

business insurance

the national newsweekly of loss prevention, risk financing & benefit management/\$1 a copy; \$30 a year Entire contents copyright 1981 by Crain Communications Inc. All rights reserved.

update:

Lloyd's ordered to pay computer firm claims

RICHMOND, Va.—The U.S. Court of Appeals has upheld a lower court injunction that requires Lloyd's of London to honor a March 1978 agreement with Federal Leasing Corp. to process and pay valid claims for computer leasing losses.

Lloyd's has paid about \$50 million to settle computer leasing losses by the McLearn, *Continued on next page*

Jury's out: Are lawyer contingent fees thorn in litigation system?

By STEPHEN TARNOFF

CHICAGO—Following the crash of American Airlines Flight 191 on May 25, 1979, the widow of a passenger hired a New York law firm to represent her in a damage suit.

In nine months' time, the firm attended three meetings on her behalf, hired an economist to project the family's lost income, wrote several letters and filed probate papers.

The case was settled for \$1.15 million. The law firm's contingent fee, according to court records and Chicago Lawyer magazine, was \$383,244—more than that received by each of the dead man's children.

Contingent fees: Are they a windfall for lawyers at the expense of the client and the insurer involved or a legitimate fee justified by the risks and expertise of the law firm?

The debate continues as this system of paying lawyers according to how much of an award is won survives the assaults of insurance companies that are paying hefty awards, manufacturers caught in product liability suits and physicians named in medical malpractice complaints.

The fees, which are primarily applied in personal injury cases, often amount to 33 1/3% of the client's award, but can be as high as 50% or can be less than 20%, depending on the case and legal work involved.

"They (contingent fees) are subject to a lot of abuse," says Eugene Jericho, defense attorney and former chairman of the Tort and Insurance Practice Section of the American Bar Assn.

"Contingent fees tend to let a plaintiff bring a *Continued on page 26*



Art: Verna Sadock, NBC, WMAQ-TV

Regulators urging benefit coverage for detoxification

By EILEEN NORRIS

DETROIT—Health insurers may be forced to expand benefit offerings to include treatment for alcoholism and drug addiction under model legislation adopted last week by a task force of the National Assn. of Insurance Commissioners.

The proposal features a model benefit package that expands traditional hospital treatment for employees and families to include licensed, free-standing drug treatment centers and increases coverage for long-term treatment.

Treatment centers would be less intense and serve to rehabilitate the alcoholic or addict, "not just detoxify," explained Dr. Joseph Pursch, a member of the NAIC task force on Alcoholism, Drug Addiction and Insurance.

Dr. Pursch is a U.S. Navy psychiatrist who treated former first lady Betty Ford and astronaut Edwin Aldrin.

Many insurers currently offer group health benefits for treatment of alcoholics and drug addicts, but treatment historically has been limited to a five-day "drying out" period, he said.

Under the proposed benefit package, an additional 28 days of treatment in a rehabilitation center would be included in the insurance coverage if an employer so desires. Patients also would be entitled to a maximum of 30 *Continued on page 25*

NAIC reorganization delays model legislation. *Story on Page 3.*

Action nears on tax breaks for pensions

By JERRY GEISEL

WASHINGTON—The Reagan administration has eased the way for tax deductions for employee pension contributions.

As part of its complex tax-cut plan, the administration has endorsed overhauling the tax code to permit employees covered by pension plans to set up Individual Retirement Accounts and contribute up to \$1,000 to the IRA and receive a full tax deduction.

Under current tax law, an employee covered by a corporate pension plan is not allowed to set up an IRA.

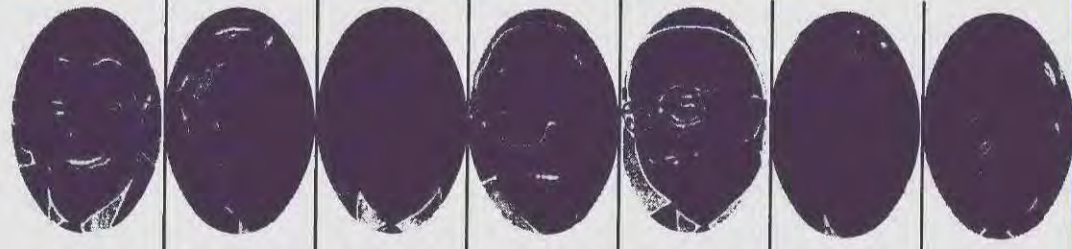
The administration originally had proposed giving employees a choice of contributing to a pension plan or an IRA to receive a tax deduction.

But last week, the administration reversed its original plan and decided to limit eligibility for tax deductions to employee contribution to an IRA.

Allowing tax deductions for employee pension contributions *Continued on page 24*

Employee retirement savings bill

Proponents & Proposals



	Reagan Admin.	Sen. Lloyd Bentsen (D-Tex.) S.486	Sen. John Chafee (R-R.I.) S.243	Sen. George Mitchell (D-Maine) S.1049	Rep. Barber Conable (R-N.Y.) H.R.2815	Rep. John Erlenborn (R-Ill.) H.R.2882	Rep. Bill Frenzel (R-Minn.) H.R.2207
Annual limit for tax deduction	\$1,000	\$1,500	\$2,000	\$2,000	\$1,500	\$2,000	\$1,500
Tax deduction for mandatory contributions to employer plans	No	Yes to \$1,500	No	Yes to \$2,000	Yes to \$1,500	Yes to \$2,000	Yes to \$1,500

NEWSPAPER

INSIDE:

Lake accident drains coverage? **Page 2**

Body armor makers repel liability risks **Page 3**

RIMS Hartford conference **Page 20**

update:

Lloyd's ordered to pay claims

Continued from previous page

Va., company, which had purchased \$130 million of insurance before Lloyd's stopped offering the policies in late 1978.

But, according to court papers, Lloyd's stopped paying Federal Leasing claims in late 1979 in violation of the March 13, 1978, agreement. Dozens of overdue claims have piled up since then.

Still pending is a \$600 million suit by Federal Leasing against Lloyd's seeking \$500 million in punitive damages and \$100 million in compensatory and consequential damages.

Lloyd's to interrupt trading

LONDON—For the first time in memory, Lloyd's of London is going to suspend business so its members can hold meetings on the trading floor June 17 and July 17.

Lloyd's will halt trading this Wednesday morning so it can use the large trading floor for a meeting room when its 4,000 working members are expected to arrive en masse to vote on a bylaw that will allow a postal ballot referendum to decide if divestment of brokers and managing agents and managing and member agents should be required in the Lloyd's self-regulation bill (BI, June 8).

If the referendum is allowed, the results of the balloting will be announced July 17. Sources expect Lloyd's to urge members to vote against separating member and managing agents.

Sewer blast suits combined

LOUISVILLE, Ky.—A U.S. District Court judge has ordered consolidation of 11 damage suits, totalling more than \$200 million, against Ralston Purina Co. in connection with a series of explosions in February that extensively damaged streets, sidewalks and the city sewer system.

The suits claim that nexane, a chemical used in processing soybeans, drained into the city sewer system from the Ralston Purina plant in Louisville and triggered the blasts.

A spokesman for Ralston Purina in St. Louis said the company is "adequately protected" against potential losses but would not detail its insurance arrangements.

Court doesn't rule on Iran suit

WASHINGTON—The U.S. Supreme Court declined to rule on a challenge by Electronic Data Systems Corp. of Dallas to former President Carter's authority to void a \$20 million judgment against the Iranian government for losses to its operations there during the Islamic revolution.

The company had won a preliminary ruling from a Dallas judge that President Carter had no legal right to interfere with the judicial process allowing EDS to collect on its claim.

The court is expected to be presented with another challenge by Dames & Moore, a West Coast engineering consulting firm, which is also seeking to attach Iranian assets to cover its losses.

Directors quit over executive

CELINA, Ohio—Nine out of 10 directors of Celina Financial Corp., an insurance holding company, have resigned in a dispute over the reinstatement of chief executive Don W. Montgomery, according to the company.

A month ago, the directors voted to remove Mr. Montgomery, who is also chairman of the Illinois Insurance Exchange board of directors, as chairman and president of Celina.

But the boards of Celina Mutual Insurance Co., National Mutual Insurance Co. and Republic Mutual Insurance Co. all re-elected Mr. Montgomery as chief executive of those companies and said they would use their voting strength to restore him as head of the holding company.

Mr. Montgomery tendered his resignation as chairman of the board of the Illinois exchange on May 28, one day after his election as head of the three insurers, but it has not yet been accepted.

Agents favor pooling proposal

WASHINGTON—The Independent Insurance Agents of America, the last major industry group to object to the Risk Retention Act, S. 1019, dropped its opposition last week.

The agents, though, are urging the bill to require retention groups set up in Bermuda and the Cayman Islands to redomesticate in the United States by Jan. 1, 1985.

Under the bill, risk retention groups set up offshore within three years of enactment of the proposal can remain there. No groups, though, could be established offshore after that date.

index

Around the states	8	Riskwatch	19
BI ticker	27	Washington	10
Books & ideas	18	Worldwide	20
Classifieds	24	Vol. 15, No. 24 —Business Insurance (ISSN 0007-6864) is published weekly at 740 Rush St., Chicago, Ill. 60611. Second-class postage is paid at Chicago, Ill., and at additional mailing offices. Postmaster: Send address changes to Business Insurance, circulation department, 740 Rush St., Chicago, Ill., 60611. Copyright 1981 by Crain Communications Inc.	
Comings & goings: buyers	13		
Comings & goings: industry	12		
Editorial opinions	6		
Insurance services guide	26		
Legal briefs	18		
Letters	6		
London line	12		
Markets	21		
Perspectives	17		
Products & services	19		

RHR planning to acquire Penn General, insurer

By RHONDA L. RUNDLE and STACY SHAPIRO

LOS ANGELES—Republic Hogg Robinson, a joint venture of the British broker and Republic Steel Corp., will acquire Penn General Agencies Inc. and Bankers & Shipper Insurance Co. of New York for \$42.5 million.

Acquisition of Penn General, the 11th-largest commercial broker in last year's *Business Insurance* ranking, appears to satisfy the prime objective of the 10-month-old partnership: to acquire North American brokerages (BI, Aug. 25, 1980).

The surprise acquisition, however, goes against an industry trend. U.S. brokers have been actively seeking stronger links to the British market with acquisitions, combinations and equity-interest in British brokers, but there has been little interest in the reverse. U.S. companies, however, make up the single-largest insurance-buying unit in the world.

Republic Hogg is expected to complete its purchase of Penn General on June 30, after which it will close the deal with Bankers & Shippers, a property/casualty insurer. Both companies are subsidiaries of PennCorp Financial Inc. of Santa Monica, Calif.

Hogg and Republic Steel will each provide \$10.75 million for the PGA purchase through a wholly-owned subsidiary, RHR Inc. The remainder is financed by the subsidiary.

"We want to get into the retail broking side of the U.S.," explained John Potts, financial director of Hogg Robinson Group Ltd., "so we are going against the stream."

Hogg expects to make a considerable dent in U.S. commercial insurance business with PGA's 22 offices and solid \$24 million in 1980 gross revenues.

Alfred B. Schaeffer, Penn General Agencies president, hails the development with enthusiasm: "It's a shot of adrenalin for everyone in the company," he

Continued on page 4

\$1.5 million loss will not affect fund's investors

WASHINGTON—The largest money market fund in the Washington area has been electronically bilked for \$1.5 million, but the fund's management says shareholders won't be affected.

First Variable Rate Fund for Government Inc. says it is insured for the loss, but the amount of coverage is unclear.

First Variable told *Business Insurance* last month that it purchased a \$1 million fidelity bond from Federal Insurance Co. of Short Hills, N.J., for \$18,000 to protect it against employee fraud (BI, May 25).

But Wayne Bardsley, the fund's secretary and general counsel, says the fund's fidelity coverage is "approximately" the same as the loss. He said the information given last month was wrong.

Mr. Bardsley emphasized that none of the fund shareholders would be affected by the loss. The fund has \$788 million in assets.

Although several banks have been victims of multi-million dollar swindles involving electronic transfers, First Variable's \$1.5 million loss is believed to be the first electronic theft by an employee involving one of the nation's 115 money market funds.

The theft could lead to greater federal regulation of the funds, which now have \$118 billion in assets.

The Securities and Exchange Commission, which already requires money market funds to purchase fidelity bonds for protection against employee embezzlement, is concerned about the First Variable swindle.

"I'm sure the funds and the (SEC) staff will be examining the events closely to see where things could be tightened," an SEC spokesman said.

According to papers filed in U.S. District Court in Alexandria, Va., First Variable charged that Vera Lucia Campos, an employee whose duties permitted her to monitor transactions and prepare customer

Continued on page 26



Photo: Philip Gould

The damage on the lake was substantial.

Drain on coverage?

By STEVE SHERWOOD

JEFFERSON ISLAND, La.—A four-pronged legal battle is shaping up over damages incurred in a bizarre accident that destroyed a sub-surface salt mine and part of a botanical garden here last November.

Diamond Crystal Salt Co.'s mine, 1,300 feet beneath the bottom of Louisiana's Lake Peigneur, was flooded and destroyed when a salt dome collapsed Nov. 20. The lake drained into the mine,

Continued on page 4

Reactor owner sues NRC for nuclear plant damage

By JOHN W. MILLIGAN

PARSIPPANY, N.J.—General Public Utilities Corp., owner of the stricken Three Mile Island nuclear

plant, will sue the Nuclear Regulatory Commission for \$4 million in property damages.

The company claims that NRC negligence led to the March 29,

1979, accident at TMI's No. 2 reactor.

GPU had filed a claim for damages with the NRC, but the commission denied the claim June 8, setting the stage for a legal battle.

GPU is an electric utility holding company that owns the two TMI reactors through three subsidiaries, the Pennsylvania Electric Co., the Jersey Central Power & Light Co. and the Metropolitan Edison Co.

The company has exhausted more than two-thirds of its property damage insurance coverage through the American Nuclear Insurance risk pool and says that an additional "funding mechanism" will have to be established to cover an estimated \$1 billion in remaining decontamination costs.

Under the Federal Tort Claims

Continued on page 26

errors & omissions

• Aetna Life & Casualty Co. is re-examining its business with Penn General Agencies of California Inc. and has not canceled its contract as the agency earlier believed and was reported in the June 1 issue of *Business Insurance*. The reassessment is limited to the insurer's contract with PGA of California in Los Angeles, a unit of Penn General Agencies Inc. Aetna continues to be a significant insurer for the brokerage company.

• A story in the June 8 issue about Vermont's new captive law incorrectly indicated that risk retention groups set up in Bermuda or the Cayman Islands would have to redomesticate after three years. The Risk Retention Act, as proposed by Sen. Bob Kasten, R-Wis., does not impose such a requirement. The bill, S. 1096, however, would bar new risk retention groups from being set up in Bermuda or the Cayman Islands after Jan. 1, 1985.

Reorganization delays NAIC action

By EILEEN NORRIS

DETROIT—The National Assn. of Insurance Commissioners' annual meeting last week is being dubbed a "lame-duck affair." Critics say a major reorganization of the group prevented regulators from voting on important model legislation.

The insurance regulators at this "non-event," as some have dubbed it, were without decision-making power as they waited for new committee assignments to become effective the end of the week.

The purpose of the reorganization is to reduce the number of task forces and advisory commit-

tees in the NAIC structure to make it move more efficiently. This could significantly reduce the number of industry representatives advising the commissioners.

The 50 commissioners, who gathered to discuss model laws for governing insurance, are leery of making new policies while the committee structure is in limbo. Last Thursday and Friday they accepted recommendations from the old committees but did not vote on any model legislation because of the reorganization.

"If nothing else, this reorganization has served to put decisions in limbo and make this meeting

one of the most non-eventful and boring in years," one insurer said.

The only sign of activity among the 1,100 people who attended the meeting came from the insurance industry, which is doing some polite arm-twisting on key committee chairmen in hopes of salvaging some of the insurers' advisory powers.

Insurers are hopeful, they say privately, the regulators will realize that eliminating the industry advisory committees will further erode the continuity of the organization, which has a confusing and massive committee structure.

Under the new plan, NAIC members will have four meetings a

year instead of the eight meetings of past years. Two of those four meetings will be national in scope while the other two will be divided by geographical zones.

The NAIC still will have major committees and subcommittees, but task forces of commissioners and staff and advisory committees made up of the insurance industry and consumer groups will be disbanded, said William H.L. Woodyard III, NAIC president and Arkansas insurance commissioner.

"If a regulator wants to appoint an advisory committee, he can," Mr. Woodyard said. "It will be left up to the new committee group.

We needed to eliminate a layer because the structure was getting unruly," he said. He estimated that "literally hundreds" of task force and advisory committees had sprung up within the NAIC.

It is true, too, Mr. Woodyard said, that a "certain amount of work" was being dominated by "certain interest groups," such as an advisory committee composed entirely of insurers.

"There needs to be variety in a committee, and it's our obligation to ask for participation," Mr. Woodyard said.

The major goal of the reorganization is to streamline the committee structure.

Continued on page 25

Insurers settle two-product suit

By MARGARET LeROUX

PHILADELPHIA—A landmark structured settlement of a product liability suit could pay a brain-damaged child and his parents more than \$13 million during their lifetime.

The settlement, which guarantees a minimum of \$4.2 million through annuities from Insurance Co. of North America and Old Colony Life Insurance Co., is the first of its kind involving manufacturers of two different products, according to Irwin Gross, the attorney who represented the plaintiffs.

Mr. Gross' clients, 4-year-old Ronald Lewis Jr. and his parents, sued Hatboro Industrial Park Industries Inc. of Hatboro, Pa., a clothing manufacturer, and Smith Furniture Co. of Fort Smith, Ark., which made a baby crib involved in a choking incident that damaged the child's brain.

A spokesman for the furniture company refused to comment on the settlement, but Ned Santerian, president of Hatboro Industries, told *Business Insurance*, "The settlement was made without our OK. The insurance company took it out of our hands.

"We never would have agreed to the settlement."

The Home Insurance Co. was Hatboro's product liability underwriter

Continued on page 25

Court says lodging, meals aren't taxable

WASHINGTON—Employers do not have to pay Social Security and unemployment compensation taxes on meals and lodging they provide to employees, the Supreme Court ruled last week.

In the 6-3 decision, the court overturned Treasury Department regulations that subjected the benefits to FICA and unemployment compensation taxes.

The federal government, as a result, will have to return more than \$17.4 million in Social Security taxes and \$544,000 in unemployment taxes that it has collected from employers in 600 other cases.

The ruling applies to situations where employers provide meals and lodging to employees for their convenience. The decision does not

cover cash allowances for meals and lodging, which the court earlier ruled are taxable.

The Supreme Court decision is a victory for Rowan Cos., a Houston-based oil and drilling company. Rowan, during the 1960s, provided meals and lodging to employees working on offshore drilling rigs.

Since some of the rigs were more than 60 miles from shore, Rowan found it cheaper and more convenient to provide employees with meals and lodging on a ship moored alongside a rig instead of arranging transportation back to land for each shift.

The meals and lodging cost \$6 per person per day compared to \$29 per person if Rowan had trans-

Continued on page 25

Body armor: Safety planning repels liability

By STEVE SHERWOOD

DALLAS—Cops, politicians and executives can breathe easily when they wear CCS Communication Control Inc. bulletproof vests. The vests are guaranteed.

"We guarantee our product for three years, unconditionally," says Carmine Pellosie, vp of the New York-based firm, who adds with a laugh, "If a bullet goes through it and you bring it back, we'll give you a new one."

Like other manufacturers and dealers of bulletproof clothing or "body armor," CCS protects its customers by extensive testing and careful rating of the equipment. The company protects itself by purchasing product liability insurance.

"Product liability insurance?" Mr. Pellosie asks. "Sure, everybody has it on their product—usually \$1 million, with \$3 million excess."

He refused to go into more detail about his company's insurance coverage, saying, "It is bad business to advertise the fact that you have insurance."

"In Italy, there is a lot of kidnapping going on, you know? Terrorists broke into an insurance company's office and stole a list of 21 people with kidnap insurance. Can you guess what happened next? To date, 17 of the 21 have been kidnapped," he claims.

Point Blank Inc., a body armor company based in Baldwin, N.Y., also protects itself through product liability insurance.

"We have product liability coverage of \$6 million in case our vests fail to perform as stated," says Richard Stone, president. "We've never had a failure and we've saved a lot of lives."

The company's policy with Insurance Co. of the State of Pennsylvania has a "healthy" premium, but gives complete coverage, he says.

"It's like anything else," he explains. "If you do everything you are supposed to, the vest will work. The liability insurance shows customers someone has enough confidence in us to insure us. Plus, it's there just in case."

Another maker of bulletproof vests, Second Chance Body Armor Inc. of Central Lake, Mich.,



Photo: Wide World

has product liability coverage now but is not sure whether insurance is the best way to go.

Second Chance has a \$500,000 policy with Northbrook Excess & Surplus Insurance Co. of Northbrook, Ill., through local agent TFC Associates, says Clinton Davis, executive vp of the body armor company. "We pay \$35,000 a year for the coverage. We're considering canceling and taking the risk because it's so costly. If we bank the money, we might be able to cover our risks."

The company is not worried about the performance of its vests, Mr. Davis says. "They will do what we say they will do. My only concern is ambulance-chasing lawyers who would take you to court over anything. We would fight this type of person all the way. It's a matter of reputation."

Each company gives a different view of the body armor business based on its own perspective, but all seem to agree on two points:

- Business is booming.
- The boom started shortly after the invention of

Continued on page 25

Stress ruling may raise work comp costs

By JOHN MAES

INDIANAPOLIS—A workers compensation case here sets a new precedent for awarding benefits in Indiana, threatens to increase employers' insurance costs and sets the stage for more disputed claims and job discrimination against workers with heart trouble.

Employers are concerned about a state appeals court decision that awarded the state maximum death benefit of \$71,500 to the widow of Robert F. Harris, a 61-year-old Grabill, Ind., businessman who collapsed and died of a heart attack while watching his water softener store burn on Jan. 4, 1977.

The Industrial Board of Indiana denied the death benefits in May 1980, saying Mr. Harris' death did not fit the state requirements of a compensable injury because he had a history of heart trouble and the fatal attack was not the direct result of his work.

But an appeals court overturned that decision concluding that Mr. Harris, watching his store burn, had suffered a work-related emotional stress that aggravated the condition.

The Harris case "creates a whole new ball game for us," said John N. Shanks, chairman of the industrial board that administers the state's workers compensation law.

But Indiana's problem is only part of an emerging national trend, said Donald DeCarlo, vp and general counsel for the National Council of Compensation Insurers.

"I'm not surprised that's happening," he said. "A lot of states are doing that now."

New York, Arizona and Michigan have had cases where workers have suffered strokes, heart attacks and nervous breakdowns and have sought workers compensation benefits claiming that job stress was responsible, he said.

"There's less emphasis on the accident these days and more emphasis on trying to relate the problem to the job," Mr. DeCarlo said.

Barring a reversal by the Indiana Supreme Court, which has been asked to hear the case, the industrial panel will be bound by the appeals court ruling and will award benefits in future cases of this type, Mr. Shanks said. "We'd have to award benefits; we'd have to follow the court decision," he said.

The Harris case will result in more emotional stress claims, which are difficult to resolve because "it's (stress) very nebulous," he said. "It's hard to quantify. If somebody hits a fellow worker on the back and says 'good morning,' and the person dies of a heart attack, is that compensable? How far do you go?"

Another byproduct of the case will be an increase in workers compensation insurance rates, but how much is still a question, said Fred Ackermann, manager of the Indiana Compensation Rating Bureau.

"It's got to affect rates if you're going to award compensation benefits on a broader base than in the past," Mr. Ackermann said.

Continued on page 25

Flood of lawsuits surround lake disaster

Continued from page 2

carrying with it 11 barges, two drilling rigs, a tugboat and a large part of the Live Oak botanical gardens (BI, Dec. 8, 1980).

Diamond Crystal of St. Clair, Mich., blames the collapse on an oil-drilling rig team working on the lake for Texaco Inc. and is suing Texaco for an unspecified amount of damages. The complaint, filed Nov. 21 in U.S. District Court in Lafayette, La., indicated the multi-million dollar losses.

The company also filed property

damage and business interruption claims of \$10 million—the maximum coverage it had on the mine. Insurers included Lexington Insurance Co., Bell Insurance Co., Lloyd's of London through C.T. Bowring & Co., The Home Insurance Co., The Mutual Fire, Marine & Inland Insurance Co. and Utica Mutual Insurance Co.

A Diamond Crystal official says the claims have been paid, but that damages to the mine, which had been in operation since 1920 and had considerable life left, were

much greater than the coverage.

While none of the 50 employees working the mine at the time of the flooding were injured, the collapse caused the loss of more than 300 jobs at the rock salt facility that produced 1.6 million tons a year, the official says.

Some 160 former mine employees have filed suit against Texaco in a separate action for loss of their jobs. They are being represented in the class-action suit by New Iberia, La., attorney Ted Haik.

Texaco claims the salt mine's

collapse and flooding were not due to oil drilling and is countersuing Diamond Crystal for damages to its oil and gas platform and equipment, loss of production from wells and damage or loss of proven oil and gas reserves. No amount of damages has been specified.

In the suit, filed Nov. 26, Texaco alleges the damages resulted from Diamond Crystal's negligence through acts and omissions of its officers, employees or other people for whom it is responsible.

At the time of the accident, one

source says, Texaco's oil rig was insured by the Insurance Co. of North America.

One man doesn't particularly care whether blame is laid on Diamond Crystal or Texaco, just as long as one or the other pays for damages done to Live Oak botanical gardens and nursery.

"We were the innocent bystanders in this, no matter who was at fault," says Michael Richard, manager of Live Oak Gardens Foundation, the botanical gardens, and president of Live Oak Gardens Ltd., the nursery, located on Jefferson Island. "We're going after the drilling company (Wilson Brothers Corp. of Shreveport, La.), Texaco and Diamond Crystal, because we're not sure which will be found at fault. We're suing them all."

Losses to the botanical gardens, a non-profit foundation set up for tours, were extensive, Mr. Richard says. "We lost quite a bit. There were many millions of dollars in damages, but we haven't figured out how much in all the areas yet. There were more millions than you have fingers on your hands."

The two businesses at the Live Oak facility lost their reception center and office building, a newly completed glass conservatory, several greenhouses and a number of large barges, he says. "It was all sucked into the hole."

"We weren't insured," he says. "Not a nickel. Who would have thought the land would suddenly fall out from under you like that? We were insured for wind damage, flood damage and vandalism, but not for the earth collapsing."

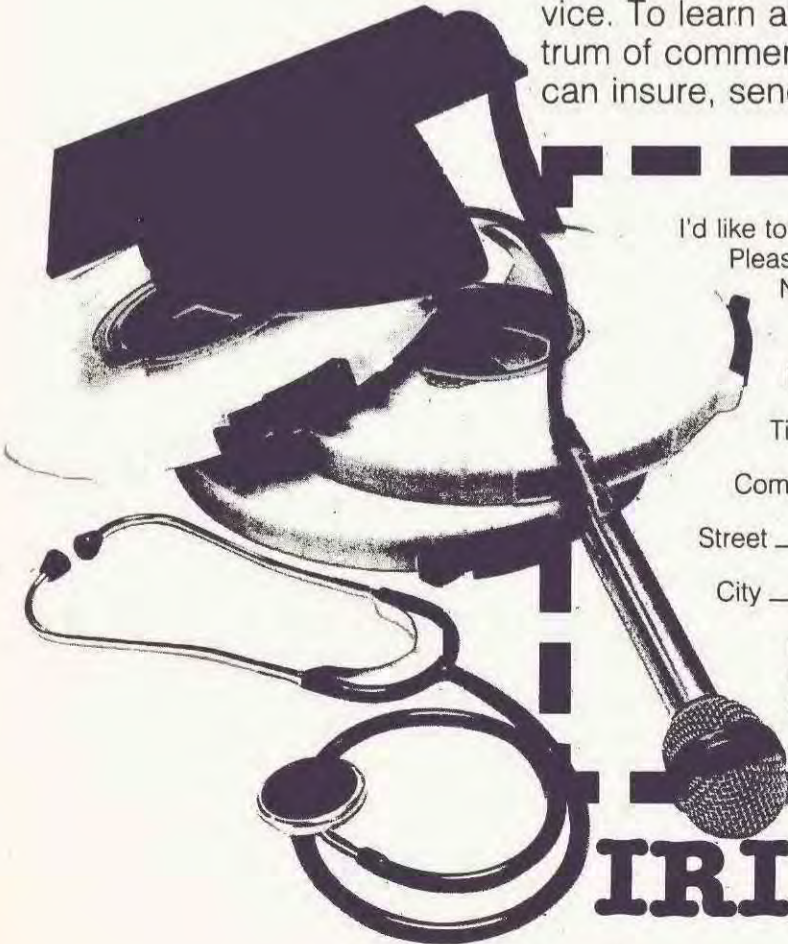
The suits, which have been consolidated, are scheduled to be tried in October 1982.

"Dear IRI: I'm familiar with your experience in factory coverage. But what kinds of commercial properties do you underwrite?"

IRI's commercial property experience goes far beyond factory coverage.

From hospitals and universities. Office buildings and broadcast studios. To data processing centers and freight handling terminals. Whatever the risk, Industrial Risk Insurers delivers the same underwriting expertise and loss prevention engineering that has made us a leading international insurer of industrial properties.

IRI can provide property insurance programs for commercial risks of many types and sizes. We offer competitive rates on property damage, builder's risk, DIC coverage, and more. And back them up with a high level of service. To learn about the wide spectrum of commercial facilities that we can insure, send in the coupon below.



I'd like to know more about IRI capabilities and experience. Please send me your brochure, "Property Insurance for Non-Manufacturing Facilities."

Name _____

Title _____

Company _____

Street _____

City _____ State _____ Zip _____

Mail to: Communications Department,
Industrial Risk Insurers, 85 Woodland Street,
Hartford, CT 06102.

BI615

IRI. We can help.

RHR grows

Continued from page 2 explained.

He said he expects the change to open new insurance doors for Penn General, whose commercial reputation has lagged in the shadow of PennCorp Financial's life insurance business. The switch will strengthen PGA's commercial insurance identity, he said.

Penn General will continue to run its own business, Mr. Schaeffer added.

The development also will mark the start of a growth period for Penn General, consistent with the philosophy of its new parents who are "very aggressively directed toward expansion," he said.

PGA would like to build a "Tiffany" among brokerage operations: not necessarily the largest, but the best in terms of available expertise and service to its clients, he said.

Expansion plans include both external acquisitions and internal staff additions and development.

"The key to this business is entrepreneurship," Mr. Schaeffer said. "And we have a different philosophy than the alphabet houses. We will provide higher compensation and delegate responsibility to more people. This allows us to attract skilled people who are now limited in their opportunities."

The acquisition also gives PGA a link with one of the major worldwide insurance brokerages. Hogg Robinson is more than 100 years old and does business in 27 countries. The connection may eventually generate more international business for Penn General, but the immediate emphasis will be to expand U.S. operations, he said.

The tie to Hogg Robinson will not bind the two for broking purposes, he said. "During the course of negotiations it was made very clear that we will have no obligation to use any but the most competitive London broker."

WAUSAU WORKS.SM



His employer buys insurance with the strength of over 70 companies. He's found safety in numbers.

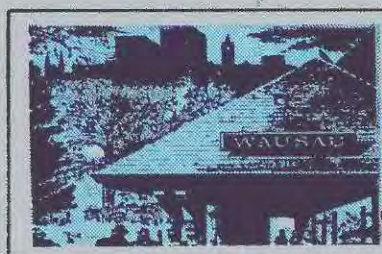
Being a small company can have its own rewards — independence, personal fulfillment, potential profitability. But there can also be potential disadvantages. For example, in buying insurance. Smaller companies may find their dollars don't go as far as those spent by larger companies.

There is a way small and medium companies with a good safety record can enjoy large-company advantages in buying insurance. By working together in a group plan.

One example is the workers compensation group safety plan administered by Wausau Insurance Companies through the Oregon-Columbia Chapter of the Associated General Contractors. "The plan provides members with a continuing safety training program; monitors construction safety practices; and administers a rewarding dividend plan," says Kenneth W. Twedt, Oregon-Columbia AGC Manager.

Experience shows that loss-reducing safety services have been effective. Dividends have been excellent. Rates and premiums have been better controlled. And — proof of its value — membership in the insurance plan has grown from 18 companies to over 70 in just five years.

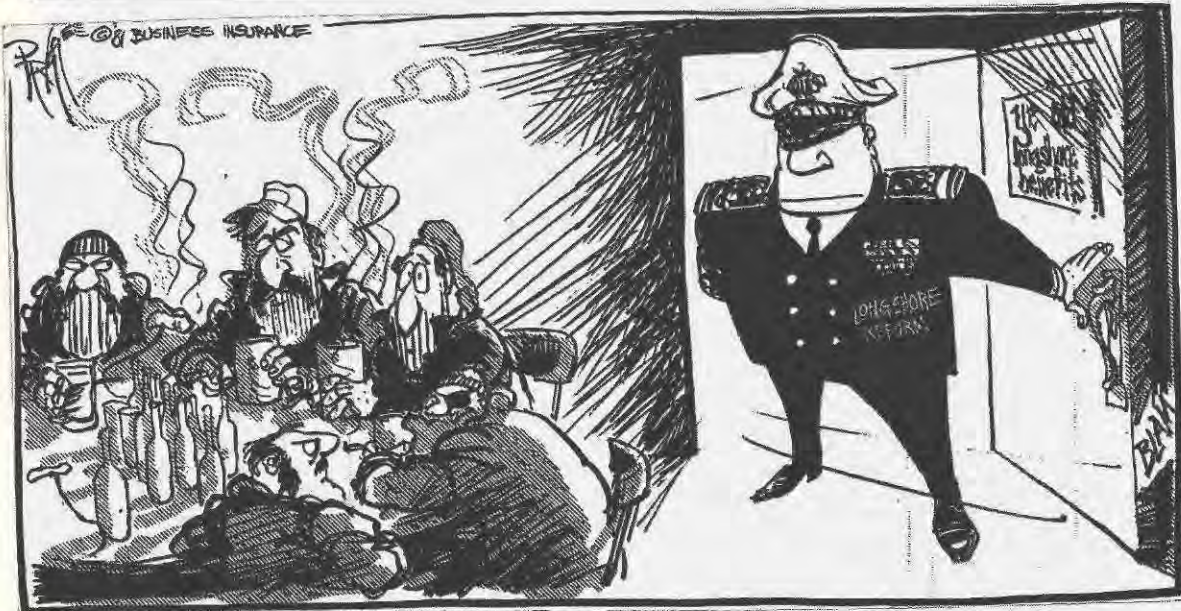
Individual members retain their small company advantages, and enjoy big company purchasing power. It's the best of both worlds, with Wausau and the AGC.



**WAUSAU
INSURANCE
COMPANIES**

WAUSAU, WISCONSIN 54401

editorial opinions



TEN-SIONI

This time for sure

Congress must reform the Longshoremen's & Harbor Workers' Compensation Act this time around.

The overgenerous workers compensation benefits afforded under this federal law to injured maritime workers are strapping the shipping industry.

We've been encouraged by reform efforts before, only to be left high and dry. We hope this year the observers who predict reform will pass are correct.

Congress passed the Longshore Act in 1927 to provide benefits to workers injured at sea who did not fall qualify for one of the state workers compensation programs. It was a just goal.

But since then, Congress and the courts have gone overboard. In 1972, Congress amended the act to increase benefits fourfold and created jurisdictional uncertainties and an unrealistic benefit structure. The Supreme Court has created more uncertainties, which it maintains are inherent in the act.

Chief Justice Warren Burger describes the Longshore Act as "about as unclear as any statute conceivably could be."

Legislation proposed by Sen. Don Nickles, R-Okla., and Rep. John Erlenborn, R-Ill., will steer the law back on course (S. 1182 and H.R. 25).

Both bills would cap annual benefit increases at 3%, a limit that is certainly reasonable since the tax-free benefits are already high. Currently, benefits are indexed to match the annual increase in the national average

weekly wage.

Both bills also restore the jurisdiction of the act to the "point of rest," the spot where cargo is placed on the dock. This is vital. Several recent court decisions have extended the act's reach to cover a whole new class of workers. A worker stripping a container in a warehouse miles from the waterfront may be entitled to receive longshore benefits as the law now is interpreted.

Such a liberal interpretation of the law goes beyond the purpose of the act, which is to provide benefits to injured sailors who are not covered under state workers compensation programs.

Reform bills also will close a loophole the Supreme Court created in 1979 when it ruled in the Rasmussen case that the only limit on death benefits is two-thirds of the workers salary at the time of death.

We agree with those who argue that death benefits under the Longshore Act should be limited to the maximum disability benefit, 200% of the national average weekly wage, up to a maximum of \$456.

Finally, the reform bills would abolish the life insurance provision of the act. Now, a widow is entitled to a survivors benefit (one-half of the worker's salary and two-thirds if there are dependents) if her husband, who is permanently and totally disabled, dies in an unrelated accident. No other workers compensation program in this country provides this unrelated death benefit that only can be considered life insurance.

letters

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

Umbrella Book omissions?

To the editor: We appreciate Joseph P. Lennon's letter in the May 4 issue of *BI*.

Mr. Lennon complained that The Umbrella Book does not provide information regarding the admitted/non-admitted status of the 70 insurers whose forms we analyze. Pages 19 and 20 of the introduction discuss the importance of selecting financially sound umbrella insurers (recommending Best's Key Rating Guide as the primary source for this information) and determining any hidden costs in surplus lines (non-admitted) contracts.

The Umbrella Book does not intend to duplicate material available in Best's. Its purpose, rather, is to provide valuable coverage information and analysis. Too often, price considerations alone have been the basis for umbrella contract selection.

Mr. Lennon also felt The Umbrella Book should indicate the exception endorsements required in each of the states. The book's introduction recognizes that "... certain states require endorsements to amend the basic coverage to conform to their laws. Although these state exceptions that are not reflected in the analysis, the user of this book should consider them."

In order for The Umbrella Book analysis to be useful nationwide, state or regional variations in coverage had to be eliminated. The text makes this omission clear in several places.

We encourage subscribers to direct their comments and suggestions to us.

James A. Robertson
Editor
The Umbrella Book
Newport Beach, Calif.

Wrong headline

To the editor: In the "Legal briefs" column of the June 1 issue, the headline reads "Contractors casualty coverage upheld." However, the article specifically states that coverage was denied the contractor for damage to the building because it was construed to be in the care, custody or control of the insured contractor and therefore excluded under the comprehensive general liability policy.

It would be a good idea to point out that this limitation of the general liability policy can be overcome by purchasing broad form property damage coverage.

Robert Cohen
Penn General Agencies
of New York Inc.

Blues jump on bandwagon

To the editor: I read with interest the interview with Walter McNerney of Blue Cross/Blue Shield (*BI*, May 4). I was tickled by Mr. McNerney's defensive posture with respect to competitive health delivery systems and the role of self-funding.

Two points are worth commenting on. First, contrary to his statement, self-funding (though not appropriate for all organizations) has brought with it some very positive changes in the delivery system that may cut costs. Companies that assume financial and some administrative responsibility for health benefit programs also tend to assume a somewhat more aggressive posture toward providers. Group pricing, employee reviews of charges, second opinions and many other strategies are, I believe, encouraged when self-funding has been elected.

Second, the alleged "clout" of BC/BS has not historically been applied with much vigor or success to negotiate rates of reimbursement nor to control costs.

The "big swing" of BC/BS is really a jump on the bandwagon of cost-containment and a recognition

that competition is affecting the way the Blues operate.

Jay Wolfson
Health benefit consultant
Jay Wolfson Associates
Houston

Remaining liquid

To the editor: I've always enjoyed reading Myron Picoult's monthly column because he expresses an unbiased viewpoint.

In his May 25 column he notes that net written premiums increased 1.4% (presumably over the previous quarter). I think it should be noted that for the past two or three years, with the advent of cash-flow plans, that cash receipts have probably declined.

If written premium increased only 1% to 2%, then you can be certain that cash receipts decreased.

I don't know how to calculate it, but with cash receipts declining and paid losses and expenses increasing, can't a point be reached where an insurer may have to sell some assets to remain liquid?

R. W. Keys
Liberty Mutual
Boston

business insurance®

the national newsweekly of loss prevention, risk financing and benefit management

MRS. G.D. CRAIN JR.
chairman of the board
KEITH E. CRAIN
vice chairman

G.D. CRAIN JR., founder (1885-1973)
S.R. BERNSTEIN
chairman, executive committee
DAVID J. CLEARY JR.
executive vp-general manager

RANCE CRAIN
president and editorial director
ALFRED MALECKI
vp-publisher (New York)

KATHRYN J. McINTYRE, editor (312-649-5286)

LORRIE GAWLA, managing editor (312-649-5278) LEN STRAZEWSKI, senior editor/features & special reports
JERRY GEISEL, Washington editor. RHONDA L. RUNDLE, West Coast editor. JAMES M. BURCKE, copy editor. JOHN MAES, assistant features editor. DAVE GALANTI, Agent/Broker Topics editor. Associates: New York—JOHN W. MILLIGAN. Chicago—EILEEN NORRIS, STEPHEN TARNOFF. Dallas—STEVE SHERWOOD. Editorial assistant: CLAUDETTE EISENZIMMER, Washington—MAISIE LEE (reporter/researcher). MERRILL S. SALTZMAN, graphics editor/production manager. JOE FARACI, corporate art director. MILT PRIGGEE, editorial cartoonist. MARY CAIRNS, photographer. JOANNE WOJCIK O'HARE, CHRISTINE PERRY, editorial production assistants. DOROTHY PARR SNOWDEN, proof-reader. Correspondents: London—STACY SHAPIRO, 25 Bedford Square, London WC1B 3HG (01) 637-7961. San Francisco—CAROL G. BLITZER (415-326-5429). Southeast—MARGARET LeROUX (919-933-9106).

DONALD A. WALSH, advertising director
New York (212-210-0133)

ROBERT L. NIESSE,
Midwest sales manager—Chicago (312-649-5276)

RONNIE I. DRACHMAN,
Director of communications (212-210-0132)

Advertising district managers: New York—CHARLES A. HORVATH, JACK FORREST, TIMOTHY O'HARA. Chicago—DON MAHLMEISTER. Assistant to advertising director: Los Angeles—LORI WEINSTEIN; New York—CONNIE MELE. Production manager: Chicago—FRAN PRYBYLO. Promotion/research assistant: New York—JOYCE BAIDA. Secretary to the publisher: New York—ANN VAZQUEZ. Secretary to sales dept.: Chicago—CELIA MALOUHOS. Classified sales: Chicago—BARBARA TOSHEFF.

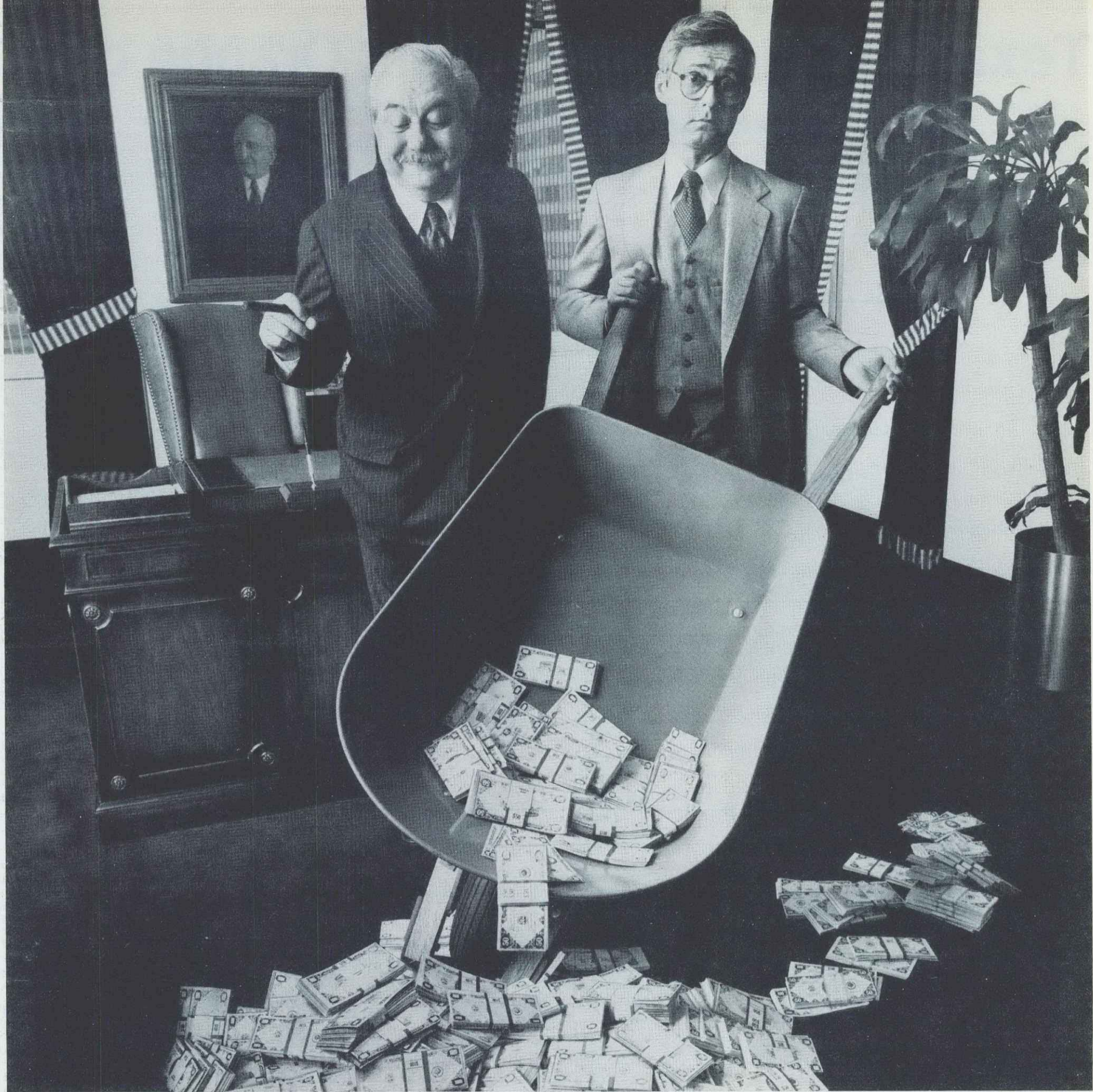
Published by Crain Communications Inc., Chicago. ALFRED MALECKI, J.J. GRAHAM, S.E. COHEN, LOUIS F. DE MARCO, WILLIAM STRONG, ROBERT W. KRAFT, STEPHEN D. GILKENSON, ARTHUR E. MERTZ, JOE CAPPO, CHUCK LAUER, ERNIE ZIELASKO, vice presidents; JAMES M. FRANKLIN, vp-finance and administration; MERRILEE P. CRAIN, secretary; MARY KAY CRAIN, treasurer.

Published weekly at 740 Rush St., Chicago, Ill. 60611 (312-649-5200). Offices: 220 East 42nd St., New York, N.Y. 10017 (212-210-0100); Suite 1253, National Press Building, Washington, D.C. 20004 (202-638-5300); 6404 Wilshire Blvd., Los Angeles, Calif. 90048 (213-651-3710); 5327 N. Central Expwy., Suite 200, Dallas, Tex. 75205 (214-528-3561). \$1 a copy. \$30 a year in U.S. Canada and all other foreign add \$14 for surface mail. Europe and Middle East only add \$32 for air delivery. First-class mail to Canada only, add \$36. WILLIAM STRONG, vp-circulation. BARBARA RANDICK, circulation manager. ROGER DiGREGORIO, fulfillment director. Circulation dept.—Chicago (312-649-5227). Four weeks' notice required for change of address. Send subscription correspondence to Circulation dept., Business Insurance, 740 Rush St., Chicago, Ill. 60611 or phone 312-649-5221. Telex 25-4248; Cable CRAINCOM. Microfilm copies are available from University Microfilms, 300 Zeeb Rd., Ann Arbor, Mich. 48013. Microfiche copies available: Bell & Howell, Micro Photo Division, Old Mansfield Rd., Wooster, Ohio 44691.

BPA

Member of Business Publications Audit of Circulation

ABP



Are you still doing business with the same HPR insurer?

Most insurers give you pretty good HPR coverage.

But some charge a pretty price for it. A three-year deposit.

At Commerce and Industry, on the other hand, you not only work with the most fearless underwriters in the business, and some of the best engineers anywhere, but you pay just a single year's premium.

The rest of your money?

You can invest it. Earn interest on it.

Even use it to give your factory a facelift.

Because it's still your money.

If your present insurer doesn't agree with that, maybe it's time you stop dropping off those big deposits.

And consider dropping him instead.

Commerce & Industry Insurance Co.

The AIG Companies.

Let us take the risks.

Texas to help gather Agent Orange data

AUSTIN, Texas—Texas Vietnam veterans who think they were exposed to Agent Orange during their tour of duty can now ask the state attorney general to help them verify it.

The Texas Legislature granted

around the states

the attorney general authority to bring a class action suit against branches of the U.S. military for

medical records and information concerning those who were exposed to the defoliant.

The legislation, H.B. 2129, also requires doctors to notify the Texas Department of Health if they treat people with possible Agent Orange symptoms and requires the University of Texas medical clinics to provide genetic screening to veter-

ans.

Rep. Larry Shaw sponsored the Agent Orange bill. A spokesman for his office said that it was aimed only at freeing exposure and medical information, not at clearing the way for future damage suits.

"The intent is to allow enough information to be released for veterans to obtain partial disability benefits," he said.

Although the original bill included authorization for the attorney general to represent veterans in damage suits, it was dropped from the bill, he said. "It was decided it was not kosher. If they wanted to go on to damage suits, they would have to go elsewhere."

A rider attached to the bill provides \$200,000 of state funds the first year and \$300,000 the second year for free testing of veterans' fat tissue to search for chromosome damage, the spokesman said.

It is estimated that 152,000 Texas veterans served in Vietnam and might have been exposed to the defoliant.

"Around 3,800 claims related to Agent Orange have been filed nationwide by 1980," the spokesman said.

"Assuming Texas has its usual 6% veteran distribution, some 208 claims would have been filed by Texans."

The Veterans Administration does not yet recognize a link between Agent Orange and disorders suffered by those exposed to it. "At present, there is no scientific evidence to suggest that a veteran exposed to Agent Orange is likely to incur sperm damage which might lead to the birth of a deformed child," VA literature says.

The Texas bill is an effort to determine if Agent Orange caused chromosome damage, Mr. Shaw's spokesman said. "The main thing is to get some relief for those guys."

The bill passed the Senate and the House unanimously.

winterthur insurance

Consolidated Accounts 1980

Consolidated Profit and Loss Account		1980			1979
Sfr. million		Non-Life Insurance	Life Insurance	Total	Total
Premium income	Direct business, gross	2 078.7	1 225.8	3 304.5	3 065.4
	Reinsurance accepted, gross	414.3	28.3	442.6	284.4
	Total, gross	2 493.0	1 254.1	3 747.1	3 349.8
	Reinsurance ceded	- 186.0	- 24.4	- 210.4	- 189.2
	Total, for own account	2 307.0	1 229.7	3 536.7	3 160.6
Insurance claims paid, for own account		-1 371.7	- 450.9	-1 822.6	-1 569.1
Dividends paid to policyholders, for own account		- 22.2	- 155.0	- 177.2	- 163.8
Change in insurance reserves, for own account		- 267.6	- 732.8	-1 000.4	- 962.1
Expenses, for own account		- 762.5	- 206.0	- 968.5	- 838.3
Investment income		308.5	391.3	699.8	628.0
Yield from our share in non-consolidated participations		7.9		7.9	7.9
Interest paid		- 22.1	- 22.0	- 44.1	- 37.1
Depreciation		- 92.7	- 27.3	- 120.0	- 106.4
Minority interests		- 0.1	- 0.1	- 0.2	- 0.1
Profit before taxes		84.5	26.9	111.4	119.6
Taxes				- 42.9	- 51.8
Annual profit				68.5	67.8

Consolidated Balance Sheet		per end of 1980, before allocation of net profit		Sfr. million
Assets		Liabilities		
Real estate	2 398.6	Insurance reserves, Non-Life	3 977.5	
Mortgages	1 503.6	Insurance reserves, Life	6 750.4	
Bonds and loans	6 709.1	Insurance reserves, Total	10 727.9	
Stocks and shares	704.6	Policyholders' dividends left on deposit	290.9	
Non-consolidated participations	108.5	Deposits from reinsurance ceded	173.2	
Loans on policies	96.6	Convertible debentures	76.2	
Deposits from reinsurance accepted	223.0	Other liabilities	815.3	
Bank accounts and cash	135.4	Minority interests	1.6	
Other assets	836.9	Shareholders' Funds	631.2	
	12 716.3		12 716.3	

The consolidated accounts encompass the assets, the liabilities, the earnings and the outlays of the parent company and of those companies, of which Winterthur Insurance owns directly or indirectly more than 50 per cent. The valuation of assets and liabilities is in keeping with the provisions laid down in the individual countries for the published annual accounts.

The Winterthur-Norwich Reinsurance Corporation and the Norwich Winterthur Holdings, in which our company has a 45 per cent share, and the Itaú-Winterthur are consolidated in accordance with the equity method of accounting. The value of our shares in the capital

and in the results of these companies appears under the headings 'Non-consolidated participations' and 'Yield from our share in non-consolidated participations'. The remaining participations are included in the consolidated figures with their book value and with the dividends received.

The consolidation reserve represents the difference between the shareholders' funds in the balance sheet of the subsidiaries and their book values recorded by the parent company. It would have been roughly 230 million francs higher had the investments in securities been calculated at their market value.

Winterthur Swiss Insurance Company Head Office General-Guisan-Strasse 40 CH-8400 Winterthur

Branches and subsidiaries of Winterthur Group in Germany, France, Belgium, Luxemburg, Canada, Spain, Netherlands, Italy, Denmark, Austria, Sweden, Portugal, USA

Participations and co-operating partners of Winterthur Group: Winterthur-Norwich Reinsurance Corporation, Winterthur CH; Norwich Winterthur Holdings Limited, Norwich; Itaú-Winterthur Seguradora, São Paulo; Provident Life Association of London Limited, London; CNA Financial Corporation, Chicago; The Chiyoda Fire & Marine Insurance Co. Ltd., Tokyo; Norwich Union Fire Insurance Society Ltd., Norwich.

HMO fails

BOISE, Idaho—A second Idaho health maintenance organization has collapsed.

The plan, Health Guard, an independent practice association, has been taken over by the state after member doctors recently decided to dissolve the practice because they were unable to see long-range profitability. The prepaid plan then lost its federal charter.

State insurance officials said Health Guard was hit hard with claims shortly after beginning operations in April 1979 and did not have the money to cover them.

The HMO is the second in Boise to fold. Last year, Gem Health Assn. was liquidated by the state, also after a poor financial showing.

Alcoholism cover

SALT LAKE CITY—The Utah Department of Insurance has approved an amendment to the Alcoholism Insurance Coverage Act requiring insurers to offer an optional rider for coverage of alcohol-abuse treatment in accredited hospitals.

Cornelius elected school's chairman

CHICAGO—John A. Cornelius, director of risk management for Santa Fe Industries, has been elected chairman of the board of the Insurance School of Chicago.

Other officers are: Robert E. Kuntz, vp of risk management; Fred S. James of Illinois, vice chairman; Frederick H. Dugle, Kemper Insurance Cos., secretary; and Ronald J. Kalish, vp, W.W. Vincent & Co., treasurer.

Medical equipment captive reduces rates to match risk

By JERRY GEISEL

WASHINGTON—A captive insurance company operated by medical device manufacturers has slashed its rates an average of 10%.

Medical Device Mutual Assurance & Reinsurance Co. Ltd. of Bermuda, which is completing its second year, was able to cut rates by aligning them more closely with the risk of participating members, said Jack White, senior vp of government affairs at the Health Industry Manufacturers Assn.

Because losses have been smaller than expected, MEDMARC also dropped an earlier requirement that participating companies post a \$22,500 letter of credit.

Now the only initial cash contribution, aside from the premium, is \$7,500 for surplus and a \$1,000 membership fee.

Three years ago when HIMA began exploring the possibility of an offshore group-owned insurance company, critics scoffed that it wouldn't get off the ground.

A multiple-owner captive would not work for a trade group whose members were so diverse in their size and products, they contended.

The captive's success has turned doubters into believers, he says.

Annual premium flow is now \$2.5 million from 43 participating companies. MEDMARC began operations with a premium flow of \$1.7 million from 31 participants. According to its annual report, MEDMARC's cash assets at the close of 1980 topped \$3 million, a 50% increase over 1979.

MEDMARC's profits for 1979-80 were \$908,000.

"These profits are based on a conservative actuarial study that forecasts ultimate paid losses of 60 cents on the premium dollar.

"The company believes that it will have fewer losses than expected and correspondingly even higher profits as the tail for 1979-80 becomes known in the years ahead," the annual report notes.

During 1979-80, \$14,500 was paid to settle 13 claims, considerably less than originally expected, Mr. White said.

The MEDMARC program "has reaffirmed its value as a long-term insurance vehicle," he added.

The program was a byproduct of the product liability crisis of the 1970s. Medical equipment manufacturers producing such devices as iron lungs, heart pacemakers and kidney dialysis machines found their premiums soaring.

The manufacturers complained that there seemed to be little relationship between the soaring premiums and loss experience; companies without a loss were slapped with major rate hikes.

"The rate for our premiums had suddenly jumped an incredible 700%," said Larry Cohen, vp of finance/administration of Lumex Inc. of Bay Shore, N.Y. "This was happening to others as well, and none of us had a history of poor claims losses."

HIMA hired Risk Administration Services, a New York-based consulting firm, to look for an alternative insurance program.

In March 1978, Risk Administration Services said a Bermuda-based group-owned captive would offer the best opportunity to keep premiums stable at a reasonable level.

Twenty-nine medical manufacturers banded together and contributed \$30,000 each, including \$7,500 cash and a \$22,500 letter of credit, to capitalize MEDMARC. It began operating Jan. 1, 1979.

MEDMARC reinsures the National Union Fire Insurance Co. of Pittsburgh for a \$500,000 primary

product liability policy. In return, MEDMARC receives about 75% of the premium.

The remaining 25% pays for administrative costs and the National Union commission.

Policyholders also can opt for an additional \$500,000 of excess liability coverage. An unidentified U.S. insurer reinsures 100% of the excess coverage.

Deductibles are negotiated indi-

vidually and range from \$1,000 to \$250,000 per occurrence.

Annual premiums paid to MEDMARC range from \$5,000 to \$227,000. The average is \$40,000. Premiums are based on sales, loss experience and claims potential. Each firm is individually rated.

MEDMARC is managed by American International Co. Ltd. of Bermuda. Johnson & Higgins provides loss control services. ■

**business
insurance**

INSURANCE SERVICES GUIDE:

readers looking for services.

turn to page 26



Risk. Its real size depends on your perspective.

Are the risks that your business faces as big as you think? The specialists at Corroon & Black will tell you—and show you how to prevent risk. For the risks that are manageable, our sophisticated techniques help forecast losses, measure appropriate retention levels, and let us show you the best way to finance your risks.

It's an innovative, professional approach you'd expect from one of the world's top business insurance brokers. So, contact us. We'll help cut your risks down to size.



CORROON & BLACK

Putting insurance risks into perspective.

Wall Street Plaza, New York, N.Y. 10005 • 212-363-4100

The Employee Benefit Communications Handbook **New!**

At last, here is an informative handbook for making benefit communications more effective!

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

Written by award-winning creative director Dennis Hommel, this concise manual tells how to evaluate available media, select a communications consultant, plan an effective creative strategy, determine true costs and execute messages dynamically!

It also gives tips on how to gain management approval for an ongoing communications budget, and much more.

Truly a valuable guide for any Benefit Manager. \$20.00, P&H and sales tax included. 30 day money back guarantee. D&B rated firms may send P.O., others must include payment. No CODs.

UPG Publications Division, Dept. B12, Box 700, Redwood City, CA 94064.



OSHA lead rule put off until July 1

By JERRY GEISEL

WASHINGTON—The Occupational Safety and Health Administration has delayed until July 1 the effective date of its new rule lowering the amount of lead to which workers in primary and secondary lead smelting industries may be exposed.

The rule, which was supposed to go into effect June 1, requires that employees must be removed or transferred to another job, without loss of benefits, if the lead level in their blood equals or exceeds 60 micrograms of lead per 100 grams of whole blood.

Workers can return to their jobs when the lead level in their blood

washington

drops to 40 micrograms.

The effective date is being delayed to give OSHA more time to consider evidence submitted by the lead industry in support of its request for a one-year delay.

An earlier rule, which will remain in effect, requires removal to another job when a worker has 70 micrograms or more of lead in his circulatory system for every 100 grams of whole blood. The lead level in a worker's blood must drop to 50 micrograms before he can resume his old job.

Deadline extended

The Occupational Safety and Health Administration has pushed back to Aug. 15 from May 15 the deadline for comments on its proposed safety and health standard for marine terminals.

The proposed regulation deals with hazards associated with hoisting gear, toxic or flammable atmospheres, materials handling and powered industrial vehicles.

The rule was published in the Jan. 16 issue of the Federal Register.

Employers who want to comment on rule should write to the Docket Officer, Docket No. S-506, Room S-6212, U.S. Department of Labor, 200 Constitution Ave. N.W., Washington, D.C.

Trustees rebuked

A federal magistrate has ordered trustees of a San Francisco plumbers' union pension plan to turn over control of the plan to a court-appointed investment manager, but the U.S. Department of Labor wants tougher action.

The Labor Department is pleased that Magistrate Fred Woelflen ordered the trustees to turn over control of the plan to an independent company.

But the department has asked a U.S. District Court to require the trustees of the Plumbers' Local 38 pension plan to repay losses that may have resulted from alleged imprudent loans and investments. The magistrate did not order them to do this.

But the judge did find that the trustees made more than \$2.2 million in imprudent loans and investments.

The trustees acted imprudently, for example, when they loaned \$1.5 million to the local union's convalescent fund, despite information that the fund was a poor loan risk, the magistrate said.

The trustees also acted imprudently when they loaned \$650,000 of pension plan money to a health spa. The \$650,000 loan was made without adequate financial information or collateral, he said.

ERISA council

The Labor Department's ERISA Advisory Council will hold a public meeting June 30.

The agenda for the meeting includes a departmental progress report and reports on pension portability and legislation.

It will begin at 9:30 a.m. in Room S-4215C at the Labor Department, 200 Constitution Ave. N.W.

For more information, contact Edward Lysczek, executive council secretary, at 202-523-8753.

The 15-member council was created in 1974 to give the public the opportunity to assess programs and policies enforced under the pension reform law. ■

Solving the problem.



In excess and surplus lines, as in space technology, today's achievers must be problem solvers—no matter how great the challenge.

When normal coverage for a major contractor was subject to a large retention, the Crowther People solved the problem with a plan for specific project coverage.

A challenge met with a successful solution.

Ask the Crowther People for a similar solution to your next marketing problem. They're problem solvers.

Minneapolis, Minnesota	612-333-0361
Des Moines, Iowa	515-243-1221
Omaha, Nebraska	402-393-2040
Sioux Falls, South Dakota	605-336-0960
Madison, Wisconsin	608-833-4567
Springfield, Missouri	417-887-0354
Bismarck, North Dakota	701-223-1112
Billings, Montana	406-248-7183
Boise, Idaho	208-336-7131
Denver, Colorado	303-753-0071
Topeka, Kansas	913-267-1222

the
Crowther People 

What they stand for. And what stands behind them.

The MetRe Facultative underwriting team represents a tremendous pool of experience in both casualty and property reinsurance. And standing behind them is a vast store of insurance industry know-how.

These underwriters were carefully chosen because of their expertise and proven ability to make sound judgments and quick decisions.

In support of this staff is an unusually competent group whose efforts have made a genuine contribution to the quality of service we have been able to offer.

MetRe is a subsidiary of Metropolitan Life Insurance Company. It has, in addition to dedicated people, the strength and stability so essential in this rapidly expanding area of insurance.

A going concern with a record of achievement, MetRe Facultative stands ready to provide you with the kind of service and skill that has already accounted for substantial and solid growth in the reinsurance field.



Metropolitan really stands by you.

© 1981 Metropolitan Reinsurance Co.

The MetRe Facultative team: (l-r) Herbert John, Casualty Mgr., Chicago; Catherine Conigliaro, Property Mgr., New York; Nicholas Licato, Casualty Mgr., New York; and Vice President, George Spelos.

Metropolitan Reinsurance Co. 125 Maiden Lane, Suite 1200, N.Y., N.Y. 10038 (212) 785-8450, Telex 640862 / 100 S. Wacker Dr., Chicago, Ill. 60606 (312) 263-0131, Telex 270301

Lloyd's refuses to make divestment deal

By STACY SHAPIRO

LONDON—Lloyd's of London could have made a deal to forestall the divestment of managing agents from member agents, *Business Insurance* has learned.

Two Lloyd's members who petitioned against the Lloyd's self-regulation bill before a House of Commons committee would have traded managing and member agencies divestment for the elimination of the controversial immunity from liability clause in the bill, sources say.

The petitioners approached Lloyd's about the deal before the committee decided to call for divestment of member and managing agencies, the sources say.

But Lloyd's refused to make the deal and Michael Mann, the petitioners' attorney, pressed the divestment issue before the committee.

Peter Boydell, Lloyd's attorney, said that Lloyd's was unaware of the petitioners' demand for divestment of member and managing

london line

agencies. He noted that the subject was not mentioned in Sir Henry Fisher's report on Lloyd's self-regulation, upon which the bill is based.

More than 13,000 Lloyd's members voted for the bill in its original form. However, the bill that came out of the committee contains major differences.

If a bylaw is approved as expected, the 19,000 Lloyd's members will begin voting this week on two important divestment issues:

- Do you favor divestment of brokers from their underwriting management agencies?
- Do you favor divestment of managing agents from your member agencies?

The results of the balloting will be announced at the Lloyd's committee meeting July 17 and presented to the House of Commons committee July 20.

Although the petitioners were

successful in inserting both divestment questions into the current draft of the bill, the immunity from liability clause, which they oppose, remains.

The clause would prevent Lloyd's from being named as a third party in a lawsuit and would prevent a Lloyd's associate from suing for character defamation for being accused wrongly of fraud or other crimes.

One of the people who strongly opposes the immunity clause is Malcolm Pearson of Pearson Webb. Mr. Pearson was the Lloyd's broker in the Savonita affair who suspected fraud and told underwriters not to pay the claim.

A subsequent investigation concluded that Mr. Pearson was in the wrong for not paying the claim, causing damage to his character, he says.

When Lloyd's issued the report on the affair to the press, it re-

quired that a document releasing it from liability be signed.

Although people like Mr. Pearson would like to see the immunity clause removed from the bill, it would now take a debate on the floor of the House of Commons to do so.

Divestment of broking and underwriting interests, while agreed upon by both Lloyd's and the petitioners, was spurred on by underwriting magnate Ian Posgate. His syndicates are owned by Alexander Howden (Underwriting) Ltd. and are said to be worth 25 million pounds. But Mr. Posgate could buy his syndicates back from Howden if they go on the market.

The Fisher report on Lloyd's self-regulation suggested that "the council should have the power to provide that, from a stated date approximately five years ahead, no Lloyd's broker who owns interest in a managing agency will be permitted to show a brokerage account in the room, and that no managing agent in which a Lloyd's broker owns an interest will be al-

lowed to remain on the register."

The Lloyd's committee, of which 10 of the 11 members are tied to brokers, wanted the proposed Lloyd's council to determine how and when divestment of brokers and underwriters would occur.

Lloyd's Chairman Peter Green once said that such action would not necessarily mean total mandatory divestment, but that steps would be taken to separate the parties.

But few now oppose divestment of brokers and underwriters. Although it will be a nuisance for many brokers, the price they receive for their managing agencies will relieve some of the pain, sources say.

The fate of outside insurance interests held by Lloyd's brokers has not yet been determined. C.T. Bowring, for example, has a managing agency called Transglobe Underwriting Management Ltd., which conducts Bowring's outside insurance interests. No one has mentioned if or how such groups should be divested.

Specialists

FINE ARTS INSURANCE
APPRAISAL SERVICE
CONSERVATION SERVICE



NORDSTERN
SERVICE INTERNATIONAL (U.S.) INC.

115 JOHN STREET, SU TE 406, NEW YORK, N.Y. 10038 • TELEPHONE (212) 227-2224
Offices in: AMSTERDAM BRUSSELS COLOGNE LONDON MADRID PARIS ZURICH

Mission Insurance Co. elects Stan Braun new president

comings & goings: industry

Stan Braun has been elected president of Mission Insurance Co. He had been executive vp. Mr. Braun joined Mission in 1976.

In other changes, **Belmont H. Teecher** has been named vice chairman. He had been president. **John Dupuis**, formerly senior vp, was named executive vp.

Other insurer changes: **Robert H. Broski** has been elected vp of property/casualty insurance operations for the Celina Insurance Group. He will continue in his responsibilities as vp of underwriting.

Ronald H. Jones, 40, named assistant vp of Fireman's Fund American Life Insurance Co. He is also director of special plans underwriting.

H. Richard Souders was elected senior vp of INA International Corp., a subsidiary of INA Corp. He will head INA International's Life and Group insurance organization.

New Hampshire Insurance Co. and its subsidiary, Granite State Insurance Co., promoted **Robert B. Sanborn** to chief executive officer and **Earle L. Tryder** to senior vp.

New Hampshire Insurance Co. is a member company of American International Group Inc.

Richard C. Roberts joined United Enterprise Security Corp. as vp and also will serve as president of UESCO Life Insurance Co.

Standard Insurance Co. announced two management changes. **Norman F. Maves** becomes vp of the group insurance division; **Richard C. Easton** replaces Mr. Maves as head of the 11-state group sales force.

W. David Ritchie named vp for marine insurance at the Seattle office of Consumers Insurance Co., which is based in Spokane, Wash.

Western Employers Insurance announced three promotions: **James L. Pickering** named vp of underwriting; **John S. Conway** named director of liability writing, a new position; and **M. Glenn Dutcher** named director of workers compensation underwriting.

Frederick W. Beck, **Joseph P. Hegarty Jr.**, **C. Clarke Imbler** and **Andre Maisonpierre** appointed by Alliance of American Insurers to newly created positions of senior vps.

Agents/brokers

Lee R. Graham appointed vp at the John F. Curry Agency Inc. in West Palm Beach, Fla.

Hugh Vinson named managing vp at Alexander & Alexander of Louisiana's Shreveport office.

Terry L. Dudley joins J.J. Balaguer & Co. Inc. of Cleveland as executive vp of market planning and development.

Richard L. Lowell elected chief executive officer of Alaska Inc., a subsidiary of Rollins Burdick Hunter Co. of Chicago.

Howard "Gris" Brown joined IMC of Texas Insurance Agency Inc. as marine insurance specialist.

James M. Jackson named vp and general counsel for Insurance World Corp. in Denver.

Other suppliers

Equifax Risk Management Services named **A. Lee Lester** counsel and director of property/casualty claims administration. **Fredric H. Martin** named manager of workers compensation administration. Both are newly created positions.

Robert B. Aglira named vp and manager of the Philadelphia office of Meldinger Inc.

Dr. John V. Wagner named vp of the Insurance Strategies Consulting Group, a consulting division of the insurance specialty advisory firm Russell Miller Inc.

Albert Cole Jr. joined Buck Consultants Inc. as a benefit consultant. He previously was with Equitable Life Assurance Society for 28 years.

Excess/surplus

Mid-Continent Underwriters Inc. named **Donald J. Phillips** manager of production and **Michael Welch** and **Frederich Kemp** casualty underwriters.

Reinsurers

Francis J. DeMayo named vp of the facultative department and **James F. Ziegler** named assistant vp of international treaty department of Resolute Management Corp., a wholly-owned subsidiary of GEICO Corp.

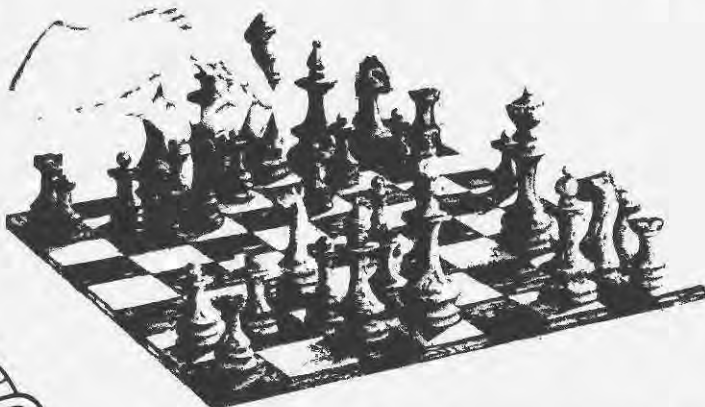
Jean-Francois Gelot elected vp of INA Insurance Co. of Canada. He is responsible for treaty and facultative reinsurance.

Two executives die

Gregory C. Sinnott, senior vp, chief financial officer and director of Marsh & McLennan Inc., died of cancer May 26 in New Cannan, Conn. He was 44.

Walter L. Hallenbeck, senior vp of Frank B. Hall & Co. of Michigan, died May 29 in Grosse Pointe Farms, Mich. He was 75. He started his insurance career in 1923.

YOUR BEST STRATEGIC MOVE...



Bayly, Martin & Fay International, Inc.

International Insurance Brokers & Risk Management Consultants

Corporate Headquarters • 320C Wilshire Boulevard • Los Angeles, California 90010 • (213) 736-9600
© Copyright 1980



Pickering

Merrill Lynch names Kelly to top insurance position

William J. Kelly has been named director of the insurance and risk management department of Merrill Lynch & Co. Inc., the diversified financial services company. He will be responsible for all property/casualty and crime insurance for the Merrill



Kelly

Lynch organization worldwide. Before joining Merrill Lynch, Mr. Kelly was vp of insurance at Bankers Trust Co. in New York.

Mr. Kelly is a graduate of Fordham University and received a master's of business administration degree from the Fordham Graduate School of Business. He is a member of the Risk & Insurance Management Society and is on the faculty of the American Institute of Banking and New York University.

Karen Rainwater has been named personnel manager of National Indemnity Co. Ms. Rainwater, who was employee benefits and communication manager for the property/casualty insurance company since 1979, replaces **Phil Donaldson**, who is retiring. Ms. Rainwater's former position will be spread among several employees.

Kathryn S. Meredith has been named principal insurance analyst in the risk management department of The Coca-Cola Co. Ms. Meredith will report to William H. Quay Jr., director of risk management, and will concentrate on risk management activities outside the United States.

Roger E. Dailey has been named staff vp of Equifax Inc. and will be responsible for the company's insurance and benefit funding department. He will be work in the company's Atlanta office.

Mr. Dailey began his career with Equifax in 1955 as a field representative and has served in the billing, audit and tax departments. In 1975 he became director of insurance and later was promoted to assistant vp.

A native of Delta, Ohio, Mr. Dailey is a graduate of the University

Mercer praises 1980 pension act

NEW YORK—The Multiemployer Pension Plan Amendments Act of 1980 "represents a realistic approach to dealing with financially troubled pension plans" and likely "will increase interest in multiemployer defined contribution plans," according to the May issue of the Mercer Bulletin, a newsletter published by William M. Mercer Inc.

The new act is designed to prevent runaway increases in Pension Benefit Guaranty Corp. multiemployer premium costs.

The publication says that under the new act withdrawing employers, with limited exceptions, are required to continue funding their share of vested benefits for up to 20 years. Previously, employers withdrawing from a multiemployer plan escaped liability unless the plan terminated within five years from the date of withdrawal.

According to the Bulletin, interest in defined contribution plans, which carry no withdrawal liability for the employer, may be on the rise because of the recent legislation.

comings & goings: buyers

of Toledo. He is a member of the Southern Pension Conference and is a past president of the Atlanta Risk and Insurance Management Society and the Atlanta Tax Club.

He received an ARM designation from the Insurance Information Institute.

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



**EXECUTIVE & EMPLOYEE
BENEFIT PLANS, INC.**

Self-Funded Employee Benefit Specialists Since 1959

• ON LINE CLAIMS ADMINISTRATION • EXCESS REINSURANCE
• COMPLETE ADMINISTRATIVE SERVICES • LIFE, L.T.D, DENTAL, MEDICAL

Contact: C. Jeffrey Wintersteller

Vice President - Sales

2025 Riverside Drive, Columbus, Ohio 43221

(614) 481-8393

ATLANTA • BOSTON • CHARLOTTE • CINCINNATI • CLEVELAND • COLUMBUS • HOUSTON • MIAMI • ORLANDO



For even the toughest risks, "one-call" marketing you can depend on.

Your client was just awarded a major demolition contract. But there's one hitch: excess/surplus lines coverage is needed and must be in place by week's end. One call to Montgomery & Collins puts you in touch with the insurance markets of the world.

As one of the nation's leading surplus lines brokers, M&C has the expertise—in each of its local offices—to give you access to competitive quotes for umbrella liability,

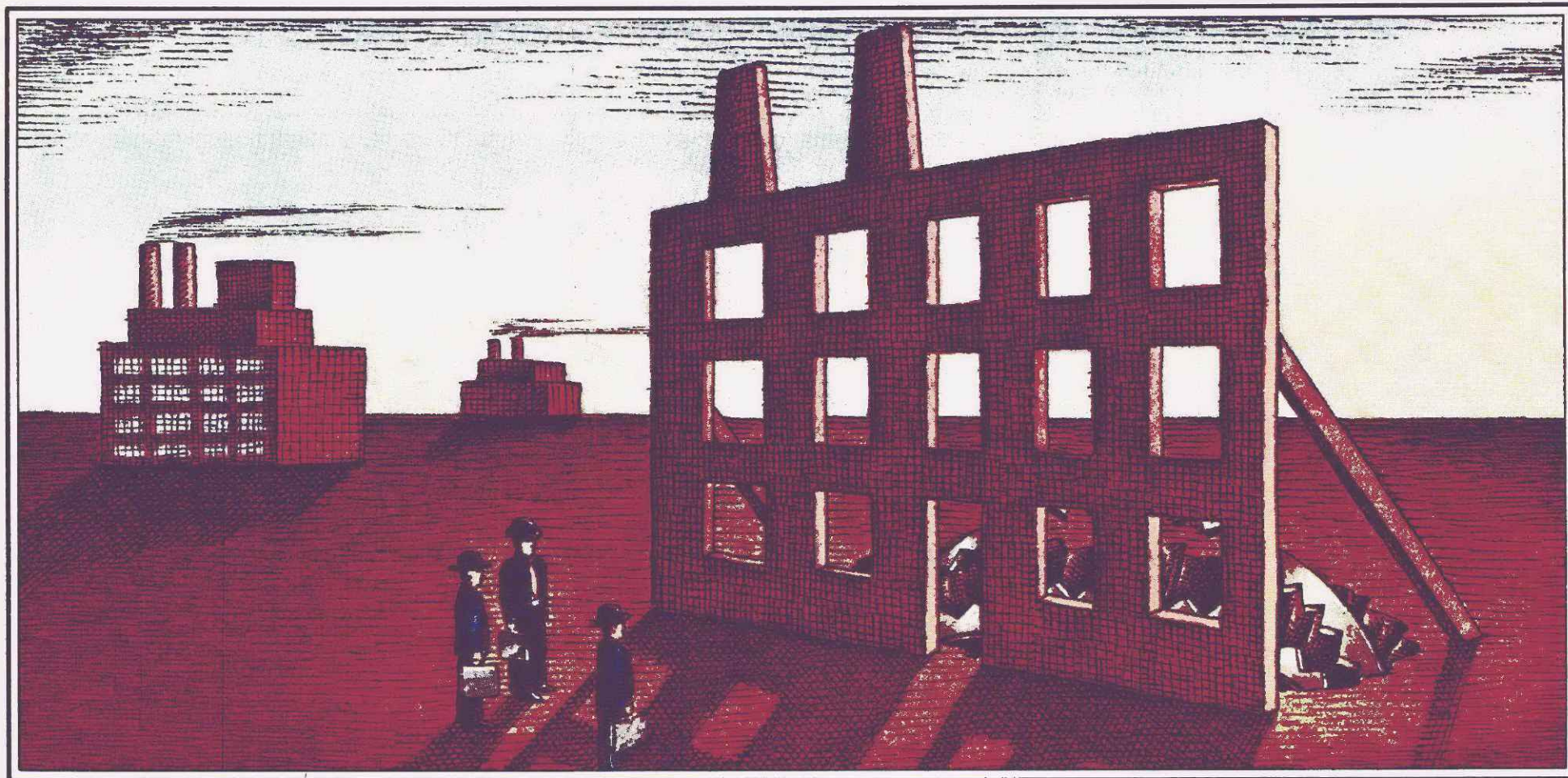
professional liability, primary and excess casualty, property, as well as excess workers' compensation.

M&C puts many years of experience in excess/surplus brokerage to work for you—on the spot—with direct and immediate access to more than 40 domestic and overseas carriers, including the important London market.

When the risk calls for an excess/surplus lines placement, one call to Montgomery & Collins does it all.

**Montgomery
and Collins, Inc.**

Pitfalls of Mergers



Reaching an agreement to combine operations with another company without examining its potential risks can bring severe financial consequences.

INA discusses the necessity of involving risk managers in merger negotiations at an early stage.

As the number and magnitude of mergers and acquisitions increase, so do the chances of jarring surprises. Time pressures and the need for tight security can limit the thoroughness of investigations. Sometimes key executives, such as risk managers, learn of proposed mergers only with the public announcement. As a result, millions of dollars in liabilities, which

could have been discovered during the negotiations, can go unrecognized.

Such major oversights characterized relatively few of the 1,889 listed mergers and acquisitions in 1980, yet, with assets involved exceeding \$100 billion, even relatively small lapses can have expensive consequences. Fortunately, management can easily put the risk

manager in contact with the lawyers handling the proceedings, and usually with his or her counterpart in the other company.

Once involved, the risk manager can assess major impacts of the merger on asset protection.

Sizing up the candidate

Reviewing the candidate's existing programs, for example, might reveal that many of the casualty exposures are self-insured. Even if this is a prudent course, the management of the acquiring company should bear in mind that the liability for unknown or unreported claims might lead to substantial financial exposure.

The risk manager may suggest that unfunded pension obli-

and Acquisitions

gations of the candidate company be a factor in the purchase price. Or, that a small subsidiary which manufactures a particularly liability-prone product, be spun off.

And now the good news

But, not all findings need be negative. When a larger company acquires a smaller one, the risk manager can often realize substantial proportional savings in insurance premiums. The acquired company, for example, may have an insurance program with superior ratings that can be retained for a combined operation.

Even more important, the risk manager may be able to suggest sophisticated insurance techniques such as forming a captive, retaining higher levels of risk, instituting cash flow programs and implementing

more comprehensive loss control techniques.

What to watch for

Executives supervising a merger should pay special attention to possible claims against directors and officers for actions related and unrelated to the proposed merger.

Other questions are sure to arise. Will title insurance for acquired properties withstand legal scrutiny? Are the actuarial assumptions for company benefits realistic? How will the merger affect any self-insured workers' compensation plans, particularly in those states where all employees must be under one program?

As a major insurer of business worldwide, INA, through its insurance components, has been involved in many complex reorganizations. This experience

can prove invaluable in the evaluation of coverages, ratings and methods of funding, including self-insurance.

Recognizing and meeting complex and evolving needs, such as those surrounding mergers and acquisitions, typifies INA's comprehensive approach to increasingly sophisticated insurance and risk management problems.

Comprehensive services

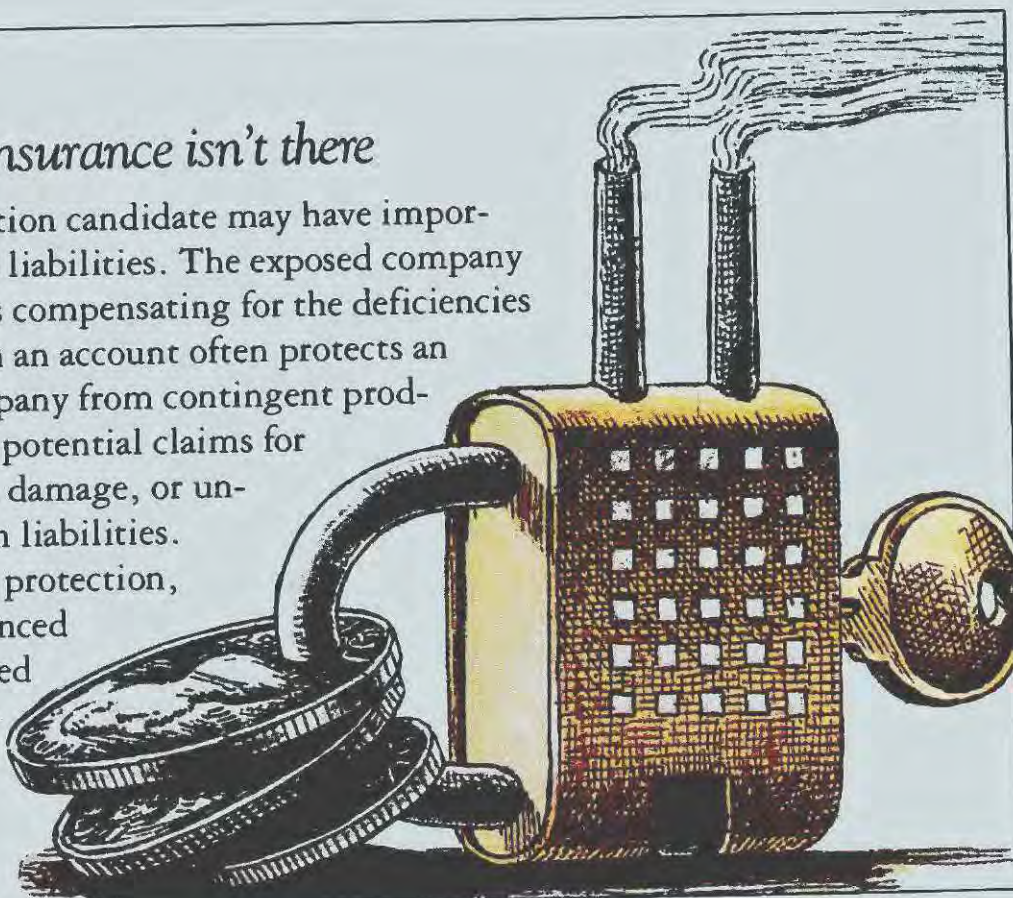
The Insurance Company of North America was founded in 1792 in Independence Hall, Philadelphia. Today, it is the largest component of INA Corporation's international network of insurance, financial, and health care interests. In property and casualty insurance and risk management services, life and group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

For an informative booklet on risk management aspects of mergers and acquisitions, write INA, Dept. R, 1608 Arch Street, Philadelphia, PA 19101.

When the insurance isn't there

An acquisition candidate may have important uncovered liabilities. The exposed company can place funds compensating for the deficiencies in escrow. Such an account often protects an acquiring company from contingent product exposures, potential claims for environmental damage, or unfunded pension liabilities.

With such protection, delicately balanced agreements need not be renegotiated.

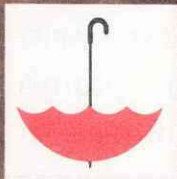


INA
The Professionals

Hearing

broker today. We'll listen.

The ability to hear is a basic sense. But the ability to listen is an acquired talent. True listening is done with the brain, not the ear. Through listening, The Travelers has grown into a leading Commercial Lines insurer. We have fine-tuned our products and services to be responsive to your company's real needs in the marketplace. To hear, in the true sense, is to anticipate your company's needs and to provide innovative programs to meet them. By listening, we gain a fuller comprehension of your special problems and gain a sound basis on which to make the judgments which impact on your company's ability to compete. Travelers people like Senior Account Analyst Jan Widener of Denver, Colorado have a trained ear for listening. She directs her energies towards a single sense of purpose. To give you more than expected. The Travelers would like to hear from you. Call your agent or



THE TRAVELERS



perspective

Help for the claims handler

By Francis J. Moynihan

"IF YOU CAN read, you can cook." Yet anyone who has burned or undercooked a meal despite following a step-by-step recipe knows that the old adage just isn't true.

By the same token, anyone with experience in claims understands that the most comprehensive claims manual won't guarantee perfect results either.

Just as a good chef knows what utensils are available, what ingredients he or she has on hand and what substitutions can be made without sacrificing the quality of the meal, a good claims handler should know how to work with available resources to produce superior claims service.

Whether someone works for an insurance company, a third-party administrator or an employer's self-administered program, certain common-sense guidelines will complement the procedural manual, ensure prompt and accurate payment, promote good employee relations and be efficient and cost-effective.

Consideration for the claimant is the top priority for the approver. At the same time, the dollars that are used to pay the claims are ultimately those of the employer, regardless of how the plan is funded. It is vital that the people who calculate payments are aware of this, but it is often overlooked.

Finally, the cost of adjudicating claims is the underlying factor that should determine which procedures are implemented.

It is easy to say that a claimant should quickly receive the maximum allowable benefit, the employer should not pay out one cent more than that to which the claimant is entitled and the claims-paying facility should not incur any unnecessary expense or loss of time in processing. But it can be done.

A close look at current practices shows that all "requirements" aren't really required to send out an accurate payment. Certain methods instituted to save time actually waste it, and some "double-checks" are unnecessary duplications.

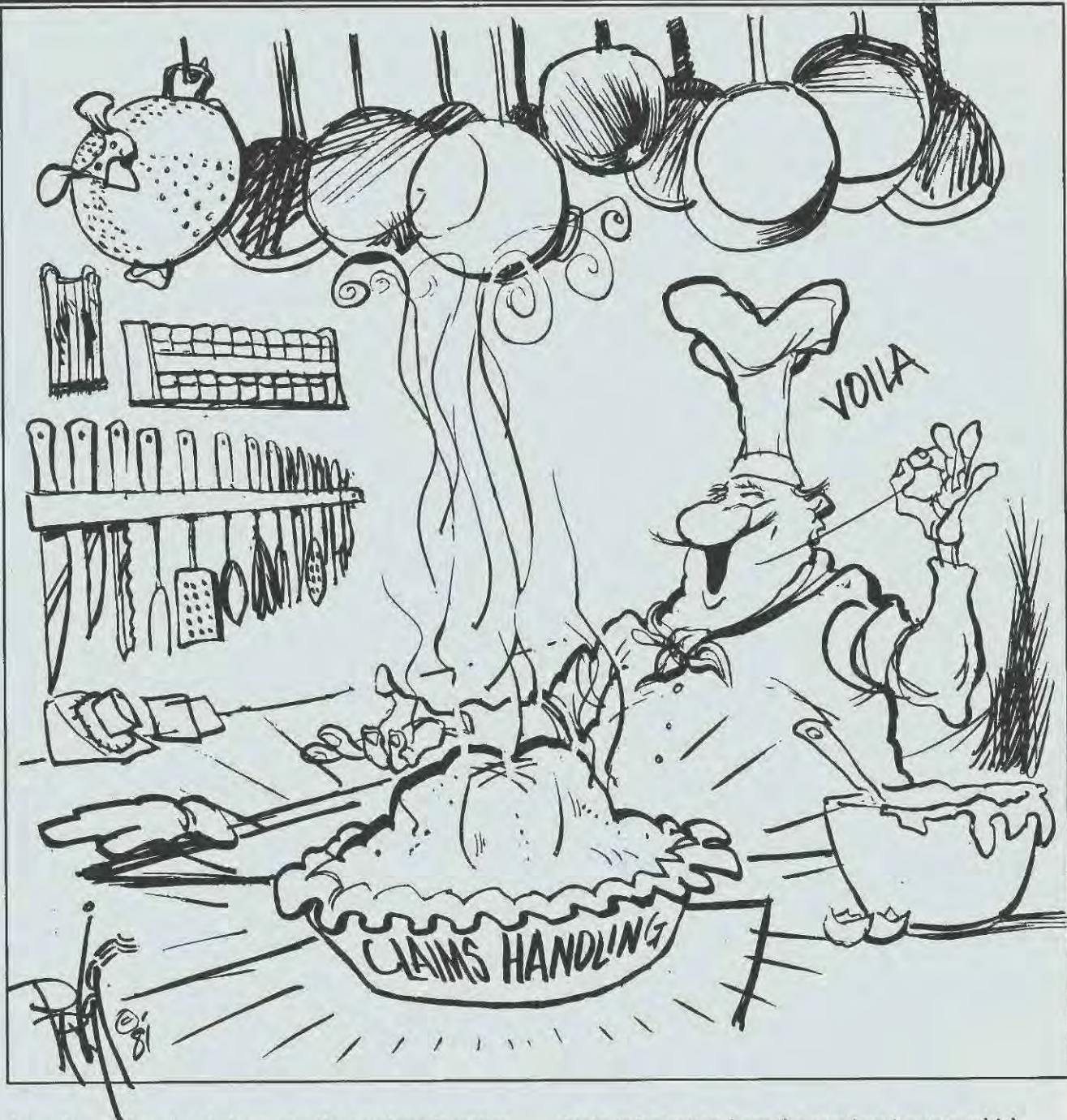
Before the first claim has been submitted, an eligibility listing should be compiled and a claims handler should be assigned to the account or to a specific portion of it. The benefits should be confirmed, and a claims history from the prior insurer should be compiled.

Whether the eligibility listing is in census form or individual enrollment cards, it should indicate the employee's name, effective date, dependent status, date of birth, Social Security number and classification as well as the names, relationship and birthdates of eligible dependents.

The name and address of the spouse's employer should also be listed.

Using the initial enrollment as a base and recording all changes on a monthly basis eliminates the need to return claims because the employee's section of the form has not been completed.

The eligibility listing also represents pre-certification



from the employer and eliminates the employer's section of the form altogether. Additionally, employees are less likely to give false information about children's birthdates or their spouse's employment at enrollment than when claims are submitted. Naturally, this minimizes the risk of overpayment and can result in coordination of benefit savings.

Few things are more frustrating to a policyholder than trying to get claims information from someone who is only vaguely familiar with the benefit levels and has not worked on that specific claim.

On the other hand, few things are more frustrating to a

claims handler than trying to answer questions about a claim processed by someone else or about benefit levels that are only vaguely familiar.

The cost of adjudicating claims is the underlying factor that should determine which procedures are implemented.

A good relationship between the claims processor and an employee benefits coordinator is a valuable thing. When coupled with the claims handler's knowledge of the employees and policy specifications, better service is the result.

Most employers who want to control their claims costs usually retain copies of explanations of benefits that are returned with completed claims. This is a valuable asset for a claims department when taking over an existing case.

These files contain claims histories and the current status of deductibles, base benefits and major medical maximums without sacrificing privacy or confidentiality of the individual.

Having this information on hand reduces the number of claims that would be delayed or would have to be adjusted in the future. It does away with the need to

obtain information from the previous insurer, which tends to be less than cooperative if it has just lost the account. It also takes the burden of proof from the claimant.

Paying claims for an ongoing account can be further improved simply by using a telephone instead of the mail wherever possible. A phone call yielding information needed to pay a claim the same day is certainly more efficient than filling out a form letter and waiting a minimum of two to three weeks for a response that has to be opened, dated, sorted and filed before any action can be taken.

Instead of instituting a follow-up system to keep track of needless correspondence, a system should be put into effect for obtaining written documentation of the information by phone. Once a claim has been processed, the timing of the response is no longer critical.

Occasionally a claim will be submitted for charges that are higher than the prevailing reasonable and customary fees for the service. The investigation that must be done can't be accomplished by phone.

Rather than delay making any payment until the renter fee can be considered or disallowed, common sense dictates that the maximum payment based on the information available be sent.

If the claimant and/or provider has cash on hand and an explanation of what is needed before the balance can be considered, responsibility for getting the information is placed on that provider. The timeliness of the partial payment will also assure prompt response.

If a claim can't be considered immediately, the claimant should be notified that the claim has been received and delayed for a specific reason. In some instances the claimant will be able to provide the details that are needed to complete the claim. Even if that is not the case, most claimants will appreciate knowing that the claim has been received and that every effort is being made to process it.

Finally, if the claims adjuster is personable, courteous, knowledgeable and helpful when dealing with claimants or employers and follows these guidelines, the concern for all parties will result in superior service.

Superfund may spur more pollution suits

By JOHN W. MILLIGAN

HARTFORD, Conn.—The Comprehensive Environmental Responsibility, Compensation and Liability Act—otherwise known as the Superfund—may open a floodgate of civil litigation in the years ahead, one expert predicts.

Owners and operators of existing or former hazardous waste sites were required by June 9 to notify the U.S. Environmental Protection Agency of the existence of such facilities.

This "free information," according to Michael J. Murphy, director of marketing for the Washington-based Clement Associates, is the "real liability" to come out of the Superfund.

Murphy, along with Lynne M. Miller, manager of Clement's insurance risk assessment program, and Thomas S. Valovic of Commercial Union Risk Management, discussed environmental impairment liability insurance at a conference of risk managers in Hartford sponsored by the Risk and Insurance Management Society.

The Superfund legislation was enacted in December 1980 to locate harmful hazardous waste treatment and disposal. The federal government will not prosecute companies for indiscretions they

Northeast RIMS lineup

HARTFORD, Conn.—Some 115 corporate risk managers from the Northeast attended a risk management conference June 2 sponsored by the Risk and Insurance Management Society.

Speakers were: Robert I. Mehr, visiting professor of finance at the University of Connecticut; Robert A. Brian, general partner at Conning & Co.; Thomas V. Hallett, vp and director of risk management at Frank B. Hall & Co. Inc.; David D. Holbrook, senior vp and director at Marsh & McLennan Inc.; Joseph P. DeAlessandro, president of the National Union Fire Insurance Co.; Michael J. Murphy, director of marketing at Clement Associates; Lynne M. Miller, manager of insurance risk assessment at Clement Associates; and Thomas S. Valovic, Commercial Union Risk Management.

The day-long conference in Hartford was run by the Connecticut Valley Chapter of RIMS.

reveal under the Superfund requirement, Mr. Murphy said.

However, this does not protect them from civil litigation when citizen action groups obtain the information.

The potential for civil liability for companies reporting information is "immense," Mr. Murphy said.

"There is no way you can get around civil liability," he said. "Those liabilities aren't going to go away."

Mr. Murphy also predicted that the Reagan administration will strongly support both the Superfund and the Resource Conserva-

tion and Recovery Act. He advised companies not to gamble that the administration's pro-business stance will prompt it to weaken either act.

Under the RCRA, companies that maintain surface impoundment, landfill or land treatment facilities for hazardous wastes must purchase environmental impairment liability insurance. This applies to sudden/accidental and non-sudden/gradual pollution incidents and protects companies against third-party liability.

Before a company can purchase the insurance, however, a comprehensive risk assessment study

probably will be required. According to Ms. Miller, this typically will include:

- Identification of a company's inherent risk potential, characterized by the type of exposure it has, possible effects to area residents and the damage an accident might incur.

- Identification of the population at risk, with attention to special high-risk groups like children at a nearby playground and the size of various risk groups.

- Identification of all possible routes of exposure, keying on factors that influence the release of toxic wastes such as soil type and presence of ground water.

- Considerations that cover the design of a facility, attitudes of its management and past practices there.

Additional information that risk managers may be asked to provide during an assessment study include training levels of operations and management personnel, engineering design plans and federal and state inspection reports and permits.

One key element of the risk assessment process is confidentiality, Ms. Miller said. Most risk analysis companies will enter into a "confidentiality agreement" that is "as strict as you want," she said.

Mr. Valovic expressed a somewhat different view of the Reagan administration's commitment to the RCRA as it presently stands. According to published reports from Washington, he said, the administration's Task Force on Regulatory Relief may re-examine the RCRA to determine both the degree of hazard for the many toxic chemicals under its regulation and the cost-effectiveness of controlling individual chemicals.

Mr. Valovic also predicted that secure, sight-monitored landfills for the disposal of hazardous wastes will be the "only viable option" for the next several years.

Another possible option—incineration—is limited by the small number of chemicals that can be burned, he said.

While secure landfills have the support of the scientific community, Mr. Valovic said, the EPA sees them only as a "necessary evil" and would rather see a cut-back in the production of toxic chemicals or recycling.

Clement Associates is a scientific consulting firm that performs environmental risk assessment studies. The Commercial Union Insurance Co., parent firm of C.U. Risk Management, is studying whether to enter the environmental impairment liability market.

Nationalization can't scare private insurers in France

PARIS—Insurers operating in France care little about further nationalization of the country's insurance industry under new Socialist President Francois Mitterand.

Forty percent of the French insurance business, including four major groups, is already nationalized.

The industry is not concerned as long as the government allows a competitive market where companies can compete for business with products and services, according to Michael Gaudet, president of the French Federation of Insurance Cos.

Claims from Iran

OTTAWA—Claims from civil strife in Iran accounted for almost half of the \$2.4 million in claims paid out by the Canadian Export Development Corp. during the first quarter of this year.

The company, which provides insurance and guarantee services to Canadian exporters and credit

worldwide

for foreign buyers, said it paid 51 claims during the quarter.

Included were more than \$1 million in claims involving investments in Iran, the EDC said.

Thirty of the claims were filed by U.S. interests, two each from Costa Rica, Ecuador, Guyana and Jamaica and one each from Antigua, France, Guadeloupe, Haiti, Iraq, Italy, the Netherlands, Antilles, Nigeria, Sudan, Trinidad, the United Kingdom and Venezuela.

Thirty-six of the claims involved defaults, eight were for insolvency, four for transfer of funds, two for political causes and one for contract repudiation.

Argentinean risks

NEW YORK—Multinational corporations operating in Argentina have the support of the current government, but the regime

has little popular support and could face serious challenges, according to a Frost & Sullivan political risk survey.

Despite the lack of civilian support and only "tentative" support from the military, the most likely change in government would be a military takeover that supports foreign investment.

"There is little chance that a civilian government representing Peronista views would come to power in the next 18 months, although the probability increases over the next five years," the consultants say.

Free enterprise is the current rule, but serious economic problems could lead to labor unrest and a shift to socialism.

These pressures could force the government to place more restrictions on foreign business, Frost & Sullivan says.

Political risk coverage grows with exposure

HARTFORD, Conn.—With today's constantly rising costs of doing business, political risk insurance for international companies has evolved far beyond its once-limited area of protection.

Joseph P. DeAlessandro, president of the Pittsburgh-based National Union Fire Insurance Co., told risk managers at a Risk and Insurance Management Society conference here that political risk insurance was originally designed to guard against "nationalization, confiscation and expropriation" of a company's property.

New trends in political risk underwriting include protection against cancellation of export and import licenses, contract repudiation, inconvertibility of currency and the unfair calling of bonds.

Political risk insurance involves more than just the protection of a company's foreign operation against takeover, he

said.

He used as an example a company whose manufacturing process is halted when, due to the action of a foreign government, it can no longer import a key raw material that can't be obtained anywhere else in the world.

Mr. DeAlessandro predicted that banks that have a heavy stake in a company's foreign operation will start pushing for political risk insurance and will want to be co-named on their borrower's political risk insurance policy.

He also said that every risk manager for an international company should have been politically astute. When assessing a company's political risk, Mr. DeAlessandro said, it is vital to know the "current state of events" in the country where the company is conducting business and something about the U.S. government's relationship with that company.

DO YOU QUALIFY FOR ADMINISTERING OUR GROUP SPONSORED PROGRAMS FOR RESTAURANTS & TAVERNS

- PROPERTY & CASUALTY & GROUP HEALTH INSURANCE PROGRAMS
- HIGHEST AVAILABLE COMMISSIONS
- ACHIEVE TOWARDS AN EXCLUSIVE TERRITORY
- MASS MAILING PROGRAM AVAILABLE
- DIVERSIFY YOUR INCOME

IF YOU FEEL YOU DO CONTACT:



ASSOCIATION MANAGEMENT SERVICES, INC.

139 DAY STREET
NEWINGTON, CONN. 06111 TEL: 1-800-243-8768
(203) 247-3000 (203) 549-4438

Brokers are responding to challenges: Hallett

HARTFORD, Conn.—Changes in America's business scene, due in part to changing social and governmental forces, are leading to a new relationship between the insurance broker and corporate risk manager.

Thomas V. Hallett, vp and director of risk management for Frank B. Hall & Co. Inc. and former Business Insurance Risk Manager of the Year (BI, April 14, 1980), also said that a new breed of broker has emerged to service the corporate risk manager.

Mr. Hallett made his remarks to a group of risk managers in Hartford recently at a conference sponsored by the Risk and Insurance

Management Society.

A movement toward "consumerism and social responsibility," financial changes such as new Internal Revenue Service rulings on captives and an entirely new classification of risks stemming from socially influenced legislation and governmental policies have had an impact on corporate risk management, Mr. Hallett said.

Brokers have grown to meet these challenges. The brokerage firm of the future, Mr. Hallett said, also will be an underwriting and service firm, guiding their clients through the increasingly complex maze of corporate risk.

Agency to deal with construction markets

McIntyre/Davis & Co., a Dallas-based insurance and bonding agency specializing in construction risks, has been formed by William S. McIntyre and Steven D. Davis. Mr. McIntyre is also president of McIntyre Financial Services while Davis is vp. Offices will be at 10300 North Central Expressway, Suite 208, Building IV, Dallas, Texas 75231; 214-696-4727.

markets

signed an agreement to purchase a 166-acre site in Simsbury, Conn., for \$1.3 million to develop a \$50 million office park for its domestic life insurance operation and a satellite data-processing center. ■

Acquisitions

Paul F. Friddle Insurance Agency Inc. of San Antonio, Texas, has merged with Alexander & Alexander of Texas Inc.

Alan M. Thaler & Associates of Scottsdale, Ariz., has been acquired by Johnson & Higgins.

Adjusters

Lamorte, Burns & Co. Inc., marine protection and indemnity insurance representatives, has been appointed by The Tokio Marine and Fire Co. Ltd. to adjust its liability claims in the United States for certain fleets insured by Tokio.

Subsidiary formed

Valuation Counselors Southwestern Inc., a new subsidiary of the Chicago-based Valuation Counselors Inc., has been formed to serve Texas and four adjacent states from its Houston office. The president of the subsidiary is Ray B. Moore, who came from the Dallas office of Arthur Anderson, certified public accounts.

Planning company

Kendall/Baldwin & Clarke, a new joint venture providing comprehensive risk management, financial, estate and pension planning, has been formed by Kendall Insurance Inc. of Rochester, N.H., and Baldwin & Clarke, a financial planning firm in Bedford, N.H.

New York office

Risk Sciences Group of Mill Valley, Calif., the risk management consulting firm specializing in risk management information systems, has opened its first major branch office in New York.

Richard F. Denning, formerly head of Anistics's New York office, will direct the five-person New York Risk Sciences Group office. Daniel Lee, also formerly of Anistics in New York, will be a senior systems consultant.

The office is at 260 Madison Ave., the same building in which Anistics was founded.

Risk Sciences Group was founded in 1978 by Joseph Destein, formerly president of Anistics.

New management

C.T. Bowring Co. Ltd. of London will undertake the management underwriting of Korean Insurance Co. (U.K.) Ltd. here as of July 1.

Bowring, owned by Marsh and McLennan Inc., came to an agreement with Korean Reinsurance Co., the parent of Korean Insurance Co., to transfer the management from Lyon De Falbe underwriting agencies to C.T. Bowring Underwriting Holdings Ltd.

At the same time, Bowring announced Pohjola Insurance Co. Ltd. of Helsinki has opened a London representative office in Bowring's underwriting offices at Tower House, 38 Trinity Square, London EC3N 4HR: 01-283-3100.

New offices

North American Reinsurance Corp. has relocated its Dallas branch office to 5001 LBJ Freeway, Suite 1000, Dallas, Texas.

Fremont Indemnity Co., a subsidiary of Fremont General Corp., has opened a division office at 2151 Alessandro Drive, Suite 195, Ventura, Calif.

Hartford Insurance Group has

If you are even thinking about a Captive, don't do anything until you talk to us.

Scor Risk

Scor Risk offers you a *unique* opportunity to evaluate, to implement and successfully manage a Captive for your company or group.

- Scor Risk is not a broker and we do not sell insurance; therefore, our view is totally objective.

- We are specialists with successful "hands on" experience managing Captives.

- We maintain management facilities in Bermuda and the Cayman Islands.

- We are part of a worldwide organization with many resources to draw from.

For information, contact Tom Miller.

SCOR RISK MANAGEMENT, INC.
P.O. Box 220032 • Dallas, Texas 75222
(214) 659-5891 • WATS: 800-527-5855

52 great issues coming up!

ISSUE NUMBER

ISSUE DATE

AD CLOSING

28.

Pensions & Retirement Programs

JUL

13

JUN

30

more to come :

ISSUE DATE

AD CLOSING

27.

JUL 6

Jun 24

28. PENSIONS & RETIREMENT PROGRAMS

JUL 13

Jun 30

29.

JUL 20

Jul 8

30.

JUL 27

Jul 15

31.

AUG 3

Jul 22

32. EXCESS/SURPLUS

AUG 10

Jul 28

33.

AUG 17

Aug 5

34.

AUG 24

Aug 12

35.

AUG 31

Aug 19

36.

SEP 7

Aug 26

37. MARINE INSURANCE

SEP 14

Sep 1

38.

SEP 21

Sep 8

39.

SEP 28

Sep 16

You can now reach the decision makers in the insurance marketplace 52 times a year in the industry's communications leader... *Business Insurance*. For your convenience, we have listed all upcoming issues for the next few months along with special editorial information and advertising closing dates. Avoid the rush. Be where the action is this week and every week.

business insurance

a publication of Crain Communications Inc.

Liability suits could break Akron suburb's budget

By JOHN MAES

STOW, Ohio—This small suburb of Akron faces \$10 million—more than twice the town's annual budget—in liability from two lawsuits.

A few years ago, however, Stow and other towns falling victim to big lawsuits and court awards would have been exempt from liability.

The Stow problem stems from two personal injury lawsuits, one just concluded with a jury award of \$5 million against the city of 25,000 and a second \$5 million action filed recently.

The town, however, is not paying off without a fight, according to James Martin, city law director. Its appeal could tie the matter up in court for years.

"There are a lot of legal issues that lead me to believe we ought to wait until the appellate process is over before we start writing checks," Mr. Martin said.

However, the prospect of paying such steep liability awards has municipal officials worried over how they would meet the expense and still keep their city running.

The increase in municipal liability, he says, can be attributed to a continuing breakdown in the doctrine of sovereign immunity, leading to an increasing number of lawsuits against governmental entities, Mr. Martin said.

Recent decisions by the U.S. Supreme Court holding cities liable for violating the civil rights of citizens also have increased the liability exposure of municipalities.

"Cities and towns used to be immune from civil rights litigation, but the trend has been reversed and there's more exposure to municipalities to violations of not only constitutional rights, but of federal and state rights," he said.

Under state law, the city could issue judgment bonds to raise funds to pay the award, but it would have to request an extension in the five-year bond period to allow adequate time for repayment while keeping the city solvent, Mr. Martin said.

Reserve funds and retroactive insurance have been considered, but municipal officials say they need a better idea of how soon and how much they might be ordered to pay, he said.

Only \$1 million in liability insurance with Nationwide Insurance Co. potentially applies to the current suits, though Stow recently increased limits to \$4 million, the size of its annual budget. The addition would not cover the jury verdict.

The judgment was rendered in favor of an 18-year-old girl left quadriplegic after an auto she was in struck a pothole and overturned on a city street in May 1980.

The recently filed lawsuit was brought on behalf of an entire family that was injured when a Stow fire truck and their auto collided early this year. The collision left a 4-year-old daughter in a coma.

The city of South Tucson, Ariz., a suburb of Tucson, is in a similar mess. It is appealing a \$3.6 million jury verdict to a Tucson police officer who was inadvertently shot and paralyzed by one of the suburb's law officers in 1979.

The verdict surpasses the \$2.7 million annual budget of the city, which was substantially underinsured for the loss (BI, Nov. 10, 1980).

HMO to open its doors after a 6½ year wait

By CAROL G. BLITZER

SAN FRANCISCO—It's been a long time in the making, but the nation's oldest health maintenance organization federal grantee is finally seeing the light.

HEALS, an individual practice association (IPA) based in Alameda and Contra Costa counties near San Francisco, will open for business this month—6½ years and \$1.5 million after its first grant application.

HEALS acts as a broker between health-care providers and users. It contracts with hospitals and doctors in private practice to provide primary care and with specialists who can be tapped by primary-care physicians as needed.

One of the major benefits of the IPA model is that patients do not have to travel longer than five or 10 minutes to see their family doctor, supporters say. This feature could give HEALS a competitive boost in this two-county area where Kaiser Permanente has a strong foothold.

So far, 180 physicians in 50 different locations have signed up with HEALS, but this could double in the six months after the plan becomes operational, says Jed R. Jerozal, HEALS marketing director. Nine hospitals in the area are also under contract.

Subscriber fees for the new HMO are slightly higher than the popular Kaiser plan but right on target with Blue Cross's Take Care program, Mr. Jerozal says.

Rates are set at \$49 to \$51 for a single person, \$101 to \$106 for a couple and \$127 to \$133 for a family. After July 1, the rates will likely go up.

Rate adjustments

The program is community-rated, but there is still a little flexibility in negotiations with employers, Mr. Jerozal says. "We have some ways to adjust the rates by contract mix and by number of single members versus family contracts," he says.

Four hundred key employers have been earmarked for contact over the next few months. HEALS has identified 752,000 potential subscribers. The new HMO will focus on companies that have demonstrated their willingness to pay for a wide range of services.

The plan is designed to reward doctors and participating hospitals for containment of health-care



Photo: Carol G. Blitzer

HEALS officials Jed Jerozal (left) and Dennis McKenna confer.

costs, says Dennis A. McKenna, HEALS executive director. "The program is not for all physicians and not for all patients," he adds.

HEALS negotiates with the doctors for their fees on an annual basis. Premium for employers is based on these fees and estimated hospital utilization. A certain percentage of total premium is placed in a reserve fund each month.

If hospital utilization is down at the end of the year, the hospital receives a third of the reserve surplus, the doctors receive a third and HEALS keeps the balance to finance new benefits or to cushion rising premium costs.

"We put the incentive on the front end of health care," Mr. McKenna says. "We tell the physician to keep them healthy, keep them out of the hospital. If we keep the patient healthy, we keep the expenses down."

"Hospitals are actively participating on risk. They have a contractual relationship with HEALS and physicians to reduce health care costs. If utilization is reduced, they serve the community better."

HEALS plans to work in the area of health-care education for members and the medical community. A newsletter will be sent to members touching on such things as when to see a doctor, what immunizations are important and what toxic risks one can avoid during summer vacation.

HEALS also will inform physicians about local programs in weight reduction, smoking prevention and hypertension control. HEALS may cosponsor some preventive programs and underwrite a portion of the cost to members, Mr. McKenna says.

Physicians wanting to participate in HEALS must agree to keep uniform medical records, to work with a medical director in case of grievance and to work with peers in quality assurance meetings. Three references are required as well as a site visit by HEALS' health-care coordinator to determine adequacy of medical records, parking and waiting-room facilities.

HEALS, a contraction combining the names of Herrick and AHA Bates hospitals, should have been operational more than a year ago, Mr. McKenna says. The delay was caused in part by a change in political climate, he explains. The HMO Act of 1973 was designed to encourage the HMO movement, but by the time HEALS was through its first developmental stage, new pressures came to bear.

Whereas at the beginning Kaiser was the only HMO in the area, two

others appeared. Then the federal government became more aware of the possibility of HMO failure and took a harder look at grantees, Mr. McKenna says.

HEALS came under special scrutiny because more HMOs failed that were starting from scratch and IPA models were seen as harder to manage, he adds.

"One of the difficulties we had is that we had to prove we were operationally ready and they grilled us to the Nth degree, which most grantees didn't have to go through. They put us through extreme stress so we had to prove without a shadow of a doubt that we were qualifiable," he says.

HEALS has received \$800,000 in federal grants and has raised an additional \$700,000 privately (partly from participating physicians and hospitals). It is asking for a federal loan of \$1.2 million to \$1.5 million over three years to see it through the start-up period until it can reach the break-even point, predicted in about 30 months.

HMOs accepted

When HEALS breaks even depends on how well its marketing program succeeds. Because of the wide acceptance of other HMOs in Northern California, HEALS doesn't have to sell the concept.

"It's not uncommon to find 60% HMO enrollment in the East Bay area. The county of Alameda has more than 80% of its employees enrolled in one HMO or another," Mr. Jerozal says.

What happens if the federal government doesn't come through with the loan? "We'll look for private capital," Mr. McKenna says.

"We've been qualified and part of the benefit is eligibility for a loan. The reason we have to get operational is we have a lot of pressure from our clients because they want us out there. If we didn't get the federal money, the whole ball game would change and we would go out and get commercial capital," Mr. McKenna adds.

"We worked right through the lean times and stayed to the end. The fact that we raised \$400,000 in capital and the staff stayed demonstrates we have a commitment."

HEALS carries three kinds of insurance provided by Mutual of Omaha: insolvency coverage to protect the plan's contracts; stop-loss to cover each individual when hospital bills reach \$10,000 (the policy picks up 80% and HEALS covers the other 20%); and out-of-area emergency to cover expenses over \$500, says Fred Cohen, HEALS' financial officer.

Firms say perceptions important

NEW YORK—Public perceptions of a company and its products are so important that a firm should strive to uphold product quality beyond federal regulations, a survey of Fortune 500 companies shows.

Nearly 80% of companies polled said product recall erodes the credibility of a company's product research and development in the eyes of the financial community,

according to the survey published in Corporate Issues Monitor, a quarterly survey of corporate communications executives.

Eighty-three percent of the firms said they felt the Rely tampon recall has diminished chances for public acceptance of new, similar products manufactured by Procter & Gamble within the next five years.

Coming Up!

Pensions & Retirement Programs

Issue Date: July 13, 1981
Ad Closing: June 30, 1981

New York:
220 East 42nd Street, N.Y. 10017 (212) 210-0138
Chicago:
740 Rush Street, IL 60611 (312) 649-5275
Los Angeles:
6404 Wilshire Blvd., CA 90048 (213) 651-3710

Business Insurance, the national newsweekly of loss prevention, risk financing and benefit management.



"It's like a clearing house, bringing agents, brokers, buyers and underwriters together." — Broker

Not too long ago, our commercial clients defined their property and risks, and we as brokers provided the insurance by finding the right insurance company and services. But, as technology grew, so did the sophistication of the corporate buyers who wanted a more scientific approach to risk funding.

Corporations created risk management departments and established financial controls over the cost of loss prevention and risk financing.

Insurance underwriters, consultants and progressive brokers have all become part of a new, service-oriented industry, that uses modern methods of risk analysis, evaluation and cost projections which, at times, involve

cash flow studies and detailed computer-assisted claims records.

As brokers, we became even more involved with the problems and challenges facing our commercial clients.

And, the one place where buyers, brokers, underwriters and the other services meet is Business Insurance. BI is *must* reading.

business insurance

A publication of Crain Communications Inc.



This ad is a dramatization from a new Business Insurance presentation. If you'd like to see it, contact Don Walsh, Advertising Sales Director, (212) 210-0133.
New York: 220 East 42nd Street, NY 10017 (212) 210-0138 Chicago: 740 Rush Street, IL 60611 (312) 649-5275 Los Angeles: 6404 Wilshire Blvd., CA 90048 (213) 651-3710

Write-offs near for pension payments

Continued from page 1

butions to employer plans would have caused too many administrative problems, a Treasury Department spokesman said.

Despite the change, the administration has joined a growing movement in Congress backing tax deductions for employee pension contributions. Most of the dozen bills that have been introduced in Congress, however, give employees the choice of contributing to an IRA or to a corporate pension plan to receive a tax deduction. (See chart on Page 1 for major proposals.)

Administration support for the concept greatly bolsters the chances that tax deductions for pension contributions will be approved, experts say. But it is unclear if Congress will opt for the

administration's plan or approve legislation giving employees a choice of how they want to make their pension contribution.

Interest and support for tax incentives for employee pension contributions are running at an all-time high because:

- It would reduce pressure to increase Social Security benefits for future retirees since employees would be better-equipped to fund their own retirement.

- Employers would be under less pressure to boost their pension benefits to employees.

- More employers would be encouraged to set up pension plans because employees would receive tax breaks to share some of the costs. Lack of pension coverage, particularly among small employers, has been cited as the nation's

biggest pension problem.

Congressional and administration pension experts agree that the key third leg supporting the nation's retirement income system—individual savings—has collapsed.

To have a viable retirement system you need Social Security, private pensions and individual savings," said Marvin Levins, senior vp at Connecticut General Life Insurance Co.

But employee savings is at an all-time low. The average American now saves less than 5% of salary. As a result, workers have increasingly become dependent on the financially scrapped Social Security system for major support during retirement, something the program was never intended to do.

According to a study commis-

sioned by the American Council of Life Insurance, nearly three out of four workers would contribute to their pension plan if contributions were tax-deductible (BI, March 9).

The contributions, over time, would build up to a tidy nest egg when an employee retires. The ACLI calculates, for example, that a 35-year-old worker who contributes \$1,500 each year to a pension plan would build up reserves to allow him to retire at 65 with a \$16,652 annual benefit.

But other experts are more cautious. Karen Ferguson, director of the Washington-based Pension Rights Center, says only the upper middle and upper classes could afford to make annual contributions.

But Stephen Kraus of ACLI believes if employees were given incentive to share in the cost of the

plans through the proposed tax deductions, more employers would be encouraged to start new plans.

If employers voluntarily set up plans, pressure for a mandatory private pension system, which the President's Commission on Pension Policy recommended (BI, Feb. 2), also would ease.

Some non-contributory pension plans, particularly multiemployer plans, might not want employees to make contributions because of administrative problems.

In that case, under proposals introduced in Congress, the employee could then contribute between \$1,500 and \$2,000 to an IRA and receive a full tax deduction.

The House Ways and Means Committee is expected this week to iron out final details on the maximum tax deduction to be allowed. ■

classified advertising

RATES AND CLOSING TIME:

Published every Monday. Copy in written form in Chicago office not later than noon Monday, 7 days preceding publication date. Display classified: takes card rate of \$49.00 per column inch with card discounts on size and frequency. Cash with order. Responses to Business Insurance blind box ads are forwarded daily.

Mail ads to Barbara Tosheff, Business Insurance, Classified Advertising Dept., 740 N. Rush St., Chicago, IL 60611. Call (312) 649-5340 for more information. Telex Number: 25-4248. No verbal phone copy accepted. Responses to Business Insurance blind box advertisements must fit into a regular business-size envelope.

Business Insurance

Circulation Breakdown*

Commercial Consumers	
Administrative Management owners, presidents, vps, etc.	6,888
Financial Management: chief financial officers, vps of finance, secretaries, treasurers, etc.	9,287
Insurance Management: vps, directors, managers of insurance, risk, benefits, compensation, safety, security, etc.	4,976
Government, Associations, Unions, Educational Institutions	927
Commercial Consumers Sub-total	22,078
Insurance Agents & Brokers	9,500
Insurance Carriers	4,213
Banks & Financial Institutions	343
Actuaries, Attorneys, Adjusters, Appraisers & Consultants	1,985
Others allied to the field	712
TOTAL	38,831

*Source: Business/Occupational breakdown of qualified circulation, Nov. 3, 1980 issue, Dec. 1980 BPA Publisher's Statement.

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 with salary history to: Matthew Lifschitz, Personnel Manager.

INSURNET

1900 Powell Street
Emeryville, CA 94608
Equal Opportunity Employer M/F

Consulting/Executive Search To the Insurance Industry

PAUL E. RUNKLE ASSOCIATES, INC.

One Chase Road
Scarsdale, New York 10583
(914) 725-0773

INSURANCE ADMINISTRATOR

Develop, plan & implement Risk Management Services associated with national reinsurance facility. Requires working knowledge of Property & Casualty Insurance, Administration & Management; Commercial Auto Insurance & Interstate Fleet Operations. College education or equivalent required, minimum of 5 years experience in underwriting or risk management positions. Send resume to: J. Patrie, P.O. Box 1270, Arlington, Va 22210 EOE

POSITION WANTED

Firm of vision seeking talent for marketing, servicing, sales, & administration. Weary of being told "You're over qualified!" Have FL 2-20; 1-20 Licenses & CIC Designation. Prefer Broward or Palm Beach County location but willing to relocate. Compensation negotiable. Call P.M. 305-272-2505.

Your Ad Here Would Cost \$98.00 For A Single Appearance.
Call (312) 649-5340 For Details

INSURANCE CLAIMS

Opportunity exists for an individual to manage corporate program for a self-insured motor carrier. Only persons with at least 5 years experience handling accident exposure situations need apply. Salary open. Send resume with salary & work history to: Personnel Director; INTERNATIONAL TRANSPORT, INC.; 2450 Marion Road, SE; Rochester, MN 55901. "An equal opportunity employer."

ASSURANCE FOR QUALITY RESULTS: BI CLASSIFIEDS

Assure yourself of top quality employees— Let them know of your openings through Business Insurance Classifieds.

BENEFITS COMMUNICATOR-PLUS

We're looking for a person who—

- Is Currently a benefits communications specialist &
- Would like to grow into managing an entire benefits area.

This newly created position will report directly to the Vice President-Personnel. We are a Fortune 700 manufacturing company headquartered in an attractive midwest location. Some travel required. Salary to \$35,000. Write in confidence to:

Box 462, BUSINESS INSURANCE
740 Rush St. Chicago, Ill. 60611

Equal Opportunity Employer M/F

Insurance Resources Executive Search is a confidential intermediary staff with Account Executives who achieved managerial positions in the insurance industry. They are experts in career planning. Our clients are the most prestigious in the industry.

Below is a sampling of brokerage assignments currently in process. All are outside positions that include cars. Those with an (*) indicate that only candidates currently in that location will be considered.

Seattle—
Construction A.E. (Cas.)
Seattle—
Construction A.E. (Surety)
Portland—
Large Lines Producer (*)
Alaska—
Jumbo Accounts A.E.
Denver—
Energy Accounts Producer
Chicago—
HPR Acct. Exec. (*)
NYC—
Marine Producer (*)
Houston—
Casualty A.E.: Oil & Gas
Fresno—
General Accounts Producer
San Francisco—
Jr. Surety A.E.
San Francisco—
Managing Vice President

Please send resume or handwritten background to:

INSURANCE RESOURCES
7844 Madison Ave., #106
Fair Oaks, California 95628
(916) 965-5511



CONTROLLER

Our Southeastern client seeks an individual experienced in the preparation of financial reports to management personnel, SEC, shareholders and others. Will be responsible for all accounting practices and policy. Ideal candidates will have CPA credentials will some Big 8 experience and have sound knowledge of fire and casualty industry. Starting compensation mid-to-upper \$40s. Contact Jim Gilbert in Dallas.

TEXAS UNDERWRITING (Marketing)

Leading commercial agency requires 5-10 years of commercial casualty underwriting exp. with recent or current agency/brokerage experience in the marketing/underwriting of jumbo commercial accounts. Candidates with NATIONAL ACCOUNTS backgrounds at primary level will be given strong considerations. Contact Jim Gilbert in Dallas. Salary to \$40K DOE.

ARIZONA BROKERAGE

Seeks account executive to service large commercial accounts. Must have sound knowledge of commercial casualty lines with premiums in excess of \$50,000 as a minimum. NO PRODUCTION DUTIES. Similar positions exist in Oregon/Washington area and FLORIDA. Contact Dallas on these and other account executive position. Comfortable at \$40,000.

DENVER

Fast-tracked agency seeks fast-tracked and proven producer of commercial business. An energy related background (oil & gas) is most desirable. Production of \$100,000++ accounts extremely desirable with this well-established firm. Compensation package includes salary, bonus, car, club and other perks. Contact Linda Mayer in our DENVER office.

INSURANCE RECRUITERS, INC.

- DALLAS — P.O. Box 19597/75219/(214) 528-0090
- CHICAGO — 200 West Monroe, #1607/60606/(312) 346-0268
- DENVER — 650 S. Cherry, #1020/80222/(303) 320-5347
- ATLANTA — 1800 Century Blvd. N.E. #1230/30345/(404) 633-1973

CALL TOLL FREE (800) 527-5428

ACCOUNT EXECUTIVES

The outstanding results of the Emmett & Chandler Los Angeles and Orange County offices have created a need for:

LOS ANGELES

LOS ANGELES & ORANGE COUNTY

Account Executive Trainee QUALIFICATIONS

Applicants will be considered based upon the following criteria:
Education
Technical Knowledge
Problem Solving Ability
Communication Skills
Experience

SALARY

For both positions in accordance with proven abilities. These are rare opportunities for the right people.

SEND RESUMES TO:
ROBERT F. DUNCAN
EMETT & CHANDLER
1800 Ave of the Stars, Suite 400
Los Angeles, CA 90067
(213) 553-2711

Bulletproof vest makers repel their liability

Continued from page 3

Dupont's Kevlar-Aramid, a lightweight anti-ballistics material that revolutionized the industry.

"We sell to dealers, who in turn sell mostly to police departments and the military," Point Blank's Mr. Stone says. "Some body armor is purchased by private individuals such as doctors and lawyers working in tough neighborhoods, convenience store people working late shifts and corporate executives traveling overseas. It is a sensible product for an awful lot of people."

Body armor comes in different styles and weights, designed to blunt all kinds of threats, he says. "Vests retail for between \$200 and \$1,200. The really expensive ones are bulky and built for war. If you're willing to carry enough weight, you can make them to stop nearly anything."

Point Blank says 112 lives have been saved by its vests, and not all the danger has come from bullets.

"This week, a rookie cop who hadn't even gone on duty yet was attacked and stabbed," Mr. Stone says. "He was wearing his vest over the weekend just to break it in and it saved him. Another guy was saved from being gored by a bull and another from being stabbed by a railroad spike."

Mr. Davis of Second Chance Body Armor says 216 police officers' lives have been saved from various threats—bullets, knives and auto accidents—by his vests. The vests are not made specifically to stop knives, but there are instances in which they have.

"Not one officer has died wearing a vest, but thousands have died because they didn't wear the heavy body armor they were issued," he says.

Body armor is a competitive business, Mr. Stone says. "The rate of sales is tremendous. I don't know if sales have been affected by the attempted assassination of President Reagan or not. Things were pretty crazy before that so there's no way to tell."

Customers come from all high-risk areas including law enforcement, politics (foreign and domestic) and international business, says Mark Brackley, Houston manager for CCS. "We've gotten a lot of calls from service station attendants and convenience store night clerks because of all the hold-ups."

Oil companies, heavy product distributors and

other companies that do business overseas often purchase vests to protect executives from terrorists, he says. "We can't name our customers. We keep that under wraps to protect them. If someone knows what they do to protect themselves, he can find a way to get around their defenses."

Body armor sold by CCS costs \$250 or more and is capable of stopping bullets from a .357 magnum, he says.

"It protects against most handguns in everyday street situations," Mr. Brackley says. "Anyone who wants a heavier one, such as a SWAT or a military fragment vest that could stop all handguns and low-caliber rifles, can get them. We recommend an 18-layer vest for those who think they might be shot. The heavier ones are for those who know the hour it's going to happen."

Mr. Brackley says one police officer was shot in the chest by a .38-caliber pistol after stopping a kidnap suspect. He was wearing a vest. "He said it felt as if someone had hit him in the chest as hard as he could with a hammer. He had a bruise on his chest about the size of a half dollar, but it brought a new meaning to the word bruise."

CCS has branch offices in Washington, Los Angeles, London, Toronto, Miami and Houston and is negotiating to open an office in Milan, Italy. Besides body armor, the company sells armor for vehicles, bulletproof windows for homes, anti-bugging equipment, bomb detectors and even cameras that take pictures around corners so photographers can remain hidden.

"We sold a car in South America that has since withstood an attack for more than one minute against handguns, 9mm automatic weapons, .30-caliber rifles, sledgehammers and clubs," he says. "They really wanted him, but they didn't get him."

Those who fear bombings can install bomb-searching units in their cars that will turn on all nearby electrical devices by remote control, thus exploding any bombs that have been set, he says. "That and a vapor detector will give you all the protection you need."

Business is rising, mainly due to the condition of the world, Mr. Brackley says. "Like priests and lawyers, bad times are good for us."

Reorganization of NAIC delays model legislation

Continued from page 3

tee structure and to make NAIC operate more efficiently, he explained.

The commercial buyer of insurance probably won't see a tremendous change because "so much of the commercial market is outside the scope of a commissioner's regulation," he said.

But whether less regulation will result from the organization's new structure is not known, Mr. Woodyard added.

No radical change can be seen for the commercial buyer of insurance, said John W. Lindsay, the organization's vp and South Carolina insurance commissioner.

Mr. Lindsay said the reorganization of the NAIC was a year in the making, but said the effort received an extra push because many of the 50 insurance commissioners are faced with reduced state resources.

"We had come to a time when a definition of a word in a model law would be debated ad infinitum," Mr. Lindsay said.

"We haven't enough time to do all the things we want to do. Sometimes, we would look and search for answers that just weren't there."

"We decided it was time to quit wasting time."

The old committee structure, which included a plethora of advisory committees, slowed down the process and contributed to the confusion of other subcommittees and task force groups, Mr. Lindsay explained.

However, the organization will

continue to seek the advice of the insurance industry, Mr. Lindsay said.

"We don't want chaos in the marketplace because we all pay," he said.

"Decisions always will be made on what the commissioners think, but believe me, it will not be done blindly."

"We want the committee chairman to appoint an advisory group if he feels it's necessary. The same people who always have served probably will continue to serve," he added.

Although insurers are not altogether happy about the reorganization of the NAIC, some attending the meeting agreed that the organization's complex committee structure was beginning to get out of hand.

One industry source admitted that many of the task forces and advisory committees were, at best, inactive. He said many were kept just out of routine.

Another source said the reorganization was sorely needed, but he predicted that the new structure will breed political infighting as insurers and consumer groups jockey for the reduced number of positions available on NAIC advisory committees.

"To eliminate the advisory committees altogether, without appointing new ones, would lack the continuity needed to bridge the change the NAIC is going through," one Illinois insurer attending the Detroit conference said.

Regulators proposing detoxification benefits

Continued from page 1

outpatient visits, including family counseling, in one calendar year.

Whether employers will opt for the added expense of the coverage, which insurers say is "minimal," is not clear, but Dr. Pursch said employers cannot afford to exclude this kind of benefit.

He said U.S. employers pay \$50 billion a year in lost time from production, and employee absenteeism has cost business almost as much. Hospital treatment for alcoholics and drug addicts add to that cost.

Hospital treatment traditionally has been more expensive than a rehabilitation center "where patients are not allowed the luxury of lying around in bed all day," he said.

"The cost of this benefit might be an additional expense to the employer for the first year or two," Dr. Pursch said, "but in the long term, it gets to the root of the prob-

lem more efficiently.

"As a doctor, I can assure you the current treatment offered most employees is ineffective. They're being treated for the complications like the bad stomach or the broken arm that results from a drunken brawl. This task force has seen fit to address the problem for what it is," he said.

Physicians are eagerly awaiting the passage of the model legislation, Dr. Pursch said. For the first time, they will be able to treat and rehabilitate patients for their dependencies, instead of the facade of physical damage done to the body as a result of the problem.

The task force recommendation was expected to be approved by the executive committee of the NAIC, but a final regulation will not be voted on until December when the group holds its next meeting in New Orleans.

Insurers settle 2-product suit

Continued from page 3

and Aetna Life & Casualty Co. represented Smith Furniture Co. in the settlement. Both companies had umbrella excess liability policies with U.S. Life Insurance Co., a subsidiary of Crum & Forster.

The Lewis child, who was injured in 1978, was wearing a sailor suit made by Hatboro Industries when he was placed in the Smith Furniture crib for a nap. The 19-month-old child choked on a nylon cord attached to a whistle that de-

corated the sailor suit; the cord caught on one of the crib's posts when he tried to climb out of it.

"The whistle and cord acted as a noose," Mr. Gross said. The child had stopped breathing for about 20 minutes before he was discovered.

The resulting brain damage will mean "the need for complete custodial care by the time he is 15 years old," he said.

The furniture company was named in addition to the clothing manufacturer in the product liability

lawsuit because the baby crib, made in 1972, had certain features determined to be unsafe, he said.

"The sides were too short, making it easy for a child to climb out," Mr. Gross said, "and the brackets that held the drop sides protruded into the crib, making steps for the child to climb on."

The settlement in the Lewis case will guarantee a \$21,000 income with an annual 5% cost-of-living increase for the lifetime of the child. His parents, Helen and Ronald Lewis, will receive \$18,000 annually for the next 20 years.

In addition, the Lewis child will receive \$50,000 in five years, \$75,000 10 years later and \$75,000 every five years after that for a total of eight times. A lump sum of \$650,000 for the family was also part of the settlement.

The plaintiffs' attorney applauded the use of a structured settlement in this product liability lawsuit, noting that a lump sum of cash "may have destroyed the family relationship."

"Structured settlements are a savings for the insurance companies, it's true," Mr. Gross said. "But for the injured person, they represent security."

Room, board not taxable

Continued from page 3

sported the workers to and from land for each work shift.

From 1967-69, Rowan did not include the food and lodging costs in computing a wage base for determining Social Security and unemployment payroll taxes for the offshore workers.

After auditing the company, the Internal Revenue Service slapped Rowan with a \$35,198 bill to cover the benefits that it said were subject to the taxes.

Rowan paid the tab but sued the government for a refund. Rowan

lost battles at the district and appellate court levels, setting the stage for last week's Supreme Court ruling.

The high court said when Congress passed the Social Security Act in 1935, it chose "wages" as the measure on which to base the payroll tax.

"We conclude that (the) Treasury Department regulations ... fail to implement the statutory definition of 'wages' in a consistent or reasonable manner," Justice Lewis Powell said.

Indiana ruling may raise work comp costs

Continued from page 3

mann said. "It's going to affect the future loss experience in this state."

As a result of a 1976 case that led to more liberal interpretation of Kentucky's workers compensation law, rates rose 30% in that state, he said. "Based on that parallel, this can't help but adversely affect rates in Indiana."

Mr. Ackermann actually has filed for a decrease in workers compensation rates for the new fis-

cal year, but additional losses probably will turn that into an increase for the next filing in mid-1982.

Self-insured corporations are also concerned about higher costs, said A. Frank James, executive director of the Indiana Self-Insurers' Assn. "There will be more litigation and more litigation means more cost," he said.

"This can have terrible ramifications," said Mark Gray, chairman of the workers compensation com-

mittee for the Indiana Chamber of Commerce. "There's no question about the problem for employers."

Mr. Gray said employers could wind up paying claims that might not otherwise occur. Workers and their survivors will now be encouraged to file for compensation for heart attacks and nervous breakdowns, alleging they were the direct result of job-related stress even though there is a pre-existing medical condition.

The precedent also could lead to

discrimination in hiring and job retention by employers against workers with heart problems, said Dr. Richard W. Campbell, an Indianapolis physician and cardiologist who voiced his concern in a letter to the Indianapolis Star.

Industrial firms, sensing the new risk, might attempt to dismiss workers with histories of heart problems. Companies will also be reluctant to rehabilitate heart attack victims and may attempt to

keep them from returning to work, he predicted.

"It's a bad precedent," he said. "Heart disease is due to pre-existing conditions and if someone's going to have a heart attack, it could happen on the job, while they're opening up the garage door or just sitting in their living room."

"And if it doesn't happen at work, it will happen the next day or two months later. How do you determine whether it's work-related?"

Are plaintiffs' attorneys profiting unfairly?

Continued from page 1

doggy old case and get a few bucks when it should never have been brought. I think they ought to be limited in some way."

But plaintiff's attorney John Kennelly of Chicago disagrees. "All lawyers should be paid contingent in all cases. The per diem (hourly rate) method of paying attorneys is destroying the adversary system in the United States."

In the last decade, some states have passed laws restricting the size of contingent fees for certain types of cases. (See story on page 26.)

The arguments against contingent fees are legion. Plaintiffs' lawyers have been accused of becoming rich at the client's expense, fostering nuisance suits and driving up the cost of insurance.

Some point out that jurors know that attorneys have to be paid and this might temper the size of award they grant.

Those who favor the fees argue that they are necessary to provide legal representation to those who cannot afford it. Contingent fees also prevent frivolous suits, its proponents contend, because although the potential for reward is great, the attorney runs the risk of ending up with nothing if he loses.

Imbedded in society

"I'm not an opponent of the contingent fee concept," says Raymond W. Stahl, senior vp of the claim department at The Travelers Insurance Cos. "It is deeply imbedded in our society in negligence cases. There are many situations where it is the only way to get legal services."

But there are "disadvantages and abuses," he says. They include unequal bargaining positions between attorney and client when negotiating a fee, nuisance suits and windfall profits for some lawyers.

While contingent fees are not the main cause of increasing insurance rates, there is at least a partial cause-and-effect relationship when larger awards are granted because the attorney receives a larger fee, Mr. Stahl adds.

However, Mr. Kennelly says there are "abuses in all walks of life," and by focusing on the abuses, insurance companies are just trying to blacken plaintiffs' lawyers and hinder legal access by those who can't afford to pay by the hour.

"The problem is the per-diem system that pays lawyers according

to the time they spend on a case," he says. "The per-diem method worships mediocrity, the protraction of litigation and refusal to settle. It rewards those who lose."

William Bailey, senior vp of claims at Commercial Union Insurance Co., calls the contingent fee system "a lopsided as well as one-sided arrangement" that has destroyed the balance in the legal system.

Forced settlements

The result is that defendants, who pay their attorneys by the hour, are forced to settle because the cost of legal fees would far exceed the settlement costs. Because these defendants feel "forced" to settle because they can't afford the legal fee, claims that might otherwise be denied as groundless are being paid out, affecting cost to insurers.

This situation in turn often gives lawyers an incentive to use "shot-gun techniques" to force settlements for undeserving clients.

"It's cheaper to pay ransom," he says. "It's a lousy way to buy your way to freedom."

Higher insurance premiums are the result, Mr. Bailey contends. "When the insurance companies deem it more expedient to make a settlement (in a product liability case) than force the issue of proof, it causes the premium expense to increase for the product manufacturer. It will inflate costs to the insured."

Attorneys and the insurance industry are quick to condemn the excesses of the contingent fee system. But many recognize other factors that contribute to higher jury awards and insurance costs, including the court's attitude toward liability and the inflationary economy.

"It's very hard to say that contingent fees add a great deal to what the insurer pays," says Professor Jeffrey O'Connell of the University of Virginia Law School.

Several years ago, an exhaustive study of the impact of tort law in this country was conducted by the federal Interagency Task Force on Products Liability.

In its discussion of contingent fees, the study indicated that they were excessive in some large cases, but do not significantly affect insurance availability or price.

"The contingent fee may, on occasion, tempt an attorney to bring a frivolous lawsuit," the study says. "To alleviate this problem, it may

Some states put cap on contingent fees

Although contingent fees have long played a major role in the legal profession, some states have put a lid on them.

Several have either promulgated court rules or passed laws restricting contingent fees in some types of cases.

Traditionally, the size of the contingent fee varies according to the type of case and the amount of work by the attorney.

An attorney usually collects 33 1/3% of the award won by the client, but the fee can range from 40% to 50% if there is a trial and an appeal.

At times, if not much work is done, 20% to 25% or even less is charged.

Two states that have placed limits on contingent fees in personal injury cases are New Jersey, where the state Supreme Court established such a rule 10 years ago, and New York.

The New Jersey rule limits the fees in personal injury cases to 50% on the first \$1,000, 40% on the next \$2,000, 33 1/3% on the next \$47,000, 25% on the next \$50,000, 20% on the next \$150,000 and 10% on any amount over \$250,000.

An attorney is required to advise his client that he can pay either a contingent fee or an hourly rate.

When the New Jersey law was adopted, there was a great deal of concern by some members of the bar, said a spokesman for the New Jersey Bar Assn. "Now it's more accepted."

New York attorneys can choose to charge either

33 1/3% of an award, exclusive of disbursements, or use a sliding scale to get 50% on the first \$1,000, 40% on the next \$2,000, 35% on the next \$22,000 and 25% on amounts over \$25,000.

According to Frank R. Rosiny, chairman of the New York State Bar Assn.'s Committee on Professional Ethics, the point of the restriction is to curb excessive fees. The rules are restricted to personal injury cases.

Other states have limited contingent fees in particular areas of the law. Delaware, for example, has limited fees only in medical malpractice cases. A Delaware lawyer can charge up to 35% on the first \$100,000 won by his client, 25% on the next \$100,000 and 10% on the balance.

Most recently, the Florida Patients Compensation Fund, a nonprofit insurance group for doctors and hospitals, proposed a limit of 10% on awards more than \$200,000 in medical malpractice cases.

William Gray III, a Miami attorney and representative of the fund, says such a cap would only apply to large malpractice cases.

Gray said attorneys' fees were driving up consumer medical costs. "We really feel there have to be some changes in them," he said.

The American Bar Assn.'s code of professional ethics does not take a position on contingent fees although it recognizes they are often the only practical means by which some people can get lawyers. They are prohibited in criminal cases and in divorce cases.

be more logical to penalize those specific attorneys by imposing sanctions against them (such as taxing them with defense costs) than it is to abolish the contingent fee system.

"It would appear that contingent fee reform that precludes a windfall flowing to a plaintiff's attorney will do more to ensure that a person injured by a product obtains a 'reasonable' amount of damages than it will ensure the availability of product liability insurance at a 'reasonable' cost."

Dennis Connolly, senior counsel for the American Insurance Assn., says litigation is increasing because changes in legislation and court rules have paved the way for settlements of suits that would have been tossed out of court 10 years ago.

Mr. Connolly says that "technological change" is taking place. Courts are finding liability for injuries caused by products like DES, Agent Orange and asbestos, which were developed and used when scientific understanding and the stan-

dards of law were completely different.

"It's not the juries who are doing it, but how the rules are being interpreted by the courts," he says.

Whether insurance companies will be able to cope with the larger claims and the increasing numbers of defendants is uncertain.

"That's the \$64 million question," Mr. Connolly says. "It depends in large part how courts will treat the issue in the next few years. If there is some sort of retrenchment, companies may be able to meet it. If the tort system is used as a social compensation system, there won't be enough money."

Professor O'Connell agrees that the problem lies within the court system but in a different area. "The evils of the contingent fee system is a symptom of the tort liability system based on fault," he says.

Under a no-fault system, much of the uncertainty and cost on both sides of the suit would be eliminated as would the "very haphazard, chaotic and often unfair manner,"

in which lawyers and claimants are compensated.

The Travelers' Mr. Stahl says inflation is also to blame for soaring judgments. "It's having a major impact on all sizes of claims," he says. "We are seeing it (inflation's effect on the size of awards) show up in claims, which translates into higher premiums."

Eugene I. Pavalon, former head of the Illinois Trial Lawyers Assn., also blames inflation for the increased size of the awards. "As long as inflation continues to rise so will the awards," he says.

However, one study has shown that all jury awards may not be skyrocketing. The Rand Corp.'s Institute for Civil Justice, studying jury awards in Chicago for the last 21 years, has found the median amounts of awards have stayed the same or declined.

"The large awards (the top 10%) tend to raise the mean, but the median has remained remarkably constant or even declines a little when you adjust for inflation," says Charles Nelson, deputy director. ■

insurance services guide

ATWOOD & CO.

Consulting Actuaries
Claim Reviews
Reinsurance and Reserve Analysis
for Captives and Self Insurers
5000 Ambrose Ave.
Los Angeles, CA 90027
(213) 661-9260

For advertising information in the **Insurance Services Guide**

Contact: Barbara Tosheff
740 Rush Street
Chicago, Illinois 60611
Telephone (312) 649-5340

ENGINEERING SERVICE TO BROKERS AND CARRIERS
Loss Control and Underwriting Surveys.

HPR, Non-HPR, and/or Life Safety Inspections.
Protection Engineering including Hydraulic Sprinkler System Design and Analysis.
Building Appraisals.

KEN BUHLER ASSOCIATES, INC.
11 Erita Lane
Smytown, NY 11787
(516) 360-3770

HEALTH BENEFIT COST CONTROL

Comprehensive services in:
• financing and reimbursement systems
• cost-finding
• employee health status assessment
• targeted, cost-effective wellness and promotion programs
Jay Wolfson associates
1700 Hermann Dr. 915
Houston, Texas 77004
713-529-2403

Continued from page 2

Act, a company must first file a damage claim with a federal agency before it can pursue normal legal remedies through the courts. The NRC decision opens the way for legal proceedings.

GPU spokesman Joe Benish said the company will file its suit in U.S. District Court, although the "exact date and location has not been determined."

Specifically, GPU claims that the commission failed to inform it of a similar accident that occurred in

December 1977 at the Davis-Bessie nuclear plant in Toledo, Ohio. Details of that incident could have prevented the accident at Three Mile Island, the company says.

The NRC rejected the claim, saying that under the Atomic Energy Act "licensees and their suppliers and consultants bear the primary responsibility for the proper construction and safe operation of licensed nuclear facilities."

GPU already has received more than two-thirds of the \$300 million in property damage coverage

available to it at the time of the accident from the ANI pool. The utility has an additional \$80 million available to it through mid-1983, Mr. Benish said.

GPU is now spending about \$60 million per year on cleanup activities when \$125 million to \$130 million would be "a more realistic figure" in light of the damage at the reactor, he said.

GPU is spending an average of \$24 million a month to purchase replacement power, a cost that cannot be passed on to consumers. ■

Money fund investors protected

Continued from page 2

statements, transferred the money without authorization in early May to the account of Andre Prestes at Virginia National Bank in Arlington.

At the time of the transfer, Mr. Prestes was a small shareholder in the First Variable fund.

About May 7, according to the First Variable complaint, Mr. Prestes withdrew \$50,000 from his

Virginia National account. The next day Ms. Campos quit her job at First Variable.

Mr. Prestes then transferred "some if not all" of the remaining \$1.5 million to New York branches of the Swiss Bank Corp. and the Union Bank of Switzerland, according to the complaint.

First Variable officials discovered what happened during an audit the beginning of this month.

The fund then asked the court to order Mr. Prestes and Ms. Campos to return the money and to attach their property.

First Variable has also asked U.S. District Courts in Alexandria and New York to freeze any of the funds held by the Swiss banks.

First Variable said Ms. Campos and Mr. Prestes, both of whom are of Brazilian origin, enjoy a "close, personal relationship." ■

Aneco Reinsurance waiting for operating profits to start

By LEN STRAZEWSKI

HAMILTON, Bermuda—A rocket waiting for launch, a horse waiting for a race and Aneco Reinsurance Corp. are all symbols of frustration. The Bermuda-based reinsurer has never quite gotten off the ground or entered the fast-paced race for business now running in reinsurance markets.

Incorporated nearly three years ago, the publicly held reinsurer has shown nothing but operating income losses and painfully slow reinsurance premium volume growth.

Net premiums written from insurance and reinsurance operations grew from the insignificant \$637,538 in 1979 to a comparatively small \$2 million in 1980.

Operating income losses for insurance and reinsurance activities almost doubled, from about \$119,000 in 1979 to \$209,598 in 1980, according to the company's 10-K filing with the U.S. Securities and Exchange Commission.

Insurance agency operations, including Aneco, a Boston surplus lines brokerage, also showed losses last year. Commissions and fees rose from virtually nothing in 1979—just more than \$18,000—to something a bit more than \$203,000 in 1980. But the operating income loss for that division also grew as activity increased, from about \$5,000 in 1979 to \$188,796 in 1980.

Another new subsidiary, The Insurance Profit Center, showed about \$119,000 in operating income losses from start-up expenses. The tandem effort, which allows corporations to front their own workers compensation insurance policies with reinsurance from subsidiary Aneco Mutual Insurance Co. and retain a large portion of investment income, is marketed through another subsidiary, Aneco Marketing Co. Ltd.

Insulated from competitive market competition, the division is expected to break even in 1981, according to Aneco Marketing President John Kessock. Other subsidiaries lack such optimistic expectations.

Even with profit from investment operations, total operating income losses from all divisions hit \$529,507 in 1980, up from more than \$72,000 in 1979. Aneco stock dropped 26 cents per share in 1980, compared to a 4-cent gain in 1979, and traded at an average of

more than \$5.

First-quarter results aren't any better than last year. Recently, the stock has been trading over the counter at about \$4.25, not near the 1980 high.

The array of losses and conflicts with shareholders Federated Reinsurance Corp. appear discouraging, but Robert Mulderig, vp and director, says birth trauma and a conservative underwriting policy are the biggest drains on corporate development.

Mr. Mulderig, 28, is son of President and Chairman Francis Mulderig and is the fourth-largest shareholder with just more than 2% of ownership.

"As everybody knows, this is a tough time for the reinsurance and insurance business," he says. "For a small firm just starting out, this is hardly the right time to aggressively seek market share. It's one thing to do a bit of cash-flow underwriting to hold onto market share during very competitive times. It's quite another just to cut prices frivolously."

Aneco, he says, is trying to avoid wildly competitive ways that drove many insurers and reinsurers out of business the last time the insurance marketplace moved from wide-open to tight-fisted.

"We have been underwriting conservatively and putting things in place. Most of our expenses have been prorated over several years and are still showing up in our operating income losses. But our underwriting has been very successful," Mr. Mulderig says.

Underwriting results for 1980, which show a combined ratio topping 111%, are misleading because policy acquisition expenses included start-up costs for two Aneco subsidiaries, Aneco Insurance Co. of America, which is incorporated in Delaware, and the Aneco Syndicate Ltd. on the New York Insurance Exchange.

Formal 1980 results gauge net premiums written at under \$1.8 million, up from less than \$1.5 million in 1979. With a loss ratio of more than 65% in 1980, Aneco reported an underwriting loss of \$209,598, worse than a \$103,887 loss in 1979 when Aneco Re, without subsidiaries, had a loss ratio of about 70%

and an expense ratio of only about 21%.

"Clearly our expense ratio is much higher than anybody else in the industry. That's all due to start-up costs," Robert Mulderig said. "If we take out those costs, our expense ratio becomes about 31% and we show a combined ratio of only about 96%."

A combined ratio of 100% is considered an underwriting break-even point without profit from investment income.

"We have been moving slowly, but what we are getting is a pretty good book of business as we get the rest of our relationships in place," he said.

"We are building a company and building our reinsurance intermediary relationships so when the market finally turns—as it must someday—we will be ready for it."

Some relationships however, seem to be crumbling. Aneco is involved in a running lawsuit with one of its major investors, Federated Reinsurance Corp.

Federated, which owns about 16% of Aneco stock—more than all officers and directors combined—is seeking to block the sale of about 174,000 shares owned by two former directors to The Aneco Group of America Inc., a wholly-owned subsidiary (BI, May 25).

Aneco directors, according to Mr. Mulderig, also feared an unfriendly takeover by Federated until the Bermuda Monetary Authority imposed a 10% future limit on ownership and said it would not allow Federated to expand its interest in Aneco.

In the throes of takeover fears, Aneco lost two of its founding directors whose stock is being debated in the lawsuit. Andrew J. Barile, president of Aneco Group of America Ltd., the U.S. holding company for Aneco Re, and Edward J. Mallozzi, president of subsidiary Atrein Consulting Ltd., both left Aneco last month to return to reinsurance intermediary Andrew Edwards & Co. Inc.

Mr. Barile was elected chairman of the intermediary, a post he held before the birth of Aneco Re, and Mr. Mallozzi was elected president. Mr. Mallozzi, Aneco's former chief underwriter, will remain with the reinsurer as an underwriting consultant.

The jump, which takes the appearance of an executive bailout, is not quite as dramatic as it seems. Andrew Edwards & Co. Inc. owns more than 49,000 shares of Aneco Re stock. Messrs. Barile, Mallozzi, Robert Mulderig and Francis Mulderig each own about 25% of Andrew Edwards, according to Aneco Re's 10-K SEC filing in 1980.

Kenneth Cook, president of Anexco, the surplus lines subsidiary, and Robert Fiondello, general counsel of Phoenix Mutual Life, another Aneco investor, are slated to replace Messrs. Barile and Mallozzi.

Investor relations have been frustrating, Mr. Mulderig said. Start-up losses, leadership changes and stockholder battles are difficult to explain in any business, but the basic business of reinsurance is particularly complex.

"It's hard to explain the reinsurance business to anybody outside the industry. We know that as a result of contracts we sign now, premium will be growing over the next five years. But it doesn't show up in the results until after it is paid."

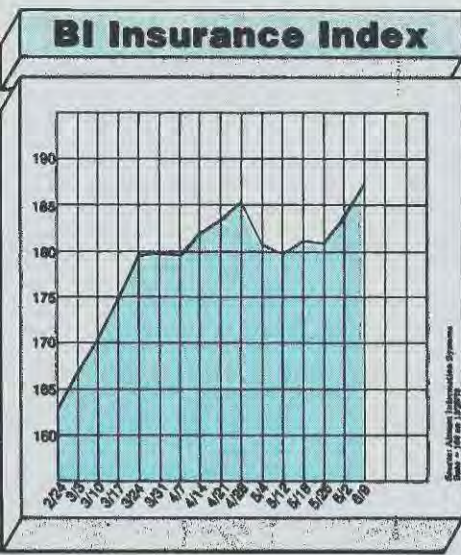
Property/casualty losses

The U.S. property/casualty insurance industry posted a combined loss ratio of 104.9% during the first quarter of 1981, an increase of 4.1% over the first quarter of last year, according to statistics compiled by the A.M. Best Co.

The first-quarter loss for the companies, which represent 88% of the industry, was more than \$1.56 billion, comprised of an underwriting loss of \$1.14 billion and policyholder dividends of \$420 million, according to Best.

Premiums written in the first quarter of this year totaled \$25.1 billion, an increase of only 3.9% over last year, Best reported.

However, investment income more than offset underwriting loss by rising 21% in the first quarter to nearly \$3.1 billion before taxes, according to Best.



Insurance industry stocks rose sharply again last week with the Business Insurance Index rising 3.5 points to a record high of 187.4 from 183.9. Forty-three stocks advanced, only 18 declined and 11 remained unchanged. Leading gains were posted by: Great West Life Assurance Co., 11.6%; Travelers Corp., 10.6%; Integrated Resources Inc., 9.6%; Old Republic International Corp., 8.2%; and Kemper Corp., 8.1%. Largest declining stocks were: Aneco Reinsurance Ltd., 5.9%; Armco Inc., 5.5%; First Colony Life Insurance Co., 4.6%; Foremost Corp. America, 4.3%; and Fred S. James & Co. Inc., 3.4%. The 1.9% index increase outpaced the major stock market indicators.

British Issues

6/9 Companies	Price pence	P/E	Div. pence	Yield %	High-Low pence
Comm Union	171	11.8	15.45	9.0	172-182
Eagle Star	284	9.5	21.43	7.5	284-277
Geni Accident	326	7.9	19.29	5.9	328-302
Gdn Royal Exch	306	7.8	22.14	7.2	306-286
Phoenix	286	8.4	21.29	7.4	286-252
Royal	390	10.8	34.29	8.8	396-378
Sun Alliance	884	8.8	47.14	5.3	880-810

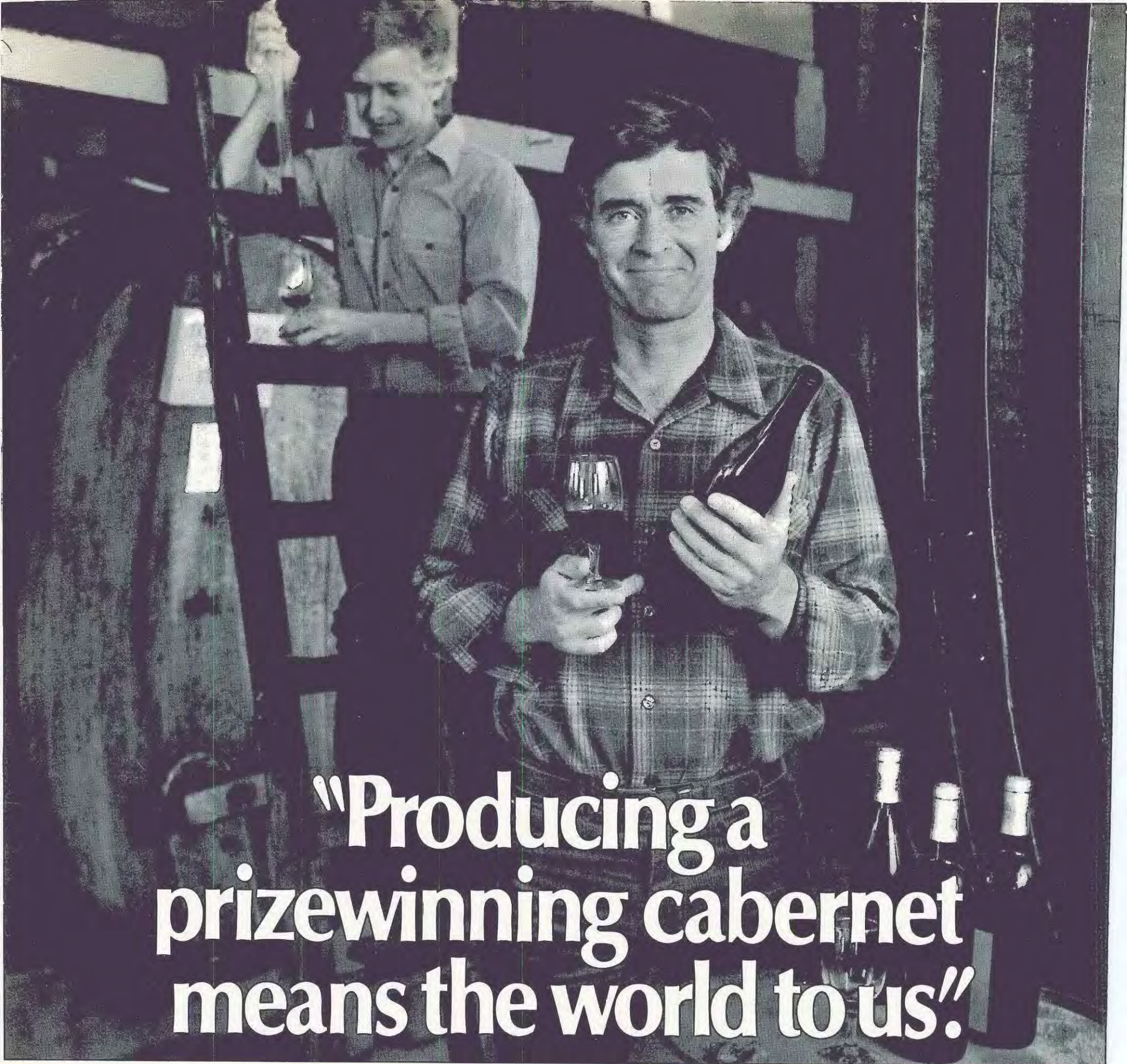
Brokers

6/9 Companies	Price pence	P/E	Div. pence	Yield %	High-Low pence
CE Heath	265	10.4	15.00	5.7	272-252
Hogg Robinson	121	9.2	8.14	6.7	128-117
Alex Howden	122	8.1	10.00	8.2	127-118
JH Minet	133	13.3	6.50	4.9	137-127
Sedg Grp	142	12.3	7.14	5.0	142-131
Stenhouse Hldg	97	8.9	6.64	6.8	101-95
Stew Wrightson	233	12.9	17.14	7.3	241-232
Willis Faber	350	12.3	17.14	4.9	350-330

Source: Philip Olsen/Alan Clifton, Insurance Industry Specialists Kitcat & Aitken Stock-brokers, London

BI Industry Stock Report

Insurance Cos.	JUNE 9, 1981					6/3/81 THRU 6/9/81					Insurers	JUNE 9, 1981					6/3/81 THRU 6/9/81								
	Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol. (000)	Price	% Chg.		P/E	\$ Div.	% Yld.	High	Low	Vol. (000)	Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol. (000)
Aetna Life & Cas Co	40.13	7.4	6.7	2.32	5.8	40.13*	37.75	912.9	Travelers Corp	53.25	10.6	6.2	2.88	5.4	53.25*	48.00	503.7								
American Bankers Ins Group	8.00	6.7	12.7	0.44	5.5	8.00	7.50	186.3	United Fire & Cas Co	38.50	0.0	10.1	1.00	2.6	38.50	38.50	0.1								
American Gen Ins Co	44.25	1.4	6.8	2.00	4.5	44.50	42.75	74.3	NYSE 47.63	6.4	6.3	3.20	6.7	48.75*	44.63	245.3									
American Indty Finl Corp	16.75	6.3	6.4	1.12	6.7	16.75	15.75	32.3	OTC 15.63	-1.6	6.5	1.00	6.4	15.75	15.63	14.1									
American Intl Group Inc	62.00	3.8	11.8	0.40	0.6	62.00*	59.50	258.7	OTC 27.50	1.4	6.7	0.76	2.8	27.50	27.25	198.4									
American Natl Ins Co	13.63	0.9	6.1	0.68	5.0	13.63	13.63	54.5	NYSE 32.38	2.4	9.6	1.08	3.3	33.00	31.75	128.4									
American Sta Life Ins Co	17.50	0.0	5.8	0.72	4.1	17.50	17.50	0.3	OTC 16.75	-2.9	9.9	0.60	3.6	17.00	16.75	14.4									
Aneco Reins Ltd	4.00	-5.9	0.0	0.00	0.0	4.38	4.00	95.1	AVERAGE																
Appalachian Natl Corp	2.50	0.0	7.1	0.00	0.0	2.50	2.38	3.8																	
Aveco Corp	10.38	-2.4	8.8	0.50	4.8	10.43	10.38	16.8																	
Banks Iowa Inc	35.50	6.0	5.8	1.44	4.1	39.25*	35.50	29.9																	
Bitco Corp	40.00	0.0	5.7	2.16	5.4	40.00	39.50	3.0																	
Carolina Cas Ins Co	7.50	0.0	5.4	0.32	4.3	7.50	7.50	3.9																	
Central Natl Finl Corp	10.00	-1.2	3.7	0.65	6.5	10.13	10.00*	2.1																	
Chubb Corp	49.75	1.0	6.0	2.68	5.4	49.88	49.25	148.4																	
Combined Intl Corp	21.50	4.2	6.1	1.60	7.4	21.88	20.25	281.8																	
Connecticut Gen Ins Corp	54.25	0.7	35.2	1.76	3.2	55.00*	53.75	146.5																	
Continental Corp	28.00	3.7	7.5	2.40	8.6	28.00	27.13	254.3																	
Crawford & Co	17.75	0.0	13.9	0.52	2.9	17.75	17.75	4.9																	
Crown Life Ins Co	113.00	2.7	9.5	2.80	2.5	113.00	110.00	1.7																	
Crum & Forster	36.75	6.9	6.3	1.44	3.9	36.88*	33.50	240.0																	
Employers Cas Co	39.00	3.3	5.9	1.20	3.1	39.00*	38.00	5.2																	
Equifax Inc	25.38	4.6	7.8	2.40	9.5	25.38*	24.50	9.5																	
Excelsior Ins Co	15.25	-1.6	31.1	0.70	4.6	15.50	15.25*	1.5																	
Farmers Group Inc	33.00	1.5	10.4	1.12	3.4	33.00	32.50	149.7																	
First Colony Life Ins Co	41.50	-4.6	13.6	0.80	1.9	43.50	41.50	2.1																	
Foremost Corp Amer	28.00	-4.3	8.7	0.80	2.9	29.00	28.00	4.7																	
Great West Life Assurn Co	250.00	11.6	10.3	10.00	4.0	250.00	224.00	0.0																	
Hanover Ins Co	32.25	5.7	4.3	0.72	2.2	32.25*	30.25	33.2																	
Hartford Steam Boiler Insprtn	52.00	6.1	10.5	2.60	5.0	52.00*	49.50	13.5																	
Jefferson Natl Life Ins Co	38.63	1.6	34.8	0.64	1.7	38.63	38.00	10.2																	
Kemper Corp	36.50	8.1	5.7	1.60	4.4	36.50*	33.88	57.7																	
Lincoln Natl Corp Ind	44.13	-0.8	6.2	3.00	6.8	44.50	43.50	186.5																	
Mpic Invt Corp	40.25	5.2	10.8	1.28	3.2	40.25*	37.00	338.2																	
Mission Ins Group Inc	47.13	0.3	8.9	1.00	2.1	47.13	45.50	33.3																	
Nationwide Corp Ohio	24.63	2.1	7.0	0.70	2.8	24.63*	24.13	3.5																	
Northwestern Natl Life Ins	27.50	-0.5	6.8	1.25	4.5	27.63	27.50	14.1																	



**"Producing a
prizewinning cabernet
means the world to us!"**

Photographed at Concannon Winery, Livermore Valley, California.

That's why they protect their winery with business insurance from The Hartford.

If you own or operate a business, you know how important it is to your world. You probably also understand the importance of protecting it.

That's why The Hartford offers a broad range of flexible insurance plans that can be custom-tailored to fit the needs of almost any business.

For example, The Hartford's Comprehensive Business Policy can provide all the coverages most businesses need, even one as unique as a



winery. And it's all in one convenient package that can grow as your business does.

If your business means the world to you, contact an independent agent who represents The Hartford and ask for a quote. You'll find out the best way to protect your world.

**BUSINESS
HOME
AUTO
LIFE**



Let us protect your world. THE HARTFORD