

business insurance

update:

California moves on bill for regulation of METs

SACRAMENTO, Calif.—The state Assembly has unanimously approved legislation, A.B. 2670, that would make it clear that self-funded multiple employer trusts would automatically be subject to California insurance laws unless they received a certificate to operate from another government agency, like the U.S. Department of Labor.

Continued on next page

Reporting weekly for corporate risk, employee benefit and financial executives/\$1 a copy; \$40 a year

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Most employers don't plan to offer drug plans

By LORRIE GAWLA

Companies are helping their employees pay the cost of prescription drugs through major medical insurance benefits, but few see a need to pick up more of the tab through separate drug plans.

Seventy-two percent of the employee benefit managers responding to the latest *Business Insurance* Employee Benefit Board survey said prescription drugs are covered under provisions of their major medical plans, which almost always tap the employee for a deductible and 20/80 coinsurance. And that's as far as the most of the employers plan to go.

Only four of the 73 survey respondents—5%—actually have a drug prescription plan that picks up more of the first-dollar costs of medication, and only five others are considering instituting such a plan anytime within the next five years.

Another 14% have no prescription drug plan and did not indicate any major medical coverage for drugs, either.

The Employee Benefit Board is composed of benefit managers from companies of all sizes in a wide range of industries who volunteer to participate in periodic surveys. The response rate for this latest survey was 73%.

Many of the employers that do not offer a separate drug benefit cited the high administrative costs of such plans and/or a company philosophy that stresses employee cost sharing for medical benefits.

Those that objected to the cost of prescription plans often pointed out that it was not in proportion to the benefit received.

"Prescription drug plans are an idea whose time never should have come," says the employee benefits director of a foods company with 25,000 employees. "Too much is spent on administration vs. cost of drugs. (Drug plans) will effectively be replaced by flexible reimbursement accounts."

"We believe that such plans involve little more than 'trading nickels,'" said an employee benefits manager for a conglomerate with 19,000 employees. "Cost of administration is disproportionately high relative to cost of benefits. This type of first-dollar coverage is a waste of scarce benefit dollars and high-cost items are covered under major medical anyway."

"We do not believe the cost and administration is offset by the importance of the value of the plan to the employees—too many small dollars," adds the employee benefits manager for a manufacturing firm with 3,600 employees.

Several pointed out that since drugs are usually covered under major medical plans, separate drug plans waste precious benefit dollars that could better be used somewhere else.

"It's not a benefit that has a great deal of appeal to employees, particularly since drugs are covered under the major medical program," said the director of benefit plans for a multiproduct manufacturing company with 24,000 U.S. employees. "We feel benefit dollars are better spent on more visible benefits, i.e., our savings plan."

Others said it just wasn't the company's philosophy to pay all first-dollar medical costs, with some pointing out that utilization is better controlled under the major medical plans that ask employees to share the costs through deductibles and coinsurance.

"We do not (offer a drug plan) because we don't feel first-dollar benefits are in keeping with the company's philosophy of employee

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Illustration: Jim Bakasetas

States admit regulation of insurers is weak: Study

PHILADELPHIA—Often citing budget restraints, more than half of the state insurance departments admit they are not internally measuring the financial health of insurers.

Twenty-five do not have any uniform standards to determine if the continued operation of an insurer could be "hazardous" to policyholders, according to a survey of state insurance departments by a task force of the National Assn. of Insurance Commissioners.

Another 27 said they do not verify the accuracy of premium and loss data submitted by insurers.

But the comments state regulators added to the questionnaire repeatedly pointed out a lack of adequate funding to run their departments the way they want.

"That report implies that we should be doing more than relying on the integrity of insurance companies," Montana Insurance Commissioner Elmer V. "Sonny" Omholt, a member of the task force, told *Business Insurance*.

"It detects our weaknesses rather than our strengths as regulators, but I would say the majority of our prob-

lems are caused by a lack of adequate funding," he added.

He proposed the formation of a regulatory strike force so that a wide group of technicians from many states could move into action quickly to head off attempted insurance fraud.

Vermont Insurance Commissioner George A. Chaffee said the survey confirmed what everyone knew, but he said the information was notable because it "points to what we could do with proper funding. It's been a long-standing issue."

Only 11 of the 36 survey respondents said they had any uniform standards, by rule or regulation, to determine whether the "continued operation of an insurer might be hazardous to its policyholders and the general public." Twenty-five states, 69% of the survey respondents, have no uniform rules and regulations.

State regulators can use the NAIC's early warning system that points out insurers possibly headed for financial trouble, but the NAIC itself cautions states

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Keene, insurers still fighting over how claims will be paid

By STEPHEN TARNOFF

WASHINGTON—Eight months after Keene Corp. won the broadest insurance coverage for asbestos claims, no one still knows exactly how they will be paid.

Not only are Keene and its insurers back in court fighting over how to implement the landmark decision that said all insurers on the Keene risk are liable for damages from asbestos-related diseases, but one insurer also is arguing that Keene owes it \$14 million.

Judge June L. Green scheduled a hearing June 18 in U.S. District Court in Washington, D.C., after asking Keene and its four primary insurers to each file a memorandum with the court to pinpoint key issues still unresolved.

The Keene decision was handed down by the District of Columbia Circuit Court of Appeals Oct. 1 and let stand by the U.S. Supreme Court March 8.

The four insurers involved are Liberty Mutual Insurance Co., Insurance Co. of North America, Hartford Accident & Indemnity Co. and Aetna Casualty & Surety Co.

Liberty Mutual, in a post-trial memorandum, says Keene is "manipulating" the court decision to its benefit and has failed to pay \$14 million in deductibles and retrospective premium adjustments owed to Liberty Mutual for primary layer insurance policies in force between 1976 and 1980.

According to the memo, Liberty has settled about 2,538 of the 12,570 Keene claims filed under the 1976-1980 policies.

These policies had per-occurrence limits of \$1 million and aggregate limits of \$2 million. They also had deductibles of \$25,000 to \$50,000 per asbestos case and retrospective premium adjustment provisions to charge

J-M said to be considering purchase of retroactive cover

DENVER—Johns-Manville Corp. is seeking to purchase retroactive umbrella liability insurance for risks other than product liability, *Business Insurance* has learned.

The Denver-based asbestos mining and manufacturing company, which is currently facing thousands of suits from victims of asbestos-related diseases, has employed Frank B. Hall & Co. Inc. to act as its broker in the search, sources in the industry say.

Under one proposal, according to one source in the reinsurance business, J-M's current umbrella insurers would pay the limits of their policies, freeing them from further obligations to the company. J-M would then seek umbrella coverage to apply to other non-products liability risks for those years.

"Johns-Manville is a writable account, exclusive of products," the source said.

The approach is one of several alternatives that Johns-Manville has considered in light of its asbestos

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Keene additional premiums for losses exceeding the expected losses.

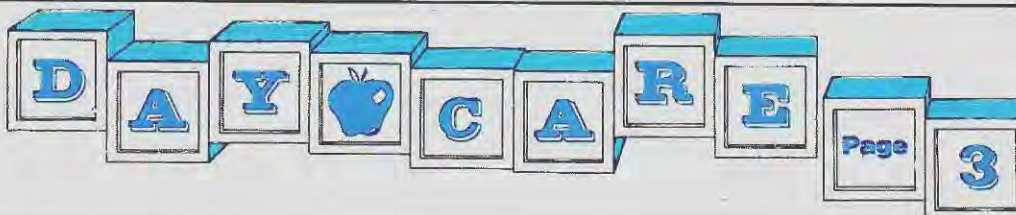
"Beginning last year, Keene has refused to pay these sums, although it also has insisted that Liberty continue to handle the asbestos cases that pour in under these policies," the memo says.

"Apparently, Keene harbors the belief that it is enti-

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employee benefit board

INSIDE:



update:

Assembly passes MET bill

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Few self-funded METs, which are now largely unregulated, can meet California insurance code requirements and, under the bill, those failing to gain federal regulatory status would be forced to close.

California Insurance Department officials have been fighting for years to shut down mismanaged METs, which are supposed to bring the advantages of lower group health insurance rates to small employers, but can leave behind millions of dollars in unpaid medical bills when they fail.

Exclusive remedy rule stands

SACRAMENTO, Calif.—The California Supreme Court has refused to hear a Court of Appeals decision that rescinded an \$825,000 award to an injured worker who was allowed to sue his employer.

The appellate court said that Winston S. Williams is not allowed to sue International Paper Co. for job-related injuries in its "dual-capacity" as employer and self-insurer of IPC's workers compensation risks (BI, March 29). It said the sole remedy open to Mr. Williams is through the workers compensation system.

The trial jury allowed a negligence award against IPC, accepting the worker's contention that the self-insured employer had a dual capacity and was liable for its own negligence.

Groups blast pension proposal

NEW YORK—In a highly unusual move, business and benefit groups last week took out a full-page ad in The New York Times to denounce legislation that would slash maximum benefits that pension plans could pay and radically overhaul Social Security integration formulas (BI, June 14).

The ad charges that the Pension Equity Tax Act of 1982, H.R. 6410, is the "antithesis" of the administration's plan to expand the private sector. It says that proponents of the legislation, who contend it would raise revenues, ignore "the violence it would do to the private retirement system of the country."

Groups signing the ad include the ERISA Industry Committee, a lobbying association that represents about 100 of the country's biggest companies, the National Assn. of Manufacturers, the U.S. Chamber of Commerce, the Assn. of Private Pension & Welfare Plans and the National Small Business Assn.

A full-page ad in The New York Times costs about \$21,500.

Tax-deduction proposal altered

WASHINGTON—Legislation that would allow employers to receive tax deductions for self-insured loss reserves and premiums paid to captive insurers is getting an overhaul (BI, April 26).

An aide to Rep. Bill Frenzel, R-Minn., the sponsor of H.R. 6114, said a new version of the bill is expected after August. The technical changes now being made include a more precise definition of an actuarial projected loss.

No hearings on the bill have been scheduled. However, if it's not passed this year, the legislation will be reintroduced during the next session of Congress, Mr. Frenzel's aide said.

Iran claim recovery hits snag

WASHINGTON—An international tribunal set up to hear claims of companies that lost billions of dollars during the 1979 Iranian revolution will hear arguments over a major jurisdictional issue June 21.

Nine of the companies will argue against application of an ambiguous section in the January 1981 accord that freed the U.S. hostages and provided for the tribunal's establishment. The section could require the companies to seek compensation in Iran and excludes from consideration claims by companies who contractually agreed to resolve disputes in Iranian courts.

A brief filed by the State Department opposes such an interpretation and argues that U.S. companies cannot get a fair hearing in Iran.

About 5,600 claims are before the tribunal, including 2,800 U.S. claims for less than \$250,000 and 650 for more than that. More than 2,000 claims have been filed by Iran, sources say.

Flood losses total \$107 million

HARTFORD, Conn.—Flooding that covered portions of Connecticut caused \$107 million in damages to businesses and factories, the state Department of Economic Development says (BI, June 14).

The Insurance Assn. of Connecticut estimates that the flood caused \$300 million in damages to government, commercial and residential property. Of that amount, \$12 million was insured through the National Flood Insurance Program.

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Courts differ on benefits for pregnant spouses

By JERRY GEISEL

ST. LOUIS—Employers' obligation to provide equitable pregnancy benefits to male employees' wives is still being tossed around in the courts.

An appellate court is reconsidering its earlier ruling that equitable benefits must be provided while a U.S. District Court recently said equitable benefits are not a must. Now that ruling is being appealed, too.

In a ruling this spring, U.S. District Court Judge Edward Filippine said Emerson Electric Co. did not violate a 1978 federal law by refusing to provide equal pregnancy benefits to spouses of male employees.

Congress enacted the 1978 Pregnancy Discrimination Act "to ensure that employers do not discriminate against employees on the basis of pregnancy disabilities," Judge Filippine said. Therefore, the "PDA only applies to employees."

The decision, which dismissed a suit against Emerson by the Equal Employment Opportunity Commission

and the International Union of Electrical, Radio & Machine Workers (BI, Sept. 7, 1981), comes on the heels of a conflicting appellate court decision.

Last January, the 4th U.S. Circuit Court of Appeals in Richmond, Va., upheld a 1979 EEOC interpretation of the Pregnancy Discrimination Act that said if an employer's health insurance plan covers the medical expenses of female employees' spouses, it must equally cover maternity expenses of male employees' wives (BI, Feb. 1).

The appellate court, however, has agreed to reconsider its decision in the case involving Newport News Shipbuilding & Dry Dock Co.

And now the EEOC and the electrical workers' union are appealing Judge Filippine's decision in the Emerson case to the 8th U.S. Circuit Court of Appeals.

The inability of courts to reach a uniform decision increases the chances that the Supreme Court may eventually have to resolve the issue of pregnancy bene-

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Photo: Herb Welch/Biloxi Sun-Herald

Workers remove barrels of chemicals from the burned-out Plastifax site the day after the explosion.

Companies sue to determine who is liable for explosion

By JAMES C. LAWSON

GULFPORT, Miss.—The aftershock of a chemical explosion that left three people dead and more than 60 others injured is fostering a shower of lawsuits to determine liability and damages.

While federal and state officials were investigating the blast, which destroyed Plastifax Corp.'s facility and severely damaged the neighboring Chemfax Co. plant, attorneys for companies involved in the explosion were busy preparing suits.

Although state investigators have tentatively estimated damages from the June 2 blast at the Plastifax plant at more than \$1 million, the total will probably

rise as Chemfax officials finalize their loss estimates.

Officials at Plastifax, which employed about 14 people, have declined to comment on their property or liability insurance coverages, although the Mississippi Commission on Insurance verified that Liberty Mutual Insurance Co. provides its workers compensation coverage.

However, Plastifax has filed a suit in the 1st District Chancery Court of Harrison County, Miss., seeking \$25 million in damages from NL Industries, a New York-based chemical company that hired Plastifax to develop a diesel fuel additive.

Plastifax's complaint alleges that NL Industries is li-

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War's over, but shippers press claims

By STACY SHAPIRO

LONDON—The war in the Falklands may be won, but the battle over who will pay for losses incurred by British companies in the fighting is still being waged.

Negotiations between shipowners and the government are continuing over how much the owners should receive in compensation for lost revenues for the 46 commercial ships that were requisitioned to sail to the Falklands as part of the British naval task force.

The problem is not an easy one to solve. "How do you assess loss of business?" asked a Department of Trade spokesman.

The lost revenues do not just include the money the shipowners lost by canceling scheduled cruises while their ships were in the South Atlantic. For example, Eastern European companies have assumed much of the business that British shipowners lost, and the British companies say they must spend additional funds to advertise to win that business back once their ships return to England.

Although it's not known how much the government will pay the shipowners, both sides agree on some points.

"There is no question at all that the government will pay for reconversion and damage to the vessels," a Department of Trade official said. So far, the government has paid shipowners more than 20 million pounds (ap-

proximately \$35.2 million) of the nearly 14 billion pounds (\$24.6 billion) it has spent on the war.

The British government has a specific account to pay for damages to requisitioned ships, but it is underfunded. The Marine and Aviation Insurance (War Risk) Act of 1952 established a fund to pay for commercial vessels damaged or lost in a war. Until this year, only a single claim from a ship that ran into a World War II mine has been made, and the fund only contains about 5 million pounds (\$8.8 million).

And owners of requisitioned vessels aren't the only people filing claims with the government. An array of individuals and small businesses are also claiming that the war damaged their income.

For example, the owners of a parking lot in Southampton, a principal British port, have filed a claim with the Ministry of Defense since few cars park in the lot while cruise ships are in the South Atlantic. Also, a band that plays on one of the requisitioned liners is also filing a claim for lost income.

Discussions are also taking place between Cunard Lines Ltd. and the government over compensation for Cunard's Atlantic Conveyor, which was sunk by the Argentines last month, killing six Cunard employees.

"The government has stated that they will pay the insured value of the Atlantic Conveyor as of April 1," said a Cunard spokesman. "That is certainly less than

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Employers finding out helping workers care for children pays off

By MARGARET LeROUX

More employers are getting into the child-care business, and they're finding out that it pays.

The pressure to offer child-care assistance is growing as more women enter the job market and as recent tax legislation makes it a more attractive employee benefit. Companies are finding child-care benefit programs that fit their budgets, and are dealing effectively with the question of equity of benefits for childless workers (see story, page 10). And it's all helping the companies involved.

For the more than 450 companies nationwide that help pay for caring for the kids while mom or dad works, employee turnover and lost time on the job are decreasing and productivity is increasing, statistics show.

A striking example is Intermedics Corp., a Freeport, Texas, manufacturer of pacemakers and other medical devices. Within two years after opening a day-care center for employees' children, Intermedics saved 15,000 man-hours formerly lost to absenteeism and reduced employee turnover by 60%.

Those two factors alone contributed enough to profits "to more than pay for the cost of operating the center," said its director, Alice Duncan.

Intermedics' experience is not an isolated one.

A 1978 survey by the University of Wis-

consin of 58 companies that offer day-care benefits showed 72% of the companies experienced lower absenteeism, 57% had lower employee turnover, 65% saw improved employee attitudes toward their employer and 55% noticed an improved attitude by employees toward their work.

For 88% of the companies, day-care assistance helped them recruit new employees.

Further proof of bottom-line savings related to child-care benefits is expected later this year. The National Employer Supported Child Care Project will release the results of a survey of "virtually every employer in the United States who's offering any form of child-care assistance," said Sandra Burrud, director of the project located in Pasadena, Calif.

"We're seeing a dramatic drop in turnover among employers that offer day-care assistance," Ms. Burrud said. "Every respondent so far has noted that child-care assistance has had a positive effect on absenteeism and recruiting."

And these companies are tailoring their child-care benefits to fit their budgets.

"Child-care assistance no longer means a company has to spend thousands of dollars and open its own center," said Farley Bernholz, a child-care consultant in Chapel Hill, N.C. "There are a lot of equally good, less-expensive alternatives."

Some companies do opt for the "cadillac" of day-care benefits: the employer-owned center. Rex Hospital in Raleigh, N.C., opened such a center in 1969 to recruit and retain its nursing staff (see story, this page).



Photo: Amy Palmer

Day-care centers can teach young children skills, like reading, while parents are at work.

Others not ready to go quite that far are providing information and referral services to help employees find competent day-care facilities.

In Hartford, Conn., four companies have formed a consortium to share the cost of providing their employees with monthly information and referrals to day-care providers in the community, while others hire day-care consultants to point their employees in the right direction (see story, this page).

And others, like Polaroid Corp. in Cambridge, Mass., subsidize the cost of child care through direct reimbursements to employees, who place their children in centers of their choice.

For 11 years, Polaroid has been providing subsidies to workers who earn less than \$25,000.

"You'd better believe it's a cost-effective benefit," said Verna Brookins, manager of community relations at Polaroid. "Do you think the company would have continued offering for 11 years if it weren't?"

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Connecticut companies unite to cull information for parents

Four Hartford, Conn., employers are taking their first steps in offering child-care benefits together.

To get going, they have formed a consortium to fund a day-care information and referral service.

"Instead of going ahead and trying to set up our own day-care center, the service is giving us a chance to identify the day-care needs of our employees and figure out the best way to meet them," said Catherine C. Reynolds, director of community relations at The Hartford Steam Boiler Inspection & Insurance Co.

The other companies involved are The Travelers Insurance Cos., Hartford National Bank and Connecticut Bank & Trust Co.

The need for day-care resources presented itself very clearly to Mrs. Reynolds a few months ago. Three women in her department, all mothers of small children or expectant mothers, were struggling to find suitable day care for their offspring.

Mrs. Reynolds approached community relations people at the other three companies and they decided to survey employees to learn about their day-care needs.

The Junior League of Hartford conducted the survey as a service project. It was distributed through interoffice mail at the four companies and the results were tallied on computers supplied by The Travelers.

Using an outside group to conduct the survey is a good idea, Mrs. Reynolds said. "If the company isn't connected with the survey, it doesn't raise employees' expectations."

Overall, the rate of return was 6.6% of 16,350 surveys distributed. However, there was a 20% response rate from the target group, 1,087 women between the ages of 20 and 45, said Mrs. Reynolds.

The survey covered where employees lived, children's ages and current day-care arrangements. By a ratio of 10-to-1, most employees said their children were in day-care facilities near their homes rather than work, but many did not prefer that arrangement.

Fifty-seven percent of the employees said they were satisfied with their present day-care arrangements.

Of the 43% who were dissatisfied, 22% cited inconvenience because of location or hours of operation, 14% expense and 12.8% distance away from their children during working hours.

Because price and convenience were major concerns of employees, the four Hartford companies contracted with a community information service, INFOLine, to research day care in Hartford and neighboring communities where many Hartford employees live.

INFOLine checks on openings in existing day-care centers and notes price, changes in hours and day-care providers that have entered or left the market. The employees receive a brochure that is updated monthly by INFOLine.

The Hartford consortium also hired a day-care consultant to conduct employee seminars on selecting a day-care facility and the stresses of working parents.

The information service and consultant cost \$35,000, which was prorated among the consortium members according to number of employees.

Response to the service, which has been in operation since April 1, has been good, Mrs. Reynolds said.

At The Travelers, nine or 10 employees have requested day-care information every week since the service began, according to Mary Ellen Rogers, employee counselor.

"Many times, people need more than just names of day-care providers," Mrs. Rogers said. "We work with them to find the appropriate solutions to their problems."

The consortium will assess its experience in September, Mrs. Reynolds said. "And then we'll decide what the next step will be."

Others also have found that offering an information and referral service is a good way for an employer to ease into a child-care benefit and to assess employees' child-care needs.

In Burlingame, Calif., Peninsula Hospital has helped 150 employees find child care since December 1981 through a contract with the Child Care Coordinating Council of San Mateo County.

The Four Cs provides the hospital with a counselor who is available to employees for two four-hour periods a week at a cost to the hospital of \$1,000 a month.

"We have information about all the licensed day-care providers in the area. When we meet with the hospital employees, we work with them to match their day-care needs with the services available," said Paul Proett, a Four Cs counselor.

The hospital also is using the referral service to research other possibilities of child-care assistance, according to hospital planner Wanda

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Photo: Margaret LeRoux

Two children at the Rex Hospital center help each other 'feed' a doll.

On-site centers costly, successful

While undeniably the most expensive option for child-care assistance, employer-owned day-care centers also are often the most successful in achieving the companies' goals.

For Rex Hospital in Raleigh, N.C., the goal for the day-care center it opened in 1969 was to recruit and train the nursing staff. It's accomplished that.

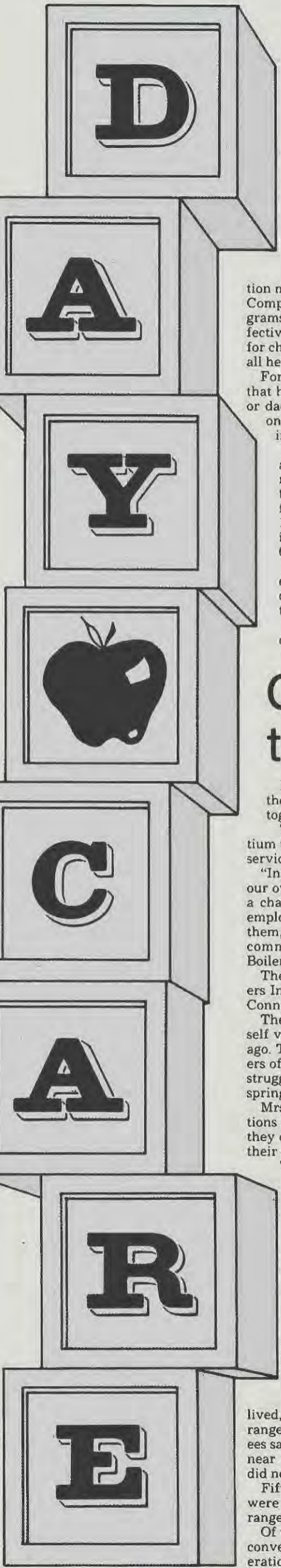
Thirteen years later, the center has doubled in size, supplemented its enrollment with the children of other hospital employees and is considered "an extremely important employee benefit," says Kenneth Wiblitzhouser, the hospital's director of human resources.

"We don't have statistics on absenteeism or employee turnover as they relate to the center," he said. "But feedback we get from employees whose children are here and from supervisors of employees with children here indicates the employees are staying with the hospital because of the center."

"We're meeting the goals we set for the center," he continued, noting that the hospital's board of directors is continuing to subsidize the center to allow it to break even on expenses.

"The parents feel very positive about

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Graphic: Amy Palmer

Plan termination irks Harper & Row workers

NEW YORK—Some employees at Harper & Row Publishers Inc., upset that their employer has dropped its defined benefit pension plan for an employee stock plan, are asking a federal court to restore the old plan.

The employees, members of District 65 of the United Auto Workers, also are asking the court to restore the company's profit-sharing plan to its original form. That plan was also amended last December as part of Harper & Row's reorganization of its retirement programs, which the company says was done to provide more lucrative pension benefits.

In their suit filed in U.S. District Court in New York, the employees allege that Harper & Row improperly terminated the defined benefit plan and failed to accurately

benefit beat

compute the accrued value of pension benefits due employees when it established the employee stock plan.

The suit also names Prudential Insurance Co. of America, the administrator of the defined benefit plan; Minneapolis Star & Tribune Co., which sold Harper & Row the shares used to set up the stock plan; and the Pension Benefit Guarantee Corp., the federal agency that guarantees workers' pension benefits. In addition, it names officials of the entities.

The UAW suit, filed on behalf of 300 of the publisher's 1,400 workers, seeks the immediate appointment of a temporary receiver to

take possession of the assets in the pension fund, estimated to be about \$15.2 million.

It also asks that Harper & Row be held accountable for assets that may have been diverted from the fund.

While the UAW members say they want the pension plan reinstated, they have indicated they would be willing to negotiate the terms of the stock plan with Harper & Row.

But Chester Logar, Harper & Row's vp of personnel, says, "We're not going to negotiate the terms of the stock plan. We think the union is incorrect in both their contentions and their accounting. We

don't think their suit has any merit."

The termination of the defined benefit plan shocked many of the employees, the UAW says.

"The company was putting out various pieces of information that were very confusing," says Regina Little, a union spokesman. "It didn't seem that there was a need to do that (terminate the pension plan) at the time.

"Pensions ought to be handled like people's paychecks. If you're promised a pension, you ought to be able to get it."

Ms. Little says Harper & Row terminated the pension plan and altered the profit-sharing plan to gain funds to purchase 30% of the company's stock that was owned by Minneapolis Star & Tribune Co. The publisher, she says, wanted to

buy the shares to prevent another investor or company from purchasing the block.

Harper & Row contends it purchased the stock to set up the stock plan for the employees and amended the profit-sharing plan to allow plan managers to invest in company stock in addition to short term securities. That plan currently holds 150,000 shares.

Harper & Row stock was selling over the counter for about \$8 per share last week.

Company officials say its retirement programs were altered after more than eight months of study. "We felt we could offer most of our employees a better deal," Mr. Logan explains. "No one is worse off than they would have been under the old plans. And the average employee will be approximately 37% better off."

The changes, Mr. Logan says, were "well-received by the majority of the employees." He says the changes conformed with ERISA regulations and were approved by the Internal Revenue Service.

Harper & Row used a surplus of about \$9 million in the pension fund to purchase the stock, valued at \$20 million, he says. Harper & Row learned that the stock would become available early last year, several months before it made the decision to terminate the pension plan, he explains, adding that the publisher will sell some real estate holdings and renegotiate revolving loan arrangements to cover the remainder of the purchase.

All company employees were immediately vested in the pension plan when it was terminated in December, Mr. Logan says. Employees will receive their accrued benefits from the plan through annuities set up by Prudential, the plan administrator, or lump-sum payouts.

In addition, employees will receive company stock through the new stock plan for the next five years to replace the company's contributions to the terminated pension plan.

Most employees will receive stock equaling about 25% of the employee's annual salary up to an annual maximum of \$5,000, he says. Employees whose pension accumulations would have been higher than that payout will be given additional stock to make up for the loss.

The UAW members contend in their suit that this formula shortchanges a number of long-term employees, despite the company's guarantee that benefits would remain the same or increase under the stock plan.

Harper & Row officials say they will reconsider their retirement program after five years and could set up a new pension plan at that time.

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Veterans' benefits

Pension benefits for 600,000 disabled veterans and their survivors will jump 7.4% on July 1, the Veterans Administration says.

The increase, which is based on the rise in the Consumer Price Index, will raise the annual pension for a disabled a veteran with one dependent and no other income to \$6,980.

With the increase, benefits will climb \$903 for each additional dependent claimed.

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

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editorial opinions

You could benefit, too

YOU CAN'T ARGUE with success, which is what employers say they have when they offer day care as an employee benefit.

Money saved through reduced absenteeism and less employee turnover is linked directly to the availability of day care. We are as skeptical as the next person when someone says the benefit will pay for itself, but that's what many of the employers offering day-care benefits told our correspondent Margaret LeRoux, who probed the issue.

This special report on day care as a benefit, which begins on page 3, was prompted by numerous requests to *Business Insurance* for information on day care and the growing popularity of the benefit. The stories explore the gamut of issues surrounding day-care benefits and answer the most-often raised questions about providing employees with day-care benefits.

The most common argument against offering a day-care benefit—that it isn't equitable because not everyone needs it—is soundly rejected by employers' experience. Numerous companies say they have not received complaints from childless workers that it is unfair for the company to subsidize a parent's day-care costs or set up a corporate-sponsored day-care center.

Their analysis of the issue, which we are inclined to endorse, is that the equity-of-benefits issue is an easy cop-out for not offering the benefit.

Another common reason for not offering a day-care benefit is that not enough employees need it. But how did the employer arrive at this conclusion? Was a questionnaire circulated that asked the loaded question: "Are you satisfied with your day-care arrangements?" As one day-care expert pointed out to us, no one is going to admit that he or she is unhappy with the arrangements made for the care of his or her children.

Instead, the questionnaire has to be neutral and designed to elicit the employees' true feelings and needs. We like the suggestion that one of the questions instead be: "Is there an improvement in your present day-care arrangements you'd like to see?"

It is particularly important now for employers to probe their employees' day-care needs. Not only is the number of working women increasing, but also the number of working women who are deciding to have children now after establishing their careers.

In addition, federal money for day-care centers is

drying up. This is another opportunity for business to step in and provide the kinds of services it has argued have been wrongly provided by the federal government.

And, the benefit is no longer taxable to the employee.

You don't have to get into the day-care business to offer a day-care benefit. Survey your employees' needs, look at your own budget and then decide how far to go with a day-care benefit—keeping in mind the potential savings in reduced absenteeism and employee turnover.

Based on the needs and your resources, you can start as slim as offering a referral service. Or you may find you should subsidize your employees' cost of day-care for their children. Or you may want to go so far as to open a day-care center near your office or plant if your workers can't find centers near their jobs.

In tough economic times it may appear at first that you can't afford to offer a day-care benefit. But when you factor in the cost of absent parents whose babysitters don't show up and the resignations of experienced workers who decide they must stay home because they can't find suitable care for a child, you probably will find day care is a benefit you can't afford to reject.

If you haven't assessed your employees' need for a day-care benefit yet, we urge you to do it now.

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letters

Looking back at the congress

To the editor: Many thanks for the photograph and cover story for the World Insurance Congress (*BI*, April 26). It was well-received by all of the participants. And a special thanks for distribution of *Business Insurance* at the congress.

From the comments that I have received, I can only conclude that the Philadelphia World Insurance Congress was an outstanding success. On behalf of the other sponsors that joined INA in its initial effort to organize the congress, I wish to express my appreciation for your participation. For me, the congress served as a catalyst to facing and perhaps directing solutions to the problems resulting from this "radically changing world."

Also, and equally important, I found the congress stimulated my personal perception of the vast opportunities that will be newly opened to the insurance and financial services industries in meeting new needs and demands resulting from these rapid changes. Our opportunities for growth, for new products and services are indeed exciting.

John R. Cox

President
INA Corp.
Philadelphia

Coverage available

To the editor: The Perspective article by Ronald F. Wiser on self-insurance pools (*BI*, May 24) appears to be flawed in several areas. However, the most obvious is his statement that "... excess insurance can only be purchased in finite amounts or layers. So, there will always be some danger to the pool of a claim that can exhaust the excess insurance limits."

This simply isn't true. Our company is in the process of putting together a new self-insurance fund for workers compensation in Georgia and has purchased a layer of \$10 million specific coverage, excess of \$100,000 for each and every occurrence; \$10 million aggregate, excess of a 70% of normal premium loss fund; and an unlimited specific and aggregate excess policy over the two \$10 million limits to give the participants in that program a fully reinsured pool.

One of the funds that we administer in Florida, the Associated Industries of Florida Self-Insurers Fund, has now been fully reinsured for two years.

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surers ask for them, you can buy them.

C.C. Dockery
President
Summit Consulting Inc.
Lakeland, Fla.

Only 'substantial'

To the editor: In the article "Benefits: Confronting the future," (*BI*, June 7), a statement was made indicating that due to the changes Borden is making in its health care plan to go into effect during July and January, Borden "... expected to reduce (their) health care benefits bill by about one-third."

Please be advised that the amount of reduction applicable to the plan modifications was substantial, but in no way amounted to one-third of our health care bill. This was incorrectly stated in the article through no fault of the reporter.

Michael P. Miller
Director of employee benefits
Borden Inc.
Columbus, Ohio

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. Send your comments to Letters to the Editor, *Business Insurance*, 740 N. Rush St., Chicago, Ill. 60611.

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Sprinkler system beefed up in new plant

By MARGARET LeROUX

HIGH POINT, N.C.—The new production facility of Adams-Millis Co. has such an extensive system of sprinklers, the company's vp of finance jokes he'll have to take out flood insurance "in case someone accidentally sets off the whole thing at once."

The abundance of sprinklers is the aftermath of an \$18 million fire that destroyed the hosiery manufacturer's major production plant 1½ years ago in one of the largest fire losses ever to hit the textile industry.

Before the fire, the 10-year-old plant was rated a highly protected

risk, and it was determined the sprinkler system performed properly during the blaze. But the sprinklers were not able to contain the fire, which destroyed 210,000 square feet of the 300,000-square-foot facility, causing the roof to collapse within 40 minutes.

It is still undetermined what caused the fire or why the sprinklers could not contain it.

"In a loss that size, you'd at least like to learn a lesson from it," said W.R. Long, vp at Murray White Insurance Inc. in High Point, insurance broker for Adams-Millis. "I don't know what you can learn from that fire."

Allendale Insurance Co., one of

the Factory Mutual System companies, paid the fire losses, which included \$8.6 million in inventory, \$7.7 million for the building and equipment and \$1.9 million for business interruption.

The insurer covered the entire loss because the hosiery manufacturer's insurance policy included a "disappearing deductible" feature for catastrophic losses.

Since the loss exceeded more than four times its \$5,000 deductible, Adams-Millis didn't have to pay anything. Disappearing deductibles, also known as franchised deductibles, are written for varying amounts and for various percentages of losses, according to Mr.

Long.

Allendale also is insuring the rebuilt hosiery plant. "We didn't even get an increase in our insurance rate," said M. Neel Harrison, Adams-Millis vp of finance. "We're paying more for the new facility, but that's because the new plant is larger with more extensive and expensive equipment than the old one."

Even if there is no lesson to be learned from the Adams-Millis fire, the settlement of the loss is an example of thoroughness and efficiency.

Immediately after the fire, a management committee was formed including Mr. Harrison, other Adams-Millis executives and the manager of the burned plant.

One of its first tasks was to hire the Alex N. Sill Adjusting Co. of Cleveland to work with adjusters from Factory Mutual.

The hosiery manufacturer, the leading maker of men's socks that are sold under private labels, rented warehouses in Greensboro, N.C., and Mount Airy, N.C., for limited production while the new facility was being built.

A team that included accountants, estimators and claims negotiators from Sill Co. worked with the Adams-Millis staff at headquarters in High Point and at the site of the fire in nearby Kernersville.

Accountants reviewed company records for orders, bills and other information to substantiate the business interruption claim and aid in establishing values for materials and equipment lost in the fire.

The Sills staff worked with Adams-Millis to reconstruct a

drawing of the demolished plant and equipment inside.

"Blueprints of the plant were not available," explained Sills Executive Vp George Hoffman, "because the architect who designed it had died and the construction firm that built it had reorganized."

"Our estimating department, working from our reconstruction of the building, got estimates from contractors and subcontractors for heating, plumbing, air conditioning and electrical wiring. Within 2½ weeks we had estimates on construction of a new facility."

The Sill adjusters worked with Factory Mutual's adjusters to negotiate the settlement "in a fair and equitable manner," said Mr. Hoffman.

Adams-Millis began production in the new facility while construction was still being completed in August 1981. By October, construction was completed and full-scale production resumed, according to Mr. Harrison.

Investigators determined the fire started just before noon March 19, 1981, in a storage area. The blaze was so hot and spread so quickly, portions of the roof collapsed at 12:25 p.m.

The new Kernersville plant is "a showplace of textile manufacturing," said Sill Co.'s Mr. Hoffman. Among its features is a system of conveyers five miles long.

The building has central air conditioning and a 32-foot ceiling, almost twice the height of the old building.

And there's the elaborate system of sprinklers. "There are more sprinklers in that building than you would believe," said Mr. Harrison. ■

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An interview with Larry Lance, Senior Vice President, Group Department, The Hartford.

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Q. What are some examples of flexibility and responsiveness?

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Q. Has The Hartford been an innovator in Group Insurance?

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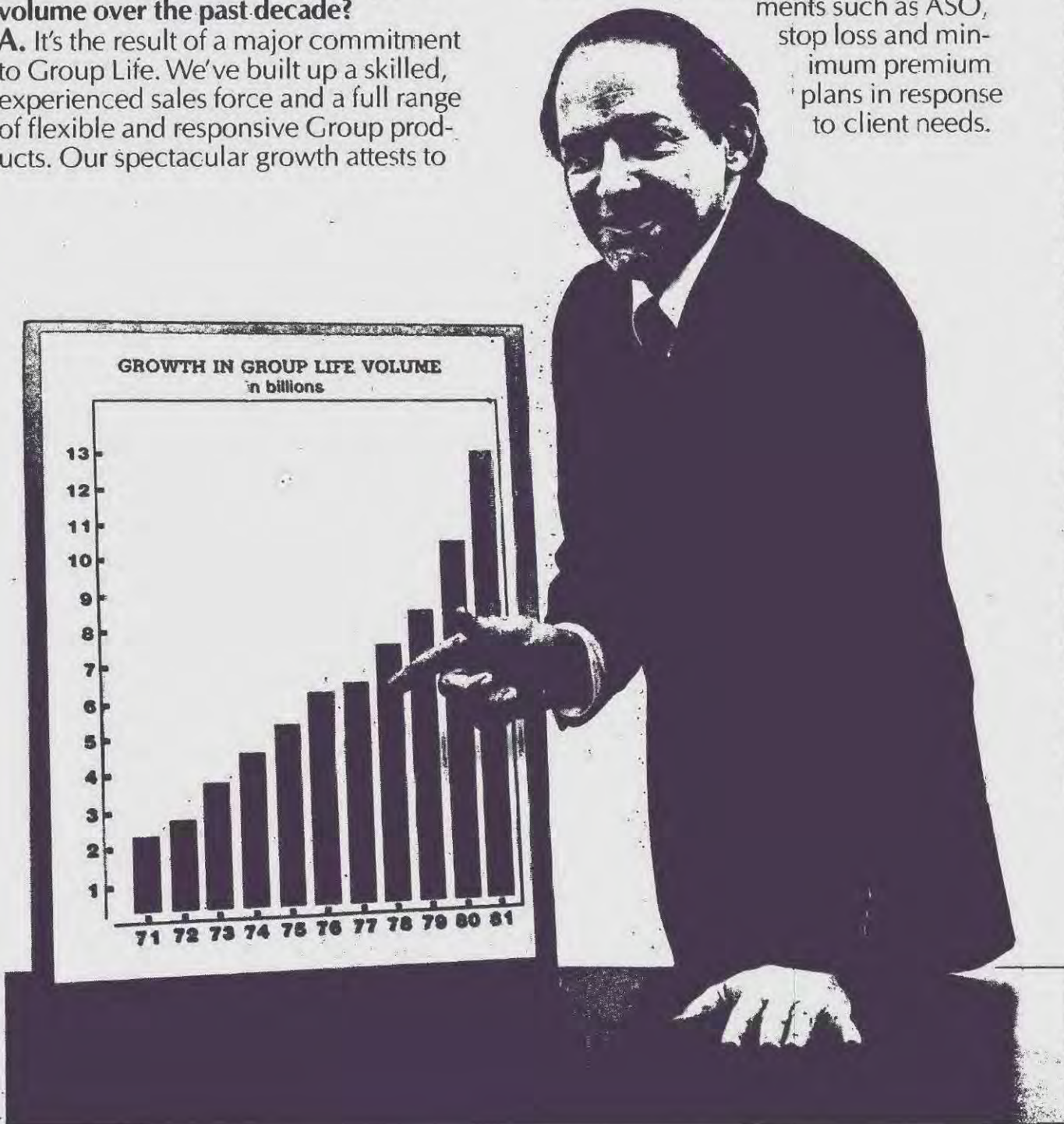
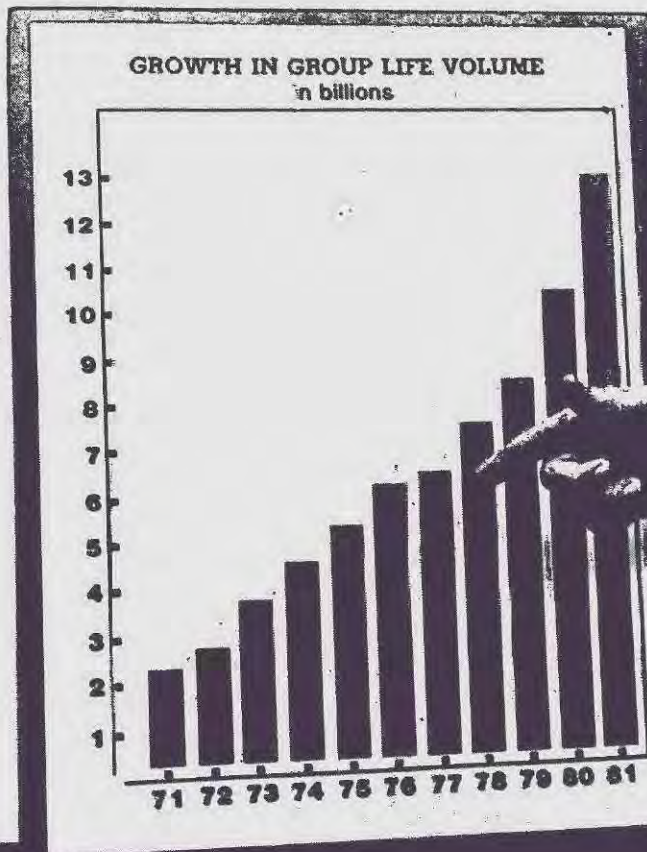
A. Our field staff and underwriters can help tailor Group coverages to each customer's needs. In addition, we've implemented a computerized claim handling system and are also developing a computer system which will automate pricing, proposals and policy issuance.

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Employers find it pays to help workers care for their children

Continued from page 3
years if it weren't?"

Each year about 100 employees get subsidies that range from 10% to 80% of their child-care costs, said Ms. Brookins. In addition, Polaroid provides information and referral services for another 200 employees every year.

Interest in day-care benefits received a boost last summer when Congress passed legislation that makes such benefits tax-free for employees, and, therefore, a much more attractive employee benefit.

Before the Economic Tax Recovery Act of 1981, any benefits for day care had to be counted as income by the employee for tax purposes, although employers could take a tax deduction for the cost of the benefits. The new tax breaks not only apply to benefits for child care but for any dependent care costs, which could include care for an aging parent or a handicapped child.

To qualify as tax-free, the benefit must be offered on a non-discriminatory basis. The dependent-care centers used must be certified according to state regulations and the dependent-care assistance can only be applied to work hours.

Educational Testing Service in Princeton, N.J., will add dependent-care assistance to its flexible benefit plan in September, according to Mary Jane Klansky, director of employee benefits. The company specifically chose dependent-care benefits to include assistance for employees caring for aging parents or handicapped children.

Sherman & Howard, a Denver law firm, included day-care assistance in its new cafeteria benefit plan that began May 1. Already, eight employees are taking advantage of payments of up to \$150 a month for day care at certified cen-

ters, according to Personnel Manager Marilyn Brown.

The Equitable Life Assurance Society of the United States has a pilot day-care assistance program in its Albuquerque, N.M., Cleveland and Atlanta offices.

The program was purchased through KinderCare, a commercial chain of day-care centers that offers a discount program for businesses called the Kindustry plan. Under this plan, employees whose children attend a KinderCare center receive a 20% discount on tuition, which is paid through payroll deduction.

The program will be assessed this fall, said Philip Rivera Jr., director of employee relations at Equitable. "It had varying degrees of success in different locations, but there were not any wholesale movements of employees' children into KinderCare centers."

While Equitable is not likely to offer the KinderCare program to its employees nationwide, "the pressures are there for us to offer some kind of child-care assistance," Mr. Rivera concedes.

With a workforce that is 65% female, the insurance industry is particularly susceptible to employees' demands for child-care benefits, he adds.

With more women entering the workforce every year, the pressure for day-care assistance from employers in all industries is expected to mount. The U.S. Bureau of Labor Statistics predicts 11 million women will be working outside the home by 1990, and more than half of them will be mothers of preschool children.

Employers in industries dominated by female clerical workers can expect child-care benefits to be hot issues in future contract negotiations, according to a union that rep-



Photo: Amy Palmer

Children at a Chicago day-care center listen intently to a story.

resents 12,000 female office employees.

"Child care has been a benefit that has been bargained away for other economic issues. But as women become an increasingly large part of organized labor, day care is going to become a more important issue," says Karen Nussbaum, head of Working Women, which merged a year ago with the Service Employees International Union.

Women aren't going to demand

on-site day-care centers, Ms. Nussbaum said. "There's a variety of child-care assistance avenues open to employers."

There's no one answer to the problem," says Linda Van Eps, employer liaison at Children's World, a six-state chain of for-profit day-care centers that recently began an aggressive marketing campaign to employers. "Companies have to assess what their priorities are and what they want to accomplish with a child-care benefit."

Benefits equity not issue for firms into day care

By MARGARET LeROUX

Concern over equity of benefits is high among employers considering child-care assistance, but employers who have taken the step say it's not a problem.

"We've had no problem with the equity-of-benefits question," said Verna Brookins, manager of community relations at Polaroid Corp. in Cambridge, Mass.

Polaroid has offered financial assistance for day care to some employees for 11 years. Currently, employees who earn less than \$25,000 qualify for a subsidy.

"Probably because we have such a good package of benefits for all employees, it hasn't been a problem for us," she said. "It's usually the companies whose benefits aren't that great to begin with that are concerned about the equity issue."

At the A.P. Beutel Jr. Developmental Center, the child-care center owned and operated by Intermedics Corp. in Freeport, Texas, Director Alice Duncan says the equity question is the one most often raised by other employers considering child-care benefits.

"We've not had any hard feelings among employees who don't use the center; quite the opposite," she said. "Our employees without children of their own are some of the most enthusiastic supporters of the center."

The center at Intermedics, a company that manufactures pacemakers and other medical devices, has been in operation since November 1979 with a full capacity

'It's usually the companies whose benefits aren't that great to begin with that are concerned about the equity issue,' says Verna Brookins of Polaroid.

of 260 children from the first day. The company provides 75% of the financial support for the center; employee parents pay only \$15 per child per week.

"The center has been great for employee morale," Mrs. Duncan said. "Employees tell me they're proud of what the company is doing in sponsoring the center."

"I think some companies that bring up the equity-of-benefits issue are leery of getting into day care in the first place," she continued. "I tell them they don't have to get into day care at all; hire day-care experts to do it for you."

At the corporate headquarters of jewelry store chain Zale Co. in Dallas, where an on-site day-care center has been operating since 1979, "there's never been an equity-of-benefits question raised," said Barbara Berg, director of the center.

"The employees have been totally supportive of the center," Mrs. Berg said. "You should see the enthusiasm when we bring the kids around for trick or treating."

Zale encourages its employees to get involved with the center. Full-time employees can assist at the center during regular work hours for up to three hours per month at

full pay.

Experts in the child-care field say child-care benefits are no more inequitable than any other benefit.

"Benefits have never been equitable," said Gwen Morgan, a lecturer at Wheelock College for child development professionals in Boston and author of numerous articles on day care.

"The traditional benefit package is useful to older employees, but it isn't equitable for young employees, especially families with two full-time wage earners. There, you sometimes have overlap," she said.

"A child-care benefit is no more inequitable than other benefits, such as parking spaces (when not all employees drive cars to work)," Mrs. Morgan added. "No one seems to question the equity of that kind of benefit. Here in Cambridge, for example, where parking is a problem, a parking space can cost an employee up to \$2,000 a year."

"With the passage of time, an employee's use of benefits changes and the employee benefit plan should be flexible enough to allow it," according to Florence Glasser, child-care policy advisor with the state of North Carolina Division of Human Resources. The cafeteria

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approach to offering benefits seems to be the best solution for offering child-care assistance in an equitable manner, she added.

"Instead of considering child care as a benefit, employers should look at it as a tool that enables employees to do their job better," said Sandra Burrud, director of Employer Supported Childcare Research Project in Pasadena, Calif. "Day care for their children is something just about all employees have a need for at some point in their lives."

If other employees raise eyebrows when a parent is allowed to leave work early to care for a sick child or another child-related emergency, a "work-hours bank" might be incorporated to preserve equity among workers.

Dr. Kevin Swick, professor of early childhood education at the University of South Carolina in Columbia, proposes employers establish such a work-hours bank where employees could deposit overtime hours for emergencies.

Work-hours banks are common among employers in West Germany and Japan, he adds.

Another approach to the equity-of-benefits issue was suggested by Carole Rogin, director of the National Assn. of Child Care Management, the trade group representing for-profit day-care centers.

"Tie a child-care benefit to the annual cost-of-living increase," she advises employers. "Give employees a choice: either a \$1,000 increase in pay, for example, or \$1,000 worth of child care."

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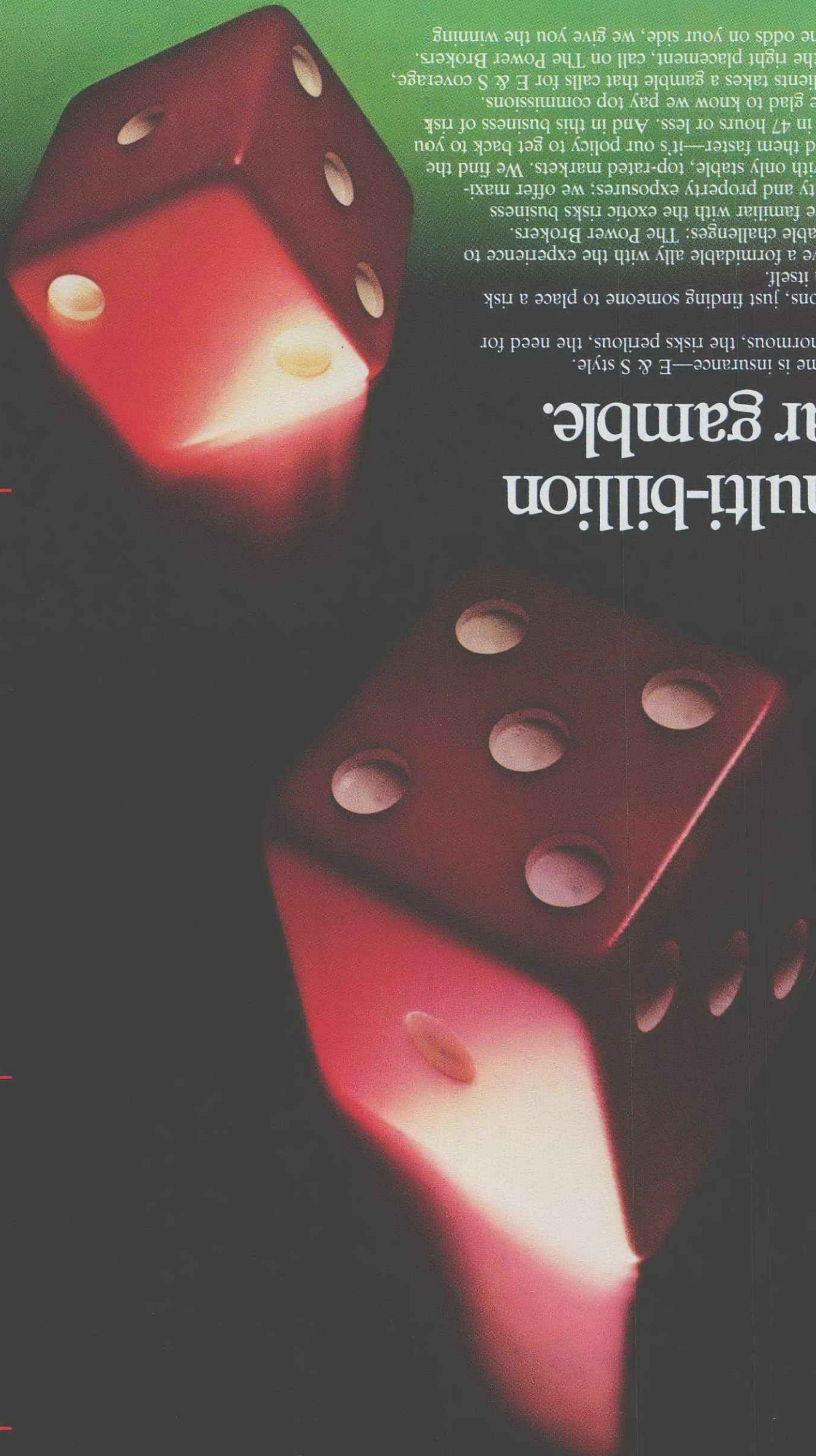
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States, consultants offer day-care advice

A wealth of resources is available to employers that are interested in providing dependent-care benefits.

A good place to start is your state government's department of resources. Many states even have a special day-care office.

In North Carolina, for example, the Division of Policy Development of the Department of Human Resources has compiled a booklet, "Helping Working Parents: Child Care Options for Business."

The booklet describes seven approaches to child-care assistance and outlines the benefits, problems and tax incentives of each.

The division has only a limited supply of the first printing, but is waiting for funds to print more later this summer, according to Florence Glasser, who wrote the booklet. For a copy, write Ms. Glasser, Division of Policy Development, North Carolina Department of Administration, 116 W. Jones St., Raleigh, N.C. 27611.

In Connecticut, the Office of Child Day-care has printed a booklet on options for business. The office also works with employer groups that are establishing consortiums to provide day-care assistance or considering other day-care benefits, said Director Frances Roberts. For information, write Ms. Roberts, Office of Child Day Care, 1179 Main St., Hartford, Conn. 06103.

The National Employer Supported Child Care Project in Pasadena, Calif., will publish a book in November on how to offer child-care assistance.

Included will be a section on how to survey employees to determine day-care needs, how to analyze the survey and write a report on it and how to put the results into action.

For information, contact Sandra Burrud, National Employer Supported Child Care Project, 363 E. Villa St., Pasadena, Calif. 91101.

Child-care consultants are another source of information.

One example is Workplace Options, which operates in the Raleigh, Durham and Chapel Hill area of North Carolina.

"Most businesses don't have child development professionals on staff nor should they have to become experts in child care to offer a child-care benefit," said Farley Bernholz, a Workplace Options consultant.

Like most others in the relatively new field of child-care consulting, the Workplace Options partners are all former directors or administrators of day-care programs. Each has 10 years of experience in day care.

"We see corporate sponsorship as a way of survival for quality day care," she said.

Noting the financial setbacks experienced by most federally funded day-care centers, she adds, "If centers have to close down because they're out of money, parents are going to be turning to their employers for help."

Also approaching employers with child-care assistance are the leading for-profit day-care centers. KinderCare, for example, offers employers the Kindustry plan, through which KinderCare gives employees a 10% reduction on tuition if employers also will contribute 10% of the employees' costs and provide payroll deductions for the expenses.

"We encourage employers to take credit for the entire 20% discount because of the additional payroll deduction expense," said Ann Muscari, Kindustry consultant.

KinderCare's fees vary according to locale,

but they average \$45 for full-time care per five-day week, Mrs. Muscari said.

Participants in the Kindustry Plan include Disneyworld, the Florida Medical Center in Fort Lauderdale and Connecticut General Life Insurance Co.

"The idea of assisting with child care is still a new idea for most employers," notes Linda Van Eps, coordinator of employer-assisted child care at Children's World in Evergreen, Colo.

The Children's World chain of day-care centers is "seeing a lot more interest in employer-sponsored plans this year," Ms. Van Eps added, "especially from high-technology companies, oil companies and banks."

Children's World operates 100 centers in six states. The Miami Valley Hospital in Dayton, Ohio, is one of its clients. The hospital provides employees with subsidies for child-care fees.

Children's World also recently opened a center in Fort Worth, Texas, near a Motorola Inc. manufacturing facility. Children of Motorola employees are provided free transportation by Children's World from the plant to the center.

Palo Alto Pre-Schools in Scottsdale, Ariz., not only offers employers help with day-care benefits, but also sets an example by offering free tuition to children of its 580 workers.

"My two oldest children are in Palo Alto Pre-Schools," said Buffy Owens, executive vp of the company. "So are my secretary's children and the children of the maintenance man here at company headquarters."

KinderCare's employees also get a 50% reduction on tuition for their children and Children's World employees receive a 10%

cut in tuition and waived fees.

Some have criticized the use of for-profit centers by employers because they say the staffs are underpaid and too thinly stretched as the centers try to maintain profit margins. However, not all agree with that assessment.

"They have a profit margin to maintain," said one consultant, "and the easiest places to cut are salaries and numbers of staff."

There are no federal guidelines for child-staff ratios at day-care centers, but certified centers must meet state regulations that usually require at least one adult for every 12 to 15 children under the age of 5.

"Ratios don't matter that much," says Kindustry consultant Mrs. Muscari. "What's important is how good a manager the director is."

"I've seen some care-givers manage beautifully with 15 kids and others going crazy with six" Mrs. Muscari said. "At KinderCare, we stress the necessity of good management."

"You can't make a blanket indictment of the for-profit centers or a blanket endorsement of the non-profit centers," adds Gwen Morgan, lecturer at Wheelock College for child-care professionals in Boston. "You can only judge each center on its own merit."

Since working parents differ on what they want from a day-care facility, assistance offered by the employer should take flexibility into consideration, Mrs. Morgan added.

"The most successful child-care assistance allows for a maximum degree of parental choice as well as ease of purchase for the employer," she said.

A voucher system that allows employees to use a child-care allowance at the certified center of their choice is probably the best means of achieving that end, she added. ■

Which employee costs more

The desk on the left: One look at the debris, and it's a good guess this worker is nervous, jumpy, and overweight. And who wouldn't be, with all that caffeine, nicotine and sugar?

This person is also a prime candidate for more than his/her share of sick days and medical bills, driving up the cost of insurance for everyone in the company.

The desk on the right: An orderly desk is a sign of a healthy, productive worker. This person has fewer

medical bills. Smaller insurance premiums. And, as you might guess, this person is much more productive.

Now comes the surprise: Both of these desks belong to the same worker. The change for the better came with an exciting new program marketed by NWNL — STAYWELL.

Designed and administered by Control Data, STAYWELL teaches and encourages healthier lifestyles for all employees. And the program is an effective one — it's helped many employees improve their health and



Judging a center's quality

For employers considering subsidizing a local day-care center for employees' use, numerous criteria can be used to judge the quality of the center.

The child-to-staff ratio is the most important consideration, according to most child-care professionals. "The higher the ratio, the lower the quality," said Nancy Earley, director of the day-care center operated by Rex Hospital in Raleigh, N.C.

Almost every state has guidelines on child-to-staff ratios that must be met for certification. The ratios vary according to the age of the children. (An exception is the state of Mississippi, which has an across-the-board ratio of 10 children for each staff member.)

More typical are the standards of North Carolina. For infants to 2-year-olds, the requirement is one staff member for every eight children; for 2-year-olds, it's 1-to-12; for 3-year-olds, 1-to-15; for 4-year-olds, 1-to-20; and for 5-year-olds, 1-to-25.

How well the day-care staff is paid can affect the consistency and stability of the program, day-care experts advise. At centers with low-paid staff, employee turnover is often a problem.

The center also should be licensed and have adequate property/liability insurance.

The center's hours of operation will make a difference if employees' children need care early in the morning or late in the afternoon. Price is another important consideration.

From there, judging the quality of a center becomes more subjective, but professionals suggest the following be considered:

- Is there interaction between the staff and children, or are all exchanges directives from the staff to the children?
- What sort of equipment is available for the children? Is there enough indoor and outdoor space for active play?
- What sort of menus are offered the children? Check the kitchen, the refrigerator and the cupboards, one day-care consultant advised. "If they're clean, the rest of the center will be clean."
- Are there suitable accommodations for naps? What are the center's policies for sick children? Is there a doctor or nurse on staff or are medical facilities available?
- What training do the director and the staff have? What is the center's philosophy on discipline? Do the staff members seem at ease with the children? Do they have a sense of humor?
- Do the children seem happy?

Employers join to start program

Continued from page 3
Kownacki.

"In our area, it's not so much a problem of availability of day care as cost. Whatever child-care assistance we offer in the future will have to deal with the issue of cost."

Because California has the most stringent requirements in the nation for licensed child-care providers, it's also one of the most expensive states for day care. The average cost per month for preschool care is \$225. The average cost for infant care is \$300 per month.

In Orlando, Fla., four employers are using an information and referral service to help employees find day care for their children and are subsidizing 10% to 50% of the cost of the care.

The employers are spending \$400 to \$500 on each employee using the child-care benefits this year, said Phoebe Carpenter, administrator of Community Coordinated Childcare for Central Florida Inc. The amount includes on-site interviews between a Florida Four Cs counselor and employees to match child-care needs with compatible providers.

One of the ground rules of the Florida Four Cs service is to keep the identity of their corporate clients confidential, Mrs. Carpenter said. "We allow them to operate their business; we do the day-care benefits."

The Florida Four Cs guarantees

Ask employees the right questions

How a company surveys its employees can make a difference, some say.

Asking employees if they are satisfied with their day-care arrangements isn't necessarily the best way to find out what they need, warns Florence Glasser, policy adviser on child care with the Division of Home Resources in Raleigh, N.C.

"That's a threatening question," she said. "If parents have their children in day care, they are going to be very reluctant to say they're unhappy with it."

"Many parents feel guilty enough about day care in the first place," Mrs. Glasser continued. "They wouldn't admit on a survey they're unhappy with the arrangements. A better way to approach the problem is to think of what alternatives there are."

"It's not enough for an employer to ask, 'Are you happy with your day-care arrangements?' unless the employer is willing to go a step further and offer an alternative," she said.

"An employer should ask, 'Is there any improvement in your present day-care arrangements you'd like to see? Is there some way in which the company can help?'"

that the day-care providers to which employees are referred meet all state and federal guidelines and have liability insurance.

"We monitor attendance at the day-care centers and day-care homes as well as the quality of care provided so that employers are assured their dollars are well spent," Mrs. Carpenter said.

In St. Louis, Mo., the Child Day Care Assn., which has a data bank of 1,700 child-care providers in the city and surrounding suburbs, will soon begin marketing its services to area employers, according to Don-

ald Checkett, its executive director.

The CDCA referral service is available on a fee-per-employee basis, starting at \$4.25 for up to 500 employees with discounts for more than 1,000 employees.

Employees will be able to call the association directly, "and we'll give them the most current information available," Mr. Checkett said.

Besides information and referral services, CDCA provides seminars for employees on early childhood education and emotional, physical, intellectual and social development. ■

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Center provides haven for recuperating kids



Photo: Richard LeRoux

Wheezles & Sneezles provides activities for recuperating children.

By RICHARD LeROUX

ALBANY, Calif.—One of the biggest dilemmas for working parents and their employers is what to do when the children get sick.

A sick child can't stay in a day-care center if it is certified; state and federal guidelines prohibit it.

One of the parents has to stay home—single parents have no choice—and everybody loses. For the employee, sick leave or pay is lost; for the employer, productivity suffers.

Because sick leave policy is up to the individual company, there are no national statistics documenting how much time on the job is lost due to parents caring for sick children.

There are, however, medical studies that show the average

length of childhood illnesses is between four and six days. Infants up to age 3 suffer an average 9.6 illness episodes each year.

Multiply those figures by the number of employees who have children and the enormity of the problem becomes evident.

While no one in the child-care field disputes the necessity of parental care for the feverish child, what about the sometimes-prolonged recovery period after an illness?

When a child is no longer contagious but not yet up to the strenuous pace of the day-care center routine, keeping a working parent home is expensive.

For employees and students at the University of California at Berkeley who have children, the

Wheezles & Sneezles Day Care Center in neighboring Albany, Calif., provides a solution.

At the center, children who suffer from upper respiratory illnesses and other mild childhood sicknesses are given "special care," said Alice Jordan, founder of the center.

That care consists of keeping the child in a quiet environment and administering medicines only as specifically instructed by parents.

Users of the Wheezles & Sneezles center pay on a sliding scale according to their income, and the ceiling does not exceed the hourly minimum wage.

It would also be easy for an employer to subsidize the center so its employees could use it when necessary.

Children who are admitted to Wheezles & Sneezles are screened by a registered nurse who makes sure they are over the contagious stage of their illness.

The center can handle up to 10 children a day, but for every 10 children admitted, many more are turned down.

When the flu and cold season peaks, usually in March, the center hires additional staff members. During the summer months, with more people available for in-home care, the center shuts down.

Wheezles & Sneezles staffers are mothers with lots of practical experience in handling childhood illnesses. They also receive additional training in first aid, home nursing and child development.

For specific medical questions that need to be answered immediately, staff members rely upon advice from nurses at various Bay Area medical facilities.

Rather than making a child feel isolated because he or she happens to be sick, the staff members at Wheezles & Sneezles stress that the child is special, and that's why he or she is separated from the rest of the group.

The average stay at the Wheezles & Sneezles center is three days per child, but because of the special attention the children receive, they often want to stay a bit longer. A few of the children are always reluctant to return to their regular day-care facilities.

Founded in 1978, the Wheezles & Sneezles center is the only of its kind in the nation; other sick-child services provide only in-home care.

In Minneapolis, Child Care Services Inc. has provided in-home care since 1975 with support from federal block grants. With the loss of grant money this year, the service is seeking support from the private sector.

"Our fee is \$65 per day, and I've been able to prove to employers that it's a savings for them to use us rather than lose the day's service of their employee," said Executive Director Diane E. Palmer.

"The higher-paid the employee, the greater the savings," she added.

A survey by the University of Minnesota of parents who have used Child Care Services showed that 86% of them had missed work during the last year because of a sick child, 42% reported missing important work and 21% said they missed meetings or appointments.

Employees of Child Care Services who care for sick children are required to have six months of child-care experience and to have completed a Red Cross first aid course. They give no medication except as directed by parents.

The service had logged 308 days of service for 1982 as of April 30, an increase over the previous year's total of 105 days for the same time period, according to Ms. Palmer. ■

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On-site centers often costly, but successful

Continued from page 3

the center," said its director, Nancy Earley. "When you're happy with your day-care arrangements for your child, your job performance is bound to improve."

Forty-five children are registered at the center, but because of the rotating schedules of the nursing staff that makes up the majority of the users, usually only 30 children are there on a given day.

The center is across the street from the hospital in a three-bedroom ranch-style house on land the hospital acquired when it constructed a new facility.

Although the rooms in the house have been remodeled to accommodate the children, a strong home atmosphere prevails among the staff

of four women and the children.

While taking a visitor on a tour through the center recently, Ms. Earley paused to admire a puzzle one of the 5-year-olds was working on. An assistant picked up and cuddled a 2-year-old girl who shied away from the stranger.

The center was noisy, but it was the happy noise of children enjoying what they're doing. A group of 3-year-olds baked imaginary brownies; a 4-year-old boy concentrated on "drilling" a plastic screw into a workbench with a toy drill.

The center operates on a \$66,000 annual budget and is subsidized by the hospital, which provides house-keeping services, meals, cots for sleeping and other supplies. If fees brought in by the center do not

cover expenses, the hospital kicks in the necessary funds to let the center break even.

Employees pay either a weekly full-time fee of \$40, \$9.50 for one day or \$2 an hour for part-time care.

Unlike other day-care centers in Raleigh, the Rex Hospital center charges only for the time the children are actually at the center. "If a nurse has a shift that gives her days off during the week, she's not charged for the days her child is not here," Mrs. Earley said.

Day-care fees are deducted from employees' paychecks with a separate notation for those expenses.

The center is open only from 6

a.m. to 6 p.m. because that schedule best matches employee needs.

"We're not open nights or weekends because very few employees require care for their children during those hours," she said.

"Our most recent employee survey on day care, conducted last October, indicated that only 3% of the employees would use the center on weekends or at night and then only if their regular arrangements didn't work out," she added.

Staff turnover isn't a problem at the Rex Daycare Center as it often is at other centers because of traditionally low pay for day-care staffers.

The senior day-care instructor

has been with the center since it opened 13 years ago and two other instructors have been there for four years.

Mrs. Earley was hired in 1975 when the center changed from a custodial care center to one offering a child-development curriculum with specific goals for each age group.

The children at the center range in age from 18 months to 6 years with a staff member-to-child ratio of 1-to-7. That's well above the state of North Carolina's requirements for day-care certification, which are 1-to-12 for children 18 months to 2 years and 1-to-15 for 2 years to 5 years.

'Pioneer' develops program

MONTEREY, Calif.—As more employers become involved in child-care assistance, Janet Neilson predicts that positions like hers will become common.

But for now, the manager of child-care services at The Cambridge Plan in Monterey, Calif., is a lonely pioneer in the developing field of business-supported child care.

Ms. Neilson's responsibilities include developing a day-care center for the manufacturer of diet supplements and weight-control products.

The fast-growing company, which currently has 600 employees and expects to have 1,000 by the end of the year, hired the human behavior specialist to survey employees about their day-care needs

and then develop a program.

"Our employees put in a lot of overtime," Ms. Neilson said. "It's difficult for parents who work for us to find child care in the Monterey area that fits their schedules."

With a "needs assessment" completed, Cambridge Plan is now in the second stage of its child-care assistance program: finding a site for a company-owned day-care center.

Other companies don't have to opt for the expense of developing their own center, Ms. Neilson conceded.

"It's important for businesses to tap into the child-care professionals in their area," she said. "There's a lot of information to be gained; employers don't have to keep reinventing child-care benefits."

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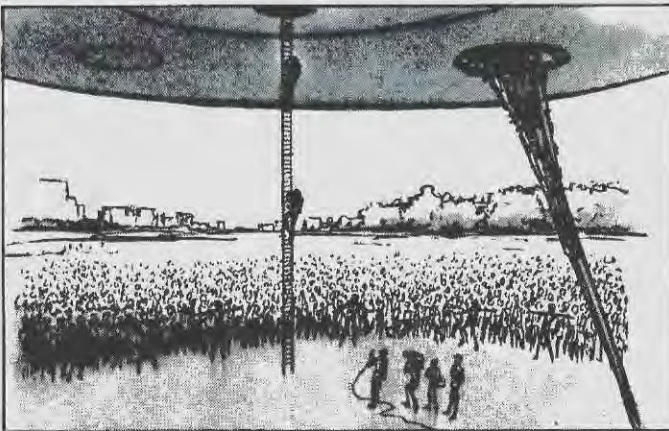
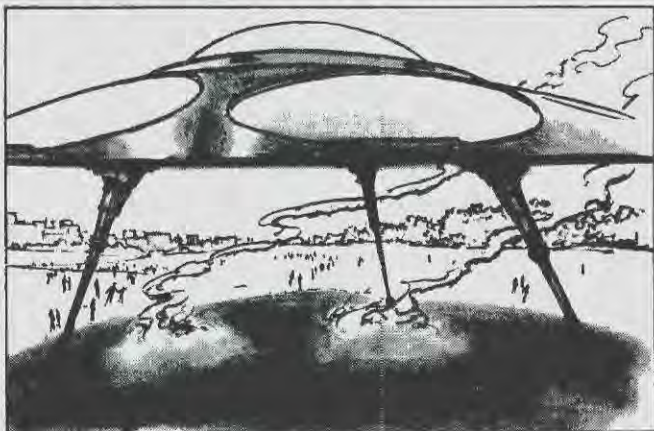
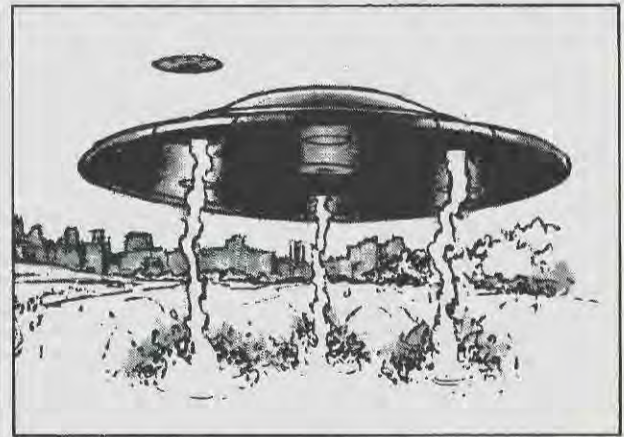
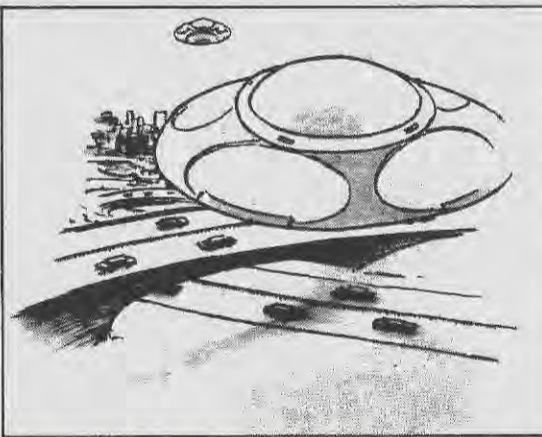
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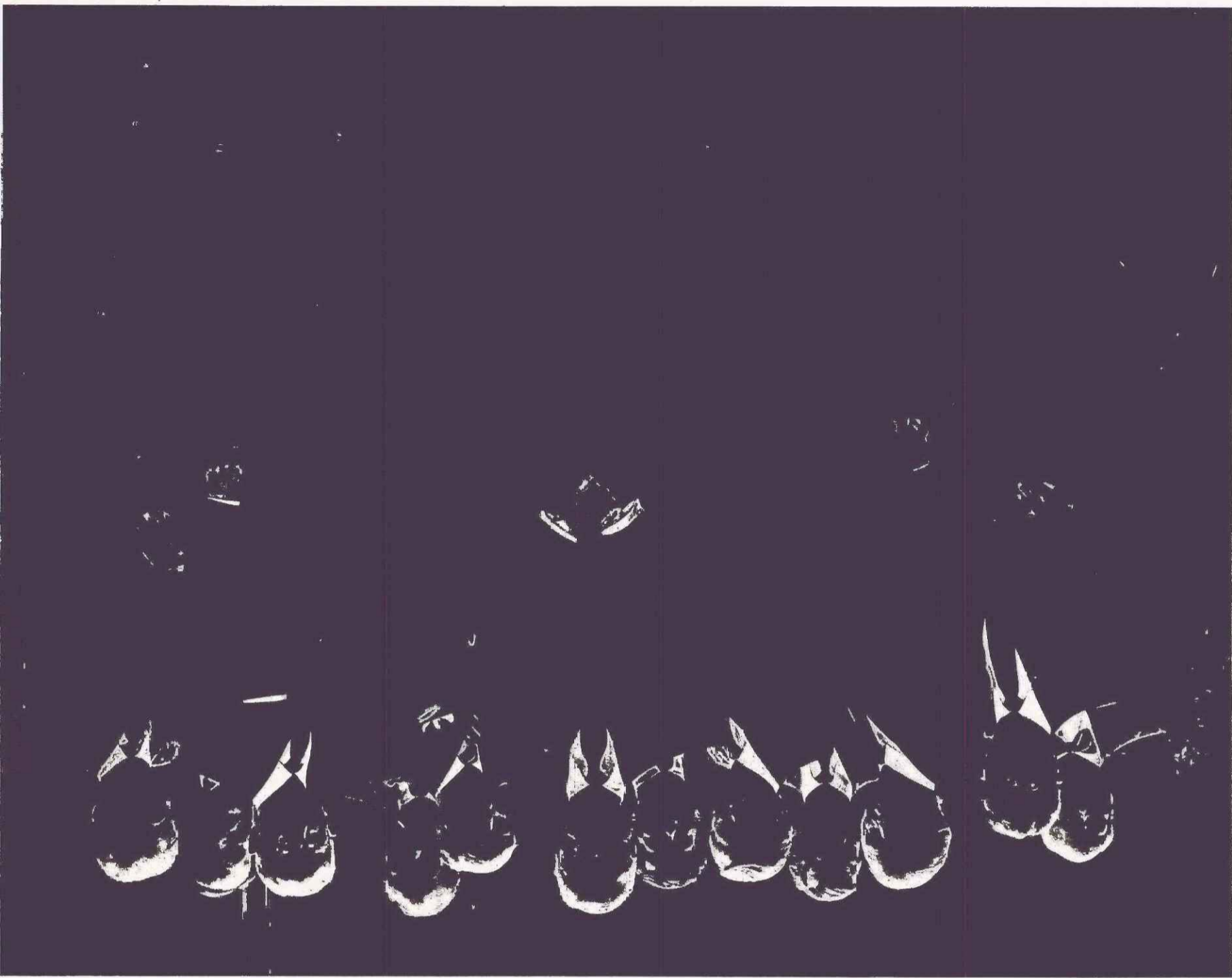
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Underwriter's political risk plan covers overseas employees

By STACY SHAPIRO

LONDON—The recent conflict between Great Britain and Argentina in the South Atlantic is a reminder of just how expensive political risk losses can be to a multinational company.

But the Falklands crisis and other world conflicts have spurred Lloyd's of London syndicate Cassidy, Davis Ltd. to design the International Employer Plan, a wrap-up political risk package for employees of multinational companies.

"Recent developments in the South Atlantic have demonstrated all too well the speed with which the world's political fault lines can change or erupt," said Tony Cassidy, chairman of Cassidy, Davis.

"This will serve as a timely reminder to many assureds of how large the potential loss is that companies may encounter when they are obliged for political or medical reasons to repatriate a number, or even all, of their personnel from a given country."

Mr. Cassidy's syndicate, Houston employee benefit consultant Ron Jakelis and Lloyd's broker Clarkson, Puckle Ltd. have been working on the plan for a year, they say.

"If you sit down with productive people, you develop ideas," said Roger Eckersley, a director of Clarkson, Puckle (North America) Ltd. "And you see what the pro-

ducers are looking for."

The International Employer Plan insures multinationals for a range of perils that can affect employees overseas, including:

- Emergency repatriation expenses if employees must be airlifted out of a hostile country.

"This would arise if Col. (Moammar) Khadaffi of Libya said that all Americans must leave," said Mr. Cassidy, "or, as in the case of Argentina, where the British and American embassies have suggested that their citizens leave."

The plan pays for the travel to the airport, airlines tickets or special charter flights for employees, wives and children.

- Detention of an overseas employee for breaking a law that is not considered a crime in his home country.

For example, an employee in Saudi Arabia may be imprisoned for drinking in his hotel room, which is not a crime in Britain or the United States, said Mr. Cassidy. "But criminal offenses that are recognized in the home country, like drug smuggling, are excluded."

- Medical attention for overseas employees. The plan pays for flying an employee out of the country for better medical treatment if the local facilities are not adequate.

"Or, in the event of an epidemic or unusual disease, you might need to remove all your executives, staff

and their families from risk," the plan's description says.

- Financial elements that may arise from moving employees out of a country, including payments of contracts that must be suspended. Contingent tax may also have to be paid by employees who come home early and the plan pays for that, too.

"A U.S. employee is free of paying tax for up to \$75,000 if he works outside the United States," said Mr. Cassidy. The IRS, however, may decide the workers' income is taxable if he is sent home. "If they fall foul of the IRS, then this will pay for the lost tax."

- Kidnap and extortion of overseas employees and products extortion.

Since multinationals must know exactly what to do during a kidnapping or extortion threat, security experts Control Risks Ltd. are involved in the plan.

"Control Risks will go in and sit down with the multinational company that has an office in, say, Libya and talk about the contingency plans to evacuate," said Mr. Cassidy. "They are an integral part of the package."

A multinational company, however, does not have to buy every portion of the International Employer Plan, Mr. Cassidy says. "The plan is designed to be very flexible, and we do not insist the company insure all its employees overseas. It can choose individuals, if it prefers."

Mr. Cassidy says it is impossible to quote rates for the plan in general, adding that the rating guideline is several pages long. However, he is taking no chances of someone stealing his idea. He has copyrighted the wording of the plan so that no other insurer can copy it word for word and under-rate him.

An American market may be offering the coverage very soon. Mr. Cassidy says that Insurance Co. of North America is expected to write the coverage. In return, INA will probably reinsure the policies through Lloyd's of London. ■

washington

Largest agents' group backs federal tort reform

By JERRY GEISEL

WASHINGTON—The nation's largest association of insurance agents is now backing federal product liability legislation.

The 126,000-member Independent Insurance Agents of America says a uniform federal law "would serve the consumer best by providing clearly defined rights and remedies, cutting the cost of litigation and stabilizing or lowering the cost of products."

The IIAA had been one of the strongest backers of reform of product liability laws—at the state level.

But in a letter to President Reagan, IIAA President Robert Treweek said the state tort reform movement won't provide much relief from legal uncertainties, a factor causing high product liability insurance rates.

"Because the product liability problem is essentially interstate in nature, this (state tort reform) approach is doomed to failure," Mr. Treweek said. "The diversity and conflict of individual state laws simply intensified the uncertainty and exorbitant costs today associated with product liability."

The Reagan administration, for now, says a federal product liability law runs counter to the New Federalism, its plan to turn more power over to the states.

But Mr. Treweek said individual states lack the capacity to effectively or equitably reform product liability laws.

Government victory

The U.S. Labor Department has won a preliminary injunction to remove trustees of three Illinois union employee benefit plans.

The injunction, issued by the U.S. District Court for the Northern District of Illinois in Chicago, stems from a suit filed by the Labor Department against the trustees of the International Brotherhood of General Workers Health & Wel-

fare Trust Fund, the IBGW Social Services Fund and the IBGW Pre-paid Legal Expense Trust Fund.

The suit charges that the trustees violated the Employee Retirement Income Security Act by handling plan funds and property without obtaining proper bonding. The Labor Department also asked the court to appoint a receiver to manage the assets of the plans.

Named as defendants in the suit are trustees George Rodriguez, Jesus Victor Rodriguez, Jose Garza, Reyes Martinez, Humberto Garcia, Mariano Terrazas, Juan Dela Torre, Frank Zuniga, Mario Limon and Enriquez Soldana.

ERISA reform

Overhaul of the Employee Retirement Income Security Act may be just around the corner.

The Senate Labor subcommittee plans to vote July 21 and 22 on pending legislation, S. 1541, proposed by Sen. Don Nickles, R-Okla., that would make employers fully liable for their pension promises.

Under the bill, employers that terminate their pension plans would be required to fund all of the plan's unfunded vested benefits over a 15-year period.

ERISA currently gives the federal Pension Benefit Guaranty Corp. the right to collect 30% of a company's net worth to guarantee the vested benefits of workers and retirees if the company terminates its pension plan with insufficient assets.

As a result, companies with low net worths and large pension liabilities may find it cheaper to dump their plans on the PBGC than to continue funding the plans. That, in turn, boosts termination insurance premiums other employers with pension plans pay to the PBGC. Sen. Nickles wants to keep PBGC insurance premiums, now \$2.60 per plan participant, as low as possible.

The bill also would reduce employers' ERISA paperwork burdens. For example, summary annual reports, which describe a plan's operations, only would have to be posted instead of distributed to all employees.

Aviation deaths

The number of fatalities in commuter airline and air taxi service operations dropped to 130 last year, down from 139 in 1980, according to the National Transportation Safety Board.

However, four people were killed in major airline accidents in 1981, up from one fatality in 1980. ■

Du Pont wins another safety award

WILMINGTON, Del.—E.I. du Pont de Nemours & Co. has won a National Safety Council Award of Honor for the 35th time.

Du Pont, which was honored for its safety performance in 1981, has won the council's highest award for industrial safety more times than any other company.

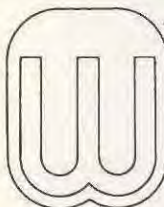
Based on council data, Du Pont's

1981 lost workday rate was 17 times better than the average rate for the chemical industry and 68 times better than the rate for all industry.

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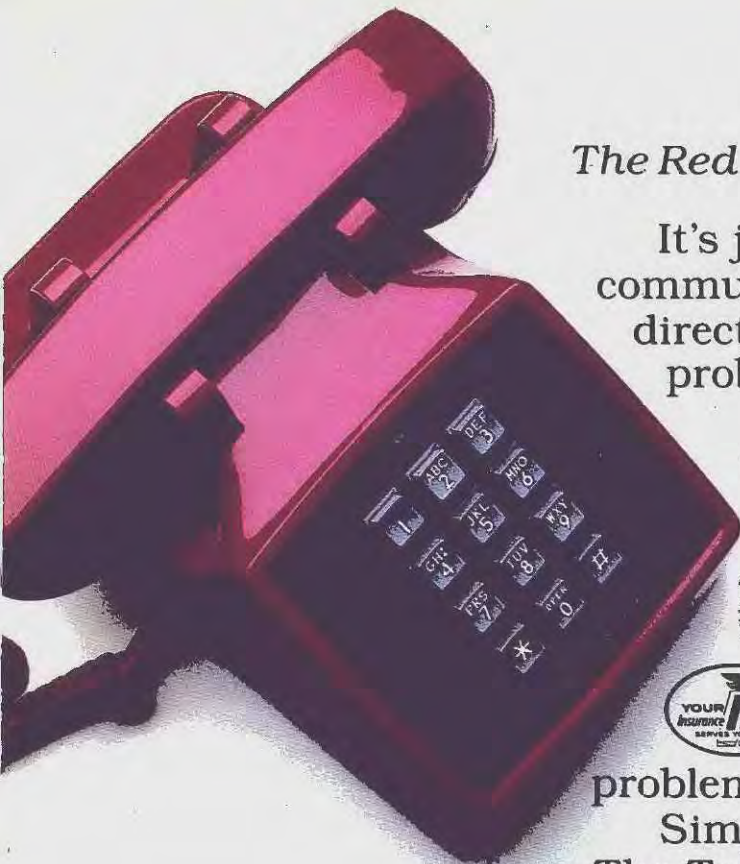
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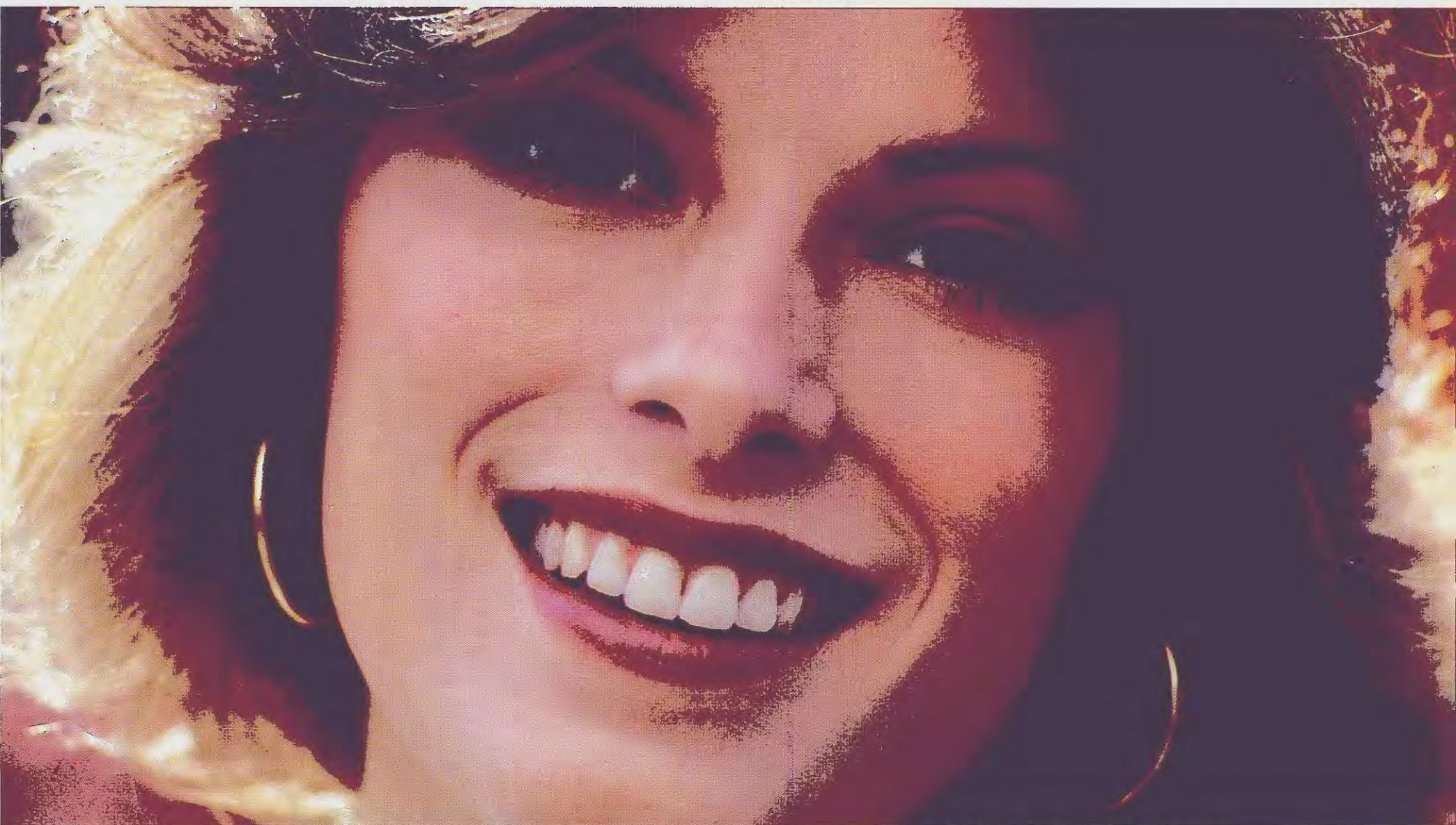
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Illinois wants to change BC/BS status

By EILEEN NORRIS

PHILADELPHIA—The Illinois Insurance Department is calling for an end to Blue Cross/Blue Shield's 47-year tax-exempt and non-profit status, based on a departmental examination of the status of BC/BS plans in all 50 states.

The "alarming financial deterioration" of Health Care Service Corp., Illinois' BC/BS plan, and other BC/BS plans across the country point to the need for the plans to restructure their legal and conceptual framework if they are to survive in today's health insurance market, the study found.

Illinois Insurance Director Philip R. O'Connor released the study in connection with the summer meeting of the National Assn. of Insurance Commissioners earlier this

month, urging all state regulators to look closely at its conclusions.

The NAIC did not act on his recommendation.

Since 1976 the study found, BC/BS's portion of the health insurance market has remained unchanged while commercial insurers have increased the number of policyholders they serve by an average of 3% annually.

The BC/BS organization in Illinois is bound by the Non-profit Health Care Service Plan Act, which gives it privileged status, restricting its lines of business, marketing practices and financial resources, according to Mr. O'Connor.

The state Insurance Department must approve many of Health Care Service Corp.'s rates, while those of other health insurers can respond competitively to the economic cli-

mate. The 25-page report concludes that Blue Cross subscribers would benefit if privileged status were removed and HCSC were made to operate instead as a mutual insurance company.

While the Illinois BC/BS plan is not legally an insurance company, it writes coverages, collects premiums, pays out claims and markets accident and health products just as commercial insurers do, Mr. O'Connor said.

"If BC/BS and commercial insurers operate on basically common ground, then it makes sense for them to have the same footing under Illinois insurance law," he added.

In Illinois, the cost of inconsistent laws and a non-competitive insurance marketplace is ultimately borne by BC/BS subscribers

through unresponsive claims practices, slow adoption of innovative coverages and cost-containment programs and frequent large rate increases, the report said.

The Blues in Illinois encouraged dozens of newspaper articles and other media attention concerning its "unfairly" regulated position, the report said. However, "it claims that no other insurer must have rates approved, but it neglects to mention that rate authority is the one catch to its otherwise favored position."

The other 691 insurers writing business in Illinois do not file rates with the Insurance Department, except for workers compensation insurance, because it is believed that market forces more than adequately keep rates in line, Mr. O'Connor said.

"Rate approval, a different set of regulatory practices for BC/BS and privileges such as tax exemption distort the marketplace and create uneven state regulation over the insurance business," he added.

BC/BS plans are regulated to some degree in all 50 states, although the amount of regulation varies, the study found. Of the 42 states imposing a tax on domestic insurance companies, 21 also tax BC/BS plans, although the taxes are not always the same as those assessed commercial insurers.

As far as rate approval is concerned, 36 states require prior approval of at least individual rates, including Indiana, where BC/BS has operated as a mutual insurance company since 1975.

The rate hearing process also differs from state to state, the Illinois department found. In New York, for example, BC/BS conducts an initial hearing to provide subscribers with an opportunity for input, and then the Insurance Department conducts its own hearing before deciding on the rate request.

Treatment of BC/BS plans can also vary within a state, the study discovered. In Ohio, for example, Blue Shield is treated like another mutual insurer and is subject to taxes, but four Blue Cross plans are regulated as non-profit organizations under special legislation and are subject to rate regulation.

The study suggests that BC/BS groups cover more "substandard risks than for-profit carriers."

"Some states have relaxed underwriting standards and have relatively high loss ratios, but some states have seen a reversal of that, depending on the status of health care and plans' financial conditions in the various states," the study said.

In Illinois, the Insurance Department is recommending legislation that will change the status of the state's BC/BS plans. Mr. O'Connor said he hopes a legislator will sponsor such a bill once the report has been circulated.

Last month, the Insurance Department approved a new rate request system for the Blues that allows the company to raise rates four times per year, in smaller increments, rather than apply for one large rate hike annually. ■

Pennsylvania fails to pass tort reform bill

HARRISBURG, Pa.—The Pennsylvania House adjourned for its summer recess without taking action on tort reform legislation, S. 784, that earlier cleared the Senate.

The bill, which has split the business community, would bar product liability lawsuits 12 years after a consumer product is made, while a 30-year limitation would apply for non-consumer goods.

While the measure has been endorsed by the Pennsylvania Chamber of Commerce, state manufacturing groups say the bill is too weak and have withheld support.

Meanwhile, Ohio wholesalers and retailers would get new protection from product liability lawsuits if the Legislature passes a "seller's exclusion" bill proposed by Sen. Kenneth Cox, D-Barberton.

Under S.B. 418, product liability suits against wholesalers and retailers would be barred unless the firms altered or modified a product or assisted in its design.

Some manufacturers favor more comprehensive legislation, H.B. 779, that would prohibit many product liability suits 10 years after a product is sold. ■

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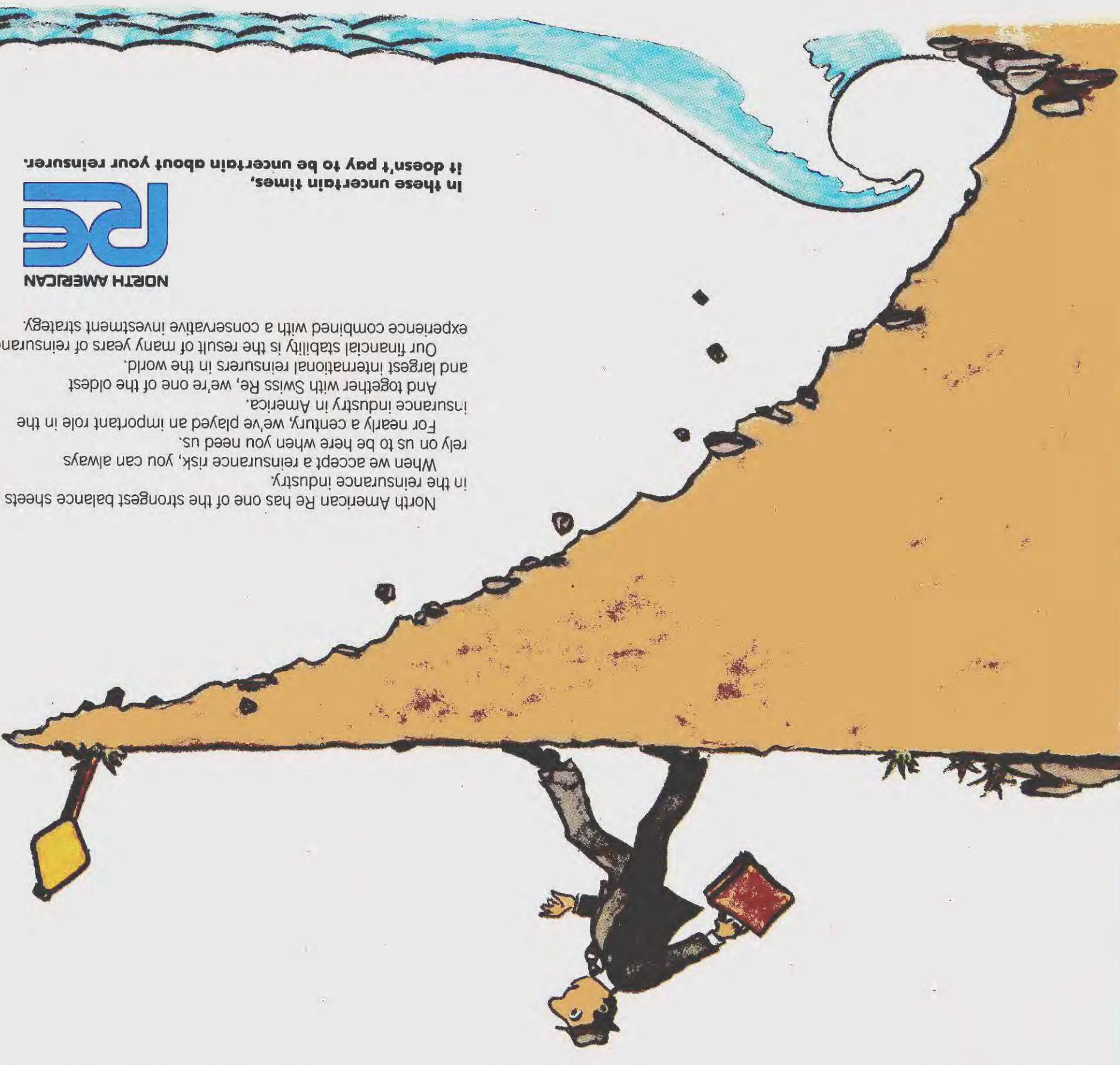
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thrift tips

What MODCO means to U.S. life insurers

By Peter B. O'Brien

DURING THE LAST three years, there has been a loophole provision in the federal tax code that has enabled life insurance companies to save millions of dollars on their income tax bills. This little-known, and less-understood, technique of slashing taxes is through the use of modified co-insurance.

What is modified co-insurance? It's a special form of reinsurance. A life insurance company arranges reinsurance on its contracts, but keeps the assets that stand behind those policies. Then it transfers the investment income from the assets to the reinsurer. The reinsurer then credits the life insurance company for the income transfer, but the money that is credited is taxed at lower rates.

The impact of "Modco" is witnessed by the fact that Prudential, Metropolitan and other large life companies reduced their taxes between \$2 billion and \$3 billion last year. One such company, Equitable, paid no income taxes at all.

The use of Modco enables these large life insurers, especially the mutual companies, to offer their individual life policies at competitive premiums. A case

may also be made for the large group life insurance account to receive a reduction in its administrative charges.

Insurance company officials claim this sophisticated accounting technique is not only perfectly legal, but that old-fashioned tax laws penalize their industry by taxing unusually high inflationary reserve earnings at rapidly rising marginal tax rates. They claim the Life Insurance Tax Act passed in 1959 did not anticipate today's high interest rates and they are paying disproportionate amounts on investments earning more than 4%. (Earnings exceeding 13% are taxed at a 100% rate.)

The IRS, on the other hand, is on the prowl to close the loophole and get its full "pound of flesh." In fact, the Reagan administration has already issued new

regulations that are designed to severely restrict the use of modified co-insurance.

There currently are various proposals before Congress that range from elimination of modified co-insurance for contracts entered into after Jan. 1, 1981, to a continuation of business as usual.

Where do we go from here? No one knows exactly, but a compromise seems likely. It would seem to represent a competitive setback if the industry's 2,000 life insurance companies lost the use of Modco. Life insurance now needs a competitive edge against cash management accounts, IRAs and other high-yield investment opportunities. Without Modco, the industry will find it hard to successfully launch its new products, like universal or variable life. Let's hope for a favorable resolution. ■



Peter B. O'Brien is a vp and senior employee benefits coordinator at Alexander & Alexander of New York Inc. His column appears the third Monday of each month.

Overseas education for risk, benefit managers surveyed

By Claudette Dampier

"Survey of Risk and Insurance Teaching in Europe 1979-1980"
Compiled by the University of Nottingham, on behalf of the International Assn. for the Study of the Economics of Insurance
University of Nottingham, Department of Industrial Economics, University Park, Nottingham, England NG7 2RD

5 pounds (approximately \$9)

AVIENNESE RISK manager has to find a college course in insurance law.

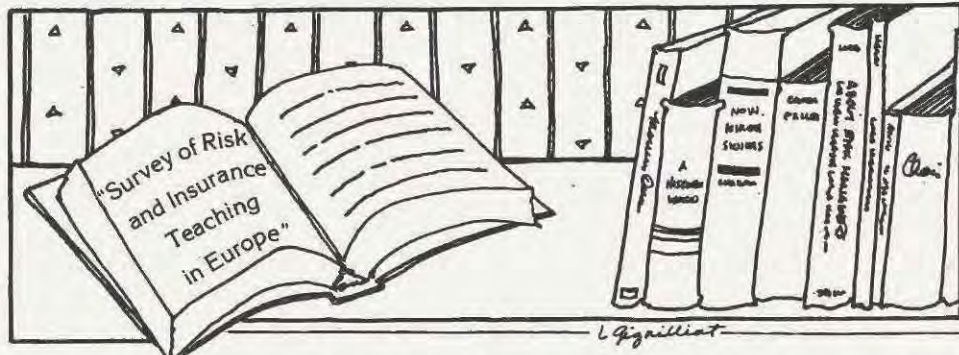
A risk manager in Liverpool wants to brush up on her financial risk analysis skills and needs to attend a class.

A bright Italian student in economics now wants to specialize in risk management in graduate school.

Where can these Europeans go for information?

Fortunately for them, there's the "Survey of Risk and Insurance Teaching in Europe, 1979-80." This collection of who, what, when, where and how of risk management and insurance instruction was gathered by the University of

books & ideas



Nottingham's Department of Industrial Economics. The survey was conducted only once before, in 1976, by the International Assn. for the Study of the Economics of Insurance in Geneva. This 1979-80 survey is the latest update.

The survey covers 187 institutions in 20 countries, including Bulgaria, Hungary, Poland and Yugoslavia. It contains almost every aspect of study related to risk and insurance management, including sociological and psychological views of risk and insurance; decision theory; actuarial studies; engineering risk

management; and economic theory of uncertainty, information, gambling, hedging and insurance. The survey covers nine such classifications in all.

Within each of these categories, further information is given. The reader can learn who teaches the class, at which university, what the course covers, approximate number of students per class, degrees toward which students in the class are working, the teaching method used, whether case studies are used, information on guest speakers and many other details. There probably are more details than

students would need to find a course in risk management or insurance in their native country.

Yet for American managers sent overseas, this is a gold mine of information on instruction. If they work with nationals that need further risk management training, they can start the ball rolling by finding the right class in the nearest university.

Perhaps even better, if the manager speaks the language, he or she can enroll and get a first-hand look at European training of risk and insurance managers. By seeing how and what others learn, an American can understand how they think.

The comparable guide for the United States is the "Survey of Risk and Insurance Instruction in American Colleges and Universities," published by the S.S. Huebner Foundation at the University of Pennsylvania in Philadelphia.

The Huebner survey was published in 1979 and covers the 1975-76 academic year. It is the most recent survey covering the United States. ■

Claudette Dampier is assistant copy editor of Business Insurance.

Type of occurrence may determine right to sue

THE SUPREME Court of South Carolina ruled that coverage under a general liability policy issued to a company was limited to injury or damage that was neither expected nor intended from the standpoint of the insured.

A textile machine company sold a piece of equipment to a Honduran corporation and made certain representations as to the machine's condition. In 1978 the Honduran company sued the textile company claiming the equipment failed to conform to the agreement of the parties.

The textile company was covered under a policy by South Carolina Insurance Co. that indemnified the company against damages due to bodily injury or property damage caused by "an occurrence."

The textile company requested the insurer to defend the suit, but the request was denied. The textile company brought

legal briefs

suit seeking to force the insurer to defend. The trial court ruled for the insurer.

The court noted the Honduran company was suing for breach of contract and fraud, but not for negligence.

The court concluded the Honduran company's claim failed to bring the case within the definition of "occurrence" in the policy, which required an accident resulting in physical damage. *R.A. Earnhardt, Etc. vs. South Carolina Insurance Co.*, Supreme Court of South Carolina, Sept. 22, 1981 (BI/02/A.-\$5).

Group disability

A group disability insurance contract was a "non-occupational" policy rather than "occupational" when it did not insure

against disability to perform a particular occupation, according to the Court of Appeals of Oklahoma.

Kenneth Genzer was employed by McGraw-Hill Inc. as a reporter-salesman. He was covered under a group insurance policy issued by Insurance Co. of North America. The policy defined total disability as the inability of the individual to engage in any employment for which he is qualified or may reasonably become qualified by reason of his education, experience or training.

Subsequently, Mr. Genzer retired for medical reasons and was paid disability for 24 months. The policy then required Mr. Genzer to prove total disability. When INA refused further payments, Mr.

Genzer sued but lost in the trial court.

On appeal the court concluded that the trial court had erroneously instructed the jury. According to the court, Mr. Genzer was entitled to have the jury consider whether he was unable to perform the tasks of an occupation that was comparable in dignity, permanency and compensation to the occupation he was engaged in at the time he was disabled. A new trial was ordered. *Genzer vs. Insurance Co. of North America*, Court of Appeals of Oklahoma, May 12, 1981, certiorari denied, Sept. 1, 1981 (BI/05/A.-\$5). ■

A copy of the entire decisions may be obtained by sending \$5 to Cases Unlimited, in care of Business Insurance, 740 N. Rush St., Chicago, Ill. 60611. Please list the case number.

Companies sue to determine liability for blast

Continued from page 2

able for the explosion because the assignment forced Plastifax to work with a volatile mixture of sulfuric and nitric acids and paraffin.

NL Industries, in turn, filed suit against Plastifax on the same day in the same court to gain access to the plant site so it can investigate the cause of the accident.

Wade Guice, an official, with the local Civil Defense office, says preliminary findings show the solution Plastifax was working with exploded after a cooling system malfunctioned.

Chemfax officials have declined to comment on damages or their legal intentions, but local attorneys say Chemfax, which also has about 14 workers, plans to go to court to recover property and business interruption losses.

Attorneys and other officials at NL Industries have declined to comment on the suits or discuss insurance coverages.

Findings by a host of federal and state agencies investigating the cause of the blast could prompt still more lawsuits, says Gulfport plaintiffs' attorney Paul Minor.

The explosion occurred during working hours in the busy Seaway Industrial Park. Although more than 60 people were hospitalized, officials say many more may have

Companies report pension funding

NEW YORK—Sixty-four of the 99 largest companies that maintain defined benefit pension plans said their plans were fully funded at the end of 1981, a Towers, Perrin, Forster & Crosby study says.

Last year, 46 of 87—or 53%—of the reporting companies said their plans were fully funded.

The companies reporting in this year's survey also said pension-related expenses rose 3% in 1981.

sustained minor injuries. The blast forced about 5,000 people from their homes.

"There was a loud boom, thick dark smoke and debris all over the place," a nearby office worker said, describing the explosion that spewed toxic fumes and chemical solutions that caused those in the area to choke.

Off-duty firefighter Patrick Sullivan removed two men who had been knocked unconscious inside of the burning Plastifax plant.

"One of the men had sustained a head wound. He had stopped breathing and his heart had stopped," Mr. Sullivan said. "I managed to pull his body out, used CPR and brought him back. He later died in the hospital."

"People were injured miles and miles away, by the cloud of smoke

and chemicals," said Mr. Minor, who is representing a driver of a beer truck who is suing Plastifax for \$1 million in compensatory damages and \$1 million in punitive damages for injuries allegedly sustained when he breathed toxic fumes several miles away from the accident scene.

Another local attorney, Joe Sam Owen, says he will soon file a suit for Jerry West, a Plastifax employee who is in a hospital intensive care unit with spleen damage, severe burns, eye damage and a collapsed lung.

The three people killed by the blast included two Plastifax employees and an air conditioning repairman employed by a Jackson, Miss., firm who was at the Plastifax building at the time of the explosion.

Under the Mississippi workers compensation system, workers injured on the job can receive 66.7% of the state average weekly wage, up to a maximum of \$112 per week, according to the state Insurance

Commission. Widows are entitled to 35% of the average weekly wage, while families of dead workers can get up to 66.7% of the average weekly wage to a maximum of \$112.



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Few employers offer drug plans: Survey

Continued from page 1
cost sharing and we feel the administrative costs for high volume/low benefit payment-type plans make them unattractive from a benefit design perspective," said the manager of employee benefits administration for a grocery products company with 57,000 employees worldwide.

"We have the philosophy to take care of the big bills, not every little item that comes along," said the director of employee benefits for a

transportation services company with 20,000 employees.

"We feel that a prescription drug plan is difficult to properly administer and control utilization," explained the director of employee benefits for a paper and paper products company with 24,000 employees.

"Our direction is to maintain as much cost at point of use as we can, so major medical is where this should be covered."

The manager of group insurance for a diversified manufacturing company with 19,000 employees also sees covering drugs under major medical as a cost-control measure.

"Our thoughts are that the minor expenses usually connected with prescription drugs are best consid-

ered (as are doctors' visits) subject to the cost-control elements of deductibles and coinsurance," the manager said.

The firms that do offer employees prescription drug plans outside of the major medical coverage are picking up more of the prescription costs.

For example, a women's apparel retailer with 3,000 employees offers a plan that only charges a 50-cent deductible per prescription. Another that self-insures a drug plan has a \$2 deductible. Two others did not charge employees anything per prescription nor any premium contribution.

On the other hand, when prescription drugs are covered under a major medical plan that has a deductible plus coinsurance provisions, the employee usually pays a

deductible of at least \$50 or \$100 before the drug benefits would kick in, and then continues to share the cost of prescriptions through coinsurance (most often 20/80).

However, a pharmaceutical manufacturer that covers prescription drugs through its major medical insurance has liberalized its plan to pay 100% of drug charges after the deductible has been paid.

The four companies that do offer a separate drug plan see it as a valuable employee benefit.

"It is the most popular benefit and, next to health insurance, it is the one most employees would give up last," said the vp in charge of benefits for the women's apparel retailer.

However, to keep that benefit, which is insured through General

American Life Insurance Co., the employees may have to contribute more. The deductible per prescription is expected to rise to \$1 in July, up from 50 cents.

Workers also will have to share the premium costs for the first time to the tune of \$1 monthly for a single worker and \$2 for a family. The company is currently paying \$3.43 a month per single employee and \$9.33 a month for family drug coverage and this is expected to increase also.

The retailer, which uses PCS Inc. for prescription card services, began its program in November 1980 because "we felt that it would be a very visible program and receive a lot of usage. (It) would be good for employee morale and be good PR for our company."

"Employees find it somewhat clumsy to process claims, but they like getting the money back for something they have paid out cash for," observes the assistant director of personnel for a government entity that has a separate prescription drug plan.

This plan, which is insured through Transamerica Occidental Life Insurance Co., covers 5,500 non-union employees. It costs the employer \$1.15 a month for single workers and \$2.87 for family coverage. Employees do not contribute to the premium nor pay any per-prescription deductible.

The plan was started in 1978 to make non-union employee benefits equitable to those provided union workers through their health and welfare fund.

"It (the drug plan) is perceived by the employees as a significant benefit," says the director of employee benefits for a bakery goods company with 25,000 employees.

The firm, which uses Paid Prescription for its plastic prescription card services, pays \$12.49 a month for each of the 10,000 employees covered by the plan.

The company started its drug plan in 1975 after hourly workers won the benefit in contract negotiations.

Although the majority of the survey respondents were not sold on the merits of a separate drug plan, several of them did stress that drug coverage under major medical is an important benefit.

"A medical plan without prescription drugs is no medical plan," one vp of insurance emphatically stated.

"Our purpose is to provide a good quality comprehensive health plan, and this indeed would include prescription drugs," said the personnel and benefits director for an apparel firm with 1,200 employees. "Drugs are extremely expensive these days and to the lower-paid employee coverage can mean the difference between good health and ignoring health problems."

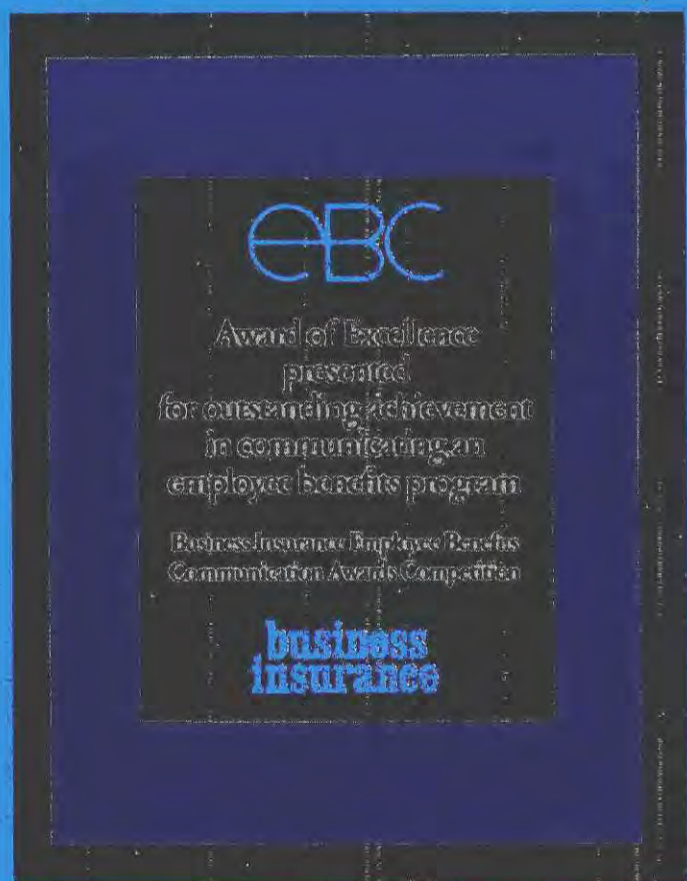
The benefits coordinator of a gas processing firm in an obviously dry section of the country said the coverage was very important to his company's employees because they had "many allergies due to the dusty climate."

"For employees with medical diseases who are on prescription drugs, the cost can be a significant expense for which insurance can represent an important and meaningful employee benefit," said the compensation and benefits manager for an apparel manufacturing firm.

One firm surveyed didn't have to discuss the merits of insuring drug benefits.

A drug retailer simply discounts the cost of all drugs for any of its 10,000 employees who use the company's pharmacies. ■

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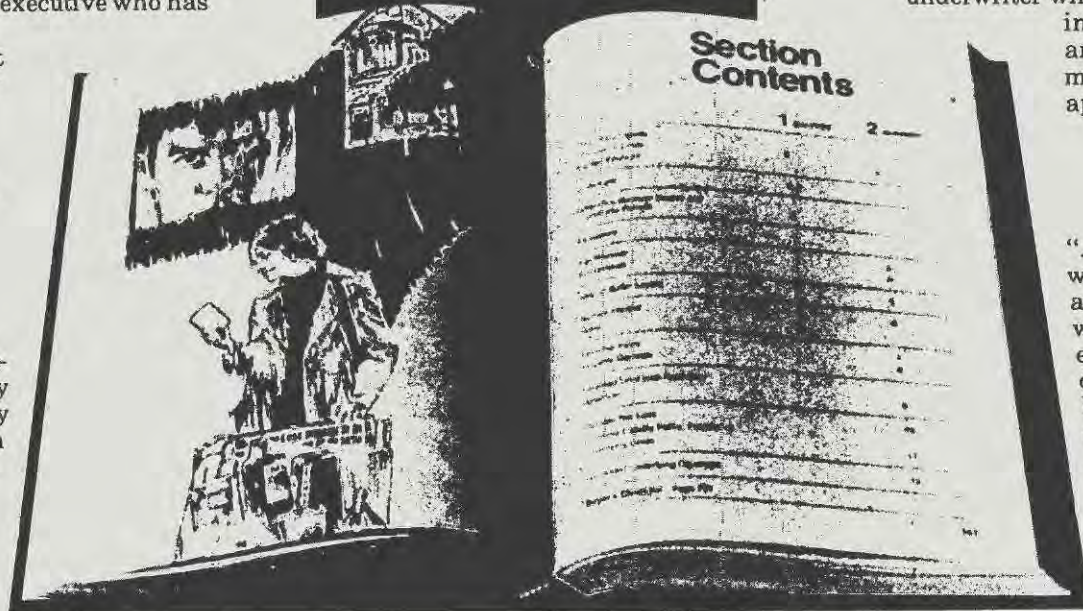
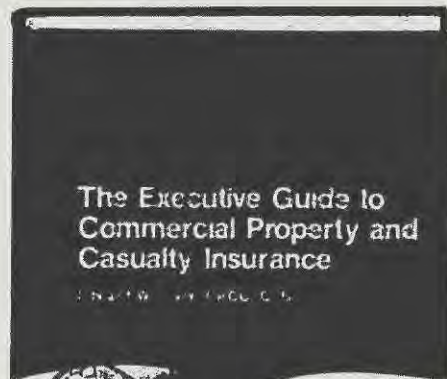
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About the Author

Ted Siver, CPCU, CLU, the founding principal of E.W. Siver & Associates, has been very active in the insurance industry for over 25 years as a broker and consultant. He has contributed numerous articles to such publications as *Business Insurance*, *Agent & Broker*, and others.



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Courts differ on pregnancy issue

Continued from page 2

fits for spouses, said Carole Wilson, the union's associate general counsel in Washington.

In the Emerson case, the EEOC and the union said the electronics company violated the Pregnancy Discrimination Act and the 1964 Civil Rights Act because Emerson's group health plans provide greater benefits to husbands of female employees than to wives of male employees.

In one health insurance plan, which covers members of Local 1102 of the union, Emerson pays about 80% of major medical expenses for spouses of female employees, but it places a \$135 cap on pregnancy medical benefits for spouses of male employees.

In the same plan, Emerson pays 100% of the first \$700 of hospital expenses and 75% of the next \$4,000 of hospital costs for spouses of female employees, but imposes a \$230 cap on pregnancy hospitalization benefits for spouses of male employees.

EEOC trial attorney Barbara Seely argued that Emerson male employees were being discriminated against because they received a less favorable benefit package than female employees.

But Thomas Walsh, Emerson's attorney, said there is nothing in the Pregnancy Discrimination Act that requires employers to offer full pregnancy coverage for spouses, a point Judge Filippine upheld.

A Senate Labor and Human Resources Committee report said the Pregnancy Discrimination Act's "basic purpose is to protect women employees," Judge Filippine noted.

Former Sen. Jacob Javits, R-N.Y., a prime sponsor of the bill, said the Pregnancy Discrimination Act "represents only basic fairness for employees who became pregnant."

Thus, the legislative history of the Pregnancy Discrimination Act indicates that Congress did not intend that it "be applicable to health plans for employees' dependents," Judge Filippine said. "The PDA only applies to employees and applicants for employment."

Experts don't know exactly how many employers, like Emerson or Newport News Shipbuilding, exclude or provide unequal pregnancy benefits for male employees' spouses.

But the number is thought to be substantial, particularly among financially hard-pressed city and county governments that can't afford the higher costs of equal pregnancy benefits for spouses.

For example, the city of Glendale, Calif., which employs 1,500, found that its group health premiums would rise \$25,000 a year if it covered pregnancies of spouses of male employees.

Owners of requisitioned ships press claims against British

Continued from page 2

the replacement value, particularly on a 12-year-old vessel."

The spokesman estimated the Atlantic Conveyor, the only commercial ship destroyed in the conflict, has a replacement value of \$20 million.

The families of the Cunard employees killed when the Atlantic Conveyor was hit will also be compensated by the British government, but the amount "is highly confidential and personal," said the Cunard spokesman.

Families of crewmen killed in the fighting can't be another source of compensation.

Under the Warlike Operations Agreement that exists between shipowners and maritime unions, the survivors of dead sailors can be compensated through the shipowners' property and indemnity clubs, said Norman Douglas of the General Council of British Shipping.

Under the agreement, the families of high-ranking ship officers killed at sea receive a lump sum of 43,000 pounds (\$75,630), Mr. Douglas pointed out.

Families of lower-ranking officers receive 35,000 pounds (\$61,600) and families of seamen receive 26,000 pounds (\$45,760), he said.

High war risk rates to continue for a while

LONDON—Lloyd's of London is not throwing caution to the winds as it cheers the troops home from the Falkland Islands.

Lloyd's will continue its ban on underwriting Argentine risks until the British government is content that Argentina has ceased hostilities over the Falkland Islands.

Also, the cargo and hull war risk insurance rates charged by Lloyd's and London company underwriters will continue to be on a "held-cover" basis for some time, meaning an underwriter can charge whatever he desires for war risk coverage areas near Argentina.

"We would not expect anything here to budge on Argentina until the British government pledges to remove its sanctions," said a Lloyd's spokesman. "And it is unlikely that war risk rates will change, either, until the government is satisfied that the Argentines have put down their guns forever."

Robert Gordon, chairman of the War Risk Cargo Rating Committee, agreed that the cargo rate will continue to be on a held-cover basis. "If you ask, 'Will it go back to normal in a few days?' the answer is no. Whether in a reasonable time it will come down, the answer is yes," he said. "But do not ask to define a reasonable time."

He estimated that survivors of those killed on the ship the Atlantic Conveyor could receive a total of more than \$200,000 from the P&I clubs.

The clubs must also pay for the increased salaries that employees

on merchant ships receive while in government service, according to the agreement.

For example, a sailor regularly making \$200 a week would receive \$500 weekly if he serves on a merchant vessel that is ordered into a war zone.

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vps, directors, managers of insurance, risk, benefits, compensation, safety, security, etc.	5,791
Government, Associations, Unions, Educational Institutions	
	1,001
Commercial Consumers Sub-total	
	23,000
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Insurance Cos	
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Financial Institutions	
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Actuaries, Attorneys, Adjusters, Appraisers & Consultants	
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Little data shared: Survey

PHILADELPHIA—Although state insurance departments say lack of manpower and money is limiting their effectiveness, many of the departments are not sharing vital information that could cut down on expensive duplication of work.

Only 17 of the respondents to an National Assn. of Insurance Commissioners' task force survey on insurance department resources said they notify the domiciliary state if their departments conduct a rate or market-conduct examination of an insurer.

And only 16 of the 36 respondents said they notify the domiciliary state if a particular problem arises during the examination.

Only two states—Illinois and North Dakota—provide complaints by consumers against insurers to the companies' domiciliary state.

The survey, which also covered consumer services, rating, risk management, rehabilitation and liquidation and data processing capabilities, showed:

- Half of the 36 respondents conduct rate examinations for property/casualty insurance. Eight, including the District of Columbia, conduct rate examinations for life or accident and health insurance.
- Fourteen conduct rate examinations on rating organizations and advisory organizations, which represent insurers in rate hearings. Twenty-one do not.
- Nineteen treat investment income for rating purposes "substantially different" than a decade ago.
- Five states use computers in their analysis of ratemaking data.
- Only three departments use computers to audit insurers whose accounting system is electronic data processing-related. Two of those states make those "audit tapes" available to other insurance departments for use during rate examinations.
- More than two-thirds of the departments have a risk management program to identify and protect assets through insurance and non-insurance approaches. Three of the states said the risk management program is administered within the insurance department.
- Twenty-three of the departments have a library where the rules and regulations of all state insurance departments are maintained.

States admit that regulation of insurer solvency is weak

Continued from page 1
against relying solely on its system to monitor insurers.

As the NAIC points out, insurers are not required to participate in the NAIC's Insurance Regulatory Information System. And, insurers that don't participate "are expected to be given priority in a state's surveillance process," according to the NAIC.

Only Arkansas, Idaho, Illinois, Kansas, New Hampshire, New Jersey, New Mexico, South Carolina, South Dakota, West Virginia and Wisconsin said they have uniform standards for doing this, according to the survey.

Furthermore, when the states file premium and loss transaction information, only eight of the states that responded to the survey said they verify the data submitted to the department's chief financial examiner. Although this information is submitted for approval of rates, it also provides other insight for regulators.

Alabama, Alaska, Colorado, Florida, Indiana, Nebraska, New Jersey and South Carolina reported they do examine "hard copy" to

verify the information. But 27 states, which represent 75% of the survey respondents and 54% of all the states, said they did not.

"A good number of states don't even have actuaries on their staffs and have to hire them from the outside for certain duties," pointed out the Montana commissioner, Mr. Omholt.

Comments added to the questionnaire indicate this might not always be possible because of budget constraints.

According to the NAIC report, the Arizona questionnaire noted the "main issue is adequate funding. An adequate resource base is a necessary condition precedent to achieving effective insurance regulation on a long-term basis. . . Department facing substantial budget cutbacks during the upcoming fiscal year."

"Continuing need for more personnel and more money," said the Idaho questionnaire. "Currently all departments are limited to 32-hour work week, further limiting effectiveness."

"Severe limitations on staff, travel and equipment," wrote Indiana. "Ratio of department employees per companies admitted, agents licensed, etc., is extremely low (84 employees; 1,400-plus companies; 40,000 agents), with little possibility for backup, cross-training or expansion."

South Carolina had a similar report: "Primary problems lie in the area of underfunding and the inability to hire new personnel, replace department personnel or update properly some of the technical equipment."

"Greatest need is for a reliable means of funding the activities of the Insurance Department," added Washington.

The survey results, which were

reported at NAIC's summer meeting in Philadelphia, have prompted NAIC's Inter-Departmental Resources Task Force to begin two investigations.

One subgroup of the task force will focus on alternative funding mechanisms for insurance departments, with the specific intent of drafting a NAIC proposed model bill that could be used for adoption by states (see related story).

A second subgroup has split off to look at how insurance regulators can share information more efficiently to head off insolvencies and fraud attempts.

"An expanded information system could provide information on both consumer complaints and disciplinary actions against insurance companies," the task force said in its report to the NAIC.

Lebanese fighting affects war rates

LONDON—Lloyd's of London and London company underwriters are now free to quote any rate they choose for war risk insurance for cargo traveling to Lebanon because of the Israeli invasion.

The minimum rate had been 50 cents per \$100 of insured value, says Robert Gordon, chairman of the War Risk Rating Committee.

Underwriters already charge any rate they choose for hull war risk insurance for ships bound for Lebanon, a Lloyd's spokesman said.

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Regulators look for funding sources

PHILADELPHIA—Insurance regulators, feeling the effects of slim and trim state budgets, are looking for new ways to fund their departments.

Travel restrictions and budget cuts in several states have kept insurance commissioners and key staff members from attending National Assn. of Insurance Commissioners meetings, where insurance industry regulation is formed and then put before the states to adopt, a survey found.

And an examination of state insurance departments points to the need for an expanded exchange of information among regulators, who have virtually no electronic communication network among them to track information.

The lack of a sophisticated information system concerns the regulators, especially since the economy and the underwriting cycle is battering insurers' solvency. But the greatest overall concern expressed by the regulators at the NAIC meeting in Philadelphia earlier this month was the immediate need to explore alternative funding methods for their departments.

Some states have already started to act, including:

- California, where a bill is pending in the Legislature that

would allow fees that are paid to the Insurance Department to be deposited into the Insurance Fund, rather than the state's general fund where they are allocated on a discretionary basis.

- Indiana, which is exploring the possibility of financing Insurance Department operations entirely from fees the state charges insurers to operate in the state.

- Washington, which is pushing for funding from the state based on the amount of work required of the Insurance Department, rather than on the ups and downs of general government financing.

Washington has also asked an NAIC task force at the recent summer meeting to support a model funding bill that uses one of two approaches:

- Funding insurance department activities through fees and charges levied on the industry.

- Allocating a specific percentage of premium taxes to be used by an insurance department to regulate the industry.

In the meantime, the NAIC has set up the Funding State Activities Task Force to study reimbursing travel expenses of insurance commissioners and technical staff members, some of whom have been faced with the choice of paying

their own way to attend NAIC meetings or not attending at all.

California Deputy Insurance Commissioner Frank Damon paid his own air fare to the Philadelphia meeting and bunked with an NAIC staffer to avoid paying a \$80-per-night hotel tab as well.

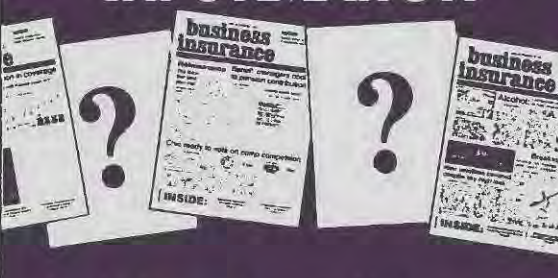
The Nebraska state government has declared a ban on travel, and several other states have severe restrictions on travel, even within their own state.

"The continued vitality of the NAIC and the need to provide the public with competent and effective regulation of the insurance business requires that all insurance commissioners have the opportunity to attend NAIC meetings," said the task force, composed of four regulators.

They asked the NAIC executive committee to allow a portion of the dues paid by the states to be set aside to fund travel, hotel and meal expenses so that at least one person eligible to vote from each dues-paying state can attend the meeting.

Technical and actuarial staff needed to testify and provide information at NAIC meetings would also be reimbursed for expenses with prior approval of NAIC officers, according to the proposal.

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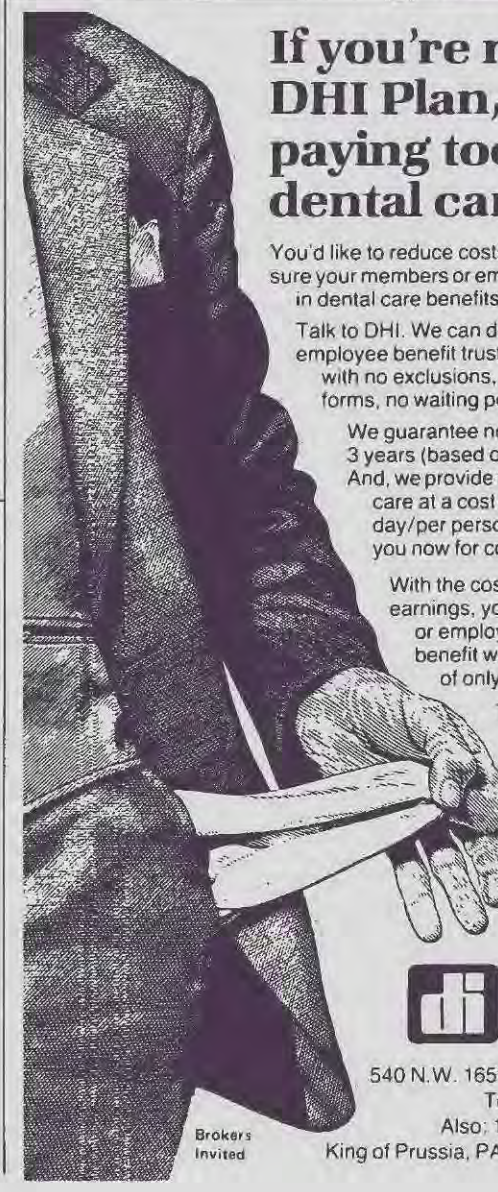
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Task force to study wellness

PHILADELPHIA—The National Assn. of Insurance Commissioners' task force on Alcoholism, Drug Addiction and Insurance has broadened its charge to include the study of wellness and preventive health care concepts.

What had been known as the NAIC Task Force on Alcoholism is now the Holistic Health Care and Chemical Abuse Task Force.

Just a year ago, the NAIC task force introduced a model law that expands the coverage offered by health insurers to include the treatment of alcoholism and drug addiction. In December, the executive committee of the NAIC approved the model act.

So far, only Texas has adopted model legislation. The NAIC task force will monitor the effectiveness of that state's law.

The model law, if adopted by other states, forces health insurers to expand traditional hospital treatment for employees and their dependents to include licensed, free-standing drug treatment centers and increases coverage for long-term treatment.

Many health insurers offer group health benefits for treatment of alcoholics and drug addicts, but the amount of treatment covered has been limited.

Under the Texas law, an additional 28 days of treatment in a rehabilitation center would be included in the insurance coverage if an employer opts to purchase the additional coverage.

Patients also would be entitled to a maximum of 30 outpatient visits, including family counseling, in one calendar year.

Regulators want input on trade laws

PHILADELPHIA—Insurance regulators want to be involved in U.S. trade negotiations to give the industry input in decisions affecting business in foreign countries.

The National Assn. of Insurance Commissioners' Task Force on Discrimination Against U.S. Insurers in Foreign Countries supported a resolution at the summer annual meeting that regulators work with the federal government to deal with existing trade disincentives.

The task force, appointed last December to investigate the problems insurance companies say exist in transactions abroad, recommended the NAIC support legislation that establishes service sector

trade agreements as a principal objective in future trade negotiations.

Some of the discriminatory practices outlined include restrictions and denials of market access, arbitrary and discriminatory licensing procedures and discrimination against foreign branch operations.

There is a need to protect "service" industries, like insurance, from discriminatory practices of foreign nations, said Edith Lichota of CIGNA Corp., chairwoman of the advisory committee to the task force.

The executive branch and Congress must be given a clear understanding, she said, of service industries that operate at the international level.

Keene, insurers continue court fight

Continued from page 1

led to the benefits of these policies without any of the obligations. Nothing in the Court of Appeals' opinion so holds, however, and no logic can support such a 'have-your-cake-and-eat-it-too' position."

The memo also charges that Keene, in an attempt to avoid deductibles and retrospective premium payments, is trying to "reassign" to earlier policies some 1,100 cases already disposed of by Liberty Mutual.

"It is obvious that Keene is attempting to manipulate its deductibles and policy limits ex post facto in the hope of avoiding the responsibilities it accepted under the policies pursuant to which Keene assigned the cases to Liberty," the memo says.

An attorney for INA also differs with Keene's interpretation of the decision.

"Our concern is with Keene's efforts to extract every conceivable and possible interpretation to its own advantage," said Michael R. Gallagher of the Cleveland firm of Gallagher, Sharp, Fulton, Norman & Mollison.

"We're seeking to avoid a situation where Keene can play the game any way it wants."

Jerold Oshinsky, attorney for Keene with the Washington, D.C., firm of Anderson Baker Kill & Olick, declined to comment last week pending the hearing before Judge Green.

He did indicate, however, that Keene is not obligated to pay the deductibles under the decision.

Until all the issues are decided, Judge Green has clarified how the insurers will temporarily handle cases against Keene.

In a May 18 interim order, the judge ordered Liberty Mutual to continue to defend and indemnify Keene for outstanding claims, but the costs incurred will be divided among Hartford, Aetna and INA. Or these insurers can opt to defend a third of the pending cases themselves.

Aetna and INA have agreed to reimburse Liberty Mutual, while Hartford has decided to defend the cases on its own.

The judge did not assign Liberty Mutual to pick up the costs of any more claims during this interim pe-

riod because it already had been defending and paying claims for Keene for the last 4½ years, said Christopher Mansfield, a Liberty Mutual attorney.

The issues in the Keene case are so complex that it is nearly impossible for a court to write an opinion that doesn't leave any questions unanswered, INA's attorney Mr. Gallagher added.

In a recent memo, INA highlighted some of these issues, centering on the court of appeals decision that Keene can select the policy under which it should be indemnified, the memo says.

"When must Keene make this that selection? Is it when the claim is filed? Is it when judgment is entered or a settlement reached? And once Keene has made a selection, can it change its mind and seek to apply another set of policy limits?"

The Keene decision broadened coverage for asbestos claims by extending liability for claims to all insurers on the risk from the time of an individual claimant's exposure to asbestos through the time the as-

bestos-related disease manifested itself. This could include a latency period of more than 20 years between exposure and manifestation.

This triple-trigger theory contrasts with the exposure theory, which limits coverage to the insurers on the risk when the worker inhaled the asbestos fibers, and the manifestation theory, which limits coverage to the insurers on the risk when the disease manifests itself.

Keene's primary insurers, who so far are at risk for most of the claims, were: INA from 1961-1968, Aetna from 1968 to 1971, Hartford from 1971-1974 and Liberty Mutual from 1967-68 and 1974-1980.

Keene also recently filed a declaratory judgment action against six of its excess insurers seeking to have the appeals court decision apply to those companies as well.

Keene's excess insurers include Insurance Co. of North America, Aetna Casualty & Surety Co., Continental Casualty Co., The Home Insurance Co. and American Home Insurance Co.

J-M considering retroactive coverage

Continued from page 1

problems, another source said.

A spokesman for Frank B. Hall refused to comment on the search, while spokesmen at J-M were unavailable for comment.

"There's nothing I can tell you about it," the Hall spokesman said. "I'm not at liberty to discuss it."

J-M has been named in more than 11,000 lawsuits brought by more than 17,000 victims of asbestos-related diseases. The company is named in approximately 500 new suits each month.

Last year, J-M's auditors qualified its financial statements be-

cause of the growing concern over the asbestos-related lawsuits.

J-M recently severed its relationship with long-time broker Marsh & McLennan. In November 1981, J-M sued M&M for alleged improper conduct when putting together an insurance package (BI, Jan. 18).

J-M has also sued its excess insurers in a declaratory judgment suit pending in California. The suit charges them with breach of contract, breach of covenants of good faith and fair dealing and violation of the state insurance code.

Settlement could reach \$17 million

NAPA, Calif.—General Motors Corp. and Allstate Insurance Co. have agreed to a structured settlement that could ultimately pay almost \$17 million to a Napa couple who lost two infants when the gas tank of their 1976 Opel caught fire during a rear-end collision.

The settlement follows the Nov. 12 crash that killed Jeffrey and Deana Lucas' 17-month- and 5-

month-old children. Mr. and Mrs. Lucas were also injured.

Attorney Melvin Belli, who represented the couple along with Newport Beach, Calif., attorney Mark P. Robertson Jr., says Allstate's share of the settlement will be \$300,000, the limit of the policy it wrote for the driver of the vehicle that hit the Lucas' car. GM or its insurers will pay the rest.

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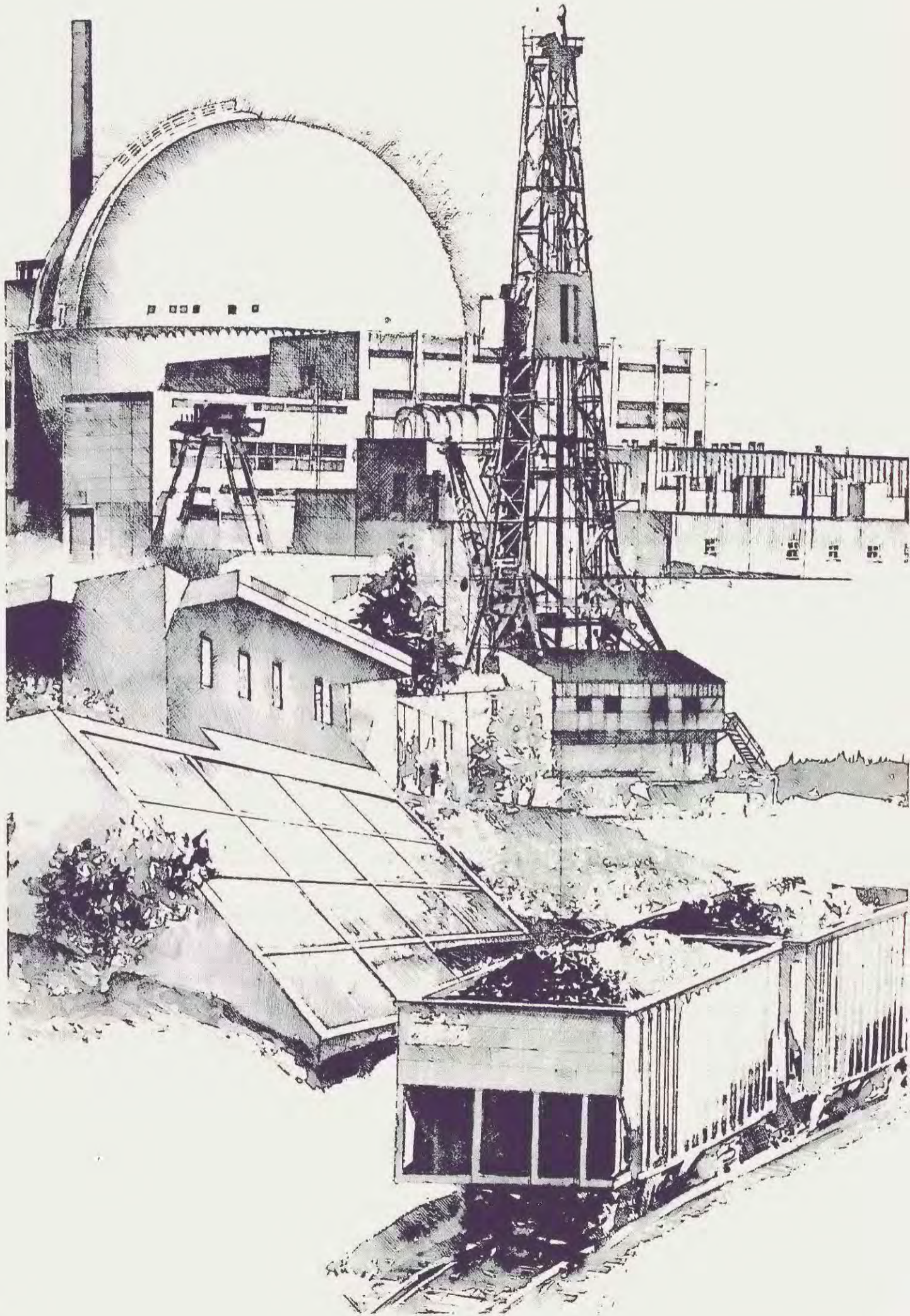
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