Markets improving, risk managers report

By SUSAN ALT

CHICAGO—Insurance market conditions are visibly improving, according to insurance buyers surveyed by *Business Insurance*, leading risk managers to forecast stabilized prices or declining premiums in the future.

Some corporate insurance managers have already experienced the stabilized market conditions on renewal, paying premiums the same or lower than those charged for previous policies for property or liability coverage. At the same time a sizeable group of buyers have been able to obtain higher liability insurance limits.

Though a small but significant number of commercial buyers haven't been able to obtain the coverage they felt they wanted or needed, that's the only gray cloud overshadowing renewal experiences of many organizations in recent months.

editorial advisory panel

These are the key findings of the latest Editorial Advisory Panel survey by *BI* of 109 key risk manager readers around the nation, representing entities ranging from relatively small firms to the very largest corporations in the country.

More than 80% of the 109 panelists told this magazine that they view current property and casualty insurance market conditions as stabilized or slightly looser, compared with a year ago. Of that group, twice as many felt the markets were looser now than felt they had merely stabilized.

Only 9% of the participants believe it's more difficult, generally, to obtain coverage now because markets are either slightly tighter or a lot tighter than they were a year ago. Three panelists offered the most optimistic characterization, calling the markets a "lot looser" now.

Two-thirds of the group said they've renewed a property insurance policy within the last six months or will renew one in the next three months, while three-fourths of the panelists have had recent ex-

Continued on page 53

How Property/Casualty Market Compares To 12 Months Ago

	responses	%
About the same	33	30
Slightly looser	60	55
Considerably looser	3	3
Slightly tighter	7	6
Considerably tighter	3	3
No response	3	3

Forecast For Next 12 Months

Property		
Will stay the same	51	49%
Will go up	25	23
Will go down	29	28
Liability		
Will stay the same	30	28
Will go up	50	47
Will go down	26	25

Budget cuts, layoffs

Proposition 13 perils public risk manager

By JOANNE GAMLIN

SACRAMENTO—"Nobody can say that he is secure."

That's the way David Born, risk manager for the past six months for the joint powers authority in Contra Costa County, assesses the impact of Proposition 13 on risk management in California.

The passage of the voter initiative that will slash property taxes and local government revenues may wilt the blooming public risk management market here.

The city of San Francisco has shelved plans to hire its first risk manager. The city of Anaheim has given up the idea of adding a safety director to its staff. Los Angeles County will leave its risk manager position unfilled for the time being.

Some experts believe government agencies may face increased liability claims as they reduce public services when their revenues are cut by an estimated $5 billion to $12 billion. And a spokesman for the state insurance department said that agency may be forced to concentrate its activities in only a few areas.

Some predict that 225,000 persons will lose their government jobs as the state copes with the new tax restrictions. Plans are underway to distribute a $4 billion state surplus to local governments to lessen the shock and Gov. Jerry Brown has announced a hiring freeze and a $570 million reduction in the state budget.

But Proposition 13 will still have a major impact on risk managers for public entities. Although not worried about his own job, Mr. Born pointed out that one of the directors of the joint powers authority may lose his job since some of the 14 cities in Contra Costa County may have to shut down.

Personnel cuts may be only the tip of the iceberg, said Ben C. Francis, assistant administration and finance director for the Santa Clara Valley Water District in San Jose. Belt tightening by public agencies could worsen the already difficult insurance problems for government bodies.

No matter how the state distributes its surplus, claims will rise as public service positions are axed, Mr. Francis said.

One of the first groups of public employes to feel the pinch were the 579 employes of the Los Angeles Flood Control District. They were told early this month that they will be jobless by June 30. Significant layoffs are also anticipated in the Los Angeles police force and among firefighting units, as well as

Continued on page 55

AIG backs exchange but OK doubted

By ELLIS SIMON

NEW YORK—Even though AIG president Maurice R. Greenberg has shifted positions and is now a supporter of the proposed reinsurance exchange, the plan to create a Lloyd's type market is expected to encounter rough sailing.

It is uncertain if the bill will come up on the floor before the legislature adjourns in the next few weeks. If the bill fails to come before both houses, the idea of creating the Lloyd's type market to underwrite reinsurance, foreign risks and surplus lines would be dead for 1978.

Prospects for a quick passage have been clouded by misgivings expressed by some members of the state senate, including John Dunne, chairman of the senate insurance committee. While calling the reinsurance exchange a "great idea," Mr. Dunne said "the more we hear about it, the more compli-

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Week of June 26, 1978

business insurance

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

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75¢ a copy; $15 a year

Conn. governor vetoes anti-consumer tort reform

By JERRY GEISEL

HARTFORD—Gov. Ella Grasso stunned Connecticut business groups this month by vetoing a comprehensive product liability reform bill, the first time in recent years a governor has vetoed a tort reform measure.

A legislative attempt to override the veto failed, killing the measure. Twelve states have passed product liability reform bills since 1977 without gubernatorial opposition, including a recent Florida plan expected to receive the approval of Gov. Reuben Askew shortly.

"The additional burdens imposed on Connecticut consumers are not justified by what would be at best minimal premium savings for Connecticut manufacturers," Mrs. Grasso said in vetoing the bill.

Business leaders expressed shock and disappointment at Mrs. Grasso's action. "It (the veto) was a surprise to me because she had given quiet assurance that she would pass the bill," said Bob Chatfield, chairman of the Connecticut product liability task force. "The governor has lent her name to a deception of the people."

But consumer and legal groups who had intensively lobbied against the measure rejoiced at the veto. "It is the most courageous act taken on behalf of Connecticut consumers this year," said Marc Caplan, director of the Connecticut Citizen Action Group.

"Mrs. Grasso's veto was an act of great personal courage because of the intense pressure she must have been under from insurance industry and business lobbyists to sign the measure," said Richard Bieder, for the Connecticut Trial Lawyers.

Both opponents and supporters of the product liability bill said it was unclear if the veto would have a nationwide impact on the tort reform drive that has won a series of victories this year.

"We hope the veto is an aberration, rather than the beginning of a

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The inside story

Liability extended again

Municipalities already troubled by insurance woes face a new avenue of liability following two court decisions opening the way for damage suits involving violations of civil rights. **Page 4.**

Tort reform update

The drive to solve product liability problems through tort reform is scoring some notable victories this year. Keep up-to-date with what is happening with our second Product Liability Score Card for 1978. **Page 36.**

Elsewhere:

- OSHA levies citations and lawyers file suits in scaffold disaster. **Page 6.**
- FLORIDA CHANGES the benefit formula for work comp injuries. **Page 16.**
- 'SATISFIED' PUBLIC wants the health care system changed, poll reveals. **Page 24.**
- FORD BOWS to 'public concern,' recalls Pintos to fix the fuel tank. **Page 26.**
- WASHINGTON state names a broker of record: Marsh & McLennan. **Page 28.**
- IOWA HOSPITALS spend $1 million to dissect hospital incidents. **Page 37.**
- U.K. TO INSURE the huge Pan Am-Lockheed plane deal. **Page 41.**

for your information...

Swine flu victims won't be forced to prove negligence, Califano says

WASHINGTON—Swine flu victims will not have to prove negligence by federal employes or others in order to receive compensation from the government, Health, Education and Welfare secretary Joseph Califano said this month.

A person will only have to prove that he or she developed the Guillain-Barre syndrome, a condition that causes paralysis and in some cases death, as a result of a swine flu vaccination. However, non-syndrome cases will still have to prove negligence.

Mr. Califano said the government changed its position since it had not warned vaccine recipients that they faced a 1 in 100,000 chance of developing the syndrome. The HEW chief could not estimate what the federal government will eventually pay out in the program but said it would be a fraction of the $365 million sought in 463 claims involve the Guillain-Barre syndrome.

California voters OK pooling

SACRAMENTO—Voters in California this month approved a proposal to amend the state constitution to allow two or more government agencies to form insurance pools.

The proposition allows insurance pools to pay claims in workers compensation, tort liability, public liability and unemployment compensation.

No insurance for 1984 Olympics

LOS ANGELES—A committee of top insurance brokers says insurance cannot be found to protect the city from financial liability for hosting the 1984 summer Olympics.

Although Mayor Tom Bradley had appointed the committee to see if insurance could be obtained, by late this month it appeared that the U.S. Olympic Committee had agreed with private Los Angeles Olympic representatives to join in pressing for an Olympics contract to protect the city and its taxpayers against any financial liability for the games.

The five representatives of the newly formed Los Angeles Olympic Organizing Committee and Mayor Bradley's committee of private businessmen hope to get the International Olympic Committee (IOC) to sign an Olympics contract with the organizing committee, rather than with Los Angeles, thus protecting the city against financial liability.

Design errors blamed in roof collapse

HARTFORD, CONN—Design errors that should have been detected during construction of the Hartford Coliseum's roof led to its collapse last January, concluded a final report by a New York-based engineering firm hired by the city to investigate the incident.

The report, prepared by Lev Zetlin Associates Inc., said the deficiencies included failure to brace at midpoint a steel gird of inverted pyramids and underestimation of the roofs total load capacity.

The report cited the city, the general contractor and the designers with inadequate and poorly handled inspection and quality control procedures.

Consulting structural engineers on the project were Fraioli, Blum & Yesselman of Hartford, and the project's architect was Vincent G. Kling & Partners of Philadelphia.

Increase competition, says FTC official

WASHINGTON—More government regulation may be needed to insure "healthy and robust" competition in the insurance industry, a top Federal Trade Commission official told a legal conference.

Speaking before the American Bar Assn. meeting on antitrust law, Robert B. Reich, FTC director of policy planning, said more federal-state cooperation and enforcement is needed to strengthen competition in the insurance industry.

Mr. Reich also said a FTC task force may make recommendations to change the McCarran-Ferguson act which has sharply limited federal regulation of insurance.

Cargo ships covered in U.S. market

NEW YORK — All the hull insurance on the U.S. cargo vessel Yellowstone that sank in the Mediterranean earlier this month was placed in the American market, said the American Institute of Marine Underwriters.

Yellowstone, valued at $2 million, sank after a collision with an Algerian freighter in dense fog about 14 miles south of Gibraltar. Five crew members of the American ship were killed and three others were seriously wounded. Yellowstone was carrying a full load of wheat.

A&A buys agency

Alexander & Alexander has acquired Legrand Bonding Agency of Newport Beach, Calif., for additional expertise for its California operations in surety bonding.

Insurer buys Blades firm

NEW YORK—Crum & Forster, a New York insurance holding company, is acquiring J.H. Blades & Co. for $6.5 million.

The Houston-based managing general agency, which handles a variety of insurance lines, will continue to operate under the Blades name with J.H. Blades as chairman and chief executive officer and Robert P. Quinn as president and chief operating officer. Crum & Forster said Blades will retain its authority and autonomy in all areas of insurance and reinsurance markets and operations, but it is expected that one or more Crum & Forster insurance companies will provide added capacity for the Blades Group.

As a result of the merger, Crum & Forster will take over about a 20% interest in J.H. Blades & Co. (International) Ltd., a reinsurance intermediary and managing general agency serving Bermuda accounts. Also under consideration is a cash tender offer by Crum & Forster for the balance of the outstanding shares of Blades International as well as for all of the outstanding shares of St. John's Insurance Co. Ltd., another Blades affiliate. ■

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Vol. 12, No. 13—Business Insurance is published every other Monday at 740 Rush St., Chicago, Ill. 60611. Controlled circulation postage paid at Brookfield, Wis., Chicago, Ill. and New York, N.Y.
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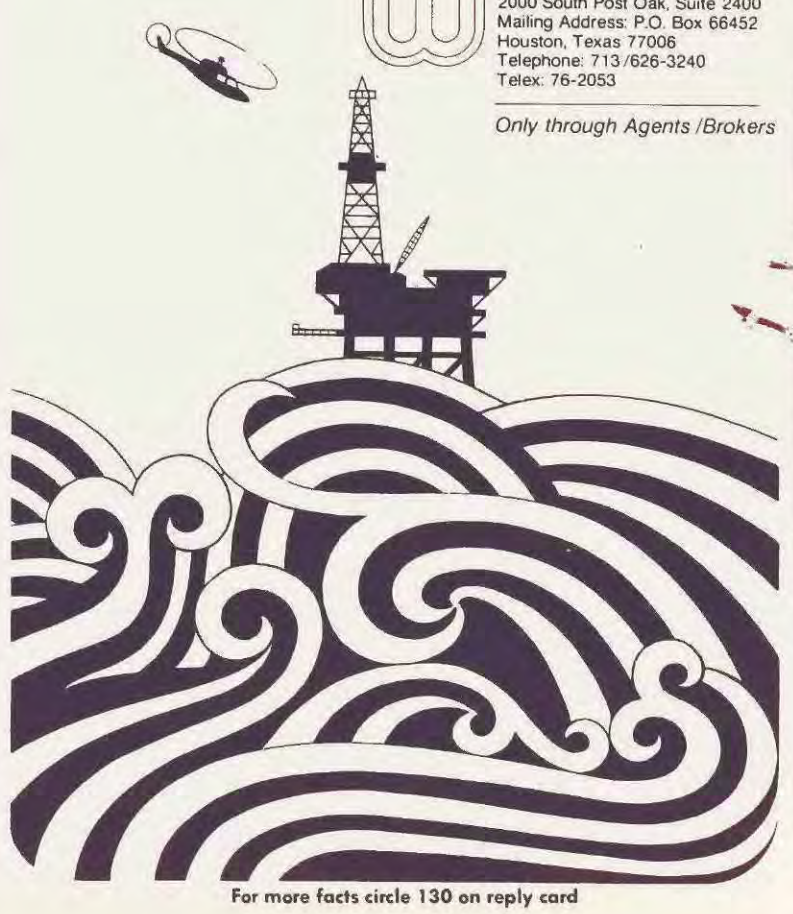
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the benefit beat

N.Y. News wins right to limit health plan payments

NEW YORK Daily News employes who are members of the Newspaper Guild won increased wages this month only after agreeing to limit employer contributions for health insurance. The agreement covering 1,340 employes ended a five-day strike at the nation's largest newspaper in terms of circulation. The pact provides average weekly wage increases of $23 the first year, $23 the second and $22 the third. Cost-of-living adjustments continue in the second and third year, with Guild members gaining increases above any 6% rise in the Consumer Price Index. However, the News won the right to limit its share of Blue Cross-Blue Shield health insurance contributions to $150,000 a year because contributions under present formulas have required larger payments than necessary to continue coverage. Severance pay for future employes has also been cut back to 50 weeks from its former two weeks salary for each year of service. An employe who already has five days of absence within a year won't be paid for the next two days of sick leave. The News also won the right to impose a four-day workweek on a 35-hour workweek.

The Newspaper Guild plans to negotiate soon with the city's two other major dailies, the New York Times and the New York Post. Contracts with the newspaper unions at the three papers expired March 30. Deadline for an agreement with the Post and the News is set for July 4th weekend. The News settlement averted possible lockouts at the Times and Post, who had indicated that they would cease publication if the News strike lasted into the seventh day.

SUNPAPERS OF BALTIMORE, publisher of the Baltimore Sun, has instituted a vision care program as part of a new three-year contract with the Newspaper Guild. Employes will be reimbursed up to $20 to cover the cost of an annual eye examination. Sunpapers also agreed to regularly check video display terminals, which reporters use to write stories, for possible excessive radiation. Sick leave accrual has been boosted to a maximum of 110 days, up from 100 days under the old contract. Severance pay for veteran employes also was improved. Beginning in 1980, employes with at least 28 years of service will receive 50 weeks of severance pay while employes with 29 or more years of service will receive 52 weeks of severance pay. Under the old contract, there was a 48-week cap on severance pay. Effective immediately, employes who use their cars will be reimbursed at the rate of 16 cents for the first 150 miles of mileage and 14 cents for each mile thereafter. In July 1979, reimbursement will rise to 17 cents a mile for the first 150 miles and 15 cents for each mile after that. Currently, employes receive 14 cents for the first 150 miles and 13 cents for each mile that follows.

Salaries for employes were boosted on the average about 6.5% during each year of the contract. For example, top minimums for reporters will rise to $485 per week from $400 per week during the last year of the contract.

AGE DISCRIMINATION regulations issued by the California Fair Employment Practice Commission June 1 do not answer whether an employer must provide continued benefit coverages to employes who work beyond their normal retirement date. Johnson & Higgins benefit experts conjecture that the omission is "undoubtably due to the volume of comments received by the commission that ERISA would preempt any commission regulations relating to employe benefits." California law has abolished forced retirement at any age, unlike the federal law which sets 70 for mandatory retirement action. The state law specifically exempts benefit plans from its scope for two years but no one has addressed what will be required after that.

MOST HMOs are nonprofit entities. There are almost nine times as many nonprofit HMOs as there are plans run to make money—130 compared to 15, says the National Assn. of Employers on Health Maintenance Organizations.

BENEFIT TAXATION received a setback as the House Ways and Means Committee voted to delay any changes until the end of 1979. The committee approved legislation that would prohibit the Internal Revenue Service and the Treasury Department from issuing final regulations on taxation of benefits that would take effect before Dec. 31, 1979. In the Senate, Sen. William Roth (R-Del.) warned that the IRS currently is drafting regulations to tax as many as 40 employe benefits. The IRS regulations could cost taxpayers billions of dollars. The IRS reportedly is considering taxes on employe parking spaces, airline and railroad passes, employer-provided child care, annual health checkups and tuition discounts for children of college employes. The Carter Administration last September had considered legislation to tax benefits as part of its tax reform package, but the matter was dropped after it sparked controversy.

GROUP AUTO INSURANCE has been enthusiastically endorsed by the AFL-CIO. The 13.6-million member union said it would back legislation introduced by Sen. Harrison Williams (D-N.J.) that would amend the Internal Revenue Service tax code to make contributions to a trust fund established for group auto insurance tax deductible. Currently, the Taft-Hartley Act prohibits employer contributions to employe representatives except for life, health and accident insurance as well as prepaid legal services. The AFL-CIO said major savings would result if auto insurance became part of a group package. So far, no hearings have been held on the Williams bill.

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Civil rights rulings extend municipal liability

By KATHRYN J. McINTYRE

WASHINGTON—A broad avenue of liability for municipalities was opened this month by two federal court decisions that said the entity itself can be held liable for violating a person's constitutional rights.

Whether or not insurance exists to cover this new exposure and the impact of the rulings on the already tight general liability insurance market for municipalities are still being analyzed.

The two decisions, one by the U.S. Supreme Court and the other by the federal court of appeals, are "two dramatic shifts in imposing liability on cities," said New Haven attorney Paul A. Scholder, who was involved in the litigation. "Previously cities were immune from liability for constitutional wrongdoing. The individuals weren't, but the cities were. Now these two cases say the city is fully exposed to liability."

The U.S. Supreme Court, in a reversal of a 1961 decision, said June 6 that a city can be sued for damages under a civil rights law passed in the Reconstruction Era. The day before, the Second Circuit Court of Appeals said a municipality can be sued for damages for violating the 14th Amendment to the constitution which guarantees equal protection under the law.

There is some question as to whether general liability policies will respond to claims arising out of civil rights violations. CNA Insurance Co. counsel for underwriting Edward K. Walker said, "A number of violations of constitutionally protected rights under the law are not generally perils covered under conventional policies." Harold F. DeNeau, assistant secretary at The Travelers Insurance Cos., read the covered perils in the general liability policy and its personal injury endorsement and concluded "nothing would cover violations of civil rights."

Reminiscent of debate over insurance coverage for punitive damages, Mr. DeNeau said, "The major question is can insurance respond to civil rights suits. Is it against public policy to provide coverage for civil rights violations?"

Commercial Union assistant vp Charles Jenkins asked the same question. "We're in an area that includes the potential for intentional acts. Intentional acts are not intended to be covered under the insurance policy."

Mr. Jenkins noted "there have been requests from time to time from public entities and school boards for coverage for violation of civil rights in discrimination cases, but generally the insurance industry has resisted these requests."

Attorney Scholder predicts "a flood of litigation" against municipalities and predicted policyholders would "funnel these claims to carriers for defense and indemnity." When the suit also involves an insured allegation, he believes insurers will defend the suit under a reservation of rights and non-waiver agreements. But he also foresees "esoteric litigation in the future" on whether or not there is insurance coverage for awards made as the result of civil rights violations.

Assuming general liability policies don't cover this exposure, underwriters are downplaying the impact of the Supreme Court ruling on the liability insurance market for municipalities. "I don't see that it should impact the market," Commercial Union's Mr. Jenkins said. "It will give some thought to people making extensions of coverage, but I don't think most companies were doing that anyway."

CNA's Mr. Walker said companies will "probably take a good look at their book of business, but I don't see anyone withdrawing from the market on account of this—what market there is."

CNA's municipal underwriting activity in the standard market is "insignificant," but about 10% of the Columbia Casualty subsidiary's excess/surplus lines business is with political subdivisions.

Not everyone, however, dismissed the effects on the market of the Supreme Court decision. Liberty Mutual Insurance Co. vp John W. Purkis, said, "The market is tight anyhow. To the extent underwriters are in a capacity crunch, they will go for certainty, not uncertainty as this represents." Liberty Mutual is only underwriting a few municipalities in cooperation with marketing assistance programs.

Mr. Scholder predicted that policies and endorsements would be modified to eliminate coverage if underwriters find it exists.

Some underwriters and risk managers suggested that the new exposure is more appropriately addressed by errors and omissions policies for public officers. But E&O underwriters pointed out that they insure only the individuals, not the entity.

Charles Terrell, chairman of Unimark-McDonald in Dallas, which arranged professional liability insurance for officers of 275 public entities in an association program, said, "Our coverage is not designed to protect the city per se, but we will have to study this situation." Expansion of the policy coverage would depend on the availability of reinsurance, Mr. Terrell said, and "it would be very expensive."

Other underwriters suggested that if demand were strong enough, the specialty market might underwrite the risk.

The Supreme Court ruling was on an appeal of a class action suit against the New York department of social services and the city board of education by women who were forced to take pregnancy leave under a since-abandoned city policy. Although the lower court agreed that the women's constitutional rights had been violated, it held they couldn't sue for lost pay.

In reversing its previous position, the Supreme Court said such suits may be brought against municipalities when the claimed unconstitutional action stems from an official policy, ordinance, regulation or even custom. Attorney Scholder noted that Justice Powell said in his concurring opinion that if the Supreme Court denied action under the Reconstruction law, it would not long be able to avoid permitting actions under the 14th Amendment.

That's exactly what the Second Circuit Court of Appeals did the day before the Supreme Court ruling was handed down. Considering a $200,000 suit against West Haven, Conn., the court said Thomas Turpin could sue the city alleging it violated his 14th Amendment rights.

Mr. Scholder says West Haven should appeal this ruling since the liability is broader than under the Supreme Court decision. ■

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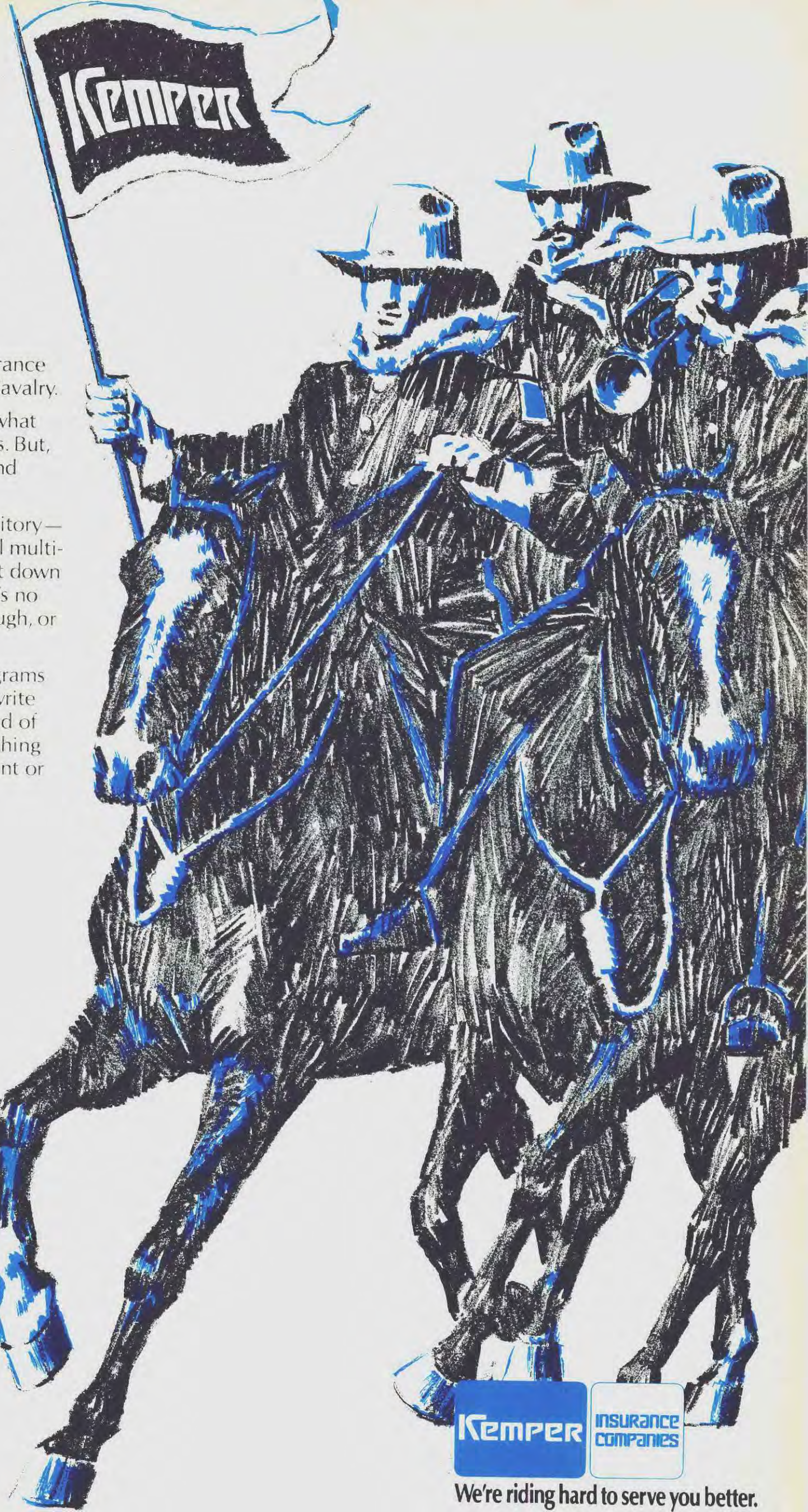
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Suits filed, OSHA cites firms in scaffold disaster

By REBECCA A. FANNIN

ST. MARYS, W. Va.—Two $5 million lawsuits charge four companies with carelessness, negligence and irresponsibility in the collapse of a scaffold that killed 51 workers at an unfinished power plant cooling tower here.

In addition, the federal Occupational Safety & Health Administration penalized three companies $108,300 for willful or serious violations of safety regulations. The government agency said the accident could have been prevented if proper engineering practices had been followed.

The companies cited by OSHA are the general contractor on the project, United Engineers & Constructors in Philadelphia, charged with two serious violations; subcontractor Research-Cottrell Inc. of Bound Brook, N.J., charged with 10 willful violations, and subcontractor Pittsburgh Testing Laboratory with two serious violations.

Although continuing with its investigation, OSHA said three factors contributed to the collapse:

- A failure to make field tests to make certain concrete had cured sufficiently before supporting forms were removed.
- The inadequacy of the scaffolding system to resist horizontal and vertical pressures from heavy loads. Lower bolts were not being used on the beams used to hold scaffolding to the walls of the tower.
- Improper anchoring of "cathead" cranes that lift concrete with static lines from the ground to the work area.

OSHA said these failures led the inner scaffold structure and the cathead to tip inward, which pulled the scaffolding out over the top of the tower wall and caused it to fall 170 feet to the ground.

The lawsuits, brought by Charleston law firm of Preiser & Wilson on behalf of the two widows of victims killed in the worst, single industrial accident since OSHA's inception, claim $2 million in compensatory damages and $3 million in punitive damages.

Named in the suit are the three companies cited by OSHA and one additional defendant, Criss Concrete in Parkersburgh, W.Va., who supplied the concrete.

The suit charges Criss with negligently and carelessly manufacturing, mixing, selling or supplying concrete to the project.

Allegheny Power System, parent company of Monongahela Power Co., which was building the power plant, was cited for failing to provide a safe place to work and for failing to inform workers of the hazards.

Pittsburgh Testing had the responsibility to inspect for defects in concrete being used and to warn of defects, but failed to do so, according to the suit.

United Engineers, which directed the design, construction, erection and building of the power plant, was charged with a "blatant exhibition of willful, wanton and deliberate intention to injure and cause the death" of the workers.

Research-Cottrell, a subcontractor who employed 48 of the workers killed, was not named in the suit.

Under West Virginia workers compensation law, employes cannot sue their employers unless it can be judicially proven that the employer acted with "willful negligence," said John Dorsey, executive secretary of the West Virginia State Office of Workers Compensation. Third-party suits, however, can be brought.

Employers are immune from suits by paying death benefits to the dependents of the workers. The weekly death benefit here is $208 for each family, but will increase to $224 weekly July 1.

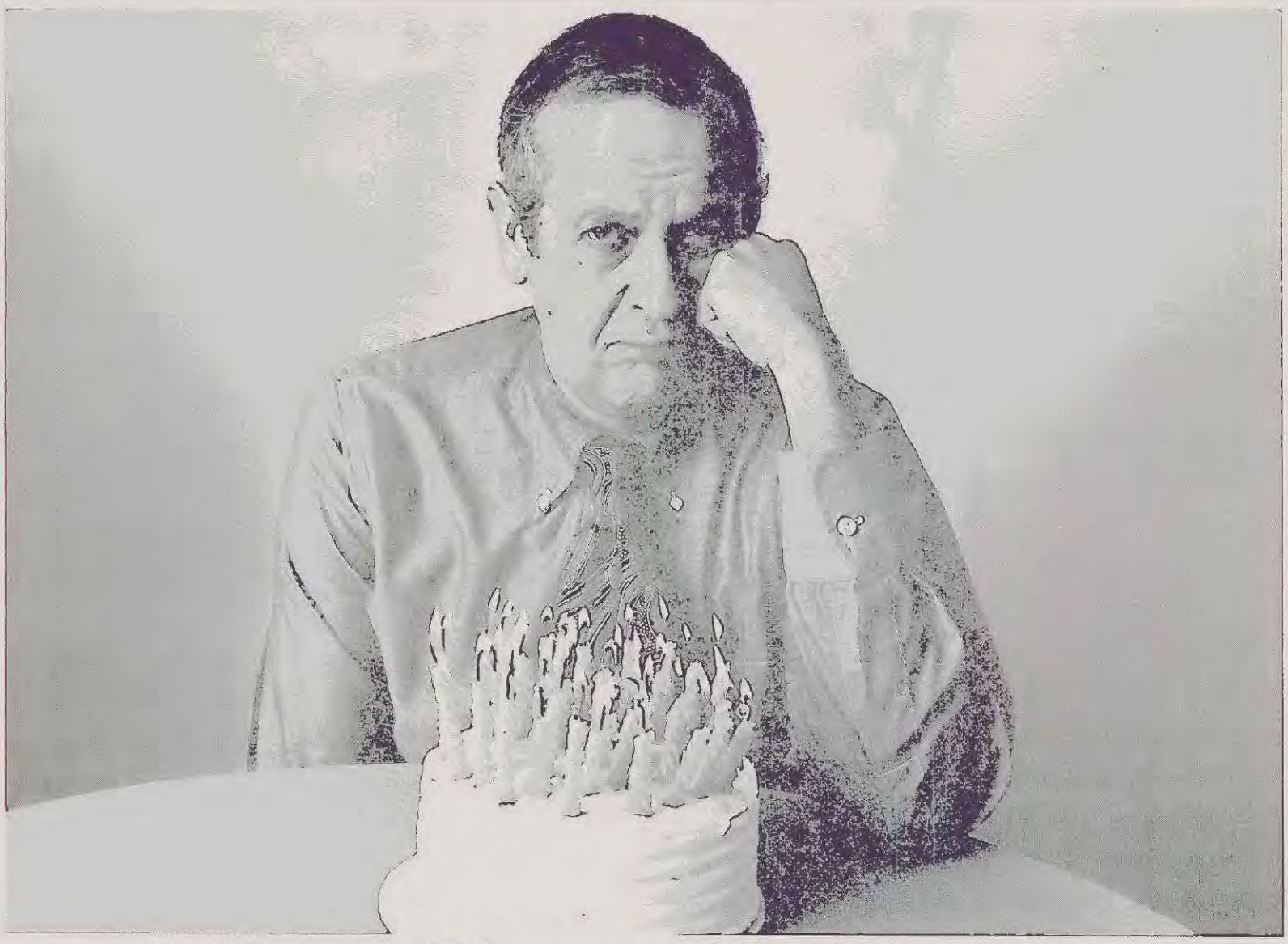
All but two of the worker's families have collected this benefit—48 employed by Research-Cottrell and one employed by Pittsburgh Testing, Mr. Dorsey said.

Plaintiffs in the suits are Lola Cross and Betty Hendrickson. The suits have been filed in St. Marys, the county seat of Pleasants County.

Another Charleston lawyer, James Swart, said he hasn't "brought any suits yet but probably will in the future when it is determined who is culpable."

The insurer for Research-Cottrell is the Travelers Insurance Cos. In addition, *Business Insurance* learned that Commercial Union Insurance Cos. has general liability coverage for United Engineers. A national accounts spokesman at Commercial Union said it has no reinsurance on the policy, and said United Engineers possibly has excess insurance above the primary limits of its policy.

Sources declined to reveal specific coverages of the parties involved. But one source said 11 insurance companies, both primary insurers and reinsurers, provided coverage to the parties. ■



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MarketDyne agents study a captive

SAN JOSE, Calif.—MarketDyne agents are studying the possibility of establishing a captive reinsurance facility for the risks they place outside of the MarketDyne association.

"It's still in the embryonic stage now and we plan to have it decided go or no go by the end of the year," said Jan Passmore, vice chairman of the MarketDyne Advisory Committee. Mr. Passmore is a vp for the brokerage firm of Sanders & Sullivan here.

Also to be decided is whether the contemplated captive would be open only to MarketDyne agents or also to others as well, he said.

If created, the facility would be one of the first group projects of the 228 agency force, which has contractual agreements with the INA mass marketing subsidiary. ■

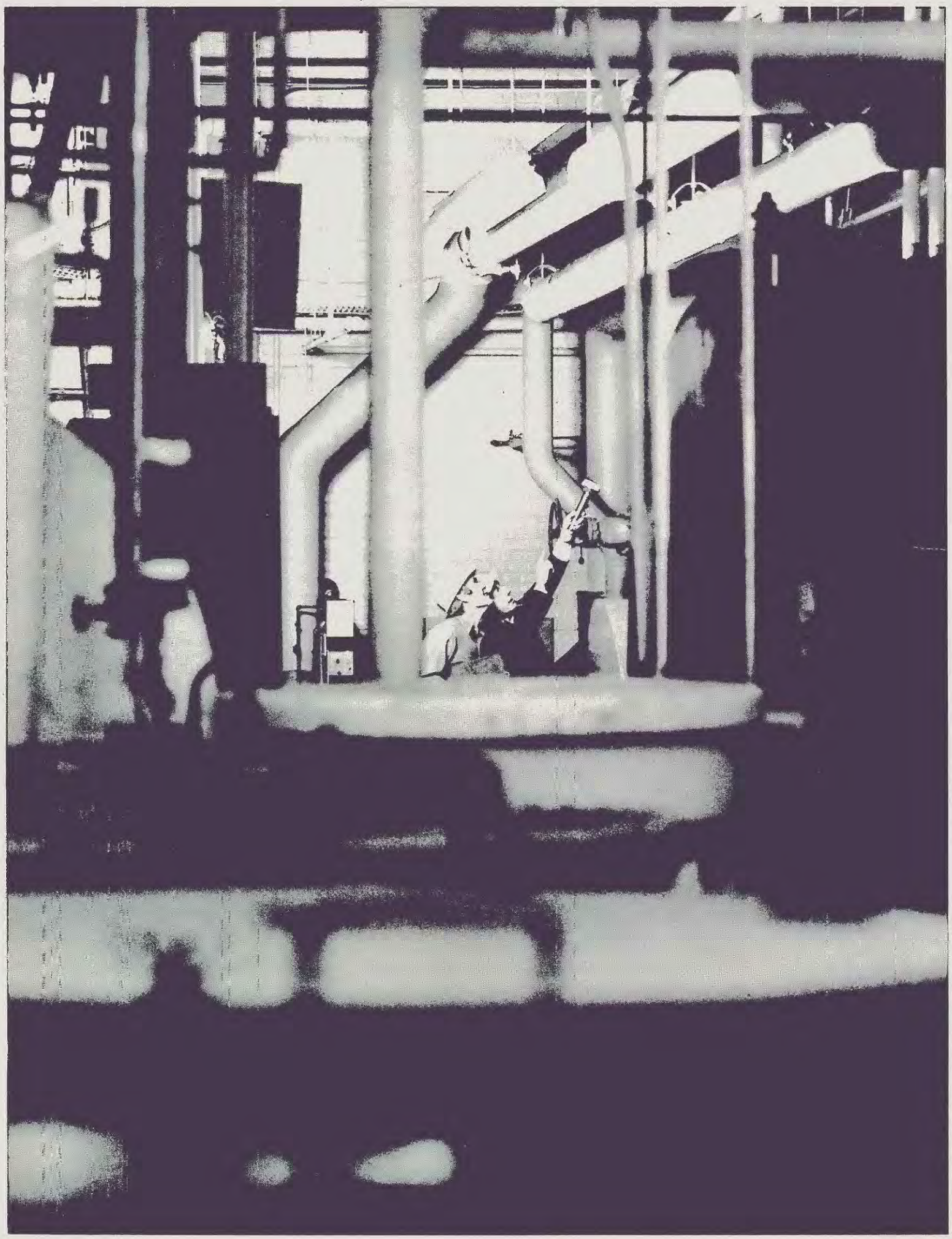
Building fires skyrocket 325%

WASHINGTON—The number of building fires has shot up 325% in a recent 10-year period, a bigger increase than any of the FBI indexed crimes, including murder, rape and robbery, a Justice Department study found.

In 1975, the estimated loss from arson was $1.4 billion. This included losses of $1.3 billion in building fires, $80 million in motor vehicle fires and $60 million in forest and watershed fires.

In addition, the study found that for 100 cases of known or suspected arson, only nine persons are arrested, only two are convicted and rarely is anyone jailed. ■

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editorial opinions

A responsible rule

BACK IN JANUARY of 1977, we wrote an editorial lauding the Labor Department for its efforts to straighten out a pension reform rule that was hampering companies in the responsible and innovative funding of group benefits. The rule prohibited any company from using a subsidiary insurer to insure its employe benefit plans (group life, health and disability) if more than 5% of the subsidiary's book of business consisted of parent company risks.

Well, we spoke too soon. Though the Labor Department was expected to issue a ruling on the restriction, it's taken until now for the proper authorities to get around to resolving the issue. Despite the long delay, we'll again applaud the Labor Department and the IRS for issuing their proposed revisions of these stiff regulations. In terms of impact, what the strict provisions of ERISA have done is to hamper self-insurance of employe benefits. Because of fears about "self-dealing," ERISA tried to prohibit the placement of benefit funds with an employer's own subsidiaries. It seemed like a reasonable goal, but accomplished something quite different, creating a tangle of snares for companies like Montgomery Ward and John Deere using its own captive insurer. Moreover, an unforeseen problem arose for insurance companies who were suddenly prohibited from using their own internal insurance facilities to provide benefit policies for employes of subsidiary or affiliated organizations.

The proposed new rule raises the so-called 5% rule to 50% and allows subsidiaries—whether wholly-owned or not—to be used to insure group benefits. A rational move, since the 5% limit was only arbitrarily established anyway. A lot more companies will be able to live with the regulation as it stands after this much-needed revision.

Arco's whistle-blowing

ATLANTIC RICHFIELD has what's called a "whistle-blowing rule," that it recently informed its 50,000 employes of in a letter over the president's name. What it means is that every Arco employe, from the highest executive down to the lowliest clerk, is personally and individually responsible to report to the government absolutely any substantial risk to human health or to the environment related to a chemical manufactured by Arco.

Thornton F. Bradshaw, Arco's chief executive, told employes that civil and criminal penalties can be levied against individuals who fail to inform the proper authorities about any problems that might be caused by Arco's products.

What Mr. Bradshaw was dealing with was the provisions in the Toxic Substances Control Act calling for chemical companies to do more to protect their workforces and society in general from poison and pollution caused by chemicals. The letter to employes referred to Arco's legal and social responsibility to comply with the law.

Many chemical manufacturers are outraged at the law's provisions, maintaining that the act will discourage experimental programs. On the other hand, such alerts by employes may provide chemical producers —and risk managers—with an extremely valuable risk identification tool. Placing responsibility for this kind of early loss prevention at the lowest possible operating level is the essence of good risk management.

Sound off on FASB-5

IF YOU STILL have bad dreams about FASB-5 (the standard governing accounting for future losses), now's your chance to change the nightmare. Maybe.

You're being given a chance to sound off about the actual impact of the ruling on your corporate risk management programs, and/or your captive insurance company operations. Until Aug. 15, the Financial Accounting Standards Board in Stamford, Conn., is inviting you to submit impact statements and evaluations to try to nudge the FASB into changing its stance.

We applaud the FASB for establishing this new formal review process to reassess some of its controversial pronouncements. And it's time for risk managers to compose some articulate responses to the FASB's invitation.

Here we go again?

NORTH AMERICAN REINSURANCE Corp. pointed out in its latest issue of Sigma that the outlook for the insurance business is heavily influenced by the cyclicality of the industry's performance and the volatility of its revenues. To quote from Sigma: "According to the experience made in the six-year period of observation (1971-76), the insurance industry in the majority of countries covered is considerably more influenced by cyclical fluctuations than the overall economy: During the economic upswing, the increase in premium exceeds overall economic growth, whereas in times of recession it declines more strongly than the economic development; in other words, a marked overreaction may be observed on the part of the insurance industry (premium volume) as compared with the economic development (gross national product)."

As to this last point, we would suggest that this "marked overreaction" by the industry has much to do with the highly subjective business of those who are at the underwriting helm, people who often do not have the solid facts at their disposal with which to rate and forecast and measure a risk.

We're into one of those cycles again this year, it appears. GNP is rising, while premium volume is positively soaring. The other side of the cycle is sure to come—the violent downswing when there's any slowing of the economy—but the question is when.

letters

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

Tax proposals

To the editor: Your editorial (May 29) about tax equity legislation states that "the insurance industry" opposes it, that "the insurance industry" doesn't want the competition and that "the industry" is concerned about losing business to self-insurance. For the record, the nation's commercial insurance brokers are part of that all-encompassing and usually misleading phrase, "the insurance industry." Contrary to that solid-front imagery, NAIB endorses "tax equity."

We have joined with Risk & Insurance Management Society to co-sponsor preparation of improved legislation which extends the tax equity concept to include captives, broadens it to embrace all lines and specifically looks to the interests of small businesses. We don't buy assertions by insurance company spokesmen that there's no problem and no need. Tax equity legislation is no panacea, but we think it will help. Our part of "the insurance industry" will continue to support it, and let nobody be misled about that.

David D. Holbrook
President, National Assn. of Insurance Brokers, New York

Kudos

To the editor: A bouquet of roses to you for the excellent editorial about tax breaks for reserves (May 29).

We as insurance buyers should be heaping "coals of fire" on the insurance industry for their position in opposing this needed legislation.

Keep up the good work!

Gene R. Snyder
Director of insurance, Kimberly-Clark Corp., Neenah, Wis.

Lloyd's independence

To the editor: Having spent 15 years in the Lloyd's market split equally between underwriting and broking, and now operating a firm here placing business in both directions, recent comments on the decision by the Committee of Lloyd's to restrict foreign ownership of "brokerage" firms spur me to mention an important factor that appears to have been overlooked.

Continued on page 56

business insurance

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

Published biweekly at 740 Rush St., Chicago, Ill. 60611 (312-649-5200). Offices at 708 Third Ave., New York, N.Y. 10017 (212-986-5050); Suite 1253 National Press Building, Washington, D.C. 20004 (202-638-5300); 6404 Wilshire Blvd., Los Angeles, Ca. 90048 (213-651-3710). 75 cents a copy. $15 a year in U.S. Foreign $5 a year additional. WILLIAM STRONG, *vp-circulation.* PAMELA JANOUSEK, *circulation manager;* ROGER DiGREGORIO, *fulfillment director.* Four weeks' notice required for change of address. Address all subscription correspondence to Circulation Department, Business Insurance, 740 Rush St., Chicago, Ill. 60611 Telex number 25-4248; Cable address: CRAINCOM. Microfilm copies are available from University Microfilms, 300 Zeeb Rd., Ann Arbor, Mich. 48013. Microfiche copies are available from Bell & Howell, Micro Photo Division, Old Mansfield Rd., Wooster, Ohio 44691.

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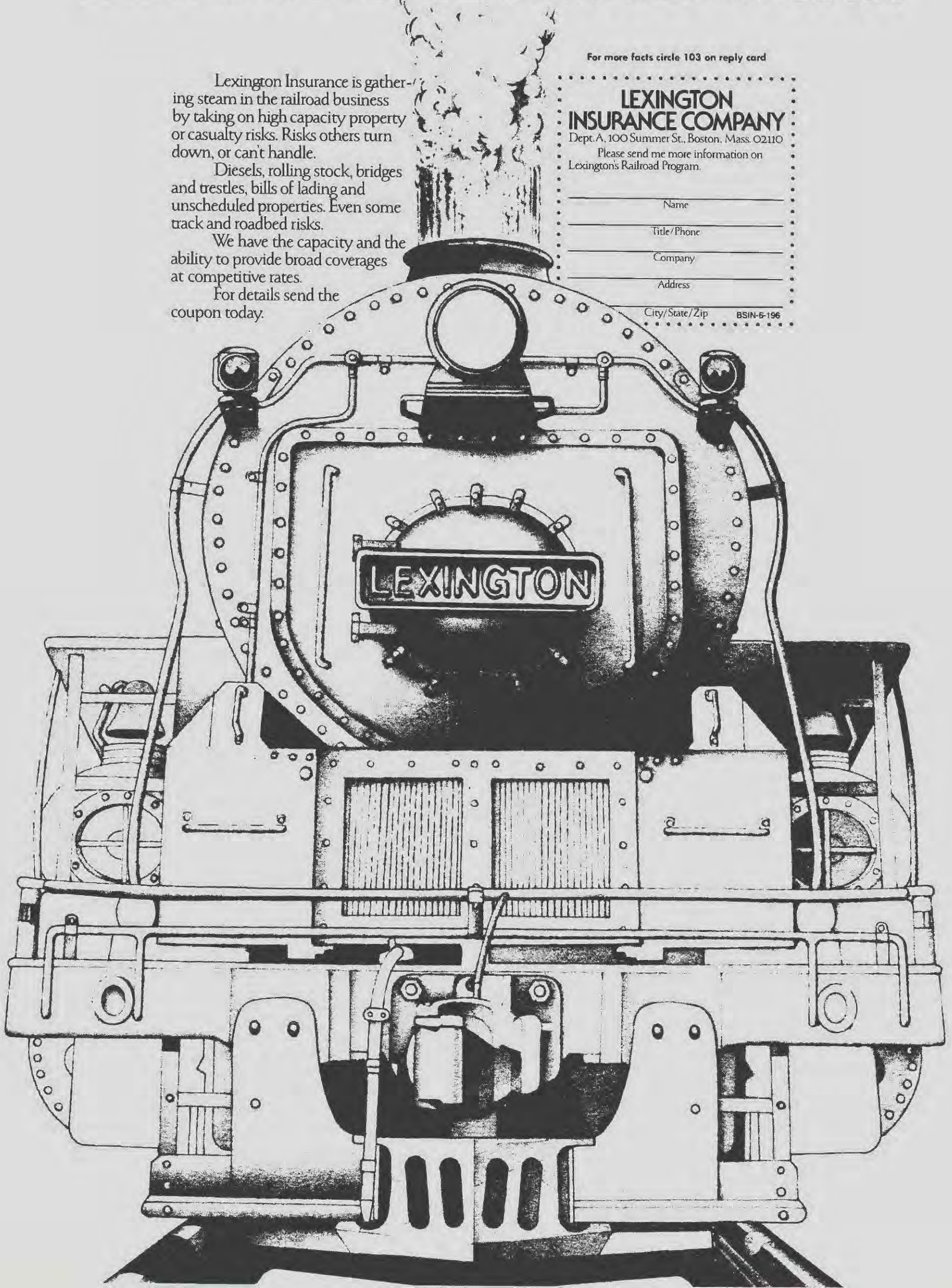
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Over $300,000 in losses

Container-leasing firm sues pool in Bermuda

By JOHN H. MILLER

LONDON—CTI International Inc. of White Plains, N.Y., is suing Oceanus Mutual Underwriting Assn., a Bermuda-registered marine P&I pool, for nearly $300,000 to recover container-leasing losses suffered in the course of CTI's worldwide operations last year.

The suit was filed against Oceanus in the U.K. High Court and is part of a larger insurance dispute involving both Lloyd's and other British insurers in the marine market.

CTI International, a large container-leasing organization, moved its insurance program to the U.K. from the North American markets in late-1975. Insurance initially was placed by brokers C. E. Heath & Co. with marine insurers at Lloyd's and in the company markets beginning December 1975.

Claims under this policy were paid by the underwriters in the normal way, according to the brokers. But Lloyd's underwriters ran into trouble when they tried to recoup their losses reinsured with Oceanus on claims during the "runoff" period after the actual policy period.

The problem became more complicated after Oceanus, part of the John Laing group in London, took over the CTI account as primary insurer in December 1976. After Oceanus ceased to be the reinsurer, claims were denied for reasons that haven't yet been fully disclosed.

Meanwhile, Lloyd's underwriters have also sued Oceanus for claims denied under a reinsurance agreement covering the December 1975 policy. The Chester Syndicate is reportedly the Lloyd's entity suing Oceanus.

Sources have suggested that the $292,118.87 in claims were denied by Oceanus when they were submitted by CTI under the December 1976 policy because of concealment of material information that would have caused Oceanus to write the policy differently or not to write it at all. Apparently Oceanus believes there was also inadequate information on the earlier policy which it had reinsured.

Sources close to the lawsuits indicated that Oceanus has complained of not being told the whole story of CTI's previous loss experience. CTI, however, is known to believe that full data on losses was provided, both verbally and in written form.

CTI's policy covered physical damage to the leased containers themselves, but not any liability for damage to contents. It's believed that claims are continuing to mount under the December 1976 policy written by Oceanus, so that final damages claimed by CTI will certainly be larger than the $292,119. The policy's termination date was Feb. 20, 1978.

At issue in this case is whether there was a valid policy covering CTI. Ostensibly, Oceanus is contending there was no valid policy, while CTI is denying any concealment and says there was coverage.

It's not known who are the members of Oceanus's P&I club.

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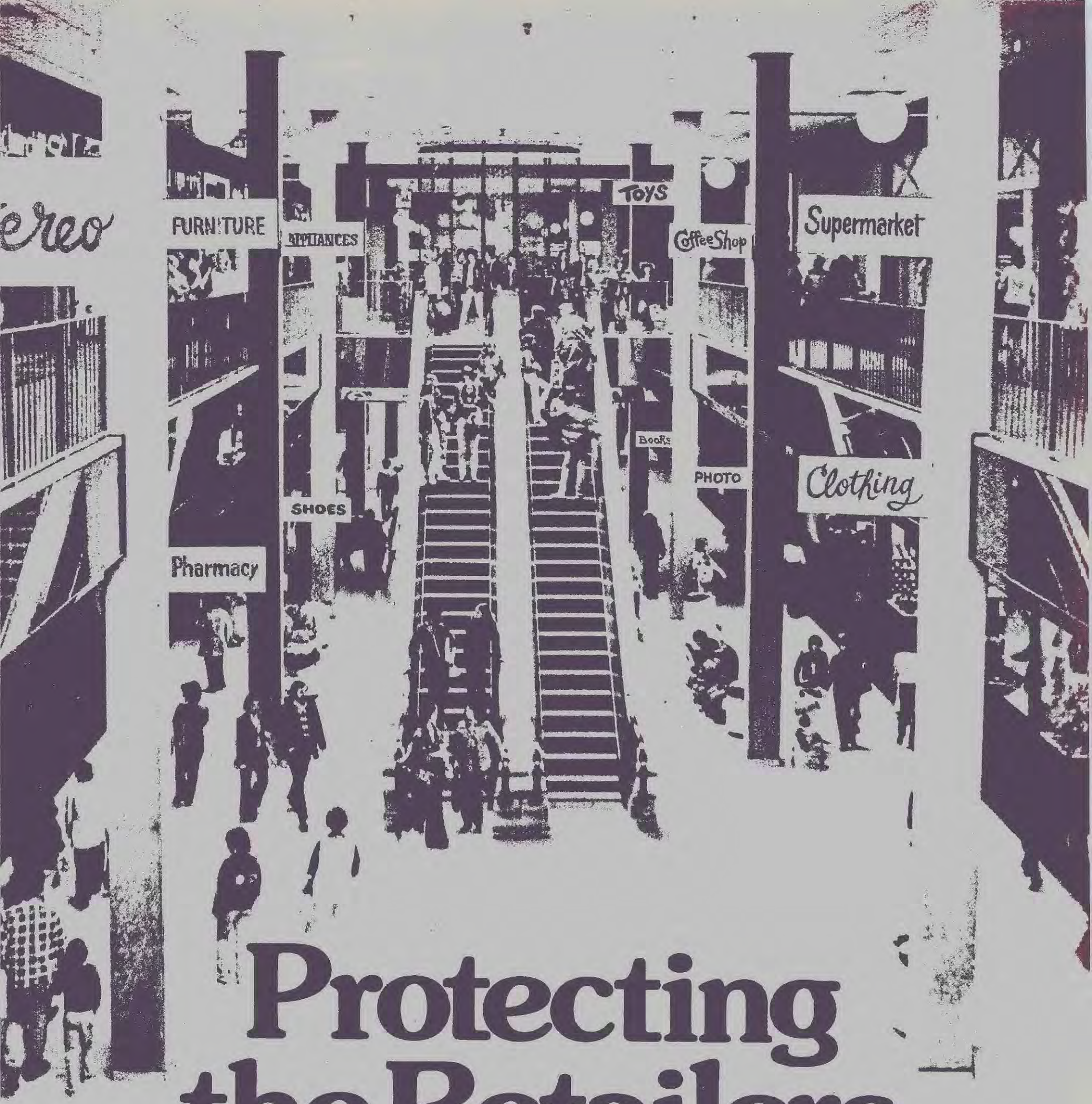
M&M acquires Oklahoma firm

OKLAHOMA CITY—Marsh & McLennan Inc. has acquired Gardner, Clarke, Lampton & Feighy Inc. here. Gardner, Clarke is a privately owned insurance broker which was originally formed in 1908.

The principals of the acquired firm will join Marsh & McLennan and Richard E. Lampton will become head of the Oklahoma City operations of M&M. ■

Group life sales up

Group life insurance set up under new or revised group contracts totaled $11.4 billion in March compared to $8.8 billion a year earlier. Group insurance purchases were $119 million for the 12-month period ending March 1978.



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Separate statement

NAIC votes to require product liability info

WASHINGTON—The National Assn. of Insurance Commissioners will require insurance companies beginning next year to report product liability as a separate line on the annual statement that each company files with state insurance departments.

The NAIC action, which came at its mid-June meeting here, means that product liability will be taken out of the other or miscellaneous liability category where it is currently lumped.

Other major liability categories such as workers compensation have always been reported as a separate line on the annual statement. Medical malpractice is the most recent type of liability coverage to be made a separate line.

The NAIC's action should result in product liability information, such as premiums paid and underwriting losses, becoming publicly available.

But the information won't become available overnight. Although insurance companies will begin to report product liability as a separate line in 1979, that information won't be filed until 1980.

In other product liability action, the NAIC approved a report by Ned Price, chairman of the NAIC product liability task force, that blasted a Commerce Department proposal that would permit businesses to take tax deductions for reserves established to pay for product liability claims.

The Commerce proposal and other similar measures fail to offer protection to consumers since self-insurance funds would not be subject to state regulation, the report said. A tax deduction for self-insured product liability reserves could have an unfavorable impact on state revenues since states would lose the premium taxes charged for policies, Mr. Price said.

Instead of permitting tax deductions for reserves, a better short-term approach to product liability are market assistance programs in which state insurance departments and insurance companies and brokers and agents assist businesses that have been unable to purchase product liability coverage, the commissioner argued.

After intense and often confusing debate, the NAIC agreed to allow a task force on sex discrimination to study whether model legislation is needed to require businesses to include pregnancy as a benefit in disability plans.

The NAIC also approved a resolution to study the William-Javits legislation that sets minimum workers compensation standards for the states to adopt. Traditionally, the NAIC has been opposed to any federal workers compensation legislation.

Finally, the NAIC raised from $500,000 to $1 million the minimum amount an alien insurer must deposit in a U.S. trust account in order to appear on the NAIC's Non-Admitted Insurers Information Office list.

However, the NAIC's action is only advisory. Individual states still are free to set higher or lower levels for trust accounts established by alien insurers. Florida, for example, has a $1.25 million requirement while Utah and Tennessee each have $1 million minimums. ■

Holbrook heads broker group

NEW YORK—David D. Holbrook, senior vp of Marsh & McLennan, Inc., New York, was elected president of the National Assn. of Insurance Brokers.

Other NAIB officers elected for the 1978-79 term are: president-elect. Earl C. Nelson, president of The Nelson Co., Los Angeles; first vp, Richard J. Rice, vp of Johnson & Higgins, New York; vice president Donald R. DesCombes, Elwell Averbeck Co., Pomona, Calif.; secretary, Walter T. Derk, Senior vp, Fred S. James & Co., Chicago; treasurer, Thomas A. Clark, Jr., vp Johnson & Higgins, New York.



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It's a hay field, wind rowed, waiting to be baled, viewed from about 1,000 feet up.

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Although we work hard at loss prevention, losses are a reality we must face. Indeed, losses are the reason you carry insurance. And no matter how good we, or any insurance company, may look under ordinary circumstances, what you see when the chips are down is important too.

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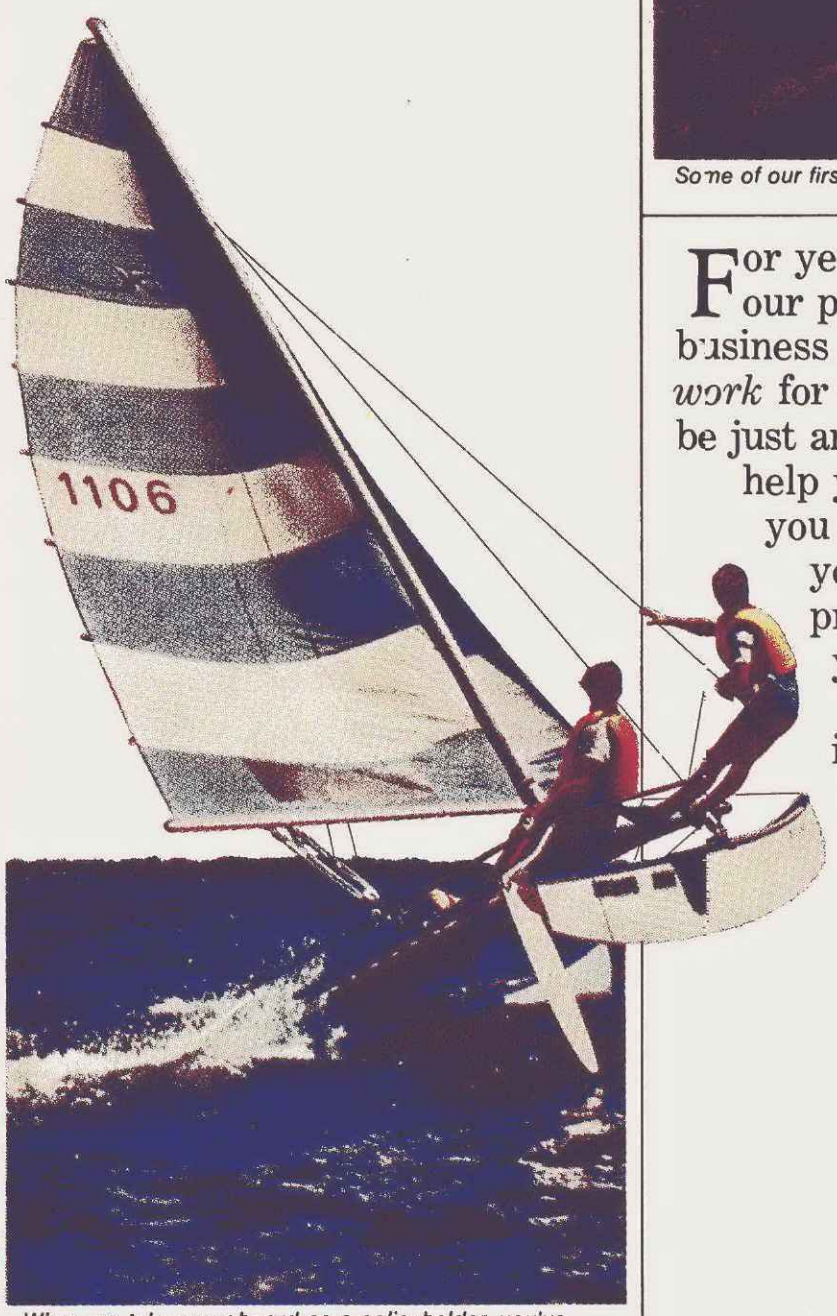
It's our favorite refrain.



Some of our first policyholders were loggers. We learned back then how teamwork gets results.

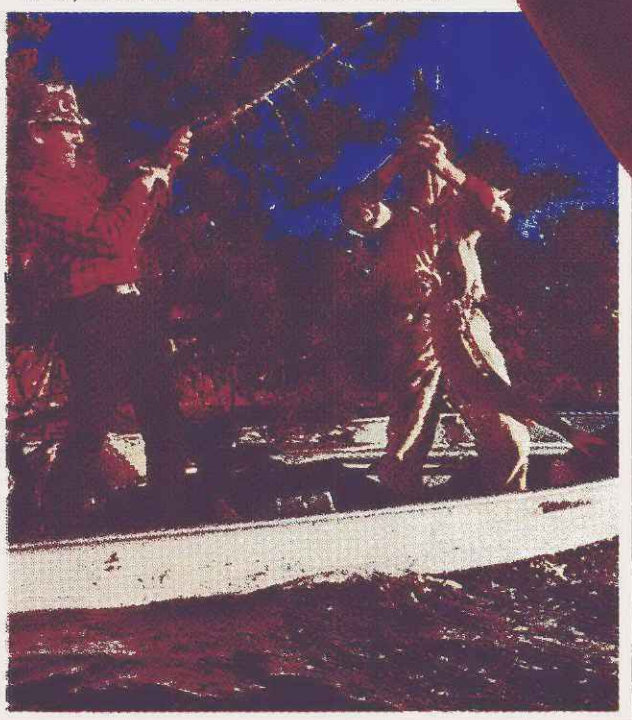
For years, we've been telling our policyholders that business insurance ought to *work* for a living. It shouldn't be just an expense. Its job is to help you manage the risks you face in conducting your business — and to protect the assets of your company.

Rather than the initial price, it's the ultimate *cost* of business insurance that's important. But, unlike many other business expenses, what you end up paying for insurance is still largely within your own control.



When we take you aboard as a policyholder, you've got a specialist on your side.

We're both in the same boat. The harder we work, the better our chances for success.



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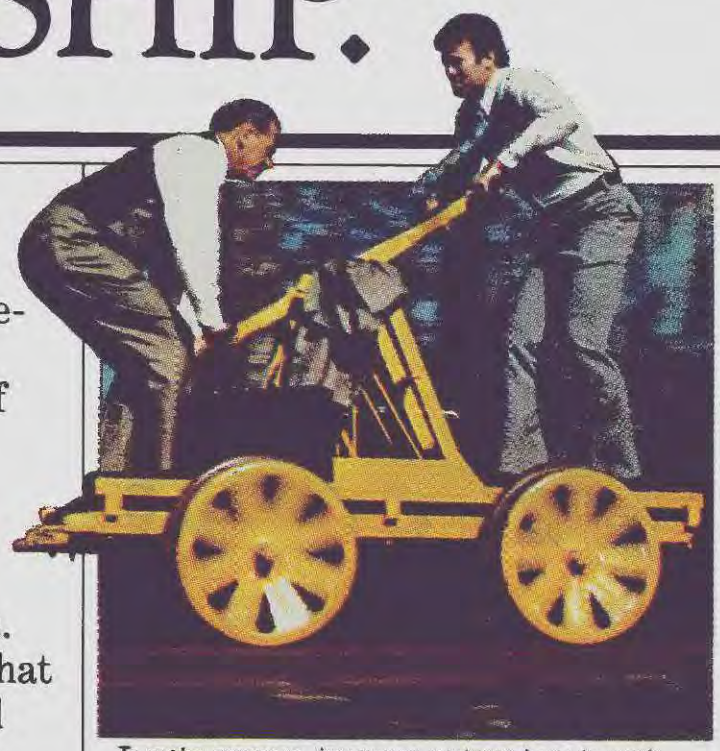


When the policyholder works with us, we're willing to help him get to the top.

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Helping each other is what partnership is all about. And partnership is what business insurance is all about.

If you're willing to work *with* us in an all-out effort to control insurance losses and costs, we invite you to join us.



To make progress, insurance partners have to work together.

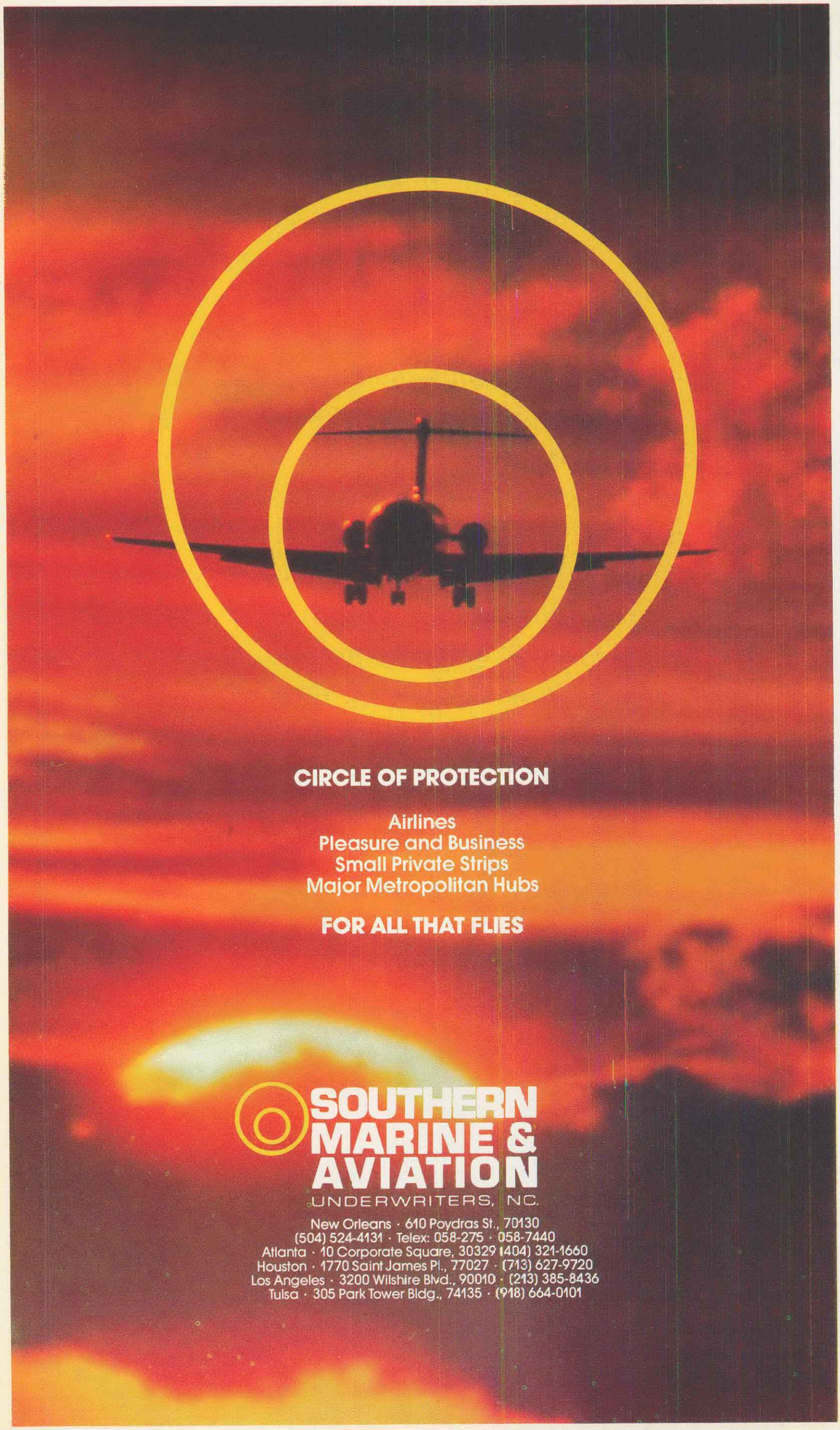
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Florida okays modified work comp reforms

TALLAHASSEE—Florida took a step toward reform of its workers compensation system as the legislature approved a bill that reduces benefits for some permanent partial disabilities.

Although more ambitions reform measures died during the regular legislative session, the measure passed in a special session will slash benefits for minor disabilities while boosting benefits for more serious injuries. State officials say the legislation will correct overcompensation for minor disabilities.

Currently, benefits for a nonscheduled permanent partial disability are based on the percentage of disability divided by 350, the maximum number of weeks benefits are paid in Florida. For example, a worker with a 10% disability would receive benefits for 35 weeks.

Under the bill passed by the legislature, the number of weeks benefits are paid to workers who are 1% to 10% disabled would be based on the percentage of disability divided by 175.

As a result, the benefits workers with minor disabilities are paid would be cut in half. Under the current formula, a worker who has a 10% disability and collects the state's $126 maximum weekly benefit would receive $4,410 ($126 for 35 weeks). But under the new formula, a worker with a 10% disability will only collect $2,205 ($126 for 17.5 weeks).

The amount of benefits paid to workers who are 11% to 50% disabled will not change, but injured employes who are 51% to 99% disabled will receive 50% more than they now do. These workers can now collect benefits for up to 525 weeks compared to the current maximum of 350 weeks.

The measure also requires an injured worker to pay 25% of his attorney's fee. Presently, the employer's insurer pays 100% of the claimant's attorney fees.

The measure increases penalties for an insurance company that is tardy in paying a claim from 10% of award to 20% of the award. On the other hand, the insurer is not liable to pay the claim if the employer fails to report the claim to the insurer within seven days. The current notification period is 10 days within the time the employer first became aware of the claim.

Businesses with less than three employes no longer will have to purchase workers compensation insurance. At present, firms with at least one employe must carry workers compensation insurance.

John H. Lewis, a Miami attorney and vice chairman of the Florida workers compensation advisory council, said some provisions in the bill were worthwhile, but meaningful reform still lies ahead.

To ensure that more changes are made, the legislature appropriated $150,000 to set up a joint legislative committee that will try to come up with thorough reforms. ■

Employers double security outlays

WASHINGTON—Public and private employers spent more than $20 billion on security forces in 1976, or more than double of what employers paid out in 1969, according to a Commerce Department report.

Between 1969 and 1976, the number of full-time security personnel jumped from 800,000 to more than one million. ■

Conference to debate federal role in work comp

CHICAGO—What role should the federal government play in the nation's workers compensation system?

That will be just one of the issues examined at a major national conference on workers compensation sponsored by *Business Insurance* here July 24-26.

A roster of over 30 speakers includes corporate risk managers, safety experts, insurance company and brokerage authorities, claims administration specialists, labor leaders, federal regulators and noted academicians.

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

How to register

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

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

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

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

Robert C. Benjamin, claims and rehabilitation director of the California State Insurance Fund, will join Alan Tebb of the California Workers Compensation Institute in a discussion of cumulative trauma claims, how they're increasing and how they can be handled.

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

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

Safety and loss control techniques will also be examined. ■

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Aenta wouldn't renew

Insurers aren't willing to cover Teamsters fund

Crain News Service

WASHINGTON—The troubled, $1.6 billion Teamster Central States pension fund is once again without fiduciary liability insurance and indications are the fund might have trouble finding any.

Aetna Life & Casualty Co. in Hartford decided in March not to renew the fund's policy in light of several investigations and lawsuits. Since then the fund has tried unsuccessfully to find coverage.

"We've only received 10 requests from them in the last two weeks," said Marshall Rattner, president of Professional Indemnity Agency Inc., which underwrites for Lloyd's of London, a leading writer of fiduciary liability insurance.

The Central States fund formerly had its coverage with Lloyd's but Lloyd's did not renew when the policy expired a few years ago.

"We wouldn't touch (the fund) with a 10-foot pole," said Mr. Rattner, apparently expressing the sentiments of other insurers. "I don't think we'd insure them with a court-appointed trustee."

Christopher Watson, manager of the pension division at National Union Fire Insurance Co. of Pittsburgh, said his firm had spoken with representatives of the fund, "but we made no commitment."

Joan Fudula, with INAX Underwriters Agency, said the fund had not approached that insurer, but if it would, "we would decline on the basis that we do not insure multiemployer trusts."

CNA Insurance Co. in Chicago also said it is not interested in insuring the fund.

Thomas F. Sheehan, president of Thomas F. Sheehan Inc., answered flatly "No," when asked if he would underwrite the insurance. He recalled, "We turned them down in 1974 when they approached GATX Insurance Co.," said the former president of that company. Actually, GATX requested that all the trustees sign the application, knowing full well that they wouldn't, and indeed they didn't, so the application was never processed.

"We wouldn't even accept an application," Mr. Sheehan said of his new Park Ridge, Ill., agency, managing general agents for Imperial Casualty & Indemnity Co. and growing underwriters of professional and fiduciary liability insurance.

All this searching has sent the fund's executive director, John E. Dwyer, to the Bahamas in search of coverage. But, according to Mr. Rattner, "they didn't have much success down there either."

In addition, a trustee of the Health and Welfare fund, LeRoy Wade, resigned back in March because of the cancellation of the coverage. Mr. Wade died last month following an illness.

According to a copy of the fund's policy with Aetna, the fund had $5 million coverage at a cost of $1.5 million. Aetna also agreed to pay for only the first $100,000 in defense fees.

An officer with Aetna said the policy was not renewed because "things did not work out." Another spokesperson, though, said Aetna "went beyond the call of duty" by extending the coverage 45 days past the expiration date to give the fund time to find an insurer. ■

A&A realignment

Alexander & Alexander California operations, with the acquisition of Albert G. Ruben & Co. of Beverly Hills, is now known as Alexander & Alexander of California Inc. Ruben, the dominant entertainment industry broker, is now a wholly owned subsidiary of the firm. Robert Williams, former president of Ruben, was named managing vp of A&A's Los Angeles office and executive vp under the new corporate structure. Former Ruben executive vp C. Scott Milne was named president of Ruben. The Ruben Co. will continue its entertainment business in the Beverly Hills office.

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New counseling plan for retiring employes unveiled by consultants

NEW YORK—A preretirement planning communications program, covering topics ranging from joint survivor options to where to spend one's retirement, will be marketed nationally this summer by Benefacts Inc., the employe benefit communications subsidiary of Alexander & Alexander.

The multimedia program, combining customized and predesigned units, is intended to meet the need for a more modern approach to preretirement communications, said Dan Gorney, Benefacts senior vp for marketing.

Most corporations have done little in the way of professional retirement planning other than conducting an exit interview, he said. Others purchase subscriptions for their retirees to a newsletter that contains articles on retirement topics.

"Retirement is an opportunity to do things other than just grow old and decrepit," said Mr. Gorney. Activities as diverse as creative art and disco dancing are ways in which retirees can enjoy a meaningful lifestyle, he noted.

The Benefacts program is designed in four units. The first is an introductory meeting for prospective retirees designed to a client's specifications and using films, slides or other media chosen by the client.

Following this introductory program, prospective retirees receive an in-depth take-home planning program consisting of two audio cassettes and a work book. These contain detailed information on lifestyle planning, survivor options and other concerns.

About two-thirds of this information is standardized, with the balance customized to reflect variations in a company's retirement benefit plans, said Mr. Gorney.

A personalized annual report statement that provides retirees with information on the benefits available through various survivor options can also be included in this section, said Mr. Gorney. Such a statement meets ERISA requirements on providing survivor option information, he added.

The third module of the program is a follow-up program, normally held as a small group meeting either at the company or another facility. While this program is standardized, clients have the option of bringing in additional resource persons from outside the company.

A follow-up newsletter and articles sent to prospective retirees comprises the fourth segment of the program and can be custom designed, if requested, Mr. Gorney said.

The program is aimed at helping employers "eliminate the unknowns" for retiring employes, he explained. It falls into Benefacts' philosophy of providing employe communications from recruitment to retirement, he said.

Benefacts is still determining how its program will be priced, said senior vp Robert Baker. The price will reflect the complexity and volume of a client's program and will be based upon the program's development and production costs, he explained.

Benefacts is not alone among benefit communications consultants in offering preretirement planning programs. Hewitt Associates of Lincolnshire, Ill., has done such work for several of their clients, said George Heiring, manager of the firm's communications group. However, Hewitt tailor-designs each of its programs and does not use any prepackaged materials.

Retirement planning needs differ among companies he said. "The man in a New York insurance company is not the same as a man in an Omaha energy company.

"The employer doesn't want to offer advice on retirement planning, but to get employes in touch with the type of things to think about," said Mr. Heiring. Such concerns include wills, relocation, legal implications of retirement, trusts, health care and lifestyle.

Hewitt's approach is to contact senior employes and find out what their needs and questions are. Typically, these contacts take place in small group meetings.

Hewitt then develops communications materials dealing with the problems and trains in-house people to provide counseling services. Retirement planning is a program of learning rather than mass communication, Mr. Heiring said. It is conducted in small groups with future retirees given workbooks to work out benefits.

Currently, Hewitt is designing programs for about a half-dozen clients and the firm sees an additional 18 to 20 contracts in the near future. Benefacts is test marketing its program and will go national by the end of the summer. ■

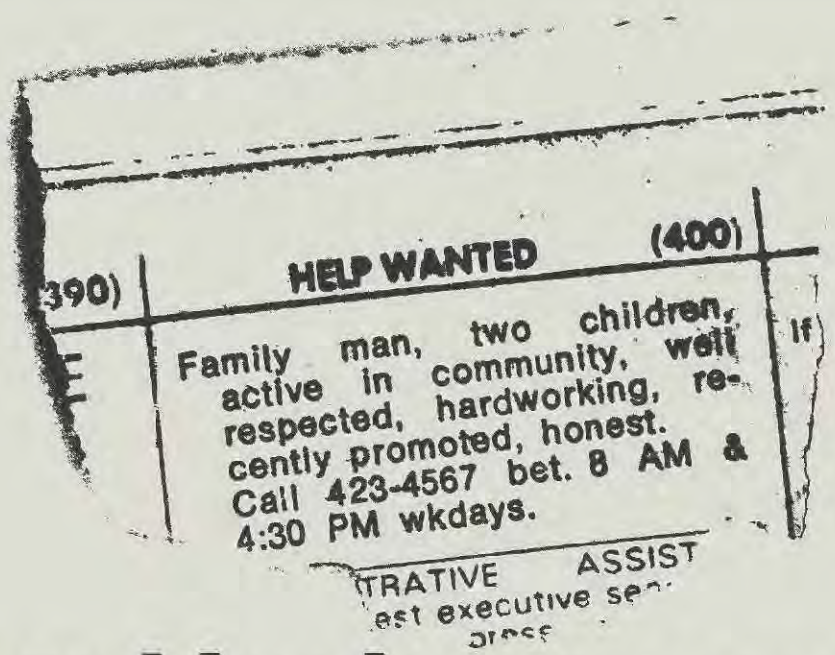
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Harris poll reveals

Satisfied public wants health system revamped

NEW YORK—Despite overwhelming satisfaction with the quality of health care, 70% of the American public believes "the health care system is out of control and needs to be changed," according to a comprehensive survey of hospitals and health care.

The need to control costs and provide health care to those who cannot afford it was cited as the number one priority for change. But the public rejected any cap on hospital revenues or increased government regulation of hospitals, according to the study conducted by Louis Harris & Associates for Hospital Affiliates International Inc., a large hospital management firm in Nashville.

The survey is based on interviews with a random sample of 1,503 adults, 82% who have been hospital patients and smaller samples of Congressmen, doctors, hospital trustees and administrators and health insurance executives.

Among the leadership groups interviewed, less government interference and regulation were cited as the change most would like to see.

As to alternatives to the health care system, 29% favor the present system, 36% favor the present system with changes that would extend health insurance to those not adequately covered and 32% favor free health care to everyone or a comprehensive national health insurance program similar to the Kennedy-Corman proposal.

Among the leadership groups surveyed, majorities of Congressmen, doctors, health insurance executives and hospital administrators prefer the present system with three changes: requiring employers to provide health insurance to all employes, instituting mandatory catastrophic insurance and having government providing insurance to the unemployed. Hospital trustees, however, prefer the present system by 48%.

Leadership groups clearly prefer (by 77%) that the private sector run any comprehensive health insurance system. The public was almost evenly divided between having the federal government operate the program (39%) and health insurance companies (36%).

"There's just very little faith that government can run national health insurance," Mr. Harris said. "People just don't have confidence in government."

"It's clear that there are no quick fixes but a whole series of changes needed to change hospital care," he added.

Although 60% of the public wants more money spent on health care, hospital costs were perceived to be more overpriced than any other common expense, including food, automobiles, housing and clothing.

Mr. Harris observed that "despite the public's complaints about hospital costs and support for cost-containing measures, at the individual level, the American public wants the best available care and is willing to pay for it."

He said, for example, that the public is "not only reluctant to give up its right to choose a doctor or a particular hospital in order to reduce costs, but is even unwilling to wait a half-hour longer before getting non-emergency care."

In addition, the survey found that most people (65% to 21%) oppose a cost-controlling policy to reduce hospital beds. Only 12% of the public believe that over-bedding is a problem that increases costs.

But the public supports other cost-cutting efforts, among them a second medical opinion before hospitalization or surgery.

Preventive medicine is an idea whose time has come, Mr. Harris said. He noted that the idea of a health maintenance organization appeals to 79% of the public. Moreover, 52% of the public and an average of 72% of the leaders believe that an increased emphasis should be placed on preventive medicine.

In fact, Americans believe that 40% of every health care dollar should be earmarked for preventive medicine. ■

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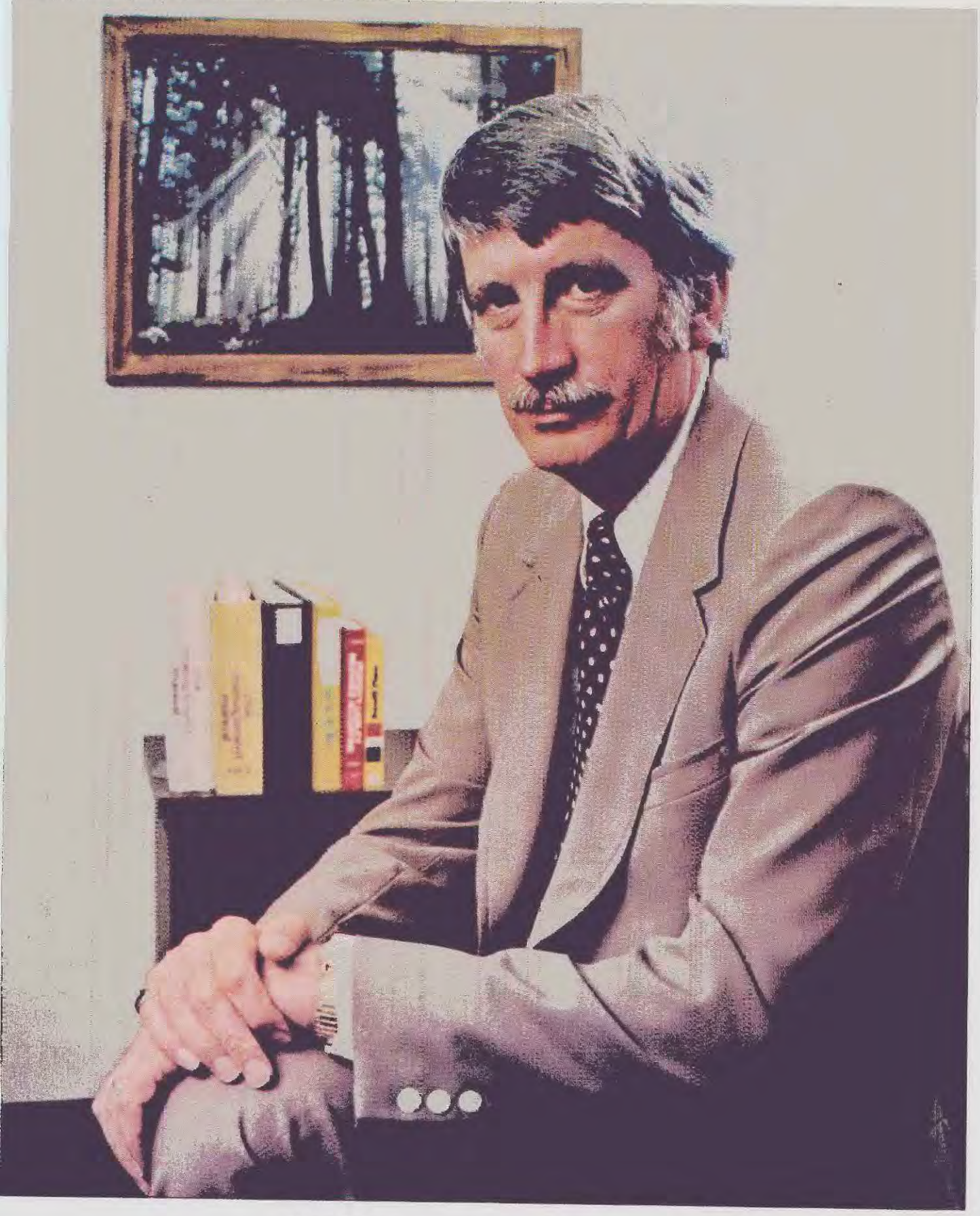
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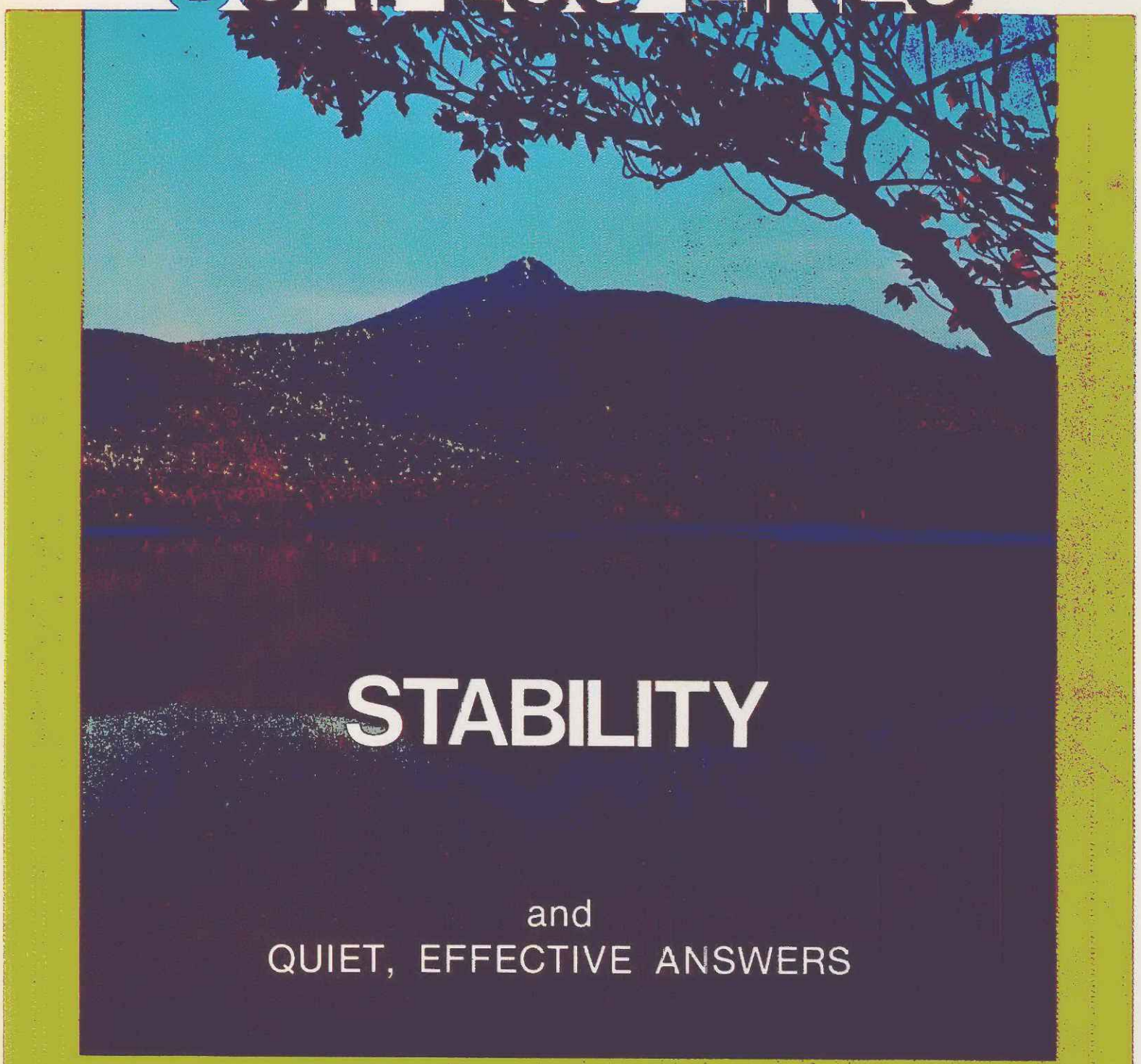
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Ford bows to 'concern', recalls Pintos

WASHINGTON—Ford Motor Co. agreed to recall 1.5 million Pintos and 30,000 Mercury Bobcats to correct alleged fuel tank defects that may lead to fatal fires if the cars are struck from the rear.

The recall comes about two months after the National Highway Traffic Safety Board tentatively concluded that low-to-moderate-speed collisions involving the cars may result in massive fuel leaks, significantly increasing the risk of fire.

In one rear-end collision involving a 1972 Pinto, a California jury awarded a record $128 million to an 18-year-old youth who was severely burned in the accident. That award included $125 million in punitive damages.

But, a superior court judge later sharply reduced the punitive damages award to $3.5 million. The judge, however, upheld an award of $2.5 million in compensatory damages, making the youth's total award $6 million. Ford currently is appealing the case.

In announcing the recall, Ford denied the cars pose a safety hazard. The nation's second largest automaker went ahead with the recall to "end public concern that has resulted from criticism of the fuel systems in these vehicles," said Herbert Misch, Ford vp for environmental engineering and safety.

The recall is expected to cost Ford $45 million. Ford will replace the fuel-filler pipe and seal with a longer pipe and improved seal and install a new polyethylene shield across the front of the fuel tank.

Consumer advocate Ralph Nader termed the fuel tank modifications "inadequate." Ford should install complete new fuel tanks, Mr. Nader said. ■

Public pension reform eyed

Crain News Service

WASHINGTON—A mini-ERISA for public plans will be introduced in the House of Representatives sometime this summer.

Legislation governing reporting, disclosure and fiduciary standards for public pension plans will be introduced possibly within the next two months, according to Rep. John Dent, (D-Pa.), retiring chairman of the House Labor Standards Subcommittee, and Rep. John Erlenborn, (R-Ill.), ranking minority member of the subcommittee.

"The record on public plans is becoming increasingly clear," Rep. Erlenborn said. "Many of these plans have become not funds for the exclusive benefit of the participants and beneficiaries, but political slush funds for the use of mayors and governors who find themselves with, in some cases, many millions of dollars in ready cash just sitting around waiting to be spent."

"There isn't any question public plans are in great danger," said Rep. Dent. "I don't see any way —unless we have legislation—to set a target date for plans to come up with new funding methods."

Rep. Erlenborn said he has little hope that any legislation of this type will pass this year.

The bill was at least partially spurred by a recently completed study by the House Pension Task Force that indicated, among other things, that many public plans are actuarially unsound. ■

Aviation underwriter blasts lawyers, says $500 million limits available

By JOHN H. MILLER

LONDON—Airlines and airline manufacturers can now buy insurance up to $50 million for airframes and $400 million for liability coverage, says John Hewitt, a top Lloyd's aviation underwriter.

But Mr. Hewitt slammed the extensive use of lawyers in promoting plaintiffs' claims when the insurers are ready to meet their responsibilities without delay.

Suggesting that "across-the-table" talks can result in benefits to all concerned, he said he had never known of a case where a major airline or its insurers had tried to avoid proper obligations after an accident.

The claims in the Turkish DC10 crash in Paris in 1974 had been largely completed even though the official report into the disaster was not yet available, he pointed out, and more than 50% of claims for the Tenerife crash in March last year have already been met.

"I get no satisfaction out of paying for six lawyers, and staying for two weeks in the most expensive hotel in Paris while they go through the procedure of taking depositions from one or two possible witnesses whose evidence will probably never be heard," he complained.

"The real question is the extent of compensation and who pays. Accident investigation is so highly sophisticated today that airline manufacturers and other parties involved can decide among themselves their share of responsibility.

"They will make a far better job of it than six to 12 jurymen having their brains washed in court with highly technical data which most of them cannot possibly understand, so that in the end their decisions are based on sympathy and such factors as whether they like the tie worn by the plaintiff's attorney better than that of the defense attorney.

"Is it necessary to go to these expensive and time-consuming lengths?" he asked. "I don't believe it is, and there are others who share my view. I suggest a serious effort should be made to follow this line of thought in the future."

Mr. Hewitt, a former chairman of Lloyd's Aviation Underwriters Assn., told U.S. trial lawyers visiting Western Europe:

"It shouldn't be necessary to spend hundreds of thousands of dollars going through the time consuming procedures of depositions, court hearings, appeals and counter appeals which might turn into years of waiting for a claimant.

"Two minors orphaned as a result of an airline accident three years ago have still received no compensation for their loss, in spite of a six-week trial in 1976, and are awaiting further reference to the courts. I don't think any of the negotiators can feel very happy in these circumstances.

"I've never known of a case where a major airline or its insurers has sought to avoid its proper obligations to claimants. It might seek to involve others whose negligence gave rise to the accident, or to dispute what law applies and which forum is appropriate. It might put up a vigorous defense against a grossly inflated claim, but would not back away from a fair and reasonable assessment of damages.

"So why waste money and time in trying to prove negligence of various parties involved, when most claimants could be reimbursed without such legal activity?" he asked.

Costs of lawsuits and claims are eventually paid for by the airlines in their insurance premiums and are passed on to the traveling public in airline fares, Mr. Hewitt argued. ■

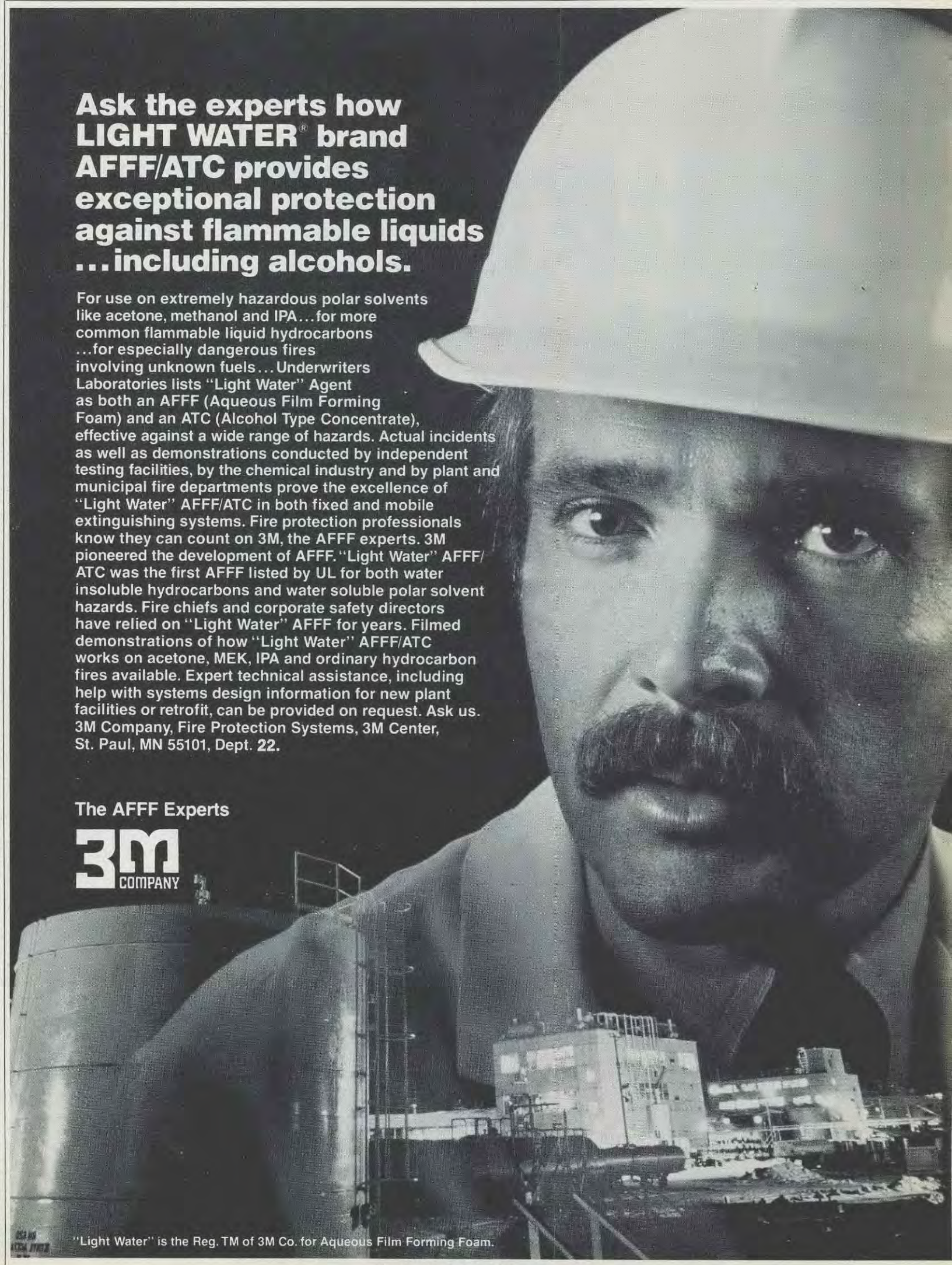
RIMS officers

Cheri Hawkins of Weyerhaeuser Co. is the new president of the Washington chapter of the Risk & Insurance Management Society. Dan Russell of Seattle Stevedore Co. was named first vp and John Eberly of Foss Launch & Tug Co. was tapped for second vp. The new treasurer is Bernie Gayle of the City of Tacoma and Jim McLees of the state of Washington is the new secretary.

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$50,000 fee tops 7 competitors

Washington names M&M its broker of record

By KATHRYN J. McINTYRE

OLYMPIA, Wash.—The state of Washington this month appointed Marsh & McLennan its broker of record, replacing over 30 agents and brokers who had pieces of the state's property/casualty business.

Risk manager James R. McLees knows of only one other state, Alaska, that has appointed a broker of record. Most states are prevented from establishing this arrangement by insurance bidding requirements.

In creating the office of risk management last year, the Washington legislature specifically "relieved this office of the obligation to bid insurance," Mr. McLees said. "Bidding insurance only blocks the markets," he explained, "because it costs the broker too much to bid year after year." M&M and the state are planning on a six-year relationship.

In addition to citing the value of a single advising authority and the stability of a long term relationship, Mr. McLees said appointing a broker of record puts risk management for the state "on the threshold of developing safety programs, expanding coverage and starting to perform as a business."

M&M was chosen from a field of eight brokers who quoted annual fees for the state's business. M&M's proposal, out of its Seattle office, was broader for the quoted fee of $50,000 than the others presented, Mr. McLees said.

The fee is half of what the state's insurance business would have generated in commissions in the coming year if the program had remained the same. M&M, as well as Fred S. James which also quoted $50,000, admitted they were cutting their income but cited civic service and the account's prestige.

Johnson & Higgins, which prefers to operate on a commission basis and will seldom quote a fee, quoted $106,000 since that was its estimate of commissions on the state's business. M&M has said it will want to renegotiate its fee in two years, but Mr. McLees isn't anticipating a jump in cost then because the account should be operating smoothly.

Noting that the policy of bidding insurance developed out of concern for impartial placement of business, Mr. McLees maintains the competition served the same purpose. "Each broker brought in a statement of credentials, qualifications and a program addressing our unique problems."

The state was particularly impressed with M&M's expertise in marine insurance, expertise that will be used to place insurance on the state's ferries. Right now the state is paying more for some higher limit layers of liability insurance than it is for lower ones, Mr. McLees said. "When M&M writes it, we know it will be correct."

Marketing the state's marine insurance is M&M's first assignment as the insurance is up for renewal Aug. 1. Now the state carries less than $30 million of insurance on any one ferry, but Mr. McLees would like to increase that to $50 million and then $100 million.

The new broker of record's second marketing assignment will be to find liability umbrella protection for state. Predominatly self-insured for general liability under the state's Tort Claims Act with a $3.5 million fund, the state does not have any catastrophe protection, Mr. McLees said. He envisions a $100 million umbrella over a $3 million to $5 million retention.

Mr. McLees estimated that self-insuring for more than a dozen years has saved the state millions of dollars. "I have the unique problem now of persuading my people we should buy some insurance," Mr. McLees chuckled.

Partly necessary for marketing the umbrella coverage and also to help the state predict losses and target areas for stepped up loss prevention efforts, M&M will compile the state's loss history. It will be "a massive job," said Mr. McLees, because "we've had dozens of carriers and brokers."

Mr. McLees is enthusiastic about tapping M&M's loss prevention services. "There's a general tendency to find special credibility in recommendations that come from the outside," he recognizes. The state risk manager believes the $50,000 savings to the state on commissions alone "will pale compared to the dollars that will be saved in losses that won't occur."

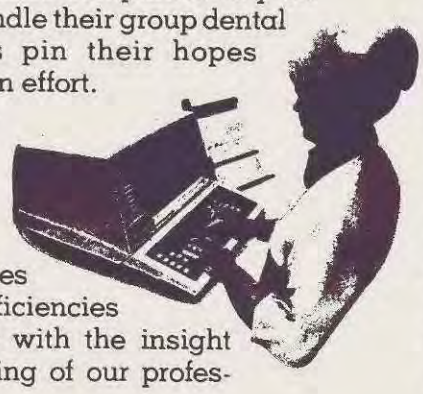
All states would benefit from appointing a broker of record, Mr. McLees suggests. "As we move to administered service programs, we're closer to the world where you get what you pay for."

Mr. McLees prepared the specifications for the competition of credentials and was guided in the final evaluation by West Coast consultants Warren, McVeigh & Griffin and Boeing risk manager Robert Hoff. Other brokers who quoted on the business were Alexander & Alexander, Frank B. Hall, Reed Shaw Stenhouse, LaBow Haynes and James Cleghorn. ■

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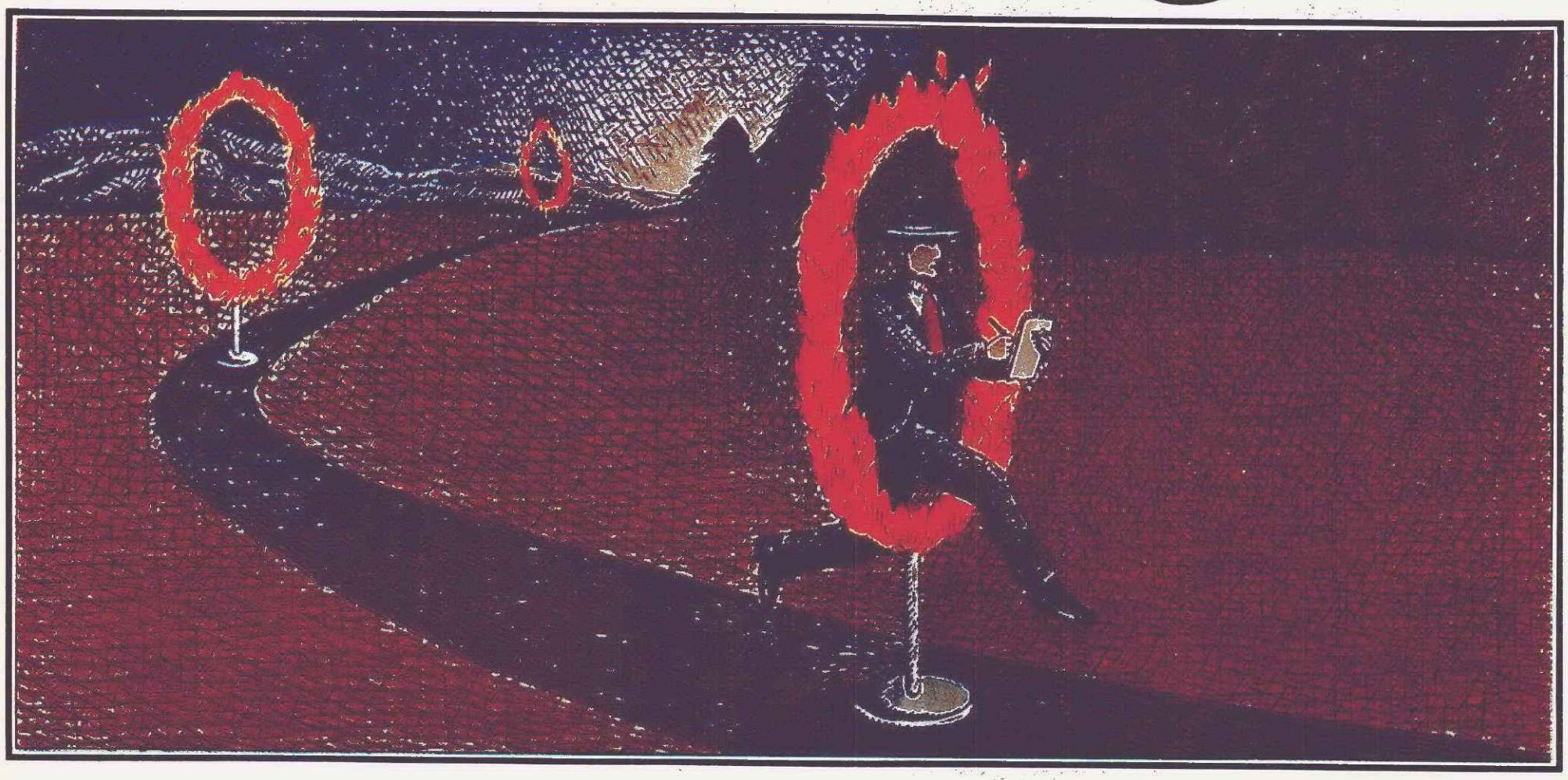
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Handling Ins



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

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

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

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

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

Sensitive areas

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

urance Claims

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

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

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

Learning from experience

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

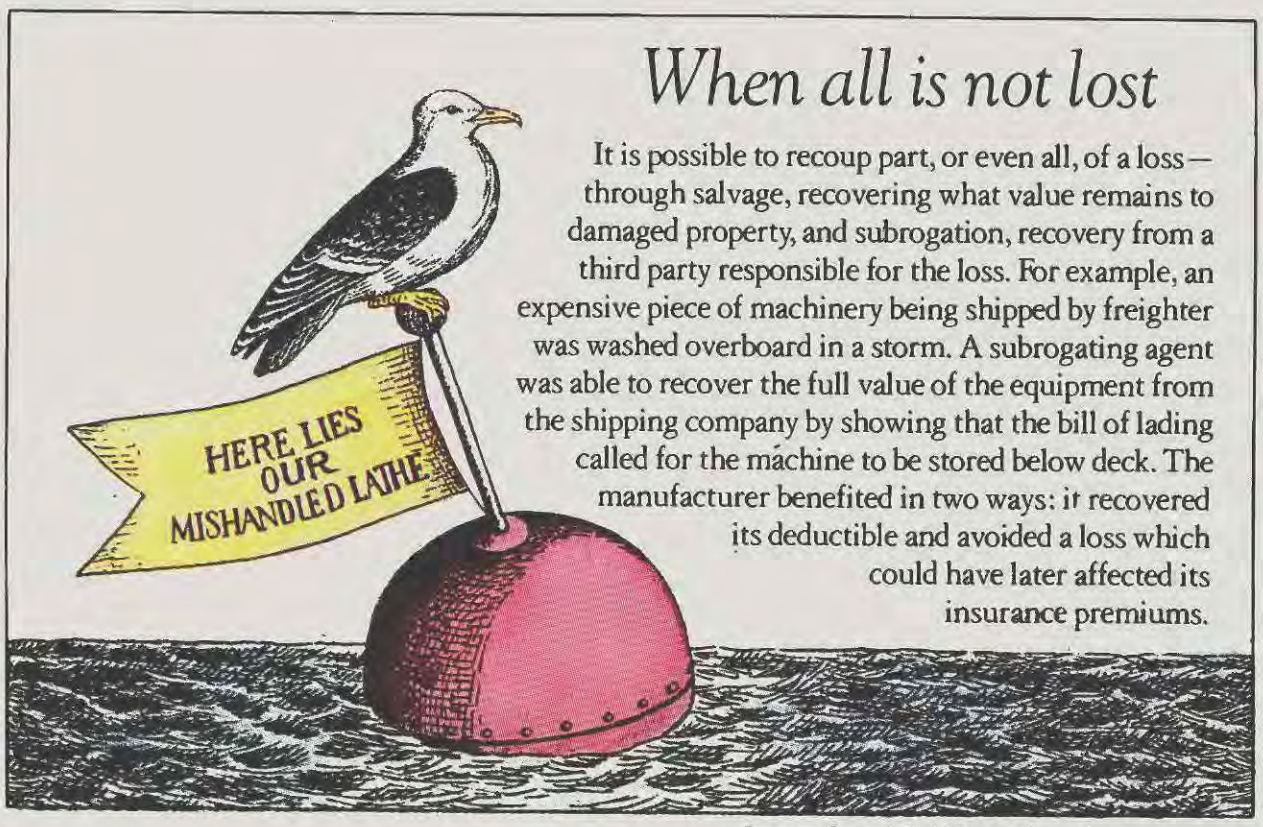
Many companies now assign retained losses to departments where they were incurred; when managers know losses may affect departmental profitability—and, possibly, bonuses—they will be more vigilant in preventing future losses and claims. And comparing annual claims reimbursements with risk management costs may suggest fundamental changes in insurance and self-insurance strategies. Experience should help set a course for the future.

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When all is not lost

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

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PERSPECTIVE

Is sex really vital? Court retires it and makes a bed of woes

By Kenneth Keene
Senior vp and director
Johnson & Higgins
New York

DISCRIMINATION IS A word that sparks emotional debate in political, economic and social discussions. The group being discriminated against wants instant fairness—with suitable retroactive adjustment to compensate for enduring hardship in the past. Those accused of discrimination object to the proposed remedies, such as attempts to compensate for "sins" of the past or initiation of employment practices having the effect of reverse discrimination.

These are very complex issues which can entail inherently contradictory solutions. In many cases all parties involved may feel a measure of unhappiness with the result.

In the personnel and benefits arena, employers are attending seminars and otherwise conferring and debating about how to comply with the Age Discrimination in Employment Act Amendments (ADEA) of 1978. But the problems do not stop with age discrimination. Sex is the subject of another late development in the benefit discrimination area, to wit, the recent Supreme Court decision in *Los Angeles v. Manhart*.

Briefly, the case concerned the defined benefit pension plan of the Los Angeles Department of Water and Power. The plan required a contribution by its female participants which was approximately 15% greater than that of similarly situated male participants. The Court held that this practice violated the sex discrimination provisions of Title VII of the 1964 Civil Rights Act.

In Manhart, the plaintiff (Marie Manhart, et. al.) in effect challenged the use of different mortality tables for men and women as a basis for determining sex-based contribution differentials, i.e., is it proper to recognize that women on average live longer than men and should therefore be charged more for an equivalent amount of monthly benefit? In view of the Court's agreement with the plaintiff, the decision taken in a broader context may mean that data showing a demonstrable difference in risk is irrelevant when the differentiation is based on a prohibited classification such as sex.

In the process of guaranteeing individual rights, the Court seems to be saying that, under the Civil Rights Act, risk classification is invalid. The focus must be on fairness to the individual rather than to class. While the decision has no immediate impact on rates charged by insurance companies, it may represent a long term threat to risk classification practices.

The Civil Rights Act contains a provision (known as the "Bennett Amendment") that a compensation differential based on sex is not unlawful if it is authorized under the Equal Pay Act. The Equal Pay Act permits a difference in the compensation paid to employes of the opposite sex if the payment is made pursuant to a seniority system, a merit system, an incentive system or "a differential based on any other factor other than sex." It therefore becomes crucial, under the Civil Rights Act, to determine whether the classification is made exclusively on the basis of sex or on the basis of some other factor.

In the *General Electric v. Gilbert* case, the Court held that excluding pregnancy from the employer's disability plan did not constitute sex discrimination since the distinction was made on the basis of a special physical disability affecting some women but not others. The Court held in the Manhart case that the distinction was based exclusively on sex and not on longevity. Interesting, the Court found these two cases to be "readily distinguishable."



In outlawing bias in pensions against women, the court may be saying that data demonstrating a difference in risk is irrelevant.

Employers who maintain contributory pension plans which require proportionately greater contributions by female participants will have to amend their plans. This will have an impact mostly in the public sector. Private pension plans are usually either non-contributory or else require equal percentage contributions by men and women.

For most defined benefit plans, the usual monthly benefit starting at normal retirement age is paid for life to the retired employe and is the same formula for both men and women. Thus, although the benefit has a higher actuarial value for women because they live longer on the average, there is no apparent conflict with the reasoning of the Manhart decision. Plans of this nature can use either separate male and female mortality tables or "unisex" tables to determine the amount of contributions to be made by the employer. This is because the contribution level will eventually reflect the actual mortality of the participants.

The early retirement benefit in a defined benefit plan is an entirely different matter. If the accrued benefit is $1,000 per month to commence at age 65, then the table on the next page illustrates the equivalent monthly amount which could be paid starting at early retirement age.

The sex-based factors illustrated in the table are developed from separate mortality tables for males and females. These factors illustrate the actuarial mystique—the actuaries add a bonus to determine the amount of female benefit upon early retirement!

The Manhart decision is consistent with EEOC's position that sex-based early retirement equivalencies are violations of the Civil Rights Act. Plan sponsors may now

Continued on page 34

Speaking Out

Lloyd's was right to exclude U.S. brokers

By D. A. T. Richings
Chief Executive
Fenchurch Group Brokers International
London

This speaking out column is in response to a Business Insurance editorial criticizing Lloyd's for blocking the acquisition of Lloyd's brokers by two U. S. firms.

I HAVE READ with interest your May 15 editorial "Lloyd's doesn't understand free trade." You open your editorial with a sentence, "Are London brokers afraid to compete in an open market?" That sentence displays a sad lack of understanding of the Lloyd's broker and it was no surprise to me that your following comments about the Lloyd's market should have been so far off the mark.

To start with, Lloyd's brokers do compete to produce the best terms possible for their clients in an open market. There are 400 of them who do so daily. These brokers in turn compete against and work with the brokers in the territory from which their business is produced, whether domestically or overseas. Included in the field are the two U.S. brokers to whom you referred and other major U.S. brokers. This brings me to another significant point which you apparently do not understand.



U.S. business is not entirely placed in Lloyd's, says Mr. Richings. The British and offshore companies dominate the marine market, for example.

Many of these 400 brokers produce their business from numerous small U.S. brokers who are usually competing for business with the large U.S. brokers. A not insignificant percentage of facultative business underwritten in the London market comes from these sources. What would be the position or attitude of the small brokers if they found themselves dealing with a London market whose brokers were dominated by the huge U.S. brokers? I do not believe, for one moment, that these brokers would send their business to London if that situation was allowed to develop.

Have you considered also what would be the decision of American insurers, whose cedings represent by far the greatest percentage of the Lloyd's income, if they felt that books would be opened to the major U.S. brokers which they may feel would be the position if U.S. brokers are allowed to purchase Lloyd's brokers. This is what was meant, I believe, by that part of the Committee of Lloyd's statement which referred to a free and unfettered market.

Your editorial seems to suggest that U.S. business is placed wholly in the Lloyd's market, which is the mistaken impression of so many in the U.S. who think that Lloyd's is the London insurance market.

This is far from the truth. For the last five years, the London non-marine market for U.S. business has been dominated by

Continued on page 34

PERSPECTIVE

You can opt to buy many safety services from outside supplier

By Frank J. Kiernan
Vp
Loss Control Department
Schiff Terhune International Inc.
New York

HISTORICALLY, the insurance buyer has been able to obtain safety services in three ways: From the insurance carrier providing coverage, from in-house safety personnel at the corporate and/or plant levels and from outside suppliers. Depending upon the needs of the buyer, each method should be seriously evaluated to determine whether the service provided fulfills the company's needs. The purpose of this article is not to evaluate the first two methods but to describe the various services available utilizing outside suppliers. The buyer can then compare the services he is presently receiving against those available.

The main advantage in using outside suppliers is that, typically, the services of an entire department are available. If information or assistance is needed concerning requirements of OSHA, sprinkler calculations, or product liability exposures, for example, a single call can be placed to the supplier who will then utilize his best source to obtain the required information. He may direct the inquiry to specialists within his own department or he may use one or more of the many contacts available within the industry. A description of the services available from a competently staffed insurance brokerage firm will serve to illustrate the type of assistance of use to the prudent insurance buyer.

Insurers' services

There should be available to the buyer technical assistance for property loss prevention and protection. The insurance carrier will have loss prevention people inspect the insured properties, and the type of inspection will range from onetime underwriting evaluations for small locations to periodic comprehensive inspections of those properties qualified as highly protected risks. However, helpful as these inspections are in identifying hazards and deficiencies, their main purpose is to reduce the carrier's exposure as much as possible by requesting maximum protection and loss prevention measures. The buyer is faced with the problem of satisfying the insurance carrier's requirements to maintain adequate coverage at the lowest rates while also keeping capital expenditures at a minimum. The use of the insurance broker's loss prevention department, ideally, solves this problem because the property engineer assigned to his account is expected to provide the buyer with alternate, equally appropriate, but less expensive methods to reduce hazards.

With the passage of the Occupational Safety and Health Act, the insurance buyer often finds himself needing someone with a broad understanding of the act and the many legal rulings, decisions and legal interpretations associated with it. Although in large companies various departments and personnel will, at times, become involved with the OSHA Act, it is unlikely that any one person will be involved with it every day, unless a full-time safety person is on the staff. This service is another provided by an insurance broker with competent casualty loss prevention personnel on its staff. Some brokers offer subscription services providing up-to-date information on the act, contacts within the federal and local governments administering the act, as well as first hand information obtained from visiting the many plant locations of their insureds and discussing the act and its standards. They may also meet with OSHA authorities to resolve questions regarding citations, interpretations and applications of the OSHA standards as they apply to the insurance buyer's company. The casualty engineer also has access to various examples of self-inspection survey guides which can be tailored to meet the specific requirements of the buyer's locations.

In addition to providing assistance with the OSHA standards, casualty engineers have assumed an even more important role in controlling escalating casualty premiums, particularly for workers compensation. The need for a comprehensive safety program is more urgent than ever if insurance costs are to be controlled. Although some insurance carriers offer assistance, it is the responsibility within the buyer's organization to formulate, implement and monitor the safety program. Unless the buyer has the personnel to perform this function he will have to look to the outside supplier for assistance. A brokerage firm's engineering staff, because of its experience with safety programs for many diversified companies, is capable of presenting a sample safety program that suits the buyer's needs. Whatever type of safety program is desired—formal, informal, emanating from corporate headquarters, or individually tailored for each location—the experienced casualty engineer can assist the buyer with the implementation of the program by visiting major facilities.

Unsuitable data

The use of the computer by insurance carriers enables them to prepare loss exhibits more frequently for those insureds with premiums over a specified amount. Frequently, however, the format of the exhibit is found to present the data in a manner suitable for underwriting analysis within the insurance company but not suitable for the buyer's own needs.

Large corporations may receive loss runs several inches thick presenting loss information in a manner that is useless to the insurance buyer. If the loss data is to be used as a part of the safety program to identify problem areas, or if it is to accompany premium allocation charges to various divisions under a charge-back insurance program, then the exhibits are usually of little value as presented. The buyer should expect the outside supplier to take the data from the loss runs and rearrange it, presenting it in a format suitable for his needs. Each insurance buyer will require the information to be presented in a different manner depending upon his individual preference and distribution requirements. If he has had several insurance carriers in past years, the outside supplier with experience interpreting loss data from all the carriers can present the information in one comprehensive report.

Rate analysis of properties not in the highly protected risk category is again a desirable service from outside safety suppliers. In the past, this service was offered by many suppliers but was discontinued for various reasons.

Periodically the fire rates are reviewed and arrangements are made for return premium if rates have been reduced. If rates have been increased, the buyer is informed of the reason and steps which can be taken to again reduce the rate. This is also considered a safety service because the rate reductions occur in some cases as a result of the elimination of existing hazards. ■

Lloyd's . . .

Continued from page 33

British and foreign companies based in London or offshore to the extent that Lloyd's provides only 30% of the capacity written. The marine market capacity, for many years, has been composed 60% companies, 40% Lloyd's and the aviation market-capacity 80% companies, 20% Lloyd's.

The same is true for the leads too. A great deal of business in all sectors of the market place is led by companies, around which it is possible, fortunately, for the broker to build up a market using Lloyd's and companies.

If the larger houses in the United States require a presence in the London market of more than 20%, then they should take a 20% stake in a firm of Lloyd's brokers (the amount apparently now permissible) and 51% or more in an outside firm of Lloyd's brokers. There are many excellent outside brokers, although they are not equipped with staff whose skills lie in the U.S.

U.S. barriers

You also mentioned that "Lloyd's would be furious if artificial barriers of any kind were erected in the U.S. to limit their freedom to handle U.S. business."

It would appear that you are not aware of the fact that for many years effective barriers have existed in the U.S. which restrict the flow of business to the London market. They have been accepted with very good grace. Just take one look at the surplus line laws in each state and then you will see what I mean. What would happen, may I ask, if the American market became dominated by foreigners? Are you saying that the state legislators or the federal government would allow that or that there would not be a lobby to stop foreign encroachment?

You also mention that the Lloyd's brokers effectively control commission rates which, again, is a remark very wide of the mark. The London insurers control the commissions and if the U.S. brokers were unhappy with the London brokers retained brokerage, I am sure they would have been the first to have said so long before now.

Lastly, and let us be absolutely frank and commercial, the only reason U.S. brokers use the London market is because they buy a product for their client which, for one reason or another, is not available domestically. When it is available, the business is usually switched quite rightly to their domestic markets. That is the way it has been for years and no one should complain about that.

The freest market

The London market does consist of free traders and my judgment of it is that it must be the freest market anywhere in the world. Can a market be freer when, within that market, there is competition for business between one Lloyd's syndicate and another or against the companies, or one company against another, or against a Lloyd's syndicate. And numerous brokers compete against each other in what you call an "incestuous" market relationship between insurer and broker.

It would have been so easy for the Committee of Lloyd's to have referred the bids by the two U.S brokers directly to the British Treasury. I believe they did not do so because the Committee chose to look at the problem empirically and stabilize the position which was causing great concern to a wide range of interests worldwide, who wished to see Lloyd's remain free and in which their business can continue to be placed without fear of their competitors receiving inside information.

I am sure the British Treasury would not have allowed a large section of the U.K. insurance industry and its profits to pass into foreign ownership. What, I wonder, would have been the position of the U.S. federal government in similar circumstances? ■

Bias . . .

Continued from page 33

want to move to unisex factors using the IRS formula, or may conclude that a compromise factor should be adopted representing the male-female weighting of the group or, where appropriate, may simply utilize male factors for both males and females. One other approach would be to use factors not based on sex at all as long as the factors would be more favorable than those permitted by IRS. This retains the advantage of simplicity.

When a joint and survivor (J&S) form of payment is applicable, the typical defined benefit plan now makes a sex distinction as to the amount of benefit. For example, if the employe and spouse are both age 65 at the effective date of the option and if 100% of the monthly benefit is to be continued to the survivor, then a single life annuity of $1,000 per month may be the equivalent of $752 per month for the lifetimes of a male retiree and his spouse and $873 per month for a female retiree and spouse. Here again, the solution may be to adopt unisex mortality tables which represent a composite of the male-female distribution, or simply use in appropriate cases the factor which applies to the male retiree. Either way, the females will end up with a lower benefit compared to current practice. This is the exact opposite of the type of discrimination which is covered in the Manhart decision!

Sex vs. Unisex Payments

Age	Sex-based Male	Female	Unisex
62	$757	$790	$800
60	637	681	667
55	430	483	500

Other payout options under defined benefit plans should be revised to eliminate factors based on sex. For example, the 10-year certain and continuous option might be determined in reference to either composite factors or male factors. Although the lump sum option is relatively rare in defined benefit plans, it should be based on commuted values using a composite unisex table or a male mortality table when appropriate. Here again, females will receive a lower benefit than is the case under current practice.

The Manhart decision appears to have no direct impact on defined contribution plans, such as profit-sharing programs. Equal contributions are generally made for males and females. At the payout point, the lump sum option is widely prevalent. However, if an annuity payout is desired, this would be accomplished by permitting the employe to purchase the annuity on the open market from an insurance company that uses separate mortality tables. For the moment at least, the Supreme Court does not challenge these insurance company practices.

As indicated, it appears that defined benefit plans should be moving to some type of unisex basis in the determination of individual benefits. Apart from a need to satisfy legal requirements, unisex factors do have the advantage of simplicity—it's a lot easier to communicate the benefit to the employes. Further, this approach offers the employer the best protection against claims of unequal treatment of employes by reason of sex.

There are at least six cases currently pending at the federal district court level challenging the use of separate mortality tables to determine annuity benefits under certain defined contribution plans insured by TIAA-CREF. Also, the Oregon State Teachers Retirement Fund Board is appealing a federal district court decision which would prohibit the use of separate mortality tables for men and women for annuity benefits.

The King Solomons of the courts will have to work very cleverly in order to resolve the money questions involving risk classification vs. individual rights! ■

How's the tort reform drive doing? See our Score Card, page 36.

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PERSPECTIVE

Product Liability Score Card

State	Tort reforms enacted	Bill pending	Cleared house	Cleared senate	Dead for 1978	S/L	State of the art	Failure to warn	Standards	Alteration	Remarks
Ala.					X	X					No action taken on a compromise measure.
Alaska		X									No action taken on bill to reduce awards by plaintiff's negligence.
Ariz.	Yes					X	X	X	X	X	Bill also prohibits asking for specific damages in a suit.
Ark.					X						Bills probably to be introduced next year.
Calif.		X		X		X				X	Other more comprehensive bills still in committee.
Colo.	Yes					X	X		X		Second state to pass major reform legislation.
Conn.			X	X		X		X		X	Establishes an 8-year limitation on filing suits.
Del.		X				X	X	X	X	X	Posssible action later this year.
Fla.		X	X	X		X					Bill is waiting for signature of the governor.
Ga.	Yes					X				X	Establishes a 10-year limitation on filing suits.
Hawaii											No information available.
Idaho					X	X	X	X	X	X	Bill died in senate committee.
Ill.		X	X	X		X					Compromise bill may pass.
Ind.	Yes					X	X	X	X	X	Establishes a 10-year limitation on filing suits.
Iowa					X	X	X	X	X	X	Possible action next year.
Kan.			X	X	X	X					Bill died in conference committee.
Ky.	Yes					X	X	X	X	X	One of the most comprehensive bills passed.
La.		X				X	X		X	X	Time running out on legislative proposals.
Maine					X						No reform bills introduced.
Md.					X	X	X	X	X	X	Bill never made it out of committee.
Mass.		X				X	X	X	X	X	Legislation has no chance of passage.
Mich.		X				X	X	X	X	X	Possible action later this year.
Minn	Yes										Bill prohibits asking for specific damages over $50,000 in a suit.
Miss.					X	X	X		X	X	New bills to be introduced next year.
Mo.				X	X	X					Bill died in a house committee.
Mont.					X						No legislation introduced this year.
Neb.	Yes					X	X	X		X	Establishes a 10-year limitation on filing suits.
Nev.					X						No legislation introduced.
N.H.		X		X		X				X	Bill has a good chance of success.
N.J.		X				X	X	X	X	X	Action unlikely this year.
N.M.					X						No legislation introduced.
N.Y.		X		X		X				X	Time is running out on senate-passed bill.
N.C.		X	X	X		X					Special legislative session not likely to resolve differences in bill passed in 1977.
N.D.					X						No action until 1979.
Ohio		X	X			X			X	X	Bill still is tied up in senate committee.
Okla.			X		X	X					Reform bill died in the senate.
Ore.	Yes					X				X	Third state to pass p/l legislation. 8-year s/l.
Pa.		X				X	X		X	X	Action unlikely this year.
R.I.	Yes					X				X	Establishes a 10-year limitation on filing suits.
S.C.											No information available.
S.D.	Yes					X					Establishes a 6-year limitation on filing suits.
Tenn.	Yes					X	X	X	X	X	Establishes a 10-year limitation on filing suits.
Tex.					X						Legislation to be introduced next year.
Utah	Yes					X	X	X	X	X	First state to pass reform legislation.
Vt.					X						No information available.
Va.					X						No reform bills introduced in 1978.
Wash.		X	X			X				X	Special legislative session not likely to take up p/l legislation.
W. Va.					X	X				X	Legislation died in committee.
Wis.		X				X	X	X	X	X	Action unlikely this year.
Wyo.					X						No information available.

Business Insurance's Product Liability Score Card summarizes efforts to enact tort reforms in state legislatures. The first section details the status of tort reform legislation in the state; the second section indicates what tort reform proposals are included in the legislation. When a bill is amended, the tort reforms still alive are indicated.

The tort reform elements charted are a statute of limitations from either the date of introduction of a product or from the date of an accident, allowing a defense that a product met the state of the art at the time of manufacture, elimination or restriction of a failure to warn claim, allowing a defense that a product met government standards and allowing a defense if a product were altered after it left the manufacturer.

The editors of *Business Insurance* have attempted to make the chart as accurate and up-to-date as possible. If you know about product liability actions in your state, please write or call Jerry Geisel, *Business Insurance*, 1253 National Press Building, Washington, D.C. 20004 or call 202-638-5300.

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Iowa hospitals spend $1 million, dissect incidents

By KATHRYN J. McINTYRE

DES MOINES—A $1.1 million three-year hospital loss prevention project here will dissect mishaps in patient care as they have never before been examined.

The risk identification results of the project could benefit injury prevention efforts in hospitals across the country as well as in the participating Iowa hospitals, said the risk manager for the American Hospital Assn.

Since 85% of all malpractice claims occur in a hospital, identifying the causes of hospital mishaps could provide new insights to the proliferation of medical malpractice claims, project supporters hope.

Sponsored by a $598,054 grant from the W.K. Kellogg Foundation and in-kind services from the Iowa Hospital Assn. (IHA) valued at $570,000, the project is designed to present an extensive profile of "patient care services not consistent with the desired level of activities," explained Paul E. Price, administrative assistant for the Iowa Hospital Risk Management Program and IHA risk manager. The incidents examined may or may not present a potential medical malpractice suit.

The profiles of the incidents in medical care may eventually be drawn from the experience of more than 100 Iowa hospitals, combining information from reports filled out on incidents and from medical records. While hospitals routinely fill out incident reports and many hospitals abstract information from medical records to aid in hospital planning and management, Mr. Price knows of no one who has ever combined the information from the two sources and applied it to loss prevention.

Aggregating information from so many hospitals will especially benefit the smaller hospital, Mr. Price noted, because smaller hospitals will be able to learn from the more extensive experience of others. But information on incidents in similar settings will also be available.

The project relies on the advanced technology of computers. The incident report for the program, which entails 138 questions covering all the circumstances surrounding the incident, is specially designed for data processing. Extracted computerized information from the patients' medical records will be melded with the computerized incident reports. The result: A profile of patients, procedures and diagnoses that are involved in incidents that deviate from desired medical care.

The information could have wide ranging application in hospital injury prevention, Mr. Price continued. Recurring incidents could be analyzed for corrective action. This kind of information could aid a head nurse in developing a patient's care plan. And Mr. Price has set as his personal objective as the program progresses "to see how we can formally apply more of the principals of risk management in hospitals."

Abstracting information from medical records, vital to the project, is done with strict confidentiality requirements, Mr. Price emphasized. "We've gone to great extremes not to violate confidentiality. Nothing is patient specific. We are only aggregating information."

The computer printouts will allow for quick identification of the type of incident with the type of personnel involved and the type of patient. "We think we will see obvious trends. And we are looking for what we don't know," Mr. Price said.

> 'We've gone to great extremes not to violate confidentiality. Nothing is patient specific.'
>
> —Paul Price

The St. Paul Insurance Co., a major insurer of Iowa hospitals, also provides its insureds with incident reports as part of its loss prevention services, "but we're adding the patient medical records so we can see the type of patient and diagnosis involved," Mr. Price stressed.

The St. Paul is cooperating with the project, accepting incident reports of participating hospitals so the hospitals don't have to maintain two systems. Though proud of its own loss prevention services to hospitals, which include surveys by registered nurses of insured hospitals and education programs, the St. Paul supports the Iowa Hospital Risk Management Program.

Jon Roeder, professional liability risk management officer at The St. Paul and its representative to the project, observed. "This is a new thrust. It will be interesting to see if they can identify enough elements to make some judgments. It's a very important project."

Begun last August, the project is just winding up its first year which entailed designing the reporting program and testing it in nine hospitals. Another 30 to 40 hospitals will join the program between August and January 1979. In the third year, when the project is in full swing, more than 100 hospitals could be reporting incidents.

It's expected enough reports will have been compiled by July 1979 to start full-scale analysis of the information, but patterns are also expected to emerge before then.

Defining an incident, which Mr. Price said may be renamed a variance to remove the connotation of the word "incident," is a problem. "We're trying to get at anything that is not consistent with the desired level of medical care," Mr. Price explained. "We're aiming for zero-defects control."

The 138 questions on the incident report cover the circumstances of the incident: time, type of patient, type of incident, type of injury, extent of injury, location of incident, personnel involved and contributing factors, which may be staff, patient, equipment or the use or absence of safety devices.

An incident report coordinator is appointed in each reporting hospital to check the flow of reports and their accurate completion. The computer will also be programmed to reject incorrectly or illogically completed reports. For example, the computer will reject an incident report that involves a medication procedure if it says the medicine was given to the patient in the stairwell of the hospital—hardly likely.

The computer will also flash

Continued on following page

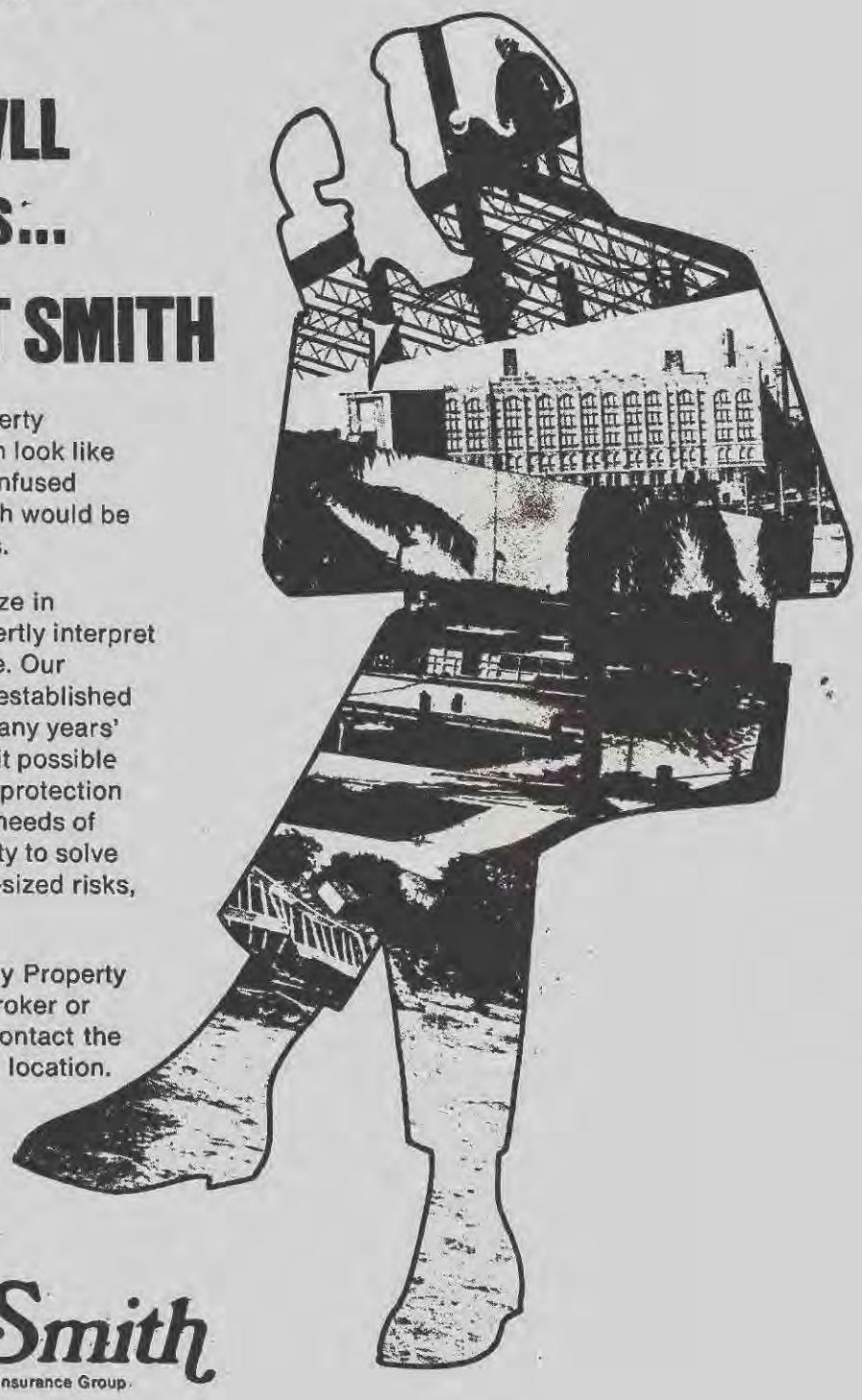
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For more facts circle 126 on reply card

Iowa program . . .

Continued from preceding page
warnings on reports that indicate obvious problems in procedure. If a report involving medication indicates someone unauthorized to administer medicine did so, the computer would flash a warning. The hospital would be alerted and the procedure would be corrected or the report would be revised if it were in error.

"When you're aggregating data for hundreds of hospitals and thousands of patients, you need accurate data," Mr. Price submitted.

A staff of eight is working on the project under the direction of Mr. Price. He came to IHA last summer as risk manager after nine years in loss prevention, including working with hospitals, with the Hartford Insurance Co.

Though at this point information is only flowing into the computers until enough is accumulated to start analyzing it, the mere information gathering process is identifying risk prone procedures and they are being corrected.

"One hospital felt it had an above average rate of medication omissions. The patient care evaluator couldn't believe the reports," Mr. Price recalled. When the medication order system was investigated the cause was obvious. There were two rolodexes used for medication orders. One contained orders on medicine to be administered as needed and the other held the orders of regularly prescribed medicine. The problem was that the regularly prescribed medicine orders were being filed on the administer-as-needed rolodex.

"We suggested different colored cards or different sized rolodexes for the two card systems," Mr. Price said. "Then the only chance of error is typing the order on the wrong card." More supervision and education of the clerk involved was also advised.

This kind of corrective action will hopefully flow from the information gathered on other incidents. Specifically who will do the analysis and make recommendations has yet to be decided. The advisory council is being asked for its suggestions but the first step is to find out where the problems are lurking. Education programs will also be conducted during the project period, in individual hospitals, to groups of hospital personnel and in statewide seminars.

Decisions on what to do after the three-year funding runs out have yet to be made. If most of the 136 member hospitals of IHA want to participate in the program, it could be continued with association dues. Or hospitals could be billed individually for the loss prevention service, perhaps on the basis of patient admissions. "We wouldn't want to base it on the number of incidents because we wouldn't want to restrict reporting which would limit our data base," Mr. Price said.

No one is suggesting yet that this kind of in-depth risk analysis needs to be conducted in hospitals everywhere. James Groves, risk manager for the American Hospital Assn. and a member of the advisory council for the project, said, "I don't know that this has to go nationwide." Though Iowa isn't necessarily a microcosm for the universe of American hospitals, "the principals are the same," he said.

Mr. Price recalled an old insurance industry adage: "If anything good can come out of an accident it's what you can learn to prevent it from happening again."

"Change accident to incident and it's the Iowa Hospital Risk Management Program," he said. ■

dates for buyers

July 5-7. American Management Associations will present a meeting about the **Fundamentals of Employe Benefits** in Chicago. The conference has been planned to help design and coordinate a better benefits program, cut costs in all benefits areas and get the best return on benefits investment. Among the topics to be covered are background on employe benefits, group insurance, pensions, profit sharing and savings plans, planning benefits by the objective-setting approach, communication of benefits, administration, ERISA compliance, managing the employe benefits function and a look at the future. Cost: $450, AMA members; $520, non-members. Contact Registrar, American Management Association, 135 W. 50th St., New York, N.Y. 10020; phone 212-246-0800.

July 8-14. World Safety and Accident Prevention Congress to be held in Singapore and sponsored by the World Safety Organization. Among the topics on safety to be discussed will be transportation, travel and tourism, fire, home and community environmental, product liability and consumer, labor, international and health legislation, professional development, occupational health, mining safety and agricultural and industrial safety. Cost: $100. Contact National Safety First Council Automobile Association of Singapore, A.A. House, 336 River Valley Road, Singapore.

July 9-12. Insurance Management in Banking Seminar to be held in Springfield, Mass. and sponsored by the American Bankers Association. The seminar will provide bankers with a working knowledge of risk management principles; a guide to important insurance coverages and markets, including bankers blanket bond, directors and officers liability and other fiduciary liabilities, and new exposures arising from electronic funds transfer system participation. Cost: $245. Contact Sheldon D. Golub, American Bankers Association, Communications Group, 1120 Connecticut Ave, N.W., Washington, D.C. 20036; phone 202-467-4338.

July 10-14. Second annual **National Symposium on Workers Compensation** at the Orono Campus of the University of Maine. Topics include insurance ratemaking, permanent partial disability, third-party actions, rehabilitation, federal involvement and safety standards. Guest lecturers include federal officials, insurance executives, legal authorities, employers and academicians. Tuition is $300. Contact: Howard Bunn, phone 312-297-7800 or Robert Collyer, phone 202-223-6622.

Aug. 6-8. Using Risk Management for Commercial Accounts, a seminar cosponsored by the Society of CPCU and the Independent Insurance Agents of America, at Sugar Loaf Mountain Resort in Cedar, Mich. Designed for anyone handling commercial accounts of up to $100,000 in annual premiums, the seminar will investigate the techniques of putting risk management theory to practical use for commercial accounts. The $385 registration fee covers tuition, course materials, lodging and meals. Contact: Robert M. Finan, director of continuing education, Society of CPCU, Kahler Hall, Providence Road, (CB#9) Malvern, Pa. 19355; phone 215-648-0440.

July 24-26. The National Conference on Workers Compensation to be sponsored by *Business Insurance* in Chicago. It will include six general sessions and seven concurrent sessions covering aspects of workers compensation regulation, insurance and self-insurance. One of the highlights will be a debate on the question of state versus federal regulation, featuring seven nationally recognized authorities. Among the topics to be considered will be proposed federal legislation, occupational disease, cumulative trauma provisions, the present system of establishing workers compensation benefits, self-insured programs, fraud in workers compensation, rehabilitation programs and working with state workers compensation regulations. Cost: $385; 10% discount for companies sending more than one person. Contact Taylor Lucas, Crain Education Division, 740 N. Rush St., Chicago, Ill., 60611; phone 312-649-5245.

Info requested on 2 hazards

WASHINGTON—The Occupational Safety and Health Administration (OSHA) is asking employers for information on skin and eye hazards found in industry to develop new safety standards.

OSHA is seeking information on types of cutaneous and eye hazards, circumstances of employe exposure and feasible means of controlling exposure to these hazards.

The information should be submitted to the OSHA Docket Office, Docket H-113, Room S6212, U.S. Department of Labor, 3rd St. and Constitution Ave., NW., Washington, D.C. 20210. ■

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agent/broker topics

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Debate opens on what's acceptable as 2 states mandate more education

By BARBARA JEAN GRAY

SALEM, Ore.—Building more in-house education programs and scouting up more insurance courses are on the "must do" calendar for agents here and in Wisconsin where legislation has been passed to require continuing insurance agents' education.

Just which courses will qualify is still being debated. Agents are plugging for the accreditation of "lab" type courses such as those in agency management, product knowledge and industry changes as well as the more lecture-oriented Insurance Institute of America and Chartered Property & Casualty Underwriters courses.

Richard Schnitzer, administrative vp for Rollins Burdick Hunter in Portland, said that beyond the CPCU, CLU and IIA courses, the Independent Insurance Agents of Oregon "are going to be pushing for product knowledge and agency management which is where I think concentration should be. If we concentrate only on CPCU, it will dilute the overall effect. I would also like to see more programs of the caliber of Safeco."

The Safeco program of seminars for agents recently included a three-day course on some commercial lines attended by several RBH employes, he said. Another source of credit might be preparation for changes such as those the Insurance Services Offices is planning to implement this July, he suggested.

Last year, 34% of RBH's total 128-person staff was enrolled in some form of education, Mr. Schnitzer said. Five CPCUs are among the staff and of the total 40 licensed agents, 10 are working toward the designation of CPCU. The office has held in-house CPCU classes for some time

Just how many CPCUs a firm has on hand will have some bearing on the amount of education required at least in Oregon where the designation will automatically decrease the requirements. As it stands now, the state, which does not now license brokers, will require 36 contact hours for each of the first five years following licensing. For the next five years, 24 hours will be required and for every year thereafter the agent will be required to earn 12 contact hours. A CPCU qualifies for the 10-year level automatically, said deputy insurance commissioner Dan G. Nelson.

The law in Oregon actually allows the commissioner to put the maximum number of required hours at 45 hours, 24 hours and 12 hours for the respective lengths of tenure. Although the maximum is not being enforced, the present program will be assessed after three to five years, Mr. Nelson said.

A contact hour is equal to 12 times the number of pure or classroom hours, he said. One college credit for example is equal to 12 contact hours. One IIA course would be equal to 36 contact hours.

Ten thousand agents will come under the rule which could become effective as soon as Sept. 1, Mr. Nelson said. "We found most of the agents doing far in excess of the educational requirements already. The average CPCU for example puts in 40 some hours per year."

A committee of agency and insurance company people has been appointed in Oregon to work on the requirements. One of the members, the Independent Insurance Agents of Oregon, has also hired an education director to work on this project.

Very few of the 750 IIAO members have objected to the new law, executive secretary Richard V. Clement said.

"The problem (with compliance) will be getting enough variety of education, especially for people in the rural areas. The agents in the hinterlands are worried where this education is going to come from."

That concern was also voiced by a major national brokerage firm. "The big problem is going to be finding qualified people willing to take the time to put together a good course," commented Fred S. James' Portland vp Larry Boyd. Like Mr. Schnitzer, Mr. Boyd also expressed a desire to have commercial and industrial product knowledge courses credited toward the requirements.

James too has always footed the bill for any employe education, Mr. Boyd said. That includes necessary time off, a management cost which will increase with the new law but one that can be solved by more in-house courses, he said.

Oregon has tentatively approved the CPCU, CLU, CPIW, IIA and LOMA courses for accreditation. Self-study courses will qualify if the student also passes a national exam on the subject matter such as an IIA course, Mr. Nelson said.

Oregon and Wisconsin are the first states to approve legislation for the continuing education of property/casualty agents, although Kansas requires retesting for brokers and life agents and Nebraska has requirements for life agents. Fourteen states require some education or in some cases equivalent experience prior to taking the agents' licensing exam.

The National Assn. of Insurance Commissioners is studying a proposed model bill for the continuing education of agents and brokers to be adopted and interpreted by the individual states.

The model bill requires that the individual complete the equivalent of 25 classroom hours of instruction in each of the first four years after licensing and 15 hours for each of the subsequent years.

Colorado insurance commissioner J. Richard Barnes, chairman of the NAIC education committee said, "One of the problems in this industry is that there are too many people who have been in the business 20 years but they've had one year's experience 20 times over."

Oregon's statute will preclude its adoption of the model bill, Mr. Clement believes. "We feel it is better. Their (the NAIC) emphasis is pushing toward theory. I'm more in favor of a practical orientation."

In Wisconsin where a law was recently passed for a continuing education requirement of 15 classroom hours per license, the specific qualifying courses are also being worked out. An administrative ruling on the matter will probably be forthcoming next year, and the law won't be effective until Jan. 1, 1981, said Paul Mast, executive vp of the Independent Insurance agents.

William Hoppenjan, chairman of the commissioner's advisory committee, said the matter has been put on the back burner until Wisconsin's ruling for the licensing of brokers has been completed.

Actual determination of which course will meet requirements has not been made, Mr. Hoppenjan said, but the advisory council has recommended to the commissioner that the state insurance department not be involved in that

Continued on page 38B

The inside story

Agent networks

Networks of independent agents such as Assurex International and InsGroup exist to help their members compete with the big national brokers. But now competition is revving up between the alliances themselves. Page 38C.

Premium financing

Easing property insurance rates, self-insured retentions and even some clients going bare is not denting the driving force of premium financing. Page 38G.

The agents' agent

Arnold J. Flegenheimer began as an excess/surplus lines broker in 1947. Now a major part of his business comes from providing agents with errors and omissions coverage. Page 38I.

Trade associations

Working with trade associations on a mass marketed insurance program can be a trying experience. Harry L. Baker, president of Professional Insurance Consultants, explains on Page 38J.

Son interfaces with agent parents to compute family success story

PITTSBURGH—The Thompson Insurance Agency is always the guinea pig.

In fact, it has been the guinea pig for each and every computer software program of three-year-old Redshaw Inc.

But unlike agents and brokers who balk at the idea of being "the first on their block" to try a new computer system, Robert Thompson Sr. and his wife and fellow agent Jan are participants in the conceptualization and de-bugging of the programs. The programs have been designed primarily for them by their 23-year-old son Robert Jr.

Each of the 150 programs and 40,000 lines of programming which has now been sold to 200 North American insurance agents has first been tested at the commercial insurance agency here that grosses $200,000 in gross revenues.

The 10-person Redshaw staff includes all three Thompsons plus seven others who participate in program design, installation checks and servicing. All are licensed insurance agents "or close to it" according to Redshaw owner Robert Thompson Jr.

The Redshaw program is a comprehensive insurance system, sold to agent clients with a service guarantee. Mr. Thompson Jr. describes it as a policy filing and retrieval system.

Although the system performs all bookkeeping functions, that's secondary to the insurance agency functions.

Several aspects of the Redshaw program are unusual, if not unique, among EDP software systems.

The main one is its storage of data from the daily report. Theoretically, the system eliminates the need for the files. Of course the physical presence of the files is required by law, but having the daily report "on line" saves the numerous steps back and forth to the files.

Another unusual aspect of the system is that it identifies accounts by names (the first three letters of the last name and the first two of the first name) rather than by an identification number.

Furthermore, one of the system's programs fits the Agency Company Operations Research and Development (ACORD) forms of the Independent Insurance Agents of America.

In other words, rather than being a computer software program that can be applied to insurance agencies, Redshaw is an insurance agency system that's been put on electronic data processing.

The Redshaw package includes all 150 programs plus any new ones the owners may develop in the fu-

Continued on page 38B



Joan Haut works the Redshaw system at the Al Haut Agency in Skokie, Ill., one of 200 clients.

Broker's $250,000 remodeling aims to improve service at Reed Shaw

ST. LOUIS—An office remodeling was the jumping off point for Reed Shaw Stenhouse Inc. here to departmentalize its 15,000-square foot production area.

The rearrangement has brought individuals out of office cubicles and into an open office concept, grouped by department and set apart from each other by a waist-high wooden post fence.

"One of the key reasons for the remodeling was to improve client services," vp Arnold Cernik said. "By having each unit operate as a separate team, with a marketing and production staff, we are able to respond quickly to our clients' needs."

The remodeling cost Reed Shaw $250,000.

He remarked that the remodeling has also reduced the amount of clutter on each desk because it has allowed for better accessibility to the files in each of the seven units. The firm also hopes to have three or four television screens in each unit within six months which will enable the individual employes to call up the client's file from a $15,000 Kodak microfiche system with the flick of a switch.

Jack Barlow of Jack Barlow Designs Inc. here worked with the individual employes of the brokerage firm in planning the new office layout.

"The employes were used to working in small, closed-in offices," Mr. Barlow said. "In keeping with the open office concept, the small offices were eliminated in favor of a large working area which still maintained the integrity of each unit."

Now each unit manager has an enclosed office and the various units are separated by a short wooden post fence.

The seven individual units are industrial accounts, large international accounts, employe benefits, commercial and personal lines accounts, loss control and claims handling, accounting and support services. Eighty employes are divided among the units.

Mr. Cernik said the remodeling has increased productivity and contributed to a generally happier atmosphere around the office.

An Oriental decorating theme predominates in the newly remodeled office. Japanese art prints hang on the walls and Oriental batiks are built into the desks of the open office area. Electrical panels are concealed by a four-sectioned silk screening under which is a 100-year-old Korean scholar's chest.

A skylight in the central area is located above a plant filled atrium. ■

Redshaw system . . .

Continued from page 38A
ture, employe training and consulting.

It also includes a lifetime warranty on the software, plus Redshaw personnel travel expenses to and from the agency client for checkups immediately after hardware installation and 30 days later as well as agent's use of the free telephone number.

Although no formal financial arrangements with any hardware manufacturers exist, Redshaw's program is designed for the Wang Laboratories' small business computer 2200 T/MVP series.

One of the reasons the Thompsons prefer the Wang system is that the same systems are used regardless of the agency size. It's just a matter of adding more hardware to accommodate growth or shrinkage rather than making any fundamental changes in the types of hardware, the younger Thompson said.

"Our philosophy has been, 'Let's make everything anybody could ever want and put it into our basic program.' "

The standard package can grind out 350 reports although the typical agent uses only 12, he said. The software capabilities for all 350 reports are given to all agent clients regardless of the agency's size.

200 clients

Redshaw now has 200 agent clients, 60 in Canada. The software marketer is installing its systems at the rate of 20 to 25 per month.

Client distribution is primarily in high wage centers, Mr. Thompson Jr. explained. They are clustered in areas like Chicago, Boston and Toronto where wages are relatively high ($11,000 for a starting position to perform these functions) and penetration is light where wages are low, primarily in the South.

The cost of the Redshaw package is $6,000.

U.S. agents who handle up to 750 accounts with a premium volume between $150,000 to $400,000 would pay between $9,000 and $14,000 for one work station and possibly one printer, the firm estimates. That includes the Redshaw software and the Wang hardware and would figure out to between $180 to $280 per month on a five-year lease-purchase plan.

At the other end of the agency scale, agents with 10,000 to 25,000 accounts and premiums between $5 million and $10 million would pay between $54,000 to $85,000 for four to seven work stations and two or three printers. That would come out to $1,050 to $1,700 per month on a lease-purchase plan.

"We're shooting for agents in the $500,000 to $2 million premium range," Mr. Thompson Jr. said. It's an area not unlike the Thompson agency which in the last two years has doubled its premium volume to $1.5 million premium volume with one less employe.

"For an agency to justify our system, at least two or three people should be in the agency." Many of the Redshaw clients generate as little as $250,000 in premium volume and one as much as $20 million, he said.

Once a hobby

Redshaw got started about three years ago when Robert Thompson Sr. expressed dissatisfaction with the benefits he was getting from the second of the two service bureaus he had used. The unhappiness centered around the turn around time of the bureaus and the time inefficiencies in trying to locate the daily report.

At that time his son was finishing up studies in nuclear physics at Carnegie-Mellon University. He had been toying with computer programs more or less as a hobby since age 12. Robert Thompson Jr. designed a program for the Thompson Insurance Agency, took a few additional courses in school and went on to take degrees in computer programming and electrical engineering.

Although most of the programs written by Redshaw are for insurance agencies, occasionally it will do outside programs for business such as a printing shop or the municipal water authority "just to keep ourselves sharp," the Jr. Thompson said.

Redshaw has also sold two programs to state affiliates of the Independent Insurance Agents for its membership records, a $4,000 package.

Shared equipment

From humble beginnings in the 350-square foot basement of the Thompson home, Redshaw has just moved to new 5,000 square foot quarters where it shares the same roof with the agency.

Both businesses also share the $50,000 in hardware equipment stored there.

The senior Thompsons now spend more time in the computer marketing service than in the agency, Mrs. Thompson estimates.

There are times when the beauties of the system can be appreciated by both the computer system and the insurance agency. Last winter provided an example when a 13-inch snowfall melted and caused water damage in many buildings in Pittsburgh. Many homeowners' policyholders mistakenly believed they had coverage for this peril under the HO1 and HO2 policies, she pointed out.

With the Redshaw system, Mrs. Thompson was able to select all the names of the HO1 and HO2 accounts from the agency files and send those insureds letters advising them that this coverage was not provided in their policies but would be if they chose to upgrade their coverage to an HO3 policy. The computer worked all night on the project and sent out 300 letters, she related. Of those who were contacted, 188 responded that they would be interested in the HO3.

Among the 200 Redshaw clients is the Al Haut Insurance Agency in Skokie, Ill., which had its Wang equipment installed in December 1976 and functioning by February 1977. The agency's hardware consists of a cathode ray tube, hard disk drive, central processing unit and printer. The agency will have a second CRT installed this month. Both CRTs can be operated simultaneously and will work off the same data base. The capability exists for the operation of four CRTs from one printer.

The Redshaw system and the Wang equipment has allowed the agency to eliminate a 20-hour per week personnel position and to absorb the acquisition of a two-person personal lines agency without additional personnel, said controller Joan Haut.

The hardware has, however, taken up space previously used as a conference area.

The Haut agency previously used service bureaus to perform its accounting needs, but the new system does all that plus automating the daily report, Mrs. Haut said.

The dollars and cents of the Haut's "investment in the future," totals about $100 per month more than the service bureaus and will continue to cost that for the next three years until the hardware is paid off, Mrs. Haut said. Thereafter, there will be the paper costs only.

If the Haut agency has any questions or problems about the programs, the answer are only a long distance phone call away. "They're (the Thompsons) there all the time," said Mrs. Haut.

The six-person Haut agency generates most of its $1.5 million premiums volume in personal lines, but the system can be applied equally to commercial lines. ■

Property/Casualty Agents Licensing

	CPCU accepted in lieu of licensing exam	Approved class hours required prior to licensing	Education required following licensing
Ala.	no	no	no
Alaska	no	no	no
Ariz.	no	no	no
Ark.	no	no	no
Calif.	no	no	no
Colo.	yes*	no	no
Conn.	yes*	20 hours per line or equivalent experience	no
Del.	yes*	no	validation exam after 1st five years
Fla.	no	22 hours or ecuivalent experience	no
Ga.	yes	40 hours	no
Hawaii	yes	no	no
Idaho	yes*	no	no
Ill.	no	no	no
Ind.	yes*	no	no
Iowa	no	no	no
Kan.	no	no	no**
Ky.	yes	40 hours	no
La.	yes	no	no
Me.	no	one 40 hour course or six mos. experience	no
Md.	yes	94 hours or one year's experience	no
Mass.	no	50 hours	no
Mich.	no	no	no
Minn.	no	20 hours with sponsoring company	no
Miss.	no	no	no
Mo.	no	no	no
Mont.	no	no	no
Neb.	no	no	no***
Nev.	yes	no	IIA certificate or CPCU-I within 1st 30 mos.
N. H.	yes	one course or 6 mos. experience	no
N.J.	yes	121 hours	no
N.M.	no	no	no
N.Y.	no	90 hours	no
N.C.	yes	no	no
N.D.	yes*	no	no
Ohio	yes	no	no
Okla.	no	no	no
Ore.	yes	52 hours	pending
Pa.	yes	no	no
R.I.	yes	120 hours	no
S.C.	yes	no	no
S.D.	no	no	no
Tenn.	yes	no	no
Texas	no	no	CPCU or 74 hours or correspondence course within 1 yr.
Utah	no	no	no
Vt.	yes*	no	no
Va.	no	90 hours	no
Wash.	yes	no	no
W. Va.	yes	no	no
Wis.	no	no	pending
Wyo.	no	no	no
D.C.	no	no	no

*exam on state laws also required
**requirements exist for brokers and life agents
***requirements exist for life agents

More education . . .

Continued from page 38A
process.

Among those groups working up a proposal is the Wisconsin Foundation for Insurance Education Inc., a loosely organized group of agents, insurance company representatives and related individuals. The eight-year-old organization, which is an outgrowth of the Independent Insurance Agents of Wisconsin, is hoping to prepare a recommendation to the commissioner by Oct. 1, Roman Wagner, the foundation's founder said.

Like their counterparts in Oregon, agents in Wisconsin want to see practical application courses credited in addition to the more formalized education.

The Frank B. Hall office in Milwaukee, for example, conducts weekly classes on topics such as personal business organization and dealing with underwriters in sessions open to all of the 45 staff members. Historically, they've been better attended than the more formal risk management classes, said senior vp Robert Toerpe. Attendance at both is voluntary.

The best attended meeting in fact (15 out of 45) was one of these general topics meetings. "A lot of people like the idea that it's not pure insurance."

Hall presently has about one-fourth of its staff or about 11 or 12 people presently enrolled in the risk management course taught in-house. In this course and for national exam reviews, the office can also call upon teaching assistance from its Briarcliff Manor, N.Y., headquarters if it so desires, Mr. Toerpe said.

The IIAW which co-sponsored the continuing education bill with the Life Underwriters Assn., also sponsors a number of educational courses and seminars for its members. ■

Proliferating links of brokers discover they're competitive

SAN FRANCISCO—Assurex International has just formed a reinsurance facility for an errors and omissions coverage program that's open to its own members plus outsiders.

Meanwhile, another independent broker fraternity, InsGroup, has just begun the first of five annual "high performance agency" conferences to concentrate on management skills, manpower development and in-house procedures and systems. In conjunction with the conferences, the organization is making individual consulting services available to its members from management veterans Bayne Gibson and Dr. Robert K. Burns.

Still another band of independent agents and brokers, Insurorsgroup, is readying its first "Group 25" meetings to be attended by its national membership in regional groups of 25. The "Group 25" meetings are scheduled to be held twice annually and cover a broad range of agency management subjects.

And a fourth affiliation, the Assn. of International Insurance Agents, is planning for its second annual all membership education seminar in Seattle this fall.

And so the competition revs up, not only between the various groups and their non-members but also among the groups themselves.

These associations provide their members with contacts all across the country but usually none too close for competitive comfort in their own trading area. Many members say the groups are their answer to national brokerage house acquisition.

The thrust of these groups is multi-fold: marketing assistance, education and camaraderie. Unlike several other agent/broker associations that specialize in mass marketing, these groups are more diverse in their services.

Yet each is different. Assurex's partner firms are shareholders and it lists its purpose as providing its partner firms with services and national identity in order to enhance the partner's ability to service clients. It's also the oldest group and executive vp Robert Ashlock notes that the average membership is 12 years old.

InsGroup's angle is as a facilitator between agent and insurance company. "We're trying for a more effective working relationship between the independent agent and the company," said president Bob Howey. That relationship up to now between most agents and companies can best be described as "alienated," he said.

InsGroup is piloting programs with a number of insurance companies that aim to streamline the day-to-day relationship and bring the two closer together. This includes such goals for the agency as a 24-hour quoting system, a three to 10-day policy issuance "mindset" and first line underwriting. Mr. Howey described the effort as an attempt to "build trust levels back to where they used to be."

Insurorsgroup, in addition to being the only one of the four to offer mass marketing programs, is also toying with the idea of setting up its own excess/surplus brokerage firm, coordinator Jack Nordhaus reported. He described Insurorsgroup as an "idea, education and service exchange."

Education is the AIIA's major thrust, executive secretary Al Singer said. Unlike the other groups, AIIA is the only one to be administered by a practicing agent.

Each says its membership is and will be only the cream of the crop. Just how much cream rises to the top of the total population of major independent agents and brokers may be a fluid number but it obviously overlaps since some firms have memberships in more than

Continued on following page

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Brokers . . .

Continued from preceding page one.

Nahm, Turner, Vaughan & Landrum in Louisville for example are "the original joiners" in the words of vp and director of sales Richard Stewart. NTVL belongs to Assurex and AIIA as well as the mass marketing organizations of Associated Risk Managers (ARM) and the American Insurance Marketing Corp. (AIM). It also has the MarketDyne franchise in Kentucky.

Memberships in these organizations are "one more means to keep us in touch with what's going on countrywide. When you're a regional or local broker, it's easy to become isolated. All you start to see is what your insurance companies are showing you. People don't realize how different insurance companies are among branches until they talk to people in other parts of the country."

In contrast to national trade associations such as the Independent Insurance Agents of America or the Professional Insurance Agents, which have state affiliates and therefore clusters of members, the broker networks usually keep memberships to one per trading area.

In Mr. Stewart's eyes, this is a plus. "You don't compete with the people you're in the groups with, so you tend to let your hair down and bare your soul. It's not like a state agents' or local association where everyone goes and lies to each other and says how great they are."

Fellow Assurex member Amos Rosenbloom of the Howard Brandow Kohler & Rosenbloom in St. Louis Park, Minn., put it into perspective another way.

"We just don't have the time and resources to know what's happening around the country except by getting together with other people. Fifteen years ago agents' groups would spend most of their get together time playing golf and socializing with maybe half an hour for talking business.

"But the changes are coming so rapidly now we have no way of keeping up without going out and being updated."

In addition to Assurex, Mr. Rosenbloom also belongs to a small (nine-member) study group. This is a voluntary, informally structured group that conducts research projects. This year, the group's members have each pitched in $300 for a study of helicopters and their insurance.

Not everyone is gung-ho on the idea of multiple memberships. The Laub Group Inc. in Milwaukee, an Assurex member, added then dropped an Insurorsgroup membership, because it felt two memberships presented a conflict of interest.

"I wouldn't feel comfortable discussing the information I pick up from one group with another group," said executive vp George Stevoff. "I have a professional ethic to put into a group what I take from it. Membership in a second organization would be sharable back to one of the member's potential competitors."

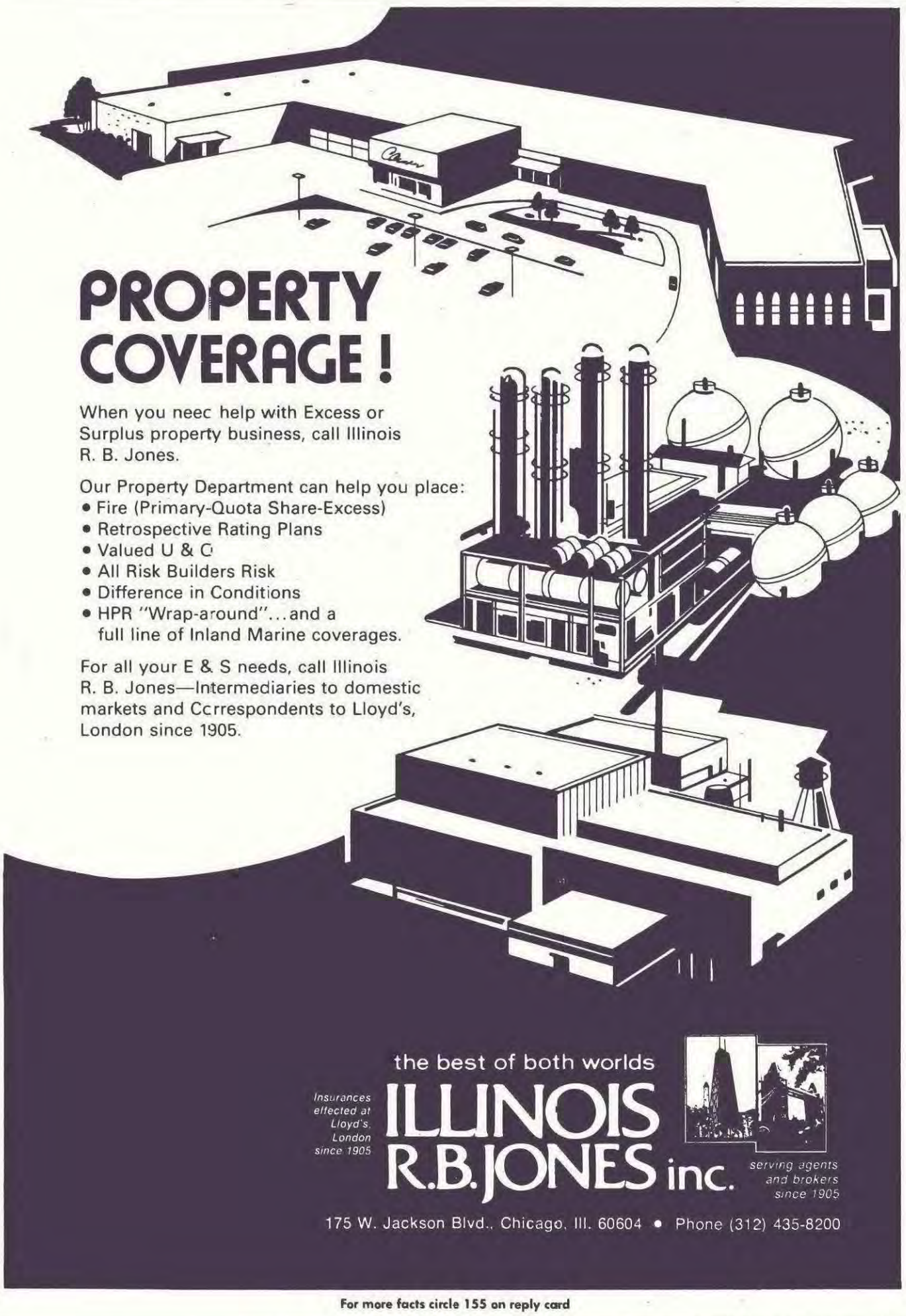
The concept of multiple memberships was vetoed by other network members, although on other grounds. "If you belong to one there's no need for another," said Ed Cantwell, president of RISE of Nebraska, an InsGroup member in Lincoln.

The time demands of multiple participation was also mentioned by Kinnamon Taylor & Dawes Inc. president John Rogers. In fact, the inability to attend meetings was why the Delaware broker dropped membership in the National Assn. of Casualty & Surety Agents. Otherwise, Mr. Rogers said, "We don't know anything that would stop us from joining other marketing and educational affiliations in addition to Insurorsgroup, although our Famex franchise prohibits us from joining other mass marketing associations."

Although membership in these organizations often lessens the possibility that members will merge with a national brokerage firm, it's not a hard and fast rule. Security Underwriters in Minneapolis recently dropped its InsGroup membership because it's negotiating a merger with Frank B. Hall, a spokesman for the firm said. ■

Independent Agent/Broker Networks

	Assn. of Int'l Insurance Agents	Assurex Int'l	InsGroup	Insurorsgroup
No. of members	36	69	90	94
Average member size	$600,000	$2 million (U.S. members)	$700,000	$1 million
Organized	1967	1954	1975	1976
Meetings/yr.	2	8	2	5 (incl. 2 regionals)
Annual dues or investment	$300	share purchase	$3,500 front-end plus $400 average mo. fee	$600
Administrative director	Al Singer Teaneck, N.J.	Robert P. Ashlock Columbus, Ohio	Robert Howey Denver	George Nordhaus Santa Monica, Calif.



For more facts circle 155 on reply card

MarketDyne effort

Risk management keys association programs

PHILADELPHIA — MarketDyne agents are being armed with marketing packets designed to raise the level of risk management expertise they bring to their prospective trade association clients.

"We're trying to train our agents to take the risk management approach to the individual association member who by himself is not big enough to have this level of risk management sophistication," MarketDyne president Kenneth J. Ford said.

The 225 nationally scattered MarketDyne agents call on the individual members of the 250 trade associations who have given their endorsement to MarketDyne. The average size of the account is $3,000 in premiums.

A total of 12 to 15 risk management profiles are planned. Each is tailored to a given industry such as newspaper publishing companies. Basically all of the 25 to 30 classes of industries written by MarketDyne agents will be covered in these 12 to 15 booklets.

This year the mass marketing subsidiary of INA will write about $122 million in property/casualty premiums.

The first "risk management profile," on newspaper publishing companies, was distributed to MarketDyne agents at their recent sales meeting in Puerto Rico. MarketDyne has the endorsement of the National Newspaper Assn., the Inland Daily Press Assn. and the American Newspaper Publishers Assn.

Following profiles, to be issued at the rate of one per month, will be geared to association members in the fields of funeral homes, motels, contracting, broadcasting, restaurants and fast foods and schools and colleges.

The packet is an educational tool for agents, Mr. Ford said. It gives them information regarding the types of exposures of a given industry, helps them to identify with the client in order to profile the risk and gives them a "track to follow."

The risk management profile is a 25-page folder containing data on the various types of businesses in the industry including the average number of employes and revenues, a glossary of terms used in the industry, a checklist of aspects of the risk to be considered and discussed with the prospect, a suggested insurance plan and a work sheet for cost comparisons between the present insurance program and a MarketDyne Program.

The profiles are being developed for MarketDyne by an outside risk management consultant, Ted Siver of E.W. Siver and Associates in St. Petersburg, Fla.

The risk management approach is common for major commercial insurance accounts but now is just starting to filter down to the smaller risks. Mr. Ford said.

Although the network has given its agents marketing guidelines in the past, there's never been this degree of formality, he said.

The packet is available to the 225 agents who have contracts with MarketDyne but not to those who place risks with the subsidiary as part of its open marketing system.

The risk management profile is "just a support tool if the agent chooses to use it. We think it will help him do a more profitable job."

Typically, MarketDyne estimates it will be able to write coverage for 60% of the members of an association. "This excludes the jumbo members who can do better on their own, the association's affiliates who don't qualify and other 'doggie' accounts which don't qualify."

In a related move, MarketDyne is also completely revamping its prospecting system which annually handles 70,000 to 80,000 prospects among its endorsing associations. The new system effective July 1 is geared to relieve the agents of much of the manual labor previously involved. The system is aimed to give MarketDyne better feedback on solicitation and penetration efforts. ■

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Key to excess/surplus success

Longtime broker didn't err on E&O

By ELLIS SIMON

ROSLYN HEIGHTS, N.Y.—When Arnold J. Flegenheimer began as an excess/surplus lines broker in 1947, 100% of his business was placed with Lloyd's. Back then, it was the only market.

Today, only 20% of the premium he places goes to London. The balance is placed in domestic markets.

"A lot of people think of Lloyd's and say 'that's it,' " he said. However, while Lloyd's used to offer the broadest forms of coverage, today they are more restrictive in errors and omissions and product liability than other markets, he added.

Errors and omissions coverage, particularly insurance brokers' E&O, and product liability account for major portions of the Flegenheimer business, but his firm also places such risks as scaffolding, roofing, floor waxing and municipal liability.

The emphasis on casualty lines represents a turnabout from Mr. Flegenheimer's start-up days when excess/surplus lines were limited to property risks with capacity problems or unusual risks that nobody wanted, he said.

Mr. Flegenheimer claims to be the senior among excess/surplus brokers in New York. He holds state license #11 and noted that the previous 10 numbers are now dormant.

When Mr. Flegenheimer began his career, excess/surplus was a business that few brokers wanted to venture into. Today, retrenchments by large, admitted insurers have made it an attractive field for both companies and brokers.

As Mr. Flegenheimer sees it, the excess/surplus business has peaked and a downturn is imminent. "There are more people in the business today and not that much more new business coming in," he said.

"Five years down the road marginal firms will have to drop by the wayside. Firms will have to offer unique services or coverages to survive. Brokers and companies who came in (to excess/surplus) to make a fast buck will lose."

Despite the cyclical nature of his business, Mr. Flegenheimer is not worried. "We've built up quite a following."

That following is almost entirely among agents and brokers on Long Island and elsewhere in metropolitan New York. Some 3,000 of them call on the Flegenheimer firm at least once a year for coverage on specialty lines or to obtain errors and omissions coverage for themselves.

The placements are usually small, but the firm, with four full-time and three part-time employes, handles in excess of $2 million in premium volume annually and has income of $250,000.

About one-third of the Flegenheimer business is represented by excess and surplus lines brokerage. Acting as a wholesale broker to admitted markets and as an underwriting agent for other insurance companies each account for an additional third, he said.

Brokers' E&O has been the most important line handled by the firm. Over half of Mr. Flegenheimer's accounts came to him first for their own coverage. When these brokers have problems that require handling in the excess/surplus market, they remember the Flegenheimer firm and come to him for assistance, he explained.

Mr. Flegenheimer pioneered brokers' E&O in the early 1950s. "They laughed when I came to them because there were no E&O claims against brokers. Nobody heard of such a thing," he recalled.

However, Mr. Flegenheimer surveyed insurance bulletins and managed to find one claim filed against a broker in Alaska, which at the time was still a territory. He began by marketing a group program for members of the Brooklyn Insurance Brokers Assn. and began walking through the borough and knocking on doors.

When he moved his office from Manhattan to Long Island 12 years ago, he used the same technique and made personal calls on virtually every broker and agent on the Island. In addition, his bow tie and saxophone pipe have become a trademark that make him recognizable at regional gatherings of agents and brokers.

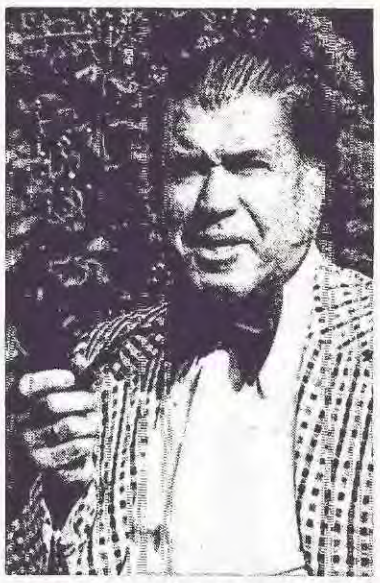
Most of Mr. Flegenheimer's brokers' E&O business is placed with Employers Reinsurance Corp., the only admitted market insuring New York brokers. He uses Lloyd's for some brokers' E&O placements, but notes that coverage available from the London market follows a restrictive form.

Mr. Flegenheimer also places lawyers legal liability insurance as an underwriting agent of the Nassau Insurance Co., also an admitted insurer.

"I deal with many companies who anybody can deal with, but I know the people there and brokers would rather deal with me and share the commission than to go in cold," Mr. Flegenheimer said.

In addition, he keeps on file the forms of coverage used by many of the markets he regularly uses, including Lloyd's and Puritan Insurance Co., a subsidiary of the General Electric Credit Co., which writes a large part of the general and product liability business he places.

Because of this, on a large part of the business he can have the forms filled out in one day and obtain requested coverage with little delay, thus practicing his adopted motto: "The difficult we do immediately—the impossible takes a little longer." ■



Arnold Flegenheimer's bow tie and saxophone pipe are trademarks at the regional brokerage meetings crucial to his business.

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Cyclical markets can't flatten premium financing

By BARBARA JEAN GRAY

CHICAGO—Easing property rates, self-insured retentions and even the practice of some clients "going bare" is not denting the driving force of premium financing, a phenomenon that appears destined to become a permanent fixture in the commercial agent and broker's list of services.

A national survey of 10 agents and brokers found six who estimated they were providing premium finance for more clients than they did two years ago. Three said they were using premium finance service for 10% to 50% more of their clients than two years ago and three said the number of accounts remained the same but the size of the premiums had grown.

"It's just one more thing we don't get paid for," commented John Nelson, president of Insurance Agents Inc. And one of the main reasons that 50% more of the broker's accounts use premium financing is the cost of insurance, he said.

> 'We push premium financing. It's better to have it financed than to have to fight for your money.'
>
> —Peter J. Piacentino
> Warren & Welsh

"Agents and brokers have benefited handsomely over the past two years when they can place the business," explained the Council Bluffs, Iowa, broker. "But the net effect on the broker's account is that overall premium writings have not gone up that much, due to self-insurance or no insurance by the policyholder."

Premium financing is definitely up from two years ago, concurred the operations manager of Pritchard & Jerden Inc., Gil Simonds. "With AFCO alone, it's increased 10% to 20% each year," the Atlanta broker said.

"But the growth is deceiving. The layman might say there's more financial need because of cash flow. I don't look at it that way. In our agency, the client is a growing client. Premiums are growing. Premiums in product and general liability are increasing faster than the client's normal rate of growth. Normally, a company can't stand that shock to its profit and loss statement. So it makes more sense to make the payment in nine or 10 installments," Mr. Simonds said.

"There's been some softening of property coverage premiums but it's offset by the growth of many of our clients. There's more coverage needed for these companies even though premiums are shrinking. In some areas, the corresponding growth could offset premiums."

Of the total premiums in property/casualty generated in 1977, which A.M. Best estimates at $72.7 billion, roughly 10% were financed through a third party, industry sources estimated. That includes those through an insurance company, an independent premium finance company, a bank or other facility.

There's more of a reliance on premium finance companies than two years ago, asserted Peter J. Piacentino, president of Warren & Welsh Co. "On the other hand, insurance companies are late and delayed in the processing of everything. That, coupled with the fact they're reducing their accounts current—meaning they're coming in late but have to be paid quicker—leads to other alternatives than putting money down. One is premium payment terms without interest. It's for the most part accepted if the premium level is relatively high."

Mr. Piacentino estimated that his King of Prussia, Pa., brokerage was financing 10% more accounts than two years ago.

The softening of some property insurance markets has not had much impact on the overall level of premiums, he claimed, because property coverage represents a declining percentage of the overall premium. The normal professional account that a few years ago divided its premium 80% to 85% in property coverages and 15% or 20% in casualty coverages, today is split 40% in property and 60% in casualty, he said. That's assuming the account covers workers compensation, auto and general liability.

From the management angle, premium financing isn't that great a difficulty, he said. "We push for premium financing. It's better to have it financed than to have to fight for your money."

Generally speaking, interest rates are lower from an insurance company plan than from an independent premium finance company, agents and brokers believed. Mr. Simonds estimated that the average interest rate on a premium over $1,000 would be 11% or 12% from an independent premium finance company versus 8% or 9% from an insurance company. Coral Gables, Fla., broker Alan Fulton gauged that a $10,000 premium would command a 12% interest rate from an independent premium finance company but a 10% rate from an insurance company.

The snag for brokers with the insurance company plans is that the insurer may require that it be the only insurer on the risk in order to finance the premium.

"Tight markets have shattered the one carrier policy," said Mr. Nelson. "And insurance companies are more restrictive. They don't want unaudited coverages and that throws workers comp out. The independent companies are more innovative."

Because of that, he said, there's a heavy trend toward financing the small to medium-sized account with independent premium financing companies.

Just what constitutes a small to medium-sized account may vary among brokers but the average size of the premium financed by a few of the major markets ranges between $3,000 and $5,000. Thico's average premium financed is growing from $4,000 to $5,000, Hanover Co.'s AMGRO subsidiary pegs its median at $3,600 and INAC averages $4,000.

It's the sheer volume of insureds now using premium financing that's piling up the hefty increases for the premium finance companies, said Thico president Al Berger.

"More and more insureds are becoming aware of the availability of financing," said the Home Insur-

Continued on following page

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Premium financing . . .

Continued from preceding page
ance Co. subsidiary executive. As for the advantages to the agent and broker, "our facility gives them a lot more time to do other things than worry about bill collecting, to get them their money more quickly and to take away the responsibility of following for collections."

Thico has been growing at a rate of 45% to 55% each year, he said, and "I anticipate it will continue although maybe not at that rate." Last year Thico financed $150 million in premiums, a mark that AICCO, an American International Group company, hopes to hit this year.

Far and above the largest factor in the premium finance market is Continental Corp.'s AFCO Credit Corp. subsidiary. Although AFCO marketing vp Paul Holland declined to cite a specific premium volume amount for the giant, the annual report stated that the subsidiary and its Canadian affiliate scored a 15% increase in premiums in 1977 over the previous year when they financed $652 million, meaning financed premiums totaled $750 million.

The performance of INA's INAC has been no less dazzling. From a premium volume of $48 million in 1976, the subsidiary's volume jumped to $89 million last year and is expected to hit between $115 and $120 million this year.

And the beat goes on for other insurers. Hanover Co.'s AMGRO Inc. financed $48 million in premiums in 1977 and expects to hit a $60 million target this year. That's from a humble beginning of $2 million in 1970.

Ohio Casualty's Ocasco subsidiary financed $34 million in premiums for the year ended in the first quarter of 1978, a 48% leap from two years ago.

Reliance's Cananwell Consumer Discount Co. financed $36.5 million in premiums in 1977, a 10% to 15% increase over the previous year and a 70% jump over the year before that. Manager Bill Fitzgerald anticipates a 20% growth this year.

Though insurance company subsidiaries dominate the premium financing industry, they don't have an exclusive.

Banks are often factors as well. The Imperial Bank in Los Angeles, for example, financed $100 million in premiums generated by California agents and brokers last year.

And Borg Warner Acceptance Corp., the $2 billion receivables finance company, estimates its three-year-old premium finance subsidiary is in the top five or six such companies in the country.

A newcomer to this relatively young industry is CUPAC, a subsidiary of Commercial Union, which aims to hit the $45 million mark in premiums after 13 months in operation.

"A lot of insurance managers at the corporate level are realizing cash flow benefits from premium financing," claims executive vp James E. Regan. "Most companies look for 10% after tax on working capital. By retaining that and paying for insurance as they use it, companies more than offset premium finance costs. Agents can get cash flow benefits as well by payments upfront to the company, the elimination of billing and collection and using funds where permissible."

Not everyone is rushing into the market. Travelers Corp. is tentatively planning to phase out its premium finance facility. Vp Chuck J. Clark said reasons for the demise were "lack of utilization of the service" and the fact that Travelers has "introduced and uses sufficiently broad premium payment options within the insurance policy on a semi-annual or quarterly basis." Outside services will be used for commercial lines policyholders who don't want to use the premium payment options, Mr. Clark said.

The increase of insurer installment plans on large accounts is on the upswing from other companies as well, brokers noted.

"There's a greater tendency toward companies letting insureds pay monthly on premiums over $100,000 with no interest charge," reported Mr. Nelson.

Echoed Mr. Fulton, "Insurance companies are more willing to do that lately. They then get a 25% to 35% down payment or front money."

A few premium finance company executives, however, felt the installment practice couldn't go on forever.

"The property and casualty industry is different from life insurance in its use of short term money," noted AMGRO executive vp Frank E. Baril. "Fire and casualty insurers will make twice in investment income than in insurance. And they won't get the investment money if they take premiums in installments. Some companies now offer monthly billing. It's at a rate that's less costly than premiums finance rates. It does not cover the loss of interest earnings they would have if they received the money up front. So they're subsidizing those who pay in installments by those who pay in cash.

"The only way the insurance plan will work on things like the SMP package is if they bill in installment fees what they lost in investment earnings," Mr. Baril argued.

Depending on various regulations, brokers may also have the alternative of financing premiums for their insureds on their own. But many of those surveyed didn't consider it a viable alternative.

"We considered it but rejected the idea," said Warren & Welsh's Mr. Piacentino. "We polled people who tried it and found it more work than it was worth. We also questioned the legality. Furthermore, we felt we couldn't just do it for one client but would have to do it for all."

Others however do provide premium financing through a separate corporation and one major brokerage firm, Alexander & Alexander Inc., also has one subsidiary for the premium financing for other brokers.

The 5 A&A subsidiaries financed approximately $214 million in premiums (including down payment) in 1977, said Charles D. Schnee, division president. This compares to approximately $67 million in 1976 and $52 million in 1975.

Another development which may come into play in the immediate future of the premium financing industry in coming years is the direct billing of commercial premiums. Although now a minimal factor in commercial lines, its expansion as an outgrowth of the now commonplace direct billing of personal lines, is an area of concern.

AFCO's marketing vp Paul Holland said a great increase in the direct billing of commercial lines could be "bad news indeed," but he, like others doesn't foresee a big role for direct billing, at least not on the larger risks.

Ocasco's assistant secretary and manager James E. McCue added, "Direct bill could have some effect. It depends on the number of people wanting us to finance direct bill on a three-month or six-month basis," a practice the company has been doing in some cases already. ■

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Writing your goals down can help achieve them, Michigan broker says

ZEELAND, Mich.—Identifying specific goals and committing them to paper increases the odds of having at least some of them come true.

That's the theory that Edward C. Lamse, president and chairman of the Lamse Agency Inc. is going on with confidence.

To attain his overall long range dream of quadrupling the gross revenues of his firm in a five-year period, Mr. Lamse singled out three steps: composing a personal job description, writing down specific dollar goals for each year and building a management team.

He labels his job description as his 'purpose': "To develop corporate goals for gross income and profit, to attract management leadership, to provide a congenial working atmosphere, to manage an ethical, dynamic and profitable organization to the mutual benefit of all employment and clients."

During 1976 the Lamse agency generated $221,000 in gross revenues. The following year it generated $260,000 on a relatively modest gain of 18%.

But for the first year in the five-year plan the agency is shooting for a 35% jump to $350,000 in revenues. The following year, it hopes to hit the $500,000 mark, nearly double that of two years prior. The goal then calls for doubling of revenue—to the $1 million mark—within another three years.

To construct the management team to guide the firm to those heights, Mr. Lamse, who has been the corporation's sole stockholder for the last 18 years, went after his personnel targets with the lure of allowing them to buy into the business. He found Noel Bisel and David Mullen, each with 20 years agency experience, who welcomed the investment opportunity. Mr. Bisel now heads the agency's commercial lines department and Mr. Mullen the personal lines department.

Mr. Lamse claimed the impetus for formalizing his growth dreams came from an American Management Assn. meeting at the beginning of 1977. It was then he returned home to organize his goals and commit them to paper.

Rather than keeping his written goals hermetically sealed in a mayonnaise jar, however, he stores them in a three-ring loose leaf binder where he keeps a running tab of all of his goals whether the goals be personal, financial or corporate.

Among those specific corporate goals is to contact and pursue 25 to 50 desirable commercial prospects. The snag on the follow through for this one is that the business, both commercial and personal, has been coming in faster than the growing agency can handle it. This puts the growth plan in the role of a harness, at least initially.

Mr. Lamse is willing to sacrifice some profit in pursuit of growth. Prior to the five-year plan, the agency had been scoring profit margins as high as 20%, the president said. But things may not necessarily be as rosy in the next few years. "It takes a while when you're adding new people," he observed. "There's a training period and low productivity. He is prepared to have profits hover at 5% to 10% of revenues during the growth spurt.

In the meantime, the pressure is on to develop personnel on hand. Presently four of the firm's 10 employes are working toward a CPCU or CLU designation.

If the revenues don't materialize as hoped, the alternative course is acquisition, Mr. Lamse said, although that's definitely a second choice to internal growth.

A large number of scattered agencies in fact is the arrangement

Continued on page 38H

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How you can work successfully with trade groups

By Harry L. Baker
President
Professional Insurance Consultants
Seattle



Harry Baker is president of Professional Insurance Consultants Inc., a national mass marketing firm based in Seattle, Wash. Prior to joining PIC Inc., Mr. Baker was general manager of the special programs division at Providence-Washington Insurance Group.

BACK IN 1973 AND 1974, commercial group marketing was really taking off. Most of the major insurance carriers were busily setting up elaborate merchandising plans to capture their share of this segment of the market. The prime target was trade association business. Both insurance carriers and agents were wildly scrambling to secure endorsements from associations so they could market insurance programs to the members.

As a result, there was a flood of specialized programs endorsed by a myriad of different associations. Things went fairly well until mid-1975 when many insurers awoke to the fact that their underwriting results were turning sour, their surplus was slipping and that generally there was a serious rate deficiency in many of their products.

In many instances, the crunch of 1975 and 1976 caused carriers to look seriously at group merchandising in order to determine whether or not they wanted to continue the financial commitment necessary to establish and maintain this method of merchandising. The result of this "second" look by many carriers was a sudden reduction in capacity for group programs.

There were various reasons for programs being canceled. Surplus relief was one of them as program premium is easily identifiable and easily canceled. Underpriced programs were also canceled in many instances rather than attempting to increase premium levels to where the program would once again be profitable. In a word, the marketplace was generally a "mess" for this type of business.

Needless to say, the turmoil created during this period caused many problems for trade associations which had endorsed programs. Suddenly, when they thought some of their insurance needs had been fulfilled, they were unceremoniously dumped back on the street. In some extreme cases, the association became so disenchanted with its leadership that the association virtually fell apart. However, it should be noted that many well designed and administered programs survived this difficult period.

Out of unfortunate experiences often comes valuable lessons. This is also true in group merchandising. Hopefully, insurance carriers, agents and associations have learned a valuable lesson from our mutual past problems and mistakes. There is no doubt in my mind that many of us engaged in group marketing in the early '70s, were caught up in our enthusiasm and didn't pay enough attention to some very basic principles. What follows are some thoughts concerning how to work successfully with trade associations and to develop programs that are meaningful and long lasting.

Many association property/casualty programs have been sponsored by association executives for entirely the wrong reasons. Some have seen it as a method to help increase their influence among the members. Some have sought to implement a program simply to hold an association together when the association was ineffective and should have been dissolved in any case.

Past lessons have taught us that the prime rule in working with trade associations is that you only work with a strong association that has a true insurance need.

In determining an association's need for specialized product, the group should be carefully surveyed. This can take several forms depending on the complexity of the group. In some cases, a sampling of the members' physical hazards is necessary in order to determine if the group has characteristics originally envisioned. (A professional presentation to an insurance carrier must include this information.)

It is always necessary to determine the members' interest in a new program. While an executive director of an association may be enthusiastic about a new program, it is doomed to failure if most of the current members don't share this enthusiasm.

After the surveys have been completed and the appropriate data is compiled, the results should be presented to the association in a professional manner. Many associations have active insurance committees to whom the results will be presented; others often have an executive committee consider the results. In some instances, the presentation would be only to the executive director.

When presenting the results to an association, the agent must take a completely open "up-front" approach. The results must be openly and fully discussed and all alternatives explored. In some cases, it will be necessary to drop any further consideration due to lack of interest or problems that insurance cannot solve. Or it might be that further research is necessary before a determination can be made. Hopefully, it will be that conditions are favorable and that a mar-

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ket should be sought to underwrite the program.

The administrators of a program must be extremely careful in their selection of an insurance carrier to underwrite a program. Too many programs have been marketed in the past with the attitude that "we'll take the first market who says yes." This should not be the attitude of the administrator. It is not fair to the association and often leads to problems that are insurmountable later. The professional administrator will match the exposures of the group with those carriers who have the necessary expertise to handle the group. If this isn't done, a program often is in trouble before it starts.

Presentation of the group program to the proper carrier(s) must be done in a professional manner. The carrier doesn't want to see paper by the pound. So, keep in mind that quality of material is much more important than quantity. The presentation should include survey results which are precise and easily understood. Also, the exposures must be fully explained.

Product design must be a key element of the presentation. If a new coverage is a key element in the presentation, make certain that how this coverage is to work is clearly explained. And remember, that even if you have presented what you consider to be a masterpiece, the carrier will often have questions which will require that you go back to the drawing board. However, this is a small price to pay if it will help assure the success of a program.

If a program is to be successful and long lasting, it must possess two qualities. It must be marketable, and it must have the qualities necessary to reasonably assure the carrier a decent profit. A program marketed strictly on price will fail most of the time. A program marketed on need with strong association backing will have a better chance of succeeding.

The administrator of a program must constantly watch the progress of a program once it is operational. Regular attendance at association insurance committee meetings may be necessary as well as written reports. In most cases, the association wants to hear from the insurer as well as the administrator. Clear, concise communication with both the association and the carrier is necessary to help avoid misunderstandings which can turn into major problems.

At pre-determined intervals, the results of the program should be analyzed. If marketing is falling behind expectations, the reasons should be determined and a determination made as to what can be done to help correct the situation. The same holds true for underwriting results.

The monitoring of a program is a continuing process. Association programs with long histories of success have often deteriorated because of complacency.

Remember, the association chooses an administrator to handle their program because of their confidence in the administrator's ability to properly handle all aspects of the program. This includes continuing service to the association. A failure to carry out this responsibility often results in a search for a new administrator.

Working with trade associations in the proper administration of their insurance programs carries with it a great deal of responsibility. The professional administrator recognizes this and is constantly alert to the association's needs.

Let us all hope that the mistakes of the past have caused this segment of the insurance industry to mature and that the lessons learned will foster the opportunities of the future. ■

Achieving goals . . .

Continued from page 001

the firm just dissolved. Between 1971 and 1974 Mr. Lamse consolidated four offices in the area into one here at the home base.

"I had tried to make them as autonomous as I could and that was a mistake because to do that you have to have a lot of control. I was also doing a lot of sales at the time. I didn't have the profit I had hoped. I had been wanting to have a big volume but I was operating like a small guy."

The Lamse agency is presently in the throes of moving into expanded facilities in neighboring Holland. The building is a seven-room school house with a 50-year-old wing and a 20-year-old wing. There's even a gymnasium which might be used for employes recreation if it's not rented out, Mr. Lamse hypothesizes lightly. Although the bulk of operations will be in the school house the firm will still have a small base in its native Zeeland.

Mr. Lamse is looking for the added growth to come from new sales as well as the expansion of services to existing accounts in a very healthy western Michigan economy. Life and health areas are targeted for beefing up.

Another avenue being eyed is risk management. "We think that's a sound way to go. We believe in self-insurance and large deductibles whenever financing is possible."

He doesn't see self-insurance as a threat to overall revenues. Even if the traditional commission dollars aren't there, counseling fees are and "in almost every case, the insured also needs some insurance."

With the fee work, "we're not completely out of the picture and we see fees as having a big future even in health insurance." Presently fees contribute 5% of the firm's overall income. "It's a big area where we can grow. Most people whether they have us administer programs or where they insure can save quite a bit of money especially where the frequency of claims is high and the severity low," he said.

"We're not always looking at how much profit we can get out of an account. If we're doing a good job, the account will put all of his insurance needs with us. We recommend to them what we would want recommended to us. We try to look through the insured's eyeglasses.

"On an individual basis through referrals, by satisfying existing accounts and having those people stay with us, we think we're way ahead."

This blends with the firm's policy of paying each employe on salary rather than commission, Mr. Lamse claimed.

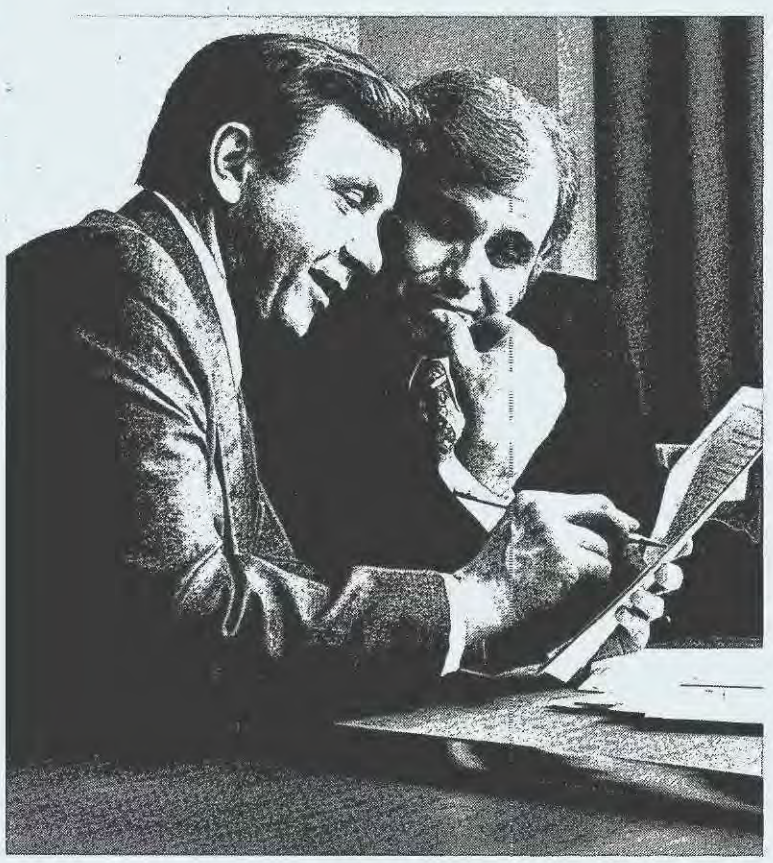
By the end of the year Mr. Lamse estimates the payroll will be expanded to 15 employes or more from the current 10.

Much of the healthy flow of business coming into the firm can be traced to its aggressive advertising program. A hefty 5% chunk of income is spent for television, radio and newspaper advertising, the agent said. He estimated that in one month as many as 75 or 80 respondents will contact the firm for personal or commercial insurance as a result of the ads.

The Lamse agency also spreads its name around by using Insurance Marketing Service newsletters. A mailing list of 1,000 names is purchased from Dun & Bradstreet.

"I realize it's impossible to have all dreams come true but with a written set of goals, we do so many more things than if we didn't have goals at all." —bjg■

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Los Angeles, California—Louis P. Seidensticker (213) 703-1851
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For more facts circle 151 on reply card

Indiana agents back speed reading course

Successful? Can you read this story in 6 minutes?

INDIANAPOLIS—If it takes you more than six minutes to read this story, you may be in for a long day.

Reading experts estimate that the average adult reads between 200 and 350 words per minute. Insurance agents and brokers may spend a good chunk of their day reading.

The Independent Insurance Agents of Indiana this year is sponsoring a speed reading course for its members at $49 per member ($64 for non-members) including reading materials.

The IIAI contracted for the course with Management Development International, a management consulting firm here. The agents' association has previously used the management consulting firm for other management development courses.

The reading course itself belongs to AGP Inc. in Santa Barbara, Calif., which estimates that a student can triple his reading speed in the course.

About 50% of AGP's customers are students, president Ben Johnson said, and about 25% are corporate clients (the remaining 25% are public service agencies). "Business people tend to read more slowly than students because they're accustomed to reading more technical material," he said. Students usually begin the speed reading course at a rate of 250 to 350 words per minute whereas businessmen are closer to 200 to 250 words per minute for the same material (something moderately difficult like a philosophy book). "They both may have the same skills but they have different reading habits."

Businessmen, who may spend between one to six hours a day reading, tend to read shorter, more technical material than students, Mr. Johnson said. At the beginning of any piece of reading matter, the reader is adjusting his thought process and is more cautious and therefore slower. Because business people are constantly starting out on small pieces of material, they are constantly adjusting slowly.

About 60 members of the insurance agents' association have taken the course so far. The IIAI receives an override on the program to handle administrative expenses. Although executive vp Bob Craft declined to cite figures, he said the association does not lose money on the arrangement.

One of the graduates, James Mossler, president of the Mossler Insurance Agency here, estimated he spends 25% of his working day reading. This includes skimming material such as reviewing leases and contracts and analyzing and comparing insurance policies. It also includes figure work and calculating.

Mr. Mossler doubled his "light material" reading in the course from 600 words per minute to 1,200 words per minute, he said. The course was a refresher since he had taken a similar course.

"There's no test for speed on the 'heavy stuff' but that reading speed should increase proportionately. It gives you the ability to get the meat out of the reading matter quickly."

In addition to Mr. Mossler, two other employes of the agency (of the eight who were offered the course) took it. Mr. Mossler said he thought another one or two might take the course in the future.

Another student, Joe Doan, said the course helped considerably even though he attended only two of the three two-hour sessions.

The secretary-treasurer of the Coapstick Insurance Agency in Frankfort said the study has definitely carried over into other areas such as studying for the CPCU classes. "A reading assignment that took four hours before now takes less than two and a half. And the retention is there."

Mr. Doan reported that at the end of the second session his "light reading" speed reached 700 words per minute compared to his beginning speed of 200 words per minute.

"The whole principle of the course is to distinguish between technical material and light reading. There's no way you'll be as fast in technical as in light but it does speed up all reading proportionately." He estimated that his technical speed reading has increased to 350 words per minute as a result of the course.

Not everyone was enthusiastic about applying the speed techniques to policies. James G. Payne, vp of the Budget Becker Insurance Agency in Rushville, said,"I cannot say the increase applies to all material. Some things I read I want to catch each word. But for bulletins, flyers and trade journals it helps.

"I wouldn't apply it to an insurance policy because that's heavy reading."

Mr. Payne estimated that he doubled his speed from 400 words per minute to 800 words per minute and said the course has helped for both pleasure and business reading. Although he couldn't estimate the number of hours he reads daily, Mr. Payne said, "It seems like there's constantly something to read. I'll bet 90% of the time at my desk is spent reading." ■

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Cook tapped as president of MMII

BOSTON—Thomas R. Cook has been elected president of the Mass Marketing Insurance Institute.

He is a vp of Blair, Follin, Allen & Walker Inc., a subsidiary of Corroon & Black Corp. in Nashville.

Mass Marketing Insurance Institute is a group of 150 brokers, administrators, marketers and insurers involved in mass marketing.

At its recent annual meeting, MMII also elected Brian Yeowell of the Direct Marketing Corp. of America in Los Angeles as first vp. Second vp is Daniel P. Sheehy of International Administrative Services Inc. in Boston. Eldon P. Coverdell of Rural America Marketing in Atlanta was elected secretary and treasurer.

Members of the nine-year-old organization represent 40 states. MMII headquarters are in Decatur, Ga. ■

london line

U.K. insures huge Pan Am airplane deal

By JOHN H. MILLER

LONDON—The British government in an unprecedented move is expected to provide up to $500 million in insurance to cover the Pan American World Airlines plan to purchase 12 Lockheed jumbo jets.

The British government is involved since the Lockheed L1011s will use Rolls-Royce engines manufactured in the U.K. British companies will receive more than $225 million for their work on the planes.

The insurance deal is being worked out by the U.K. Export Credits Guarantee Department, a self-financing body under government supervision, which often provides protection for foreign contracts.

Normally it only covers credit risks on the part of a deal that involves export orders. But on this occasion it is underwriting the whole contract, and will provide insurance for Lockheed against insolvency or default of Pan Am for the airframes. The Rolls-Royce engine contract will be covered by a direct credit buyer guarantee.

Systems for completing the credit insurance cover are now being worked out. There is no question of actually subsidizing the deal between two U.S. companies, so that in the end the coverage may be granted to U.S. banks involved in financing the airframe as part of the contract instead.

Credit insurance on such a scale for U.S. airline contracts from Britain is unprecedented. But in view of the size of the deal, $500 million, it will help Pan Am in providing collateral for raising money for the purchase.

U.S. boycott?

Businessmen in vital export industries in North West England are threatening to stop sending goods to the U.S. unless they can get improved coverage for product liability insurance.

They include manufacturers of machine equipment who know their material is safe but are fearful of heavy damages that have been awarded in U.S. courts for minor defects.

The powerful Manchester Chamber of Commerce, which covers 3,000 leading producers in the area, is looking at the problem in the hope of finding a solution.

Its assistant secretary, Eric Tomlinson, told *Business Insurance*, "The amount of damages courts are awarding is reaching fantastic proportions and claims can go back as far as twenty years. So the problem of securing realistic insurance protection against product liability claims in the U.S. is getting worse all the time.

"Some firms accept the very real danger of high liability damages and are thinking of withdrawing from the U.S. market in certain cases. The situation is being closely watched by our North American committee."

Leading officials of the Manchester Chamber of Commerce, which covers textile, pharmaceutical, engineering and other big U.K. manufacturing corporations, point out that it has its own official "testing house" where goods have been checked for eight years.

Alan Orr, chairman of its North American committee, agreed the product liability problem was "serious," but commented, "it would be wrong to exaggerate its effect on some U.K. exporters, as they have to buy coverage on the same market as U.S. domestic producers and other foreign suppliers."

Overseas insurers

New rules for the control of overseas insurance companies are being adopted by the U.K. trade department to keep in step with European insurance requirements.

The main change will be the demand for overseas companies, some of which have so far operated only through agencies, to maintain a resident representative in the U.K. if they wish to carry on direct business in Britain.

Reinsurers are not affected by the rules, which are effective July 31, and are intended as a major step toward a European "common market" in insurance. Solvency requirements are being brought into line with European practice.

Tanker spills

Efforts to prevent tanker disasters are being stepped up in the U.K. where a Greek tanker has spilled large amounts of oil off the east coast two months after the Amoco Cadiz polluted long stretches of French beaches.

Penalties for breaches of marine safety laws will be hiked from $200 to $2,000 and oil firms using substandard vessels may be asked to share responsibility for casualties with "flag of convenience" countries in which their vessels are registered.

The Oil Companies International Maritime Forum is being urged to improve crew training and generally monitor shipping standards throughout the world.

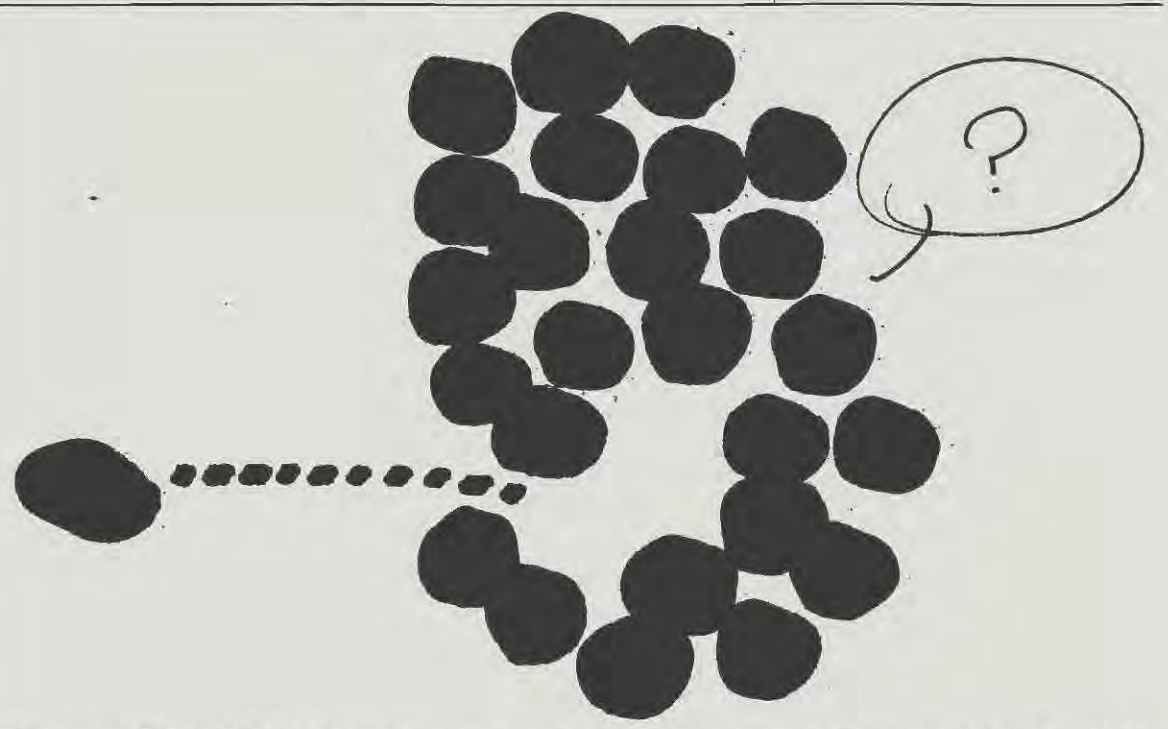
Dangers of tanker collisions along the heavily-used 200-mile stretch of the English Channel are being checked by navigation experts from both Britain and France. There is a move to extend U.K. territorial waters from three to 12 miles to achieve greater control over shipping on its way to seaports in the North Sea.

The 13,000-ton Greek tanker Eleni V, worth about $1 million, lost large amounts of oil when it was cut in two off the port of Great Yarmouth.

U.K. government officials now estimate that more than 1 million tons of oil are carried through the English Channel every day.

Witnesses at an official inquiry into the wreck of the Amoco Cadiz indicated that an independent emergency steering system might have prevented the disaster. ■

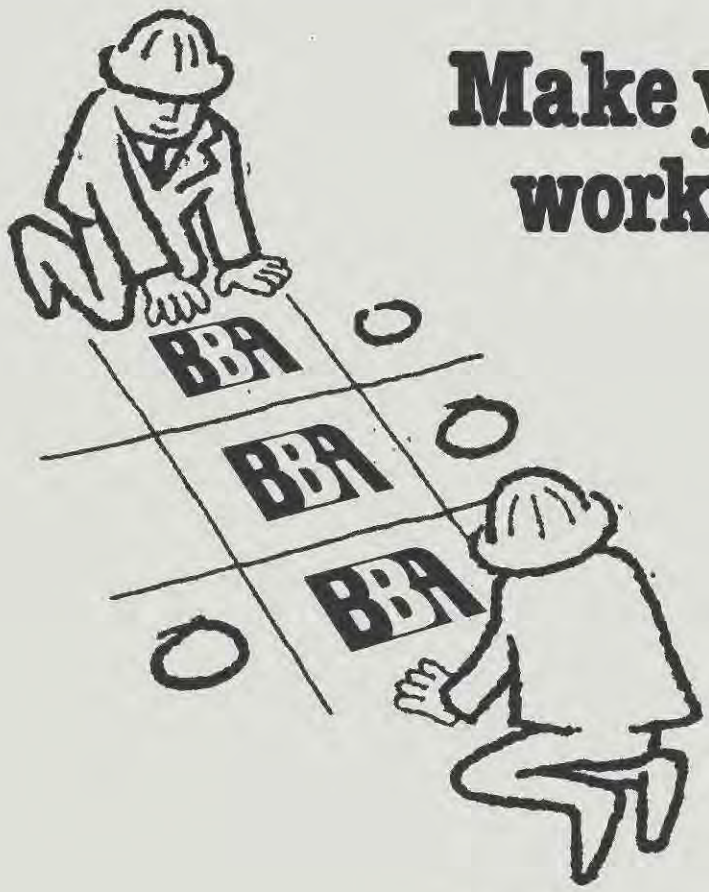
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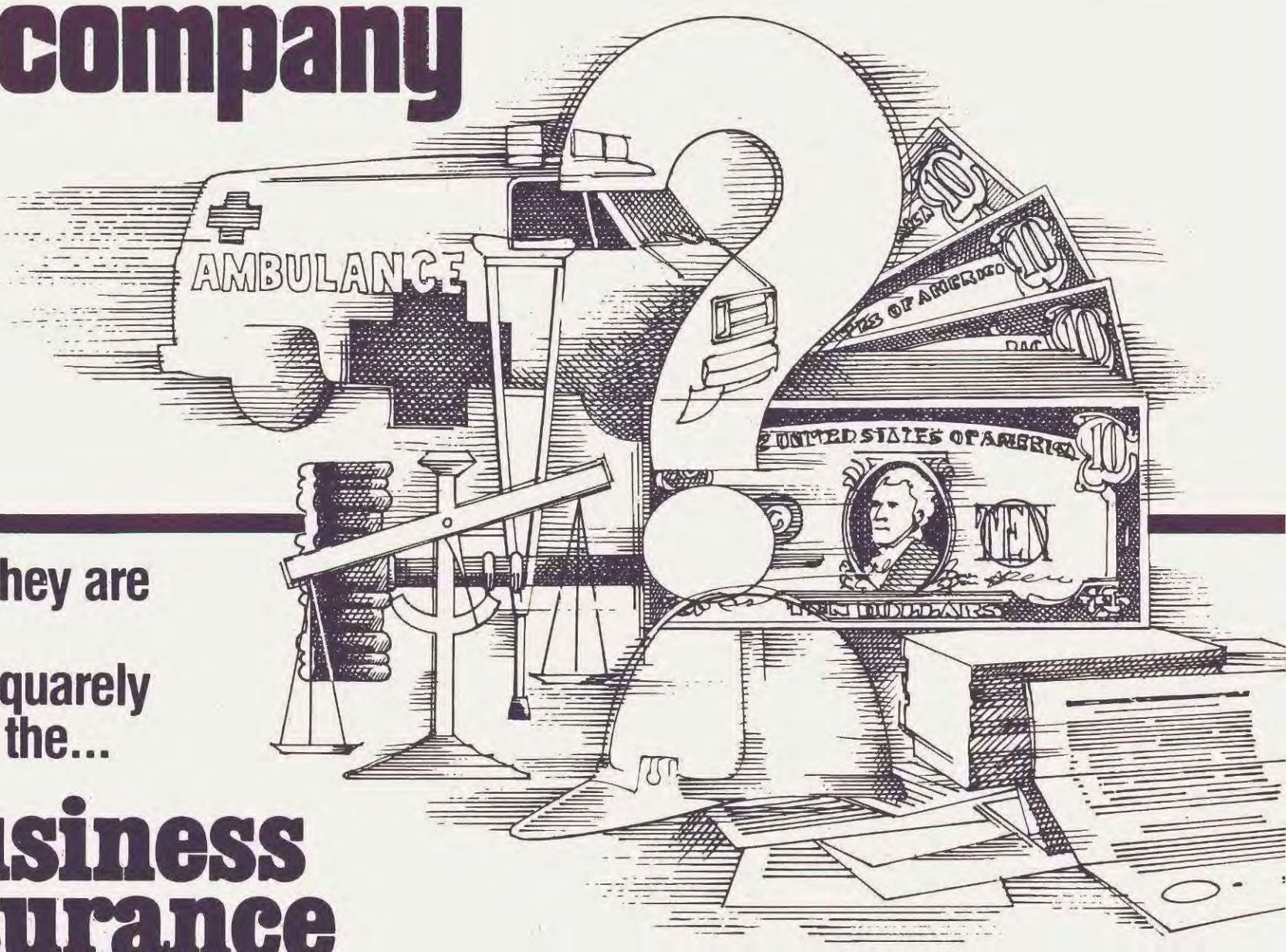
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What new Workers Compensation hazards face your company



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business insurance

NATIONAL CONFERENCE ON WORKERS COMPENSATION

July 23-26, 1978 Continental Plaza Hotel, Chicago

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- Emerging occupational diseases
- Set patterns for even more liberalized benefits

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

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Now is a time of decision. Deciding what path to take and strategies to employ may well save you thousands of dollars. That's what this Conference . . . sponsored by BUSINESS INSURANCE, the national newsmagazine of loss prevention, risk financing and employe benefit management, is all about.

You learn how leading companies across the nation are coping with the toughest Workers Compensation challenges. You see how successful they are in meeting increasingly stringent requirements. Learn methods and procedures that work.

And, examine the impact of the proposed federal takeover of the Workers Compensation system — from both sides. This may be the most controversial legislation to come along for some time. Examine the issues and make your position known. It's important to your company. And to business everywhere.

To register for this Conference, fill out and mail the coupon or phone (312) 649-5242 collect. Because of the national importance of this Conference and the fact that space is limited, there is a very real possibility of an early sell-out. In all fairness, registrations must be accepted on a first-come, first-served basis only. Don't be disappointed, get yours in today.

4:00 pm: Early Registration. Pick up your Conference materials and brief yourself on the program and speakers you'll be hearing over the next two and one half days.

7:00 pm: Welcome Reception. Take this opportunity to meet your fellow participants and discuss today's issues over an informal cocktail.

MONDAY July 24

8:00 am: Registration.

9:00 am: Welcome. Alfred Malecki, Publisher, *Business Insurance* and Susan Alt, *BI* Editor, set the stage for an exciting, thought-provoking Conference.

9:15 am: Occupational Disease—Technology's Growing Nightmare. Dr. Thomas F. Mancuso, Research Professor—Occupational Medicine, Graduate School of Public Health, University of Pittsburgh, is joined by Dr. Peter S. Barth, Professor and Head of the Department of Economics, University of Connecticut and Anthony Mazzocchi, Vice President, Oil, Chemical & Atomic Workers International Union. Together they take a close look at industry-spawned illness and how it has grown to be a major source of compensation claims—the extent of the problem, moral issues involved, legal liability now and in the future, how to identify and analyze major risk areas, the high cost of inaction.

10:30 am: Cumulative Trauma—The California Experience. Alan Tebb, General Manager, California Workers Compensation Institute, and Richard Robinson, Member, General Assembly, State of California, examines the good and the bad under California's cumulative trauma provisions, how employers can contain costs, and to what extent predictions of disaster have been borne out.

11:45 am: Wage-Loss—Is It A Better Idea? Clarence G. Johnson, Executive Vice President, Member of the Board of Directors, Employee Benefits Insurance Company, and Ron Conley, Acting Director, Office of Policy Research & Analysis, Department of Health, Education and Welfare. Together they examine what's wrong with the present system of setting benefits, how the system can be improved in terms of compensation methods and procedures, whether the wage-loss concept is a good or bad substitute, and what the federal government's view is.

1:20 pm: Luncheon.

2:45 pm: Concurrent Sessions. Two in-depth sessions look at specific Workers Compensation funding problems. Attend the one of your choice.

- Market Overview For Self Insurers. John F. Milliken, Vice President, Alexander & Alexander, examines the current state of the insurance markets in the Workers Compensation area—where can employers go for a front or bonds under self-insurance regulations.
- The Problems And Opportunities In Self-Insurance. Edward R. Lloyd, Director of Insurance and Assistant Secretary, Dan River Inc., tells you how to plan for self-insurance success—pitfalls to avoid, loss prevention programs, computer analysis, and program advantages.

4:00 pm: Concurrent Sessions. Two intensive sessions look at areas of great concern to employers. Attend the one of your choice.

- Fraud—How To Spot, Prove & Prevent It. Salvatore J. Camp, Assistant Counsel, Unit A, Waterfront Commission of New York, is joined by Charles F. Murphy, Assistant Director, Supervisor of Industrial Insurance, Department of Labor & Industries, State of Washington, and William W. Johnston, Chairman, Industrial Commission, State of Ohio. How prevalent is fraud? What investigative techniques work best? What can employers do to prevent fraud? What can be done to make staying "sick" less profitable than returning to work?
- Accounting Methods For Self-Insured Workers Compensation Losses. Arthur B. Willis, Attorney, member of the firm, Willis, Butler, Scheifly, Leydorf & Grant, explains how and why Crescent Wharf & Warehouse Company was able to accrue its liability for payments to employes in future years. What precedents were established? What does this mean for other self-insurers? What procedures must be followed to gain tax advantages?

6:00 pm: Cocktail Reception.

TUESDAY July 25

9:00 am: Has The Government Gone Too Far? Ralph M. Hartman, Director—Office of Workers' Compensation Programs, Employment Standards Administration, United States Department of Labor, is joined by Dennis J. Lindsay, Senior Partner, Lindsay, Nahstoll, Hart, Neil & Weigler, and John J. Runzer, Attorney, Pepper, Hamilton & Scheetz. They examine the Federal Longshoreman's & Harbor Workers Act; how it has been extended; what it means to you—is it really the biggest give-away program ever devised?

10:45 am: Loss Prevention—Shape Up And Save. Harold V. Hodnick, P.E., C.S.P., Safety Consultant, Reed Shaw Stenhouse of California, Is joined by Walter Pfeiffer, Director of Corporate Safety, Coca-Cola Bottling Company of Los Angeles. Safety and loss prevention programs are examined closely—how strict should they be? What do most employers have to do to improve their programs? What is the cost of various workplace injuries? Where should safety efforts be concentrated?

12:45: Luncheon.

2:15 pm: Three fascinating sessions cover areas of growing importance in successful Workers Compensation programs management. Attend the one of your choice.

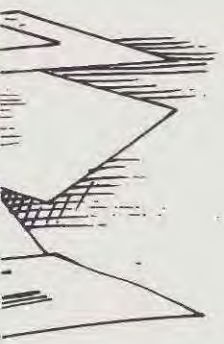
- Rehabilitation—Paving The Road Back. Linda Abernathy, Vice President, Director of Rehabilitation Services Division, Fred S. James & Company and George T. Welch, President, International Rehabilitation Associates, Inc., an INA Corporation subsidiary. How properly administered rehabilitation programs can reduce costs and get employes back on their feet. What kind of injuries lend themselves to rehabilitation?
- Health Screening—Filtering Out Risks. Dr. Joseph LaDou, Medical Director, Peninsula Industrial Medical Clinic, and Dr. David M. Lipscomb, Professor, Director, Noise Research Laboratory, Department of Audiology & Speech Pathology, University of Tennessee examine the importance of hearing and health screening to employers faced with rising workers compensations risks and losses. Is it important to document the health of all employees? How can risks be minimized? Are employers going to go broke paying for hearing loss?
- How To Deal Successfully With State Workers Compensation Administrators. W. Thomas Sprentall, Manager, Workers Compensation, Eastman Kodak Company tells you about his experiences and problems in working with state administrators: is an adversary relationship the rule? How to prepare your case for quick handling.

6:00 pm: Cocktail Reception.

WEDNESDAY July 26

9:00 am: Faceoff—Federal Vs. State Regulation Of Workers Compensation. Donald E. Elisburg, Assistant Secretary of Labor, Employment Standards Administration, U.S. Department of Labor; Howard Bunn, Jr., Vice President, National Association of Independent Insurers; Robert B. Collyer, Executive Assistant, UBA Inc.; Harry W. Dahl, Esq., Harry W. Dahl Law Office; John H. Lewis, Esq., Attorney; William J. Moshofsky, Vice President, Georgia Pacific Company; and Norman A. Weintraub, Economist, International Brotherhood of Teamsters, engage in a freewheeling, wide-open debate over the merits of federal or state administration of workers compensation programs. Are states incompetent? Will the federal government make things worse?

12:30 pm: Adjournment.





Dr. Peter S. Barth
Department of Economics
University of Connecticut



Salvatore J. Camp
Waterfront Commission
of New York



Harry W. Dahl, Esq.
Harry W. Dahl
Law Office



Ralph M. Hartman
U.S. Department
of Labor



Clarence G. Johnson
Employee Benefits
Insurance Company



William W. Johnston
Industrial Commission,
State of Ohio



Dr. David M. Lipscomb
Department of Audiology
& Speech Pathology
University of Tennessee



Edward R. Lloyd
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Oil, Chemical
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Captives could face huge losses too, analysts told

Red ink could splash property ledgers

By ELLIS SIMON

NEW YORK—Red ink could replace the black now flowing in the commercial property insurance ledgers and the much ballyhooed captive movement could become chained to huge losses, two insurance executives warn.

Speaking at a recent seminar on the industry sponsored by the Financial Analysts Federation, Michael I.D. Morrison, senior vp at AIG, said that within 18 months the industry's loss ratio could be over 100% on property underwriting as a result of competitive pressure that is forcing rates down.

"We as an industry write ourselves into a hole rather quickly," he said, predicting that "professional, well-managed organizations will weather the storm. Others may not."

Marsh & McLennan executive vp Robert Clements also noted the failure of underwriting to "escape from its cyclical nature." Insurance companies "stampeded" into the property market at a time when rates were low, he said.

In the years since the most recent recession, property underwriting has enjoyed record profits. That, plus the availability of reinsurance, the absence of major disasters and the short time before property claims are filed have made it an attractive field for insurers, Mr. Morrison explained.

Capacity problems and a shortage of underwriting and managerial talent will also challenge the insurance industry in upcoming years, seminar attendees were told.

"There is a question of 'where is the talent,' " said Mr. Morrison, noting a "scramble among companies" for talented personnel. "In underwriting and management the industry has its problems. Unless we attract top-notch people, we won't get people who can make decisions."

Mr. Clements pointed to an annual growth rate of 10% to 15% on premium volume. Should this continue, it is doubtful that the insurance industry's capacity can keep pace, he said.

An additional $3 billion in surplus will be needed if the industry is to create a balance between supply and demand in commercial lines, he said.

Captives are beginning to provide additional capacity by writing risks other than those of their parent corporations, Mr. Clements noted. However they are not directly available to most insurance buyers since state regulatory bodies force them to act as nonadmitted insurers or reinsurers, he added.

The captive movement has taken $1 billion in premium away from the insurance industry, said William G. Clark, senior vp at General Reinsurance. While many captives are writing reinsurance from outside sources, often they "assume it from each other."

In doing so, captives "accept the worst part of the insurance world," said Mr. Clark. "Insurers don't consider big risks to be good risks."

Judgment rating, which is applied to large risks, reduces the price "98% of the time," a practice that costs insurance companies money in the long run, Mr. Clark added.

While recognizing that captives are a "logical extension" of the rising premiums faced by large corporations several years back, Mr. Clark questioned the practice of placing risks in captives at the old premium.

The risk manager is not an underwriter and he works with a broker who is a marketing expert, Mr. Clark explained. Neither of them ever had to be concerned with the "correctness" of a price, he added.

The "down side" of the captive's underwriting cycle could be disastrous, with loss ratios of 500% and 1,000% possible, Mr. Clark said.

Although a pessimistic outlook was expressed for the property market, an improving picture is seen for workers compensation. However, proposed federal reforms could cloud the picture once again.

Andrew Kalmykow, a consultant to the American Insurance Assn., said improvements in the workers compensation market reflect the trend of the overall casualty market. In addition, reduced unemployment, slower inflation of health care costs and insurance reserves that more accurately reflect inflation have helped ease pressures in the market, he said.

Mr. Kalmykow also mentioned that the industry's efforts at rating methods that reflect current experience, use of trending factors and emphasis on loss prevention and safety contributed to the improvement.

However, the third in a series of bills introduced by Sens. Harrison Williams of New Jersey and Jacob Javits of New York aimed at improving benefit standards (S. 3060) could add to the cost of workers compensation insurance.

The bill would establish a standard that benefits paid to survivors or disabled workers must equal two-thirds of average weekly wages subject to a maximum of 100% of the state's average weekly wage two years after enactment and 200% of the average wage five years after enactment.

A majority of states have maximum benefits of less than 100% of the state's average weekly wage, said attorney Eugene Mittelman, who designed the legislation.

The bill would also require that benefits paid to survivors and disabled workers be indexed to increases in the state average wage, subject to a maximum increase of 6% per year. In addition it would provide national standards for occupational disease that are consistent with "currently available medical and scientific evidence."

This will "assure some uniformity in the principles to be applied in determining whether textile workers will be compensated for byssinosis or asbestos workers for asbestosis or lung cancer," Mr. Mittleman said.

While the legislation would raise the cost of workers compensation, Mr. Mittelman said he did not see national standards for compensable diseases threatening the insurance industry's capacity. ■

Washington liaison

The Health Insurance Assn. of America has named Linda Jenckes Washington representative to monitor national health care trends and maintain a liaison with Congress, the White House and federal agencies.

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Tort reform won't cut premiums, INA exec warns

By KATHRYN J. McINTYRE

LOUISVILLE, Ky.—Product liability insurance buyers can't expect premium adjustments to flow from the recent wave of tort reform, an insurance company executive told a group of insurance buyers here, taking the edge off their enthusiasm for the reform legislation recently passed in Kentucky.

Bernard A. Buge, executive vp of the INA Special Risk Facilities, said at an insurance seminar that state tort reform measures "will have no immediate effect on product liability premiums. There are still losses in the pot and you don't know where you stand until 10 years down the line."

Moreover, state-by-state product liability reform only presents a stopgap solution to the product liability problem," Mr. Buge complained. "Each state cleaning its own house perpetuates the inconsistency and unpredictability in product liability actions," two of the factors that have turned the insurance industry sour on the risk, he said.

Model legislation or minimum federal standards governing product liability must come out of Washington to solve the problem, Mr. Buge told 125 insurance buyers assembled for a day-long insurance update seminar sponsored by the Louisville agency Nahm, Turner, Vaughan and Landrum Inc.

The dominant agency in the Kentucky and southern Indiana region gathered clients and prospects, the majority of whom manage insurance in addition to other responsibilities, to expand their understanding of the insurance business and to offer them the insights of top experts on the insurance market and how it can best be tapped.

Developments in workers compensation, such as group self-insurance pools which are permitted in Kentucky, and employe benefit concerns, such as self-insurance opportunities and proposed ERISA amendments, were discussed. But liability insurance, particularly for products, was of prime concern to the buyers.

Their concerns were hardly alleviated when Mr. Buge warned, "Don't look for speedy rebuilding of a tort system that has deteriorated over 70 years. It will be painfully slow." Nor were they encouraged to hear Mr. Buge estimate it will take five to 10 years to develop statistics on product losses to justify the high premiums.

Buyers were cautioned against taking product liability insurance on a claims made form, even though now it would be less expensive. "I don't think it's the proper vehicle for product liability," said Philip A. Piety, vp of Crump International Co. of San Francisco.

The attorney complained there isn't any standard claims made form and he criticized some forms as "hastily drawn." In addition, claims made policies don't have much of a track record, he said, and the form is subject to court interpretations with unpredictable results.

Before accepting product liability insurance on a claims made basis, Mr. Piety counseled attorneys and brokers to review the policy. An underwriter's commitment to the business should be solid, since "actuaries tell us that claims come in two to five years after the policy expires and peak in 15 years. What if the company gets out of the business after five years? It means you'll need to go out to get an occurrence policy. I can see companies back dating policies to pick up the gap."

More heartwarming to the audience were comments by Bernard J. Daenzer, president of Howden Swann Ltd., regarding soft spots in the market, helpful buying tips and a vignette of market conditions over the next five years.

"I think the crisis has really peaked. The business has been reunderwritten and some premiums are coming down," the excess/surplus lines specialist said. "Don't get enthusiastic about return premiums, but you will get a breather." During this spell, buyers should be careful in shopping for lower prices, Mr. Daenzer said.

"Try to work out something with the same carrier. Continuity is extremely important." Pricing is done on the judgment of the underwriter without statistics for a scientific basis, Mr. Daenzer agreed. Recognizing that it will be this way for sometime, the buyer should "watch out for fast operations. You may end up shopping at the wrong time," which he suggested could be 1981 to 1983.

In the meantime, buyers should try to negotiate exclusions out of their umbrella policies, he suggested. Difference in conditions policies are subject to negotiation for coverages that the buyer may think is unavailable, such as for sewer backups or inventory shortages. "Don't feel it's a stone wall," he said. "What exclusions go on a DIC or parasol is a highly negotiated matter."

Business interruption insurance should be considered for inclusion in the DIC and preferably written on a prearranged formula or valued basis, the 20-year-veteran of the London market suggested. Buildings under construction especially require a DIC policy protection, since five out of seven losses are

Continued on following page

How to sell a deductible

LOUISVILLE, Ky.—Want to sell a deductible to your board of directors when you've never had one before? Bernard J. Daenzer, president of Howden Swann Ltd., offered this tact: Give the board three choices, the one you want and one higher and one lower.

"I guarantee they will take the middle one," Mr. Daenzer said, since boards never like to be extreme. "There's a lot of psychology rather than science to this," Mr. Daenzer said.

He also confessed that his often repeated yardstick on choosing a reasonable self-retention—1% of net worth and 1% of average earnings over the last five years—"has no science, no magic to it. So many people wanted a benchmark I said it just to make people comfortable."

Of course, he maintains that in many cases the formula worked out a figure which made a reasonable deductible.

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"Make hay while you can," says Bernard Daenzer, since the market will experience "a severe jolt" by 1981 to 1983.

Market outlook . . .

Continued from preceding page
not caused by fire and wind, Mr. Daenzer said.

"A great gap in American thinking is no time element coverage on buildings under construction. If you are counting on a start-up date you need business interruption insurance to take care of the would-be profits if something happens during construction to hold-up the opening," he said. Though it's harder and more expensive to establish a formula for would-be business, Mr. Daenzer suggested, "It's better to pay a better price and not have an argument after the loss."

Another ignored risk is gradual pollution, the specialty lines expert noted. He countered arguments that pollution liability insurance should be against public policy saying pollution liability insurance is as much a license to pollute as automobile insurance is a license to kill. The New York insurance department's rejection of the coverage is really the result of the standard market's unwillingness to write pollution liability in the first place, Mr. Daenzer maintained.

The insurance, available to $10 million limits, preserves not only the company in case a festering pollution problem bursts, but it also protects the rights of the injured and the public and guarantees that money will be available to begin clean-up operations immediately, he said.

Asked to forecast the insurance market conditions 12 months from now, Mr. Daenzer took on a five-year forecast. Though he cited a "marvelous trend of improvement" in the last three months that could continue to produce a buyers' market, he reminded the audience that "this is a cyclical business just like the stock market." One-year policies and computer technology are causing the swings to get shorter and the cycles to change more rapidly.

"Make hay while you can," Mr. Daenzer advised, since by 1981 to 1983 the market will experience "a severe jolt the other way. We haven't solved all the problems." For example, he predicted that underwriters of malpractice insurance on the claims made form will be forced to increase prices fourfold when the losses start surfacing.

He forecast continued growth of self-insurance. While American insurers have joined forces to fight any tax breaks on self-insured reserves, the London-oriented underwriter told the audience to push for legislation that would allow them tax deductions for self-insured product liability reserves.

He reminded them, though, that excess underwriters carefully scrutinize the financial stability of companies seeking excess insurance over a self-insured retention.

Mr. Daenzer also conveyed an optimism regarding capacity, noting that enough new names have joined Lloyd's this year to add another $1 billion to capacity. He cheered the growing Bermuda insurance industry. The 724 insurance companies now operating there are generating an annual $2.5 billion in premiums, he said, and at least 150 so-called captives are actively writing the risks of others.

Rather than viewing this development as threatening to the insurance industry, Mr. Daenzer professed admiration for the innovative risk manager who isn't bound by tradition in his approach to insurance. Buyers should also apply their vantage point to the regulation of the insurance business, Mr. Daenzer said.

"You are the potent force. The buyer should be listened to and the buyer doesn't appreciate it. Look into this," he encouraged, suggesting the buyer be particularly concerned with his right to go to markets and with the high cost to insurers of complying with a myriad of regulations. ■

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Add credits until age 70, firms urged

LOUISVILLE, Ky.—Companies should amend their pension plans to provide for benefit accruals until age 70, the legal mandatory retirement age, says the president of a new benefit consulting and actuarial company here.

The first judge presented with a case of pension accruals stopping at age 65 for an employe working to age 70 will say it's silly, even though the Labor Department has ruled pension plans do not need to be amended, predicted Patrick Welsh, president of Benefit Actuaries & Consultant Inc., a wholly owned subsidiary of the Louisville agency Nahm, Turner, Vaughan & Landrum Inc.

Mr. Welsh reasoned that extending pension benefit accruals to age 70 "is only fair. If an employe keeps working and earning compensation he should keep earning benefits. My calculations show that to age 70 it won't cost a plan any more than if the employe retired at 65 and started receiving benefits."

Mr. Welsh suggested that it's now time "to reexamine your benefit plans" since many benefit design decisions were made "with guns at your heads with ERISA." Among the plan improvements he recommended were providing the pre-retirement death benefit to employes without a reduction in their retirement benefit and shorter vesting periods.

The ERISA amendments recently introduced in Congress would provide tax credits for significantly earlier participation and significantly more rapid vesting rules than ERISA's minimum standards, he noted. He encouraged buyers to support the bill.

Mr. Welsh recommended that all pension plans be integrated with Social Security benefits to protect the higher paid worker from being discriminated against since Social Security discriminates in favor of the lower paid worker.

But the Social Security system is still heading for eventual financial trouble, Mr. Welsh maintained. "I think the long range solution is to increase the normal retirement age. If people are living longer and are healthier, why not keep them around?" he asked. ■

Claim-prone physicians should pay more: Study

SANTA MONICA, Calif.—Medical malpractice insurance for doctors, like automobile insurance for the general public, should cost more for doctors who have lost lawsuits than for those with clean records.

Two researchers studying medical malpractice for the Rand Corp. here say that system would serve as a warning signal for careless doctors and would be an improvement on the present arrangement where insurers pass on increased claim costs to careless and careful physicians alike.

The authors—Dr. William B. Schwartz, a professor of medicine at Tufts University and Neil K. Komesar, an attorney and professor of law at the University of Wisconsin—said the current malpractice debate is clouded by three widely believed misconceptions: There are too many successful malpractice suits, judgments to patients are generally excessive and good physicians are sued as often as bad physicians.

However, the researchers argue:

- Although claims have risen 50% since 1972, studies indicate that probably less than 20% of malpractice incidents result in claims.
- The average malpractice award—in 1972 for example—was slightly less than the medical expenses and lost earnings of the patient.
- A small percentage of physicians are involved in a large percentage of all successful claims.

"In a four year period in the Los Angeles area," the two experts said, "64 physicians (0.6% of 8,000 doctors) accounted for 10% of all claims and 30% of all payments made by the insurance plan."

Increased claims have resulted in doctors practicing defensive medicine, Dr. Schwartz and Mr. Komesar report. But the excessive cost of defensive medicine can best be dealt with by encouraging competition in the health care system, they argue.

No-fault in medical malpractice is not a solution, since it would not necessarily be cheaper and would do little to encourage better medicine, the two researchers contend.

The two researchers defend the contingency fee system for lawyers, saying it serves to weed out baseless claims while allowing access to the legal system for poor individuals. That view contrasts sharply with other experts. ■

Tanker casualties drop while spills set record

NEW YORK—Tanker casualties for the first quarter of 1978 were down sharply from previous years, but record oil spillage occurred as a result of the Amoco Cadiz disaster, the New York-based Tanker Advisory Center says.

Total oil spillage amounted to 240,722 tons including 228,000 tons from the Amoco Cadiz which broke up off the coast of France in March. The loss from the Cadiz alone was greater than the total for any previous year, said Arthur McKenzie, director of the center.

"We'll be used to it (such disasters) in a few more years, I'm afraid," he added. Mr. McKenzie also predicted that the fallout on world insurance markets will "be as great as for the Titanic or any other great disaster.

There were 161 tanker casualties during the first three months of the year, down from 283 for the corresponding period of 1977. Of these, only six were total losses. Nine deaths and three injuries resulted from the occurrences.

Contact with fixed objects or being struck while moored accounted for 43 losses. Damage to machinery resulted in 24 losses, strandings caused 15 losses including two total losses, collisions caused 13 losses, fire and explosions were responsible for 10 losses including three total losses and 34 losses, including the Amoco Cadiz, resulted from miscellaneous causes. ■

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info for buyers

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• Zurich-American Insurance Cos. **Code of Conduct** for its claim department has been published in a booklet that is available free. Ten standards, previously unwritten, are laid down in the code, including, "Those who assert claims against us are entitled to courteous and fair treatment." For a free copy write Zurich-American Insurance Cos., Communications Department, 120 S. Riverside Plaza, Chicago, Ill. 60606, attn.: "Claim Code."

• With their traditional immunity to damage suits largely a thing of the past, state, city and local governments have been hard hit by high jury awards and a subsequent rise in insurance costs. INA has published **Municipal Liability, Some Professional Considerations** which discusses the resulting trends toward municipal risk management and municipal insurance pools. For a free copy write to Dept. R, INA, 1600 Arch St., Philadelphia, Pa. 19101.

• Industrial managers, architects and contractors are offered **Recommended Good Practice for Protection of Buildings Under Construction** by the Industrial Risk Insurers. For a free copy write Robert F. Quagliaroli, Publications Dept., Industrial Risk Insurers, 85 Woodland St., Hartford, Conn. 06102.

• **"Thousands of children and adults will die by choking** in the next 12 months. Most can be saved." So reads the ominous cover to a popular public information pamphlet distributed by Fireman's Fund. It is a quick reference for first-aid to the choking victim. Copies are free and may be ordered singly or in bulk. Write Public Relations Dept., Fireman's Fund Insurance Cos., P.O. Box 3395, San Francisco, Ca. 94119.

• How to protect computers and data processing equipment from property loss and damage is found in Industrial Risk Insurers's **Recommended good practice for the protection of electronic data processing and computer-controlled industrial processes.** Losses from natural disasters and man-made ones are described, including dates and amounts of damages. Also included is a glossary of computer terms. For a free copy write Robert F. Quagliaroli, Publications Dept., Industrial Risk Insurers, 85 Woodland St., Hartford, Conn. 06102

• The dangers of a non-negotiated insurance policy and a review of exposures, coverage and property valuations before a loss are all explained in **After the Damage is Done.** For a free copy write Clovis H. Brakebill, RIMCO, Suite 180, 10300 N. Central Expressway, Dallas, Tex. 75231.

• **Liability Insurance** is the title of a reprinted article from Constructor Magazine defining some of the problem exclusions in a professional liability policy and offering possible solutions. For a free copy write William S. McIntyre, President, RIMCO Inc., Suite 180, 10300 N. Central Expressway, Dallas, Tex. 75231.

• Johnson & Higgins is offering a promotional brochure on their employe communications division—**Employe communications is more than just talk.** For a free copy write Communications Division, Johnson & Higgins, P.O. Box 888, Wall Street Station, New York, N.Y. 10001.

• Schirmer Engineering Corp. offers a kit of brochures describing its services in the **loss prevention and underwriting report** field, sprinkler system design and alarm system design, including consultation for fire-building codes and OSHA. For a free kit write Raymond G. Weigand, vp, Schirmer Engineering Corp., 5940 W Touhy Ave., Niles, Ill. 60648.

• Guidelines and an **Insurance Buyer's Checklist for Oil & Gas Producers** are compiled in a booklet to help insurance managers determine the best program for oil and gas producers. The booklet, according to its publisher, RIMCO, is designed so the insured can request his insurance agent to schedule coverages presently carried as well as outlining his recommendations or modifications. Copies are $5. Write Robert N. Hughes, RIMCO Inc., Suite 180, 10300 N. Central Expressway, Dallas, Tex. 75231.

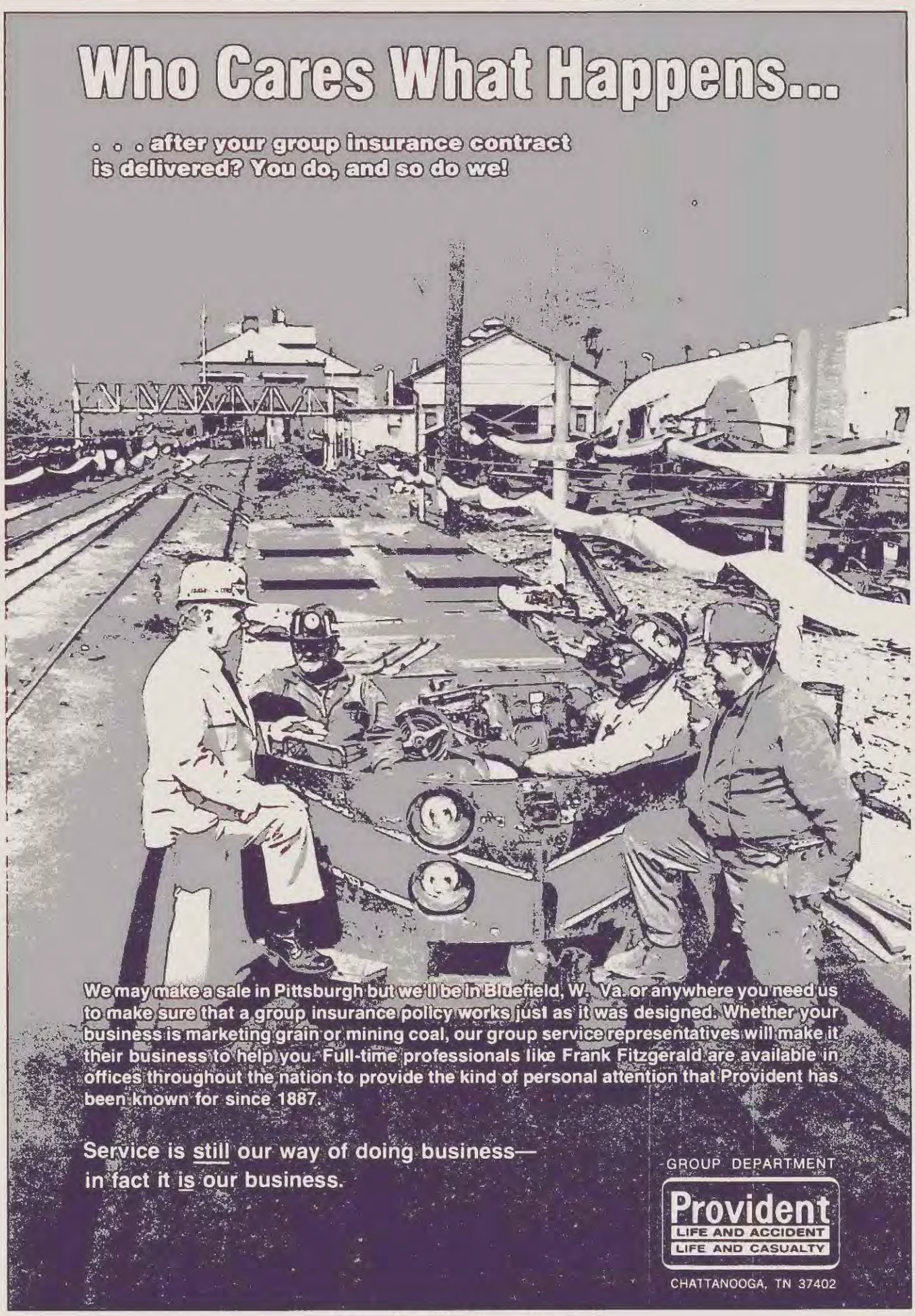
• **The Tent** is a promotional brochure describing a supplemental multi-peril policy offered by the Kemper Insurance Cos. to protect businesses against catastrophic losses. For a free copy write Communications & Public Affairs Dept., Kemper Insurance Cos., Long Grove, Ill. 60049.

• **Plant Shutdowns**—Accounting for Unfunded Pension Liabilities is discussed in a Kwasha Lipton newsletter. For a free copy write Dept. M, Kwasha Lipton, 429 Sylvan Ave., Englewood Cliffs, N.J. 07632.

• J.H. Minet has prepared a leaflet summarizing the insurance markets available for **overseas investment insurance.** For a free copy write J.H. Minet & Co. Ltd., Political Risks Dept. (Marine Division), Minet House, 66 Prescot St., London, England E1 8BU.

• **Insuring Complex Risks: Some Professional Considerations** is a promotional brochure from the Insurance Co. of North America. The brochure suggests self-insurance as a possible alternative. For a free copy of the brochure write Dept. R., INA, 1600 Arch St., Philadelphia, Pa. 19101.

• **When You're Not Sure if Your Construction Site Will Be in a Friendly Territory,** Johnson & Higgins says it can help. The pamphlet outlines the complexities facing U. S. contractors with overseas commitments and describes the company's "all risk" and political risk insurance. For a free copy of the brochure write Judith L. Cromwell, Assistant vp, Johnson & Higgins, 95 Wall St., New York, N.Y. 10005. ■



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benefit tax slants

Seeking IRS waiver? Show hardship, remedy

By JOSEPH S. ROBINSON
Attorney-at-Law

IF A COMPANY is seeking an IRS waiver of minimum funding standards, it should be able to demonstrate some business setback or hardship. In addition, the company must also show that it has taken steps to correct the problem or that there has been an improvement in business as a result of past action. Such things as the history of the company and recent trends illustrating that the business is on the road to recovery are helpful signs.

In two recent private letter rulings, IRS has granted the requested waivers.

In one case (*Letter 7819059*), the employer showed it had suffered setbacks because of a labor strike. However, it also recited the history of the company—it had been operating over 75 years—and indicated positive steps taken to improve sales and profits. The employer also demonstrated that there was a tangible net worth of 57% of total net assets, which was far in excess of fixed assets. Based on this information, the waiver was granted.

In the other case (*Letter 7813070*), the company showed large losses in 1975, 1976 and the first part of 1977 that satisfied the business hardship requirement. But it also showed that losses were greatly reduced in the latter part of 1977 and that business was generally improving. Since the company was able to demonstrate both hardship and a potential for recovery, the request for a waiver was granted.

Pension & unemployment

Benefits provided under a qualified pension plan may not be offset by unemployment compensation benefits. So says IRS. (*Rev. Rul. 78-178*).

Lunch money

Whether a particular payment to an employe constitutes "wages" from which income taxes must be withheld is of serious consequence to the employer, because if he fails to withhold the proper amount of taxes, he may be liable to the government for any uncollected taxes. We previously reported that the Supreme Court held certain payments for meal allowances to be income to the employe. (*Kowalski, Sup. Ct., 11/29/77*).

IRS sought to go a step further by claiming that these fringes were "wages" subject to withholding from the employe's pay based on the value of the lunches. But the U.S. Supreme Court decided otherwise, refusing to consider the reimbursements as "wages." In its view, when Congress passed the withholding law back in 1942, it didn't intend withholding on all items which might constitute taxable compensation to an employe. (*Central Illinois Public Service Co., U.S. Sup. Ct., 2/28/78*).

Job-related move

Your deductions for a move to your new home include the unreimbursed use of your automobile to transport yourself, your family and your belongings or for house-hunting trips. You are entitled to write off out-of-pocket outlays directly attributable to use of the automobile—such as gasoline, oil and repairs, but not depreciation—or a flat allowance of seven cents a mile. In either case, you can also claim bridge or highway tolls and parking fees.

Keeping pace

Suppose a company manager was earning $60,000 in 1973. By 1977, the same individual earned $80,000. Despite the increase in pay, this employe's pay hike hasn't done much more than keep pace with inflation. In fact, on the basis of the Consumer Price Index, the company would have to increase his 1973 salary by 36% by 1977 just to match his before-tax salary in 1973.

The following chart shows the percentage increase of the Consumer Price Index for 1977 over each of the earlier years of the past decade. Thus, prices increased 74% from 1968 to 1977, 45% 1972 to 1977, etc.

Year	*% Change to 77*
67	81.6
68	74.0
69	65.0
70	56.0
71	49.7
72	45.0
73	36.0
74	23.0
75	13.0
76	6.5

Survivor's annuity

The decedent had been employed by a state which maintained a qualified pension plan. At his retirement, the employe elected to receive a lump sum of his contributions along with a pension for himself and an annuity for his surviving spouse based upon the employer's contributions to the plan.

Query: Does any portion of the survivor's annuity, payable to his spouse (not attributable to the decedent's contributions) become part of the decedent's estate? The IRS has said no. (*Rev. Rul. 78-151*). ■

Industry to up safety spending

NEW YORK—Industry is expected to spend 17% more for on-the-job health and safety in 1978 than it did in 1977, according to a survey by McGraw-Hill Publications Co. Half the increase in spending is attributable to inflation.

Health and safety expenses represent 2.1% of all capital investment in 1978 and the percentage is expected to increase to only 2.2% in 1981. However, if more pressure for on-the-job health and safety is applied by the federal government, actual spending for safety and health requirements may be more, said McGraw-Hill. ■



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For more facts circle 131 on reply card

Dog tracks catch insurance 'rabbit' by betting on a Bermuda captive

By JERRY GEISEL

MIAMI—The boxes open and eight sleek greyhounds hurtle down the five-sixteenth of a mile track racing toward that elusive mechanical rabbit.

Although the dogs hit speeds of up to 40 mph, the rabbit remains tantalizing beyond the dog's reach by the time the race ends about 30 seconds later.

It took greyhound race track operators a lot longer than a half minute to find solutions to skyrocketing liability insurance premiums. But unlike their dogs, who never catch the rabbit, the operators believe they have found the answer to their insurance problems.

The answer is a Bermuda-based insurance company owned by the 27 members of the American Greyhound Track Operators Assn. The company, known as AGTOA Insurance Co. Ltd., will reinsure 90% of the first $100,000 of risk on an occurrence basis for workers compensation, general liability and automobile liability. Ideal Mutual Insurance Co. will retain 10% of the risk on policies which will be issued by Ideal.

Excess coverage is provided by Midland Insurance Co. Midland's policy covers losses in the $100,000 to $1 million layer on an occurrence basis. AGTOA members also can purchase optional umbrella coverage through Fred S. James.

AGTOA criginated two years ago when race track operators suddenly found their liability insurance premiums soaring. The American Greyhound Track Operators Assn. formed an insurance committee to see if members were interested in doing something about those rising premiums, explained George D. Johnson Jr., the trade association's executive director.

"We really didn't want to go into the insurance business, we just wanted to run our race tracks," Mr. Johnson said. "But insurance costs were plain getting out of hand and we reached the revolt stage."



Greyhound operators' captive insures losses up to $100,000 with excess policies provided by Midland Insurance Co.

What greyhound operators—who entertained 20 million people last year—found especially galling was that their tracks were being lumped into the same risk classification as large spectator sports stadiums and horse racing tracks with higher exposures.

"It seemed that members were being compared to everyone except other greyhound track operators," Mr. Johnson said.

Fred S. James was hired to see if there wasn't an alternative to those ever-rising premiums. The James consultants surveyed members and found that premiums were "ridiculously" high considering the operators' excellent loss ratio record, Mr. Johnson said.

Several group insurance programs were discussed, but a Bermuda-based group captive insurance company owned by greyhound race track operators was chosen because of the speed an offshore facility offered in implementing the program.

Policies currently are being issued. Of the 45 members of the greyhound trade association, 27 race track operators so far have gone into the homestretch into AGTOA.

Participating members who run tracks in nine states purchased a certain number of shares of AGTOA to get the Bermuda insurance company started. The number of shares purchased depends on the size of the pari-mutuel handle of each participant. The percentage of ownership ranges from 1.2% to 9.65%. Total expenditure by participants for AGTOA stock was about $2.5 million.

AGTOA is being managed by James (Bermuda) Ltd. Safety engineers from Fred S. James's technical services division will set up safety programs and periodically inspect members' racetracks. Claims are being adjusted by Crawford & Co.

Premiums paid into AGTOA range from $12,000 for small track operators to $120,000 for the larger operators. AGTOA expects an annual premium flow of $2 million.

Policies will be renewed annually and rates will be adjusted to reflect loss experiences.

Mr. Johnson doesn't know just how much the greyhound operators will save in insurance expenses. The important thing for now is offering members reasonable coverage at a reasonable price.

But if losses remain as they have been historically, premiums should remain stable for the next several years. "If we can freeze insurance costs for the next five years in the face of inflation and assure members continuous coverage, we will have accomplished what we have set out to do," Mr. Johnson said.

The thoroughbred and harness trade associations reportedly are also considering group programs.

"We feel we are kind of leading the pack and the rest of the racing industry will follow," Mr. Johnson said. ■

Midwest storm

Wind, hail and tornadoes that swept portions of Nebraska and Kansas in late May caused an estimated $3 million in damage.



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For more facts circle 107 on reply card

N.Y. exchange . . .

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cated it gets."

The senator said he is presently undecided about the bill, but would make a recommendation to the Senate majority leader shortly. However, he was critical of the bill's failure to include a proposed constitution and by-laws and of a section saying that exchange operations should not be considered to violate the state's anti-monopoly laws.

Mr. Dunne questioned how the legislature could be expected to grant this exemption to "an entity whose operations have not been defined. It's like saying no matter what you're wearing you're going to be the best-dressed man in town."

Granting approval to the reinsurance exchange bill without proper consideration could "invite federal intervention" in insurance regulation, Mr. Dunne added, since if the exchange is a disaster, the federal government could point to it as an example of the inadequacy of state control.

Checking details

Senate minority leader Manfred Ohrenstein has also expressed reservations about the bill. David Ball, a press aide to Mr. Ohrenstein, said the senator supports the exchange concept but wants to reexamine the bill to make sure "all the t's are crossed and the 'i's are dotted."

However, another aide said the senator was also concerned with the bill's failure to include a constitution and by-laws for the proposed central marketplace. Should Mr. Ohrenstein oppose the bill, he would be at odds with fellow Democrat Gov. Hugh Carey, who had it introduced as part of his legislative program.

To date, several changes have been made to the proposal to clarify it for legislators and to gain support from critics. Recent revisions include limiting broker participation in exchange syndicates to less than a 20% equity interest.

In addition, while producers would be allowed to be voting members of the exchange, their membership would be considered for purposes "of the not-for-profit corporation law under which the exchange shall be organized."

These changes and others have gained the favor of AIG president Greenberg, who has expressed his support for the reinsurance exchange in a telegram to Gov. Carey.

A few days prior to sending the telegram, he told *Business Insurance* in an interview: "Now we got a bill I think we could support," explaining that AIG had not been opposed to the exchange concept, but rather to the lack of information.

Key revisions

He called the original proposal a "skeleton," saying that it contained several "elements of concern" in addition to the broker participation issue. These included having the superintendent of insurance serve as governor of the exchange and granting of unfair tax advantages to exchange syndicates.

The superintendent's direct role has been eliminated and a provision in the bill now prohibits the superintendent from granting unfair competitive advantages to the exchange.

On the question of broker control of syndicates, Mr. Greenberg said there were possible antitrust implications due to vertical integration. He added that while it doesn't automatically follow that a broker would favor his own syndicate, it raises the possibility of conflict of interest."

However, INA president John Cox criticized Mr. Greenberg's statement on vertical integration, noting that many divisions of AIG operate as brokers. Mr. Cox added that INA is also an integrated company.

Mr. Cox, who supports the reinsurance exchange and has told Sen. Dunne that his company would probably establish a syndicate in it, said he is not concerned about broker participation in the exchange. "Maybe this will get them to put some of the money they've taken out as commissions back into the insurance industry as added capacity."

He added that he did not feel Mr. Greenberg has changed his views on the Reinsurance Exchange, explaining that he felt Mr. Greenberg did not welcome the competitive threat that it represented. "He'll (Greenberg) do what's best for AIG," Mr. Cox said, adding that INA is seeking to position itself as a competitor with AIG.

INA is not the only major insurer supporting the reinsurance exchange. The Hartford Group has been identified as a strong supporter. However, Steven Martin, vp-governmental affairs, could not be reached for comment.

Continental

The Continental Insurance Cos., which had been reported as opposed to the bill, is taking no position, said executive vp Joseph Murphy. "We'd like to see a little more detail." Home Insurance Co. vp-governmental affairs Henry Katz said his firm had no position on the bill.

No position has been taken by the American Insurance Assn., the Independent Insurance Agents of America or the Council of Insurance Brokers of Greater New York, which represents approximately 1,500 agents and brokers in the metropolitan New York area.

Meanwhile, the New York AFL-CIO says it is opposed to another measure which would create an insurance free trade zone in New York to allow large commercial exposures and other special risks to be exempted from state regulation on rates and policy forms.

That proposal as well as the reinsurance exchange is designed to attract some business that has left New York for offshore insurance markets such as Lloyd's and Bermuda.

Richard Torrey, legislative assistant for the labor organization, said the measure runs the risk of creating an oligopolistic situation in which there would be "no control."

The bill would increase what he called "already outlandish profit margins" and further the concentration of the insurance business in a small number of firms, Mr. Torrey said. In the property/casualty market in New York, the 10 largest firms wrote 43% of the 1977 premiums while the top 25 firms wrote 74%, he argued.

Although the measure does not affect personal lines, Mr. Torrey said the consumer would lose as a result of reduced competition.

An aide to Gov. Carey said the AFL-CIO position reflected a lack of understanding regarding the bill's purpose.

Mr. Torrey said the labor group has not taken any position on the reinsurance exchange. ■

Storm loss upped

The estimate of insured losses from wind, hail and tornadoes which struck Colorado, New Mexico and Texas earlier this month has been increased to $17.9 million from $12 million to add damage done June 5 and 6 to that on June 2 and 4, said the American Insurance Assn.



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Connecticut veto . . .

Continued from page 1
trend toward vetoing product liability legislation," said John Anderson, a staff attorney with the Connecticut Business and Industry Assn. (CBIA).

Mr. Caplan of the Connecticut citizen's group said the veto will obviously raise questions in other governors' minds as to how much of a real need there is to make major changes in product liability law.

Despite the stinging setback, product liability reformers vow they'll be on the legislative battlefield next year fighting for a new bill.

"We'll be back again," said Mr. Anderson of the CBIA. "Product liability will be a high priority issue for us next year," he added.

The uproar came over a measure (S.B. 230) that is very similar to product liability proposals that have passed state legislatures around the country.

The key provision of the defeated measure would have forbidden product liability lawsuits from being filed eight years after a product left the manufacturer or after the date of first retail sale, whichever came later.

Product alteration

Another major section would have given manufacturers an affirmative defense if the product was "substantially" modified or altered after the product left control of the producer. One of the definitions of alteration is failure to routinely care and maintain the product.

Mrs. Grasso blasted the product alteration section charging that under the provision a plaintiff could be denied recovery for not properly maintaining the product, even if the failure to do so had nothing to do with the injury.

One opponent of the bill contended that under the alteration section a manufacturer who produced defective automobile wheels that led to an accident could be absolved from liability by proving that the plaintiff failed to change the engine oil at proper intervals.

But Mr. Anderson of the CBIA said such an interpretation represented a "misreading" of the bill. A manufacturer's liability would be eliminated only if the alteration was substantial and if the alteration resulted in the accident.

Mrs. Grasso also directed her ire at backers of the bill who said the proposal would result in product liability insurance premium savings for state businesses.

Such an assertion was a myth, Mrs. Grasso said. She doubted if there would be a significant premium reduction since the measure would not protect Connecticut manufacturers who ship goods to other states where product liability reform measures have not been passed. Suits still could be filed against Connecticut manufacturers in those states.

But Mr. Anderson said insurance industry spokesmen gave assurances that there would be some premium savings, especially to small firms that supply parts to manufacturers in Connecticut that do entirely intrastate business.

Next year?

Chances of a bill being passed next year hinge on the outcome of the state November election when Mrs. Grasso will be challenged by either Rep. Ronald Sarasin (R-Conn.) or Gerald Stevens, a state representative. Both men supported the bill and Mr. Sarasin is one of the vocal advocates of tort reform in Congress.

Meanwhile, the Florida legislature, acting in the closing moments of its session, gave final approval to a measure that requires all product liability suits to be filed within 12 years of the date the product was first delivered to a purchaser.

The measure, which was considerably weakened before clearing both houses, is effective Oct. 1, 1978, pending the signature of Gov. Reubin Askew. He is not expected to veto the tort reform.

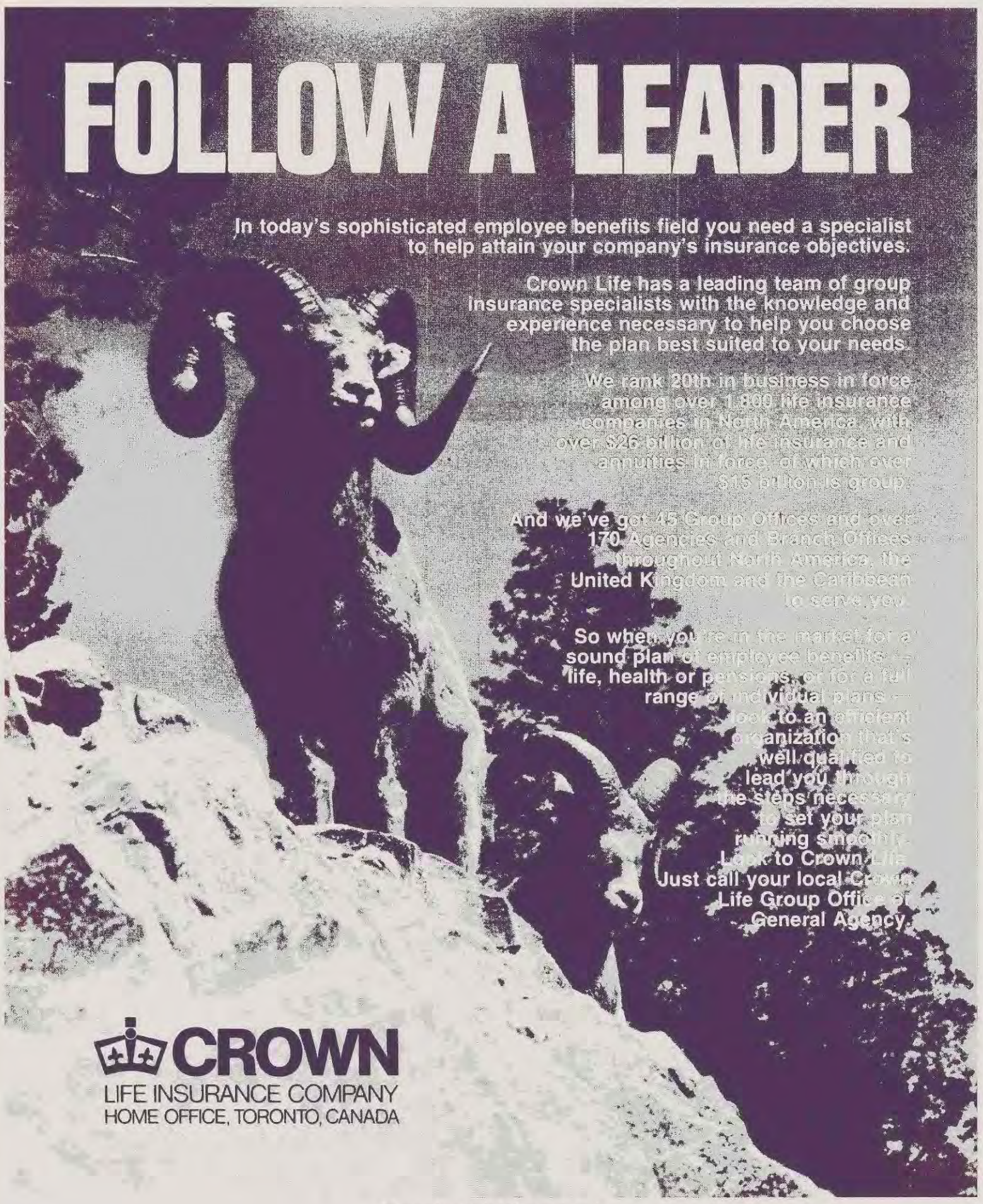
The measure also permits installment payments to successful plaintiffs for any award over $50,000. In addition, the bill requires product liability insurers to report profits and losses to the state.

Key parts of the original proposal, including a state of the art defense, were shot down before the bill received final approval. State business leaders blamed strong lobbying efforts by trial lawyers for the dilution of the bill.

Meanwhile, the New Hampshire senate passed a product liability bill that requires suits to be filed within 12 years of date of purchase.

The measure also would give manufacturers an affirmative defense if a product were altered or modified after it left their control.

House action on the bill is expected late this month. ■



For more facts circle 110 on reply card

Rehab pros form alliance for excellence

OAK PARK, Ill.—The National Assn. of Rehabilitation Professionals in the private Sector, NARPs, which is based in Oak Park, Ill., currently has 24 memthe quality of rehabilitation services in the private sector.

Paul Scher, NARPs first president and corporate managerhandicapped program for Sears, Roebuck & Co. in Chicago, said the organization is in the process of being formed. At present, it has a constitution and by-laws.

NARPs, which is based on Oak Park, Ill., currently has 24 members, althought it boasts a potential of some 2,000 members, according to Mr. Scher. He told *Business Insurance* that the organization is seeking members who are either certified rehabilitation counselors with their own firms or who are persons like Mr. Scher who are employed as rehabilitation experts by the private sector. He indicated that as yet few corporations have followed Sears' lead in setting up jobs for rehabilitation professionals.

"Our charter is broad and so we are willing to accept anyone who is interested in rehabilitation in the private sector," explained Mr. Scher, noting that this would include a claim adjuster who is supervising a nurse.

The organization has three major goals. They are: To work with universities to be sure that the quality of rehabilitation services in the private sector is high and that business courses be included in their rehabilitation programs; to work with the National Commission on Rehabilitation Counselors to be sure that accreditation processes reflect the needs of the private sector, and to share findings with others in the private sector on the effectiveness of rehabilitation methods.

Mr. Scher said that NARPs people have "a great deal in common with state/federal rehabilitation programs."

Those wishing to contact NARPs should write to: The National Assn. of Rehabilitation Professionals in the Private Sector, 1165 South Humphrey St., Oak Park, Ill., 60304. Telephone is 312/875-0570. ■

Panel survey . . .

Continued from page 1

perience with renewals on liability insurance.

Liability insurance premiums for those currently renewing or completing renewals in the recent past have risen for 60% of the group, remained the same for 25% of the group and actually went down for a surprisingly large 15% of the people who've completed negotiations.

This not only indicates a stabilized environment, but an increasingly competitive one. For the most part, those 11 companies achieving reductions in premiums for comparable liability coverage were Fortune 500 companies with acknowledged negotiating leverage, whose risk managers were able to convince underwriters to give them better rates because of:

- Good experience (6 panelists).
- Tougher negotiating stance by buyer (3).
- Use of captive insurance company coupled with more self-insurance (2).
- Credit for good safety/loss control programs (2).
- Use of reinsurance markets instead of excess/surplus markets for liability coverage (1).

The experience of these primary liability insurance buyers was borne out by the responses of those who've had recent experience or are now renewing excess liability policies. Seventy percent of the 109 panelists have completed renewals recently or are currently negotiating with excess liability carriers, with 61% of the group reporting higher premiums on renewal, 19% reporting the same premiums as last year and 19% reporting a decline in premium charges for new policies.

Liability rate cuts

Softening of the excess markets is a reasonable indicator of what's to come in the primary markets, since excess markets operate much like the reinsurance markets and react more pointedly to the economic and legal environment and other underwriting factors.

The reasons for decreases in excess liability insurance were:

- Re-marketing of the program to new markets.
- Good experience recognized by insurers.
- New markets available.
- Beefed-up loss prevention programs viewed favorably by underwriters.
- Aggressive brokering.
- Layering of the risks to be insured.
- Higher retentions by the insured.
- More competition among excess carriers.

One risk manager for a large company in the steelmaking and fabricating business noted that his excess premiums fell as the result of the broker going direct to the excess markets. The broker had previously relied on wholesalers.

Though panelists weren't asked specifically how much their premiums for excess liability coverage rose or fell, several mentioned decreases of 20%. Those experiencing increases cited hikes between 15% and 90%, but only four panelists gave any amount.

Excess liability premium boosts came about in a great many instances because of expirations of three-year policies that were rated very low, said a half-dozen panelists who've been switched to one-year liability policies.

The average decrease in primary liability premiums for the panelists having such an encouraging experience was 14%. Half the group had premium cuts between 1% and 10%, while the other half cited cuts between 12% and 40%.

Primary liability buyers reporting premium increases experienced hikes ranging from 3% to 170%, with the bulk of the responses falling in the 6% to 25% area. The average increase reported by 44 panelists was 25%, with the median between 11% and 15%.

Liability rate hikes

Increases in liability insurance costs were attributed to a continuation of difficult industry conditions for insurers, along with general inflation and escalating jury awards. An angry overtone was evident in comments from six risk managers who said their companies had never had a claim.

Others seemed unperturbed by the hikes, citing company growth and increased exposures as the reason for bigger charges. Higher reinsurance costs for primary carriers was also noted by a half-dozen risk managers.

Property insurers have happier policyholders. Better than 75% of the panelists who'd renewed recently did so at previous premium levels (49%) or at lower premiums than those charged for the old policy (28%). That left only 22% who were socked with higher rates.

Of the buyers whose rates dropped, premium rates were sliced an average of 16.5%, with 32% of the group getting rates 5% lower, 37% getting rates 10% to 15% lower, 21% achieving rates 16% to 25% lower and the remaining 10% of the group winning whopping 50% and 60% cuts.

Meanwhile, those whose property insurance rates went up told of increases ranging from 2% to 40%, mostly attributable to general inflation and increases in insurable values. Three panelists admitted candidly that their loss experience hadn't been good and that rate increases were well warranted.

Decreases in property rates were attributed to:

- Compilation of more comprehensive underwriting data.
- Good experience.
- Increases in deductibles.
- More competitive property insurance markets.
- Improved loss control.
- Aggressive marketing by broker.
- Risk manager's improved knowledge of the marketplace.

Panel predictions

Twelve months hence, property rates will be at the same levels as they are now, while liability insurance rates will climb 10% to 15%, Editorial Advisory Panel members predicted. Nearly half of the 109 participants expect liability rates to rise (their predictions averaged out to 13%) over the next year, while 28% expect rates to hold steady and 25% expect them to decline. Those risk managers looking for a decline in rates in the next 12 months predicted drops between 1% and 25%, averaging 9.5%.

Property rates on the other hand are expected to hold steady, forecast 49% of the panelists. Another 23% said they'd rise; 28% said they'd fall. Most panelists who think rates will climb foresee 6% to 15% hikes, while three-fourths of those who think they'll fall predicted a decline of between 1% and 10%.

To assess the impact of market conditions in the liability insurance industry on buying practices and to determine changes in the level of aggregate demand for coverage, panelists were asked about the limits of liability insurance purchased, changes in those

Continued on following page



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Premium and Rate Changes on Renewals

Rate declines on 19 property renewals

5%	6
10% to 15%	7
16% to 25%	4
50% to 75%	2

Average rate decrease = 16.5%

Rate hikes on 15 property renewals

1% to 5%	6
10% to 20%	7
30% to 40%	2

Average rate hike = 13.2%

Rate declines on 11 liability renewals

1% to 5%	3
6% to 10%	3
11% to 20%	3
30% to 40%	2

Average rate or premium decline = 14.2%

Rate hikes on 37 liability renewals

3% to 5%	3
6% to 15%	13
16% to 25%	11
26% to 35%	5
Over 40%*	5

Average increase = 25%

*50% (2); 100% (2); 170% (1).



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Panel . . .

Continued from preceding page

limits and their ability to obtain the coverage they felt was desirable for their companies.

It is a reflection—or perhaps an indication—of loosening markets and more flexible underwriting that fully 17% of the responding panelists were able to purchase higher liability limits in the last 12 months.

As could be expected, the majority (79%) purchased coverage for the same limits as previously. Only 4% lowered their liability limits.

Limits lowered

Of those who lowered their limits, one was a bank that apparently didn't see any need to be buying so much coverage, cutting back 50% to limits of $28.5 million. The other companies made cuts respectively of $35 million to $150 million limits; 50% to $500,000 limits, and 50% to $11 million limits. Only one of these companies appears to have made this change because it was unable to obtain the amount of coverage previously purchased; the other three all said they were able to buy the limits they desired.

Several of the companies that purchased higher limits of liability insurance in the past year are in industries frequently referred to as high-risk, such as pharmaceuticals (2), chemical/petrochemical, manufacture of transportation equipment, and manufacture of medical devices/medical equipment and machines.

The remainder of the companies buying higher limits included a leading steel company, a metals/metal fabricating company, a diversified conglomerate in metals and chemicals, a food processor, a machinery and paper products manufacturer, a bank holding company, a research company, two government entities, a diversified maker of photographic equipment and a supplier of stationery supplies.

Over half of those who bought higher liability limits in the last year raised their overall liability coverage by more than 50%. Four companies doubled their coverage (to $10 million, to $40 million, to $50 million and to $100 million, respectively) and a fifth upped its coverage by 150% to $50 million.

Limits breakdown

The vast majority of the panelists said they're quite able to buy all the liability coverage they want or need for their employers.

The 20% unable to obtain all the insurance they've sought included an oil company, two hospital groups, two gas pipeline companies, a steel company, a maker of transportation equipment, a municipality, a well-known multinational conglomerate, a data processing equipment maker, a pharmaceutical manufacturer, an electronics manufacturer and a large gas utility.

The liability insurance limits purchased by the group broke down this way:

$1 million or less	2
$2-$5 million	7
$6-$10 million	13
$11-$15 million	7
$16-$20 million	4
$21-$30 million	11
$31-$40 million	8
$41-$50 million	20
$51-$60 million	2
$61-$75 million	4
$76-$100 million	10
$101-$150 million	7
$151-$200 million	2

The two companies purchasing the highest limits are an insurance and financial services holding company and an aircraft manufacturer. ■

Proposition 13 . . .

Continued from page 1

in other community safety systems.

But if claims mushroom, the dollars to purchase insurance may plummet. Public agencies financed by property taxes have only a certain number of dollars to spend, Mr. Francis suggested, and agencies with large self-insured retentions (SIRs) may be forced to lower their limits.

At any rate, continued the risk manager, rising claims can only translate into soaring premiums. Underwriters of excess liability insurance may hike rates due to the cutbacks in fire and police forces. Higher premiums in workers compensation can also be anticipated, he said.

Agreeing that claims and premiums for public agencies can be expected to climb because of Proposition 13, West Covina's new and first risk manager, Mike Hodge, said that the worst thing that can happen in his area would be a 50% cutback in his 17-man finance department.

Anything goes

One of the main questions to spring from Proposition 13, he said, may be how many of the public entity risk managers who have been hired in the last 12 months will start searching for jobs in the private sector.

"Public risk management is just getting off the ground," pointed out Mr. Hodge, "but administrators can be expected to make retaining personnel their first priority, leaving few dollars to be spent on the improvements desired by risk managers."

Mr. Hodge voted for Proposition 8, a rival but much more moderate property tax-slashing measure.

Another public risk manager, Don C. Blackhurst, predicted that "anything can happen" in San Jose county where he is employed. Between 1,000 and 3,500 employes are slated for termination, he said. The department in which he formerly worked, the general services administration, has been dismantled and its functions spread to other departments.

George Anderson, a budget administrator for the state insurance department, voiced the commonplace view that "everything is up in the air." Noting that the department submitted its 1979 budget several months ago when Proposition 13 didn't look like it would pass, Mr. Anderson said that the department may have to concentrate its resources on certain areas, such as product liability, and back off of others.

There is at least one public risk manager who is confident of his future. Robert Walters, the veteran risk manager of the city of San Diego, said the reason is easy: "Our operation saves the city about $8 million a year."

He also predicted that public entities with their rising claims and soaring premiums will discover they need risk managers more than ever.

Court challenge

Also, because the city and county of San Diego are run on a "lean" basis—Mr. Walters says he does not even have a secretary—the county plans to replace Barbara Ark, its former risk manager.

Los Angeles county, on the other hand, will not replace its former risk manager, Gerald Surfus, for now due to a hiring freeze.

For all the fierce fighting among vulnerable public employes, it is possible that Proposition 13 will never be implemented. Five lawsuits have been filed in the state supreme court asking that propositions be declared unconstitutional. Teachers unions, school districts and several counties were among the plaintiffs.

Historically, initiative measures, successful at the polls, have fared poorly in the courts. Of the seven successful initiatives between 1960 and 1976, only one, a 1962 railroad anti-featherbedding measure, is still in force. However, few initiatives scored the landslide victory, 64% of the vote, that was racked up by Proposition 13.

Republican states attorney Evelle J. Younger will defend the measure and he has already warned the court not to tamper "with the will of the people."

But in the meantime local officials are flooding Sacramento to argue for their share of the state surplus in hopes of avoiding drastic cutbacks. ■

. . . Some pension plans endangered but others expect only minor waves

SACRAMENTO—Proposition 13 promises to impose widely varying burdens on the California public pension system.

Although it may deal a severe blow to one fund, the troubled Los Angeles Fire/Police pension system, it appears that it will deal more gently with most other funds, in the state.

For the gigantic, $15 billion combined California state public employes and state teachers retirement system, it appears that the main impact will be slower future growth, according to chief investment officer Melvin W. Petersen. For the $2.2 billion Los Angeles county retirement system, the biggest effect of Proposition 13 will be slower growth as layoffs mandated by the board of supervisors result in lower total contributions, said county treasurer Harold Alvord.

"The county board of supervisors had indicated there will be substantial layoffs," the county treasurer said. The bright side of the layoff picture is the resulting decrease in the fund's $1.2 billion unfunded liability.

The public pension fund official who has his eyes firmly trained on Sacramento is M. Lewis Thompson, manager and secretary of the Los Angeles Fire/Police retirement system. The $600 million fund has a $2 billion unfunded liability.

"The fund has a monthly $4.5 million income and an $8 million outgo," he explained, illustrating the fund's dependence on the property tax for both the payment of benefits and for funding.

Outside of Los Angeles, the impact of Proposition 13 appears to be tolerable. For example, Trainer, Wortham & Co. Inc. of Santa Barbara, indicated that the accumulation of cash to pay laidoff county workers has been the only real effect of the measure on its work thus far.

"As a prelude to the primary election, we were directed to raise between $3 and $6 million in cash in the event the initiative passed," related vp L. David Tisdale. ■



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letters

Continued from page 10

While I agree with most of the general thesis of your May 15 editorial, the Committee's latest decision should be judged against a third vital component of the complex Lloyd's structure (apart from underwriters and brokers), namely the so-called underwriting agency. Underwriting syndicates rely for the supply and handling of members upon a relatively invisible system of agencies, which are non-risk functions. These agencies can have a considerable power over underwriting policy. In most cases, the agencies are separate companies that are often owned in turn by brokerage firms.

Therefore a foreign takeover of an agency via the brokerage firm could indeed lead to detrimental "pressures" etc., upon their syndicate(s). Let's face it, the Committee is probably first more concerned with the ongoing financial health of syndicates, rather than with Lloyd's brokers "best serving their clients." And profit means continuity.

But if the agency can be left out of a takeover, (or if brokerage firms which have no agency are bought), then Lloyd's—by which I mean underwriters—can have little to lose and much to gain by dealing with "foreign" Lloyd's brokers (who must still abide by the market's principles if they are to retain access to it), even if this would lead to a shift of business among brokers, but not to a reduction of their net premium volume.

In the final analysis, one should be prepared for change, wherever free and bona fide market forces are at play, as a matter of realism. If it were otherwise, this firm would not exist.

Patrick Agnew
President, Agnew Associates Inc., Princeton, N.J.

Ebasco's ethics

To the editor: Your article (May 29) on "Big Brassy Ebasco" contained some references to the Institute of Risk Management Consultants which should be corrected.

Bruce Suter is quoted as saying he has kept Ebasco out of consulting organizations "because we'd be an overpowering interest."

First of all, membership in the Institute of Risk Management Consultants is on an individual, not company basis. Thus, Ebasco may not join as an entire company.

Second, indivudial Ebasco consultants are not eligible for membership in IRMC because they do not subscribe to the same code of ethics. There is a pronounced difference of opinion between consulting firms on this subject, to the point where members who formed the IRMC broke away from the Insurance Consultants' Society on this point.

Ebasco believes that it can make captive company feasibility studies and provide management services to captive insurance companies without creating any conflict of interest. This may very well be a valid point of view and many agree with it. Members of IRMC do not, however. They feel strongly that a company can properly evaluate alternate courses of action only if they have no financial interest in any outcome of the study.

David Warren
Principal, Warren, McVeigh & Griffin, San Francisco

Pension bias

To the editor: Your May 15 article on the Supreme Court decision on discrimination in pension plans says that under survivor benefits a male age 65 will have his $500 per month lifetime pension reduced to $400 in order to provide 50% thereof to his wife for life after his death, which is approximately correct.

However, it is then stated that a female employe would have a similar $500 pension reduced to $350 to provide a 50% survivor benefit for her husband. This is obviously incorrect because the reason for the reduction, which is the cost of the death benefit payable to the spouse, is less for a female employe than it is for a male employe. Therefore, continuing with a corresponding approximation, the female employe would receive $450 instead of $350 per month.

I am sure that Harrison Givens, to whom you indirectly attribute this factual distortion, would be shocked to see his name below it. He is sufficiently knowledgeable in actuarial fact and theory not to have made such a statement. In your vernacular, it is the man (not the woman) who does not get a good deal. Actually, it is not a question of being or not being a good deal but, rather, each participant, whether male or female, receives an actuarially equivalent benefit.

Most pension plans do not require unequal contributions by males and females. Also, the employer of Manhart eliminated such inequality about three years before the decision was reached by the Supreme Court and the justices indicated a recognition of the reasonable practice of traditional actuarial equivalent calculations.

Ross J. Wilson
Consulting actuary, Stone, Young & Co., Upper Montclair, N.J.

Mr. Ross is correct. It is the male employe who has the larger reduction for a given transfer of benefit to his wife than the female employe who transfers the benefit to her husband. Business Insurance, not Mr. Givens, turned the example around. But the key point remains: joint survivors benefits do have sex distinctions. Mr. Givens said the implication of the Manhart decision was that the Supreme Court wasn't simply saying that women shouldn't be discriminated against, but that one should not be discriminated against because of sex.

Savings

To the editor: The writer has recently been involved in saving New York Life Insurance Company approximately $1,800 by having procedures done outpatient in lieu of being hospitalized. The outpatient billing was a mere $144. Claim payment by New York Life was along strict policy construction lines and they paid only $41 of the $144. It is not that the writer cannot afford to pay the balance, it is that New York Life would not consider ex gratia payment in view that an insured had outpatient treatment saving the company some $1,800.

The serious part is that it is the pool of insureds premium payments that claims are paid from, and that all too often insurers do not have ample regard to this fact. It is our money that claims are paid from, and we, like the insurers, should take ALL steps possible to keep claims to the lowest level.

It is long past due for insurers to either view claims under individual circumstances and pay ex.gratia where indicated or to word their policies to pay for outpatient care where in-patient care was indicated. I for one am tired of hearing many insurers advertise how much they have paid out in claims, and then to continue to raise premiums and increase their investment earnings.

Laurence S. Clootz
President, Reinsurance Intermediary Corp., Overland Park, Kan.

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Consulting Actuaries George Budd [left] and Bob Bein of J&H New York and Russ Millman [center] of J&H Cleveland, review a Multi-Assumption Projection System print-out.

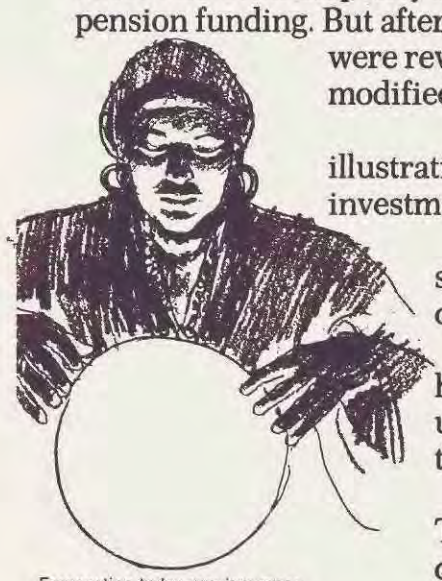
One corporation employed the system to help decide investment policy for pension funding. But after the future costs of benefit improvements already scheduled were revealed, the company's original thinking was immediately modified. A re-evaluation of basic pricing policies followed.

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people

Continued from page 58

moted to assistant director of employe benefits. Mr. Schick joined Beatrice Foods in 1976 as manager of employe benefits after serving in employe benefit positions at other companies.

* * *

Stella C. Henninger, 22, has joined Dan River Inc. in Greenville, S.C., assisting with operations of the corporate insurance department including administration of property and casualty insurance. She reports to Edward R. Lloyd, assistant secretary and director of insurance. Miss Henninger is a graduate of the University of Georgia where she obtained a bachelor of business administration degree in insurance and risk management. She has also completed graduate studies at the University of Georgia. She succeeds **Ryan B. Hamer,** who joined Builders and Industrial Suppliers Inc. in Greenville as business manager.

* * *

Richard L. Male, 37, has joined Wallace Murray Corp. in New York as manager of risk management. He reports to Merlin F. Teed, director of risk management. Wallace Murray's risk management staff has expanded with the promotion of **Linda Szychowski,** 25, to risk management analyst from secretary. Mr. Male was previously assistant risk manager at North American Philips Corp. in New York City. At Wallace Murray, Mr. Male replaces **Stephen G. Palenscar,** 29, who joined Amax Inc. in Greenwich, Conn., as senior insurance analyst in charge of casualty insurance. Mr. Palenscar reports to Robert Ryan, manager of corporate insurance.

* * *

Safety functions have been transferred from plant services to risk management at the Santa Rosa Medical Center with the hiring of **Cal Thacker,** 53, as safety engineer. He reports to risk manager Roger B. Pemberton and is responsible for the overall safety program. Previously, Mr. Thacker spent eight years in loss control for Fireman's Fund and American General Insurance companies. Mr. Thacker replaces **Robert Knox** who has become the industrial management officer.

* * *

The first risk manager at the city of Anaheim, Calif., is **Jack E. Love,** 47. Anaheim opted to hire a risk manager after reviewing an extensive audit of the city's insurance and employe benefit programs, conducted by risk management consultants Warren, McVeigh and Griffin. One of the key suggestions in their report was the hiring of a full-time risk manager. Mr. Love, who is paid $28,080 annually is responsible for identification, development and monitoring of loss prevention programs, claims control and negotiating and purchase of insurance. Previously, Mr. Love was director of the office of risk management for the city and county of Denver for a year and a half. He also has served as risk manager for San Diego County and as a claims manager for the State Compensation Insurance Fund. **Dorsey C. Loux,** 56, has been named acting director of risk management at the city and county of Denver until the city replaces Mr. Love.

* * *

At Continental Corp. of America in Chicago, **James P. Charpie,** 36, has become insurance manager, reporting to E. F. Buckler, director of taxes and insurance. Mr. Charpie is in charge of risk management and property and casualty insurance. He replaces **Dave Cummings,** who died. Previously, Mr. Charpie was employed in the corporate purchasing department for 12 years, most recently as corporate purchasing agent.

* * *

With the promotion of **P. Richard Hackenburg** to assistant treasurer from director of risk management and insurance at Allegheny Ludlum Industries in Pittsburgh, **Jerry Belfiglio,** 29, has been hired as risk manager. Previously, Mr. Belfiglio was an account executive with Johnson & Higgins in Pittsburgh for three years.

•

We'd like to report on staff changes in your risk management or employe benefits department. Just drop a note to Rebecca A. Fannin, Business Insurance, *708 Third Ave., New York, N.Y. 10017 or call 212-986-5050.*

$3.3 million award faces L. I. railroad

NEW YORK—A jury award ordering the Long Island Rail Road to pay $3.3 million plus interest to the family of an executive who died in 1970 from injuries inflicted by railroad police is believed to be the largest single-party award ever granted in New York State.

If the courts uphold the jury's verdict, payments to the widow of Raymond McGale and their four children would total almost $4.8 million, said Robert Ginsberg, attorney for the family. Mr. Ginsberg said he believed this was the largest award made to date in the state.

Mr. McGale, an ITT communications executive, reportedly had been removed by railroad police from a coffee shop in Pennsylvania Station and beaten and kicked in a police office. Earlier in the evening railroad police had removed him from a bar and placed him on a train. He died at a nearby hospital less than two hours after the beatings were alleged to have occurred.

The three police officers involved in the incident were tried and acquitted on charges of third-degree assault in 1970.

The railroad, which is operated by the state's Metropolitan Transportation Authority, maintains a $100,000 primary station liability policy with Chubb & Sons. Above that, the Long Island self-insures risks to an undisclosed limit. A layered excess program, placed in the domestic and London markets, covers the railroad above that, said William Cooper, assistant manager of insurance.

Smyth, Sanford and Gerard brokers the program.

According to railroad spokesman Don Malone, the railroad has asked the judge to reduce the award. Should the award be allowed to stand, the Long Island would appeal to the state appeals court. ■

Avoid rogues, shippers told

LONDON—Businessmen are being urged to avoid using "rogue ships" for freight consignments to the Mideast and other ports. Frank Hunter of the Liverpool Underwriters' Assn. claims that many poor quality vessels are being used to send goods to seriously congested ports in the Arabian Gulf and West Africa.

Often they are controlled by one-man firms whose owners disappear as soon as trouble develops, leaving insurers to meet any losses.

He agrees that it is hard for shippers to resist the lure of cheap tonnage. ■

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people

Baker names safety chief risk manager

Gary G. Gillham, 35, has been promoted to corporate manager of risk management and safety at Baker Industries Inc. in Parsippany, N.J. Mr. Gillham retains his previous duties as manager of safety and occupational health until a new safety manager is hired in a few months. He replaces **Ralph J. DeStefano,** 44, who joined Corroon & Black in New York as assistant vp. Mr. DeStefano has been in the risk management field for 10 years, most recently as director of risk management at Baker Industries. He also has been director of risk mangement at Schlumberger Ltd. in New York and director of risk management at CIT Financial Corp. in New York.

* * *

John P. Beyer has joined Florida Power & Light Co. in Miami as assistant risk manager, reporting to risk manager Richard E. Hinds. In a reorganization of the utility's insurance department, employe benefits has been transferred to the personnel department and claims handling has been moved to the legal department. The insurance department continues to fall under financial operations. Mr. Hinds said the change allowed the company to institute several construction wrap-up insurance programs, in which the utility provides insurance for subcontractors in the construction projects. Mr. Beyer was previously insurance coordinator for Consumers Power Co. in Jackson, Mich. **Steven C. Foster,** 27, replaces him in a promotion from assistant insurance coordinator. In another change at Consumers Power, **John H. Ireland,** 28, has been hired as insurance coordinator, a new position with responsibilities in insurance requirements for contractors and filing claims. He is a recent masters graduate from Eastern Michigan University where he studied finance.

* * *

Joseph S. Sardano, 40, previously vp-insurance at Chase Manhattan Bank in New York, has joined the New York office of Fred S. James & Co. Inc. as vp-operations and administration. At Chase, **Walter T. Cahill** has been promoted to vp-department manager to fill Mr. Sardano's previous position. Mr. Cahill was formerly vp-risk financing section.

* * *

Lawrence E. Urban, 27, has joined Viacom International Inc. in New York as insurance administrator. Reporting to Joseph F. Yumet, manager of insurance and employe benefits, Mr. Urban negotiates renewals, oversees the corporate safety program and prepares loss analysis workshops. In addition, he handles claims and daily casualty matters. He replaces **Linda Coates,** who left the company. Mr. Urban was formerly insurance manager for the car leasing division of the Hertz Corp. Hertz hasn't hired a replacement.

* * *

At Beatrice Foods Co. in Chicago, **Frederick I. Schick,** 35, has been promoted to director of employe benefits. Mr. Schick is responsible for pensions, death benefits, hospital and medical coverage and disability policies. He also works with the company's corporate pension investment committee. Reporting to R. Wilbur Daeschner, corporate assistant vp, Mr. Schick is assisted by **Donald W. Phillips,** who has been pro-

Continued on page 57

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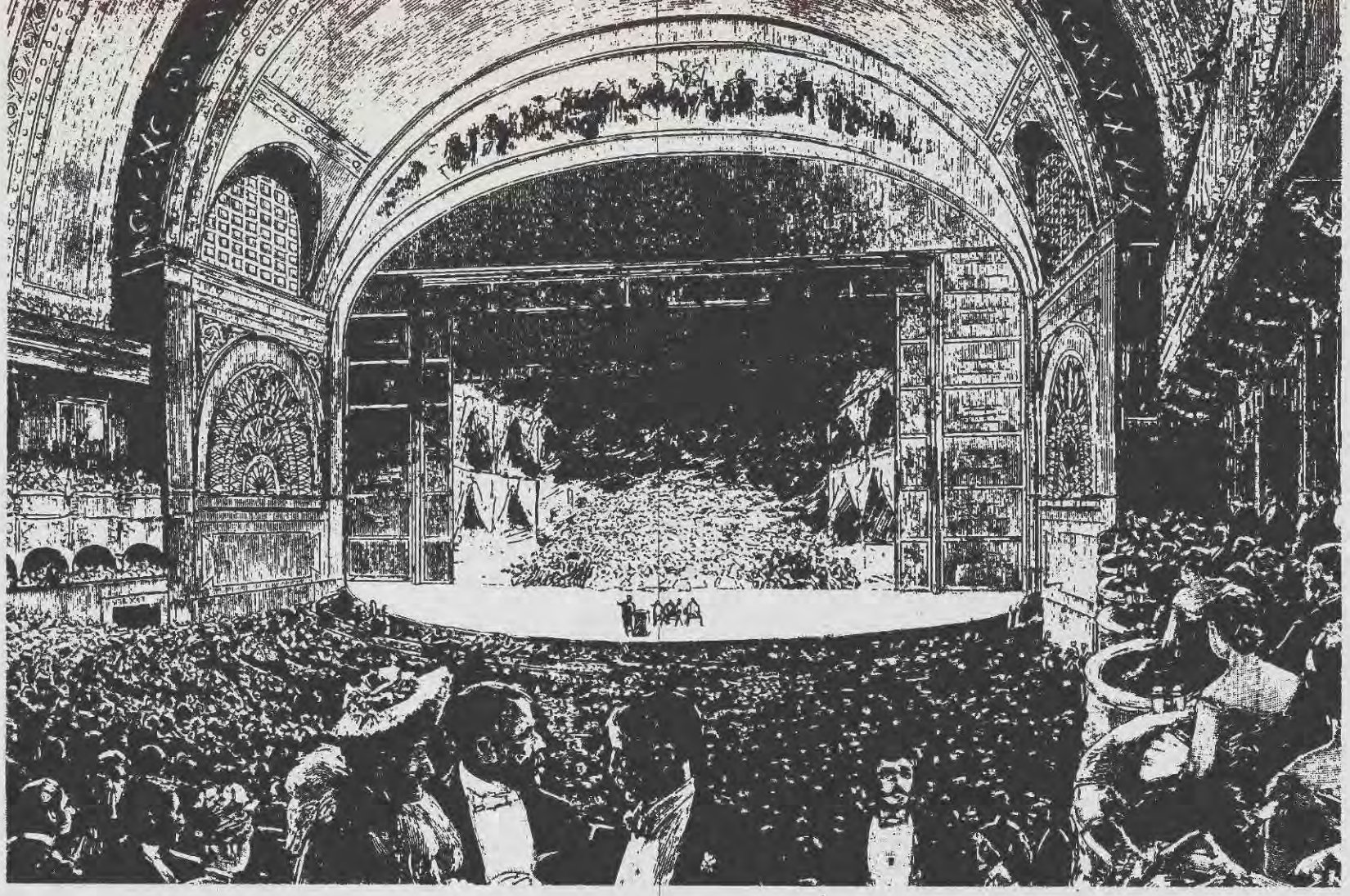
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*Source: An Audience Profile of the Business Insurance Buyer Reader, April 1977; Readership Study of the B.I. Agent /Broker Circulation, December 1975. Figures include pass-along readership.

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Jack Bogardus, president, tells how A&A works from a client's point of view:

"With Anistics, financial managers handle risks based on certainty rather than uncertainty."

"There's a whole new group of financial and risk managers in the country today, young tigers who have come out of business school and are looking for advanced techniques. Insurance doesn't mean anything to them. It's just a word. What they are interested in is bottom line. And this is what our Anistics operation does, it takes their point of view—helps forecast and remove the uncertainty from the future, so these managers can handle risks based on certainty."

Working from a client's point of view is our way. From our top management to the men and women in over 110 cities here and overseas. That means working as allies, solving business problems together. If developing new techniques is what it takes to do a better job, we'll develop them. As we did with Anistics, a highly sophisticated, computerized subsidiary which helps major corporations determine the best ways to predict and finance losses.

We think our dedication to acting as an ally of the clients we represent is a big reason why A&A has become a worldwide leader in the insurance brokerage and financial services business. We have the facilities expertise and strength to act as effective allies. We work from the client's point of view, whether the corporation is large or small.

Alexander & Alexander
The Allies

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