through the surety business, sources said.

Total out-of-pocket costs for College Life to complete the job were more than \$5 million, approximately the same amount as the actual damages awarded against the three joint parties, Mr. Beach said.

The case was before federal court for five months. ■

## Nationwide has big plans for your business

If your business has a variety of group insurance needs, you really ought to find out about Nationwide's plans. They offer a breadth of features that are tough to beat.

For instance, Vision Care coverage with benefits for annual checkups as well as corrective treatment. Or a sophisticated Dental Care Program. Both are available with any of our group life plans. Both are designed to give you an edge over a lot of your competition.

Our Group Pensions Department offers another advantage—a guaranteed interest return contract for Profit Sharing Plans *regardless of size*. Generally, only the largest plans are offered such contracts. With Nationwide, a \$20,000 deposit will qualify.

Then there's our Major Medical Plans. All have \$250,000 maximums and \$1,000 stop-loss provisions.

Find out more about Nationwide: our plans that cover group insurance needs of almost every description and our claims service with its capacity to process your client's claims quickly.

Send in this coupon and find out what big plans Nationwide has for your business.

Nationwide Insurance **BI-6-B**  
One Nationwide Plaza  
Columbus, Ohio 43216

Please give me detailed information on Nationwide's Group Insurance Plans.

Name

Company Name

Address

City

County

State  Zip



**NATIONWIDE  
INSURANCE**

Nationwide is on your side

Nationwide Life Insurance Company.  
An equal opportunity employer.



Nationwide's new 40 story headquarters. Opened December '76.

# A good thing sure looks better when you've been away for awhile.



Take us for instance. Not long ago some very attractive rates for architects and engineers showed up on the professional liability scene. So attractive, we didn't see how such rates could provide adequate coverage and service. Nevertheless, those rates lured a lot of design professionals—some even away from us.

Sure enough, the new rates turned out to be too low to meet the costs of even the sketchiest coverage. Architects and engineers who thought they were getting a deal are beginning to see hefty increases, while our rates have only increased modestly.

We're not surprised. It's been 21 years since we sat down with AIA, NSPE and Continental Casualty Co., one of the CNA in-

surance companies, and came up with a breakthrough in liability coverage. In that time, we've seen insurance companies come and go, making plenty of mistakes along the way. It is just as true now as then—there just aren't many corners to be cut in this business.

That's why we have always offered a total program rather than just a series of policies. From the most comprehensive loss prevention service in the industry to the only coast-to-coast team of expert defense attorneys, we give your client his money's worth. That's why we've got a record of consistent leadership. That's why ours is the only program commended by AIA and NSPE.

If your client is one of those who left us for

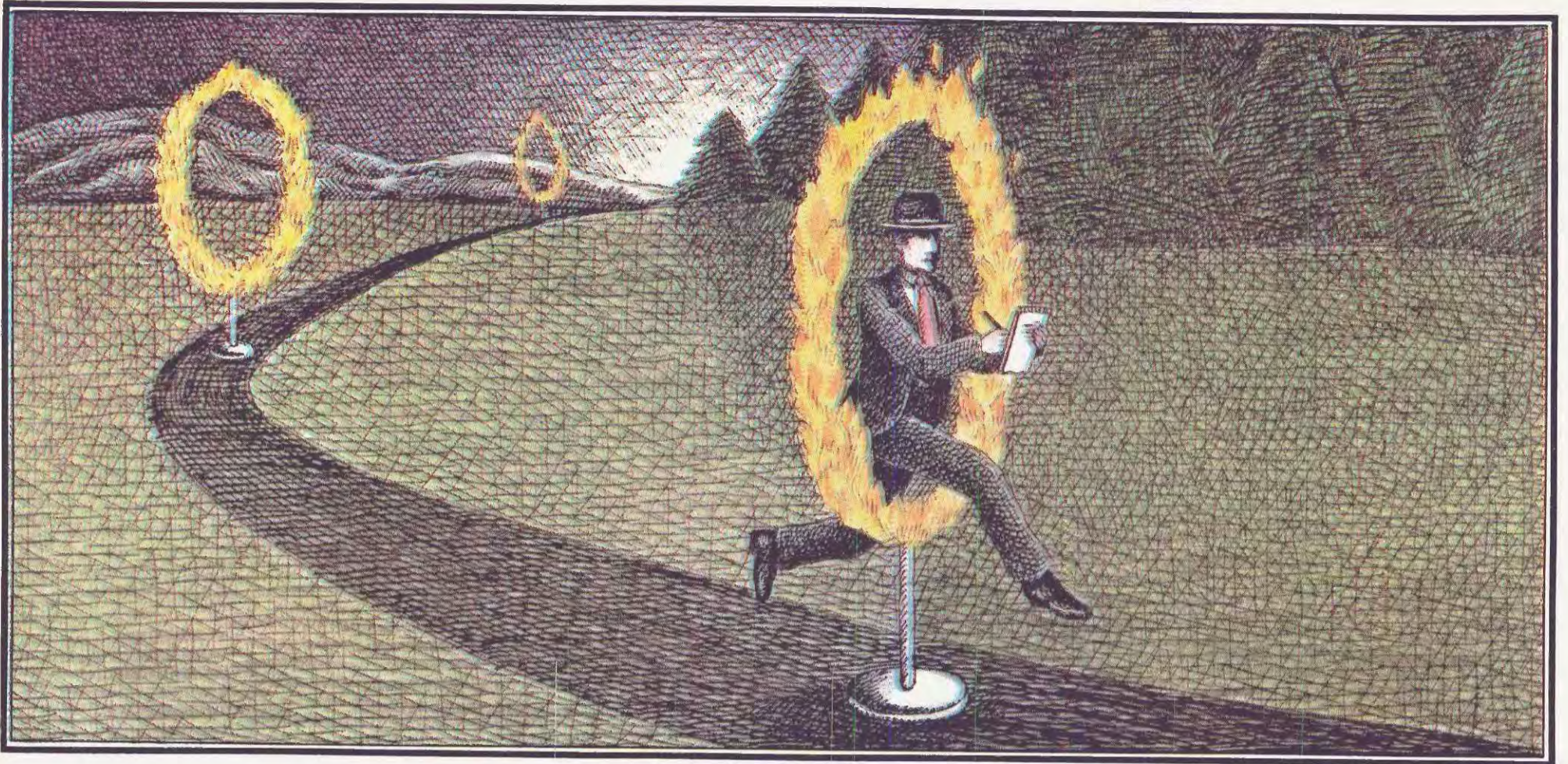
what seemed to be greener pastures, he's probably watching them turn brown now. Consider this: he's got nothing to lose and plenty to gain by coming back. In fact, from a cost standpoint, he'll find we look very good. Especially after what's happened while he was away.

So before your client calls you first, get a quote from us. But don't be surprised if our line's busy. Victor O

**Schinnerer**

& Company, Inc.  
5028 Wisconsin Ave., N.W.  
Washington, D.C. 20016

# Handling Ins



As claims grow in size and complexity, effective claims handling becomes more critical. And analysis of claims records can provide vital information when assessing a risk management program.

A brief review by INA of an insurance topic of interest to business executives.

Because they are experiencing larger and more complex loss and liability claims, companies are paying increased attention to the way their claims are being handled. The trend to self insurance has brought many risk managers face to face with a full range of claims handling problems. But those who rely on outside carriers for most or part of their coverage also want to be sure of their insurer's claims capability

and responsiveness to the company's own evolving needs.

A company that does business nationally, for example, needs an insurance carrier with knowledgeably-staffed service offices throughout the country, and multinational companies need the same facilities overseas. Companies with broad exposures should expect claims representatives to be informed enough to deal with many kinds of complex

claims situations.

Claims service generally is a major consideration. All claims should be acknowledged, investigated and settled promptly. If there is a plant fire in the middle of the night, an experienced claims representative should be early on the scene. The insurer should also be effective in salvage and subrogation efforts. And reports after claims are settled should be complete, accurate and timely.

## Sensitive areas

Liability claims, in which third parties are involved, can be particularly complex, and many—such as product liability claims—can have serious public relations as well as financial ramifications. All liability claims cannot be paid routinely without eventually raising insurance costs, but challenges must be realistic or the

# Insurance Claims

only result will be unproductive legal bills. The insurer's claims staff must therefore be aware of the legal climate, undertake rigorous cost analysis and consider the best overall interests of the insured when undertaking a challenge.

Many companies that self-insure their risks also handle their own claims. Assembling a qualified staff to handle a stream of claims is a major commitment. And self-insurers, too, face sensitive claims situations.

A growing number of self-insurers have therefore decided to turn over claims handling administration to an outside firm. Such firms can usually provide a depth of professional claims personnel and statistical reports that summarize company-wide claims activity. An outside administrator can also serve as a buffer between the company and its customers when liability claims are involved, and may have more flexibility in challenging suspect claims—pursuing an employee's medical

history when investigating a workers' compensation claim, for example.

## Learning from experience

Whether a company handles its own claims or relies on a carrier or outside administrator, it is important that complete documentation on all claims be assembled and analyzed. Problem areas may be revealed—gaps or duplications in coverage, departments with unusually heavy losses, faulty record-keeping that makes it difficult to substantiate claims, or departments that are failing to keep the risk manager informed of equipment purchases or to report losses promptly, thereby jeopardizing coverage.

Many companies now assign retained losses to departments where they were incurred; when managers know losses may affect departmental profitability—and, possibly, bonuses—they will be more vigilant in preventing future losses and claims. And comparing annual claims reim-

bursments with risk management costs may suggest fundamental changes in insurance and self-insurance strategies. Experience should help set a course for the future.

INA's worldwide claims facilities are among the most extensive in the insurance industry. And two INA Corporation companies are leaders in their special fields: ESIS is one of the country's largest administrators of self-insurance programs and Recovery Services International provides subrogation services to both insurers and self-insurers.

\* \* \*

The Insurance Company of North America was founded in 1792 in Independence Hall, Philadelphia. Today it is the largest component of INA Corporation's international network of insurance and financial services companies. In property and casualty insurance and risk management services, life and group insurance, health care management, and investment banking, INA and its affiliated companies offer a unique combination of products and services to business and industry around the world.

INA insurance products and services are available through selected independent agents and brokers. For an informative booklet on current trends in claims handling, write INA Corporation, 1600 Arch Street, Philadelphia, Pa. 19101.

**INA**

The Professionals

## When all is not lost

It is possible to recoup part, or even all, of a loss—through salvage, recovering what value remains to damaged property, and subrogation, recovery from a third party responsible for the loss. For example, an expensive piece of machinery being shipped by freighter was washed overboard in a storm. A subrogating agent was able to recover the full value of the equipment from the shipping company by showing that the bill of lading called for the machine to be stored below deck. The manufacturer benefited in two ways: it recovered its deductible and avoided a loss which could have later affected its insurance premiums.



# Mich. doctors halt boycott of Blue Cross

EAST LANSING, Mich.—The Michigan State Medical Society (MSMS) called off its boycott of doctor participation in Blue Cross/Blue Shield of Michigan after the two organizations agreed to try and resolve their differences over cost control and physician reimbursement procedures.

The medical society, which objects to the use of the word boycott because of its legal implications,

had recommended last October that doctors withdraw as participating physicians with Blue Cross/Blue Shield of Michigan (BC/BS, Nov. 14, 1977). Blue Cross reports that only 400 doctors formally withdrew their participation during the boycott while 1,400 new participants signed up, giving BC/BS a net gain of 1,000 participating physicians.

The doctors revolt was precipi-

tated by BC/BS announcement of a new reimbursement policy, which it hoped would increase doctor participation in its plan, and a proposed target limitation on physician spending to control the rising cost of health care. The doctors also objected to provisions of the United Auto Workers contract with the big three automakers which provided more reimbursement for hearing and vision care

rendered by a participating BC/BS doctor than one without a formal agreement with the Blues.

According to the agreement approved last month by the medical society and Blue Cross/Blue Shield, a committee representing both organizations is being organized to work on a mutually acceptable cost control program and physician reimbursement policy.

Physician objection to the UAW

contract provisions is not addressed in the agreement, but a suit is pending in Michigan over the hearing care procedure. The contract provides that UAW workers and their families must be treated by a doctor participating in the BC/BS plan or a UAW worker will pay the entire cost of hearing treatment. The suit, filed against BC/BS, the automakers and the UAW on behalf of two doctors, charges that this payment provision interferes with doctors' freedom to practice medicine and deprives patients of their freedom to select their own doctors.

The special committee organized to work out differences between the medical society and BC/BS of Michigan will include four representatives of BC/BS, three medical society representatives and one representative of Michigan osteopaths.

"We're going to approach this mutually, rather than unilaterally," explained a BC/BS spokesman. He stressed, however, that the BC/BS board "hasn't approved anything concrete or formal."

It's hoped that the committee can come up with a mutually acceptable cost control program to go into effect Jan. 1, 1979. That's when the target limitation on expenditure (TLE) program designed by BC/BS was to go into effect.

No one is ready to discuss what a mutually acceptable cost control program might be, but the medical society maintains there is more to cost control than setting a total goal for physician spending as called for in the TLE plan.

If the committee appears to be making progress, BC/BS has said it intends to extend to all doctors in the state the new statewide screen applicable now to only participating BC/BS physicians. The screen is the maximum payment for various procedures. Doctors who are not formally participating in the BC/BS plan in Michigan are still governed by old screens which vary maximums for reimbursement by location and specialty.

William E. Madigan, chief of the division of negotiations for MSMS, said he sees the recent agreement between MSMS and BC/BS as a draw for the two organizations. Blue Cross/Blue Shield is closer to improving its physician participation and implementing a cost control program as it wanted, he said, and the doctors have obtained "a voice in Blue Cross/Blue Shield," as they wanted.

The new special committee will continue after its work is completed in the current controversies to handle any other disagreements between the Michigan state medical society and Blue Cross/Blue Shield.

## AT&T exec heads HMO group

MINNEAPOLIS—Lawrence P. Carrington, manager of benefits planning and development in the human resources department of AT&T, is the new president of NAEHMO, the National Assn. of Employers on Health Maintenance Organizations.

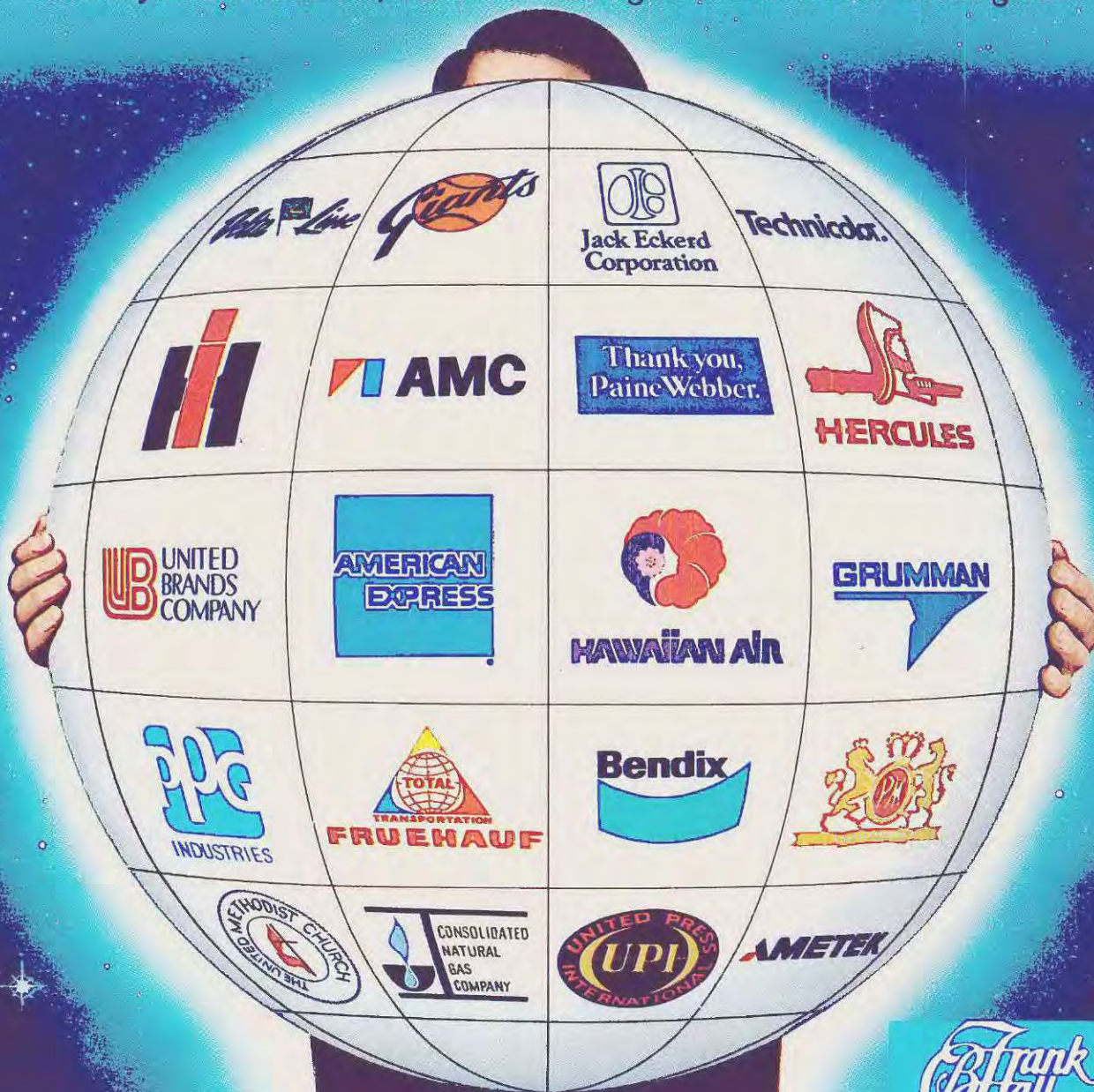
With 155 corporate members at two years of age, NAEHMO intends to expand membership to make its services even more valuable, Mr. Carrington said upon succeeding Bynum Tudor, corporate director of employee benefits at R.J. Reynolds Inc., as president.

NAEHMO's services to members include a national directory of HMOs and materials to aid the employer in offering an HMO.

NAEHMO's stated purpose is to "speak for industry on health care cost containment and to develop information, materials and services for members on health care cost containment."

# The Frank B. Hall of Fame. It's a world of impressive clients.

Today — indeed, since 1862 — corporations around the globe have been secure in the arms of the world's most inventive insurance broker. The one that devised the first airline protection ever. Created the first international benefits program covering employees in 87 countries. Was a pioneer in marine insurance. Led in original solutions for property-casualty risk protection. And now embraces the worldly needs of its 190,000 clients through 122 offices around the globe.



Frank B. Hall

We make you safe.  
You make us famous.

# Beware ships 'lost' for insurance, says attorney

By JOHN H. MILLER

LONDON—Marine insurers have been warned by a top Lloyd's attorney to be on their guard against scuttled ships if world trade does not improve soon.

Surplus capacity in cargo vessels has already put great strain on many shipowners, who are losing money in the tanker market. There is always the temptation in depressed periods to cheat the insurance market, though there is no definite proof that any major claim of an illicit nature has happened yet.

But memories of past depressions are still in the minds of underwriters, who believe that anything is possible if a shipowner is in a desperate financial situation.

Donald O'May, who has appeared in many insurance lawsuits, told a Lloyd's insurance conference in London, "Scuttling is again topical as freight markets take a dive and so is the question where the onus of proof lies."

He fears secret collusion between cargo interests and shipowners to outwit insurers, as often the value of lost freight can be greater than that of the vessel carrying it. It is left to underwriters to prove that a vessel was willfully lost, and their task is doubled if cargo representatives are involved in the fraud as well.

"The acid test is whether an underwriter can satisfy a court of law that the insurance claimant is guilty of fraud beyond reasonable doubt. It does not enhance the international reputation of the London insurance market for accusations of fraud to proliferate in the absence of the correct standard of proof," he told conference delegates.

## Aviation losses

Aviation insurers in London report that losses for the first part of this year are running at almost 30% above last year for worldwide casualties involving jet aircraft.

Values destroyed so far total \$130 million, against \$100 million for the comparable period of 1977, and unless the trend changes soon it will be a gloomy outlook when aviation renewals come up for consideration.

More than half the losses, which represent 14 jet aircraft against 10 for the same period last year, are represented by two wide-bodied jets put at \$70 million between them. One was a Boeing 747 which crashed on takeoff at Bombay and the other was a DC10 lost in the U.S. in an accident at Los Angeles airport.

The figures were released just as a National Airlines Boeing 727, with an estimated hull value between \$5 million and \$6 million, crashed into Pensacola Bay May 8. About half of this cover was placed in the London market.

But passenger casualties are so far much lower than last year, when the Tenerife double-collision of two Boeing 747's produced its heavy death roll of more than 580 people.

John Peters, group aviation underwriter for Phoenix Assurance, told *Business Insurance*: "There is no particular cause for the increased losses, and the pattern they are setting has no special significance. Undoubtedly there are more aircraft in service and this is obviously a factor that has to be taken into account as values are naturally rising periodically.

"We have completed an analysis of future aircraft deliveries, and find that the number of new planes

due to be delivered to various world airlines this year is 50% more than the number of planes that was delivered last year."

The transAtlantic battle for cheap flights is causing concern to insurers, who have noted that the commercial efforts to fill the planes with as many passengers as possible is to be greeted as a laudable business enterprise but could produce above-average casualties if one of the planes hits trouble.

## Product safety law

Britain is planning legislation for a new consumer safety act which will ban the sale of unsafe goods to

the public. Regulations for quality control will be introduced if the new laws are adopted and there will be provision for a wide range of products to be subjected to safety checks.

Only food products, which already come under certain protective standards, fertilizers and animal feed stuffs will be excluded.

The scheme, which might become effective in the next 12 months, will affect importers who will have to be certain that goods sent from the U.S. and any other overseas country comply on arrival with the required safety standards.

These standards can be imposed by any authorized body, such as

the British Standards Institution, but the range of safety requirements will not be known until and unless the law is accepted by Parliament. There will also be rules for prosecuting the suppliers of unsafe articles.

Discussions over the proposed legislation are now being held in Parliament.

## Unsafe tires

Warnings to U.S. manufacturers that some of their auto tires are not safe for use in Britain were given at Leeds when two British auto dealers were accused of supplying tires with a false trading description.

Prosecuting attorney John McCandlish, on behalf of the government's consumer protection department, complained that the U.S. tire industry had not fully realized the need for special techniques in making radial tires which are now becoming commonplace in Europe.

"They are using materials and other techniques which are causing inherent weaknesses in these tires, some of which are imported into Britain," he said.

The U.K. Rubber and Plastics Research Assn., he added, had been called in to check the product safety standards of such imported tires.

When you're good,  
you don't have to shout.

**ROLLINS BURDICK  
HUNTER**

Multinational Insurance Brokers

World Headquarters

10 South Riverside Plaza

Chicago, Illinois 60606

# HOW DO YOU KNOW IF YOU HAVE THE RIGHT FIDUCIARY LIABILITY POLICY?

## THE INSURANCE BUYER'S ERISA QUIZ

- Does your policy limit coverage to persons defined as fiduciaries?
- Does your policy limit coverage to wrongful acts of insureds only?
- Does your policy provide defense costs within the limits of liability?
- Does your policy limit loss to damages by definition, and exclude non-pecuniary claims?
- Does your policy by definition exclude employee benefits liability losses?
- Does your policy include outside persons as insured fiduciaries?
- Does your policy contain a limited retroactive acts exclusion?
- Has your policy been purchased without the advice of competent legal counsel who has rendered an opinion in writing as to which contract he felt offered the broadest coverage?

If the answer to *any* of the above questions is "Yes," the chances are you have probably purchased the wrong policy. And the real problem is that you will probably never know until you have an uninsured loss.

How do you know you have the right fiduciary liability policy? There's only one way — to *compare*. Remember — *all policies are not created equal*. While all contracts may appear to be similar, there can be substantial differences in their terms and conditions — differences which can be very significant — and costly. And, unfortunately, it's impossible to compare policies without a thorough understanding of the law. (ERISA)

The Professional Indemnity Agency, direct Lloyd's correspondents, is one of the very few insurance underwriters qualified to make sound recommendations. Fiduciary liability coverage is our business — our *only* business. We understand this is a difficult business — and we refuse to take the easy way out. Combining a Fiduciary Liability and a Directors and Offi-

cers Policy may serve the best interests of the insurance carrier and the broker, but it may *not* serve *your* best interest because it may not give your people the complete protection as provided by the P.I.A. form. The responsibilities of persons covered under each policy are quite different; in fact the law (ERISA) *mandates* this conflict. P.I.A. does not deal directly with insureds, but we will be happy to make our facilities available to your agent or broker.

Before the enactment of ERISA, your sole responsibility was the guarding of corporate assets. But now, because of this law, (ERISA) you are faced with the tremendous additional responsibility of protecting the personal assets of your directors, officers and other employees. You've got to be *sure*. You've got to *compare*. You've got to talk to the experts... NOW!



Professional Indemnity Agency  
3901 North Meridian Street  
Indianapolis, Indiana 45298  
Tel. (317) 924-5311 (212) 421-2033

## PERSPECTIVE

# How insurers set work comp rates and why your maritime rates climb

By John C. Richman

Vp  
Firemen's Fund Insurance Cos.  
San Francisco

*Mr. Richman delivered his remarks to the Associated General Contractors of California at a seminar in Stateline, Nev. on the administrative and legal aspects of insurance.*

**T**HE U.S. LONGSHOREMEN'S and Harbor Workers' Compensation Act was enacted by Congress in 1927. It was the result of a Supreme Court decision (Southern Pacific Co. v. Jensen 244 U.S. 206 [1916]) in which the court held that state workers compensation laws did not apply to certain injuries that occurred over navigable waters. The reasoning was that individual state laws would disrupt the uniformity of general maritime law, which was expressly reserved to the federal government by the Constitution.

However, over the years the court has also given credence to a "local concern" or "twilight zone" doctrine, permitting a maritime employe to recover compensation under a state act if the work he was doing was of a "mere local concern." The U.S. L&H Act was extensively amended in 1972, and this has resulted in a large headache for just about everybody involved. I'll come back to this later.

Workers compensation is the sole source of recovery from the employer available to the injured worker. That is not to say, though, that the comp law is the exclusive remedy with respect to other parties who might have been in some way involved in the work injury.

**Thus we see injured workers going after third parties, like the manufacturer of the machine they were using when they were injured, or employes of a subcontractor suing the general contractor for not providing a "safe place to work."** Under these circumstances, in a limited number of jurisdictions, the third party has a right of action back against the employer. Such cases have become known as "action over" or "impleader" cases. Fortunately, the California workers compensation law does not permit these "action overs."

The workers compensation policy, which is a standard form policy, provides two coverages. The first is the benefits mandated by the workers compensation stat-



**ORRAMSHAHR**

**Responsible employers and insurers support adequate workers compensation benefits since inadequate benefits cause hardships and invite federal intrusion.**

utes. Thus the insurance provided is for those benefits specified in the law and is otherwise without limit.

The second coverage is an employer's liability coverage. It comes into play when the employer is faced with a third-party impleader action or, alternatively, when there is an employe who somehow, usually because of "exceptions" in the workers compensation law, does not come under the

workers compensation act. Such instances are quite rare. The insurance policy does set a specified limit of liability for this coverage.

By this time you are probably saying—or at least thinking—"Enough of that academic stuff. When is he going to get around to the meat of the subject and tell us why our premiums are so high?"

There is no denying that workers compensation rates are high. Unfortunately, I

can give you no hope that they will be coming down. On the contrary, they are likely to continue to increase.

Compensation, like many other lines of insurance, must operate in today's environment of rising social expectations. This manifests itself both in more liberal workers compensation laws and in liberal interpretations by administrative and judicial bodies of just what those laws say.

**Let me emphasize that responsible employers and responsible insurers support adequate workers compensation benefits.** Inadequate benefits not only cause hardships for injured workers, but they also present dislocations that pose very difficult problems for all involved. And among other things, they invite intrusion by the federal government in the workers compensation area.

Abuses and inadequacies clearly do exist in our workers compensation system and they need to be rectified. But back to rates.

I would like to take some of the mystery out of how compensation rates are made so you can understand that there is logic, soundness and a real basis in fact for the rates you are charged.

Workers compensation ratemaking is a technical and sophisticated exercise. But, taken a step at a time, it is very logical. So let's briefly run down these steps. Please keep two facts in mind. First, note that while today's rates are based on actual past experience, no attempt is ever made to recoup past losses.

Second, note that rates are developed from statewide statistics that all insurance companies submit to the California Workers Compensation Insurance Rating Bureau and that they are compiled in a manner approved by the state.

The first step in developing workers compensation rates is to establish the overall loss experience of the past. In California, all years dating back to 1969 are used. Then the loss experience is projected through the coming year. The projection is compared with the losses contemplated by the present rates and tells us whether changes, either up or down, are called for.

**The next step is to distribute the overall change in rate level among the 400-odd classifications of occupations.** This distribution involves examination of loss per unit of exposure, usually expressed in terms of payroll in hundreds of dollars. The objective is to determine the relative contributions of

*Continued on page 32*

## Third-party administrators can be rated

By Robert L. Jenkins

Imperial Industries  
Los Angeles

**EVERY INDUSTRY** establishes its own standards of excellence. Most often, though, adequacy replaces excellence; the path of least resistance is too often taken.

But even this jaundiced view can't be applied to third-party administrators who, as a group, have studiously avoided providing risk managers and other buyers with sufficient benchmarks by which to judge administration performance. The corporation contemplating the use of a third-party administrator for its self-insured benefit plan can only turn to the previous insurance carrier's costs and delivery to find comparative guidelines.

This carrier/administrator comparison is valid during initial discussions to determine the feasibility of self-funding. After that, it's like comparing apples to tomatoes.

First, when self-funding is indicated, the successful plan will always provide a cost-saving function. It follows that competent third-party administration, as the most im-

**The third-party administrator's job is to design administrative systems for precise, prompt claims settlement.**

**—Robert L. Jenkins,  
Imperial Industries**

portant element of that plan, should also cost less than dealing directly with the insurance carrier. The risk manager should expect the third-party administrator to outperform an insurance carrier. How and how well he performs, compared to other third-party administrators, is the only valid consideration.

What, then, are the criteria for selection. Are they really too elusive to be documented? Not at all, though some procedural philosophies may reveal less dramatic but no less direct results than others.

Coordination of benefits (COB) savings

are an obvious measure of performance. In fairness, time pressures hold an insurance carrier's COB savings to an "industry average" of 5% or 6%. Third-party administrators have more latitude to develop an eclectic process of discovery that typically should produce savings of at least 9%. Adjustors should have a bit of Sherlock Holmes in them to "go after the coverage" and accept no claim at face value simply because it reads "no duplicate coverage."

But, we are asked, doesn't coordination of benefits translate into much slower turnaround? No. Even with substantial COB

savings (15% on a group of over 25,000 employes), 65% of our claims are adjusted in five days; at least 85% within 10 days.

"Aha," they say, "there must be a trade-off—does efficiency suffer?" No, again. One recent claim audit of an Imperial Industries account indicated a 0.2% error factor. None of us can boast of always being that accurate, but a 2% error should be a realistic rule of thumb.

The third-party administrator's job is to design administrative systems for precise, prompt claims settlement. If turnaround lags, complaints are lodged. Of course, claims denial is a part of the business. But the responsibility is not to deny legitimate claims—only to assure that over-utilization, malingering and excessive charges are identified, with payments (and plan provisions) adjusted accordingly.

Plan design is a continuous process. Certain expectations are naturally integrated from the outset, using fully-insured experience as a springboard for self-funded projections. Statistical experience keeps an eye peeled for plan improvements. Periodic

*Continued on page 32*

# PERSPECTIVE

## Our columnist brands surveys a waste and he's got a true story to explain why

By Peter Downes

Manager of Insurance  
American Trading & Production Corp.  
Baltimore

I RECALL, BACK IN MY SCHOOL days, reading one of La Fontaine's fables. In it he told of a coach and six horses struggling up a steep hill. A fly appeared on the scene, saw what was happening and immediately got behind the coach, pushing and straining until it finally arrived at the top of the hill. Thereupon, the fly said, breathlessly and happily, "Without my help they would have never made it."

I recalled this, oddly enough, when I came across a paper asking, "Should safety management be included in the risk management function?" The answer was a sort of loose yes. Actually the paper resulted from a study by Mary Finnell for her master's degree. A questionnaire was sent to 2,700 RIMS members and there was a 40% effective response. Of the responders, slightly less than half answered yes to the question.

Ms. Finnell's paper was well organized and well written, and I am not being critical of her efforts. It is the kind of paper I myself have produced in the past and I can imagine the heap of information she produced gladdened the hearts of her examiners. My criticism is that scads of such papers are produced annually, compiling information of little or no value, and the Mary Finnells of this world are obliged to waste time and money in order to produce them.

For myself, when I receive such a questionnaire in the mail, I lie (if I take the trouble to answer it at all). For example, when they ask my salary range, I always up the response by a couple of groups. And when they ask me who I report to, since I report to three separate officers I always choose the one with the most resounding title even if the sum total of my reporting to this person during the past couple of years has been a two-line memo.

### A sacred duty?

Not to put too fine a point on it, I have come to regard this sort of prevarication as a kind of sacred duty. When the salaries of risk managers are being studied, for example, I want to do my best to raise the average so as to induce my employers to have the right attitude concerning the salary they pay me. Unfortunately, my employers are almost as astute as I am about the misuse of statistics and the first question they would put to a

### Speaking Out



Peter Downes believes he has an almost sacred duty not to tell the truth on the surveys he is asked to fill out. When the salaries of risk managers are studied, for example, he wants to do his best to help raise the average salary to induce his employer to pay him more.

Ms. Finnell would be, "Of the 40% who responded to your questions, how many told the truth?" And, of course, there is no real way of measuring this, so we blithely assume that everybody did or if they did not that the results would not be affected.

Actually, I do not wish to paint everybody as black as myself nor get into a fallaciously circular argument by asserting that all risk managers are liars. I never did finish working through that argument about Cretans. Besides which, my concern is not with lies but with delusions.

The problem in writing about such topics is that one cannot come right out and give chapter and verse. Names and places must be changed in order to protect the innocent, as well as myself. However, I do have one story which I think throws some light on the subject. Needless to say, one story can hardly be called evidence but I do not think that this story is unique. Probably a hundred cases can be quoted which parallel it.

A few years ago I was working on safety problems and was experiencing some difficulties, particularly in connection with small plants. These plants were having far too many accidents. Since I was not making any progress in curing the situation I began asking around in an effort to find out how others were handling such problems.

A neighbor of mine happened to manage such a small plant for a very large corporation. So I asked him, "Just how do you

handle safety matters at your plant?" "Use our common sense!" came the response. "Do you have any accidents?" "Yeah, there is always some clown not looking what he is doing and cutting himself up." "Do any of your headquarters people investigate these accidents?" "No, we do our own investigations and mail them in." "You mean nobody ever comes around and checks up on you?" "Occasionally somebody puts in an appearance, tells us how important safety is and so on. We all nod wisely and then go back to work."

### Accurate reports?

"Is that all they do?" "Well, there is a section in company regulations about it all, but who takes any notice of that garbage anyway? The only thing I must do is to file a report from time to time." "Don't tell me that you make up the answers as you go along." "Not entirely, the number of employees and the number of accidents are factual. Of course, there is some room for imagination in accident reporting and we have learned how to concoct these reports so as to forestall any inquiries."

"What you are saying, then, is that your reports do not really reflect what is going on at the plant." "God no, what the corporate office don't know they ain't going to grieve about." "Would you say that this is true of all your company's operations or just yours?" "Well, it has never been any different in any

of the half-dozen plants that I've worked at."

Possibly my neighbor exaggerated somewhat—I don't know. Certainly the safety director of his corporation had the highest reputation and he worked not far away. So I called him, told him what I was looking for and invited him to lunch. There was no doubt about it, he thought he was the cat's whiskers, right at the top of the tree so far as methods were concerned. I asked him if there was any danger of plant managers misleading him and thus beating the system. Not at all, I was told, the system had so many cross checks that there was no way this could happen.

### Two views

Then I asked him about his relationship with his risk manager and he told me that since he was industrial relations and the risk manager was in finance they did not have much contact except on the company bowling team. Did he supply the risk manager with information? No. Did he get any information from the risk manager? Well, they were mostly self-insured for workers compensation and all that he got from time to time was a claims printout in those areas where they were insured and insurance company recommendations with which he sometimes complied.

Thereupon, I thanked him politely, picked up the tab and went on my way, completely bewildered.

The only conclusion I could reach was that the safety director was not lying, but he was suffering from delusions. On the whole I was inclined to accept the version of my plant manager neighbor since he was supplying the information rather than just receiving it. But what has all this to do with statistical articles and La Fontaine?

Well, some time later I attended a meeting of the local RIMS chapter and met the risk manager in question at that meeting. I told him I had had lunch with his safety director. "Oh, yes" said the risk manager, "a first class man. I am so glad that we are able to work so closely with each other. Not only does he supply me with the most helpful information but I am sure that my contributions help make him that much more effective."

When I read Ms. Finnell's article I remembered my story and I thought to myself that the risk manager in question is just the kind of person that supplies investigators with their bum statistics which are then used to compile meaningless reports.

And, of course, La Fontaine had him dead to rights.

## Why don't we pool our excess insurance?

By Donald M. Stuart

Insurance Manager  
Canada Packers Ltd.  
Toronto

PETER DOWNES uses some neat expressions in his *Business Insurance* columns. I have to keep my dictionary handy—for example, "wergild," in the piece on punitive damages in the March 20 issue. Fred Maltman, who is just about at the zenith of the adjustment fraternity in Canada, has some dandies and one I particularly like is "inspissated." Douglas Barlow—a fairly well known name in risk management circles as the president of RIMS in its year ending 1972, when the annual conference was held for the first time outside the U.S.—had another that was particularly attractive—"postulate."

Then I have one, but it is not one of these exotic words, rather one that would be known to all—"shafted." Which is one way to describe what many of us in risk management feel happened to us in the past year or two in relation to premium increases for

umbrella and excess liability insurances. For example, \$8 million excess of \$2 million going from a premium of \$17,000 to \$165,000—and not offering as much coverage in certain areas.

I would be right near the head of the line to admit that the lower figure was a bargain, but feel likewise that the second one is just as far in the opposite direction, hence bringing forth the suggested use of the word "shaft." It should be pointed out right here that this was with no claims.

That brings one to a consideration of what options there may be.

It must be axiomatic that lower levels of insurance protection for companies that in themselves may be several times larger than the insurer to whom the risk is transferred are unjustifiable. The levels will vary between companies and the diversified scope of their operations.

It has been a theory of mine for some time that a company should probably continue to buy primary coverage with whatever level of deductible seems feasible. But getting into at least the lower few millions of excess

or umbrella, the time has surely come when we should be pooling our needs. It doesn't really matter whether like entities are the exposures to be put together or if there is great variance. All that such diversity might do would be to make necessary some sort of adjusted costs depending upon suitable assessment of risk potential. Self-assumption of the desired amount excess of primary—or some percentage of the total coverage—could be taken on with insurance coverage purchased as the needs of the group dictated.

Take the earlier example—there is approximately \$150,000 difference simply in the escalated premium charge. That is not a lone example by any means—I am aware of numerous others that have escalated anywhere between four and 10 times.

Are the risks truly different, or specifically underwritten or loss rated? I think not. In this excess area, all of us are in one big worldwide ball game. And with reinsurance ceded between one company and another, it just must be true that the food manufacturer is helping to pay a little for the loss of the oil company, and the oil company a little for the

loss of the steel manufacturer and so on when the big claim hits.

Some kind of a self-insured, cooperative, pooling of premiums in the most direct way possible to generate the funds for self-assumption and excess purchase requirements with the greatest possible percentage of the premium flowing into the fund for payment of losses has to be an overall good idea.

Individual chapters of RIMS or the RIMS organization as a whole might well investigate the potential of getting themselves the coverage they might need, now difficult at best to place in tight or expensive insurance markets. It doesn't seem to me that this is much different than the situation faced by manufacturers in the early 19th century, when the Factory Mutuals originated—largely because of unavailability of coverage and excessive costs for people who wanted to try to practice the philosophy of loss prevention. If it can be done so successfully in property, there is no question that it can likewise be set up in the liability field.

Any takers?

For years, you've been coming to us with your hard-to-place and capacity risks. And we've been insuring them. Gladly. But since we've gotten such a good reputation for taking on the big jobs, you may think your typical, bureau-rated commercial fire accounts aren't welcome.

They are. So why not give us a shot at them, too? You'll find that our approach is innovative. And that our experience handling the

tough ones make us experts at routine coverages, as well.

So bring us your capacity risks, excess of loss, valued business interruption, and hospital operating risks.

But bring us your standard fire risks too. Just as a fireman handles all kinds of emergencies, we handle all kinds of fire insurance.

*We welcome inquiries from any licensed agent or broker. You don't have to be a regular producer to place business with an AIG company.*

**American Home Assurance Company  
National Union Fire Insurance Company  
of Pittsburgh, Pa.**

Dept. A, 102 Maiden Lane, New York, N.Y. 10005.

Please send me your free brochure on fire insurance.


Name \_\_\_\_\_

Title \_\_\_\_\_ Phone \_\_\_\_\_

Company \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

 Member Companies of  
American International Group

BSIN-6-141

# We'd like to handle some of your easy fire risks, too.



# PERSPECTIVE

## U.S. law . . .

Continued from page 29

each of the classifications to the overall rate change and to allocate the overall change accordingly.

For those classifications with a very large volume of anticipated losses, the average loss per unit of exposure becomes the pure premium rate. For classifications with lesser amounts of anticipated losses, the pure premium rate is a melding of the present rate and the rate indicated by the particular class's experience. Thus is consideration given to the credibility of a given volume of experience.

Once the pure premiums are determined for all classifications, total premium produced is compared with the overall change indicated, and an adjustment is made in each of the pure premium rates to attain the needed balance. Sometimes it's necessary to increase the pure premium rates to reflect legislated benefit increases which are to be effective in the future.

Finally, to get the rate that appears in the policy, the approved amount for insurance company operating expenses and taxes is added to the individual class rates.

### Contractor exposure

Workers compensation procedures also contain a mechanism by which an individual insured's experience is compared to that of the "average risk." Depending on the results of this comparison, the premium is adjusted upward or downward. This is what we call experience rating.

In California, workers compensation insurers have a long history of paying policyholder dividends which reduce the net cost to qualifying insureds. Essentially, these dividends reflect the experience of the individual risk for the period for which they are declared. To some degree they reflect the fact that there is no expense gradation in the California workers compensation system. By that I mean that the state's rating law provides that the same rate will be charged to all employers. Savings that insurers realize because of the relative sizes of their accounts are recognized in dividends. The opportunities to earn dividends provide an incentive to employers to upgrade the safety of their operations.

I would like to talk about the U.S. L&H Act, especially as it relates to contractors who have some "exposure to water." The U.S. L&H Act is just another workers compensation law, but with some substantial "kickers." It applies to a different geographical area than do the various state laws. That area is not too well defined, however, and that is one of the problems we face.

Also, the U.S. L&H Act provides a level of benefits that is much higher than that provided by the California act. It also has a different administrative mechanism.

Among the benefits the U.S. L&H Act provides are life pension death benefits, a maximum benefit equal to 200% of the national average weekly wage, and an annual cost of living adjustment on death and permanent total disability cases tied to the change in the national average weekly wage. Insurance companies find this latter provision especially troublesome because it can result in very substantial claims where costs are most difficult to estimate.

### Inflation problems

Let me illustrate this point with a claim that Fireman's Fund is handling under the U.S. L&H Act. It is a death case, and the widow involved is quite young. On an unescalated basis, the claim carries a value of \$505,000. The figure is based upon the widow's life expectancy. Now, if we assume a 5% rate of escalation throughout the life of the case, the value of this claim becomes \$1,994,000. If we assume a 6% escalation over the widow's lifetime, the claim jumps to \$2,721,000. Which number is right? Who knows? With these amounts of money involved, it is little wonder that insurance companies are wary of the coverage.

Contractors have good reason to be wary of the act, too, because it isn't very clear now just which contractors have "water exposure." In fact, the Insurance Industry-AGC Joint Cooperative Committee recom-



What workers will be covered by the U.S. Longshoremen's and Harbor Workers' Act? It will probably take another law or a Supreme Court decision to decide.

mended to the AGC Board that the AGC and the insurance industry "cooperate in an effort to redefine the term 'maritime employment' as presently used (in the act), due to the present trend of the federal government to include some trades that traditionally have not been considered 'maritime employment.'"

The recommendation continued, "This misapplication of the Longshoremen's Act has spread to construction, where the increased compensation benefits provided under the act have resulted in higher costs to the purchaser of construction. The possibility of such misapplication has created confusion for contractors bidding on projects which could fall within the scope of the act by raising the issue of whether they should include sufficient contingency for the greatly increased premium."

### Labor Dept.'s view

The office within the U.S. Department of Labor that administers the U.S. L&H Act recently released a memorandum in which it discusses how it views the application of the act. In the section dealing with other maritime employment, it states, "All employment actually performed upon navigable waters of the United States has been and should continue to be regarded as 'maritime employment' whether it bears an immediate relation to commercial shipping operations or is entirely unrelated to such operations. Hence, any worker performing duties on the water is an 'employee' within the act while doing so."

This is a rather liberal interpretation. It flies in the face of at least one circuit court decision, a decision of the benefits review board and a couple of decisions by administrative law judges. The Court of Appeals said in *Weyerhaeuser v. Gilmore* (528 F 2d 957-9th Cir.) that a pondman hired to feed logs into a sawmill was not engaged in maritime employment. The Supreme Court refused to review this case.

In *Anderson v. McBroom Rig Building Services Inc.* (5 BRBS 713, BRB No. 75-198 [1977]), the benefits review board determined that a roustabout on a fixed platform surrounding an oil well in the Mississippi Delta, injured while unclogging a flow line, was not engaged in maritime employment. The board denied coverage under the U.S. L&H Act.

The two administrative law judge decisions are *Broome v. Diamond Construction Co.* (76-LCHA-698, OWCP 4-11389) and *Carter v. Coast Marine Construction* (77-LHCA 667-S, OWCP 14-27566). In the first case, the judge held that an employee of a bridge builder did not come under the L&H Act because the pier of the bridge where the accident occurred was not the type of pier used to load or unload cargo or for ship-

building. Hence, it didn't meet the situs test established by Congress in 1972. In the second case, the judge said the act did not apply to a construction worker who was engaged in building an extension to an ore dock. The judge said the work was not maritime employment, since the employee's job did not have a realistic relationship to the traditional work and duties of a ship's service employee.

It is open to question whether these cases will hold up, but from this you can readily see that the situation is by no means clear. In all probability it will take either a decision by the Supreme Court or an act of Congress to determine what maritime employment is.

But until that happens, we are going to be faced with uncertainty, and about the only thing I can say to you is "don't roll over." If you are firmly convinced that the U.S. L&H Act does not apply to your operations, since you are not engaged in maritime employment, take a strong stand on that position and strenuously resist any contentions to the contrary. I should point out, though, that since this is a question open to debate, there can be legitimate differences of opinion. Should those differences arise between you and your insurer, you will likely be asked to pay the higher premiums associated with the L&H Act.

## Risk Management Notes

### Personal injury plans cover 3 areas but have exclusions

By Warren, McVeigh, Griffin

Risk management consultants  
San Francisco

THE STANDARD FORM of personal injury insurance covers three groups of injuries:

- False arrest, detention or imprisonment or malicious prosecution.
- Libel, slander and related acts.
- Wrongful entry or eviction or other invasion of the right of private occupancy.

There are five standard exclusions: contractual, willful violation of law, injury as a result of employment, libel preceding the effective date of insurance and statements known to be false.

Exclusion of injuries arising out of employment may often be deleted. It is important that coverage be present. For example, if an employee is discharged and a potential employer asks for a reference and the reference given is not favorable, the former employee could sue for libel.

Note that the coverage above relates only

## Compare . . .

Continued from page 29

claims reviews, reinsurance market updates and awareness of industry trends open new avenues for cash savings and maintain the financial integrity of the account. To this end, management reports are vital. Statistical data should be at least as sophisticated as any an insurance company can provide, or more.

What are the administrator's plan design parameters? We recommend a second opinion with elective surgery, for example. We encourage the plan paying a consultation fee simply to give more information to the insured. Advance reviews, on dental procedures for instance, can monitor expenses that might exceed pre-determined levels.

Which leads us to another important risk management service offered by the third-party administrator—direct employee education and communications. The administrator should be able to prepare and disseminate printed materials. He might also act as the plan's liaison with employees. The employer may have as much or as little involvement as he wishes.

**Personal communications** by the employer, risk manager or administrator relate the message that company money is being spent on employee care. It recounts the direct relationship between increased costs, higher premiums, and greater employee contributions. Some of the expected daily administrative operations should be written explanation of benefits with each payment, claimant assistance in filing, questions (both oral and written) answered.

Another function of third-party administration of self-funded plans is arranging for the specific or aggregate stop-loss agreements with reinsurers to protect the plan from the shock effect of individual, catastrophic claims experience. The administrator should also assist in preparing any documents or reports required by governmental agencies.

Other criteria are self-evident. What do references say about performance? Does he have facilities or on-line computer capability in the geographic areas where claims frequency is expected? Does he have the system to support it? The Imperial Industries computer system, for example, offers either on-site or remote capabilities for professional claims adjusting, and we administer claims for beneficiaries in 39 states.

There aren't any secrets to selecting the right third-party administrator. And this is only an outline of the basic proficiency standards we feel should be established. We simply believe that, to grow, we must be challenged to surpass our own "industry averages" to benefit ourselves as well as the industry we are designed to serve.

to the specific injuries stated. Risk managers will be pleased to know that at least one company (Liberty Mutual) does not follow the standard, but covers:

- Any injury to the feelings or reputation of a natural person, including mental anguish.

- Any injury to intangible property sustained by any organization as the result of false eviction, malicious prosecution, libel, slander or defamation.

It excludes only acts committed in order to cause injury, breach of contract, advertising or broadcasting or discrimination which is unlawful or intentional.

Unfortunately, this wording does not give complete protection. It fails to cover:

- Loss of earnings following false arrest.
- Discrimination.
- Disparagement of property.

You could look on coverage of loss of earnings as "all risk" because it covers injuries which are not specifically enumerated. More companies should follow suit. Umbrella policies should provide this coverage.

## Info for buyers

• Specialized rating, underwriting and engineering treatment for business and industry are the highlights of a Kemper Insurance Cos. protected risk policy explained in **HPR Insurance Highly Protected Risk Coverage and Services**. For a free copy write Communications & Public Affairs Dept., Kemper Insurance Cos., Long Grove, Ill. 60049.

• **Is Self-Insurance Answer to Rising Costs?** is the title of an article reprinted from Health Care Week. The author, Ralph Carnesecci, a senior consultant with Ebasco Risk Management Consultants Inc., discusses establishing a self-insurance program, pre-funding, the excess market and the advantages of commercial insurers and self-insurance. For a free reprint write Nicholas Alexis, Consultant, Marketing Communications, Ebasco Risk Management Consultants Inc., 100 Church St., New York, N.Y. 10007.

• A folder describing Hewitt, Coleman's **safety training system** is now available. The seminars are conducted with top and middle management and line supervisors to aim toward full accident control. Hewitt, Coleman & Associates specializes in workers compensation. For a free copy write Sapp Funderburk, first vp, Hewitt, Coleman & Associates, 2717 Poinsett Highway, P. O. Box 3665, Greenville, S.C. 29608.

• How small and medium-size businesses affiliated with trade associations or other groups may be able to reduce insurance costs through participation in safety group plans is described in an INA 12-page booklet, **Safety Groups: Some Professional Considerations**. For a free copy write Dept. R, INA, 1600 Arch St., Philadelphia, Pa. 19101.

• **Insurance Facts** is an 80-page booklet annually published by Insurance Information Institute. It is a source of information containing statistics and information about the property and liability insurance business for use by editors, writers, speakers, teachers, students and insurance people. This yearbook reviews the factors that contributed to underwriting losses in 1977, including increased costs of goods and services for which insurance must pay and more and more lawsuits. Single copies are free; each additional copy costs 75 cents. Write Insurance Facts, Insurance Information Institute, 110 William St., New York, N.Y. 10038.

• **Workers Compensation and Employers' Liability Experience Rating**, by John R. Stafford, covers the National Council on Workers Compensation experience rating plans. Eligibility, jurisdictions and single-state, inter-state and exception-state calculations are included. The major 1977 revision of the plan is also explained. Pre-paid cost is \$6.45, otherwise \$7.20. Write J&M Publications, Dept. F., PO Box 338, Palatine, Ill. 60067.

• **Handling risks abroad** requires up-to-date information on ever changing rules, policy forms and regulations, new insurance tax laws and a multitude of other complexities affecting proper risk management. To be up-to-date with such changes, Multinational Insurances Services offers a free compendium of international insurance rules and practices. Write Dept. V, Marsh & McLennan Inc., 1221 Avenue of the Americas, New York, N.Y. 10021. Ask for **Country Data** and name the countries for which information is required.

• **Section 501(c)(9) Programs** is a 28-page Kwasha Lipton booklet that summarizes the provisions of this IRS code. It details background, types of benefits, restriction on membership, program structure, advantages, disadvantages, financing, tax exemption and consequences and state insurance laws. For a free copy write Dept. M, Kwasha Lipton, 429 Sylvan Ave., Englewood Cliffs, N.J. 07632.

• For an overview to Canadian pension plans focusing on jurisdic-

tion, plan design, taxation, funding, reporting and discrimination a newsletter is available from Kwasha Lipton—**Pension Plans: The Canadian vs. the U.S. Approach**. For a free copy write Dept. M, Kwasha Lipton, 429 Sylvan Ave., Englewood Cliffs, N.J. 07632.

• The new **Workmen's Compensation Analysis** published by the Chamber of Commerce shows continued benefit improvements by states. The laws now provide unlimited medical care benefits in all states. Fifteen charts provide information on individual jurisdictions and are grouped into three categories: coverage of laws, benefits provided and administration

of laws. The 48-page compilation is available at a cost of \$5 per copy with reduced individual costs for bulk orders. Write for publication #5690. Chamber of Commerce of the United States, 1615 H St., N.W., Washington, D.C. 20062.

• American Insurance Assn. has up-dated their edition of **Summary of State Regulations and Taxes Affecting General Contractors**, a 123-page guide to interstate contractors. The purpose of the publication is to indicate the existence and general nature of qualifications for prospective bidders on highway and other public works projects. Also covered are licensing tax and other requirements af-

fecting construction contracts in all states. The price per copy is \$2.50. Write Publications Department, American Insurance Assn., 85 John St., New York, N.Y. 10038.

• **Noise in Industry** is a 30-page technical report with diagrams on the subject published by Commercial Union Risk Management. It is a guide to employers who are involved in the problem of noise and its effects, whether in choosing new processes and equipment or a wider concern for employee health and safety. Cost \$5. Write Eric Mitchell, Commercial Union Risk Management Ltd., St. Helen's 1 Undershaft, London EC3P 3DQ, England.

**GD**  
**M**

In a class by itself.

When it comes to property casualty insurance, Grain Dealers Mutual is in a position of growth, solvency and respect unequalled in the industry. This preeminence could only be achieved through a total commitment to excellence. For more than 75 years Grain Dealers has continuously striven for quality insureds, quality agents, and quality services.

The independent insurance agents that represent Grain Dealers Mutual are carefully

chosen for their professionalism. They are our success, as we hope to be theirs. We insist that they maintain the high quality of our insureds and stay responsive to their needs. Grain Dealers supports these select independent agents with contemporary, often innovative coverages, extremely competitive rates, and fast turnarounds on claims.

If you're considering home, car, or business insurance, remember that Grain Dealers Mutual is in a class by itself.



**GRAIN DEALERS MUTUAL**  
insurance company

Indianapolis 46202 • Omaha 68102 • Greensboro, N.C. 27405  
San Francisco 94104 / Member: Improved Risk Mutuals



**The power of our 9.05%  
5-Year New Money results  
means higher guarantees  
for you.**

## Consistently superior investment power.

Unionmutual's pension investment record can best be measured by our 9.05% effective annual "new money" yield\* achieved over the last five years. It puts us "at the top of the wave."

This excellent record is the result of our proven ability to judge investments, our direct debt placement capabilities, and a large predictable cash flow. If your clients have been riding the surf one year only to "wipe out" the next, take a look at the rates of return we credited to new group pension deposits in these years: '77 - 8.98%, '76 - 9.52%, '75 - 9.90%, '74 - 9.21%, '73 - 8.37%.

## The wave of the future, too?

Numbers tell only part of the story. Unionmutual's ability to produce these superior investment results is a major factor behind our dramatic growth in the pension industry.

We are now offering outstanding 5-year guaranteed results on deposit administra-

\*The rate that produces equivalent accumulation assuming equal deposits are made on January 1st of each year.

tion contracts. And all our funding vehicles are designed to meet the most stringent criteria of administrators of qualified retirement plans.

Indeed, our investment philosophy has centered on the integrity of principal and the soundness of guarantees. And we remain committed to achieving the highest possible return without undue risk.

We also have excellent guarantees of annuity purchase rates and expenses; and, of course, an insurance company is the only financial institution that can guarantee pension checks for the life of retirees.

## ERISA'S troubled waters.

As the pension business grows in complexity, more people look to us for full service. We have highly-skilled pension experts ready to assist with all the necessary government reports, disclosure requirements, fund accounting and benefit payments, employee communications, plan design and actuarial valuations. Your clients can choose whatever services may be needed . . . we'll respond quickly and accurately.

## Let us hit the beach for you.

In one of our many Regional Offices across the country a pension specialist is waiting for you to say the word. So clip the coupon and put the power of pension professionals to work for you!

- Have a pension specialist contact me.
- I want the full story on Full Service and your higher guarantees.
- Please send me a copy of "New Money, the Method Behind the Millions" with your latest New Money Grid.

Name \_\_\_\_\_

Firm \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Telephone \_\_\_\_\_

**Mail to:** Art Ross, 2nd Vice President  
Retirement Products  
Unionmutual, 2211 Congress St.  
Portland, Maine 04112  
or call: (207) 780-2601 BI 6/13



**Unionmutual**  
Proven Performance in Pensions

## letters

Continued from page 10

carded for a two-element plan based on individual and company experience.

### G. Gordon Hanau

Manager, Insurance Department, Consolidated Natural Gas Service Co., Pittsburgh, Pa.

*Editor's note: AEGIS is, indeed, an industry mutual, often known as an association captive or group captive when viewed in the context within which it was formed. Though the federal and state regulators may look askance at "captives" of any kind, we don't think the term is or should be pejorative in any sense. Nor shall it carry any connotation of questionable activities. Because the term captive will continue to be used in its best generic sense, it's up to all of us to correct whatever problem the reg-*

*ulators may have with the word, the concept, and any images conjured up by the mention of "captive." A rose by any other name...*

### Hold harmless

To the editor: Re: Ron Almquist's "Hold Harmless Agreement Guide" (May 15), was informative and provides some good reference material for risk managers to use in the analysis of assumed contractual liability.

One area not mentioned by Mr. Almquist and having a major bearing on his subject matter is the legislative attempt at restrictions on hold harmless agreements. The basic purpose behind this legislative action is the establishing of state statutes providing that the "suicidal" form of hold harmless agreements, and those hold harmless agreements which purport to hold the indemnitee harmless against liability for damages or injury to persons or property arising

out of the sole negligence of the indemnitee, is against public policy and therefore void and unenforceable. The earliest attempts in this direction were spearheaded in the legislatures of the states of Tennessee, California and Washington.

Among other states also moving in this direction are New York, Pennsylvania, Ohio, Michigan, Florida, Nevada, Georgia, Delaware, Texas and West Virginia. At present, almost 30 states have passed some form of legislation regarding the restriction of hold harmless agreements.

Certainly, his particular state's approach to this problem should be of major importance to the risk manager.

### R. G. Clarke

McNeary Insurance Consulting Services Inc., Charlotte, N.C.

### A correction

To the editor: In the May 1 edi-

tion of the *Business Insurance*, in the last paragraph of the article "Short Walk Reveals Marathon Gap Between Insurers, Self-insurers" the next to last sentence should be stated as follows since Dresser has not ceded any group life insurance premiums to a captive: Mr. Willey said 50% of annual group life premiums, for instance \$5 million, could be ceded to a captive with one half of the estimated underwriting profit of \$1 million accruing to the company's captive.

### Paul W. Willey

Director, financial administration, Dresser Industries Inc., Dallas.

### The Pinto case

To the editor: Re: Editorial May 1 issue.

A skilled team of plaintiff's lawyers put in everyone's mind, including the jury, that the manufacturer was derelict in the design and placement of the gas tank on

the Pinto.

If this is the issue that the original jury award agreed with and your editorial opinion concurs with, then why doesn't somebody at the consumer protection agency call for a total recall of all those automobiles with gas tanks in that position?

And, we hear nothing about the guy who caused the accident, by ramming the rear end of that car at something more than a reasonable rate of speed.

If Ford Motor Co. was the only car manufacturer that placed its gas tank in the same position, I'd put in with you. Other car manufacturers are doing the very same thing and if this is a dangerous practice, why isn't it being corrected for the industry?

### John F. O'Reilly

President, Conrad & O'Reilly, Kansas City, Mo.

### ... No patience

To the editor: Re: *Editorial Opinions—Ford Motor's Appeal*, May 1, 1978.

Ford Pinto fuel tank configuration, right or wrong, and your editorial emphasize one problem with the advocacy/adversary press—no patience! They believe in the First Article—freedom of the press, but not the others. In this case especially, the judicial process must be allowed to take its full course.

To use your editorial writer's word, this is really "infuriating" to this reader.

Justice is blind and slow and won't always meet your deadlines or judgment—any more than the insurance industry can always give you the data that either doesn't exist and that you demand—or according to your front page deadline.

Why not let the courts decide whether or not the company's contention is or is not correct that there should not be any punitive damages at all in the case?

### Wilbert M. Kedrow, CPCU

Vp, Marketing, Milwaukee Insurance, Milwaukee, Wis.

### E&O policy

To the editor: The new errors and omissions policy offered by one of the national brokerage firms is not needed if the firm has proper consulting and insurance management supervision of their insurance portfolio.

For 15 years I have had my clients attach endorsements to all policies, for which no charge is made, which make it entirely unnecessary to have this type of insurance.

I have had little resistance from insurers who know what they are doing in having these endorsements attached. Where resistance is met, either the forms are attached or the client secures their insurance elsewhere.

Someone consistently comes up with policy forms which are not needed, and only add to the cost of buying insurance when with a little use of the proper advice, perhaps 50% of the coverages and costs could be eliminated.

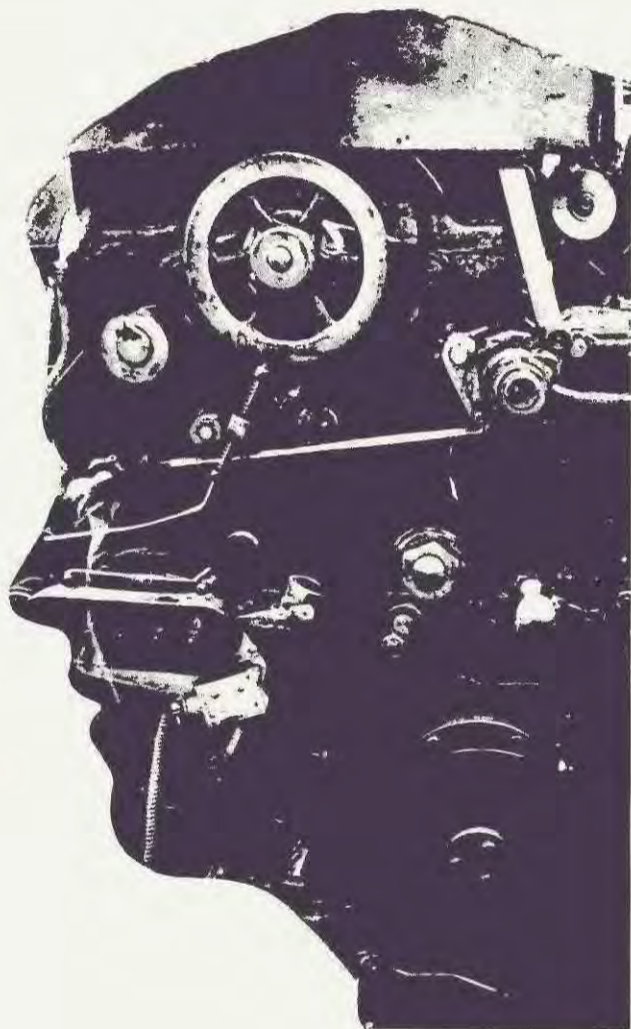
Naturally I am not going to give free service and publish these forms, but they are divulged to clients and widely used by them.

### Justin S. Lencke

Insurance consultant, Marianna, Fla.

### Insured losses

Insured losses caused by severe wind, hail, tornadoes and flooding that swept through portions of 11 southern states from April 29 through May 5 are estimated at \$69.4 million by the American Insurance Assn. The insured loss estimate excludes damage covered by the national flood insurance program.



## Human Spoken Here.

Insurance is an easy business to dehumanize.

It's complex, so sometimes the basic idea of it gets lost in the shuffle. But our representatives really do understand that if it weren't for humans... and the need to protect their lives, their time, their money, their productivity, their retirement... we'd all have very flat briefcases.

We want you to know we have very *fat* briefcases — packed with one of the most diversified and competitively priced portfolios in the industry.

Sure we want you to know that. But even more importantly, we want you to know we speak human. Try us.

Get the most out of life with



**PROVIDENT  
MUTUAL**

LIFE INSURANCE COMPANY  
OF PHILADELPHIA

Home Office: 4601 Market St., Phila., Pa. 19101

# riskWatch

By REBECCA A. FANNIN

## Risk managers and brokers: Another look at how they compare

Ron Judd called one recent, late Friday afternoon, demanding excitedly, "What have you done to me?" What I had done was write this column quoting executive recruiter Robert Murphy. In that column, Mr. Murphy had said risk managers don't have the brains, creativity or money-drawing power of brokers and that the superstars of risk management don't need RIMS since they're already established in their careers and don't have time for the club's socializing. Mr. Judd, as executive director of RIMS, will probably never forgive Mr. Murphy for that.

Mr. Judd has nurtured RIMS's growth and reputation while risk management as a career has moved into the limelight. He refers to RIMS as one of his children and, like a parent, he wants to shelter his child from abuse.

During that rousing phone call, Mr. Judd struck back at the recruiter who had belittled RIMS. He questioned Mr. Murphy's credentials.

Mr. Murphy competes vigorously with other recruiters; in fact, another risk management recruiter said he has lost potential clients to Mr. Murphy. His firm's size and its number of placements in the risk management field compare favorably with other risk management recruiters. He formed his recruiting firm 10 years ago to recruit in all management areas, and has recently been placing approximately 24 risk managers a year in top insurance department positions, he said.

Mr. Judd demanded that I prove Mr. Murphy's legitimacy by listing companies where the recruiter has placed risk managers. I asked Mr. Murphy to tell me this information but he replied calmly to that request with: "You have to understand that recruiters work on a confidential basis only." He agreed, however, to name clients who didn't mind the publicity. But he never called back with any names.

Mr. Murphy remained poised and patient when told of Mr. Judd's stinging attack. He said he didn't want to fight with Mr. Judd, "who's done a hell of a lot for risk management." And he claimed he has "no ax to grind" with RIMS, but repeated his comment that the superstars don't join RIMS.

Mr. Murphy reaffirmed his previous observations, while toning down and clarifying them. He reasoned that brokers have more time for creativity, since risk management is a "day-to-day job where disasters can take up a lot of time." He explained further that unless a risk manager has a financial background, then all a risk manager can be is another risk manager. As for his previous comment about brokers having the brains, Mr. Murphy said he feels brokers must have more technical expertise.

Mr. Murphy was indeed far from stirred up over the furor he had created. Only good has flowed from his remarks, it seems. He maintained he's received no complaints about his remarks and says risk managers he's talked to are sympathetic to his views.

Mr. Judd, however, said he was barraged with phone calls and letters from irate risk managers. And he fretted about their reactions. Mr. Judd sought to iron out the wrinkles Mr. Murphy raised by listing the accomplishments of risk managers. He declared that I should seek out the gospel on risk manager's careers—that I should talk with the "Tiffany" of risk management recruiting. That's Ward Howell Associates Inc., he said.

So I talked with Frank H. Beardsley Jr., who has known Mr. Judd for several years. Mr. Beardsley fills 70% of the insurance openings the firm handles, with approximately seven risk management placements yearly. Happily, Mr. Beardsley didn't spew forth lengthy dissertations on the almighty risk manager. He's rational and thoughtful, supporting his views with sound and numerous reasons. He noted that there is a gap between risk manager and broker salaries, but believes the difference exists because brokers' salaries are based on how much they produce, while risk managers' salaries are based on how much insurance dollars they save. Mr. Beardsley didn't agree with Mr. Murphy that brokers are more creative than risk managers. But he noted that one of the most difficult qualities to find in a risk manager is innovativeness, although the supply of creative risk managers is growing. As for upward mobility, he cautiously answered that it's "too early to tell" how successful risk managers are in getting themselves promoted.

No definitive words of wisdom have trickled down yet. After all, no one recruiter has pat answers, only opinions based on his placements.



Fannin

## N.Y. legislator offers 4 proposals to ease government insurance woes

NEW YORK—Four bills aimed at easing liability insurance woes of municipalities and school districts have been introduced in the New York state senate by John Dunne, chairman of the senate insurance committee.

The proposals would establish a \$500,000 ceiling on liability judgments against public entities, permit establishment of self-insurance reserve funds, authorize the state insurance department to collect data on municipal liability insurance rates and claims and allow pooling of risks by municipalities.

Availability and affordability of municipal liability has not reached the "crisis" stage of states like New Jersey and California, but government agencies must cope with increasing rates and a lack of alternatives, an aide to Sen. Dunne said. "We want to at least provide alternatives to the current market."

Under the first bill, recovery of personal injury damages would be limited to actual medical and surgical costs plus \$500,000 per occurrence. Should a jury verdict be for in excess of that amount, the court would review the verdict to determine whether the defendant had the ability to pay.

Awards that would result in excessive financial burden could be reduced if shown to be in the public interest, but would be no less than \$500,000.

The senate aide said it was hoped that insurers would realize that a cap has been set on municipal liability and set rates accordingly. However, he admitted that the proposed liability ceiling faces possible constitutional challenges and any impact upon rates could be delayed until after disputes have been resolved.

Municipalities wishing to self-insure would be aided by a second bill that would permit accumulation of casualty loss reserve funds. Currently, New York requires that public entities that self-insure do so using current funds only.

Another alternative to the traditional market would result from passage of a bill that would permit municipalities to pool risks, with each contributing premium dollars to an insurance fund set up on a mutual basis.

The fourth bill introduced by

### Court clarifies product defect

LANSING—The Michigan court of appeals has ruled that juries should be instructed to rule that a product is unfit for its intended use if there is undisputed proof the item was defective.

The court overturned a circuit court decision denying damages to a man seriously injured when the car he was riding in hit a tractor-trailer rig stopped on the highway. The truck had slowed suddenly and veered off the road when the tread on one tire became loose.

Archie Davies filed suit against Goodyear Tire & Rubber Co., contending the company was liable for damages because of a manufacturing defect in the truck tire.

Despite expert testimony that the tire's failure was the result of a defect, the court refused to instruct the jury that the undisputed evidence actually established improper manufacture.

But the appeals court ruled the man should have a new trial, saying evidence blamed the tire's failure on a defect in construction. The judge should have told the jury to find the tire unfit for use.

Sen. Dunne called upon the state insurance department to monitor municipal liability premiums, claims and other data. The

senator's aide noted that no existing data is available to document the extent of the municipal liability problem in New York.

# We're all fired up about our dental plans.

You'll see why when you contact your nearest Fireman's Fund American Life Insurance Company Group Office and talk to one of our Group Sales specialists.

They'll help you determine whether your plan should be scheduled or non-scheduled. Whether it should be combined with, or kept separate from, your major medical plan. And whether you need the optional survivors benefits for dependents.

This coverage is available in most states. Just check the phone list below for the nearest Fireman's Fund American Life Insurance Company Group Office.

And get fired up too.



FIREMAN'S FUND AMERICAN LIFE INSURANCE COMPANY

Home Office: San Rafael, CA  
 Atlanta 404-261-2500 Dallas 214-748-5151 Nashville 615-383-2600  
 Boston 617-742-5100 Detroit 313-557-5700 North Jersey 201-285-3150  
 Chicago 312-435-2000 Houston 713-526-2771 St. Louis 314-569-2100  
 Cincinnati 513-381-6060 Los Angeles 213-381-3141 San Francisco 415-421-1676

Street \_\_\_\_\_ Name \_\_\_\_\_ Title \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Make check payable to Crain Educational Division. Mail today to: Crain Educational Division, 740 Rush St., Chicago, IL 60611

## Schools learn new equation for liability economics

By JOANNE GAMLIN

SACRAMENTO—The total limits of liability coverage for California public elementary school districts decreased by 12% from 1974 to 1978, while at the same time total premium costs for the districts soared by 345%.

Similarly, community college districts experienced a 1% increase in liability insurance coverage limits during the same time span, but they were hit with a 414% boost in premium costs.

A new study on liability insurance difficulties of California public schools reveals the broad dimensions of the liability insurance

problem. Written by the California state department of education, the study covers five public school categories—elementary schools, high school, community college and unified school districts, as well as the offices of county superintendents of schools.

It makes plain that none of the five school districts is untouched by liability insurance trouble, although for the primary period under study, 1974 to 1978, high school districts appear to have fared better than did their counterparts.

Only high school districts in the five school categories were fortunate enough to report that for the four-year time span liability coverage exceeded the leap in premium costs. For high school districts, the good news was that while total coverage limits increased by 324%, premiums paid went up only 320%.

The other two districts, the offices of county superintendents of schools and the unified school districts, followed the more somber pattern set by the elementary school and community college districts. For the former, liability limits jumped 316% while premiums paid climbed even more, by 389%. For the unified school districts, there was a small increase—4%—in coverage limits coupled with a staggering 413% boost in premiums paid.

### Liability Insurance Limits and Premiums

Amount of limit or premium, by fiscal year\*

Entity	1974-75	1975-76	1976-77	1977-78	% increase or decrease
<b>Totals</b>					
Liability limits					
Primary	\$2,261,733	\$1,847,825	\$1,801,810	\$1,678,245	-26
Excess—first layer	1,218,405	1,561,931	1,462,332	1,377,751	+13
Excess—second layer	177,500	364,500	872,700	1,091,900	+515
Excess—third layer	26,000	75,000	920,950	982,000	+3,677
Premiums paid					
Primary	7,521,102	12,562,486	20,426,246	26,364,550	+251
Excess—first layer	672,232	1,657,677	4,245,714	8,306,196	+1,136
Excess—second layer	65,800	330,528	1,595,825	4,215,919	+6,307
Excess—third layer	13,550	44,024	342,034	907,786	+6,600
Liability limits totals	3,683,638	3,849,256	5,057,792	5,437,696	+48
Premium totals	\$8,272,684	\$14,594,715	\$26,609,819	\$39,794,451	+381

\*Premiums are shown in dollars, and limits are shown in thousands of dollars.

Just how dramatic has been the growth in excess, particularly in second and third layer coverage, was documented by the 39-page study. It found for all five categories that primary coverage

limits for the four-year period dropped by 26% while the first layer coverage limits rose by 13%. Second layer coverage limits, however, zoomed ahead by 515% and third layer coverage soared by an

astonishing 3,677%.

Excess third layer liability coverage for the combined districts totaled \$26,000 in 1974-1975. Four years later, it had grown to \$982,000. Meanwhile, premiums on third layer coverage amounted to \$13,550 in 1974-1975, fully 50% of the covered loss layer. But by 1977-1978, they had catapulted to \$907,786 for a 6,600% jump, nearly a dollar-for-dollar charge for the \$982,000 loss layer.

Equally arresting, the study found that the statewide total for liability insurance limits collectively purchased for elementary, high school and unified school districts, rose by \$1,315,554,000 for 1974 to 1977 for an increase of 42%. But for the same period, premiums collectively paid by these bodies rose 223%.

For the period of 1974 to 1978, however, adding the latest 12 month coverage period, liability insurance limits sprinted \$1,402,258,000 or 45%, while premiums paid rose to \$26,459,732 or 376%.

Probing the relationship between general liability claims to premiums paid, the study revealed that claims totals exceeded premiums for 1974-1975. But in 1975-1976, premium costs began to escalate, a movement which the study says has yet to abate.

High school districts had the highest ratio of claims to premiums paid over the three years of 1974 to 1977. Conversely, community college districts and offices of county superintendents of schools had the lowest claims to premium ratio.

Encouragingly, the state totals for ratio of claims to premiums paid dropped from 107% in 1974-1975 to 50% in 1976-1977, a decline which the study suggests may point to a leveling off in the rise of insurance premiums. The study also found that from 1974 to 1977, there was a drop in claims paid of approximately 65% or \$2,992,347.

The study was not without its concrete suggestions on how to ameliorate the towering liability insurance difficulties. It made three proposals: A risk management program, featuring a risk management committee in each district, to be in place by January 1, 1979; a statewide pool of dollars that would reimburse school districts for liability judgments in excess of \$1 million; an arrangement for pooling of insurance between districts.

In a well-designed business insurance program, such special items as pressure vessels, electrical equipment, mechanical devices and refrigerated systems should be

protected by boiler and machinery coverage. If you find your current boiler and machinery carrier takes your business for granted, look to Zurich-American, one of the few multi-line insurers with a boiler and machinery facility. We can offer you this key coverage by itself or as part of a comprehensive insurance

program. And, whatever the coverage, at Zurich-American, service is our number one policy.

**Need a  
Warm-Hearted  
Friend in the  
B&M  
Insurance  
Business?  
Call Z-A.**



Zurich Insurance Company  
American Guarantee and  
Liability Insurance Company  
111 West Jackson Blvd.  
Chicago, Illinois 60604



# riskWatch

By REBECCA A. FANNIN

## Risk managers and brokers: Another look at how they compare

Ron Judd called one recent, late Friday afternoon, demanding excitedly, "What have you done to me?" What I had done was write this column quoting executive recruiter Robert Murphy. In that column, Mr. Murphy had said risk managers don't have the brains, creativity or money-drawing power of brokers and that the superstars of risk management don't need RIMS since they're already established in their careers and don't have time for the club's socializing. Mr. Judd, as executive director of RIMS, will probably never forgive Mr. Murphy for that.

Mr. Judd has nurtured RIMS's growth and reputation while risk management as a career has moved into the limelight. He refers to RIMS as one of his children and, like a parent, he wants to shelter his child from abuse.

During that rousing phone call, Mr. Judd struck back at the recruiter who had belittled RIMS. He questioned Mr. Murphy's credentials.

Mr. Murphy competes vigorously with other recruiters; in fact, another risk management recruiter said he has lost potential clients to Mr. Murphy. His firm's size and its number of placements in the risk management field compare favorably with other risk management recruiters. He formed his recruiting firm 10 years ago to recruit in all management areas, and has recently been placing approximately 24 risk managers a year in top insurance department positions, he said.

Mr. Judd demanded that I prove Mr. Murphy's legitimacy by listing companies where the recruiter has placed risk managers. I asked Mr. Murphy to tell me this information but he replied calmly to that request with: "You have to understand that recruiters work on a confidential basis only." He agreed, however, to name clients who didn't mind the publicity. But he never called back with any names.

Mr. Murphy remained poised and patient when told of Mr. Judd's stinging attack. He said he didn't want to fight with Mr. Judd, "who's done a hell of a lot for risk management." And he claimed he has "no ax to grind" with RIMS, but repeated his comment that the superstars don't join RIMS.

Mr. Murphy reaffirmed his previous observations, while toning down and clarifying them. He reasoned that brokers have more time for creativity, since risk management is a "day-to-day job where disasters can take up a lot of time." He explained further that unless a risk manager has a financial background, then all a risk manager can be is another risk manager. As for his previous comment about brokers having the brains, Mr. Murphy said he feels brokers must have more technical expertise.

Mr. Murphy was indeed far from stirred up over the furor he had created. Only good has flowed from his remarks, it seems. He maintained he's received no complaints about his remarks and says risk managers he's talked to are sympathetic to his views.

Mr. Judd, however, said he was barraged with phone calls and letters from irate risk managers. And he fretted about their reactions. Mr. Judd sought to iron out the wrinkles Mr. Murphy raised by listing the accomplishments of risk managers. He declared that I should seek out the gospel on risk manager's careers—that I should talk with the "Tiffany" of risk management recruiting. That's Ward Howell Associates Inc., he said.

So I talked with Frank H. Beardsley Jr., who has known Mr. Judd for several years. Mr. Beardsley fills 70% of the insurance openings the firm handles, with approximately seven risk management placements yearly. Happily, Mr. Beardsley didn't spew forth lengthy dissertations on the almighty risk manager. He's rational and thoughtful, supporting his views with sound and numerous reasons. He noted that there is a gap between risk manager and broker salaries, but believes the difference exists because brokers' salaries are based on how much they produce, while risk managers' salaries are based on how much insurance dollars they save. Mr. Beardsley didn't agree with Mr. Murphy that brokers are more creative than risk managers. But he noted that one of the most difficult qualities to find in a risk manager is innovativeness, although the supply of creative risk managers is growing. As for upward mobility, he cautiously answered that it's "too early to tell" how successful risk managers are in getting themselves promoted.

No definitive words of wisdom have trickled down yet. After all, no one recruiter has pat answers, only opinions based on his placements.



Fannin

## N.Y. legislator offers 4 proposals to ease government insurance woes

NEW YORK—Four bills aimed at easing liability insurance woes of municipalities and school districts have been introduced in the New York state senate by John Dunne, chairman of the senate insurance committee.

The proposals would establish a \$500,000 ceiling on liability judgments against public entities, permit establishment of self-insurance reserve funds, authorize the state insurance department to collect data on municipal liability insurance rates and claims and allow pooling of risks by municipalities.

Availability and affordability of municipal liability has not reached the "crisis" stage of states like New Jersey and California, but government agencies must cope with increasing rates and a lack of alternatives, an aide to Sen. Dunne said. "We want to at least provide alternatives to the current market."

Under the first bill, recovery of personal injury damages would be limited to actual medical and surgical costs plus \$500,000 per occurrence. Should a jury verdict be for in excess of that amount, the court would review the verdict to determine whether the defendant had the ability to pay.

Awards that would result in excessive financial burden could be reduced if shown to be in the public interest, but would be no less than \$500,000.

The senate aide said it was hoped that insurers would realize that a cap has been set on municipal liability and set rates accordingly. However, he admitted that the proposed liability ceiling faces possible constitutional challenges and any impact upon rates could be delayed until after disputes have been resolved.

Municipalities wishing to self-insure would be aided by a second bill that would permit accumulation of casualty loss reserve funds. Currently, New York requires that public entities that self-insure do so using current funds only.

Another alternative to the traditional market would result from passage of a bill that would permit municipalities to pool risks, with each contributing premium dollars to an insurance fund set up on a mutual basis.

The fourth bill introduced by

### Court clarifies product defect

LANSING—The Michigan court of appeals has ruled that juries should be instructed to rule that a product is unfit for its intended use if there is undisputed proof the item was defective.

The court overturned a circuit court decision denying damages to a man seriously injured when the car he was riding in hit a tractor-trailer rig stopped on the highway. The truck had slowed suddenly and veered off the road when the tread on one tire became loose.

Archie Davies filed suit against Goodyear Tire & Rubber Co., contending the company was liable for damages because of a manufacturing defect in the truck tire.

Despite expert testimony that the tire's failure was the result of a defect, the court refused to instruct the jury that the undisputed evidence actually established improper manufacture.

But the appeals court ruled the man should have a new trial, saying evidence blamed the tire's failure on a defect in construction. The judge should have told the jury to find the tire unfit for use.

Sen. Dunne called upon the state insurance department to monitor municipal liability premiums, claims and other data. The

senator's aide noted that no existing data is available to document the extent of the municipal liability problem in New York.

# We're all fired up about our dental plans.

You'll see why when you contact your nearest Fireman's Fund American Life Insurance Company Group Office and talk to one of our Group Sales specialists.

They'll help you determine whether your plan should be scheduled or non-scheduled. Whether it should be combined with, or kept separate from, your major medical plan. And whether you need the optional survivors benefits for dependents.

This coverage is available in most states. Just check the phone list below for the nearest Fireman's Fund American Group Office.

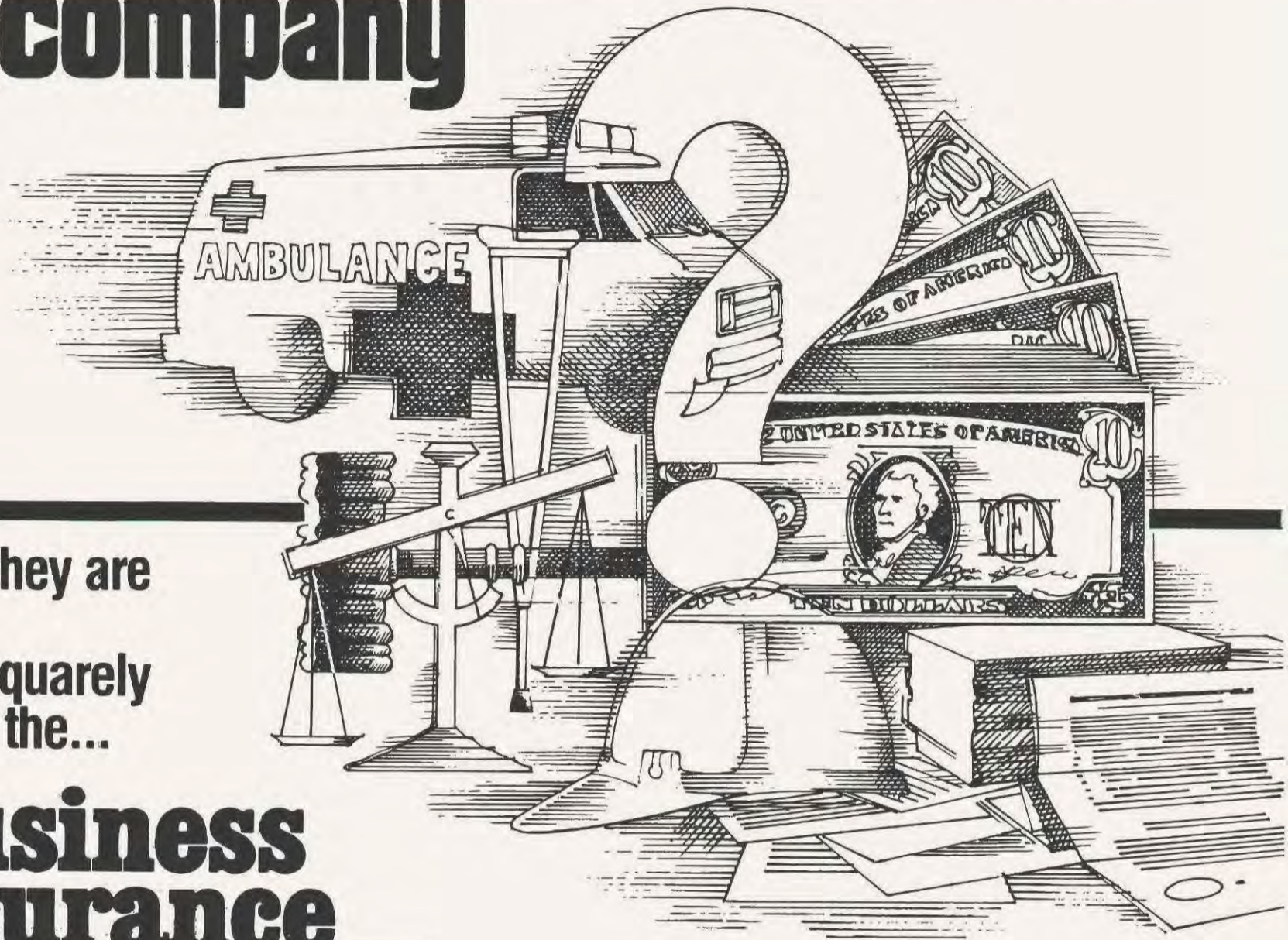
And get  
fired up too.



#### FIREMAN'S FUND AMERICAN LIFE INSURANCE COMPANY

Home Office: San Rafael, CA			
Atlanta 404-261-2500	Dallas 214-748-5151	Nashville 615-383-2600	
Boston 617-742-5100	Detroit 313-557-5700	North Jersey 201-285-3150	
Chicago 312-435-2000	Houston 713-526-2771	St. Louis 314-569-2100	
Cincinnati 513-381-6060	Los Angeles 213-381-3141	San Francisco 415-421-1676	

# What new Workers Compensation hazards face your company



Learn what they are and how to meet them squarely by attending the...

## business insurance

### NATIONAL CONFERENCE ON WORKERS COMPENSATION

July 23-26, 1978  
Continental Plaza Hotel,  
Chicago

Today, Workers Compensation is an area of widespread confusion and deep concern: Emerging occupational diseases . . . growing fraud . . . proposed federal takeover . . . This is your unique opportunity to examine all facets of the complex Workers Compensation question and get the answers you need to ease your company's burden.

Workers Compensation programs are essential. But varying state regulations, confusing and contradictory rulings, expanding coverages and skyrocketing benefits are creating a new occupational disease among employers everywhere: Cumulative Work/Comp Trauma.

The march of technology is creating more occupation-related hazards than ever existed before. That means more regulation. You, as an employer, face increasingly tougher Workers Compensation challenges:

- Cumulative trauma
- Degenerative disease
- Fraud
- Workplace environmental hazards
- Capricious administration of Workers Compensation programs
- Escalating benefits
- Unlimited liability
- Emerging occupational diseases
- Set patterns for even more liberalized benefits

Is the solution a federal takeover of Workers Compensation? Maybe. But what about the influence of organized labor in Congress? The stakes are great. Statutory benefits are increasing. So is fraud. How can companies protect their interests?

Yet the solution is within the business community. There are ways to cope. To solve some of the day-to-day problems. To work with the regulators and your employees. To ease your company's burden.

Now is a time of decision. Deciding what path to take and strategies to employ may well save you thousands of dollars. That's what this Conference

. . . sponsored by BUSINESS INSURANCE, the national newsmagazine of loss prevention, risk financing and employee benefit management, is all about.

You learn how leading companies across the nation are coping with the toughest Workers Compensation challenges. You see how successful they are in meeting increasingly stringent requirements. Learn methods and procedures that work.

And, examine the impact of the proposed federal takeover of the Workers Compensation system — from both sides. This may be the most controversial legislation to come along for some time. Examine the issues and make your position known. It's important to your company. And to business everywhere.

To register for this Conference, fill out and mail the coupon or phone (312) 649-5242 collect. Because of the national importance of this Conference and the fact that space is limited, there is a very real possibility of an early sell-out. In all fairness, registrations must be accepted on a first-come, first-served basis only. Don't be disappointed, get yours in today.

**SUNDAY July 23**

**4:00 pm:** Early Registration: Pick up your Conference materials and brief yourself on the program and speakers you'll be hearing over the next two and one half days.

**7:00 pm:** Welcome Reception. Take this opportunity to meet your fellow participants and discuss today's issues over an informal cocktail.

**MONDAY July 24**

**8:00 am:** Registration.

**9:00 am:** Welcome. Alfred Malecki, Publisher, *Business Insurance* and Susan Alt, *BI* Editor, set the stage for an exciting, thought-provoking Conference.

**9:15 am:** Occupational Disease—Technology's Growing Nightmare. Dr. Thomas F. Mancuso, Research Professor—Occupational Medicine, Graduate School of Public Health, University of Pittsburgh, is joined by Dr. Peter S. Barth, Professor and Head of the Department of Economics, University of Connecticut and Anthony Mazzocchi, Vice President, Oil, Chemical & Atomic Workers International Union. Together they take a close look at industry-spawned illness and how it has grown to be a major source of compensation claims—the extent of the problem, moral issues involved, legal liability now and in the future, how to identify and analyze major risk areas, the high cost of inaction.

**10:30 am:** Cumulative Trauma—The California Experience. Alan Tebb, General Manager, California Workers Compensation Institute, and Richard Robinson, Member, General Assembly, State of California, examines the good and the bad under California's cumulative trauma provisions, how employers can contain costs, and to what extent predictions of disaster have been borne out.

**11:45 am:** Wage-Loss—Is It A Better Idea? Clarence G. Johnson, Executive Vice President, Member of the Board of Directors, Employee Benefits Insurance Company, and Ron Conley, Acting Director, Office of Policy Research & Analysis,

Department of Health, Education and Welfare. Together they examine what's wrong with the present system of setting benefits, how the system can be improved in terms of compensation methods and procedures, whether the wage-loss concept is a good or bad substitute, and what the federal government's view is.

**1:20 pm:** Luncheon.

**2:45 pm:** Concurrent Sessions. Two in-depth sessions look at specific Workers Compensation funding problems. Attend the one of your choice.

•Market Overview For Self Insurers. John F. Miliken, Vice President, Alexander & Alexander, examines the current state of the insurance markets in the Workers Compensation area—where can employers go for a front or bonds under self-insurance regulations.

•The Problems And Opportunities In Self-Insurance. Edward R. Lloyd, Director of Insurance and Assistant Secretary, Dan River Inc., tells you how to plan for self-insurance success—pitfalls to avoid, loss prevention programs, computer analysis, and program advantages.

**4:00 pm:** Concurrent Sessions. Two intensive sessions look at areas of great concern to employers. Attend the one of your choice.

•Fraud—How To Spot, Prove & Prevent It. Salvatore J. Camp, Assistant Counsel, Unit A, Waterfront Commission of New York, is joined by Charles F. Murphy, Assistant Director, Supervisor of Industrial Insurance, Department of Labor & Industries, State of Washington, and William W. Johnston, Chairman, Industrial Commission, State of Ohio. How prevalent is fraud? What investigative techniques work best? What can employers do to prevent fraud? What can be done to make staying "sick" less profitable than returning to work?

•Accounting Methods For Self-Insured Workers Compensation Losses. Arthur B. Willis, Attorney, member of the firm, Willis, Butler, Scheiffy, Leydorf & Grant, explains how and why Crescent Wharf & Warehouse Company was able to

accrue its liability for payments to employees in future years. What precedents were established? What does this mean for other self-insurers? What procedures must be followed to gain tax advantages?

**6:00 pm:** Cocktail Reception.

**TUESDAY July 25**

**9:00 am:** Has The Government Gone Too Far? Ralph M. Hartman, Director—Office of Workers' Compensation Programs, Employment Standards Administration, United States Department of Labor, is joined by Dennis J. Lindsay, Senior Partner, Lindsay, Nahstoll, Hart, Neil & Weigler, and John J. Runzer, Attorney, Pepper, Hamilton & Scheetz. They examine the Federal Longshoreman's & Harbor Workers Act; how it has been extended; what it means to you—is it really the biggest give-away program ever devised?

**10:45 am:** Loss Prevention—Shape Up And Save. Harold V. Hodnick, P.E., C.S.P., Safety Consultant, Reed Shaw Stenhouse of California, is joined by Walter Pfeiffer, Director of Corporate Safety, Coca-Cola Bottling Company of Los Angeles. Safety and loss prevention programs are examined closely—how strict should they be? What do most employers have to do to improve their programs? What is the cost of various workplace injuries? Where should safety efforts be concentrated?

**12:45:** Luncheon.

**2:15 pm:** Three fascinating sessions cover areas of growing importance in successful Workers Compensation programs management. Attend the one of your choice.

•Rehabilitation—Paving The Road Back. Linda Abernathy, Vice President, Director of Rehabilitation Services Division, Fred S. James & Company and George T. Welch, President, International Rehabilitation Associates, Inc., an INA Corporation subsidiary. How properly ad-

ministered rehabilitation programs can reduce costs and get employees back on their feet. What kind of injuries lend themselves to rehabilitation?

•Health Screening—Filtering Out Risks. Dr. Joseph LaDou, Medical Director, Peninsula Industrial Medical Clinic, and Dr. David M. Lipscomb, Professor, Director, Noise Research Laboratory, Department of Audiology & Speech Pathology, University of Tennessee examine the importance of hearing and health screening to employers faced with rising workers compensations risks and losses. Is it important to document the health of all employees? How can risks be minimized? Are employers going to go broke paying for hearing loss?

•How To Deal Successfully With State Workers Compensation Administrators. W. Thomas Sprentall, Manager, Workers Compensation, Eastman Kodak Company tells you about his experiences and problems in working with state administrators: is an adversary relationship the rule? How to prepare your case for quick handling.

**6:00 pm:** Cocktail Reception.

**WEDNESDAY July 26**

**9:00 am:** Faceoff—Federal Vs. State Regulation Of Workers Compensation. Donald E. Elisburg, Assistant Secretary of Labor, Employment Standards Administration, U.S. Department of Labor; Howard Bunn, Jr., Vice President, National Association of Independent Insurers; Robert B. Collyer, Executive Assistant, UBA Inc.; Harry W. Dahl, Esq., Harry W. Dahl Law Office; John H. Lewis, Esq., Attorney; William J. Moshofsky, Vice President, Georgia Pacific Company; and Norman A. Weintraub, Economist, International Brotherhood of Teamsters, engage in a freewheeling, wide-open debate over the merits of federal or state administration of workers compensation programs. Are states incompetent? Will the federal government make things worse? You decide because you're going to vote.

**12:30 pm:** Adjournment.



Dr. Peter S. Barth  
Department of Economics  
University of Connecticut



Salvatore J. Camp  
Waterfront Commission  
of New York



Harry W. Dahl, Esq.  
Harry W. Dahl  
Law Office



Ralph M. Hartman  
U.S. Department  
of Labor



Clarence G. Johnson  
Employee Benefits  
Insurance Company



William W. Johnston  
Industrial Commission,  
State of Ohio



Dr. David M. Lipscomb  
Department of Audiology  
& Speech Pathology  
University of Tennessee



Edward R. Lloyd  
Dan Rivers Inc.



Tony Mazzocchi  
Oil, Chemical  
& Atomic Workers  
International Union



John F. Miliken  
Alexander & Alexander



William J. Moshofsky  
Georgia Pacific Company



Charles F. Murphy  
Department of  
Labor & Industries  
State of Washington



John J. Runzer  
Pepper, Hamilton  
& Scheetz



W. Thomas Sprentall  
Eastman Kodak Company



George T. Welch  
International Rehabilitation  
Associates, Inc., an  
INA Corporation subsidiary



Arthur B. Willis  
Willis, Butler, Scheiffy,  
Leydorf & Grant

**To register, fill out the coupon or phone (312) 649-5242 collect.**

Conference fee is \$385; a 10% discount applies to this rate for additional registrants from the same company who register at the same time. If your plans change, you can substitute the name of another individual without penalty prior to the Conference. Or, you can receive a full refund

if you cancel by July 10, 1978. (For cancellations received after July 10, there is a \$65 service charge.)

Registration fee includes admission to all scheduled Conference sessions and functions, complete resource materials including a workbook,

two luncheons and three cocktail receptions.

Hotel accommodations and travel arrangements are not included and must be made separately. Registrants automatically receive hotel reservation forms with their Conference confirmations.

**Phone (312) 649-5242 collect or mail this coupon TODAY!**

**YES!** Please enroll me in the Business Insurance National Conference on Workers Compensation:

Enclosed is a check for \$ \_\_\_\_\_  
Bill me \_\_\_\_\_

Name \_\_\_\_\_

Title \_\_\_\_\_

Company \_\_\_\_\_

Phone (\_\_\_\_\_) \_\_\_\_\_

Street \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

**Additional registrants:**

Name \_\_\_\_\_ Title \_\_\_\_\_

Name \_\_\_\_\_ Title \_\_\_\_\_

**Make check payable to Crain Educational Division. Mail today to: Crain Educational Division, 740 Rush St., Chicago, IL 60611**

**business insurance**

**NATIONAL CONFERENCE ON WORKERS COMPENSATION**

# Schools learn new equation for liability economics

By JOANNE GAMLIN

SACRAMENTO—The total limits of liability coverage for California public elementary school districts decreased by 12% from 1974 to 1978, while at the same time total premium costs for the districts soared by 345%.

Similarly, community college districts experienced a 1% increase in liability insurance coverage limits during the same time span, but they were hit with a 414% boost in premium costs.

A new study on liability insurance difficulties of California public schools reveals the broad dimensions of the liability insurance

problem. Written by the California state department of education, the study covers five public school categories—elementary schools, high school, community college and unified school districts, as well as the offices of county superintendents of schools.

It makes plain that none of the five school districts is untouched by liability insurance trouble, although for the primary period under study, 1974 to 1978, high school districts appear to have fared better than did their counterparts.

Only high school districts in the five school categories were fortunate enough to report that for the four-year time span liability coverage exceeded the leap in premium costs. For high school districts, the good news was that while total coverage limits increased by 324%, premiums paid went up only 320%.

The other two districts, the offices of county superintendents of schools and the unified school districts, followed the more somber pattern set by the elementary school and community college districts. For the former, liability limits jumped 316% while premiums paid climbed even more, by 389%. For the unified school districts, there was a small increase—4%—in coverage limits coupled with a staggering 413% boost in premiums paid.

## Liability Insurance Limits and Premiums

Amount of limit or premium, by fiscal year\*

Entity	1974-75	1975-76	1976-77	1977-78	% increase or decrease
<b>Totals</b>					
Liability limits					
Primary	\$2,261,733	\$1,847,825	\$1,801,810	\$1,678,245	-26
Excess—first layer	1,218,405	1,561,931	1,462,332	1,377,751	+13
Excess—second layer	177,500	364,500	872,700	1,091,900	+515
Excess—third layer	26,000	75,000	920,950	982,000	+3,677
Premiums paid					
Primary	7,521,102	12,562,486	20,426,246	26,364,550	+251
Excess—first layer	672,232	1,657,677	4,245,714	8,306,196	+1,136
Excess—second layer	65,800	330,528	1,595,825	4,215,919	+6,307
Excess—third layer	13,550	44,024	342,034	907,786	+6,600
Liability limits totals	3,683,638	3,849,256	5,057,792	5,437,696	+48
Premium totals	\$8,272,684	\$14,594,715	\$26,609,819	\$39,794,451	+381

\*Premiums are shown in dollars, and limits are shown in thousands of dollars.

Just how dramatic has been the growth in excess, particularly in second and third layer coverage, was documented by the 39-page study. It found for all five categories that primary coverage

limits for the four-year period dropped by 26% while the first layer coverage limits rose by 13%. Second layer coverage limits, however, zoomed ahead by 515% and third layer coverage soared by an

astonishing 3,677%.

Excess third layer liability coverage for the combined districts totaled \$26,000 in 1974-1975. Four years later, it had grown to \$982,000. Meanwhile, premiums on third layer coverage amounted to \$13,550 in 1974-1975, fully 50% of the covered loss layer. But by 1977-1978, they had catapulted to \$907,786 for a 6,600% jump, nearly a dollar-for-dollar charge for the \$982,000 loss layer.

Equally arresting, the study found that the statewide total for liability insurance limits collectively purchased for elementary, high school and unified school districts, rose by \$1,315,554,000 for 1974 to 1977 for an increase of 42%. But for the same period, premiums collectively paid by these bodies rose 223%.

For the period of 1974 to 1978, however, adding the latest 12 month coverage period, liability insurance limits sprouted \$1,402,258,000 or 45%, while premiums paid rose to \$26,459,732 or 376%.

Probing the relationship between general liability claims to premiums paid, the study revealed that claims totals exceeded premiums for 1974-1975. But in 1975-1976, premium costs began to escalate, a movement which the study says has yet to abate.

High school districts had the highest ratio of claims to premiums paid over the three years of 1974 to 1977. Conversely, community college districts and offices of county superintendents of schools had the lowest claims to premium ratio.

Encouragingly, the state totals for ratio of claims to premiums paid dropped from 107% in 1974-1975 to 50% in 1976-1977, a decline which the study suggests may point to a leveling off in the rise of insurance premiums. The study also found that from 1974 to 1977, there was a drop in claims paid of approximately 65% or \$2,992,347.

The study was not without its concrete suggestions on how to ameliorate the towering liability insurance difficulties. It made three proposals: A risk management program, featuring a risk management committee in each district, to be in place by January 1, 1979; a statewide pool of dollars that would reimburse school districts for liability judgments in excess of \$1 million; an arrangement for pooling of insurance between districts.

**independent**  
**CONSULTANTS...**

insurance and employee benefits

complete analysis  
we do not sell or  
place insurance



**CORPORATE**  
**POLICYHOLDERS**  
**COUNSEL, inc.**

20 North Wacker Drive  
Chicago, Illinois 60606  
Phone: 312-372-8225

In a well-designed business insurance program, such special items as pressure vessels, electrical equipment, mechanical devices and refrigerated systems should be

protected by boiler and machinery coverage. If you find your current boiler and machinery carrier takes your business for granted, look to Zurich-American, one of the few multi-line insurers with a boiler and machinery facility. We can offer you this key coverage by itself or as part of a comprehensive insurance

program. And, whatever the coverage, at Zurich-American, service is our number one policy.

**Need a**  
**Warm-Hearted**  
**Friend in the**  
**B&M**  
**Insurance**  
**Business?**

**Call Z-A.**



Zurich Insurance Company  
American Guarantee and  
Liability Insurance Company  
111 West Jackson Blvd.  
Chicago, Illinois 60604



# Farmco established . . .

Continued from page 1

The group-owned insurance company is a market for superior risks in the farm-related manufacturing business, said Alfred R. Beaman, managing director of Beaman & Beaman.

Expenses will be lower to insureds in Farmco because the company is located offshore, because the manufacturers will buy insurance on a group basis and because they will gain cash flow advantages.

Farmco has worked out a partnership with Bercanus, a Bermuda-based excess and surplus lines insurer, to provide the three-year retrospective-rated policy to the manufacturers.

## Bercanus

Bercanus, which has insured hospital professional liability successfully, acts as the underwriter for Farmco, Mr. Beaman said. Its reputation and its proper underwriting and selection of risks made reinsurers more willing to write over the captive, he added.

Bercanus retains a substantial portion of the manufacturers' risk, unlike most other captive arrangements where the licensed insurer acts as a front for the captive and reinsures the bulk of its risk with the captive.

Bercanus writes a direct primary policy of \$500,000 for the manufacturers. Farmco then reinsures Bercanus from a minimum of \$25,000 for each claim to an aggregate limit of \$100,000. Above the \$500,000 primary policy available, Farmco has the capacity to issue additional coverage of \$1.5 million, bringing the total coverage available under the program to \$2 million. In addition, General Reinsurance has agreed to provide a \$1 million excess policy to the insureds.

A substantial portion of the \$2 million Farmco coverage is reinsured in the Bermuda market among three insurers, Mr. Beaman said, among them Gulf Oil's captive, INSCO Ltd., and Walton Ins. Co. Ltd., Phillips Petroleum Co.'s captive. Commonwealth of Canada also has an interest in the reinsurance.

## Insureds' risk

The relationship between Bercanus and Farmco is so structured to mitigate substantial losses of either company, Mr. Beaman said.

For example, he said, if Farmco has a series of claims each amounting to \$10,000, then the 11th claim, which would bring the claims to \$110,000, would fall to Bercanus.

Insureds in the program profit from good loss experience. If Bercanus experiences poor experience, however, then the net cost of insurance increases, Mr. Beaman said.

"The insureds are committed to bearing some of the adverse loss by

## Benefits growing faster than wages

WASHINGTON—In addition to wages or salary, the American worker receives an average of nearly \$4,000 in employee benefits each year—mostly employer payments for life and health insurance, pension contributions, vacation and holidays, says the American Council of Life Insurance.

An analysis by the Council of data collected by the U.S. Chamber of Commerce shows that employee fringe benefits are growing almost twice as fast as wages, with benefit costs up 165% in 1965-75, compared to an 85% increase in weekly wages in that period.

paying more premium," he said, adding, "we can't bail out Bercanus but we can provide some financial relief."

Loss control and claims handling are provided to the program by Kemper Insurance Cos.' NATLSCO. Bank of Nova Scotia Trust is issuing the policies, with Beaman International Ltd. acting as insurance consultants.

The insureds in the program are paying premiums estimated at \$2 million into the program. Premiums are based on a company's sales; all insureds have sales of under \$25 million.

## Deferred tax

The manufacturers each own less than 10% of the insurance company. That percentage allows the insurance company to defer its

taxes on earnings until the earnings are repatriated to the U.S., where each shareholder will then be taxed individually at their own tax level, Mr. Beaman said.

The small number of stockholders also keeps the company to a manageable size so that each company is actively involved, Mr. Beaman said.

Mr. Beaman emphasized that the group-owned insurance company wasn't formed for distressed business or those with poor risks.

He noted that the feasibility study found that the group would gain considerable savings if losses continued at their former rate.

Kasten Manufacturing Co. in Milwaukee is participating in the program after the company had only one offer to renew its coverage elsewhere, said president John Kasten. He said that offer would have provided \$250,000 worth of coverage with a self-insured retention of \$125,000 for a premium of \$125,000.

# California leads nation in work comp payments

SAN FRANCISCO—With total paid out benefits estimated at \$841.79 million, California led the nation in total workers compensation benefits in 1976, the most recent year for which figures were available, according to a new study by the California Workers Compensation Institute.

The study, which used figures from the Social Security Administration, noted that California accounted for every seventh dollar paid under state workers compensation laws in 1976.

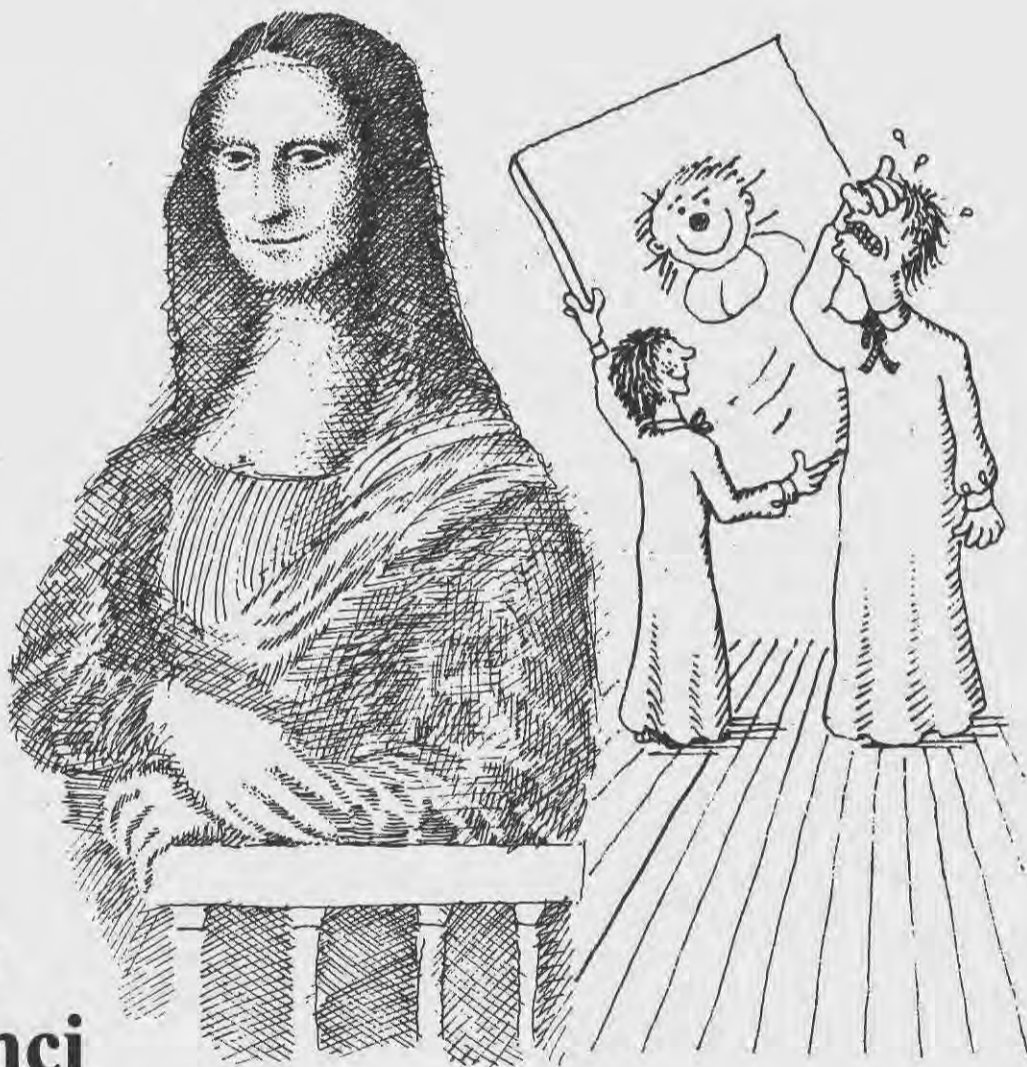
California's two Pacific Coast neighbors, Washington and Oregon, claimed payments in excess of \$150 million each and the regional total topped \$1.1 billion, the high-

est on record, up 16% from 1975.

The total workers compensation benefits paid in California were 56% higher than the second place state, Ohio. Other top states in workers compensation payouts were New York, Texas, Michigan, Illinois, Florida, Pennsylvania, New Jersey and Massachusetts.

With black lung payments excluded, private insurers accounted for more than 66% of all payments, state funds and Federal Employee Compensation Act payments, 25% and self-insured employers, 14%.

The 1976 benefits showed the second highest annual increase since 1939, the Institute said. The growth reflects the addition of 2.1 million covered workers.



**Even da Vinci wasn't satisfied until he did it all himself!**

And neither will you until you've installed a self-administered claim program proportioned to your own self-retention plan.

ARMS will help you do it.

We realize that most self-insurers do - and probably should - rely on an outside organization to manage and administer their own claims. The fact is, ARMS performs exactly that function for self-retention and self-insured risks in both the corporate and public areas. From our nine regional offices we offer claims service for Workers' Compensation, Jones Act, FELA, and all other Casualty and Property lines.

But there is a select group of self-insurers who would like to take the concept of self-insurance to its logical conclusion and administer their own claims. An innovation not too popular with many service companies, but at ARMS we think it's an idea whose time has come.

We'll be happy to explore the possibilities with you. If you like the picture, we'll help you organize a self-administered claim program that covers everything from personnel to procedures, to compliance. And we'll stay with you to perform audits and provide consultative assistance.

For further information contact Mr. Stanford Cameron, Jr., Vice President (212/483-0005).

**arms**

All Risk Management Services, Inc.  
160 Water Street • New York, N.Y. 10038

## Benefit proposal . . .

Continued from page 1

Employe Retirement Income Security Act (ERISA) cannot sell benefit policies to their subsidiaries.

Under the proposal, parents could sell policies to subsidiaries provided that the premiums received from the subsidiary amount to no more than 50% of the parent's insurance business.

This month's announcement of the proposal came as welcome news to the three major insurance trade associations—The American

Council of Life Insurance, the National Assn. of Independent Insurers and the Alliance of American Insurers—who have been battling since 1975 for liberalization of the 5% rule and the restrictions limiting transactions between parents and subsidiaries. About two dozen individual corporations, mainly insurance companies, also sought an easing of the rules.

"The proposal meets what we have been seeking," said William Gibb, chief counsel for federal

taxes and pensions of the American Council of Life Insurance. "From the limited exempt: on we filed, they seemed to have done just what we wanted."

Allowing a corporation's insurance subsidiary to underwrite up to 50% of the business for its parent "certainly does the job for us and takes care of our problem," said Jerry Dennis, general counsel of Montgomery Ward Life Insurance Co. Providing benefits for Montgomery Ward employees accounts for about 8% of the subsidiary's business.

But an attorney for an insurance company described the 50% internal business limit between parent and subsidiary as "lacking a rational basis." A percentage test is unnecessary since the insurance subsidiary and parent are regulated by the state, eliminating the possibility of self-dealing, he contended.

Government sources, however, describe the 50% internal business test as "reasonable." "It shows that the insurance company is in the business of selling insurance to the public . . . and hasn't been set up only to sell insurance to the parent's employe benefit plan," a Labor Department official said.

The 50% outside business test would not go into effect until one year after the proposal becomes final. That would give corporations time to either attract more outside business or shed internal business.

In order for a subsidiary to sell benefit policies to its parent, the insurance subsidiary making the sale must be licensed in at least one state and have undergone a financial examination by the insurance commissioner of the state where it is domiciled within five years before the transaction. The effect of this part of the proposal would be to rule out the use of offshore captives for underwriting employe benefits policies.

Henry Lawrie, an attorney who represented the National Assn. of Independent Insurers, said the requirement of a financial examination five years before a sales transaction needed clarification.

"What does five years before the sales transaction mean," he asked. "Does it refer to the time a company buys the insurance or is it each time a premium is paid?"

If the proposal becomes law, it would end the ironic situation in which huge insurance companies

could sell policies to the public but not to plans of their own affiliates.

The announcement of the proposal came after more than a year of delays. These delays were caused by a shortage of staff as well as the complexities of the issues involved, an IRS official said. There also were reportedly policy differences between IRS and

Labor officials.

Comments on the proposal and requests to appear before a hearing must be made before July 25. Comments (at least six copies) should be sent to the Commissioner of Internal Revenue, 1111 Constitution Ave., NW, Washington, D.C. 20224. Attention: E:EP:PT, "Captive Insurance." ■

## What to tell brokers . . .

Continued from page 1  
Greene.

"That's like telling your broker he's part of the family but not telling him all the family secrets," Mr. Aparton countered. "If my client can't trust me enough to tell me the whole story, then he should get rid of me."

"This whole area of withholding information tends to magnify," another broker added. "A little here, a little there and pretty soon you don't have a clear picture of the risk."

Mr. Greene maintained that even within the client's own organization there are certain things he doesn't know. "Knowing the minimum coverage and maximum premium (the buyer will accept) limits the broker's performance and it creates suspicion. No matter how good a job you do, if the premium is in that (maximum) range, the client is going to have some doubt."

"Why should a broker be treated any differently from my own employes?" a risk manager interjected. "I don't tell them everything; why should I tell my broker everything?"

What it boils down to is a need for better communication between risk managers and brokers because they have to rely on each other, Mr. Greene said. "The greatest amount of dissatisfaction with brokers is caused more by a lack of understanding and communication than by poor performance."

The consultant told the audience that despite resistance by brokers to having their clients involved in the marketing process, "the risk manager must participate in all important parts of the program."

To risk managers, he advised keeping this participation at a low

profile. "You've delegated the marketing responsibility to your broker, so it's not fair to get in there and try and run the show," he said. "The key role of the risk manager in the marketing process is that of an observer." He's there to appraise the performance of the broker."

**Lack of preplanning** is the most serious problem when marketing a risk, Mr. Greene continued. Before the market is approached, the risk manager and the broker should discuss the type of questions that might be asked by underwriters during negotiations, to establish parameters of price. There's also a need for coaching on what topics to stress, and to avoid in making underwriters aware of potential exposures.

During market negotiations risk managers and brokers should get together for a "debriefing" after each session, he advised. "A lot of things in these meetings are said as bluffs," Mr. Greene said. Both client and broker need reassurance that the attitude they're assuming is reasonable.

After coverage is secured, a risk manager should acknowledge a good performance by the broker, both to the broker himself and to his management, the consultant said.

For their part, brokers should provide clients with an annual report of services provided, coverage secured and a detailed market strategy for the coming year.

"Give them the bad news if there's a trend indicating higher prices or tighter markets," Mr. Greene said. "Provide a summary of time and expense put into handling the account. This puts the risk manager in a more defensible position with his own management." ■



## There are Umbrellas and there are Umbrellas

Primary or Excess, Complex or Simple, Land or Water

The Wetzel Company, Inc.



2000 South Post Oak, Suite 2400  
Mailing Address: P.O. Box 66452  
Houston, Texas 77006  
Telephone: 713/626-3240  
Telex: 76-2053

Only through Agents/Brokers

We are pleased to  
**ANNOUNCE**

the availability of another quality product . . .

## CLINICAL DIAGNOSTIC LABORATORIES PROFESSIONAL LIABILITY

This new program features:

- An Insurance Product specifically designed for the industry
- A Premium Rating Basis geared to the exposure inherent in the individual risk
- A wider range of and higher limits of liability than have previously been available
- The optional inclusion of employees as additional insureds
- An "occurrence" form

For further information or applications call or write . . .



**COVER X CORPORATION**

30161 SOUTHFIELD ROAD  
SOUTHFIELD, MICHIGAN 48076  
TELEPHONE (313) 644-3200  
TELEX 23-5635

Affiliated Office:  
**AGENCY MARKETING, INC. OF COLORADO**  
180 Adams, Denver, Colorado 80206  
(303) 321-2700

## dates for buyers

**June 14.** The Society of Chartered Property and Casualty Underwriters will present two separate one-day workshops on **The Balance Sheet Approach to Risk Management**. The first workshop will be held in Hempstead Long Island, N.Y. The second will be held on **June 16** in Las Vegas, Nev. The workshops have been designed for those involved in the production or service of commercial accounts. The workshops will emphasize risk management principles from a balance sheet perspective, conversion of risk management theory into sales practice, balance sheet awareness, preserving your equity base, the sales psychology of client relationships and administrative relations between client and agency. Cost: \$60, CPCUs; \$65, non-CPCUs. Contact Dennis E. Byrne or James R. Teague, The Society of CPCU, Kahler Hall, Providence Road, (CB#9), Malvern, Pa. 19355; phone 215-648-0440.

**June 18-21.** **National HMO Conference** to be held in New York City and sponsored by Group Health Assn. of America Inc. In addition to major policy addresses by Washington officials, the GHAA conference will include outcomes of recent clinical and managerial studies of HMO physicians and executives. Topics will range from nutritional factors in child behavior to behavior modification weight control program in an HMO setting. Cost: \$200, members; special rates available for federal employes, students and retired members. Contact Timothy Bell, Group Health Assn. of America Inc., 1717 Massachusetts Ave. N.W., Washington, D.C. 20036; phone (202) 483-4012.

**June 18-21.** The **1978 Employee Benefits Institute for Single Employer Plans** will be held in Chicago. The forum, presented by the International Foundation of Employee Benefit Plans, will deal with problems in benefits communication, controlling benefit costs and information needed for future investments, inflation, Social Security and health care. The program will be repeated in Las Vegas, Oct. 4-7 and in Hollywood, Fla. Dec. 10-13. Contact International Foundation of Employee Benefit

Plans, 18700 W. Bluemound Rd., P.O. Box 69, Brookfield, Wis. 53005; phone 414-786-6700.

**June 18-22.** **International Insurance Seminar Inc.** will hold a conference in Manila, Philippines. Previous conferences have dealt with such topics as insurance marketing, investment portfolio management and management controls. Contact: John D. Thomas, John David Thomas Co., P.O. Box 528, Pebble Beach, Calif. 93953; phone (408) 624-0531.

**June 19-20.** In San Francisco New York University will present a seminar on **Corporate Insurance Management**. Topics include current approaches to risk and insurance management, property and business interruption coverage, minimizing claim problems, controlling benefit costs, managing costs for workers compensation and liability insurance, loss costs and control, product liability crisis and current risk management techniques. The seminar will be repeated in New York Sept. 7-8 and in Atlanta Oct 16-17. Contact Heidi E. Kaplan, Dept 20NR, New York Management Center, 360 Lexington Ave., New York, N.Y. 10017; phone 212-953-7262.

**July 24-26.** The **National Conference on Workers Compensation** to be sponsored by **Business Insurance** in Chicago. It will include six general sessions and seven concurrent sessions covering aspects of workers compensation regulation, insurance and self-insurance. One of the highlights will be a debate on the question of state versus federal regulation, featuring seven nationally recognized authorities. Among the topics to be considered will be proposed federal legislation, occupational disease, cumulative trauma provisions, the present system of establishing workers compensation benefits, self-insured programs, fraud in workers compensation, rehabilitation programs, working with state workers compensation regulations. Cost: \$385; 10% discount for companies sending more than one person. Contact Taylor Lucas, Crain Education Division, 740 N. Rush St., Chicago, Ill., 60611; phone 312-649-5245.

# N.Y. proposals . . .

Continued from page 1

state assembly last month. That bill would eliminate prior approval on rates and forms for policies with premiums in excess of \$100,000 and certain designated special risks.

Risk managers in New York said they welcomed the proposals, but indicated the plans did not deal with the major reasons they sought insurance outside the conventional New York markets.

## London's loyalty

New York insurers would not only have to be competitive but would also have to provide "a stable market that I can deal with year in and year out," said Robert Coda, risk manager at Dover Corp. "Lloyd's doesn't fluctuate in and out on certain lines. I'd want to see not only financial soundness but also soundness in underwriting philosophy."

Norman Chanizis, director of risk management at American Standard, agreed that there was more "loyalty" among London insurers than in the domestic market. "Unless the cost differentials were that great, I wouldn't change our program," he said.

Proponents of the free trade zone say relief from regulation on rates and forms would make it easier for insurers to respond to the needs of large corporations. With added capacity generated by the reinsurance exchange, New York would be better able to compete for risks now going to London and other foreign markets, they argue.

Norman Hoffman, corporate insurance manager at Kane-Miller, agreed that while New York's regulatory climate is no worse than other states, regulations have held back insurers. The free trade zone would open up the domestic market, he said, adding that there is no reason why American firms "wouldn't be more flexible if they could be."

However, John Murphy of Avis felt capacity rather than regulation led insureds offshore into captives and other markets. Insurers are "not breaking their necks" to write big accounts, he said. "They don't have the ability to finance new premium or expand."

Meanwhile, the free trade zone measures has won approval from the assembly's insurance and ways and means committees and is awaiting third and final reading in the full house. The state senate, which is in recess until mid-June, has not yet acted on the idea.

## Revised measure

The revised reinsurance exchange proposal would now authorize the governor, rather than the superintendent of insurance, to appoint the committee that would draft the constitution and bylaws for the insurance exchange. The superintendent would chair the committee.

Other modifications were aimed at limiting brokers' participation in exchange underwriting syndicates and preventing the syndicates from having unfair competitive advantages over insurance companies.

The changes give the superintendent of insurance the power to limit investments in syndicates of the exchange by licensees of the insurance department. An economic affairs aide to Gov. Hugh Carey said that feature, although broadly written, was intended to deal with brokers.

The same section gives the superintendent the power to exempt the reinsurance exchange from state insurance regulations if such exemptions would not provide the exchange with unfair advantages over competitors.

"We're not trying to create jobs in

the reinsurance exchange by taking jobs away from insurance companies," the aide said.

AIG's Mr. Greenberg has said that the reinsurance exchange would result in a loss of jobs rather than a gain. In addition, he told a Senate insurance committee hearing that while he did not oppose the concept, he feared the current proposals could disrupt the traditional relationship between brokers and underwriters by permitting brokers to control underwriting syndicates.

Shortly after that hearing Gov. Hugh Carey and his aides met with Mr. Greenberg and representatives of the New York brokerage community, the leading proponents of the exchange, in an attempt to iron out differences of opinion. The modifications to the legislation came out of that meeting.

## 30% participation

While no specific limit on brokerage participation has been proposed, Robert L. Sanford said the brokers would probably want to be allowed to have a 30% participation in syndicates but would be willing to go along with a 20% interest. Mr. Sanford, president of Smyth, Sanford & Gerard, is chairman of the laws and legislative unit of the Insurance Brokers Assn. of the State of New York.

The reinsurance exchange will need the financial participation of the brokerage community if it is to be viable, Mr. Sanford added.

Mr. Greenberg could not be reached for comment. However, Mr. Sanford said that the AIG president indicated to him that he would not object to 20% participation in syndicates by the brokers.

It had previously been reported that the reinsurance exchange bill was not likely to be introduced during the New York legislature's current session as a result of the controversy. The possibility of a postponed introduction led Marsh & McLennan to cancel a press conference called to explain its position on the reinsurance exchange and free trade zone.

In London, the two proposals are being watched closely but there has been little significant reaction to date, pending additional information on the proposals. ■

# people

Continued from page 46

has been with the company since 1971. Mr. Swets replaces **Jim Dunlop**, who joined a risk management consulting firm in Los Angeles.

\* \* \*

On the heels of his graduation from the University of Rhode Island's insurance program in 1977, **Mark P. Charron**, 23, has been named insurance and risk analyst for Citizens Bank in Providence, R.I. He is responsible for property, casualty, liability and workers compensation coverages. Mr. Charron replaces **Frank R. Lord**, who retired.

\* \* \*

**John L. Bonini**, 32, has been promoted to manager of property insurance and insurance administration at Square D Co., Chicago. He's responsible for risk analysis and evaluation of the company's business property. He retains many of his former duties as assistant insurance manager, a position he held for five years. Mr. Bonini reports to Gary Cabbison, corporate risk and insurance manager, who handles casualty insurance.

\* \* \*

Fuqua Industries Inc. of Atlanta has taken over National Industries Inc. in Louisville, combining their insurance staffs. **Allan A.**

## RIMS chapter aids students

LOS ANGELES—The local chapter of the Risk & Insurance Management Society will sponsor a \$1,500 scholarship for master's degree candidates in the business administration school at the University of Southern California here.

The recipient of the award must plan to enter or continue in the risk management field. The scholarship is available for part time evening students as well as full time students.

Further information about the scholarship and the master's program may be obtained by contacting Dr. Claude C. Lilly, associate professor of insurance, University of Southern California, Los Angeles, Calif. 90007. ■

**Goldberg**, 39, previously insurance coordinator of National Industries for eight years has been named director of loss control at Fuqua. Mr. Goldberg reports to Robert S. Spencer, vp of insurance and risk management.

\* \* \*

As part of its increased recognition of human resources, Steelcase Inc. in Grand Rapids, Mich., promoted **Jack S. Spalding**, 48, to vp from director of human resources. Mr. Spalding, who reports to president and chairman of the board Robert Pew, is in charge of loss control, personnel and employee relations. Mr. Spalding joined the company in 1968 as a dealer development manager.

\* \* \*

**Gene Osborne**, 35, has been named corporate claims manager at conglomerate NVF Co., Pennsylvania Engineering and DWG Corp. in Miami Beach, Fla. He reports to vp of insurance Raymond J. Dettore. Mr. Osborne was previously employed at National Claims Service in Miami.

\* \* \*

**Rita R. Martell**, 45, has been promoted to risk manager for the city of Miami Beach from insurance administrative assistant. Ms. Martell is in charge of safety, property and casualty coverage and workers compensation. The insurance department, consisting of five people, reports to finance director James A. Young.

\* \* \*

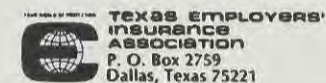
In a newly created position at Nabisco Inc. in Hanover, N.J., **Ava K. Mile**, 32, has been named property insurance analyst. She reports

to insurance director Don Fields. Previously, Ms. Mile was risk analyst for the Rayonier division of International Telephone & Telegraph Corp.

We'd like to report on staff changes in your risk management or employee benefits department. Just drop a note to Rebecca A. Fanning, Business Insurance, 708 Third Ave., New York, N.Y. 10017 or call 212-986-5050.

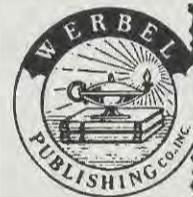
## Our policyholders saved over \$39.2 million in 1977.

Place the Texas portion of your workers' compensation coverage with Texas Employers' and you may participate in those savings. We write coverage at cost, so what we don't pay out in losses, operational expenses and taxes, we pay back to our policyholders. Your share of more than \$39.2 million makes a good reason for calling our National Accounts Division at 214/653-8100



TEXAS EMPLOYERS' INSURANCE ASSOCIATION  
P. O. Box 2759  
Dallas, Texas 75221

Employers Insurance of Texas:  
Texas Employers' Insurance Assn.  
Employers National Insurance Co.  
Employers Casualty Co.  
Employers National Life Insurance Co.



B.I. readers

Save  
"Discount"

## WERBEL'S ON APPROVAL — 30 DAYS GENERAL INSURANCE GUIDE

A comprehensive loose-leaf insurance encyclopedia (revised quarterly) covering virtually all forms of Property and Casualty Insurance. It contains more than 2,600 pages consisting of analyses and explanations of contracts, descriptions of various risk rating systems and classifications, court case citations, and many policy-writing and loss procedures. For the desk of every insurance manager, consultant, adjuster, or insurance producer.

SPECIAL DISCOUNT for readers who submit a copy of this ad with prepaid order. Cost is \$30 (instead of \$39) plus NY sales tax, if applicable. (Price includes 2 Free Quarterly Revisions.)

WERBEL publishing co., inc.  
595 old willets path, smithtown, ny 11787  
516-234-1114 212-261-6222



Financially Responsible  
Knowledge & Specialization  
Expertise & Innovation  
Familiarity with Markets  
Exclusive Arrangements

# THE STANDARD OF RELIABILITY

## Difficult Casualty Placements

Carriers and other reinsurers are well aware of the loss ratio trends for Products Liability and certain other third party coverages within their portfolio. It is becoming increasingly difficult to get proper underlying limits and/or excess layers from the regular markets.

W&A has been successful in putting together "in-house" Casualty facilities that may be of assistance to you in the coming year. A \$250,000 CSL can be provided with no imposed exclusions except for workmen's compensation, primary auto, and bonds. Also available is a facility for \$500,000 CSL, subject to a self-imposed exclusion list which is not as restrictive as most carriers require. We also spe-

cialize in unique or difficult umbrellas and excess casualty layers up to \$1 million or more, subject to certain underwriting requirements as respects underlying insurance. Our third party markets are also receptive to Professional Liability and E&O risks where pricing competition is not as important a factor as form and continuity.

Submissions or inquiries should be directed to your local W&A Branch Manager, or to our Casualty Department at our Home Office.

## Wohlreich & Anderson

Home Office: 6 Commerce Drive, Cranford, N.J. 07016  
(201) 272-2500

### Branches:

Boston, Mass. (617) 426-9556  
Chicago, Ill. (312) 454-0696  
Cleveland, Ohio (216) 241-2917  
Columbia, Md. (301) 997-1272  
Garden City, N.Y. (516) 222-0801

Hartford, Conn. (203) 236-0851  
Indianapolis, Ind. (317) 846-7023  
King of Prussia, Pa. (215) 688-3532  
Livingston, N.J. (201) 994-0896  
Los Angeles, Calif. (213) 383-0436

New York, N.Y. (212) 349-3020  
Portland, Or. (503) 226-6525  
San Francisco, Calif. (415) 981-7190  
Seattle, Wash. (206) 624-6080  
Southfield, Mich. (313) 569-3188

Correspondents in All States—Exclusively Through Agents and Brokers

## people

### Love joins Anaheim as risk manager

Jack Love, 46, has been named risk manager for the city of Anaheim, Calif., a new position. Mr. Love reports to Bill Talley, city manager. He was formerly director of risk management for the city and county of Denver. Prior to that, he was risk manager for San Diego county. He is a graduate of Ohio State University, and he attended San Diego law school for one year.

Jim E. Loeb, 32, has been promoted to risk management director for the city of Scottsdale, Ariz., a new post. He was formerly safety and risk manager for the city. Mr. Loeb will be responsible for property, casualty and workers compensation and reports to Jim A. Jenkins, management services department—head and city treasurer. Mr. Loeb will share responsibility for employee benefits with the personnel department. He is a graduate of the University of Iowa, with a degree in finance and insurance. Mr. Loeb is completing an MBA at Arizona State University.

Margaret A. Kelley, 29, is joining May Department Stores Co. in St. Louis as property insurance administrator, effective June 12. This position is a new one reporting to Peter J. Babin, manager of risk management and insurance. Ms. Kelley, who holds a Ph.D. in business administration, previously was an assistant professor of business administration at MacMurray College in Jacksonville. She taught courses in insurance, finance and investments. Prior to that, she served as assistant director of curriculum development for the American Institute for Property and Liability Underwriters. There, she helped develop and design risk management and insurance courses leading to the CPCU.

James E. Miller has been named administrator of risk management and insurance for a joint powers authority (JPA), called the Alameda County Schools Insurance Group, which covers 18 school districts for self-insured workers compensation. It is a new position. Formerly, Mr. Miller was in the personnel department of the city of Richmond, Calif., where he was in charge of insurance coverage. In his new job, he will report to the executive board of the group.

Gerald R. Surfus has joined Kaiser Cement & Gypsum Corp., Oakland, Calif., in charge of insurance and risk management. He previously was risk manager for the county of Los Angeles, where his position hasn't yet been filled.

At Western Airlines in Los Angeles, Douglas B. Swets, 32, was named director of insurance and pension funding. He's responsible for property and casualty insurance, employee benefits financing and pension fund investment. Mr. Swets reports to Rick Hammond, vp and treasurer. He was previously manager of financing and

Continued on page 45

## classified advertising

**RATES AND CLOSING TIME:** \$3.00 per line, minimum charge \$15.00. Cash with order. Figure all cap lines (maximum—two) 30 letters and spaces per line; upper & lower case 40 per line. Add two lines for box number. Replies are forwarded daily. Closing deadline: Copy in written form in Chicago office not later than noon, Monday, 7 days preceding publication date. Published every other Monday. Display classified takes card rate of \$33.25 per column inch, and card discounts on size and frequency. Mail ads to Business Insurance, classified advertising dept., 740 N. Rush St., Chicago, Illinois 60611.

### HELP WANTED

**LOSS CONTROL CONSULTANT**  
Brokerage firm seeks experienced person to service our clients. Principally N.Y./metro area. Some Western N.Y., no car. Reply to Box 315, N.Y. 11423

**DIRECTOR OF RISK MANAGEMENT**  
\$22,895 to \$26,748  
BS degree in Bus. or Public Admin. incl. course work in ins. & risk mgmt. or safety eng. 4 yrs exp. as a mgr or admn. of risk mgmt. programs in lg. public or private entity incl. investigation & adj. of worker comp. & liab. claims. Exp. in mgmt. & adj. employee health & welfare benefits is desirable. Apply by 6/30/78  
Personnel Office, Hacienda La Puente Unified School District, 15959 E. Gale, La Puente, CA 91749

### HELP WANTED

**EDITOR**  
Writer-editor, experienced required in both writing and insurance. \$16,000. Write with resume to Stanley E. Degler, Room 487 BNA, 1231 25th St., N.W., Washington, D.C. 20037. Job is in D.C.

### MISCELLANEOUS

**PATCHWORK QUILT INSURANCE** appraisals. \$5/quilt. Send photo & details. Marcia Spark, Box 43964, Tucson 85733

**YOUR AD HERE  
WILL GET RESULTS**

### ASST. to DIRECTOR of INSURANCE

Major shipping firm headquartered in New York City seeks insurance specialist who can identify and evaluate risks, review the scope and levels of Corporate insurance coverage, coordinate the implementation and analysis of loss record systems. Knowledge of Marine Claim matters an asset; good analytical skills essential. Experience in the Risk Management Dept. of a large corporation or equivalent experience with a major brokerage firm preferred. This is a growth position in which you will receive increasing responsibility. Salary commensurate with experience. Please forward all resumes with salary requirements, in complete confidence, to:

Box 143, BUSINESS INSURANCE  
740 Rush St., Chicago, Ill. 60611  
An Equal Opportunity Employer M/F

### RISK ADMINISTRATOR

Must have high level Risk Management experience, or an equivalent combination in public administration & technical insurance. Includes insurance agreement negotiation, identifying potential self insurance programs, serving as consultant to smaller agencies and developing county-wide loss control programs. Annual salary \$25,788 to \$28,404 plus liberal fringe benefits. Apply before June 16, 1978.

#### COUNTY OF SAN DIEGO

Personnel Dept.  
1375 Pacific Highway  
San Diego, Calif. 92101  
Phone (714) 236-2191

An Equal Opportunity Employer

## Commercial Underwriters

Major city in the Northeast (not New York).

Top opportunity at home office location for those with minimum of 12 months Property and/or Casualty experience.

Outstanding career potential with rapid advancement for aggressive individual.

Competitive salary and benefits—relocation allowance and employment contract.

For information call collect (212) 245-4030  
Or write:

**OMEGA SEARCH, INC.**  
Suite 1938, 30 Rockefeller Plaza  
New York, New York 10020

### RISK ANALYST

A major division of a Fortune 500 Company soon to be located in Charlotte North Carolina has an opening for the position of Risk Analyst. Position requires 5 years of experience in a corporate insurance atmosphere with exposure to products liability, workers compensation, public and auto liability. Retrospective rating experience is a plus. Must be a self-starter. This is a one person position requiring continued contact with top management. Send resume including present salary in confidence to:

Box 142, ADVERTISING AGE  
740 Rush Street  
Chicago, Ill. 60611  
An Equal Opportunity  
Employer M/F/H

### DIRECTOR— GROUND SAFETY FOR MAJOR U.S. AIRLINE

Requires degree and extensive industrial safety, worker compensation and medical services experience.

Send resume in confidence along with salary requirements and location restrictions, if any to:

Box 139, BUSINESS INSURANCE  
740 Rush St., Chicago, Ill. 60611

An Equal Opportunity Employer M/F

### WRITER BENEFIT RESEARCH

Leading employee benefit consulting firm seeking writer with legal or consulting background. Responsible for researching and writing news releases, reports, articles, etc. Candidate must have expertise in technical and practical aspects of employee benefits with emphasis on pensions. Prior writing experience essential. NYC location. Salary to \$20,000. Send resume to:

Box 140, BUSINESS INSURANCE  
740 Rush St., Chicago, Ill. 60611

## ACCOUNT EXECUTIVE SAN DIEGO

Requires heavy liability background to handle medium/large accounts for long-established, national agency. Heavy analysis risk management. CPCU helpful.

Excellent benefits and growth potential.

Send resume (in confidence) to:

J. M. Pastula  
P. O. Box 2910  
San Diego, CA 92112  
or call  
(714) 236-1555

### LOOKING FOR AN OPPORTUNITY

We are looking for special talents. Persons with extensive independent insurance agency background in office management. Also, need to have knowledge of agency automated accounting. Positions to be filled will involve sales and/or training insurance agency personnel for the installation of in-house information processing services. We are willing to train qualified individuals in the operation of our system. Some travel.

Send resume and references to:  
A.I.D., P. O. Box 99343, San Francisco, CA 94109. Attn: Marketing Dept.

## ASSISTANT DIRECTOR

Unusual management opportunity for dynamic individual with engineering/technical background (ME or EE) to organize and head up major insurance carriers home office B&M loss prevention department. Policy holder service/safety management orientation is a must, along with familiarity with codes and jurisdiction requirements. Will be responsible for policy/procedures and for training programs for representatives, consultants and policy holders.

Industrial experience in design or preventive maintenance are a plus as is management experience. Successful applicant will have knowledge of utility, petro-chemical, pollution or other industrial technology in addition to pressure vessels. N.B. and knowledge of NDT techniques helpful. Salary commensurate with experience and ability. Qualified applicants should send resumes in confidence, to:

Box 141, BUSINESS INSURANCE  
740 Rush St., Chicago, Ill. 60611

An Equal Opportunity Employer M/F

## CORPORATE INSURANCE SPECIALIST

Carolina Power & Light Company, a major South-eastern electric utility, is seeking a Corporate Insurance Specialist. E.S. in Business Administration with an Insurance concentration desirable. Applicants should have 3-5 years of experience in insurance claims, adjusting, and underwriting. Excellent working environment and benefit package. Good opportunities for advancement. Salary commensurate with experience. For consideration, send resume and salary requirements to:

Ms. Martha Bryan  
Recruitment Representative  
Department 6  
Carolina Power & Light Company  
P.O. Box 1551, Raleigh, N.C. 27602

An Equal Opportunity  
Employer M/F

### NOTICE!

Because of the holiday the deadline for the Classified section in the July 10th issue of Business Insurance will be noon, Friday, June 30th.



## Once again, the curtain is going up on the most dramatic advertising opportunity...

And, you're invited to be part of this command performance . . . Monday, August 7 . . . for the seventh annual AGENT/BROKER PROFILES issue of BUSINESS INSURANCE. This issue will be viewed by nearly 54,000 corporate insurance buyers in more than 17,000 leading U.S. corporations as well as nearly 30,000 agent and broker readers of B.I.\*

To meet the demands of such a distinguished audience, the editors of Business Insurance have taken extra pains in the preparation of their exclusive issue devoted to listing the profiles of this country's leading commercial insurance agents and brokers.

The August 7 feature will present not only a directory format for ease of review and reference, but valuable information about the size, scope of operation, number of employees, income, premium volume and special services of insurance brokers and agents who have responded to a specially prepared questionnaire.

This publishing exclusive—which was an advertising sell-out last year—will attract the largest number of buyer/seller readers ever assembled as an audience of an insurance publication.

It's a performance you won't want to miss. And, it's a performance you should play a major role in.

Your advertising message—dominant, well directed and meaningful—will let this influential Business Insurance audience know where it can obtain the best and most reliable services in insurance, benefits and loss prevention.

Advertising reservations close on July 25 so act now if you want the impact of reader attention and buyer action! Call Don Walsh, Advertising Sales Director, at (212) 986-5050 or contact a sales representative at one of the offices listed below. Or, send in the completed coupon and we'll contact you.

# business insurance

Chicago: 740 Rush Street, IL 60611 (312) 649-5275

New York: 708 Third Avenue, NY 10017 (212) 986-5050

Los Angeles: 6404 Wilshire Blvd., CA 90048 (213) 651-3710

\*Source: An Audience Profile of the Business Insurance Buyer Reader, April 1977; Readership Study of the B.I. Agent /Broker Circulation, December 1975. Figures include pass-along readership.

**R.S.V.P.**

### READER ATTENTION and BUYER ACTION

August 7, 1978 AGENT/BROKER PROFILES ISSUE  
advertising closing: July 25

Business Insurance, 708 Third Ave., NY 10017

I am interested in an advertising reservation for the August 7 issue. Please contact me with further details.

Name \_\_\_\_\_ Title \_\_\_\_\_

Company Name \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Phone number (area code) \_\_\_\_\_



# **If the life insurance you're carrying is a misfit, that's un-American.**

At AM Life, we make sure your life insurance fits your present and your future. That's why we've grown as we have—over \$950-million of insurance in force in just 13 years and a Best's policyholder's rating of A+ (Excellent).

As part of the American Mutual group, we can coordinate your life insurance programs—business, group, personal—as well as your casualty coverages. That's the American way, the American Mutual way.

**American  
Mutual**

INSURANCE COMPANIES, WAKEFIELD, MASS. 01880

We want to keep you safe, and sound.