JUNE 6, 1983

business insurance®

Reporting weekly for corporate risk, employee benefit and financial executives/$1 a copy; $40 a year Entire contents copyright 1983 by Crain Communications Inc. All rights reserved.

update

Asbestos plaintiffs file suit against 27 Manville insurers

LOS ANGELES—Attorneys representing more than 500 plaintiffs in asbestos litigation have sued Manville Corp.'s 27 insurers in state court for allegedly violating California insurance law by failing to pay settlements reached last year with Manville.

The plaintiffs are seeking $52 million including $100,000 each in exemplary damages. They allege the insurers failed to effectuate a fair and equi-

Continued on next page

Insco no longer writing coverage for marine risks

By KATHRYN J. McINTYRE

HAMILTON, Bermuda—Gulf Oil Corp.'s Bermuda-based insurance company—Insco Ltd.—is no longer underwriting marine insurance for unrelated parties or reinsurance on Gulf-related marine and property risks.

The Insco board of directors voted late last month to close Insco's marine insurance underwriting operations immediately.

Earlier in May, Gulf decided to assume the first $25 million of its property and marine risks as a self-insured retention. The risks had been insured by licensed insurers and then reinsured with Insco.

The two decisions affecting the current business of one of Bermuda's largest and most respected captive insurance companies that underwrites unrelated risks were made independently of each other, said Insco President Leslie Dew in a telephone interview from his Bermuda office.

The Insco board decided to pull out of marine underwriting because "the potential profit was so small" and marine accounts from previous years, primarily 1979 and 1980, continue to produce growing losses, Mr. Dew said.

Insco does not disclose results by type of risk, but its annual reports since 1978 do reveal substantial increases to reserves for re-

Continued on page 30

Insco's marine/aviation loss reserves
(Unrelated risks)

	Reported	IBNR	Total
1978	$337,000	$2,068,000	$2,405,000
1979	4,739,000	782,000	5,521,000
1980	7,392,000	1,942,000	9,334,000
1981	7,931,000	10,096,000	18,027,000
1982	10,615,000	14,583,000	25,198,000

Source: Insco annual reports

Court tells Allendale to pay $54 million

By JERRY GEISEL

SANTA FE, N.M.—The refusal of Allendale Mutual Insurance Co. to pay a uranium mill operator's property damage and business interruption claim could cost the insurer more than $54 million.

A New Mexico District Court in Santa Fe ruled last month that Allendale "wrongfully denied" coverage when policyholder United Nuclear Corp. filed a claim following the 1979 collapse of a dam holding back uranium wastes in the western portion of the state.

Judge Michael Francke ordered Allendale to pay United Nuclear, a subsidiary of UNC Resources Inc. of Falls Church, Va., $24,640,724 to cover property damage and lost profits resulting from the July 17, 1979, collapse of the dam near United Nuclear's Churchrock uraninum mill.

In addition, Judge Francke ordered Allendale—a Johnston, R.I.,-based member of the Factory Mutual System—to pay United Nuclear $25 million in punitive damages, believed to be one of the highest punitive damage awards ever assessed against an insurance company.

United Nuclear also is entitled to interest that accrued from March 21, 1980, the date that Allendale denied United Nuclear's claim, according to the May 20 ruling. Computed at a rate of 6%, the interest amounts to about $4.7 million.

Furthermore, Allendale must pay United Nuclear's attorneys' fees and other court costs, which are substantial.

However, United Nuclear did not win everything it sought from the court.

Judge Francke said Appalachian Insurance Co., an Allendale subsidiary, was correct in denying coverage under a $10 million differences-in-conditions policy it sold United Nuclear. The Appalachian DIC policy excluded coverage for dams, Judge Francke ruled.

In addition, United Nuclear is still seeking compensation under an environmental impairment liability policy purchased from Sphere Insurance Co. Ltd., a British underwriting subsidiary of Alexander & Alexander Services Inc. that has since been renamed Sphere Drake Insurance P.L.C. The Sphere policy has a $10 million per-claim limit and an annual aggregate limit of $20 million.

United Nuclear officials said they were flabbergasted when Allendale denied coverage under the property and business interruption insurance policy, which has a $52 million limit.

"I was so positive on that claim. I could not see it being denied," said John McCusker, UNC's insurance manager. "I was absolutely stunned when they (Allendale) denied coverage. The policy was supposed to cover collapses and there was a collapse."

However, Allendale said after the decision that evidence supports that it acted in good faith.

Allendale said it will appeal the ruling and is confident that its actions will be upheld when the court decision is reviewed, according to the statement from the insurer.

The Allendale policy provided insurance for UNC's Churchrock uranium mill and related facilities, located 18 miles northeast of Gallup, N.M. The mill processed uranium ore obtained from UNC's Northeast Churchrock mine and other mines in the northwestern portion of New Mexico.

The mill, which later closed because of economic reasons, produced yellowcake, a substance that, after

Continued on page 8

Employer-sponsored PPOs attract attention

By LORRIE GAWLA

If employee benefit managers' wishes prevail, employer-sponsored preferred provider organizations will spring up across the country.

In a recent *Business Insurance* survey, 53% of the respondents who knew what a PPO was said they would be interested in forming one with other employers in their community.

eb board

The employee benefit managers interested in employer-sponsored PPOs are based in 27 different states with the most interest coming from employers in California, Texas, Ohio, Tennessee and North Carolina. Interest also was notable among employee benefit managers in Illinois, Iowa, Louisiana, New York, Massachusetts, South Carolina and Wisconsin.

Seven benefit managers said they already are working with fellow employers to form a PPO. These included the benefit managers from a communications firm with 1 million employees, a distribution company with 2,500 employees and an electronics company with 1,800, all in California; a Texas electronics company with 50,000 employees; a forest products company with 27,000 employees operating in Idaho, Oregon and Washington; a Massachusetts manufacturing company with 12,000 employees and a Florida trucking service with 12,500 employees.

According to the survey, local employer coalitions and less formal employer groups are playing a key role in the development of PPOs. Thirty-two percent of the benefit managers who had heard of PPOs said they learned about them through a local employer coalition. And, of the 21 employers that expect to join PPOs in the next 12 months, 57% are planning to join a PPO organized by a group of employers.

A PPO is a group of health care providers that contracts with employers, insurers or other third-party payers to deliver health care services to an employee group at a reduced fee.

The employee is not obligated to use the preferred providers under contract with his or her company or group health insurer, but is often offered a financial incentive—like reduced deductibles or lower copayments—to do so. The employee's decision to use or not use a preferred provider is made each time the need for medical care arises (*BI*, May 30).

While it appears that a large group of employers would be ready to jump into a PPO if local employers were forming one, the *BI* Employee Benefit Board survey also showed:

- Many benefit managers still do not know what a PPO is and PPOs are not

Continued on page 34

Benefit managers rank PPO advantages and disadvantages

Advantages		Disadvantages	
Money saved due to discount	71%	Restricted choice of providers for employees	41%
Utilization review	55%	Additional administration	37%
Control over quality of services	53%	Cost of communicating PPO provisions	32%
Statistics on utilization	43%	Restricted comprehensive medical services	22%

(Totals equal more than 100% because employers marked more than one answer)

INSIDE:

Laid-off workers accumulate medical problems Page 3

Do Mission's recent actions mean takeover is near? Page 35

NEWSPAPER

update

Plaintiffs sue Manville insurers

Continued from previous page

table settlement and also allegedly failed to submit a reasonable explanation for denying the claims.

The suit does not seek to collect the original settlement amount. The plaintiffs reportedly had reached a lump-sum settlement of $9.4 million with Manville last year.

Bermuda adds new screening

HAMILTON, Bermuda—All new insurance companies applying for registration in Bermuda now will be screened by an admissions committee of insurance industry representatives in addition to government officials.

The applications of captive insurers and insurers intending to engage in international reinsurance business will be reviewed by the Insurers' Admissions Committee. The committee formerly only reviewed the applications of insurers underwriting professional and product liability and those companies referred by the Registrar of Insurance Companies, which generally were individually owned.

The move is part of an overhaul in the admission review of international companies based on recommendations of a special report from the business community. All international companies other than insurers are being reviewed by another committee.

Financial Secretary Mansfield Brock does expect the new review of all insurance company applications to extend the average application period of two weeks. Meanwhile, The Bermuda Independent Underwriters Assn. also is considering appointing an independent consultant to help "keep out the bad players who repeatedly try and get into Bermuda using different names." The consultant, based in the U.S. and with strong links with the U.K., would advise the BIUA of undesirable companies and the BIUA could alert the government.

Mobil chief presses libel claim

NEW YORK—Mobil Corp. President William P. Tavoulareas says he is appealing a trial judge's rejection of a $2.05 million jury award in his libel suit against The Washington Post.

On May 2, U.S. District Judge Oliver Gasch threw out the July 30, 1982, jury verdict, saying there was no evidence of actual malice on the Post's part (*BI* May 9; Aug. 9, 1982). The case involves a Post story that alleged the Mobil president had set up his son in a shipping concern indirectly doing business with Mobil.

Last week Mr. Tavoulareas said he was appealing to the District of Columbia Court of Appeals and would proceed to the Supreme Court if necessary to reinstate his libel claim. He said the appeal "could take years and hundreds of thousands of dollars" in addition to more than $2 million already spent on the suit.

The Post's primary libel insurer is Employers Reinsurance Corp. of Overland Park, Kan.

Sikorsky settles suit

NEW YORK—Sikorsky Aircraft, a unit of United Technologies Corp., is paying $6 million in an out-of-court settlement with New York Airways to end a seven-year legal battle.

The settlement resolves a $30 million damage suit filed in a New York state court after two Sikorsky-made helicopters flown by New York Airways crashed in 1977 and 1979 killing a total of eight people.

New York Airways, which is not affiliated with the airline known as New York Air, operated helicopter service between Manhattan and three New York-area airports until it filed for reorganization in 1979.

Sikorsky's lead insurer is Associated Aviation Underwriters Inc.

Beloit sues Emett & Chandler

MADISON, Wis.—Beloit Corp. is suing Emett & Chandler Cos. Inc. to rescind Beloit's $6.3 million purchase of Presidio Insurance Co. on charges that the Los Angeles-based insurance broker and a related services firm misrepresented the financial condition of its former reinsurance subsidiary.

Beloit's suit, filed May 13 in the U.S. District Court in the Western District of Wisconsin, also seeks triple actual damages and $14 million in punitive damages from Emett & Chandler; its predecessor company, Pinehurst Corp.; E&C President Charles F. Smith; and independent auditors Peat Marwick, Mitchell & Co.

Presidio's financial statements were false and misleading in that surplus and income were materially overstated and reserves were materially understated, the suit charges.

The defendants knew that Presidio had suffered substantial losses during the 1976-80 period and was in fact insolvent although financial reports showed a modest profit, the suit further alleges.

Senior executives at Emett & Chandler said they could not comment on the suit except to say they believe it is "without merit."

index

Books and ideas 22
Classifieds.................. 32
Comings&goings: industry .. 28
Datebook 24
Employee benefit board 1
Info 16
Insurance services guide 34
Letters 6
Opinions 6
Perspectives 21
Ticker 35

Vol. 17, No. 23—*Business Insurance* (ISSN 0007-6864) is published weekly at 740 Rush St., Chicago, Ill. 60611. Second-class postage is paid at Chicago, Ill., and at additional mailing offices. Postmaster: Send address changes to *Business Insurance*, circulation department, 740 Rush St., Chicago, Ill., 60611; 312-649-5221. Copyright 1983 by Crain Communications Inc.

Flintkote suing insurers over asbestos coverage

By STEPHEN TARNOFF

Flintkote Co. is the latest major defendant in the ongoing asbestos litigation to battle its insurers over how to compensate victims of asbestos-related diseases.

In a 72-page complaint filed in California Superior Court in San Francisco, the Stamford, Conn.,-based company is suing 27 primary and excess insurers for wrongfully failing to defend and indemnify it in asbestos litigation.

The suit, dated April 29, was filed a week after American Mutual Insurance Co., one of Flintkote's primary liability insurers, filed suit in a New York state court against Flintkote, Liberty Mutual Insurance Co. and other Flintkote insurers, alleging wrongful acts in connection with the settlement of asbestos cases.

Both suits ask the courts to determine which of Flintkote's liability insurance policies should pay claims sought by asbestos victims.

Flintkote, a manufacturer and supplier of construction and industrial materials and products, is currently facing more than 15,000 claims from victims of asbestos-related diseases.

Since American Mutual's suit was filed in April, it has been removed to U.S. District Court for the Southern District of New York following a request by Flintkote. American is seeking to have it remanded to the state court.

Flintkote also wants its suit, filed in the San Francisco court, to be consolidated with other asbestos coverage cases pending there, according to Flintkote attorney Tom M. Freeman with the San Francisco firm of Brobeck, Phleger & Harrison. However, American Mutual opposes such a move.

While either the California or New York court could defer to the other, it is "theoretically possible" for both cases to go forward. If that happens, whichever is decided first would have a potentially binding effect on the other, according to an attorney close to the litigation. A "race to judgment" could be the result, the attorney said.

The two lawsuits are the latest in the continuing battle between defendants in asbestos litigation and their insurers over who should pay asbestos claims.

Some courts say that insurers on an asbestos risk at the time the victim inhales asbestos are liable for defense and indemnification. Known as the exposure theory, it is the approach that has been adopted by the most courts.

Other courts, however, have ruled that insurers on a risk at the time symptoms of asbestos disease appear in a victim are liable, which is known as the manifestation theory.

Continued on page 32

Suit claims comp insurers fixed prices

By CAROL CAIN

MINNEAPOLIS—A pretrial hearing is set this week in U.S. District Court on a class-action lawsuit charging that the publication of workers compensation insurance rates in Minnesota violates federal and state antitrust laws.

Three small Minnesota businesses filed separate class-action suits April 25 and April 27 against the Workers' Compensation Insurers Rating Assn. of Minnesota and 13 insurance companies.

The employers charge that the insurers have violated the Sherman Antitrust Act and the Minnesota Antitrust Act by conspiring to fix the prices of workers compensation insurance.

The insurers named in the suits, which now have been combined, are Aetna Casualty & Surety Co., Continental Insurance Co., Employers Mutual Liability Insurance Co. (now called Employers Insurance of Wausau, A Mutual Company), Excalibur Insurance Co., Federated Mutual Insurance Co., Fireman's Fund Insurance Co., Home Insurance Co., Liberty Mutual Insurance Co., Michigan Mu-

Continued on page 29

Reporter, editorial aide join *Business Insurance*

CHICAGO—Steve Taravella is joining Business Insurance as a staff reporter in the Los Angeles bureau, Editor Kathryn J. McIntyre announced.

Mr. Taravella

Mr. Taravella recently received a bachelor of arts degree in journalism from Baylor University in Waco, Texas. While still at Baylor, he participated in the American Society of Magazine Editors' summer internship program, working in *Business Insurance's* New York bureau last summer.

As a staff reporter, Mr. Taravella will report on news and trends in risk and employee benefit management. He will report to Los Angeles Bureau Chief Rhonda L. Rundle. Mr. Taravella can be reached at 213-651-3710.

Diane L. Kastiel has joined *Business Insurance* as editorial assistant in the Chicago office. Ms. Kastiel previously worked at Motorola Semiconductor Sales in Schaumburg, Ill., as a sales representative.

Ms. Kastiel

She received a bachelor of science degree in journalism from the University of Illinois in Champaign-Urbana. She replaces Sallie J. Drury, who has been promoted to staff reporter in Chicago.

Ms. Kastiel, whose duties include coordinating the many mail surveys conducted by *Business Insurance*, can be reached at 312-649-5398.

In addition, James H. Davis and Donna Gordon are joining *BI* this summer as reporter interns. Mr. Davis, a graduate student at the J.L. Kellogg Graduate School of Management at Northwestern University in Evanston, Ill., will work in the Chicago editorial office. Ms. Gordon, a May 1983 graduate of the University of Illinois, will work in the New York bureau.

New Baldwin chief says firm to stress 'traditional' insurance

By BILL DENSMORE

NEW YORK—Baldwin-United Corp. will attempt to focus on "traditional" insurance operations and preserve the earning power of its MGIC Investment Corp. subsidiary to aid the revitalization of the financially troubled company, says the man picked to head that effort.

"The traditional lines of insurance (in the company) have limped along," says Victor H. Palmieri, the crisis-management expert who helped revive a stripped-down Penn Central Corp. in the 1970s. "I don't think much attention has been paid to them. I think some regrouping of those companies and revitalization of their management is called for."

But Mr. Palmieri said it is too early to say which of Baldwin's many insurance subsidiaries should be revitalized, nor did he mention any specific types of insurance products that the company would focus on.

Turning to other controversies swirling around Baldwin-United in recent months, Mr. Palmieri told *Business Insurance* in an interview that:

- He could not discuss Baldwin's transactions with Bayly, Martin & Fay International Inc., a Baldwin insurance brokerage unit that was sold to the brokerage's management late last year.
- It is "very likely" that Baldwin will ask some of its bank creditors to convert some of its estimated $1 billion in short-term debt into equity on the assumption that he and his associates can eventually turn around Baldwin's fortunes.

Mr. Palmieri declined to discuss Baldwin's Dec. 30 transaction with Bayly, Martin & Fay under which the management of the seventh-largest U.S. broker (based on 1981 revenues) acquired all of the stock of a new BMF holding company in exchange for issuing $92 million in debt to Baldwin affiliates, including a Hawaiian insurer (*BI*, May 23).

"I don't know too much," Mr. Palmieri said about the transaction and about suggestions by one state insurance regulator that BMF ought to be sold to a third

Continued on page 4

Compromise plan on shipping liability dealt crippling blow

By DOUGLAS McLEOD

NEW YORK—A compromise in the long-simmering debate over whether the Visby Amendments or the Hamburg Rules should govern international shipping liability appears to be temporarily dead in the water.

The compromise agreement was unanimously approved last month by the Bills of Lading Committee of the Maritime Law Assn. of the United States, an organization of attorneys representing carriers, cargo underwriters and shippers.

But the measure was later defeated by a close vote of the full membership of the MLA and each of the sides in the debate now seems to be waiting to see what the others will do.

"(The MLA vote) throws things into somewhat of a state of disarray," said William J. Coffey, associate general counsel for Sea-Land Service Inc. of Edison, N.J., a sea carrier that is a subsidiary of R.J. Reynolds Industries Inc.

The arguments revolve around whether the current Hague Rules—written in 1924 and in force in the United States since 1937—should be modified or simply scrapped (*BI*, April 11).

The 1968 Visby Amendments would revise the Hague Rules to increase the current limited liability of carriers for cargo losses. Certain U.S. courts, for example, have defined a 40-foot cargo container as a single package for which carriers' liability is limited to $500 under the U.S. Carriage of Goods by Sea Act, which is based on the Hague Rules.

Among other things, the Visby Amendments to the Hague Rules would make statutory liability limits apply to packages within containers or would provide for liability limits based on weight, whichever works most in the shippers' favor.

The 1978 Hamburg Rules, adopted by the United Nations Conference on Trade and Development, would replace Hague-Visby with a new standard under which carriers would be considered liable for all cargo losses unless carriers could prove they were not negligent.

The Hamburg Rules have so far been ratified by nine countries: Barbados, Chile, Egypt, Lebanon, Mexico, Romania, Tanzania, Tunisia and Uganda. However, the rules must be ratified by 20 nations before any country can implement them.

The Visby Amendments, which only require 10 ratifications for implementation, are already in effect in 19 countries.

But the United States has adopted neither Hamburg nor Visby and debate over which course to follow has divided the maritime community.

Carriers and cargo underwriters oppose the Hamburg Rules, saying the rules would produce huge increases in litigation and higher costs for everyone, including shippers.

Carriers say that the cost of the insurance they would have to buy in the face of increased liability under the Hamburg Rules would be passed along to shippers in the form of higher freight rates.

"It would add significantly to our costs," said Richard L. Tavrow, senior vp and general counsel for American President Lines of Oakland, Calif., adding that the extra cost would result in higher rates.

Cargo underwriters add that rates for cargo insurance would not necessarily go down until shippers justified reductions with improved loss experience.

Both groups argue that instituting an entirely new set of rules would also produce a proliferation of lawsuits as each point of the Hamburg Rules is tested in court.

"It could all be sorted out, but why go through the 30 to 40 years it would take to do it?" Mr. Tavrow asked.

Shippers' groups, on the other hand, support the Hamburg Rules, saying the new rules would place liability for cargo losses on carriers, where it belongs. The shippers also are not convinced that the rules would result in higher freight rates or massive litigation.

"We think (rate increases) would be infinitesimal," said William Augello, executive director and general counsel for the Shippers National

Continued on page 31

Health risks

Laid-off workers accumulate medical problems

By LEN STRAZEWSKI

PHILADELPHIA—Employees returning to work after long layoffs may bring lots of health insurance claims with them, an occupational health researcher says.

Greg Pappas, a doctoral candidate in anthropology at Case Western Reserve University in Cleveland, says that a preponderance of health research indicates a direct correlation between unemployment and present and future health problems.

Some of those health problems, he added, may not manifest themselves for three years or more.

"Harvey Bremer, one of the senior researchers in the field of health and economics, has gone so far as to say that the Reagan administration's economic policy and the resulting slump in employment is directly responsible for some 50,000 deaths and an untotaled amount of disease," says Mr. Pappas, who is currently researching the relationship between unemployment and employee health for the United Rubber Workers.

"That's probably not a fair generalization, but there does appear to be a direct correlation between health problems and unemployment," he told the annual American Industrial Hygiene Conference in Philadelphia last month.

"And there is also a direct correlation between unemployment and first admission to mental hospitals after a three-year lag," he said.

Access to health care is the first issue researchers examine when studying the relationship between unemployment and illness, Mr. Pappas said. Do unemployed individuals receive proper health care?

"For many years this issue was thought to be a 'dead letter,' a blind alley for research. If you couldn't pay for a doctor, you just didn't go," he noted.

Improved welfare programs and the increasing number of working spouses with their own medical insurance, however, have recently led researchers to wonder whether unemployed individuals receive health care though social service agencies or through dependent health insurance.

Research conducted during the 1975 recession, however, indicates that old values remain true. Poor and unemployed individuals rarely receive proper health care.

"During the 1975 recession, only 10% to 15% of all unemployed persons could afford individual health insurance," Mr. Pappas noted. "And of those that did purchase the insurance, most purchased coverage that was inferior to that offered by their past employer.

"About 35% to 40% lost all health insurance, despite the fact that more spouses had joined the workforce and were able to purchase coverage for their unemployed partners."

Of the nearly 40% of the unemployed who had lost all coverage, as many as 70% had no other access—like Medicaid or Veterans Administration benefits—to health care.

Drinking, smoking and poor nutrition are also health problems that tend to increase during unemployment, Mr. Pappas noted. And the impact of these problems may not be known for years.

"Drinking and smoking, as a reaction to the stress of being unemployed, obviously increase. And nutrition also becomes an issue.

Continued on page 12

Graphic: Amy Palmer

Don't set exposure standards yourself: Attorney

By LEN STRAZEWSKI

PHILADELPHIA—Employers that set their own standards for employee exposure to hazardous substances may also be setting themselves up for liability lawsuits, an attorney says.

Although many employers are now trying to prevent occupational disease problems, like the asbestos injury crisis, by setting corporate exposure guidelines, their good intentions may be turned against them, says Susan Brooks, an attorney with the New Orleans law firm of McCalla, Thompson, Pyburn & Ridley.

"It's out there. It's already happening. It's more than possible that your guidelines designed to protect an employee's health will be used against you in some kind of lawsuit," Ms. Brooks said.

"Even if your standards are more conservative than government guidelines, if they eventually prove inadequate, they can be a smoking gun for employers."

In fact, the presence of corporate exposure guidelines may be adequate enough reason to remove workers' occupational disease claims from the workers compensation system into the realm of intentional torts, she adds.

"Courts will allow claims to move outside the workers compensation system whenever an employer knew there was a hazard, failed to warn the employee of the hazard and failed to report and disclose the hazard in any of the governmental reporting requirements," she told the American Industrial Hygiene Conference in Philadelphia last month.

"In practice, this means that whenever exposure is intentional and has the effect of producing or aggravating a disease, an employee will be able to sue for compensatory damages, pain and suffering and, if the state allows, punitive damages."

Employers could argue that serious exposure to a hazard was unintentional and that their properly researched guidelines had established what the best minds believed was safe, Ms. Brooks noted. But this key question of intent may not be settled until after a liability lawsuit has come to trial.

"If the lawsuit is allowed, the question of specific intent will most likely be left for a jury to decide. That's really scary because you know where a jury's sympathy will reside—certainly not with the employer or manufacturer," she said.

Fraud may also be a popular claim against employers and their agents, Ms. Brooks added, especially if employees feel that a potential hazard has been misrepresented to them.

Continued on page 16

Employers must bolster benefit lobby: Hart

By JERRY GEISEL

WASHINGTON—Employers must wage public battles if they want to stave off new congressional assaults on their benefit programs, a pension expert says.

Congressional leaders, like Sen. Robert Dole, R-Kan., believe they can get legislation passed to impose new burdens on benefit programs if employers stay on the lobbying sidelines (see story, page 27).

"Sen. Dole is banking that businesses will operate as usual and stay away from the media (when benefit legislation is proposed). Industry cannot afford to," says Jeff Hart, a vp in the pension underwriting and marketing department at the Equitable Life Assurance Society in New York.

Speaking at the annual Washington legislative conference sponsored by the Assn. of Private Pension & Welfare Plans, Mr. Hart said the stage is set for Congress to pass another piece of legislation like the Tax Equity and Fiscal Responsibility Act of 1982. TEFRA, among other things, cuts maximum pension benefits and requires most employers to pick up the health insurance costs of their older workers (*BI*, Aug. 23, 1982).

Mr. Hart

"The mechanism is there to hammer away at us year after year unless employers take a more active role in benefits issues," Mr. Hart said.

Mr. Hart, who was formerly the APPWP's executive director, says TEFRA's enactment should have taught employers several lessons, the most important of which is that employers should take the offensive when their benefit programs are threatened by legislation.

Last year, for example, an ad hoc group of business interests held press conferences to tell the media about business opposition to certain provisions in TEFRA.

Those press conferences, though, only began during the final days before TEFRA was passed. "We should have started them (press conferences) on day one. It was too late," Mr. Hart said.

Press conferences may be painful experiences, he noted, but even though only one or two reporters may show up, eventually employers will get their points across, Mr. Hart said.

Employers also should not be afraid to publicly challenge statements even if the source is a U.S. senator. "Statements need to be challenged over and over again, such as pension plans are skewed in favor of the well-off," Mr. Hart said.

Above all, employers should not cave in when legislators turn on the heat. For example, the banking industry did not give up its fight against the imposition of a 10% withholding tax on interest and dividends even when Sen. Dole threatened new legislation to increase taxes on banks, Mr. Hart said.

Employers should make every effort to stay united on benefit issues, he added. One reason that Congress last year was able to impose faster vesting requirements on "top-

Continued on page 25

Baldwin to stress 'traditional' insurance: Chief

Continued from page 2

party to establish its value as a Baldwin asset (*BI*, May 30).

Mr. Palmieri said that unraveling the details of Baldwin's many financial transactions, including the BMF sales, is "important" but not "urgent," adding that he is leaving that chore to others for the moment.

He also would not comment on a recent lawsuit filed by a former BMF treasurer that alleges BMF used premium trust funds to finance acquisitions and operations.

The 53-year-old Mr. Palmieri was tapped by Baldwin-United's board last month to replace Morley P. Thompson, who resigned. Under Mr. Thompson's leadership, Baldwin grew from a piano and organ maker to a financial services conglomerate with more than $9 billion in reported assets.

Mr. Thompson's crowning achievement was Baldwin's acquisition in early 1982 of MGIC—the parent of several property/casualty and surety insurers—for $1.2 billion in cash, most of which was borrowed from banks.

But the Baldwin-United empire built by Mr. Thompson began to unravel last fall when insurance regulators questioned the value of Baldwin-affiliated assets placed by the parent company in the portfolios of some of its insurance company subsidiaries in Arkansas that write single-premium deferred annuities, a high-return life insurance product.

Mr. Thompson left the company a month after it missed a deadline for repaying at least $600 million in debt to a consortium led by New York's Chemical Bank. Since then, Baldwin has been engaged in almost continuous negotiations with banks and insurance regulators.

Mr. Palmieri declines to place blame for Baldwin's troubles on Mr. Thompson or any individual. He describes the company's growth as "entrepreneurial," but says the company's sales efforts outstripped its administrative and financial management capabilities.

Mr. Palmieri said that Baldwin is ready to present to the banks this week its first plan to revive the earning power of the company. Then, it can design a schedule of payments to creditors while continuing to meet obligations to purchasers of billions of dollars of its SPDAs.

"We're meeting day-by-day on the plan," says Mr. Palmieri. "There's a tremendous amount of work going forward."

However, he says he is giving "no thought" to the idea of Baldwin-United voluntarily requesting protection from creditors under Chapter 11 of the Federal Bankruptcy Act "because our real problems in this case are to satisfy not only the creditors but the state regulators, who have the power to commence rehabilitation proceedings if they declare statutory insolvencies."

Insurance regulators have expressed concern over the value of the Baldwin-affiliated assets held by its insurance units, particularly National Investors Life Insurance Co. and National Investors Pension Insurance Co., two Arkansas-domiciled life insurers that have issued the bulk of the SPDAs sold by Baldwin.

Mr. Palmieri acknowledges it is inherently complex for a regulator to evaluate securities or bonds that aren't traded on the open markets, like these affiliated assets.

"Now, if you have an affiliated security for which you can say, 'This affiliated security, when you really understand it, is worth just as much in value terms as IBM,' there's no problem," he says. "The difficulty is it's a complicated valuation issue. So if you are concerned with regulatory complexity, you will strive to narrow the range of admittance of affiliated securities.

"If, on the other hand, you are concerned about the flexibility of insurers in relation to capitalization and facilitating an innovative and expanding industry to serve public needs, then you will want to be flexible and have a sophisticated evaluation process," he explains.

Besides working with regulators to answer question about the insurers' assets and stressing more traditional forms of insurance than SPDAs at its insurance units, Baldwin hopes to expand MGIC's presence in the commercial insurance market.

"The No. 1 objective, apart from what I've called 'stabilizing,' or reordering (the assets of) the SPDA companies, is to protect MGIC's earning power and its development in the markets. . .so that it's growth is not damaged or curtailed by adverse publicity," Mr. Palmieri says. "And how we do that is a key question in the plan."

He says protecting MGIC could involve "an alliance" between MGIC and another entity with a AAA credit rating, so that the combination could borrow money at favorable rates.

"It could involve a way of fencing off MGIC from the problems which the company is experiencing in other areas," he adds. "(And), it could involve a sale of MGIC, but it seems unlikely that that will be the direction at this time."

Besides the two Arkansas life insurers and MGIC, Baldwin's insurance subsidiaries include National Investors Fire & Casualty Co., a Denver-based commercial and personal lines property/casualty insurer, and National Farmers Union Property & Casualty Co., a Denver-based multiline insurer that specialized in farmers' coverages. In addition, Empire Mutual Insurance Co. of New York, a property/casualty insurer, is also effectively controlled by Baldwin because Baldwin loaned it $25 million in 1980 to help it out of a rehabiliation proceeding. ■

Malpractice insurer settles with FTC

WASHINGTON—A physician-owned insurance company has agreed not to deny malpractice insurance coverage to doctors who supervise self-employed nurse-midwives under a consent agreement with the Federal Trade Commission.

The FTC had charged that State Volunteer Mutual Insurance Co. Inc. of Brentwood, Tenn., maintained a policy against insuring physicians who agreed to provide ongoing medical supervision to self-employed midwives.

That denial of coverage constituted a boycott in violation of federal antitrust laws, the FTC said.

Under the consent agreement, State Volunteer must use non-discriminatory underwriting criteria for all physicians who employ or are affiliated with nurse-midwives.

The insurer provides malpractice insurance to about 80% of Tennessee's physicians, the FTC says. ■

THIS IS THE WRONG TIME TO FIND OUT YOU DON'T HAVE THE RIGHT INSURANCE.

It's too late after your business or your inventory has been badly damaged or destroyed.

That's why it's a good idea to consult an Independent Insurance Agent before you buy your business policy. An Independent Agent represents several companies—not just one. So you get expert, professional advice on how to select the best business insurance coverage at the best price.

And right now your Independent Agent is offering an informative free booklet that can help make choosing the right business insurance a little easier. Get it. Before you need it.

You'll find the Independent Insurance Agent who's located nearest to you listed in the Yellow Pages right under the Big "I." symbol.

THE MORE-THAN-ONE-COMPANY INSURANCE AGENT.

Long term disability cases have always been expensive. Both in costs and productivity. Sometimes, even in legal fees.

No wonder more and more cost-conscious businesses are turning to NWNL's Rehabilitation Services to save both on cash reserves—and human suffering.

Example: From May 1 to December 31, 1981, NWNL specialists examined 166 LTD cases for potential rehabilitation. With our help, 101 people were returned to meaningful employment. Freeing up $3.9 million in LTD reserves.

How do we do it? Well, NWNL was one of the first health insurance companies to recognize the cost savings inherent in professional rehabilitation. We also recognized it takes experts to handle such sensitive situations. So we searched out some very experienced specialists to become our NWNL Rehab Staff. They use positive thinking, and creative, humanistic methods to objectively measure each patient's "potential employability."

We believe it's often not enough to simply repair a broken body. Sometimes psychotherapy (in addition to physical therapy) is needed. Or vocational guidance. Or special housing and/or transportation must be found.

So NWNL Rehab counselors travel all over the U.S. to personally evaluate, manage and supervise each appropriate LTD case. And this dedication to personal service is paying off.

If this sounds like the kind of humane cost-cutting you'd like to implement (with an insured or self-funded LTD plan), mail this coupon. We'll do the rest.

TO: Ginny Charboneau, Box 20, Minneapolis, MN 55440.

Please send me more details on NWNL Rehab, and how it can save my company money.

Name__________

Title__________

Company__________

Address__________

City_____ State_____ Zip_____

Phone_____ Area Code_____

BI 6/6

NORTHWESTERN NATIONAL
LIFE INSURANCE COMPANY
BOX 20 • MINNEAPOLIS, MINNESOTA 55440

opinions

Protect that paddle

FAIR, PRACTICAL AND efficient rules governing international shipping liability are important not only to carriers delivering cargo but also to the profits of every company whose finished products or component parts used in manufacturing are shipped across the seas.

At stake, ultimately, is the competitive price of the products.

If the rules are not fair, practical and efficient, the cost of risk of loss is higher than it need be. As the cost of risk goes up, the cost of insurance goes up. And, the cost of insurance is passed along through the chain of buyers to the ultimate consumer.

Nearly everyone agrees that the current rules governing international shipping liability are not fair, practical or efficient. But very few agree on how they should be changed.

A proposed compromise over what rules should govern international shipping liability makes a lot of sense to us. Unfortunately, not enough shippers, carriers and insurers agree and the compromise is dead in the water, as New York Associate Editor Douglas McLeod so aptly describes the current state of affairs (see story, page 3).

We can understand the opposing opinions in the debate over the Visby Amendments to the current Hague Rules and the proposed Hamburg Rules.

We sympathize with shippers that contend that carriers should be liable for their handling of cargo on the high seas as required by the proposed Hamburg Rules. The shippers, tired of seeing the carriers get off practically scot-free for damage to cargo, are looking down the shipping lane and hoping that assigning liability for cargo losses to carriers could ultimately reduce their cargo insurance costs.

We also can find merit in the carriers' contention that the proposed Hamburg Rules invite huge increases in litigation over cargo losses and higher costs for everyone. Given the continuing increase in civil litigation that is choking our legal system, it appears to be pure folly to adopt rules inviting more litigation.

Cargo insurers' self-interest in maintaining cargo insurance business aside, we can understand why the underwriters say they won't reduce cargo insurance rates unless and until the Hamburg Rules reduce losses under cargo insurance policies.

With this view of the merits on all sides, we applaud the compromise proposed by the Bills of Lading Committee of the Maritime Law Assn. of the United States. This committee, reporting to the association's full membership of attorneys who represent all sides in the controversy, suggested that Congress approve both the Visby Amendments to the current Hague Rules and the proposed Hamburg Rules. But, the Hamburg Rules would come into force only when the dollar volume of sea trade with countries that have ratified the Hamburg Rules exceeds the volume of trade with countries that have adopted the Visby Amendments.

Unfortunately, the full membership of the MLA rejected the compromise.

It's too bad the three factions most affected by rules governing international shipping liability can't agree on a united front because when business is divided on regulation, it often ends up enduring regulation that incorporates the worst of all alternatives.

The shippers, carriers and insurers then could find themselves up a creek without a paddle.

Uphold that ruling

THE APPEAL FILED by Mobil Corp. President William P. Tavoulareas in his libel case against The Washington Post Co. will test a nearly 20-year-old Supreme Court ruling and extensions of that ruling designed to foster open debate on public issues.

We hope he loses his appeal and that the intent of the 1964 Supreme Court ruling in New York Times vs. Sullivan prevails. In that ruling, the high court held that the constitutional guarantees of freedom of speech and freedom of the press prohibit a public official from recovering damages for a defamatory falsehood relating to his official conduct unless he proves that the statement was made with "actual malice—that is with knowledge that it was false or with reckless disregard of whether it was true or not."

In subsequent cases, the court extended the rule to "public figures," which have been defined as persons who assume a "role of especial prominence in the affairs of society."

We find it hard to believe that Mr. Tavoulareas believes that, as the president of the third-largest industrial company in the United States, he is not a public figure.

It is not only Mr. Tavoulareas' attack on this basic protection of the press that concerns us in this case. We are also concerned about the offensive libel insurance policy Mobil purchased from National Union Insurance Co. in the wake of this litigation.

An insurance policy that covers executives' costs of suing the media for libel clearly is purchased with an intent to intimidate the media. What other reason can there be when you know Mr. Tavoulareas has spent $2 million in pressing his case without such insurance?

letters

Paying the price of a small army

To the editor: I have been following, with interest, your recent articles discussing the substantial costs before the insurance industry in defending against toxic tort litigation (asbestos, etc.). The insurance industry attributes much of this cost to outside legal representation.

I wonder if the various insurers have analyzed the nature of this legal cost. I believe they would find a surprising portion of the cost falls in the area of information administration and handling. Large, complex litigation can host massive numbers of documents and thousands of parties. Managing this material and information can be a monumental task.

Law firms have taken two approaches to this problem. Some use the same methodology they employ on small cases: That is, they use legal assistants to manage documents and information. On a large case, they employ small armies of legal assistants—at incredibly high cost to the client.

Other law firms use the new technologies available today to manage a large litigation: computerized storage and retrieval systems. The new technologies can increase efficiency and effectiveness, can eliminate duplicated efforts and save their clients money.

Similarly, insurers have taken two approaches to this problem. Some allow their outside counsel to use outdated and costly methodology and others don't.

A. Martin Erim
Vp
American Legal Systems
San Francisco

■ *American Legal Systems markets computerized litigation support systems—but Mr. Erim's point is interesting.*

Missing the backbone

To the editor: As a member of the National Conference Committee for the Risk & Insurance Management Society's Spotlight '83 conference and chairman of my industry's session, I was given to understand that the industry sessions are the backbone of the conference.

However, issues devoted to the conference (*BI*, April 25, May 2, May 9) discussed the *Business Insurance* Risk Manager of the Year, described the benefits portion of the conference and gave general overviews thereof.

Did I overlook any reference to the industry sessions, the backbone of the 21st annual Risk & Insurance Management Conference held recently in Los Angeles?

Jeanne M. Warner
Corporate Insurance Manager
The Bekins Co.
Los Angeles

■ *Almost all industry sessions are open to RIMS members only, excluding brokers and insurers, as well as the press.*

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

business insurance®

Reporting weekly for corporate risk, employee benefit and financial executives

Publisher: Alfred Malecki *(New York)*

Editor: Kathryn J. McIntyre, A.R.M. *(Chicago)*
Managing Editor: Lorrie Gawla *(Chicago)*
Assistant Managing Editor: James M. Burcke *(Chicago)*
Senior Editor: Len Strazewski *(Chicago)*
CHICAGO: Carol Cain *(Associate Editor)*
Stephen Tarnoff *(Associate Editor)*
Sallie J. Drury *(Staff Reporter)*
Donna L. Yanish *(Agent/Broker Topics Associate Editor)*
Claudette Dampier *(Assistant Copy Editor)*
Merrill S. Saltzman *(Graphics Editor)*
Amy Palmer *(Production Assistant)*
Jim Bakasetas *(Production Assistant)*
Dorothy Parr Riesen *(Proofreader)*
Diane Kastiel *(Editorial Assistant)*
LONDON: Stacy Shapiro *(Associate Editor)*
LOS ANGELES: Rhonda L. Rundle *(Bureau Chief)*
NEW YORK: Bill Densmore *(Bureau Chief)*
Douglas McLeod *(Associate Editor)*
WASHINGTON: Jerry Geisel *(Washington Editor)*
Corporate: Todd E. Fandell *(Corporate Editor)*
Joe Faraci *(Corporate Art Director)*

Advertising Director: Donald A. Walsh *(New York)*
Midwest Sales Manager: Robert L. Niesse *(Chicago)*
CHICAGO: Deborah D. Neale *(District Manager)*
Beverly J. Kluxdal *(District Manager)*
Fran Prybylo *(Production Manager)*
LOS ANGELES: Sue Eisenberg *(District Manager)*
NEW YORK: Charles A. Horvath *(District Manager)*
Jack Forrest *(District Manager)*
Timothy O'Hara *(District Manager)*
Marianne J. Dueweke *(Financial Advertising Manager)*

Director of Communications: Ronnie I. Drachman *(New York)*

EDITORIAL: Chicago: 312-649-5398
London: 01-831-9681
Los Angeles: 213-651-3710
New York: 212-210-0100
Washington: 202-638-5300
ADVERTISING: New York: 212-210-0133
Chicago: 312-649-5276
Los Angeles: 213-651-3710
COMMUNICATIONS: New York: 212-210-0132
CIRCULATION: Chicago: 312-649-5221

Published by Crain Communications Inc., Chicago
G.D. CRAIN JR.
Founder (1885-1973)
MRS. G.D. CRAIN
Chairman
KEITH E. CRAIN
Vice-chairman
S.R. BERNSTEIN
Chairman/executive committee
RANCE CRAIN
President
MARY KAY CRAIN
Treasurer
MERRILEE P. CRAIN
Secretary
JAMES M. FRANKLIN
Vp/finance

Published weekly at 740 Rush St., Chicago, Ill. 60611. Offices: 220 East 42nd St., New York, N.Y. 10017; Suite 515, National Press Building, Washington, D.C. 20045; 6404 Wilshire Blvd., Los Angeles, Calif. 90048; 20-22 Bedford Row, London WC1R 4EB, England. $1 a copy. $40 a year in U.S. Canada and all other foreign add $14 for surface mail. Europe and Middle East only add $35 for air delivery. First-class mail to U. S. and Canada only, add $50. Bermuda only, $85 per year expedited delivery. WILLIAM STRONG, *vp-circulation*. DIANNE WALSH, *circulation manager*. ROGER DiGREGORIO, *fulfillment director*. Four weeks' notice required for change of address. Send subscription correspondence to Circulation Dept., Business Insurance, 740 Rush St., Chicago, Ill. 60611 or phone 312-649-5221. Telex 25-4248; Cable CRAINCOM. Microfilm copies are available from University Microfilms, 300 Zeeb Rd., Ann Arbor, Mich. 48013. Microfiche copies available: Bell & Howell, Micro Photo Division, Old Mansfield Rd., Wooster, Ohio 44691. Portions of the editorial content of this issue are available for reprint or reproduction in other media. For information and rates to reproduce in general circulation media, contact: Art Mertz, The Crain Syndicate, 740 Rush St., Chicago, Ill. 60611, 312-649-5303. For reprints or reprint permission contact: Reprint Dept., Business Insurance, 220 E. 42nd St., New York, N.Y. 10017, 212-210-0229.

Member of Business Publications Audit of Circulation

J&H thinks you'll get better control of medical costs by getting better control of your data.

What do you think?

If you think insurance claims information on hospital usage is not specific enough to be decisive in a cost-control dialogue with hospitals and physicians, we agree.

For example, there are 13 different coded types of hysterectomies. If your claims data cannot differentiate among them, you may not be talking the same clinical and cost language as the medical provider.

The J&H Health Care Data Management System can solve this problem. Among other things, it categorizes specific hospital confinement information by the proper Diagnosis Related Group (DRG), using sophisticated diagnosis and treatment classifications.

And, while concentrating on the costly area of hospitalization, the System gathers and analyzes data on all types of medical expenditures.

The J&H Health Care Data Management System: the sophisticated tool for corporations and business coalitions to help control medical plan usage and costs.

We'd like to talk with you about this.

Johnson & Higgins
We answer only to you.

EMPLOYEE BENEFIT AND ACTUARIAL CONSULTING; RISK AND INSURANCE MANAGEMENT SERVICES THROUGHOUT THE WORLD.

Put your client's employee benefit costs back in his company... and commissions in your pocket.

Call me personally...collect...today!
(404) 324-1170
...and let's discuss how our new innovative ideas can help contain your client's soaring employee benefit costs...plus earn commissions for you!

american selfcare corporation
San Francisco, Chicago, Memphis, Baltimore, Greenwich, Ct., and Columbus, Georgia.

Patrick G. Finnegan, CLU
National Director of Marketing

Allendale ordered to pay

Continued from page 1

additional processing, is used in the generation of nuclear power.

Wastes from the milling process were deposited in a disposal area adjacent to the mill. The liquid and solid wastes from the milling process, known as tailings, were impounded by what is known as a tailings dam.

On July 16, 1979, a section of the tailings dam at the Churchrock mill breached, spilling some of the waste.

This breach, according to court papers, caused United Nuclear property damage and the total interruption of its business until Oct. 25, 1979, and a partial interruption of its business through at least June 6, 1980.

"The breach was both a material and substantial impairment of the structural integrity of the dam and a falling down or caving in of a material portion of the tailings dam and constituted a collapse," according to Judge Francke's ruling issued last month.

The collapse provision of the Allendale policy provides that "there shall be no liability for loss or damage caused by or resulting from flood, earthquake, landslide, subsidence or any other earth movement."

However, Judge Francke said: "None of these major, natural catastrophes, as these items are commonly understood, were involved in or associated with the collapse of the dam."

The collapse of the dam was caused by a "differential settlement" that was not within Allendale policy language exclusions, Judge Francke said.

As a result, Allendale is required, under its policy, to indemnify United Nuclear for lost profits as well as property damage, the judge ruled.

Under the Allendale policy, UNC's recoverable lost net operating profits during the time that the mill's operations were disrupted amounted to $18,836,251, the court said.

In addition, UNC incurred $3,464,240 in extraordinary costs resulting from the collapse and mill shutdown and $1,859,591 in carrying costs.

The carrying costs were fixed charges, like administrative expenses and personnel costs, that continued while the mill's operations were disrupted, according to Judge Francke.

UNC also "reasonably and necessarily incurred $560,642 in recoverable costs. . .to repair damage to the dam," according to Judge Francke's opinion.

In slapping Allendale with the $25 million punitive award, Judge Francke said the amount was needed to "punish" Allendale and "deter others from similar conduct." ■

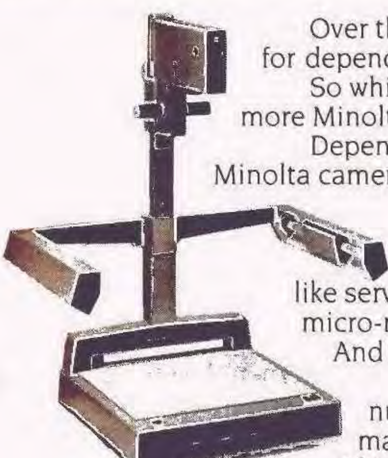
Over the years, our microfilm recorder has established an unsurpassed record for dependability.

So while new ones may come and go, ours just goes on and on. Which is probably why more Minolta-made 16mm planetary recorders have been sold than any other.

Dependability is only the beginning. There's also the superb image quality that makes Minolta cameras world-renowned.

The automatic focus that frees you from worrying about operator mistakes. And the operating simplicity that makes this recorder so user friendly.

Those are some of the reasons why the Micro Auto 16 is the choice of firms like service bureaus, whose professional reputations depend on the quality of the micro-records they produce.



And there's the optional new Minolta Indexing Kit that gives you image numbering and tri-level blipping for automatic and computer-assisted retrieval.

This incredibly versatile recorder is part of a complete system of Minolta micrographic products available through our nationwide network of authorized dealers. See the Yellow Pages for the one nearest you. Or call toll-free 800-221-3333. In N.Y., (212) 775-1395. Or mail the coupon.

Find out about the microfilm recorder that not only makes records, but sets them.

IF YOU DON'T INSIST ON A MINOLTA THIS TIME, YOU WILL NEXT TIME.

MINOLTA

☐ I'd like to see the Minolta Micro Auto 16 in action. Please call me.
☐ Send me more information.
Name____
Title____
Company____
Address____
City____ State____
Zip____
Telephone____
Mail to Minolta Corporation, Micrographics Division, 101 Williams Drive, Ramsey, N.J. 07446 · (201) 825-4000
BI 6/6

© 1983 Minolta Corporation

From The Reprint Department Of:
business insurance
Reporting weekly for corporate risk, employee benefit and financial executives

Do you need to distribute copies of articles appearing in Business Insurance at your meetings or for your mailings?

Business Insurance has expanded its reprint department to meet your needs.

For fast, low cost* reprints of articles appearing in Business Insurance, or to obtain reprint permission for your own copies, call or write:

Reprint Department
Business Insurance
220 E. 42nd St.
New York, N.Y. 10017
212-210-0131
212-210-0229

* New prices effective 1/1/83

How innovative is your reinsurance?

North American Re has been a professional reinsurer since the turn of the century.

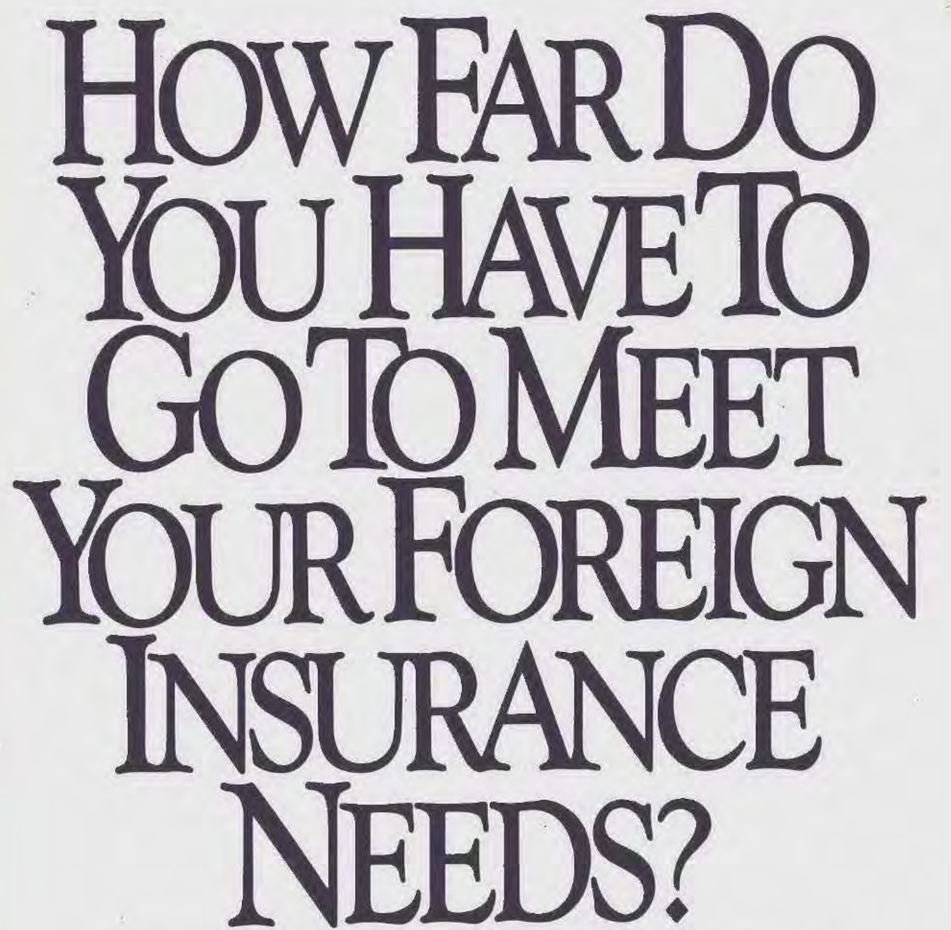
And yet some of the newest, most innovative reinsurance programs being designed today are originating with us.

So if your reinsurance program hasn't been reviewed to keep up with your changing risk environment, call us.

We're the company that's carving out whole new areas of reinsurance you should know about.

**In these uncertain times,
it doesn't pay to be uncertain about your reinsurer.**

NORTH AMERICAN REINSURANCE CORPORATION 100 EAST 46TH STREET NEW YORK, NEW YORK 10017 TELEPHONE 212-907-8000
ATLANTA, BOSTON, CHICAGO, DALLAS, DENVER, HOUSTON, KANSAS CITY, LOS ANGELES, NEW YORK, PHILADELPHIA, SAN FRANCISCO, SEATTLE



How Far Do You Have To Go To Meet Your Foreign Insurance Needs?

Some people go to extraordinary lengths to get insurance overseas.

They send themselves everywhere they need coverage. Encountering underwriter after underwriter. While trying to unravel the mysteries of countless foreign regulations.

Other people simply come to American International Underwriters.

At AIU, you get a world of insurance from just one underwriter. Who writes insurance one way. Your way.

Our branch offices span 130 countries and jurisdictions. And we have direct control over all of them.

We also employ more people here in the United States than any other American insurer of foreign business. Over 1000 people. In 14 locations. Backed by a powerful home office.

They can write, implement and service your insurance on the spot.

As for claims, we go to great lengths to settle them. Our three regional claim offices in the U.S. coordinate the activities of over 1000 people around the world.

Now you know why we write more insurance overseas than any other American insurance company.

So contact your nearest AIU branch office.

Unless, of course, you're currently dealing with another insurer. In that case, just send us a postcard from wherever you are.

Once Again The Answer Is AIG.

A.I.U. Offices in: Washington, D.C., Dallas, San Francisco, New York, Houston, New Orleans, Atlanta, Chicago, Los Angeles, Tulsa, Minneapolis, Seattle, Cleveland, Toronto.

AGENTS: What do you do when a client asks about long-term auto leasing insurance?

Be sure—take advantage of our extensive experience with this difficult-to-place business. Designed specifically for the automobile leasing/rental industry, our program saves your time, cuts your costs, satisfies your customer. We do the work, you get the credit!

- **Lessors Excess Liability**
- **Lessors Contingent Liability**
- **Contingent Physical Damage**
- Primary Physical Damage
- Primary Liability coverages
- Interim Car Coverages

We invite your inquiry and your business.
Call or write **Ron Ruane**.

PAIGE-RUANE, INC.
INSURANCE
The Irwin Building
460 N. Gulph Road
King of Prussia, PA 19406
(215) 265-4170

Physical Damage by
Motors Insurance

The Insurance People from General Motors

Workers return to jobs with health claims

Continued from page 3

Though most research indicates that eating habits are linked more to social class and child rearing than employment, researchers are now beginning to believe that people do go hungry in America, despite social welfare programs."

The results of these problems could manifest in decreased energy and productivity, specific organ diseases such as cirrhosis of the liver, dental problems and cancer.

"Stress itself is a major health risk. Doctors now link stress to a number of diseases including mental disorders, diabetes, cancer, ulcers and arthritis. Most of these won't show up for some time, but do manifest eventually," Mr. Pappas noted.

Employees who survive a round of layoffs may also become increased health risks, other speakers noted, especially if the employer skimps on compliance with occupational health regulations.

Eric Frumin, health and safety director for the New York-based Amalgamated Clothing & Textile Workers Union of America, pointed to a "cynical political ideology" that develops among both employees and employers during a recession.

"Employers generally discourage worker complaints about health hazards during a recession," he explained. "And employees generally fear for their jobs and are reluctant to complain. This makes it hard to identify hazards in the workplace and correct them before they lead to serious health problems."

Employers, he added, also tend to exaggerate the cost of complying with new health standards and seek to delay changes that would bring them into compliance. In 1975, for example, Mr. Frumin says textile manufacturers grossly exaggerated the cost of complying with the Occupational Safety & Health Administration's cotton dust standards.

"OSHA estimated the cost of compliance at about $542 million for the whole manufacturing industry," Mr. Frumin recalled. "The manufacturers estimated the cost at over $980 million. Both were wrong and neither had counted on the impact of new technology, improved procedures and the decreased unit cost brought about by improved productivity."

In 1982, OSHA and the unions reported that compliance with cotton dust standards had cost textile manufacturers only $142 million so far and estimated that only about $102 million would be required to complete the job.

"The funny thing is that those employers that had made the investment (in compliance) had huge profits and were much better able to withstand the present economic adversity.

"In 1981, employers who complied with the cotton dust standards saw profits increase 18%, about 44% ahead of the industry as a whole. The profits were mostly due to the improved technology and reduced lost time," he said.

Although unemployment may increase the number of subsequent health claims, accident rates among employees who keep their jobs gradually decrease during periods of economic adversity. But, even that encouraging statistic may hide an expanded health risk, says Joseph Shirmer, an industrial hygienist and safety researcher for the New Jersey Department of Public Health.

"Unemployment generally varies inversely with the accident rate among employees who are still working," he said. "However, that may be seen by management as an excuse for not investing in health and safety matters."

Accident rates naturally go down during periods of high unemployment, Mr. Shirmer said, because the employees who keep their jobs are generally older and more experienced. Also, the total number of hours worked decreases at the company, resulting in a lower incidence rate, he added.

Of course, working conditions may have improved, but safety risks may have been shifted to health risks.

"For example, one agricultural company reduced its employment needs by developing a machine that picks cotton. This reduced the incidence of back injuries among the remaining employees. However, the machine was less careful about picking cotton than humans and thus picked dirtier cotton with a greater disease risk.

"The elimination of the ergonomic risks led to an increase in health risks by those who process the cotton, the impact of which may not be fully understood for several years," he said. ■

Risk. You must size up each situation precisely.

No matter what kind of risks your business faces, Corroon & Black can help you afford them. We've developed some very sophisticated techniques that forecast future losses and quantify appropriate risk retention levels. This enables us to give better advice on the best way to finance your risks.

It's the kind of expertise you'd expect from one of the top business insurance brokers in the world. So, contact us. We'll show you there are ways to face risks without taking too much of a chance.

CORROON & BLACK
Putting insurance risks into perspective.
Wall Street Plaza, New York, N.Y. 10005 • 212-363-4100

Firms uniting health, safety offices: Survey

By LEN STRAZEWSKI

PHILADELPHIA—Large employers are following the lead of oil and petrochemical companies and are working to establish health, safety and loss-control departments managed by a single officer.

Such a new corporate department, according to a study of Fortune 200 companies by Henry B. Lick, senior industrial hygienist for Ford Motor Co., could pull together up to 19 health, safety and workers compensation specialists who now share fragmented responsibilities as members of several different departments.

Mr. Lick announced the results of his study last month at the American Industrial Hygiene Conference in Philadelphia.

Although his study, co-authored by E.J. Kerfoot, a professor at Wayne State University in Detroit, received responses from only 71 of the Fortune 200 companies, Mr. Lick says he believes that the responses paint an accurate picture of how large companies organize safety and health responsibilities.

According to the survey, health and safety services are provided by a wealth of different personnel including safety and security directors, loss-control engineers, nurses, medical directors, industrial hygienists, workers compensation directors and 12 other subclassifications. These people report to a wide variety of corporate managers, including finance, administration, engineering and human resources management.

For example, although more than 97% of responding companies have safety directors, they report to a variety of managers. More than 40% of the safety managers report to a central health and safety executive, but more than one-third report to a human resource director who would be likely to oversee only one or two other health and safety specialists.

Only 14% of the safety directors at the surveyed companies report to finance and administration departments that also include corporate risk managers.

Nearly 90% of the companies also had workers compensation directors on staff, but only rarely would these executives report to the same corporate officer that oversees safety, the survey says.

About one-half of the respondents' workers comp directors report to finance and administration departments, while about a third are supervised by human resource directors. Only 10% report to a central health and safety executive, according to the study.

Mr. Lick noted that companies in the Fortune 50, and oil and petrochemical companies in particular, tend to have the most comprehensive and most centralized corporate safety and health departments. But he added that other companies responding to the survey seem to be more frequently grouping their health and safety experts under corporate rather than individual operating divisions.

Most often, companies that are starting to centralize safety and health management are uniting the two functions under human resource departments rather than finance and administration executives, he added.

For example, the safety and health department of Hughes Aircraft Co.'s ground system division follows this integrated model, according to Renzo Venturo, the director of the division's safety and health section.

The safety and health section, organized under the human resource management department, oversees health issues for about 15,000 employees, or about one-third the company's workers.

"It became clear to us over one year ago that in order for safety and health professionals to be effective, they would have to become integrated into the management decision-making process," Mr. Venturo noted.

The combined health and safety department, established last year, is responsible for all regulatory compliance, accident investigation, workers compensation case management and health and safety publications. At the request of corporate management, the section also conducts safety audits and participates in quality-control reviews of product lines. ■

Don't expose more workers to dangers

PHILADELPHIA—Rotating employees who are exposed to hazardous substances on the job may do the employer more harm than good, an industrial relations professor says.

"Rotating employees exposed to health hazards may seem like the employer's easy solution to occupational disease problems, but in the long run it may create more—not less—disease in the workforce," says Nicholas Ashford, associate professor at Massachusetts Institute of Technology's Center for Policy Alternatives in Cambridge, Mass.

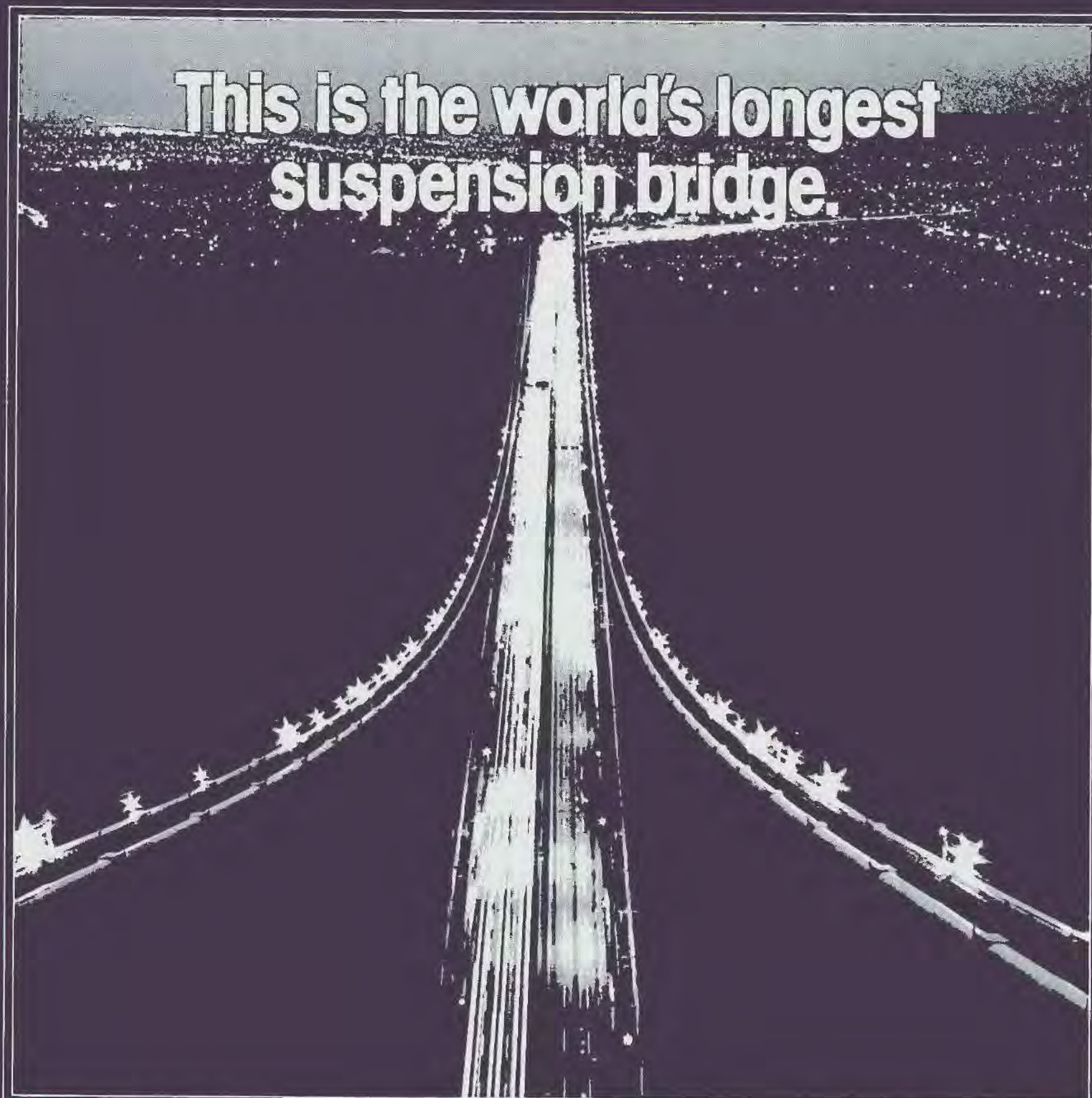
The problem with using job rotation to control exposure to toxic materials is that even brief exposure to harmful chemicals, fibers and other hazards—especially carcinogens—may be enough to initiate health problems, Mr. Ashford told the American Industrial Hygiene Conference.

An analysis of disease statistics gathered by researchers who have studied asbestosis and other occupational diseases indicates that continued exposure to some hazards ceases to aggravate health risks beyond a certain point, while even short exposure may be enough to initiate the disease, he says.

"By rotating employees, an employer may indeed be lowering the risk for an individual, but spreading the exposure to a greater proportion of the workforce and aggravating the health risks," he said.

"The eventual result will be more disease—more cancer—in the population, not less."

Employers that are aware of occupational health hazards should take the more expensive—but safer—alternative and eliminate the unsafe job until the exposure can be removed completely, Mr. Ashford advised. ■



And its protection is designed by Rollins Burdick Hunter.

NEW YORK – The Verrazano-Narrows Bridge. Millions of tons of concrete. Enough wire cable to encircle the globe. Twin steel towers so far apart, they were built to conform to the curvature of the earth.

To build the Verrazano, the Tri-Borough Bridge Authority needed the help of building experts. And when they needed a protection plan for everything from tornado to third party liability, the Authority called in another kind of expert.

The experts of Rollins Burdick Hunter.

Let us put together a team targeted specifically to you and your company's needs. A team that will strive to go beyond the traditional in protecting your assets.

Just like we did on this little job in New York.

ROLLINS BURDICK HUNTER

Taking Risk Out of Risk Management, Worldwide.

Headquarters: 10 South Riverside Plaza, Chicago, 60606 312-454-1400

Employees have right to health data: Lawyers

By LEN STRAZEWSKI

PHILADELPHIA—Employers that monitor the health hazards their employees face may be risking both workforce stability and trade secrets, legal experts say.

Employees have a legal right to some occupational health data, explained attorneys who addressed the American Industrial Hygiene Conference last month. And the release of that data could lead workers to refuse potentially hazardous jobs while identifying the employer's trade secrets, they said.

"There's been a lot of talk and concern among employers regarding state right-to-know laws that force employers to disclose information about job hazards," remarked Michael F. Dolan, an attorney with the firm of Seyfarth, Shaw, Fairweather & Geraldson in Chicago. "But federal law has become much broader than these state laws and more demanding of employers."

Employees have a right to some health monitoring data under the Federal Toxic Substances Act and the Occupational Safety and Health Act, Mr. Dolan explained. And recent National Labor Relations Board rulings have expanded employees' right to know under the National Labor Relations Act.

In one such ruling against Detroit Edison Co., the NLRB ruled that employees represented by a union had the right to demand aggregate safety and biological monitoring information from an employer for the purposes of collective bargaining.

Failure to provide that information would be considered an unfair labor practice and could subject the employer to sanctions under the National Labor Relations Act.

"Since unions have a duty to represent their members and employers have a duty to bargain in good faith about everything that relates to working conditions, the NLRB ruled that health data was essential information on which to base bargaining," Mr. Dolan noted.

This poses a problem to employers that maintain health hazard data on individual employees because they are forced to eliminate the identitities of specific employees and generate general statistics to comply with the ruling. That can be costly, but the alternative is a longer legal battle that could have eventually end in expensive NLRB sanctions.

"The simplest way to avoid a sanction is to disclose everything to everybody, but other choices include making health data available on a need-to-know basis or not at all and fighting it out legally," he said.

Whatever the decision, the employer is in a double bind.

If the health monitoring information is disclosed, employees may use the specific information out of context to refuse hazardous work assignments or begin grievances against the employer that could be turned into an advantage during collective bargaining.

If health hazard information is not disclosed, employers could also be subject to various kinds of worker action including slowdowns, mass refusals to work specific assignments or strikes.

Biological monitoring information that is released may be used for other actions against an employer besides collective bargaining, other experts point out.

If the employer has not properly protected an individual's right to privacy when disclosing corporate health information, the employer may be subject to a civil suit from the identified employee, some attorneys believe.

Employees and unions could also use the information to identify what some employers view as trade secrets. Secret formulas for substances and products could be forcibly made public.

"Though the courts have generally balanced employees' right to know by the employer's right to trade secrets, there is some suggestion in other recent NLRB rulings that manufacturers could soon be bargaining over trade secrets," Mr. Dolan said.

Nicholas Ashford, an attorney and associate professor at Massachusetts Institute of Technology's Center for Policy Alternatives in Cambridge, Mass., agreed.

"The trade secret issue is hopelessly confused," he said. "It's not at all clear that all trade secrets are the property of employers anymore. Recent NLRB rulings have already expanded the Detroit Edison doctrine and pointed out that an employer's duty to disclose does apply to chemical identity and medical information relating to health hazards.

"Also, employers may be required to reveal this information to the Environmental Protection Agency, which in turn may publish the information, even if it is a trade secret," he said.

Employers must also beware that their biological monitoring does not lead to intentional or unintentional discrimination, noted attorney Joan E. Bertin of the Women's Rights Project sponsored by the American Civil Liberties Union.

"At their best, such programs offer valuable assistance to employees to maximize the healthfulness of their environment, taking into account their own physical characteristics.

"At their worst, however, they threaten the basic civil rights and concepts of fairness by depriving employees of freedom of choice and classifying them according to immutable characteristics and membership in racial, sexual or ethnic groups," she said.

Genetic screening programs, like those that have been used to screen blacks for sickle cell anemia traits and women for child-bearing capacity, may already be discriminating against groups that have limited access to the job market, Ms. Bertin said.

"That these two groups, traditionally disfavored in obtaining job opportunities, should be singled out for a form of 'protection,' which carries with it further employment-related disadvantages, creates some substantial cause for concern.

"Other elements of the history of exclusionary policies directed toward women bear some attention," she continued. "Virtually all of the jobs from which women have been barred by these policies are in the petrochemical industries or other heavy industries and are jobs in which the pattern of employment reveals entrenched long-term sex discrimination. These were traditionally male jobs in male domains."

The same kinds of exclusionary policies were never developed in female-intensive jobs, even though the same hazardous chemicals were in use, a good indicator that the screening process may be a pretext for discrimination, she said. ■

Whether your business is small,

not quite small,

or not small at all.

Nationwide can protect your business with a full range of insurance coverage no matter how big or small you are. No matter how fast you are growing. Nationwide has the special flexibility to develop customized solutions for your insurance problems.

Today, when it makes more sense than ever to get a second opinion on your insurance program, be sure to talk to a Nationwide representative. Ask about coverage and most important, about Nationwide's support services.

Whether you are small or not small at all, your business deserves *big* protection from Nationwide Insurance. It's all part of Nationwide's blanket protection for your business. And, of course, your family.

Nationwide® is on your side

Home Office: One Nationwide Plaza, Columbus, Ohio 43216 • Nationwide Mutual Insurance Company
Nationwide Mutual Fire Insurance Company • Nationwide Life Insurance Company
Available in most states. An equal opportunity employer.

Allendale engineering. It separates the men from the boys.

Some property insurers may advise you to check your fire extinguishers once a year — and call it engineering.

They may send somebody over who doesn't know which end of a set of plans is up — and call him an engineer.

At Allendale every one of our 67 engineers has earned a degree in engineering or a related discipline. Each is given advanced training in one or more specialized phases of loss prevention at our world-famous Factory Mutual training center. All are bona fide professionals, whose experience averages 15 years.

Allendale engineering recommendations are backed by the over 1,000 engineers and research scientists of the Factory Mutual System. Not to mention the knowledge and expertise Allendale has developed over 148 years devoted to preventing loss.

So when it comes to engineering, come to Allendale. Don't be short-changed.

Allendale Insurance

World leader in loss prevention engineering for commercial and industrial property and member of the Factory Mutual System.

Allendale Insurance, Allendale Park, P.O. Box 7500, Johnston, RI 02919

Exposure standards can prompt suits

Continued from page 3

Since employees have a right to refuse unreasonably hazardous job assignments under the Occupational Safety and Health Act, allegations that employees received insuffcient information to make that decision could subject the employer to fraud charges as well as OSHA fines and sanctions.

An employer's best defense against such lawsuits is to try to get the claim moved back into the workers compensation system, Ms. Brooks noted. But if that attempt fails, an employer should try to prove that the intent of the exposure guidelines were to protect employee health and were designed according to the best available information.

Compliance with state and federal laws should also be presented as evidence, as well as any indication of employee negligence. However, the best defense is probably on-the-job prevention, she advised.

Ms. Brooks recommended that employers work with unions to properly disclose "sanitized" health and hazard information.

"And, if possible, write shared responsibility for safety and health matters into your union contracts. This makes a union lawsuit on behalf of a member less likely, though the union itself can be sued for failing in its duty to represent its members," she said.

Communicating information about hazardous substances to employees is essential, Ms. Brooks added. But employers should be careful in how the information is passed to employees. If posssible, assign a trained executive to explain exposure hazards and to answer employee questions in person.

Other speakers pointed to additional problems with internally developed exposure guidelines, not the least of which is the paucity of good data.

One hygienist for a large chemical manufacturer noted that most published studies of hazardous chemicals tend to use laboratory-pure substances, not technical-grade chemicals.

"Industrial technical grades tend to have inadvertent contaminants and trace elements that won't be accounted for in the guidelines based on published testing. If a disease problem develops, this could be taken as a sign of negligence," she said.

High Risk shouldn't interfere with your client's business.

Difficult risks can be an annoying problem for your clients. Especially hazardous business not covered by standard insurance markets. That's where we can help.

The Reliance Specialty Lines General Agency is an excess, surplus and special risk underwriting facility that specializes in difficult risks. We provide coverage for a variety of primary and excess product lines. Our property policy coverage areas include earthquake and flood, large deductible property accounts, older buildings and capacity risks, to name a few.

Our casualty policies cover most manufacturing operations, including mining and oil, contractors, security guards, garage or repair operations and machine shops.

If you have a unique or difficult risk, call us. We'll write your account. Or we'll help you find the right market for that particular risk.

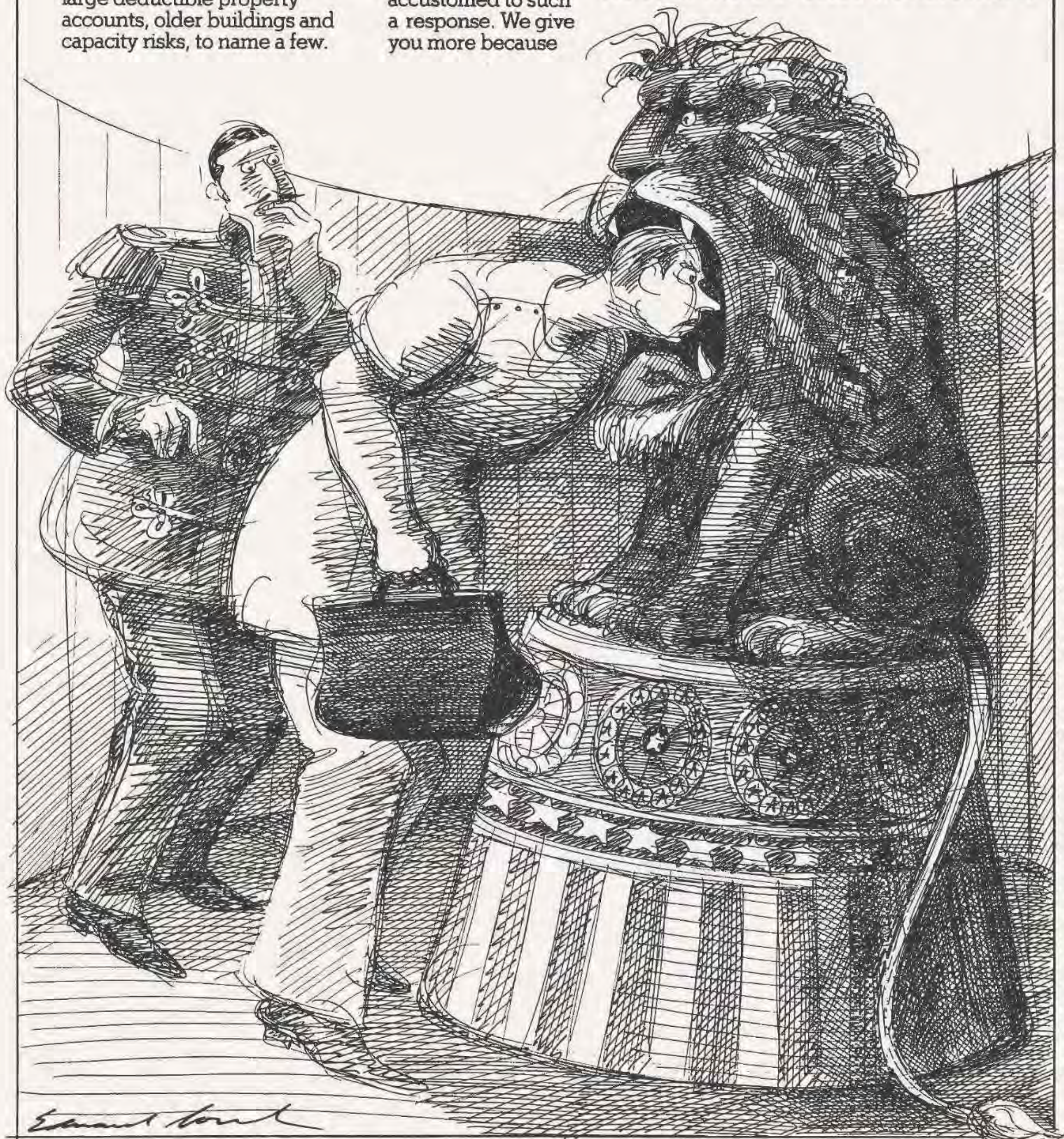
It's an effort you don't get from most other insurance companies. But our clients have grown accustomed to such a response. We give you more because that's the only way we do business.

For more information, contact Dick Root, vice president, or Ken Davis at (206) 952-7660. Or write P.O. Box 6017, Federal Way, WA 98003.

And let us worry about high risks while you worry about your business

RELIANCE SPECIALTY LINES GENERAL AGENCY, INC.

We offer more because we have more.



©1983 UNITED PACIFIC/RELIANCE

info

• Is your company meeting OSHA compliance regulations? Do you have questions about chemicals used in your plant? Carnow, Conibear & Associates Ltd. offers an article free of charge entitled "Medical Surveillance: An Introduction." The article, which originally appeared in Best's Safety Directory, discusses **occupational medical surveillance** and outlines various programs. To receive a copy, write E.M. Barry, Carnow, Conibear & Associates Ltd., 20 N. Wacker Drive, Chicago, Ill. 60606.

• The Occupational Safety and Health Administration has compiled a report on **fatality/catastrophe investigations** conducted on falls from elevated platforms and scaffolds. The cases in the report illustrate failures of procedures or standards and suggested ways to prevent falls. The OSHA report, PB 83-194-050, is $8.50, and can be ordered from the National Technical Information Service, 5285 Port Royal Road, Springfield, Va. 22161.

• A free brochure is available discussing **periodic payment settlement services** from Settlement Planning Inc. To obtain a copy, write Settlement Planning Inc., 6800 France Ave. S., Minneapolis, Minn. 55435.

• A folder of brochures describing the various **products and services of Atwater McMillian Inc.**, a risk management company affiliated with St. Paul Surplus Lines Insurance Co., is available free from the company. For a copy, write Rhenda Miller, Vp-Marketing, Atwater McMillian Inc., 445 Minnesota St., Suite 900, St. Paul, Minn. 55101.

• An examination of the standard **workers compensation experience modification** was published in a recent issue of Risk Management Commentary by D.A. Betterley Risk Consultants Inc. To better understand the factors affecting experience modification, a copy of the article is available for $15 by writing D.A. Betterley Risk Consultants Inc., 446 Main St., Worcester, Mass. 01608.

• The June issue of **Employee Benefits Journal** contains articles on multiemployer trusts, guaranteed investment contracts, medical records' confidentiality and the legal right to die. For a free issue, write the Public Relations Department, International Foundation of Employee Benefit Plans, 18700 W. Bluemound Road, Box 69, Brookfield, Wis. 53005.

• A compilation of **property/casualty insurance statistics** by the National Assn. of Independent Insurers is featured in the 1983 "Greenbook." The information also contains tables on workers compensation trends. For a free copy of the book, write Diana Lee, National Assn. of Independent Insurers, 2600 River Road, Des Plaines, Ill. 60018.

• A brochure describing the products and **services of The Hartford Steam Boiler Inspection & Insurance Co.** is available free. For a copy, write The Hartford Steam Boiler Inspection & Insurance Co., Marketing Services, 1 State St., Hartford, Conn. 06102.

• For a concise **explanation of Social Security**, send for Commerce Clearing House's 252-page book, "1983 Social Security Explained." Copies are $9 each. To order, write Commerce Clearing House, 4025 W. Peterson Ave., Chicago, Ill. 60646.

• The latest American National Standards Institute catalog can help you keep up to date with more than 10,000 **standards for materials, equipment and products.** The catalog and a supplement are free to ANSI members; the catalog and supplement cost $10 for non-members. To order, write Sales Department, ANSI, 1430 Broadway, New York, N.Y. 10018.

•

Have a new report, booklet or promotional brochure you'd like to send to buyers of insurance? Business Insurance will describe material costing less than $20 as an editorial service in the weekly Info for Buyers column. Simply send us a short description of the material to be offered, along with the cost and a mailing address. Address all contributions to Info for Buyers, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611.

"The boss wants an up-to-date list of Peoria back-injury claims by 5? Hank, you need a miracle!"

What Hank needs is OSCAR℠, the revolutionary up-to-the-day, on-line claim reporting system from Hartford Specialty. OSCAR lets you instantly determine the current status of individual claims, or get an up-to-date summary of outstanding claims. You can even break out claims on the spot using criteria you select on the spot. And you can do all that from any location with an electrical outlet and telephone.

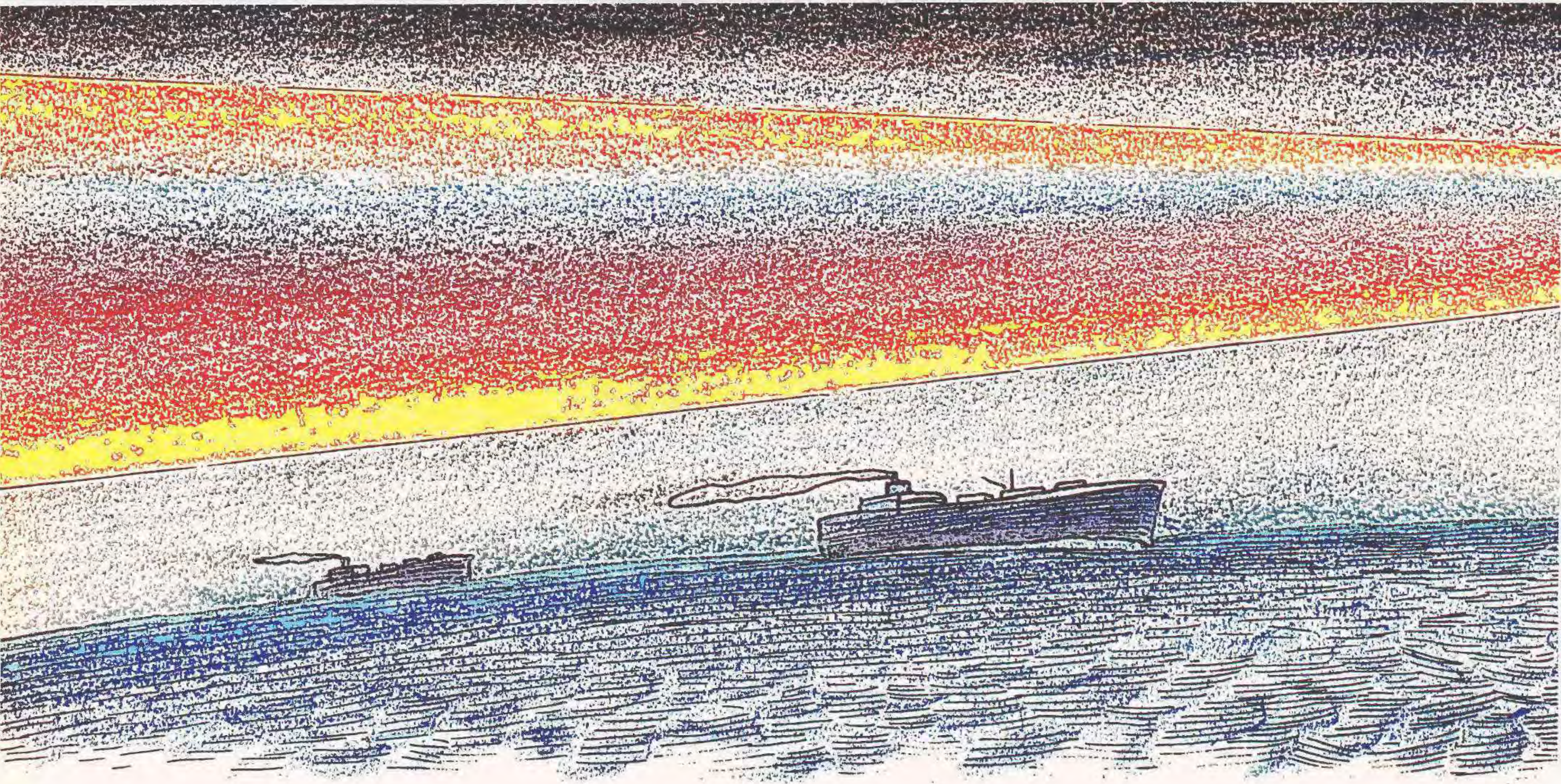
Find out how OSCAR can help you control claims, losses, and insurance costs. For a booklet and more information, write Hartford Specialty Company, Hartford Plaza, Hartford, Conn. 06115.

Don't make a decision on any specialty business without a quote from Hartford Specialty.

HARTFORD SPECIALTY

Performance is our specialty.

Hartford Specialty Company. An affiliate of The Hartford Insurance Group, Hartford, Conn. 06115. Products and services: underwriting and risk financing programs. Claim, loss control and captive services. Global marketing and worldwide coverages.



If your products
spend a lot of time at sea,
you need an insurer with
both feet on the ground.

Each time you ship cargo abroad, you're sending not only a piece of your business, but also a piece of your reputation. Both of which are too important to be taken lightly. That's why, like the other parts of your business, it needs to be properly protected.

But protecting your property at sea can be much more complicated than protecting it on land. For one thing, your property is out of your hands and in someone else's.

To be a marine underwriter requires an intimate knowledge of insurance laws and practices all over the world, as well as an equally intimate knowledge of seaports, piers, shipping practices and marine law. At AFIA, we specialize in that kind of knowledge.

A case in point: Marine Cargo claims can have all sorts of unusual ramifications on both sides of the water. Just recently, we wrote a policy for a major television network sending video equipment to Ecuador. Aside from the usual concerns, like having the equipment arrive safely, the network was equally concerned about whether they would have the equipment back safely and in time to cover pro football in the fall. We handled it efficiently, quickly and properly. So the next time you see your favorite team score on a double reverse, chances are we had a hand in helping it run smoothly.

That's just the sort of thing which exemplifies the innovative, young-thinking attitude we have at AFIA. For a long time, we've had the reputation of being an old-fashioned company. In a way, that's true. But only because, at AFIA, old-fashioned means experienced, knowledgeable and dependable. Combining that experience with an aggressive posture is what AFIA is all about.

AFIA has been involved with U.S. imports and exports to and from practically every country in the world since 1918. There are approximately 250 marine claims and settlement offices in the AFIA claims network to serve you. And because AFIA is active in 135 countries, we know the ropes on land and at sea.

In fact, to a lot of people whose products spend a lot of time at sea, we're the salt of the earth.

AFIA

WORLDWIDE INSURANCE

The older we get the younger we think.

AFIA Worldwide Insurance, 110 William Street, New York, NY 10038 Atlanta, Boston, Chicago, Cleveland, Dallas, Houston, Los Angeles, Miami, Minneapolis, San Francisco, Seattle, Washington, D.C. and 230 other cities around the world.

Captives: Chart your course with one who knows the waters.

Self-insurance is one thing. Forming and operating a captive insurance company is something else again. At The Travelers, we don't just understand the difference, we can make the difference.

Whether your captive is new or established,

foreign or domestic, The Travelers can meet your needs. Efficiently and effectively. Our people are trained specialists who, together with your broker and captive managers, can steer you through the complexities that face a captive. These include projecting total losses, estimating service costs, and addressing tax questions, as well as suggesting cash reserve limits and choosing appropriate reinsurance mechanisms. In fact, we can even manage your investment portfolio.

The Travelers is further equipped to supply the support services that can lead to a smooth and profitable operation. Our claim and engineering services and our loss reporting capabilities have made us a leader in the insurance industry. Your needs in these areas will be met by seasoned professionals who pride themselves on innovation and flexibility.

And when it comes to "fronting," The Travelers is the company to have behind you. We're not just licensed in every state, we're in every state. This assures prompt personal attention from people who understand local insurance regulations. We also offer our captive clients unrelated third party business from a large stable book.

Association Captives are another of our specialties. In addition, to our countrywide presence and ability to provide localized service, The Travelers can draw upon a nationwide pool of underwriting talent to achieve equitable premiums for association members.

If a non-owned captive is a reasonable risk-funding alternative for a parent corporation, we even offer the capacity to "Rent-A-Captive."

Chart your course with one who knows the waters. Whether your insurance needs are traditional or transitional, you can depend on The Travelers.

For a series of brochures, "Risk Management, A Financial Model," contact: Richard C. Barbieri, (203) 277-7579, The Travelers, One Tower Square, Hartford, Connecticut 06115.
Or send us the coupon below.

To:
The Travelers
One Tower Square
Hartford, CT 06115

Att:
Richard C. Barbieri

Please send your series of brochures, "Risk Management, A Financial Model," to:

NAME

COMPANY PHONE

ADDRESS

CITY STATE ZIP BI 6/6

The Travelers Indemnity Company
and its Affiliates
Hartford, Connecticut 06115

SPREADING THE RISKS

By Donald E. Reutershan

NYIE president examines three paradoxes found in life

RACE HORSES, RAISINS and salvaged safes may seem curious companions to many but not to an underwriter at the New York Insurance Exchange.

The exchange is the international insurance and reinsurance marketplace that commenced operation in New York in March 1980. It has written approximately $250 million of premiums in two years and nine months, with $157 million written during 1982 alone.

To the NYIE, those race horses, raisins and salvaged safes represent ordinary, everyday opportunities to serve the public.

Why an insurance exchange? One of its major attractions is its ability to spread a risk over a number of risk takers so that high-risk coverage can be provided for ventures that a single large company would refuse.

For instance, robots represent a staggering concentration of value in a relatively limited space. As a result, it can be difficult to obtain coverage for them. As the trend moves more and more toward robotics, we're eventually going to end up in some instances with more machines than people. The fortunate thing about people is that they get out of a burning plant. Machines, however, don't know enough to do that.

Another area of required capacity is for satellites. Current communication satellites have values in excess of $80 million per satellite and, in effect, they sit on top of a giant tin can housing a huge firecracker.

If all goes well, the satellite is in orbit. If it doesn't, with one big bang, $80 million is gone.

Another feature of the insurance exchange is the speed and ease with which the prospective insured can be served. In an hour at the exchange, a broker can accomplish what would require days if visiting individual company offices. The broker assembles his or her coverage as one would fill a shopping cart, visiting different underwriters who conduct business side by side, all on one large floor.

In addition, when the coverage is completed, the broker pays not 20 to 25 individual premiums but instead just one tally—as at the checkout line—totaled and recorded by the staff of the exchange.

I have taken time to describe the exchange for two reasons.

One, no salesman should ever miss the opportunity to make a sales pitch to an audience as prestigious as this one is. Two, and more importantly, the exchange brings into focus some of the serious contradictions that face our society today—areas that need our serious attention for our future well-being. Let's consider three of them. Each one is a paradox.

Paradox No. 1: Life should be sustained at all costs. That is, unless the person is dead or not yet alive.

Paradox No. 2: All carcinogenic agents should be banned and those who produce them should be held liable for their production. That is, unless the carcinogen happens to be something we like or is deemed somewhat necessary.

Paradox No. 3: Every person injured in any way should receive necessary medical care and, in addition, income support while he or she is incapacitated. That is, unless he or she is injured by a criminal, an uninsured motorist or a hunter during hunting season.

VIEWED IN in light of today's scientific knowledge, when and how human life begins and ends initiates a series of serious consequences. The determination of when life should end presents even more complex considerations.

I present this not as a religious or moral issue, although obviously there are serious implications on each count. Rather, I present it as representative of some of the more complicated social issues that face us with increasing severity as our technical knowledge and capabilities increase to initiate the living process and delay the death process.

I'm sure many of you read about the pregnant woman in California who was deemed legally dead because her brain had stopped functioning but whose 22-week-old fetus continued to live. For 64 days, with her husband's consent, she was fed intravenously and her heartbeat and respiration maintained on mechanical support systems. She and her unborn baby were monitored around the clock, infused with necessary hormones and the baby was delivered by caesarean section.

After the baby was born, the mechanical systems supporting the mother were turned off and 27 minutes later all body functions ceased and she was pronounced dead. At last report, the nine-week-premature baby was doing well. The article, however, did not address the issue of the cost of this effort.

Now let us consider the implications of Paradox No. 1.

Life should be sustained at all costs unless the person is dead or not yet alive. Is death represented by decay and life represented by the lack thereof? If living flesh is purposeless, is it alive?

These somber questions need to be addressed if we are to adequately manage our technical abilities with respect to sustaining life—whether young or old. They need to be addressed if we are to determine the number and the extent of resources we are willing to commit for preservation of life. And we need to address the obligations we owe one another in that regard.

Continued on next page

NYINSURANCEXCHANGE

Physical security book misses safety mark

books & ideas

"Physical Security: Practices and Technology"
By Charles Schnabolk
Butterworths, 10 Tower Office Park, Woburn, Mass. 01801
388 pages; $22.95

By Jay R. Dixon

CHARLES SCHNABOLK is a consulting engineer whose expertise clearly lies in the technical aspects of security, particularly alarm systems.

The three chapters in his book about alarm systems, his chapter on locks and his chapter on legal considerations are quite good and the illustrations are excellent.

It's when he ventures into the historical, philosophical and operational arenas of private security that he gets himself into trouble. And by trying to satisfy both college students and professionals in the security field in a single text, he accommodates neither very well.

While the technical chapters are reasonably well-written, the others, except for the legal chapter, are not. Much of that fault lies with the editor.

Mr. Schnabolk has been allowed to generalize too broadly. He makes such statements as: "Key control is almost non-existent (in hospitals) because of the difficulty in getting doctors to cooperate with a security program." Another is: "Owners of burglarized premises often cover up their normal accounting inventory shrinkages by adding them onto the estimated loss claim when the burglary report is submitted to the insurance company."

Such generalized statements are inappropriate in a professional text. When he says that ". . .no workable system has been found that can be used to screen visitors to office buildings," the author misleads his readers. In fact, such systems are in place and are working.

Some of Mr. Schnabolk's advice is questionable. His flat statement that fences around buildings should be no more than 3 feet high so that patrolling police can see over them (he later acknowledges there may be applications for higher fences), would cause many professional security managers to chuckle.

Mr. Schnabolk seems to contradict himself when he says that more federal control of private security is needed, but later says there is an urgent need for the private security sector to set its own standards or face being controlled by state or federal regulations.

One also wonders where he is headed when he suggests steps to be followed before private security can become an accepted part of the criminal justice system. He doesn't support his apparent premise that private security wants to or should become a part of the criminal justice system, or that the criminal justice system needs or wants private security as an appendage.

This is a gossipy book with too many comments about what's wrong with the security industry and too few remedies. His theme that the security industry has grown with little control as to standards and ethics, while correct, becomes monotonous and has little to do with what the author says his book is about.

If you know nothing about private security, you'd learn something by reading this book but the non-technical chapters, except the legal chapter, are too general to be of real value to the beginning student. Unfortunately, the earlier pages detract from, rather than support, the real contribution the author has to make.

Mr. Schnabolk's descriptions of locking mechanisms and various alarm components and systems are worth reading. Had he confined himself to those topics, he might have offered an outstanding text. ▪

Jay R. Dixon is vp and general manager of Crocker National Bank in San Francisco.

The Perspective section, which is a forum for readers' opinions, is compiled and edited by Assistant Copy Editor Claudette Dampier. She can be reached at 312-649-5282.

EXCHANGE OFFERS CHOICES TO BUYERS

Continued from previous page

A RECENT MOVIE and television program about the six-million-dollar bionic man has many of the same kinds of curious predictions for the future that some years back were contained in the Jules Verne and Tom Swift books.

They—as you remember—described inventions not yet known at that time but which have become reality during the last 60 years. Should we spend $6 million to repair one human? Any human?

Another question: Has our rate of invention and discovery surpassed our willingness to deal with the social and moral issues springing from our discoveries?

The second paradox deals with carcinogens.

Should all carcinogenic agents be banned—except those we like? We're all familiar with the problems connected with the use of asbestos. I wonder if our society is prepared to accept from the surgeon general the label that reads "Warning: This product may be harmful to your health." Will society permit this simple warning to absolve the manufacturer from all responsibility for the manufacture and distribution of its product?

If this were permitted with certain chemicals, the rice farmers in Arkansas would have the unquestioned right to continue the use of dioxins to control weed growth as long as each barrel that was used contained the warning label from the surgeon general.

Similarly, this labeling could be used as a handy remedy for the waste products of those manufacturing operations that produce electricity from nuclear fuel, for the byproducts from the manufacture of valued plastics and electrical transformers and for a host of other useful products. Should we put such a label on salt as well as saccharin? Statistical evidence concerning the harmful impact of excess salt on the human body is almost as compelling as or even more compelling than the statistical evidence concerning the use of saccharin?

The third paradox deals with our society's expectation that every person injured in any way will receive necessary medical care and also income support. That is, unless that person is injured by a criminal, an uninsured motorist or a hunter.

We quickly learn that a person crippled physically or psychologically by a criminal generates only the lowest level of welfare and social-support services. In sharp contrast, an automobile accident can result in one of the parties becoming an untaxed millionaire at the expense of that same society.

On the one hand, the individual receives marginal care. On the other, he or she can receive the finest care that money can provide. It is only the circumstances of the occurrence of the injury that make the difference.

Or, substitute an accident in the workplace or an injury from a manufactured product used in a fashion unintended or unanticipated by the manufacturers or distributors of the product.

If the basic issue to be addressed represents the proper care of the individual injured, then let us recognize that care is the issue to be considered rather than the method by which the individual is damaged. The driver of a car confronted with a sudden emergency when traveling 55 mph, whether that driver be you, me or your teenage son or daughter, has about as much control over subsequent events as the manufacturer of a product intended for one use but used in another, unintended manner.

WE ARE incurring monumental societal costs in many instances in which we have not even paused to evaluate the basis for incurring such costs. Until we undertake such fundamental evaluations, we will continue to disproportionately compensate individuals who bear identical injuries. Should the only difference lie in the manner in which their injuries arose? Is a battered woman or child less entitled to support than a person who has slipped and fallen on a defective stairway?

As a society, shall the issue of the care of those suffering from cancer be based on the agent that caused it, the economic condition of the person affected or the ability of the organization which generated the agent to pay—or on whether the ingestion of the agent was pleasurable or not pleasurable, intended or unintended?

If I appear to have asked more questions than I have answered, as indeed I have, it is simply a reflection of the fact that I have spent a lifetime in the business of insurance.

Most of the cost of the problems we have discussed flows through the insurance mechanism, whether it be extended hospital care for prolonged life, consistent management of carcinogenic agents or payment for an auto injury or asbestosis claim.

As you are aware, the insurance mechanism distributes these costs to society as a whole and, hence, really is another pass-through mechanism for distributing societal costs. We at the exchange are ever mindful of this fact.

I hope that you are as concerned about these problems as I am and that you will help the exchange address the central, rather than the peripheral, issues.

We are moving so rapidly toward the age of bionics and other medical/technical advances that unless we prepare ourselves to deal thoughtfully with the issues raised by those advances, we will deepen, rather than resolve, our problems.

Donald E. Reutershan is president of the New York Insurance Exchange Inc. He delivered this speech to the Executives' Club in Chicago in late April.

NYINSURANCEEXCHANGE

Don't pay dubious comp claims, attorneys say

By CAROL CAIN

MEDINAH, Ill.—Employers often rush into making costly workers compensation decisions, according to attorneys from Rooks, Pitts, Fullagar & Poust, a Chicago-based law firm with a specialty practice in workers compensation litigation.

"The most important decision to make is that first one: whether an injury is compensable or not," said Douglas F. Stevenson, a partner in the firm and counsel to the workmen's compensation committee of the Illinois Manufacturers' Assn.

"If there's a doubt in your mind, don't pay," advised attorney John B. Adams, another member of the firm. "If you pay, you bought it. It's not our responsibility to prove we have to pay."

If the injury in question turns out to be non-compensable under workers compensation law, the wait will save employers money. If the injury is determined to be compensable, the scrutiny and wait is still worthwhile since the maximum penalty for not paying, under Illinois law, is only $2,500, Mr. Stevenson said.

The law firm, in conjunction with the Illinois Manufacturers' Assn., presented a one-day "survival training" course in workers compensation at the Medinah Country Club last month for about 400 employers.

"Our task in Illinois is somewhat more perilous than in other states because (workers compensation) benefits are high with no financial incentive for workers to go back to work," Mr. Stevenson said.

The basic weekly compensation benefit in Illinois is two-thirds of the employee's average weekly wage. For permanent partial disability, in most cases, the maximum compensation is $282.25 per week. For temporary total disability, the maximum is $446.40 per week.

The rates for neighboring states and other industrial states often are lower than the benefits paid in Illinois. For example, the maximum temporary total disability benefit in Indiana is $140 and in Ohio it's $298. The maximum permanent partial benefit in Indiana is $75 and $149 in Ohio.

Those high Illinois benefits add up quickly, which is why an Illinois employer should take time at the beginning to sort out the facts of an alleged injury, attorneys from the law firm said.

Employers that try to determine whether an injury is compensable should ask the following questions, said attorney William N. Krucks:

- Did an "accident" occur?
- Did the accident cause an injury?
- Did the accidental injury arise out of and in the course of employment?
- Did the accidental injury cause temporary or permanent disability?

"The burden of proof is supposed to be on the employee, but often it's on you," Mr. Krucks said.

An accident comes under the Illinois Workers' Compensation Act when an injury or condition happens or arises unexpectedly without the affirmative act or design of the employee and is traceable to a definite time, place and cause, Mr. Krucks said.

But, many injuries are not compensable, he said.

"An intentional injury is not compensable," he said, adding that an injury to an intoxicated employee also is not compensable. Intoxication of the employee is a employer defense to consider if it applies, but it's difficult to prove, Mr. Krucks explained.

Injuries to aggressors in assaults are never compensable, but injuries to employees who are victims of assaults are if the reason for the incident stems from that employee's job duties, he said.

The courts have ruled that injuries from racially- or ethnically-related assaults are compensable if job-related.

Other court cases have held that injuries that occur at company picnics or sporting events are not compensable unless the employee was told to be there, Mr. Krucks said.

In some cases, injuries that occur at a job site are really caused by a pre-existing condition. Employers that suspect as much should examine the doctor's report before deciding to pay the claim, he said.

"In order to survive in these worker compensation cases you have to defend your case. . .Every case can be defended on medical causation, but you need a doctor; you've got to identify the pre-existing condition. . .you need prior medical records," Mr. Krucks said.

Such a defense, if won, can save a company thousands of dollars in future benefits, especially if the injury results in temporary total disability, or if it results in death. In Illinois, the maximum death benefit is $465,584, he said.

Physicians also are necessary to support employer defenses in cases where the employee had a heart attack.

"Heart attacks are a big-ticket item, a high-stakes game at the (Illinois) Industrial Commission," Mr. Krucks said. Employment has to be a contributory cause—but not the sole cause—of the attack for it to be compensable.

The best defense in such a case is to show that the employee's heart had deteriorated to such an extent that anything could have precipitated the attack, Mr. Krucks said. "But once again, this takes the help of doctors."

Expert medical testimony also has been the most successful way to prove that a pre-existing condition is responsible for an employee's psychological disabilities, which can often result in costly permanent partial disability benefits, he said.

Employers that wait for evidence in order to decide whether to pay or contest a claim often are hassled by employees who want to settle quickly, the attorneys said.

Mr. Stevenson said if the injury is legitimate, pay right away; but if it is not, then take the time to build a case.

"If you're waiting for a doctor's report, don't pull your hair out. Get the employee to apply some pressure. It's not our responsibility to prove that we have to pay," Mr. Adams said.

But there are some times when promptness pays off, according to attorney Daniel P. Socha. He pointed out some ways to reduce risks and avoid litigation, including:

- Minimize lapses in benefit payments.
- Minimize arguments over medical expenses.

Mr. Stevenson then added:

- Make your approach to settle the claim to the employee at the workplace.

For those cases that do end up going to court or to the state Industrial Commission, the attorneys gave additional "survival tactics":

- Never abdicate the case to an insurance company or to an attorney. Maintain control yourself.
- Wait until the plaintiff's claim or a final report from the treating physician is filed before establishing your case. Employers may spend time and money unnecessarily on the wrong thing.
- Attend the Industrial Commission hearings. If there is only an attorney representing the company, that lawyer may not know enough about the business to answer questions. An employer in attendance also shows the commission that the company cares.
- In the old days, delays were a weapon of the defendent. But since there have been rule changes in the Illinois work comp system—defendents in some cases now have the right to set a case for trial. Employers, as defendants, should get the case to trial when it's convenient and optimistic for them. They shouldn't wait to react to whatever the plaintiff's lawyer does.
- As a trial tactic, catch the claimant in some kind of a lie. It doesn't have to be a material lie, but it will defuse the case. For instance, if the claimant says he was a war veteran and the employer can show he wasn't, then there will be doubt raised about the other things the claimant says.

"It's a matter of life."

Len Beiser talks about Structured Settlements.™

Len Beiser, one of The Structured Settlements Company's expert negotiators, is also a volunteer instructor of first aid and cardio-pulmonary resuscitation.

"I joined Structured Settlements after 20 years in the claims insurance field because I fell in love with the idea," says Len. "Negotiating a successful settlement can give you the same sense of fulfillment that you feel when you get a letter saying, 'I saved a life because of something I learned in your first aid class.' It's marvelous to know that you've helped someone through a catastrophe, and let them get on with the business of life.

A successful Structured Settlement represents much more than saving money for the insuror. It also guarantees financial solvency for the plaintiff and lets them concern themselves with healing and continuing.

"It's a matter of life—and that's the most precious thing we have."

THE STRUCTURED SETTLEMENTS COMPANY

5757 West Century Blvd.
Los Angeles, California 90045
East Coast Office: 800-237-6361
West Coast Office: 800-421-2022
In California: 213-642-1999
In Florida: 813-823-2666
Offices in Los Angeles • San Francisco • St. Petersburg • Toronto

"Resusci Anne" CPR training manikin by Laerdal Medical Corporation, courtesy of American H[...]ociation Suncoast Chapter, Inc.

datebook

JUNE 26-30. International Insurance seminar in Singapore, sponsored by International Insurance Seminars Inc.; $650. Dr. John S. Bickley, P.O. Box J, The University of Alabama, University, Ala. 35486; 212-570-2338.

JUNE 27-29. Safety for the Oilfield seminar in San Francisco, sponsored by the International Safety Academy; $395. ISA, 10575 Katy Freeway, P.O. Box 19600, Houston, Texas 77224; 713-932-9400.

JUNE 27-JULY 1. Occupational Safety Management course in Chicago, sponsored by the National Safety Council; $495 for members; $620 for non-members. Also **July 11-15** and **Sept. 13-17** in Chicago. NSC, 444 N. Michigan Ave., Chicago, Ill. 60611; 312-527-4800, ext. 283.

JULY 10-15. Seventh Annual National Symposium on Workers Compensation in Orono, Maine, sponsored by the University of Maine; $375. Helen Thomas, 1721 Pine St., Philadelphia, Pa.; 215-735-0205.

JULY 11-15. Fundamentals of Modern Safety Management course in Seattle, Wash., sponsored by the International Loss Control Institute; $625. ILCI, P.O. Box 345, Loganville, Ga. 30249; 404-466-2208.

JULY 11-15. Total Loss-Control Management seminar in Houston, sponsored by the International Safety Academy; $585. ISA, 10575 Katy Freeway, P.O. Box 19600, Houston, Texas 77224; 713-932-9400.

JULY 18-19. Computer Security workshop in New York, sponsored by the Computer Security Institute; $495. Computer Security Institute, Dept. IP, 43 Boston Post Road, Northborough, Mass. 01532; 617-845-5050.

JULY 18-20. Safety for the Oilfield seminar in Houston, sponsored by the International Safety Academy; $395. ISA, 10575 Katy Freeway, P.O. Box 19600, Houston, Texas 77224; 713-932-9400.

JULY 18-22. Basic Safety Management seminar in Chicago, sponsored by the International Safety Academy; $570. ISA, 10575 Katy Freeway, P.O. Box 19600, Houston, Texas 77224; 713-932-9400.

JULY 18-22. Safety Training Methods course in Chicago, sponsored by the National Safety Council; $495 for members; $620 for non-members. Also **Sept. 20-24** in Chicago. NSC 444 N. Michigan Ave., Chicago, Ill. 60611; 312-527-4800, ext. 283.

JULY 18-22. Safety Evaluation for Single Location Personnel conference in Seattle, Wash, sponsored by the International Loss Control Institute; $625. ILCI, P.O. Box 345, Loganville, Ga. 30249; 404-466-2208.

JULY 21-23. Labor-Management Trustees and Administrators institute in Toronto, sponsored by the International Foundation of Employee Benefit Plans; $390 for members; $465 for non-members. Also **Aug. 15-17** in Seattle. IFEBP, 18700 W. Bluemound Road, Box 69, Brookfield. Wis. 53005; 414-786-6700.

JULY 25-28. An Ergonomics Approach to Materials Handling basic and advanced seminars in Houston, sponsored by the International Safety Council; $375 ISA, 10575 Katy Freeway, P.O. Box 19600, Houston, Texas 77224; 713-932-9400.

JULY 25-29. Fundamentals of Modern Safety Management course in Atlanta, sponsored by the International Loss Control Institute: $625. ILCI, P.O. Box 345, Loganville, Ga. 30249; 404-465-2208.

JULY 27-29. Risk Management in Environmental Health & Protection summer institute in New York, sponsored by New York University; $400. Summer Institute in Risk Management in Environmental Health & Protection, Graduate School of Public Administration, New York University, 4 Washington Square N., New York, N.Y. 10003; 212-593-3133.

JULY 27-30. Corporate Benefits Management conference in Monterey, Calif., sponsored by the International Foundation of Employee Benefit Plans; $470 for members; $545 for non-members. IFEBP, 18700 W. Bluemound Road, Box 69, Brookfield, Wis. 53005; 414-786-6700.

JULY 28-30. Florida Surplus Lines Assn. annual convention in Boca Raton, Fla.; $125 for members and associate members; $150 for non-members. Philip R. Cree, FSLA, Box 343800, Coral Gables, Fla. 33114; 305-448-2211.

AUG. 3-6. Public Employees conference in Seattle, sponsored by the International Foundation of Employee Benefit Plans; $390. IFEBP, 18700 W. Bluemound Road, Box 69, Brookfield, Wis. 53005; 414-786-6700.

AUG. 4-6. Public Sector Pension and Health and Welfare Benefit Plans conference in Seattle, Wash., sponsored by the International Foundation of Employee Benefit Plans; $390. IFEBP, 18700 W. Bluemound Road, Box 69, Brookfield, Wis. 53005; 414-786-6700.

AUG. 8-12. Basic Safety Management seminar in Houston, sponsored by the International Safety Academy; $570. ISA, 10575 Katy Freeway, P.O. Box 19600, Houston, Texas 77224; 713-932-9400.

AUG. 8-12. Loss Control Management course in Atlanta, sponsored by the International Loss Control Institute; $625. ILCI, P.O. Box 345, Loganville, Ga. 30249; 404-466-2208.

AUG. 9-12. Employee Assistance Programming fifth biennial Canadian conference in Toronto, sponsored by Humber College; $100 per day or $235 for entire conference. Input '83 Headquarters, Professional and Management Development, Humber College, Box 1900, Rexdale, Ontario, Canada M9W 5L7; 416-675-7420.

AUG. 15-19. Professional Consulting in Safety and Loss-Control course in Atlanta, sponsored by the International Loss Control Institute; $625. ILCI, P.O. Box 345, Loganville, Ga. 30249; 404-466-2208.

SEPT. 11-14. Society of Chartered Property and Casualty Underwriters 39th annual meeting in New York; $225. Society of CPCU, Kahler Hall, Providence Road, CB #9, Malvern, Pa. 19355; 215-648-0440.

SEPT. 12-14. Techniques of Risk Management conference in Chicago, sponsored by the Risk & Insurance Management Society; $345 for members; $445 for non-members. Editorial Department, RIMS, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

SEPT. 21-23. Reinsurance Concepts conference in Chicago, sponsored by the Risk & Insurance Management Society; $445 for members; $545 for non-members. Editorial Department, RIMS, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

SEPT. 21-24. International Benefits seminar in San Francisco, sponsored by the International Foundation of Employee Benefit Plans; $470 for members; $545 for non-members. IFEBP, Box 69, 18700 W. Bluemound Road, Brookfield, Wis. 53005; 414-786-6700.

SEPT. 25-28. International Assn. of Industrial Accident Boards & Commissions 69th annual convention in Atlanta, sponsored by the association; $160 for members; $220 for non-members. James C. Pullin, IAIABC Convention-83, c/o Georgia Workers Compensation Building., 100 S. Omni International, Atlanta, Ga. 30335; 404-656-2048.

SEPT. 25-29. National Association of Life Underwriters annual convention in Chicago, sponsored by the association; $125; $105 before Aug. 1. NALU Convention Registration, 1922 F St. N.W., Washington, D.C. 20006; 517-372-5148.

SEPT. 26-28. Valuation seminar in Long Grove, Ill., sponsored by the Kemper Group; $300. W.P. Thomas Jr., NID (HPR) A-1; Long Grove, Ill. 60049; 312-540-3380.

SEPT. 27-OCT. 1. Safety Management Techniques course in Chicago, sponsored by the National Safety Council; $545 for member; $680 for non-members. NSC, 444 N. Michigan Ave., Chicago, Ill. 60611; 312-527-4800, ext. 283.

SEPT. 29-OCT. 1. Sixteenth Annual Canadian Conference in Lake Tahoe, Nev., sponsored by the International Foundation of Employee Benefit Plans; $390 for members; $465 for non-members; optional preconference programs offered at an additional charge. IFEBP, 18700 W. Bluemound Road, Box 69, Brookfield, Wis. 53005; 414-786-6700.

OCT. 3-5. Techniques of Loss Control conference in Chicago, sponsored by the Risk & Insurance Management Society; $345 for members; $445 for non-members. Editorial Department, RIMS, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

OCT. 3-7. Property Conservation course for property owners in Long Grove, Ill., sponsored by Kemper Group; $400. Also **Nov. 7-11** in Long Grove, Ill. W.P. Thomas Jr., (HPR), A-1, Long Grove, Ill. 60049.

OCT. 9-12. EDP Institute in Palm Springs, Calif., sponsored by the International Foundation of Employee Benefit Plans; $390 for members; $465 for non-members. IFEBP, 18700 W. Bluemound Road, Box 69, Brookfield, Wis. 53005; 414-786-6700.

OCT. 17-19. Fundamentals of Insurance conference in Toronto, sponsored by the Risk & Insurance Management Society; $345 for members; $445 for non-members. Editorial Department, RIMS, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

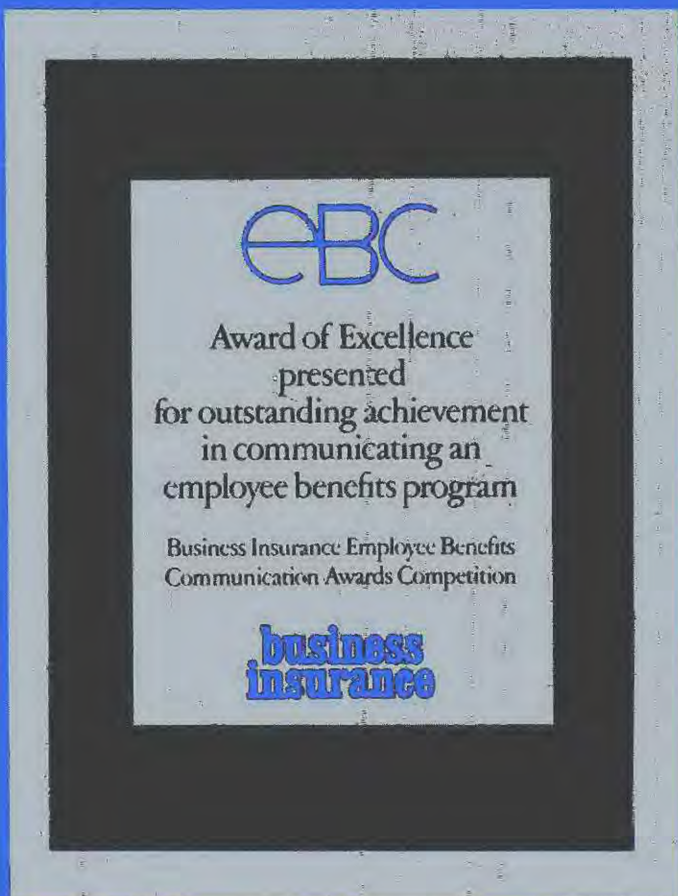
OCT. 17-21. Advanced Property Conservation course in Long Grove, Ill., sponsored by Kemper Group; $400. W.P. Thomas Jr., NID (HPR) A-1, Long Grove, Ill. 60049; 312-540-3380.

OCT. 24-26. Health Care Cost-Containment seminar in San Francisco, Calif., sponsored by the International Foundation of Employee Benefit Plans; $390 for members; $465 for non-members. IFEBP, 18700 W. Bluemound Road, Box 69, Brookfield, Wis. 53005; 414-786-6700.

OCT. 31-NOV. 1. Communicating Employee Benefits conference in Chicago, sponsored by *Business Insurance* $95; 10% discount for additional participants from the same company. Ann Vazquez, *Business Insurance*, 220 E. 42nd St., New York, N.Y. 10017; 212-210-0137.

NOV. 11-16. Design for the Future 29th annual educational conference in New Orleans, sponsored by the International Foundation of Employee Benefit Plans; $450; $390 before Nov. 10; $130 extra for each preconference institute selected. IFEBP, 18700 W. Bluemound Road, Box 69, Brookfield, Wis. 53005; 414-786-6700.

NOV. 14-18. Fundamentals of Industrial Hygiene Monitoring course in Long Grove, Ill., sponsored by National Loss Control Service Corp.; $425. John Garis, NATLSCO, Long Grove, Ill. 60049; 312-540-2026. ■



The 11th Annual EMPLOYEE BENEFITS COMMUNICATION AWARDS will be presented on October 31st during the Business Insurance "Communicating Benefits" Conference in Chicago.

A panel of benefit managers, directors of communication and advertising specialists will select winners from five different categories of programs.

The Competition is open to all companies in the U.S. and Canada and has no restrictions as to the size of the company.

Entries will be accepted beginning June 1st. No entry will be accepted after June 30th.

To obtain rules and entry forms call Ann Vazquez, Communication Services Department, Business Insurance, 212/210-0137.

business insurance
a publication of Crain Communications Inc

EBC Awards/Business Insurance
Communications Services Dept., 220 E. 42nd Street, New York, N.Y. 10017

agent/broker topics

A regular editorial section exclusively for agents and brokers

Should producers serve clients on their own?

Photos: Sheila O'Donnell

Or should they be backed by a team of experts?

By DONNA LEIGH YANISH

Agents and brokers don't necessarily agree

Some producers seem to be like Greta Garbo: They want to be alone. But some agencies and brokerages prefer backing their producers up with a team of experts and other support personnel.

What is the most efficient structure for your agency's or brokerage's sales and service staff, the one that yields the greatest results at the lowest cost?

Agents and brokers usually claim they have an efficient sales and service system, yet no two agencies and brokerages are structured exactly alike.

Most structures, however, fall into two categories.

The first is the account executive unit or producer unit system, where the person who makes the first sales call continues to be the principal contact person for the client. He or she services most or all of the business with perhaps some assistance from customer service personnel.

Producers under this system usually do have some backup, either from a production supervisor or another producer, but the initial salesperson retains ultimate responsibility for the account.

Under the producer unit structure, the producers themselves sometimes market the risks to insurers. Agents and brokers who favor combining production and marketing tasks say that the producers can best communicate information about the risk to insurers because they're most familiar wth the risks.

Of course, some producers market risks to insurers because the agency or brokerage doesn't have the resources to establish a marketing department.

Relatively small agencies and brokerages, those with fewer than 40 employees, tend to be organized in the producer unit structure, but not all that use this system are small. Arthur J. Gallagher & Co., the nation's 10th-largest brokerage based on 1981 revenues, uses the system (see story, page 24D).

Opponents of the structure say that producers' strongest skills should be production and the time they must spend servicing accounts already on the books is time they're not spending on producing new business.

To alleviate this problem, some agencies and brokerages use a decentralized structure in which employees specialize and production and service are handled separately.

Under this system, the salesperson produces the business and then turns the account over to a servicing technician, frequently called an account executive.

The producer usually remains familiar with the account, but relinquishes ultimate responsibility to the account executive.

Under this system, account executives don't perform all servicing functions on the account. Technicians, called administrative assistants or account executives assistants, handle much of the day-to-day servicing requirements. They usually report to a technician coordinator and often work on accounts handled by several account executives. A separate marketing department places the business with insurers.

Since three to five people service an account, the account can be handled smoothly if a producer or account executive leaves the firm, proponents of the system say.

Which of the two systems—producer unit or decentralized—is better? Agents and brokers that use these structures give their opinions in the following stories.

A&A lets clients determine approach

Alexander & Alexander Inc.'s clients decide whether their accounts will be serviced by one account executive or a variety of A&A employees.

"We offer to designate one person as a liaison with a client. But some clients want a direct relationship (with technicians), so we can organize on that basis," says Mike White, executive vp and group director for Northwestern operations in A&A's Chicago office.

"We do favor having one person responsible for an account, though, because it allows for accountability," Mr. White says.

A&A offices are structured around the account executive unit system though modifications in the system are made depending on both the size of the office handling the account and the preferences of the A&A managing vp who oversees the branch, Mr. White explains.

Some specialty coverages, like aviation policies, may also be handled differently, he adds.

To illustrate how the account executive unit system works, Mr. White uses as an example a large A&A office, like New York or Chicago, that contains more than 200 employees. In such an office, account executives are responsible for producing and overseeing the service on their accounts.

The account executives are organized in units containing four to six account executives, who all report to a unit leader.

When an account executive is invited to prepare a quote for a client, the unit leader assists in putting together a team to develop the account, Mr. White explains.

The team includes the account executive and one or two account executive assistants, depending on the size and complexity of the account. A backup account executive also becomes familiar with the risk at the outset of the project to avoid problems if the original account executive leaves the company.

The account executive who produces the business is the quarterback of the team and coordinates the efforts of all technicians working on the project, Mr. White says. He or she works with the marketing staff to place the risks with insurer.

"We don't prohibit account executives from marketing, but if they do (place the risks), they better be right. They're taking on a function that isn't really their responsibility, but the system's flexible. If an account executive has a relationship with an underwriter, it may work, particularly on smaller accounts."

Clients can be better served when the production and marketing functions are separate, Mr. White contends. Most account executives' professional backgrounds are different from those of marketing people. Account execs are sales-oriented, while marketers frequently come from underwriting positions with insurers. That difference should be maintained to insure a proper balance, he says.

The account executive also supervises the account executive assistant working on the account. Assistants usually work with the same account executives all the time, Mr. White comments, unlike the structures used by other brokers in which assistants are assigned to accounts depending on their work load.

Assistants aren't secretaries for account executives, Mr. White stresses. Each A&A office has a word processing department to perform secretarial duties, freeing the account executive assistants to work directly with the account executives and clients, he says.

Assistants, however, never take final responsibility for accounts; that remains with the account executives.

Unit managers have overall responsibility for all the account executives in their units and responsibility for maintaining a book of business themselves, Mr. White explains. They must keep their own accounts in order, but not at the expense of the unit's book of business as a whole, he says.

Unit managers share the responsibility for overseeing account executives with the office's sales manager, who reports directly to the managing vp heading the office, Mr. White continues. Account executives may work day-to-day with the unit managers but "when the sales manager wants to guide that account executive, he is working for the sales manager."

Mr. White

Production is the key to the sales manager's job. Along with working with the account executives, the sales managers coordinate a group of people who are an exception to A&A's account executive unit structure—the pure producers.

Large A&A offices contain a few pure producers who solely generate business and then turn the accounts they produce over to an account executive, Mr. White explains. These people excel in sales and A&A's structure allows them to concentrate their efforts on the job they do best, Mr. White notes.

Although some brokers say pure producers are effective but are too much of a luxury (see story, page 24C), Mr. White disagrees. Pure producers aren't expensive and their function—sales—is the lifeblood of the brokerage business, he says.

Pure producers, however, remain the exception rather than the rule at A&A.

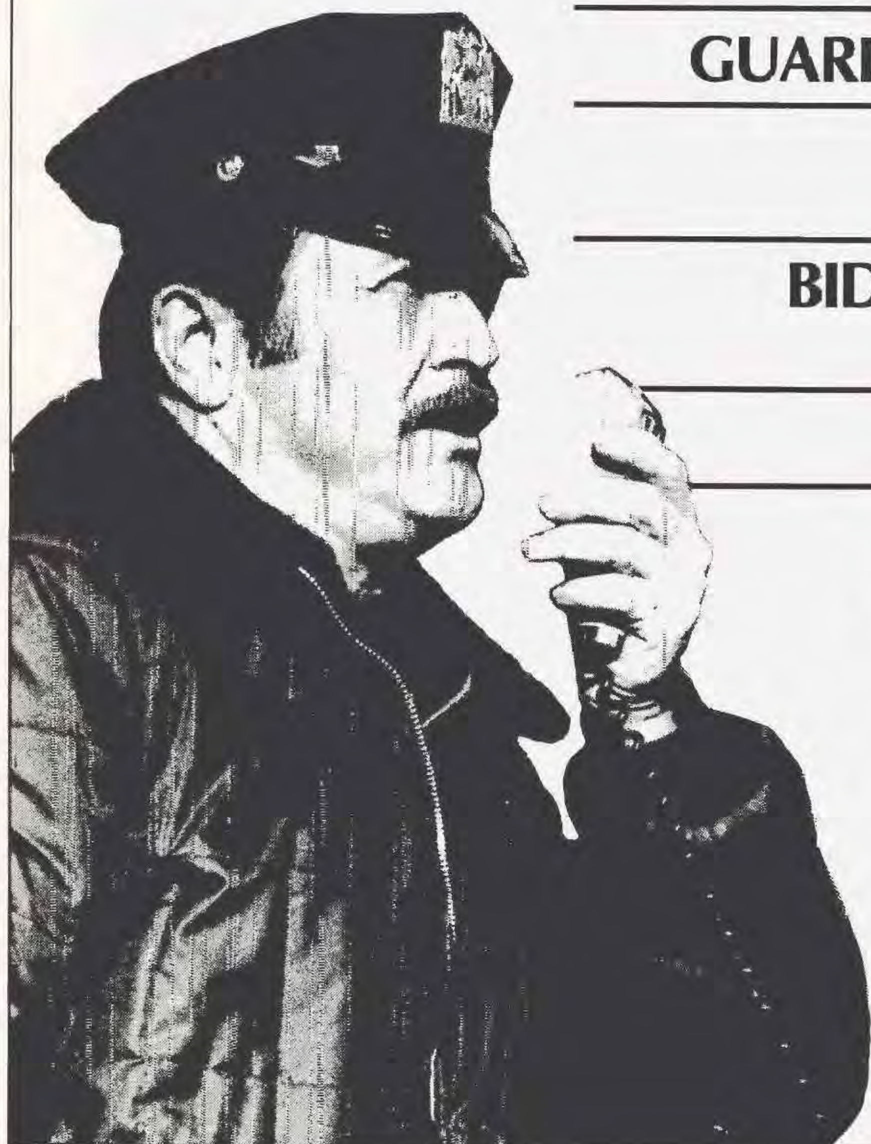
Smaller offices may eliminate some of the upper layers of management structure, Mr. White adds. For example, in an office of about 40 employees, the unit managers may report directly to the managing vp, bypassing the group leader position, or the managing vp may also fill the sales manager's function.

It's up to the managing vps to decide what works best in their offices, Mr. White says.

—By Donna Leigh Yanish

Security Guard Services
Detective Agencies
Patrol Agencies

WE PROTECT THE PROTECTORS



WORKERS' COMPENSATION
Safety Dividend Program

PROFESSIONAL LIABILITY

GUARD SERVICE WARRANTY

FIDELITY BONDING
Insured and Client Coverage

BID PERFORMANCE AND LICENSE BONDS

UMBRELLA LIABILITY

BROWNYARD BROTHERS

20 Fourth Ave., Bay Shore, N.Y. 11706
Toll Free 800-645-5820
(except in New York)
In New York (212) 343-3333

Reed Stenhouse's system varies with office size

Producers at Reed Stenhouse Inc.'s largest offices spend less time servicing accounts than producers in the brokerage's smaller offices under a form of the decentralized sales and service system.

For example, producers in Reed Stenhouse's New York office, which has more than 250 employees, open the door to new business, but service personnel called servicing account executives take over almost immediately, explains Andrew Marks, director of business development for Reed Stenhouse.

"The (servicing) account executive gets involved from the very beginning and establishes a strong relationship (with the client). It's the account executive that deals with the day-to-day things, coordinating the technical work."

Even at the brokerage's largest offices, however, producers stay in contact with clients rather than relinquish the account totally to the servicing account executive, Mr. Marks continues.

Pure producers, those who sell an insurance program and then completely turn over the account to someone else, are effective but very expensive employees, he says. A broker must pay for their services as part of overhead whether or not they're producing business, he notes.

Reed Stenhouse producers, however, are more like pure producers than salespeople at other brokers, like Alexander & Alexander Inc., because Reed Stenhouse producers don't retain ultimate responsibility for the accounts they produce.

At A&A, account executives, who produce accounts, oversee the other personnel who help service the account and retain responsibilty for the account. Non-account executives who serve the client re-

Mr. Marks

port directly to the account executive (see story, page 24B).

At Reed Stenhouse, however, once a producer sells an insurance program and turns it over to a servicing account executive, the latter is held responsible for the account even though the producer stays in contact with the client, Mr. Marks explains.

Because Reed Stenhouse producers retain some contact with clients they don't exactly fit the definition of pure producers. But they have an advantage enjoyed by pure producers, while avoiding a disadvantage.

Like pure producers, they have the freedom to concentrate on sales because they've transferred responsibility for accounts they produced to servicing account executives.

However, Reed Stenhouse producers still maintain some contact with the accounts they produce and can contribute the knowledge they gained by establishing the account even after it is transferred to the account executive. In a pure producer system, this knowledge is often lost.

Personnel who service the accounts at Reed Stenhouse don't report to the producers, as at some brokerages. Instead, they're supervised by the office's manager of services who Mr. Marks calls "a quality-control person."

"Our (servicing) account executives do produce some new business. But, because of the time it requires to service, we don't get many production results. The account executives do get bogged down."

A servicing account executive at a large Reed Stenhouse office doesn't always work with the same producer on new business, Mr. Marks says.

In most cases, when a new account comes to a large Reed Stenhouse office, a new business committee—made up of the directors of client services, marketing and new business—analyzes the account as well as the account executives' expertise and workload. Then, they assign the account to a particular account exec.

"The account executive then works with the producer and the client to gather necessary information and sits down with a marketing committee to put together an insurance and risk management program that they can sell to the insurance company," he says.

"When putting together an entire insurance program, (the account executives) also get input from loss-prevention and maybe the computer people as well."

On specific coverages, like directors and officers liability insurance, the account executive may bypass the marketing committee and go directly to a marketing specialist for that coverage, Mr. Marks says.

The account executive serves as a liaison with the technical staff working on an account, Mr. Marks notes. "We don't want a client dealing directly (with technicians). Account executives must be involved because they're held responsible.

"It may be more expensive to (use the account executives as a liaison) than to use direct response between the client and techicians. You do have a certain amount of duplication of effort.

"For example, the client must explain something to the account executive who then explains it to the property department who answers the client again via the account executive," Mr Marks notes.

"But, the account executive knows who to go to to get answers and also has the clout to get things done as well. The account executive is also thinking of the client's viewpoint."

At Reed Stenhouse's small offices, producers help account executives service clients' accounts, Mr. Marks notes. For example, in the Fort Lauderdale, Fla., office, which has fewer than 40 employees, the producer markets the risks to insurers and may deliver claim checks to the client as well.

Medium-sized Reed Stenhouse offices, whose with about 60 to 75 employees, have sales and service systems that share characteristics with both the large and small offices.

—By Donna Leigh Yanish

If you're an Agent or Broker whose client is a community antenna television system—

CATV Liability Insurance isn't an option— it's a must!

At a time when defense costs are soaring and damages resulting from libel, slander, defamation, and invasion of privacy or other claims can be astronomical, your client simply can't afford to be without CATV Liability Insurance.

We specialize in it.

SEABOARD
SEABOARD SURETY COMPANY
90 William Street, New York, N.Y. 10038
(212) 943-7440

OFFICES IN MAJOR U.S. CITIES AND IN LONDON

James considering decentralized approach

Fred S. James & Co. Inc. is considering changing its sales and service organization in its larger offices to a decentralized system to allow producers more time to produce new business.

"We currently use the old-school system, where the producer produces the business but also handles all the servicing," says Chuck Patterson, senior vp in the Fred S. James' Chicago office.

"But when you reach a certain level of production, you reach a plateau. The producer can't continue to produce and service all the accounts," Mr. Patterson explains.

Under the sales and service structure that James in considering, producers would have a much greater backup system. The proposed structure shares common characteristics with the structure at Alexander & Alexander Inc., including assigning individual account executives. who are not producers, to handle an account after it comes to the brokerage (see story, page 24B).

"If I sold a piece of business, I would be responsible to assist on servicing the account," says Mr. Patterson in describing how the proposed James structure would work. "But someone will be identified as an account executive who can handle the day-to-day needs of the account. Backing up the account executive will be one or two administrative assistants who perform some technical but mostly clerical functions."

Administrative assistants, who work with a number of different account executives, would report to a separate supervisor called an account coordinator.

Despite the relatively large network of people working on an account, including the account executive and the adminstrative assistants, the producer won't relinquish all responsibility for the business he or she produces, Mr. Patterson stresses.

"The producer definitely is going to be involved. He'll introduce the account executive (to the client) but then say, 'If the account executive isn't available when you have a question, then call me.'"

Producers under the proposed system may also have backup. A second producer will be generally familiar with what's happening on an account.

Producer backup, as well as the proposed account servicing network, should help alleviate some problems James recognized under its current system, Mr. Patterson notes.

First, the more people familiar with an account, the greater the chance for continuity if a producer or another key person leaves the brokerage.

Secondly, a network of people available to either answer questions or know where the find the answers increases efficiency, he says.

"For example," he says, "I travel a lot. When I return, I usually have a pile of messages. A lot of people would call in and just ask me to call back, because I didn't have any backup. I then would spend at least one day doing nothing but returning phone calls.

"We feel under the new system we can prevent the backlog and have clients' questions answered much more quickly.

"Clients also must understand who the right person is to contact, and feel comfortable with that person.

"We also must find out what accounts need the most people (in the servicing network). Some small accounts, say $1,000 in premium, can be very demanding, while other must larger accounts need less attention. It's up to the producer to identify which accounts will require the most backup." ■

We Make the Market

In Amateur Youth Sports

AND IN—children's camp coverage • animal-related insurance • ski area coverage (including shops/touring) • gymnastics schools & clubs • college & university student accident & sickness coverage • martial arts schools & tournaments • accident coverage for group activities • dance/exercise/fitness schools • Broker Member N.Y. Insurance Exchange

For Specialty Risks—Call the Specialist

Rhulen AGENCY, INC.

217 BROADWAY, MONTICELLO, N.Y. 12701
(914) 794-8000
in New York City: (212) 924-1950
Outside New York State call toll free: 800-431-1270
Offices in principal cities coast to coast and Toronto, Canada

Gallagher gives producers control

Clients are best served when producers retain total control of an account rather than turning it over to someone else, says Patrick Gallagher, area executive vp at Arthur J. Gallagher & Co. in Rolling Meadows, Ill.

"Account executives, who are ultimately responsible for accounts, are both sales and servicing people. They're responsible for both producing and retaining the business," Mr. Gallagher says.

He admits that the system is rather unusual among the large national brokers, but he says Gallagher isn't planning on changing its structure.

"Most (brokers) split all the functions among various people, but they lose control. They compensate by saying they offer more expertise that way. We have those (experts) available, but we also have the control. People also like the personal service."

Producers at the brokerage do receive backup for some of the servicing functions, Mr. Gallagher says.

Technical account assistants handle some day-to-day inquires and follow the producers' instructions. These assistants do not, however, work exclusively with or report to one producer like support personnel at other brokerages.

Instead, technical account assistants report to a technical assistant supervisor, who coordinates the activities of all the assistants in an office and reports to an area executive vp.

The area executive vp also oversees area vps, each of whom supervise from five to eight producers, Mr. Gallagher continues.

When the producer is out of the office, a client can go to the area vp with an inquiry that can't be handled by the account assistant.

Along with servicing, account assistants help the producer market accounts to insurance companies, Mr. Gallagher says, explaining that the brokerage doesn't have a marketing department. Producers know more about their business than anyone else, so they're the best people to communicate with insurers about a risk, he says.

Gallagher, like most brokers, does deviate from their typical sales and service structure for some accounts, Mr. Gallagher notes. Account executives in the special accounts department take over the servicing function and the ultimate responsibility for the accounts sent to the department.

Accounts are sent to the special accounts department if the producer and the client decide the account is too large for one producer to supervise. ■

M&M calls in experts from around the world

Marsh & McLennan Inc., the world's largest broker, stretches the concept to decentralized sales and service to all corners of the globe.

Unlike other brokerages where a sales and service team is located in one office, M&M regularly calls on personnel in offices throughout the world to put together a team to work on an account.

M&M has established 12 committees, whose members come from different M&M's offices, which specialize in different industries, including aviation, chemical, and pharmaceutical industries, explains Pamela Newman, managing director for client services.

From 12 to 15 M&M managing directors, employees who have established expertise in a particular area, work on each committee. They not only know what risks clients in the industry face, but they also have formal education and experience that helps establish them as experts, she says.

Committee members are actively involved in producing all the business in their specialty industry, she continues. For example, when a salesperson in the Chicago office is invited to make a presentation to a pharmaceutical company, he or she contacts the chairman of the pharmaceutical committee. The committee chairman, along with other members of the committee, would help develop a Chicago-based team to build a program for the prospective client.

The people on the team each have different specialties, like loss-prevention, underwriting and legal expertise.

M&M emphasizes that its employees should be multidisciplined, yet should also develop specialties.

Unlike other national brokers, M&M doesn't have any pure producers—people who make a sale and then turn the business over to someone else responsible for servicing the business, Ms. Newman says.

"If you're the one developing the business, you never leave the client's portfolio," she says. ■

Rhulen producers aided by callers

Cold calls are the most difficult sales attempts for producers, most agents and brokers agree.

To ease this problem, The Rhulen Agency is helping the producers in its decentralized sales and service system by having other personnel contact account leads by telephone before the producer makes a call.

Rhulen, based in Monticello, N.Y., assigns one or more customer service representatives to contact members of an industry the agency has targeted, explains Jackie Mack, vp for commercial lines.

The targets stem from a variety of sources. For example, an insurer with a new product may supply a list of leads, or the agency may develop the list using a directory of companies in a particular industry.

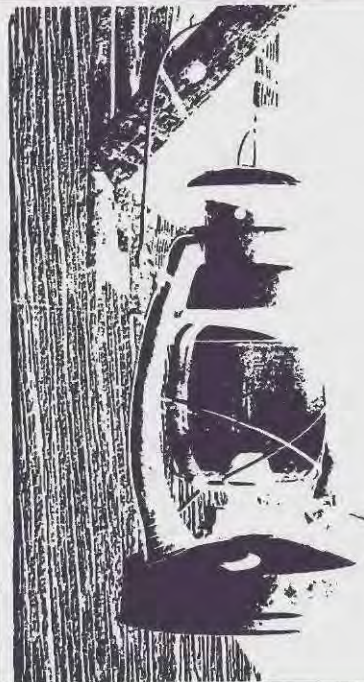
The callers first introduce the agency and explain the product Rhulen is promoting, and then try to determine the lead's premium base. If the lead appears to fit into the target group, the caller attempts to set up an appointment for a producer, Ms. Mack says.

"Customer service reps who make the phone calls all have a brokers' license. Sometimes people want to know about the insurance product right away. The caller has to know something about insurance."

The customer service reps who make the calls are salaried, she notes, but "some day, if it works, they might get paid on an incentive basis," earning a fee for each appointment they schedule.

The jury is still out on the success of the program, which began in January. "It depends in part on how good the callers are at sales. One day a caller set up nine appointments out of 12. Usually you're lucky if you get three (appointments) out of 10 calls."

Preliminary results also indicate that the agency sells an insurance package to about 50% of the target clients who set up appointments during the initial call. ■



Is your auto dealer market drying up?

We've been here over ten years, maybe it's time we met!

If so, give us a call!
213.540.9221

DEALER COVER INC.
21535 HAWTHORNE BLVD. • SUITE 322 • TORRANCE, CA 90503

ONE VERY IMPORTANT ELEMENT FOR A SUCCESSFUL ARCHITECT APPEARS ON THIS PAGE

The P.L.U. Architects, Engineers, and Surveyors policy is designed to provide the broad coverage today's design professionals require. In addition, certain coverage options are available, including:

First Dollar Defense, Joint Ventures, Project Coverage, Design/Build, Residual Protection in the Event of Retirement and Full Prior Acts.

P.L.U., Inc. offers limits of up to $5,000,000 on both a primary and excess basis and is accessible to Agents and Brokers nationwide. P.L.U.'s responsive service, attractive commission rates, and flexible underwriting allow Agents and Brokers to provide the sound and up-to-date coverage successful design professionals deserve.

Other programs available through P.L.U., Inc. are Accountants, Contractors, Insurance Agents, Lawyers, Real Estate Agents, Miscellaneous Errors and Omissions. For further information, contact:

William B. Turner
P.L.U., Inc.
20 North Clark St., Suite 1615
Chicago, Illinois 60602 312-372-1071

P.L.U. INC
THE PROFESSIONAL LIABILITY UNDERWRITERS

Broker's experience aids company's recovery

SCARSDALE, N.Y.—A successful insurance agent or broker is, above all, a keen business person, many industry observers say.

As an example, some of those observers point to Walter E. Bronston, president of Novo Corp., a small diversified industrial company, and chairman of insurance brokerage Bronston Shapiro Inc.

About five years ago, Mr. Bronston, who was then president of Bronston Shapiro, stepped in to rescue Novo from bankruptcy.

The move put Mr. Bronston on rather unfamiliar ground. Since 1946, he had worked exclusively at the brokerage his father had founded, W.E. Bronston & Son, which later merged with E.B. Shapiro Co. to form Bronston Shapiro.

But as he worked at the brokerage, he watched Novo, another of his family's businesses, grow throughout the 1950s and 1960s. "I always remained on the periphery (at Novo), though," Mr. Bronston explains.

At the brokerage, he specialized in placing wet and dry marine coverage including risks in the trucking industry, an industry in which Novo was a key participant.

As Novo grew it diversified, purchasing manufacturing companies and businesses in the film industry including a firm that made industrial films.

In 1969, Mr. Bronston's father retired from Novo, which was now producing about $60 million in revenues and several million in profits annually.

The new management concentrated the company's resources around its air freight subsidiaries, Mr. Bronston says. "That required a lot of money. To finance it, (the management) sold off subsidiaries that didn't fit. Unfortunately, they were profitable."

By 1975, Novo had sold all its manufacturing companies. And in December of that year, Novo sold its trucking fleet, the original lifeblood of the conglomerate.

Meanwhile, Mr. Bronston had started to become more involved in Novo. "In 1972 I put together a self-insurance retention plan (for Novo) through Midland Insurance Co. It gave me more involvement in the day-to-day operations of Novo. The plan also helped reduce Novo's insurance expenses."

Reducing expenses was vital for the company, which lost money though operations throughout the early 1970s. The profit the company continued to show during this period was only generated by selling assets, Mr. Bronston explains.

In 1976, Mr. Bronston was elected to the board of directors at Novo and for the first time became active beyond servicing the company's insurance needs. Novo, however, was now deteriorating rapidly, he says.

"By mid-1978, it became clear that three of Novo's subsidiaries were bankrupt. Our bank pulled out, calling in the loans. Our attorneys told us the entire company would have to go into Chapter 11. I said I would watch the corpse for three months."

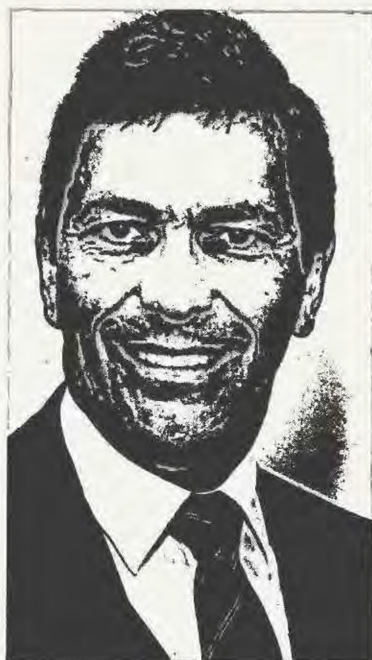
Mr. Bronston arranged with his partner at Bronston Shapiro to turn over day-to-day operations of the brokerage to others so he could concentrate his efforts on Novo.

Although Novo had a negative net worth of $5 million and debts exceeding $30 million, Mr. Bronston didn't just "watch the corpse. I convinced the bank that it would be better off the longer it kept us alive.

"I knew a great many people who knew the freight forwarding business," Mr. Bronston says, noting his years of servicing the industry through his insurance brokerage. With their assistance, together with the knowledge he had gained from working with the trucking industry over a 30-year period, he began liquidating portions of the conglomerate while building other, still-profitable subsidiaries, like companies that transport specialized goods.

Through the combination of those actions, he reduced Novo's debt and by 1980 the company was again earning an operating profit.

The following year, a now healthy Novo moved it headquarters to Scarsdale, near Bronston Shapiro.



'The broad business education you get in insurance really made the difference,' Mr. Bronston says.

Mr. Bronston says he'd like to formally meld his two interests—Novo and insurance brokerage. "We're (Novo) looking for an insurance brokerage willing to amalgamate. We could buy Bronston Shapiro, but that might be a problem. It's hard to be completely objective in a deal like that. We're really interested in what's happening in the insurance brokerage industry.

"It's not necessary for a parent company to be intimately knowledgeable about a (subsidiary's) industry, but it sure helps."

Knowledge and skills developed in the insurance brokerage industry helped Mr. Bronston rebuild Novo, which last year reported earnings from continuing operations of $458,000 on revenues of $17.8 million, he says.

"The broad business education you get in insurance really made the difference. You also develop a certain pragmatism in the insurance industry that helps you succeed. In any business, risk is always there. The question is, do you want to hold on to it or send it away?" ■

Here's what we've changed:

Guaranty National Companies

Here's what we haven't:

We updated our logo to better represent what we are — a specialty company which takes an innovative approach to its products and services.

To meet your needs, we offer almost 200 different property-casualty coverages. If we don't have the exact one you need, we'll tailor the coverage to your specifications.

For the nonstandard private passenger auto program, we developed an automated direct bill system. This state-of-the-art system relieves the paperwork burden so our independent agents can spend their time selling.

Our private passenger auto and motorcycle programs* are available from a network of independent agents. We market our commercial products through the general agency system. For more information on how our innovations meet your needs, call or write today.

*Available in CO, ID, MT, NE, NM, ND, OK, UT, and WY.

Name ____ Phone ____

Address ____

City/State ____ Zip ____

☐ Independent Agent ☐ Managing General Agent

Guaranty National Companies
Department A/P.O. Box 3329
Englewood, CO 80155 1-800-525-7665

Guaranty National/Landmark American Insurance Companies

Agency captive seminar

Captive formation can help protect accounts

By DONNA LEIGH YANISH

NEW YORK—Agency-owned offshore insurance companies are the wave of the coming decade, and agents and brokers must be prepared to ride along.

That was the message agents received last month at a seminar on organizing and operating agency captives sponsored by American Risk Management Inc., a subsidiary of The Reiss Organization, a captive management company; and Conning & Co., an insurance industry consultant.

More than 100 agents attended the two-day seminars to learn why agents are forming captive insurance companies and how they can follow the trend.

One of the main reasons agents are forming captives is to defend their accounts from competitors, according to Douglas H. Helm, chairman and chief executive officer of H. L. Capital Management Corp., a financial services corporation, in San Francisco.

Medium-sized accounts, historically the lifeblood of independent agents and brokers, are being courted by both large national brokers, which previously concentrated on jumbo risks, and direct writers, which are branching out from personal lines, he noted.

To fight this encroachment, agents are forming captive insurers either as a single-agency venture or, more often, through a group of agents and brokers, Mr. Helm said.

Owning an insurance subsidiary gives the agent or broker the market control necessary to compete with national brokers and direct writers, Mr. Helm explained. An agent or broker with a captive insurer isn't necessarily fettered by market and product availability or erratic pricing, problems the agent may face when relying on traditional insurance markets.

Mr. Helm

A description of a typical agency captive can help explain how the venture affords this control.

The agency captive is designed as a reinsurance facility for a select portion of the agent's book of business, usually the risks the agent understands best.

After incorporating the subsidiary, usually offshore, the agency establishes a fronting arrangement with a domestic, licensed insurer.

All of the agency's risks that will flow to the captive are placed with that admitted insurer. Then the domestic insurer reinsures all or some of that risk with the agency captive. The captive, in turn, may retrocede some of its portion of the risk to other insurance markets.

Because the agency's subsidiary reinsures the lion's share of the risk, the agent has an assured market for business he or she wants to write, as well as having the clout necessary to design the insurance products to meet specifications.

The guaranteed market puts the independent agent on equal footing with the direct writers and the flexibility to design products.

And, according to Mr. Helm, agents and brokers who own their own captives have profited from that edge. "About one-half of the premium that's going into agency captives comes from direct writers; the other half comes from business already (placed by) the agency."

It's this second half of the business—the agency's current business that is funneled into agency captives—that has many insurers nervously watching the growth of agency captives, Mr. Helm told the agents in the audience.

Many insurers say that if agents and brokers get involved in risk selection and place business ultimately into a reinsurance company they own, they'll place the best risks in their own subsidiaries, Mr. Helm said. Insurers fear the agents' other markets will receive the less-desirable risks.

"There's unbelievable fear (of agency captives) from middle management. They don't realize (insurers) can still generate fees through working with captives. In almost every instance, reinsurance treaties with offshore captives owned in part by insurance agents are constructed in such a way as to share the risk on a quota-share basis with the policy-issuing company."

In a quota-share arrangement, the policy-issuing insurer retains an agreed percentage of each risk being insured and shares all premiums and losses according to the agreement.

"Then, too, the policy-issuing company has the option of generating fee income from fronting and servicing," he added.

Some agents and brokers forming captives are also allowing insurers to take an equity interest in the captive itself, he added.

Most agents who form insurance subsidiaries, however, want to avoid tying themselves to an insurance company and therefore do not want an insurer as a partner in the captive, he said.

Although creating an alternative to the traditional agent/insurer relationship and having some control over the marketplace are primary reasons for forming agency captives, the attitudes of captive owners can change once the insurer is formed, noted Fred Reiss, chief executive officer of The Reiss Organization, a firm specializing in captive management.

As agency-owned captives develop, they begin to yield a return on investment. "There's a change in attitude (about the agency captive) from considering it a cost-control center to a profit center." ■

"You came to Manhattan *for your group quotes. And we delivered over $7 billion in group sales in 1982!* **Nearly $4 billion so far in 1983!!**

Now come to Manhattan *for ordinary . . . voluntary . . . spouse . . . substandard . . . universal life . . . structured settlements . . . the works! Or,* **you'll keep losing those cases to us!"**

Here's why:

The RIGHT combination
Manhattan Life and Manhattan National offer the winning combination of price, product, high commissions and the **flexibility** to meet your clients' most demanding needs for creativity.

The RIGHT products
Such as the AEGLI Group Life Trust with high-level AD&D, plus up to $500,000 guaranteed issue in cases of 10+ lives . . . Lifestyle 2000—an excellent ordinary life product . . . PrimaryLife—our universal life product. PLUS—innovative substandard underwriting.

The RIGHT direction
There's Employee Voluntary Term Life—popular, low-cost, by payroll deduction. Available on a **group** basis or an **individual** basis.

Spouse insurance is available **with** the employee plan, up to the amount carried on the employee or available for the spouse **alone.**

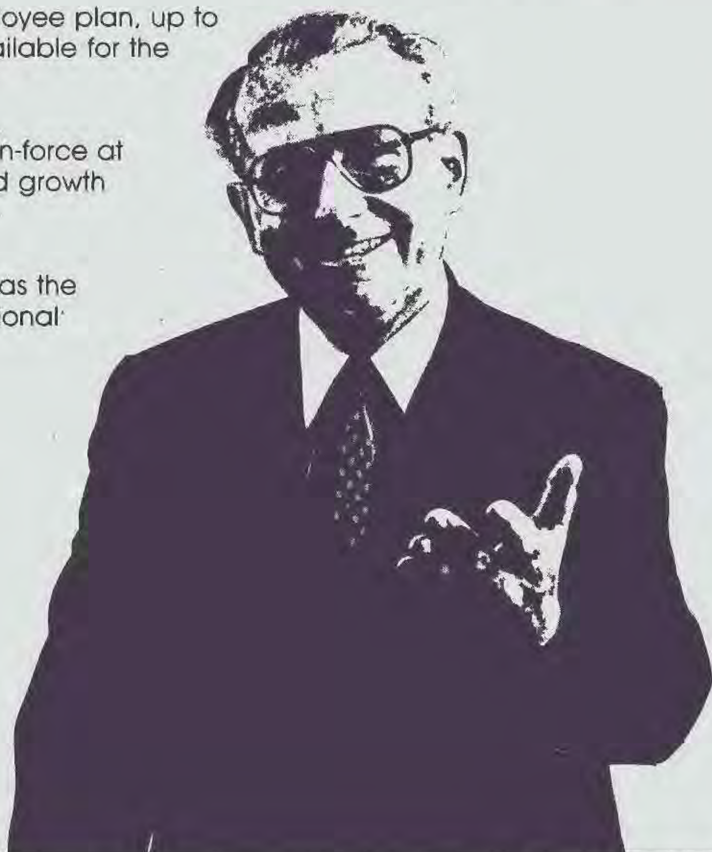
The RIGHT numbers
Our growth in 1982 was phenomenal! Total in-force at year-end was over $20 billion. And this rapid growth continues in 1983!

And, the RIGHT people
Best of all, your Manhattan general agent has the expertise plus the assistance of our own regional directors to back you up!

So call your Manhattan general agent today! Or call me in New York at (212) 484-9329.

Get on the Manhattan Sales Wagon now!

General agency opportunities available in selected areas.



Bill Flynn, CLU
Chief Marketing Officer

Manhattan Life
Manhattan National Life
companies of
Manhattan National Corporation
111 West 57th Street, New York, NY 10019

Choose a reinsurer to suit your captive's needs

NEW YORK—Is the reinsurer of your agency captive going to be around when you need it?

An agency captive can have the most innovative and responsive reinsurance program, but if the reinsurer goes bankrupt and can't pay claims, the captive insurer's financial well-being will be jeopardized and its money wasted.

That's the warning Thomas J. Tartaro, a vp in the captive and direct treaty department at Prudential Reinsurance Co. in Newark, N.J., gave to agents at a seminar on agency captives last month sponsored by American Risk Management Inc. and Conning & Co.

Mr. Tartaro stressed the need for agents to carefully choose a reinsurer for their captive insurance companies' risks, pointing to an insurer who had to pay millions of dollars in losses last year because its reinsurer had been declared insolvent. However, he did not identify either the captive or the reinsurer.

Choose your reinsurer with the idea that the relationship will be long-standing, he advised. "It is important that a (captive insurance) company not establish a reputation of leaving its reinsurer in a deficit position, as it could prove costly in the future."

With that in mind, Mr. Tartaro suggested a few tips for agents investigating reinsurers for their captive insurance subsidiaries:

- Visit the management of the reinsurance company. "All of the financial data and track record information you will review deals with history. It is the current management that is deciding the company's future. Are you impressed that these are the professionals who will continue to promote the success of the company at least at the same level of its past record?"
- Talk with several of the reinsurer's long-standing clients. "In this way you will be able to evaluate not only the service (the reinsurer) provides, but also some of the subtle changes and not-so-subtle changes in personnel and direction of the (reinsurer) not necessarily portrayed in the numbers."
- Identify and evaluate the reinsurer's retrocessionaires.

When evaluating a reinsurer, some of the items to review are the audited financial statements, annual statements filed with the insurance department, financial reports filed with the Securities and Exchange Commission and Best's Insurance Reports.

Even if investigation indicates that a reinsurer is financially strong with a sound management, it may not be the best reinsurance company for your agency captive, Mr. Tartaro said. The best reinsurance program is the one that meets the needs and objectives the agent has established. Each agency and its captive insurer have unique characteristics that should be considered in choosing the reinsurer.

Factors that influence program design include:

- The agency captive's retention, which is determined by its capital and surplus and its management's risk-taking attitude.
- The class and mix of business written by the captive.
- The policy limits for the book of business placed through the agency captive.
- Its premium volume.
- The agent's plans and objectives for the captive.
- The cost of the reinsurance, which itself will depend on several factors.

One factor affecting the cost of reinsurance is the agency captive's underwriting experience, Mr. Tartaro said. Each insurer has its own underwriting philosophy, he noted, and that is really what a treaty reinsurer is underwriting.

The cost of reinsurance will also depend on how much risk the agency captive retains.

"Your reinsurance costs will also vary with the class of business. There isn't any standard rate or rate manual. The reinsurer looks at the overall rate adequacy and its risk level of the particular class," Mr. Tartaro said.

But the quality of the agency captive's management is the most encompassing factor affecting the cost of the reinsurance, Mr. Tartaro noted, because it affects all aspects of the captive's operations and reflects itself in the captive's growth, experience and overall success.

The more information you can give the reinsurer, the better, Mr. Tartaro told the agents. Specifically, the reinsurer will want to know:

- The class of business reinsured and the policy limits being offered.
- Individual loss information that reinsurers generally request for losses that exceed 50% of the amount of risk retained by the captive. "It's the history of each individual loss that we want to know about. What is the value of a 1979 loss at the end of 1979, 1980, 1981, 1982?"
- Background information on the experience of each underwriter, the scope of their responsibilities and the extent of their underwriting authority.
- Complete information on the captive's claims operation—either staff or third party—including details about the experience of the claims staff, the scope of their responsibilities and their settlement authority.
- Annual reports and insurance department annual statements for each of the last five years.
- Biographical sketches of key individuals and their experience in the insurance business.
- History of rate increases and decreases for each line of business for the last five years.

Once agents have gathered the information reinsurers want, they have a choice of two widely used and effective methods of approaching reinsurers, Mr. Tartaro said. They can either go through a reinsurance intermediary or directly to a reinsurer.

Some reinsurance companies entertain business directly through their own sales force and others obtain their business through reinsurance intermediaries, he explained. A few accept business either way.

"My recommendation is when you have done all your homework, identifying your needs and objectives, that you then select one broker and two direct professional reinsurers to review and quote. This will give you the broadest view available in the marketplace." ∎

Don't waste time phoning around... when one call can do it all.

If you call Schinnerer first for all your construction industry professional liability insurance needs, you'll save yourself a lot of time. When it comes to specialized coverage for your client's professional liability—we've got the construction industry covered.

From our traditional CNA professional liability policy which still protects more architects and engineers than any other—to "state of the art" coverages like our Owners' Project or Multi-Project policies, there is really only one call you need to make for the best coverage available.

If you don't like to waste time—call us.

- Architects' & Engineers' Professional Liability
- Project Insurance
- Owners' Multi-Project Insurance
- Design/Build Professional Liability
- Surveyors' Professional Liability
- Landscape Architects' Professional Liability

Coverage provided by Continental Casualty Company, one of the CNA Insurance Companies.

Victor O. Schinnerer & Company, Inc.

The first is still the best

Program Administrators & Underwriting Managers

5028 Wisconsin Ave., NW
Washington, D.C. 20016
(202) 686-2850

303 E. Wacker Drive
Three Illinois Center
Chicago, IL 60601
(312) 565-2424

40 Wall Street
New York, NY 10005
(212) 344-1000

595 Market Street
San Francisco, CA 94105
(415) 495-3444

Experts are divided on where to turn for captive advice

NEW YORK—Whom should an agent or broker contact first when contemplating forming a captive insurance subsidiary?

A panel of speakers at a seminar last month on organizing and operating agency captives, sponsored by American Risk Management Inc. and Conning & Co., couldn't agree on whom agents and brokers should contact initially.

One panelist, however, suggested that curious agents and brokers seek the advice of someone who can help determine whether the agent's or broker's book of business contains accounts that would be profitable if placed with an agency captive.

Decide whether you have preferred or substandard business, he said. If it's substandard, don't take the risk yourself.

The business should yield loss ratios of less than 50% to 60%, William G. Watson, vp of American Risk Management Inc. in Fort Lee, N.J., told the audience.

Profitability of the agent's or broker's book of business is just one of the criteria for risks placed through an agent's or broker's insurance subsidiary, he said.

Risks placed through the insurance subsidiary should also be homogeneous, non-catastrophic and subject to agent and broker control.

Control is vital, he stressed.

"The worst thing you can put into a captive is very competitive business," he said. In fact, agents and brokers may consider steps to reduce the chance that policyholders whose risks are placed with the agency's captive will take their business to another agent or broker, Mr. Watson said.

For example, allowing policyholders to purchase equity interest in the agency captive can help reduce the likelihood that they'll move the business.

In addition, catastrophic risks shouldn't be placed through the agency captive because of the potential for wiping out reserves in a single event, he said, even though retroceding the risks will protect the captive somewhat.

"You don't, however, want to send all of the risks to reinsurers because the profits won't be there," Mr. Watson explained.

Retaining at least a portion of the risk is the most important part of an agency captive, he added.

How much should be retained may depend in part on the agent's or broker's objectives for establishing an captive insurance subsidiary. The agent or broker must define the objectives, Mr. Watson noted, keeping in mind the analysis of the current book of business and what risks are to be placed with the captive.

Next, the agent or broker should estimate the costs of establishing the insurance subsidiary. Among the expenses that should be included are: a commission off the top for the agency or brokerage, the cost of claims administration and loss control and taxes, Mr. Watson said.

Add to those costs expenses particular to the captive insurance subsidiary, including excess-of-loss reinsurance, legal and management fees and loss adjustment and other expenses, he added.

One speaker on the panel, who used as an example an agency captive domiciled in the Cayman Islands, estimated that the total cost of forming an agency captive is likely to reach $50,000 to $60,000. If it costs much less, you should question why, he said.

Also, agents and brokers should add to the expenses a commitment of $120,000, which is the minimum capital requirement in Cayman, he added.

After estimating costs, the agent or broker should project the financial strength of the captive, based on the proposed premiums to be sent to the captive and the estimated costs of operation, Mr. Watson added. ■

E/S Marketing is our only business... and we do it very well, whatever the market situation!

Over the years, IBS has continued to work solely for the retailer, purely as an intermediary and wholesaler of the finest programs for special risks.

Let's discuss your requirements.

Insurance Brokers Service, Inc.
230 West Monroe Street Chicago, IL 60606
Telephone (312) 621-1770 Telex 25-6231

MANY HAPPY RETURN CALLS

PILOT'S S.A.I.L. PROGRAM
LETS YOU TURN ONE EXISTING ACCOUNT INTO MANY NEW ACCOUNTS.

S.A.I.L. stands for Salary Allotment Individual Life. It's an opportunity for you to sell individual life insurance policies to employees of firms having a Pilot group plan.

You can offer them *permanent* insurance at exceptionally low rates and have the premiums deducted from their earnings. And you can add their spouse and children to the coverage.

S.A.I.L. is an easy way to boost your income from existing Pilot accounts. Take advantage of it. Contact your Regional Pilot Group Office or the Group Division, Pilot Life Insurance Company, P.O. Box 20727, Greensboro, NC 27420. Or phone (919) 299-4720.

We're Pilot Life. In the top 3% of the world's leading insurers offering Life, Group, Health, Pension and Equity Products. And proud of it.

Pilot Life
A Jefferson-Pilot Company

WE'RE LOOKING FOR BETTER WAYS TO HELP YOU SELL.

Pension law changes will affect agencies

By Robert Feinschreiber

THE 1982 Tax Equity and Fiscal Responsibility Act limits benefits from corporate retirement plans. All businesses are affected, especially closely held companies, like many agencies and brokerages.

Many new restrictions are effective immediately but others will be phased in over the next few years, so prompt action on changes that affect you is advisable.

Pension and profit-sharing plans provide important tax benefits to both employers and employees. The company deducts its from its taxes, but the employee is not taxed until benefits are paid. Meanwhile, income earned by the plan accumulates tax-free.

If the benefits are paid to the participant's heirs, there are income tax or estate tax savings. In addition a participant may be able to borrow money from the plan.

Plans may promote company loyalty since a plan can require employees to work for the company for a number of years before they are vested. Therefore, good retirement plans can be important in attracting and keeping employees.

There are basically three types of corporate retirement plans: a defined contribution pension plan, a defined benefit pension plan and a profit-sharing plan:

- A defined contribution pension plan requires annual employer contributions of a fixed percentage (up to 25%) of each participant's compensation. Pension benefits depend upon investment results on the funds.
- A defined benefit pension plan provides each participant a benefit based on a set percentage of pre-retirement income. An actuarial computation determines the proper contribution each year.
- A profit-sharing plan is similar to a defined contribution pension plan since plan contributions are based on a percentage of compensation. Here, the percentage is variable and may be totally within the company's discretion or can be a fixed percentage of profits, but no more than 15% of compensation can be contributed annually.

When a company has both a defined contribution and a profit-sharing plan, total contributions are limited to 25% of each participant's annual compensation.

The adoption of both a defined contribution and a profit-sharing plan is often advantageous for brokers and agents because it gives them the flexibility to vary the contributions to each plan and still allows a total contribution of 25%.

Employer payments into defined contribution plans are limited in the number of additions that can be made to any participant account. The limitation applies to the employer contributions, certain employee contributions and forfeitures allocated from other participants.

In 1982, the ceiling on contributions was $45,475 per participant, but the new limit is $30,000. This amount will increase with cost-of-living adjustments starting in 1986.

For defined contribution plans in existence on July 1, 1982, the lower limit applies in 1983 and after. For plans started since July 1, 1982, the new rule is effective immediately.

Thus, a plan in existence on July 1, 1982, may have one plan year left before the new rule goes into effect. Maximum contributions during this year may enable insurance brokers and agents to take advantage of this fleeting opportunity.

The selection of a retirement age is important for a defined benefit plan.

Maximum annual benefits under a defined benefit pension plan are limited to 100% of the participant's average compensation for the highest three consecutive years of participation.

This benefit is also subject to a dollar limitation, which was $136,425 under the old law. The new law reduces this limitation to $90,000, but cost-of-living increases will raise this amount in 1986.

For plans in existence on July 1, 1982, the new limitation applies for plan years beginning in 1983. For new plans this reduction applies immediately. Thus, additional benefits may be available if prompt action is taken.

The prior law permitted payment of a $136,425 retirement annuity starting as early as age 55. Such an early retirement requires much greater annual contributions because participants will live longer after retirement while fewer pre-retirement years are available for funding the benefits. Thus, the selection of a retirement age is important for a defined benefit plan.

The new law permits selection of a retirement age as early as 55, but limits benefits retirement earlier than age 62. If the retirement age is at least 55, but under 62, the new $90,000 limitation is actuarially reduced, but not below $75,000. Thus, for insurance brokers and agents using 55 as a retirement age, maximum annual benefits are cut from $136,425 to $75,000.

The prior law required that loans from qualified plans to participants or beneficiaries bear a reasonable rate of interest, be adequately secured, provide a reasonable repayment schedule, be available to all plan participants on a non-discriminatory basis and be supported by written documentation. The new law imposes additional restrictions.

The new law treats loans made since Aug. 13, 1982, as taxable distributions unless special requirements are satisfied. The loans must be repaid within five years. Also, when a loan is added to the balance of all other outstanding loans to the employee, it must not exceed $50,000 or half of the employee's vested benefits, whichever is less.

However, total outstanding loans of up to $10,000 are permitted regardless of the amount of the employee's vested benefits. Any renegotiation or extension of a loan is treated as a new loan. All loans from any plans of affiliated corporations are aggregated when applying these rules.

The new loan provisions are effective immediately with no transition or phase-in provisions, but a one-year exception applies to refunding loans. Loans made before Aug. 14, 1982, qualify for this exception when used to make a required principal payment, but not an overpayment of principal.

Continued on facing page

HULL & COMPANY, INC. 1983: THE 21st YEAR.

When is an agent too small to benefit from worldwide contacts?

Put it this way: When is *your* client not good enough to benefit from the best possible protection at the best possible rate? Hull & Company's world-wide markets are at your fingertips no matter how large or small the premium. We invite you to give us a call. Hull can handle it.

Hull & Company, Inc.

2150 S. Andrews Avenue
Fort Lauderdale, FL 33316
(305) 525-2081

9400 Fourth Street, N
Lake Bldg. Suite 107
St. Petersburg, FL 33742
(813) 577-5775

208 S. LaSalle Street
Chicago, IL 60604
(312) 346-3840

1441 E. 17th Street
Santa Ana, CA 92701
(714) 953-4488

2000 N. Loop West,
Suite 116
Houston, TX 77018
(713) 957-1345

Also: London, Paris, Cayman.

Continued from facing page

The five-year repayment rule does not apply to loan proceeds used to acquire, construct or rehabilitate a dwelling that is or becomes the principal residence of the plan participant or a member of the participant's family.

If a loan does not comply with the new provisions, the only adverse consequences are to the borrower, not the plan. The plan's qualification with the Internal Revenue Service is not imperiled.

For many years, Social Security integration favored high-paid employees. The new tax law changes this result and may significantly increase costs to insurance brokers and agents. These new rules require an examination of plan contributions.

Social Security integration enables private retirement plan benefits and Social Security benefits to provide a unified retirement system. Social Security contributions by the employer are partially offset against plan contributions. New rules limit this offsetting for companies with defined contribution plans. Plan contributions together with the employer's Social Security payments must now be the same percentage of annual compensation for all employees.

This new Social Security integration rule may possibly shift defined contribution plan benefits to low-paid employees. However, where low-paid employees have higher rates of turnover, they are more likely to forfeit much or all of the contributions made to their accounts.

In a profit-sharing plan, these forfeitures are reallocated to other employees, usually high-paid participants. Thus, increasing the contributions on behalf of low-paid workers will not necessarily increase the benefits they receive. The high-paid employees may remain the recipients of a heavy percentage of contributions.

> Plans may promote company loyalty since a plan can require employees to work for a number of years before they are vested. Therefore, they can be important in attracting and keeping employees.

Defined benefit plans are not affected by the new integration rules. For companies where turnover rate is low for low-paid employees, a defined benefit plan may provide a higher portion of the benefits to high-paid employees.

Closely held companies have additional problems if their plans are viewed by the IRS as top-heavy.

Top-heavy plans are those that primarily benefit high-paid individuals. A plan is top-heavy if more than 60% of the accumulated benefits or account balances pertain to key employees. Key employees include officers, the 10 largest shareholders, all shareholders owning more than 5% of the company and all shareholders with more than 1% of stock and annual compensation in excess of $150,000.

The determination of a plan's top-heavy status must be made annually. Insurance brokers and agents are affected by these rules if they have relatively few low-paid participants.

A liberal vesting schedule is mandated for any year in which a plan is top-heavy. The employer must make minimum contributions of at least 3% of salary for non-key employees, or the same percentage of contributions made for the key employees. Retirement plans must be amended to provide that the new requirements are met, in the event the plan becomes top-heavy.

When retirement plan benefits are paid to a beneficiary, the beneficiary can choose between receiving favorable income-tax treatment for the proceeds or excluding the proceeds from the decedent's estate for estate-tax purposes.

Prior law permitted an unlimited estate-tax exclusion, but the new law limits the exclusion to $100,000. Thus, this choice must be made carefully.

Plan documents should now be amended. These changes are necessary to meet the new lower limitations on benefits and contributions, but they also can yield additional benefits before the new rules are fully effective. ▪

Robert Feinschreiber is a partner in the law firm of Feinschreiber & Associates in Key Biscayne, Fla.

Vertec offers agency software

KINGS BEACH, Calif.—A new integrated accounting software system for insurance agencies and brokerages is now available from Vertec, which markets software products for agents and brokers.

The system, called VAAS (Vertec Agency Automation System), tracks sales and production volume and performs accounting functions and client profiling on a personal computer.

Users choose what functions they want to perform from a menu of choices written in English, eliminating the need to learn a set of computer codes as with some software systems, notes Vertec President Mitchell B. Sayegh.

The system, including training sessions, costs $3,995. For more information contact Mr. Sayegh or Joe Dana, vp of marketing, at Vertec, 8079 N. Lake Blvd., Kings Beach, Calif. 95719; 916-546-8222. ▪

From The Reprint Department Of:

business insurance

Reporting weekly for corporate risk, employee benefit and financial executives

Do you need to distribute copies of articles appearing in Business Insurance at your meetings or for your mailings?

Business Insurance has expanded its reprint department to meet your needs.

For fast, low cost* reprints of articles appearing in Business Insurance, or to obtain reprint permission for your own copies, call or write:

Reprint Department
Business Insurance
220 E. 42nd St.
New York, N.Y. 10017
212-210-0131
212-210-0229

* New prices effective 1/1/83

We go where Eagles dare.

Unconventional coverage for the conventional. And beyond. On August 17, 1978, Maxie Anderson was one of three men who drifted into the history of aviation aboard the first balloon ever to cross the Atlantic: The Double Eagle II. And with them, exploring the potential of man in flight, was Aviation Office of America.

At A.O.A. we believe in insuring the foresight to conquer the unknown, as well as corporate, private and commercial aircraft, aerial applicators, satellites, airports, flight schools and helicopters. So chances are, your clients' needs can be covered by one of A.O.A.'s policies. Covered expertly, quickly and competitively.

Because our underwriting specialists know your business and your clients' needs, we tailor policies individually at competitive rates for virtually any flying machine. And with six offices nationwide, you can rely on the personal attention of A.O.A. anywhere for speedy policy assistance, same day quotes and prompt claims service.

The fact is, A.O.A. can cover you just about anywhere. Even where Eagles dare.

Home Office: Love Field Terminal Building, Dallas, (214) 353-1400. Branch Offices: Atlanta, (404) 252-1905; Kansas City, (816) 221-1955; Los Angeles, (213) 246-8410; Morris Plains (NJ), (201) 538-9668; San Francisco, (415) 391-9050.

Aviation Office of America
Incorporated

Protection above and beyond.

It took 18 months to settle injury liability in the Hyatt skywalk case...

...and only 18 seconds to look it up in BI's Editorial Index.

With the BI Editorial Index, it takes just seconds to research events and issues that unfold over months, or even years. When you need to pinpoint specific articles in BI that will give you crucial facts—to guide you in your decision-making or, simply, to satisfy your curiosity—you'll find exactly what you need *quickly*.

The Index conveniently lists information by subject, persons quoted and companies mentioned.

All the **Business Insurance** news and features on a host of topics are catalogued in this indispensable Editorial Index: risk management, employee benefits, property/casualty, legislation, financial developments, market trends, losses and claims settlements, and much more.

You'll never again spend valuable time wading through a pile of back copies to find what you're after!

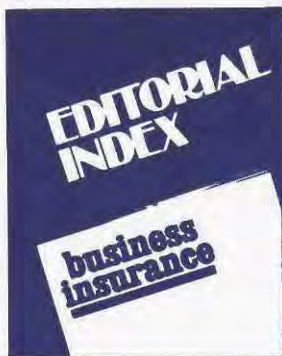
The 1982 Annual Editorial Index is just off the press... and there's a copy that belongs in *your* office. Or in *your* corporate library. And you can still grab up one of a limited number of copies of the 1981 Annual Index. These handsomely bound volumes sell for $100 each.

For you and everyone in your corporation who must keep abreast of the constant changes in the world of commercial insurance and employee benefits, the complete 1983 Index service is a *must*. The 1983 Editorial Index service provides three quarterly reports, followed by a hardcover cumulative Annual Edition. The cost for the complete service is only $100.

And to make certain that you'll have *continuous* access to information, your Index service allows you to use the Crain Information Centers in New York and Chicago between publication of quarterly reports.

Send in the coupon at the right *now* and make sure that vital information will be within your reach whenever you need it.

"Our past... *fast!*"



business insurance

A Publication of Crain Communications Inc.

New York: 220 East 42nd St., NY 10017 (212) 210-0133
Chicago: 740 Rush St., IL 60611 (312) 649-5275
Los Angeles: 6404 Wilshire Blvd., CA 90048 (213) 651-3710

WEEK OF JULY 27, 1981
Hotel cover may top $300 million

WEEK OF AUGUST 10, 1981
Who will pay Hyatt punitive claims?
Disaster raises questions on architect's insurance needs

WEEK OF FEBRUARY 1, 1982
Hyatt class action allows settlements, but will they go on?

WEEK OF MAY 3, 1982
Settlement talks rumored in Hyatt class action

JANUARY 17, 1983
Skywalk liability set at $100 million
By BILL DENSMORE

Business Insurance Editorial Index
220 East 42nd Street, New York, NY 10017

Please send me the following Index(es):

☐ 1981 Annual Index ☐ 1982 Annual Index ☐ 1983 Full Index Service @ $100 each. Foreign postage additional.

☐ Bill me ☐ Bill my company ☐ Payment Enclosed

☐ Visa ☐ MasterCard

Account # ______ Exp. Date ______

Signature ______

Name ______ Title ______

Company ______

Address ______

City ______ State ______ Zip ______

Phone ______

Employers must fight benefit battles: Hart

Continued from page 3
heavy" pension plans—those in which 60% of the benefits go to key officers or employees—was that the benefits community split on the issue.

Small employers lobbied against the top-heavy provision, but large companies generally did not lend their support to their smaller counterparts.

The large employers assumed they could win favor with legislators, like Sen. Dole, for their own benefit concerns by not rocking the boat on the top-heavy pension provision.

But that assumption was off-base, Mr. Hart said, adding that support on one issue is not going to "buy off" Sen. Dole.

In fact, now that the top-heavy provision has been enacted, it could be cited as a precedent when legislators consider imposing faster vesting requirements on large pension plans, benefit experts have noted.

Employers also shouldn't have a short memory when it comes time to support their friends in Congress and defeat their legislative opponents, said Mr. Hart, who helped mold the APPWP into an effective lobbying tool during his three years as executive director.

While Sen. Dole, for example, publicly says he wants to hear from employers on benefit issues, he in fact kept his doors closed during the debate on TEFRA, Mr. Hart said.

By contrast, Sen. John Chafee, R-R.I., saw the dangers presented by TEFRA and was willing to battle Sen. Dole toe-to-toe, Mr. Hart explained.

"It took courage, but John (Chafee) did it. His staff was open to us and explained where Sen. Dole was headed," Mr. Hart said.

Employers also must learn that they can't count on their trade associations, like the National Assn. of Manufacturers and the U.S. Chamber of Commerce, to do all their congressional benefit lobbying for them.

In fact, the big trade associations were unable to unite last year when TEFRA emerged. One would have thought that the threat of TEFRA would lead to the formation of a coalition of employer groups "like nobody had ever seen," Mr. Hart recalled.

But that powerful coalition of employer groups never formed. Many employer groups thought that TEFRA and an earlier version of the tax act proposed by Rep. Charles Rangel, D-N.Y., were so "ridiculous" that they had no chance of passage. As a result, a vigorous lobbying effort wasn't needed, they thought.

Despite the clear threat presented by TEFRA, "A lot of groups wouldn't believe and wouldn't act," Mr. Hart said.

Because trade associations either can't or won't do all the lobbying work, employers have to "get into the trenches" themselves, added Edward Davey, the APPWP's current executive director and general counsel.

Mr. Davey said employers should be on notice that new attacks on employer plans are inevitable. With legislators looking for ways to come up with new revenues to ease massive budget deficits, "they will go after us," Mr. Davey warned.

The "panic" over deficits may lead to broad benefit changes, Mr. Davey said. TEFRA alone made 13 different benefit changes, and that may be just the beginning.

This year, for example, Congress will have to decide whether or not to renew an expiring moratorium that now bars the Internal Revenue Service from issuing new regulations that would impose taxes on certain benefits, like employer-provided parking spaces.

In addition, Mr. Davey expects new attacks on defined benefit plans, noting that some members of Congress believe that Individual Retirement Accounts and profit-sharing plans should be encouraged.

To ward off such attacks, employers have got to get the message across that IRAs and defined contribution plans are supplements, not replacements, for defined benefit plans, Mr. Davey said. ■

ANDREWS LITIGATION REPORTERS

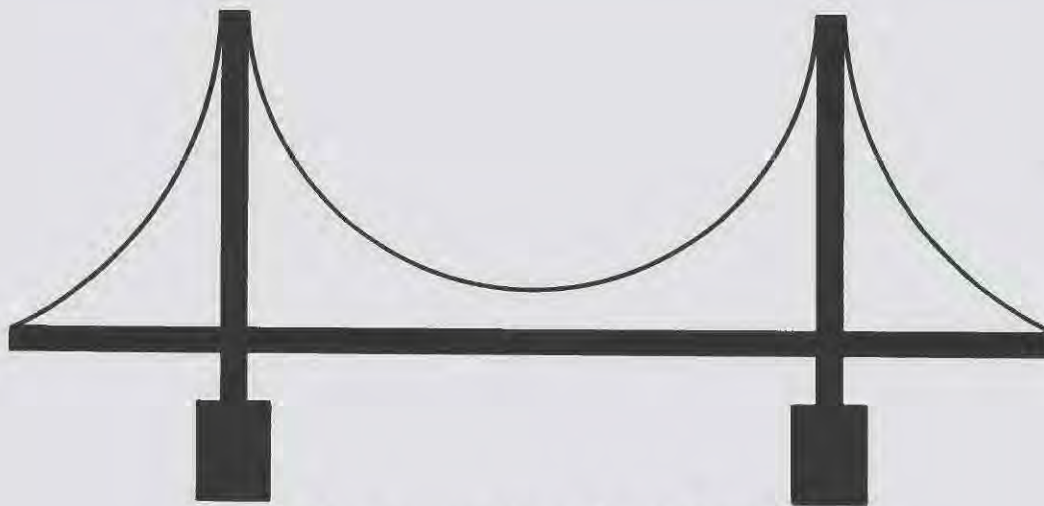
Asbestos—DES—Hazardous Waste

If your company has potential or real liability stemming from litigation related to any of these issues, the twice-monthly *Litigation Reporters* published by Andrews Publications, Inc. should be must-reading for you and your associates.

These are individual, national journals of record on asbestos, DES and hazardous waste litigation. They provide texts of complaints, answers, orders, depositions and significant pleadings along with experienced, unbiased editorial coverage of hearings, bench rulings and settlements. Federal judges, plaintiff and defense attorneys, insurers and defendants rely on them for timely and comprehensive coverage. Call or write for descriptive sample of your subject of interest.

ANDREWS PUBLICATIONS, INC.

P.O. Box 200, Edgemont, PA 19028 (215) 353-2565



Announcing for 1983 new capacity of up to $10,000,000 for both property and casualty in our Domestic Facultative operation. Our experienced staff—long providing superior service in treaty reinsurance—looks forward to meeting your facultative needs as well. A call to any of our three offices—New York, Chicago and San Francisco—will bring prompt, quality service to you anywhere in the country.

San Francisco (415) 929-2100
New York (212) 553-0741
Chicago (312) 580-6004

SAN FRANCISCO REINSURANCE COMPANY

PREVENT BUSINESS HEALTH HAZARDS and REDUCE INSURANCE CLAIMS

Our firm of skilled professionals reviews your company's processes and materials for occupational and safety hazards; recommends appropriate medical, operational and administrative modifications.

MAJOR SERVICES: • group health and safety programs, physical exams • asbestos hazard analysis and correctional measures • industrial hygiene • occupational medicine and biological monitoring • expert legal testimony • lab analyses • on-site mobile multiphase screening • toxicology • EPA water quality and chem analysis • OSHA compliance and record keeping.

Please write or call for descriptive brochure

NEILSON ASSOCIATES

100 Dickinson Dr., Chadds Ford Prof. Center
Chadds Ford, PA 19317 • 215/793-1389

Erlenborn wants to cut pension paperwork

By JERRY GEISEL

WASHINGTON—It's time Congress reduces the paperwork burden that the Employee Retirement Income Security Act of 1974 has caused, says Rep. John Erlenborn, R-Ill.

Rep. Erlenborn, Congress' top pension expert, believes if his newly introduced ERISA Simplification Act of 1983, H.R. 3071, is enacted, it will cut unnecessary pension reporting requirements.

Speaking to the annual Washington legislative conference sponsored by the Assn. of Private Pension & Welfare Plans, Rep. Erlenborn cited several paperwork reduction provisions contained in his bill. Those features include:

- Employees no longer would have to distribute summary annual reports to pension plan participants. Instead, a participant could request a full financial report, now filed with the Labor Department, from his employer.
- Employers would not have to give benefit reports to employees who leave a company before they vest in a pension plan.
- The Labor Department and the Internal Revenue Service would have to develop new, simplified benefit reporting forms.

Rep. Erlenborn

Simplified pension reporting can save millions of dollars, which will lead to better plan administration and benefit improvements for participants, Rep. Erlenborn said.

In addition, he said that sometime in the future he will propose that a new agency be created to be in charge of all pension reporting and enforcement activities. Pension responsibilities are now divided among the IRS, the Labor Department and the Pension Benefit Guaranty Corp.

Rep. Erlenborn, however, said Congress needs to take a long hard look at unisex legislation—H.R. 100, proposed by Rep. John Dingell, D-Mich., and S. 372, introduced by Sen. Robert Packwood, R-Ore.—that would bar insurers and employers from using sex in determining insurance premiums and benefits.

The bill, unless changed, would create $7 billion to $8 billion in unfunded liabilities for public and private pension plans, Rep. Erlenborn said. That's because whenever there is a difference in benefits between men and women, the benefit of the disadvantaged sex would have to be "topped up" (*BI*, May 16).

"The administration has testified that so-called 'topping up' and other retroactive features of the legislation present formidable costs and problems," Rep. Erlenborn said.

"If a severe disruption of both public and private pensions systems is to be avoided, it may well be that we will have to change the legislation to minimize the costs that the administration has identified," he pointed out.

The Illinois Republican doubts Congress will act to overhaul the Multiemployer Amendments Act, the 1980 law that requires employers leaving the plans to pay a share of the plans' unfunded vested benefits.

While a comprehensive reworking of the act is currently "politically impossible," Mr. Erlenborn says employers should forward their suggestions to a special administration task force now analyzing the multiemployer law. That task force is chaired by Jeffrey Clayton, the U.S. pension administrator.

And, if Congress or the administration doesn't act, "perhaps the courts will declare the multiemployer act unconstitutional," Rep. Erlenborn said.

In fact, last month, the 9th U.S. Circuit Court of Appeals declared unconstitutional a retroactive provision in the act that imposed withdrawal liability on employers that left plans between April 29, 1980, the law's effective date, and Sept. 26, 1980, the day it was signed (*BI*, May 30).

Mr. Erlenborn said he soon will introduce legislation that will create a new retirement plan for federal employees.

Among other things, the federal pension legislation, known as FAIR, short for Federal Annuity and Investment Reform, would create a supplemental pension program for new federal employees that would be coordinated with Social Security.

Such a supplemental program is needed because of provisions in recently passed amendments to the Social Security Act. One of those amendments brings federal employees hired after Jan. 1, 1984, under Social Security.

Without a supplemental pension program that is coordinated with Social Security, new employees would continue to be covered under the current federal pension plan, which does not take Social Security into account in setting benefit levels.

On another topic, Rep. Erlenborn said he wants employers to answer questions he has about the Financial Accounting Standards Board's proposed rules to require employers to list defined benefit pension plan liabilities on their corporate balance sheets (*BI*, May 30). Mr. Erlenborn's questions include:

- How will the proposed rules affect employers' pension funding levels?
- What effect will the listing of pension liabilities on balance sheets have on shareholder equity, stock prices and the position of U.S. companies compared with foreign competitors? ■

GUARANTEE ISSUE

FOR AS FEW AS 2 LIVES

GROUP LIFE & LTD

LEVEL COMMISSIONS - 15%

ALL YEARS

CHECK THESE PRODUCTS:

- The NUGIT (Nine & Under Group Insurance Trust) Group Term Life and LTD for firms with 2-9 employees.
- Group Term Life insurance for firms with 10 or more employees. (The simplest form of life insurance available today!)
- Group Long Term Disability for firms with 10 or more employees. (A product employers insist they cannot be without.)

MAIL to Western States Life today or call Nyla TOLL FREE

1-800-437-4174

An A+ Rated Company licensed in all states west of the Mississippi plus Arkansas, Indiana and Michigan.

☐ Please rush me more information.

NAME ______________

ADDRESS ______________

CITY ______________ STATE ______________

ZIP ______________ PHONE ______________

6/1/83 **MAIL TODAY!**

WESTERN STATES LIFE
INSURANCE COMPANY
GROUP DIVISION
P.O. Box 2907 • Fargo, ND 58108

Congress could impose tax on health benefits: Chafee

WASHINGTON—Despite fierce opposition from employers, insurers and unions, Congress is going to take a close look at limiting the amount of tax-free health care benefits an employer can provide, a U.S. senator says.

"We believe tax-free health insurance benefits is a driving force in rising health care costs," says Sen. John Chafee, R-R.I.

But, in a speech before the annual Washington legislative conference sponsored late last month by the Assn. of Private Pension & Welfare Plans, Mr. Chafee said legislators may discard the Reagan administration's health care tax proposal and come up with its own plan.

If the administration's proposal, S. 640, were enacted, an employer's health care or health insurance contributions that exceed $2,100 a year for family coverage and $840 for individual coverage would be counted as income to the employee for federal income tax purposes (*BI*, March 14).

But to encourage health care cost containment, Congress might consider a proposal that would only tax benefits if they paid for more than a certain percentage, perhaps 80%, of an employee's medical and hospital bills, the Rhode Island Republican said.

Alternatively, Sen. Chafee said, Congress might only want to tax health care benefits that exceed a fixed percent of an employee's compensation, such as 20% of his or her salary.

Turning to the pension issues, Mr. Chafee agreed that benefit provisions in last year's Tax Equity and Fiscal Responsibility Act, such as imposing faster vesting requirements on so-called "top heavy" plans that are mainly sponsored by small employers, "didn't work out perfectly."

But he asked employers, who want the top-heavy provisions repealed, to be patient. The Senate Finance Committee, which has jurisdiction over most pension legislation, has a full plate of other pending issues that will keep it busy for awhile.

When asked why Congress doesn't eliminate automatic cost-of-living adjustments to pension benefits received by retired federal workers, Sen. Chafee said such a reduction wouldn't be fair so long as Social Security beneficiaries continue to receive automatic cost-of-living hikes added to their monthly benefits.

Mr. Chafee noted, as did several other speakers at the annual APPWP conference, that Congress is bound to look at new areas, possibily benefits, in an effort to come up with new revenues to ease "intolerable" federal budget deficits. ■

Dole says Congress interested in benefits

WASHINGTON—Medicare may be the next government benefit program that Congress decides to scale back, the chairman of the Senate Finance Committee says.

Sen. Robert Dole, R-Kan., says a means test in which eligibility for full Medicare benefits would be based on income may be the approach Congress decides to take to shore up the financially troubled program.

Speaking before the Assn. of Private Pension & Welfare Plans conference in Washington, Mr. Dole said the new Social Security law (*BI*, April 4) could serve as precedent for other benefit legislation, including the possibility of taxing some employee benefits.

Under the new law, individuals whose adjusted gross incomes exceed $25,000 and couples whose incomes exceed $32,000 will have to pay taxes on up to one-half of their Social Security benefits.

The Social Security benefit tax, which initially will affect about 7% of beneficiaries, marks a change in benefit tax direction, Sen. Dole said.

In the search for new revenues to finance big federal budget deficits, legislators will look at new areas for taxation, including benefits, he said.

In fact, benefits could be a natural target for legislators because of congressional concerns that the Social Security tax base is being eroded by tax-free benefits.

Sen. Dole conceded that the new Social Security law, which he guided through the Senate, probably wasn't the kind of measure that employers wanted. "You probably wanted more on the benefit cut side," he said.

But he reminded those at the conference that compromises were necessary to get the bill passed. "It wasn't what President Reagan wanted or Tip (Thomas) O'Neill wanted. It was what we could hammer out. Everybody had to give a bit," he said.

Sen. Dole also defended provisions in the Tax Equity and Fiscal Responsibility Act of 1982 that require, among other things, small pension plans to offer faster vesting schedules.

TEFRA was an attempt to expand pension plans to make small-employer plans more than tax shelters for top management, he said.

This year, Congress will examine issues like liberalizing plan provisions, such as the lowering of pension plan eligibility age, so that plans do a better job of providing benefits to all participants, he said.■

APPWP offering recommendations

WASHINGTON—The Assn. of Private Pension & Welfare Plans, a major benefits trade group, brought together about 190 employee benefit managers, consultants, attorneys, pension plan sponsors and actuaries at its Washington conference May 24-25 to discuss benefit issues.

Recommendations made by the 600-member group include:

- The tax-free status of employer-provided health insurance benefits should be retained.
- Private-sector approaches should be used to contain health care costs rather than government-mandated solutions.
- A means or income test shall not be used to determine eligibility for Medicare benefits.
- The federal government should provide guidance and encouragement to employers that want to adopt or are already maintaining 401(k) salary reduction plans or cafeteria-style benefit plans.
- The concept of withdrawal liability in multiemployer pension plans should be retained, but modified in a way that is fair to both large and small employers that contribute to a plan.
- Congress should not merge the termination insurance programs for single-employer and multiemployer pension plans.
- The growth of Social Security benefits should be restrained by further increases in the Social Security retirement age, adjustments in the benefit formula and/or curtailment of cost-of-living increases.
- There should be no further increases in Social Security payroll taxes. ■

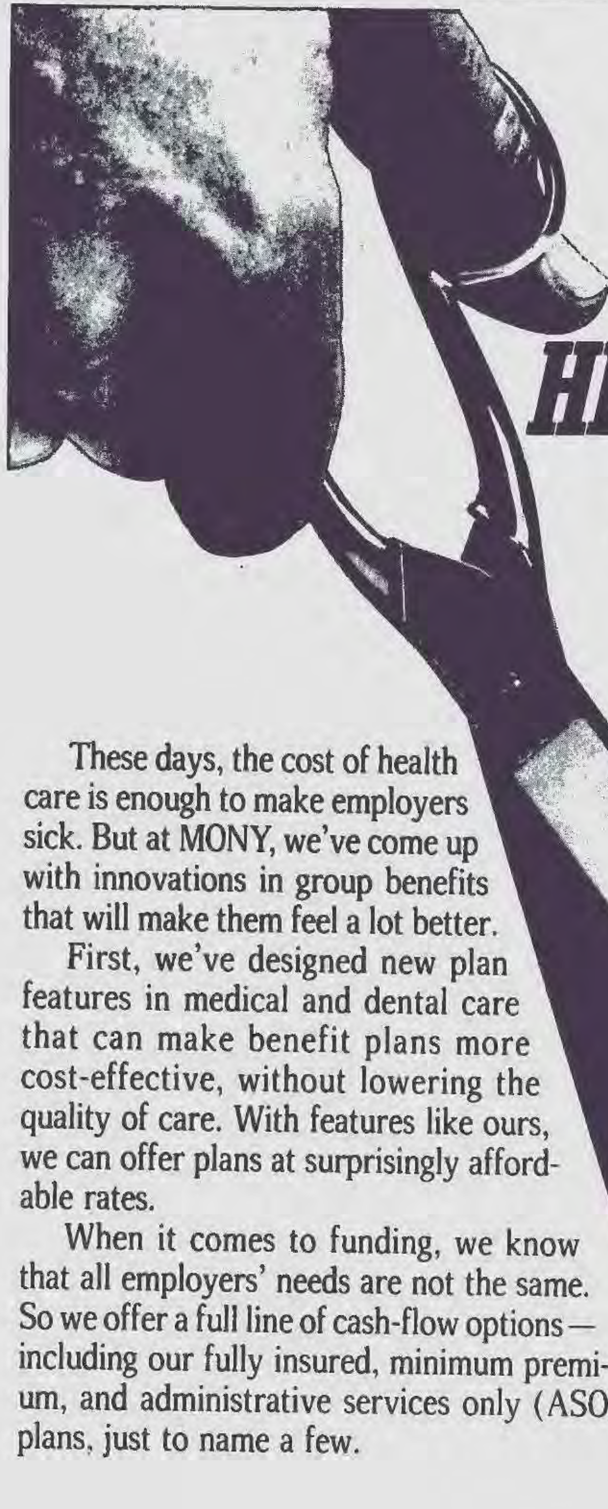
Coming Up!

Agent / Broker Profiles

Issue Date: June 27, 1983
Ad Closing: June 14, 1983

New York:
220 East 42nd Street, N.Y. 10017 (212) 210-0133
Chicago:
740 Rush Street, IL 60611 (312) 649-5275
Los Angeles:
6404 Wilshire Blvd., CA 90048 (213) 651-3710

Reporting weekly for corporate risk, employee benefit and financial executives.



YOU CAN LOWER HEALTH CARE COSTS IF YOU JUST KNOW WHERE TO CUT.

These days, the cost of health care is enough to make employers sick. But at MONY, we've come up with innovations in group benefits that will make them feel a lot better.

First, we've designed new plan features in medical and dental care that can make benefit plans more cost-effective, without lowering the quality of care. With features like ours, we can offer plans at surprisingly affordable rates.

When it comes to funding, we know that all employers' needs are not the same. So we offer a full line of cash-flow options—including our fully insured, minimum premium, and administrative services only (ASO) plans, just to name a few.

Of course, the best way to cut costs is to prevent illnesses from happening. So at MONY, we've developed our Health Education Program for employees. It's a series of colorful brochures with tips on how to stay healthy—and make sound decisions on medical treatment should it become necessary.

There's a lot that can be done to lower the cost of health care. And it starts when you mail the coupon to MONY.

We think you'll see that when it comes to saving money on group benefits, we're a cut above the others.

MONY
A family of financial companies.
WE HELP PEOPLE MANAGE THEIR MONEY.

Mr. Jack Williams, Divisional Vice President
MONY Mail Drop 14-1, 1740 Broadway, New York, New York 10019 (212) 708-2614
Please send me more information on MONY's Group Insurance Programs.
☐ Life Insurance
Medical Insurance
☐ Conventional Funding
☐ Alternate Funding
☐ Dental Insurance
☐ Disability Insurance

Name ____
Title ____
Company ____
Address ____
City ____ State ____ Zip ____
Phone ____

MONY
THE MUTUAL LIFE INSURANCE COMPANY OF NEW YORK
1740 BROADWAY
NEW YORK, NEW YORK 10019
BI

Wheway to become Hogg Robinson chairman

Albert Wheway will become chairman of Hogg Robinson Group P.L.C. when the current chairman, Morris Abbott, retires in September.

Mr. Wheway is currently a member of the board of Hogg Robinson, the holding company of Lloyd's of London broker Hogg Robinson & Gardner Mountain Ltd.

Other agent/brokers changes:

E. Joseph Kane has been appointed president and chief executive officer of Corroon & Black of Louisiana in New Orleans. He previously was president and chief executive officer of Corroon & Black of Nashville in Nashville, Tenn.

David DeRuiter named managing vp of the Casper, Wyo., office of Alexander & Alexander Inc. He previously was vp in the office.

Neil G. Huson elected senior vp and **David J. Buelow** elected vp of Rollins Burdick Hunter of Washington Inc. in Seattle. Mr. Huson, who will be responsible for property/casualty insurance operations, previously was vp in the office. Mr. Buelow previously was bond manager.

Harvey Knoll appointed vp and manager of the property/casualty division of the Boise office of Fred S. James & Co. of Idaho. He previously was an account executive.

comings & goings: industry

Insurers

John D. LeDell promoted to vp-group underwriting in Prudential Insurance Co.'s Northeastern home office in Boston. He had been director of group underwriting at the Prudential Boston office.

Mr. LeDell

James R. Tuerff and **Stephen D. Bickel** elected senior vps at American General Corp. in Houston. Mr. Tuerff was elected senior vp-operations, with responsibility for coordinating activities between the parent company and its operating subsidiaries. He joined American General in 1967. Mr. Bickel, elected senior vp and actuary, is responsible for all actuarial and tax functions for American General and its 29 operating subsidiaries.

Frank J. Suppe elected vp at Philadelphia Manufacturers Mutual Insurance Co. in Valley Forge, Pa. He had been assistant vp an regional engineering manager.

Earl J. Simons elected vp-claims at Bituminous Insurance Cos. in Rock Island, Ill. Mr. Simons previously was assistant vp-claims. He joined Bituminous in 1955.

Reinsurers

Gunder Morken appointed senior vp and chief operating officer at U.S. Facultative Management Corp. in Atlanta. He previously had been in charge of Skandia American Group's facultative operations in the Southeast.

John W. Gilliford appointed vp and claims attorney at Frankona Reinsurance Co. in Kansas City, Mo. He formerly was assistant vp at Employers Reinsurance Corp.

Mr. Gilliford

Paul J. DeStefano elected vp at Scor Reinsurance in Hartford, Conn. He had been treaty account executive in Scor's Hartford branch office.

Excess/surplus

Louis J. Sanson joined Hull & Co., a surplus lines brokerage, as vp and commercial marine manager in the Houston office. He was most recently marine manager of Walton Insurance Ltd. in Bermuda.

Other suppliers

William Z. Fornshell and **Robert F. Mastroberti** appointed vps at Underwriters Adjusting Co. in New York. Mr. Fornshell was named vp-fidelity and surety claims. He was previously assistant vp for nationwide bond claims. Mr. Mastroberti, named vp-field operations, was most recently an assistant vp at UAC in New York.

Douglas Beach appointed executive vp and chief operating officer of North Star Casualty Services in Minneapolis, a risk and insurance management firm. He had been general manager and chief executive officer of Minnesota Medical Management Inc. Mr. Beach assumed his new position when MMMI merged with North Star. As part of the North Star-MMMI affiliation, **Jack Kleven** was named vp of claims/risk control for North Star. He had been claims director at MMMI. **Lee King** also was named vp of underwriting/marketing and **Jack Rivall** was named vp of health facilities relations at North Star. Mr. King has been with North Star for 19 years. Mr. Rivall previously worked at Eitel Hospital in Minneapolis.

William H. Boucher promoted to regional vp of PCS Inc., an administrator of prescription drug benefit programs in Phoenix, Ariz. He will be based at PCS facilities in Walnut Creek, Calif. Mr. Boucher joined PCS in 1980 as regional marketing director in the Walnut Creek office. ■

Mr. Boucher

Canadian course set

TORONTO—The College of Insurance's "Basic Course in Reinsurance" will be held for the first time in Canada during the week of June 20.

The course, offered in conjunction with The Insurance Institute of Canada, will be taught at the institute's facilities in Toronto under the direction of Robert W. Strain, dean of The College of Insurance.

The course is designed for people newly exposed to reinsurance. The Toronto course will stress Canadian insurance and reinsurance practices. Seven Canadian reinsurance experts and three Americans will teach the course.

For more information on the course, contract Jim Gaunt, The Insurance Institute of Canada, 122 St. Patrick St., Toronto, Ontario M5T 2X8. ■

IMMEDIATE ACCESS TO INDUSTRY INFLUENTIALS

UPCOMING ISSUES

	ISSUE DATE	AD CLOSING
	MAY 23	May 11
EMPLOYEE BENEFITS: CONFRONTING THE FUTURE	MAY 30	May 17
Employee Benefits Board Survey	JUN 6	May 24
	JUN 13	Jun 1
	JUN 20	Jun 8
AGENT/BROKER PROFILES	JUN 27	Jun 14
	JUL 4	Jun 22
	JUL 11	Jun 28
LOSS PREVENTION: PROTECTING PEOPLE	JUL 18	Jul 6
LOSS PREVENTION: PROTECTING PROPERTY	JUL 25	Jul 12
	AUG 1	Jul 20
Risk Management Board Survey	AUG 8	Jul 27
	AUG 15	Aug 3

These issues of BI will reach more than 100,000 readers, including pass-along, every week—a prominent audience of corporate financial and top executives, risk and employee benefits managers, as well as leading agents and brokers, consultants, and commercial insurance underwriters. BI is there first... reporting all the vital news and trends in this dynamic, multi-billion dollar marketplace.

Plug into BI with your fall advertising program. Your ad, placed in this exciting editorial environment, will position your products and services squarely in the minds of the decision makers you need to reach. Be where the action is this week and *every* week. Call or write for your reservations.

New York: 220 East 42nd St., NY 10017 (212) 210-0133 **Chicago:** 740 Rush St., IL 60611 (312) 649-5275
Los Angeles: 6404 Wilshire Blvd., CA 90048 (213) 651-3710

Suit alleges comp insurers guilty of antitrust violations

Continued from page 2
tual Insurance Co., St. Paul Fire & Marine Insurance Co., Sentry Insurance, The Travelers Insurance Co. and Twin City Fire Insurance Co.

The preliminary hearing is set for June 9.

Attorneys on both sides are hesitant to talk about the case because of Minnesota court restraints.

"I won't comment on the evidence, but there was enough to give us counts to file," said attorney K. Craig Wildfang of the Minneapolis firm of Wildfang, Rude, McIntosh & Murray. He is co-lead counsel in the case along with Vance K. Opperman of Opperman & Pacquin, also in Minneapolis.

The suit seeks damages of more than $100 million, said Mr. Wildfang who represents Tony Down Foods, which has three plants in Minnesota. He also is co-counsel representing A&M Moving & Storage Co. Inc. in Inver Grove Heights, a firm with about 40 employees.

The third plaintiff is Austin Products, a wood products firm in Farmington, Minn., that employs three people and buys its workers compensation insurance from Aetna Casualty & Surety. It is represented by Opperman & Pacquin.

"The cost of obtaining insurance has been a big issue for the past five to 10 years," said attorney Richard Braman, also with Opperman & Pacquin.

In general, the suits allege that insurers met, corresponded and talked on telephones in their conspiracy to fix prices, Mr. Braman said. By belonging to the rating association, the insurers also fall under the articles of the association, which require its members to charge the same rate.

"From our point of view, there's been nothing improper or illegal. . .there were no smoke-filled rooms or deals made," said Christopher Mansfield, vp and assistant general counsel for Liberty Mutual in Boston. "I don't think there's really many grounds. . . .They're trying to challenge an established rating system."

According to Mr. Mansfield, the plaintiffs appear to be arguing that because the licensed rating authority publishes rates and because the insurers—as members of the association—work through that entity, there is a conspiracy to fix rates and prohibit competition in workers comp rates.

"The Legislature of Minnesota says you have to file data and rates," Mr. Mansfield said. "The state tells us to do this."

This rating activity is part of the insurance industry and is immune to antitrust regulations because of the federal McCarran-Ferguson Act, Mr. Mansfield said.

That act reversed a Supreme Court decision that said the insurance industry was subject to the Sherman Antitrust Act. McCarran-Ferguson allows for rate setting by combinations of companies when regulated by a state.

"The attack is not on the statutory system," Mr. Braman said. "It is really nothing more than price fixing (that's being challenged)."

The suit charges that the insurers and rating association maintained and stabilized the prices of workers compensation, preventing downward deviations and a competitive situation from occurring.

But Insurance Commissioner Reynaud Harp disagrees. "We have had competition," says Mr. Harp whose sets work comp rates after the rating association has filed its proposals.

The Minnesota statutes, since 1979, allow insurers to charge "less than" the manual rates. But those statutes do not require insurers to file their deviations, said John Hildebrandt, president of the 62-year-old Workers' Compensation Insurers Rating Assn.

Because insurers are not required to file deviations, the state Insurance Department does not know how many companies have deviated, or to what extent, Mr. Harp said. "But we have had deviations occurring. Some (insurers) have voluntarily filed this information."

The debate over rate setting will be moot in January when the state's open rating law takes effect (*BI*, May 30). It will require insurers to file their own rates.

Some 220 insurers generated an estimated $438 million in workers comp premiums in Minnesota last year. ■

Business Insurance puts more into it so you'll get more out of it.

Use this form, or the card in this issue, to enter your subscription to Business Insurance. Or call (312) 649-5221.

Business Insurance
Circulation Dept. 740 Rush Street Chicago, IL 60611

Business Insurance gives you total news coverage of loss prevention, risk financing and benefit management. Every week. Annual subscription (52 issues) in U.S. dollars.

(Check here.)	Surface Mail.	By Air.
USA	☐ $40	
Canada	☐ $54	☐ $90
Bermuda *(Air only)*		☐ $85
Europe/Middle East *(Air only)*		☐ $75
All other foreign	☐ $54	Rates on request.

☐ new subscription. ☐ renewal. ☐ payment enclosed.
☐ bill me. ☐ bill company.

name (please print)

title

company

nature of business

☐ business or ☐ home address

city state/country zip/postal code

☐ Please send information on your special 25%-off group rate for five or more subscriptions.

☐ I prefer not to receive information or advertising by mail from companies not affiliated with Crain Communications.

Mail to: Business Insurance
Circulation Dept. 740 Rush Street Chicago, IL 60611

You need to make only one change for more efficient claim handling. Equifax has changed the rest.

Change #1 — We've added new claim investigations to our existing program, enabling us to offer you a complete line of information services.

Change #2 — We've established an extensive, ongoing training program on workers' compensation which will keep our field investigators up-to-date.

Change #3 — We've redesigned our reports to provide more complete information in the most useful format.

Change #4 — We've developed a staff of highly-trained case supervisors to handle your claims and consult with your people on a one-to-one basis when they need investigative assistance.

Change #5 — We've made a commitment to provide the most comprehensive and professional workers' compensation claim program available from any single source.

These are five very good examples of why Equifax is the leader in the field of insurance-related information services. As a leader, we make it a point to understand and meet the needs of insurance and self-insured companies.

Now one national source offers complete service capabilities, professional investigators trained specifically in workers' compensation, case handling supervision and consultation. And pertinent information reported quickly and accurately.

The system is flexible — you can choose the complete program or select unbundled services, depending on your individual claim requirements.

We tailored our program to our customers' specifications and it's working! No other national company can offer the same full-service capabilities or the same full-service quality.

There's only one thing left for you to do.
CHANGE TO EQUIFAX.

For further details about our complete package of Workers' Compensation Claim Investigations, contact your local Equifax office, or call our Claim Market Center, Atlanta, Ga., at 800—241-1896.

EQUIFAX SERVICES
Claim Market Center
1600 Peachtree St., N.W.
Atlanta, Georgia 30309

Insco cutbacks

Continued from page 1

ported losses and dramatic increases in reserves for incurred-but-not-reported losses for the non-Gulf-related marine and aviation risks Insco has underwritten (see chart, page 1).

Insco has not written "any aviation on a serious basis in some time. We dropped out quietly," Mr. Dew said.

Gulf decided to stop reinsuring its first $25 million of marine and property risks with Insco as part of a "companywide program to reduce administrative costs and increase productivity," said Assistant Treasurer William D. McGuinness in Gulf's Pittsburgh headquarters. "It was a financial decision."

The combined effect of the two decisions could cost Insco about $23 million in net premium income on property and marine risks this year, *Business Insurance* estimates.

Insco's marine business on risks unrelated to Gulf is estimated at $15 million in net premium income this year, about half of which probably had been underwritten before Insco stopped underwriting marine risks two weeks ago.

Insco's net premium related to reinsurance of Gulf risks is estimated at $23 million, about two-thirds of which is lost with the cancellation of the reinsurance on that $25 million layer.

Insco's total 1982 net premium income was $88.9 million against year-end capital and surplus of $129 million. Of the $88.9 million in net premiums written, $46.5 million was to reinsure casualty, property and marine risks of companies in the Gulf Oil Corp. group and $42.4 million was for the insurance and reinsurance of non-Gulf risks.

Reinsurance of Gulf property and marine risks is known to have been very profitable for Insco. And, Mr. Dew predicted that its marine business would be profitable within the next 18 months.

Insco continues to underwrite reinsurance on Gulf's liability risks, as well as unrelated property and liability risks.

The reduced premium volume caused by losing the Gulf property and marine risks and the unrelated marine risks will result in only a few layoffs among the 90-person Insco staff, Mr. Dew said.

Although Insco's decision to end its marine underwriting comes on the heels of several other insurers and reinsurers either leaving Bermuda or reducing underwriting operations (*BI*, April 25), Mr. Dew said he does not anticipate the changes in Insco's business to have an effect on the Bermuda insurance and reinsurance market.

Insco does not expect, however, to match in 1983 its 1982 gross premium volume of $140.5 million, Mr. Dew noted. In addition to closing its marine underwriting and losing reinsurance on Gulf-related property and marine risks, Insco has been losing accounts to insurers willing to underwrite at lower rates than Insco, Mr. Dew said.

Even the 1982 reported premium volume is larger than the actual amount of business underwritten in 1982 because Insco records premiums on unrelated risks as reported. Thus, the 1982 accounts reflect premiums from business written in previous years. Insco records premiums related to Gulf risks on an accrual basis.

With current surplus of $130 million, a $10 million trust fund in New York and as an approved non-admitted insurer in 43 U.S. jurisdictions, Insco does have production opportunities. It also is an approved reinsurer in California.

In addition, Insco is a reinsurer of 50% of the first $500,000 of risks underwritten by The Hartford Insurance Cos. through TransInsco, a joint venture underwriting agency owned by Gulf and The Hartford.

Insco, which has always been primarily a casualty market, will focus its production efforts on property and casualty risks, Mr. Dew said. Insco is now looking for another property/casualty insurance underwriter, he added.

Mr. Dew said he regrets the decision of the Insco board to stop underwriting marine insurance at this time. "It's my view that the current underwriters had substantially reduced and considerably improved the account and it would be in black underwriting within 18 months," Mr. Dew said.

The Insco board, however, decided that the anticipated income did not warrant remaining in the marine business in light of mounting losses on previous years' accounts, Mr. Dew explained.

Insco will run off its marine account and Mr. Dew is trying to help the two marine underwriters at Insco—Scott Powell and Malcolm Kirkland—find new employment with another Bermuda insurer.

"These two young men have done an extremely good job," Mr. Dew said of Mr. Powell and Mr. Kirkland, who have jointly underwritten marine risks for Insco over the last 2½ years.

If about half of Insco's premium income on marine risks is up for renewal as believed, the underwriters could take with them to a new employer about $7.5 million in premiums if the brokers placing the business followed them.

There is a demand for facultative marine reinsurance, he said.

The current marine book of business of hull, cargo and oil risks is less than half of the volume underwritten in 1979, Mr. Dew said. Among the risks substantially reduced was the "huge number of proportional treaties," he said

Insco's book of marine risks primarily came from London-based brokers, Mr. Dew noted. Without specifying Insco's per-risk capacity for marine risks, he did reveal that Insco had "large reinsurance protections." The cost of that reinsurance had gone up recently, which also was a factor in the decision to stop underwriting marine risks.

How much Insco has lost on its marine underwriting of unrelated risks is not readily discernible from published accounts, but in 1981 the figure was $10.4 million, according to the management letter in the 1981 annual report.

A study of Insco's reported reserves also reveals steady increases in reserves for reported losses and dramatic increases in reserves for incurred-but-not-reported losses on marine and aviation accounts (see chart).

Reserve increases in one year reflect loss development on current and previous years, both for reported losses and new estimates of IBNR losses. The marine risks written in 1979 and 1980 are generating the most losses, Mr. Dew said.

Reserves for reported losses jumped for the first time in 1979 to $4.7 million from $337,000 in 1978. In 1980, reserves for reported losses jumped again to $7.4 million, but increased only slightly to $7.9 million in 1981. In 1982, reserves for reported losses were increased to $10.6 million.

The dramatic increase in reserves for incurred-but-not-reported losses began in 1980 when IBNR for marine and aviation risks were increased to $1.9 million from $782,000 in 1979. An even more dramatic increase appears in the 1981 accounts, to $10.1 million, pushing Insco above a 100% combined ratio for the first time.

"The explanation quite simply is that the very heavy loss provisions made in the 1980 account on the non-Gulf marine and aviation business have proven to be inadequate and adverse developments in the 1977 to 1980 accounts have necessitated more loadings. These have resulted in underwriting losses in 1981 of $10.4 million and $3.5 million on the marine and aviation accounts," the 1981 management letter in the annual report says.

The increased reserves also reflected the "difficulties we are experiencing in the collection of marine reinsurance recoveries placed through a London broker."

Although Insco management said in early 1982 that "we hope and believe we enter 1982 without deficits on previous years," it was not the case. Again in 1982, Mr. Dew said in his annual statement, "Our belief that the older marine and aviation accounts had been adequately covered by last year's large additional provisions has not been justified and we again are forced to increase reserves on those accounts. Attempts to recover sums from certain reinsurers are proceeding vigorously."

Mr. Dew said during the interview that London-based underwriting agencies are involved in the reinsurance that Insco is having difficulty collecting.

Gulf's earlier decision to self-insure the first $25 million of property and marine risks rather than reinsure them with Insco is intended to "introduce efficiencies," said Mr. McGuinness, whose responsibilities include overseeing risk management and membership on Insco's board of directors.

Mr. McGuinness declined to elaborate on where Gulf expects to save administrative costs by taking an self-insured retention rather than reinsuring with Insco.

In general, however, increasing an SIR rather than reinsuring risks with a Bermuda-based captive insurer could reduce administrative costs by reducing the number of parties handling the risk-financing dollars and by providing the self-insurer with current use of its money. Gulf retains the funds instead of paying them to admitted insurers who in turn reinsure with Insco, after a commission.

Insco historically has paid annual dividends to Gulf of $10 million.

Some conditions also have changed since Gulf first created Insco in 1971.

Gulf has withdrawn from European properties, reducing its property risks. The reduction in Gulf's property values would have reduced the premiums paid for reinsurance of Gulf's property risks anyway, noted Mr. Dew.

And, Congress passed the Tax Equity and Fiscal Responsibility Act of 1982, which raises new tax concerns for oil companies with offshore insurance subsidiaires (*BI*, Nov. 8, 1982).

Mr. McGuinness confirmed that the possible TEFRA consequences were a consideration in Gulf's decision to stop reinsuring property and marine risks with Insco.

Insco could in the future recover some of the lost reinsurance premium on Gulf-related property and marine risks that will now be self-insured if it can underwrite reinsurance for the catastrophe insurance Gulf maintains above its new increased retention.

"I would be disappointed if we didn't get an opportunity to participate in the retrocessions of the catastrophe cover," Mr. Dew said.

Insco has not offered its capacity for reinsurance of the catastrophe layer of Gulf's insurance because it could not absorb a catastrophe loss over its $25 million exposure.

Insco's participation, however, can only come through the reinsurance brokers placing the retrocessions when Gulf's catastrophe insurance is renegotiated next year.

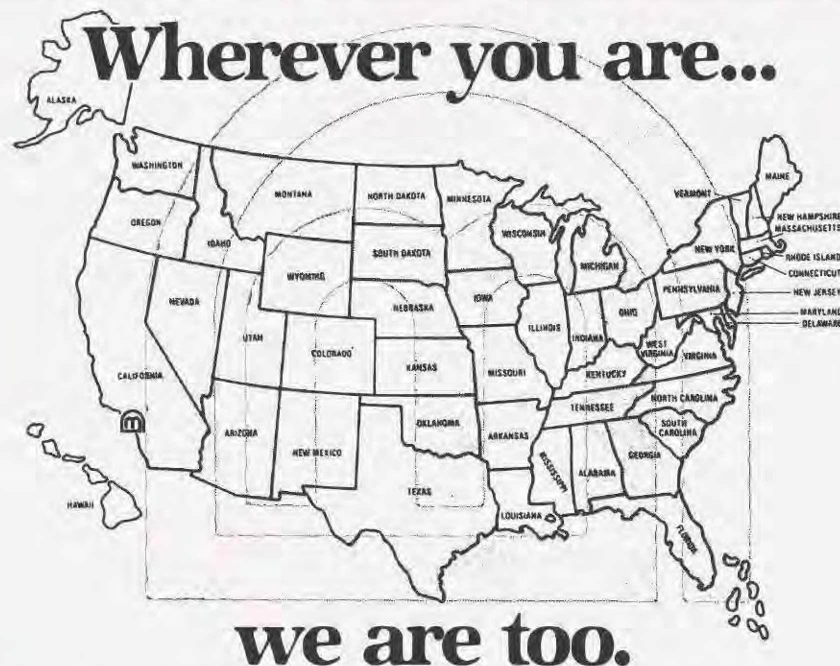
Premiums for catastrophe-layer reinsurance would be less than what Insco had been receiving on the first $25 million layer, reflecting the reduced risk of loss. ■

K,R &E

In today's society Kidnap, Ransom and Extortion insurance has taken on new and greater importance. Act now, your clients who require this protection will benefit from broader coverage and more attractive rates.

The Wetzel Company, Inc.
3003 West Alabama
Mailing Address: P.O. Box 66452
Houston, Texas 77006
Telephone: 713/523-3003
Telex: 76-2053

Only through agents/brokers/insurance companies



As a member of Best-rated A+:XV Mission Insurance Group, Mission Risk Management Services specializes in captive fronting, self-insured plans and specialty programs, nationally. Fronting is on an unbundled basis and our offshore subsidiary may be used as a rent-a-captive.

MISSION RISK MANAGEMENT SERVICES
Professionals in Captive, Self-Insurance and Specialty Programs
2600 Wilshire Boulevard
Los Angeles, California 90057
(213) 381-6811

MEMBER, MISSION INSURANCE GROUP

Compromise on Hamburg rules delayed

Continued from page 3

Freight Claims Council in New York. "There's so much competition out there."

"I don't think it's going to change the amount of litigation because the parties will have the same incentives to settle," said Stanton Sender, assistant general counsel at Sears, Roebuck & Co. and treasurer of the National Industrial Traffic League of Washington, D.C., an organization of shippers with 1,800 members.

These divisions were what the Maritime Law Assn.'s compromise proposal was intended to heal. Under the proposal, both the Visby Amendments and the Hamburg Rules would be submitted simultaneously to the U.S. Senate, which must ratify all international agreements. Domestic legislation would also be submitted to both houses of Congress, providing for adoption of both sets of rules.

The Visby Amendments would be incorporated immediately into the U.S. Carriage of Goods by Sea Act, and the Hamburg Rules would take over as soon as the dollar volume of U.S. sea trade with countries that have ratified the Hamburg Rules exceeds the volume of trade with countries that have adopted Hague-Visby.

This break-even point isn't anywhere near being reached yet, however. U.S. trade with the nine countries that have ratified Hamburg totaled $14.6 billion in 1981, only about 4.8% of total U.S. world trade of $302.3 billion, according to figures compiled by the U.S. Department of Commerce.

While the number of countries adopting the Visby Amendments is growing, the popularity of the Hamburg Rules is relatively low, according to an official of the U.S. Department of Transportation, which supports the MLA compromise and which is involved in drafting a revised version in an attempt to attract more support.

"There's really not that much interest (in Hamburg) among the major trading partners," said the official, who asked that he not be named.

Still, the MLA compromise was backed by varying maritime factions, each with its own interests in mind.

Shippers' groups say they back the compromise as perhaps the only way to get the U.S. Congress to address the Hamburg rules.

"Unless we go the compromise route, there's not much chance of ever getting Hamburg because of the opposition of the insurance companies," said Mr. Augello.

The shippers also expect that enough U.S. trading partners will ratify the Hamburg Rules to trigger a switch from Hague-Visby to Hamburg.

"Things move slowly, but they do move," said Mr. Sender.

A number of carriers similarly saw the compromise as the only way to bring the Visby Amendments before Congress.

"The only way to get something done on Visby is to compromise," Mr. Coffey said. He added that his company, Sea-Land Service, would consider the compromise an "acceptable burden" if it had the support of shippers and insurers.

He also pointed out that if a Senate adoption of the compromise didn't trigger a "stampede" among other nations to adopt the Hamburg Rules, the compromise might mean that the Visby rules would be in effect for some time.

"It would be many years, if at all, before the Hamburg convention comes into force," Mr. Coffey explained.

"In the short term, the carriers would get what they want," the Transportation Department official said, adding that it was possible that the point where the nation would switch to the Hamburg Rules might never be reached. "There is a distinct possibility that the shippers would never get what they're looking for," he explained.

That possibility would seem to appeal to cargo underwriters. But, the American Institute of Marine Underwriters is against the compromise and feels that its rejection by the MLA strengthens the position that a compromise wouldn't be acceptable, according to AIMU Vp Walter Kramer.

The MLA vote seems to have thrown the idea of compromise into temporary limbo, with some of the initial compromise supporters adopting a wait-and-see attitude toward future compromise proposals.

The MLA action has resulted in a "period of flux" on the subject of a compromise, and Sea-Land will have to see a consensus develop between shippers and underwriters before it voices support of a similar agreement, Mr. Coffey said.

The Transportation Department plans to cooperate with the MLA Bills of Lading Committee in circulating a revised draft of the compromise among carriers, underwriters and shippers, the department official said. Before the department approaches the Senate to conduct hearings on the compromise proposal, though, it will have to see a similar consensus among the shippers, carriers and admiralty bar, the official explained.

Meanwhile, the Shippers National Freight Claims Council is waiting for a Senate hearing to be scheduled so it can testify in favor of the compromise, Mr. Augello said.

AIMU is also awaiting further developments. "We've got our ears open," Mr. Kramer said. ■

Why you should separate the Texas portion of your workers' comp coverage.

In 1982 alone, Texas Employers' policyholders saved $79 million on their workers' comp coverage. We passed those savings along in the form of dividends, premium discounts, and retrospective savings to our customers.

By putting the expertise of our safety engineering and industrial hygiene staffs to work, your potential for savings may be larger.

All of which makes a good reason for putting the Texas portion of your workers' compensation coverage with Texas Employers'. For details, call our National Accounts Division at (214) 760-6435.

Employers Insurance of Texas:
Texas Employers' Insurance Assn.
Employers National Insurance Co.
Employers Casualty Co.
Employers National Life Insurance Co.

Iowa Blues' hospital rates drop

DES MOINES—Blue Cross & Blue Shield of Iowa is seeing a trend of decreasing rates of inpatient hospitalization.

Blue Cross & Blue Shield of Iowa President D. Eugene Sibery announced that inpatient use of hospitals declined 11.8% in the state since BC/BS required hospitals to do utilization reviews in January 1981.

In Iowa, inpatient hospital utilization now is 774 days per 1,000 BC/BS subscribers under age 65, compared with the 878 days per 1,000 at the end of 1981.

Hospital admissions also dropped 10.8% during the 1980-1982 period to 332 per 1,000 BC/BS subscribers. However, the national average was far below that at 115 per 1,000, a 14% difference.

The average length of an Iowan's hospital stay decreased by 1.2% since 1981 and now stands at 5.86 days. ■

POLICE PROFESSIONAL LIABILITY

A+ BEST RATED COMPANIES

COMPETITIVE PREMIUMS

THOROUGH WORDING AND COVERAGE

COVERS "WRONGFUL ACTS" ARISING OUT OF LAW ENFORCEMENT ACTIVITIES

ISC

SPECIAL RISKS, INC.

SUITE 201 4663 HAYGOOD ROAD
VIRGINIA BEACH, VIRGINIA 23455
804/460-1104 TELEX 82-7338

TOTAL SERVICE

. . . GREATER THAN THE SUM OF ITS PARTS

At IBA, the philosophy of synergism is something in which we believe very strongly.

Our product, group insurance, results in an employee benefit package which is much greater than the sum of its parts. And, our performance in developing that product represents an output much greater than the input of dozens of staff professionals.

IBA's team concept is applied well before the sale, with review and analysis of the client's present coverages and future plans. Our experienced professionals then provide clients with the information they need to decide on their own program objectives, benefit levels and funding. Our size allows us to take advantage of the most competitive bids available, to put a tailored-to-the-client's-needs proposal on the table.

Once the program is in place, more IBA professionals administer it completely, to save the client company even more time and money. Everything from employee communications to claims handling is done by our own skilled staff. Better coverage for less cost along with complete, professional administration. It adds up to a package of convenience for our clients . . . a package far greater than the sum of its parts.

- Group medical/life insurance
- Dental Programs
- Disability
- Self-Funding

The IBA staff will investigate your needs, your present costs, and the "holes" that may now exist. To receive a free expert analysis and descriptive literature contact your broker or call (312) 246-4900.

WHOLESALE BROKERS • THIRD PARTY ADMINISTRATORS

INSURANCE BENEFIT ADMINISTRATORS, INC. • 5600 S. Wolf Rd. • Western Springs, IL 60558 • (312) 246-4900

Flintkote joins asbestos litigation bout

Continued from page 2

One court, the District of Columbia Court of Appeals, has ruled that all insurers on the risk from the time of inhalation through manifestation, including an intermittent latency period, are liable. This is known at the triple-trigger theory (*BI*, April 4).

Both Flintkote's and American Mutual's suits ask the court for a declaratory judgment as to the appropriate coverage theory to be applied.

Flintkote wants "comprehensive coverage" from exposure through manifestation (the triple-trigger theory), Mr. Freeman says. American Mutual contends that the manifestation theory is proper.

Each complaint also contains numerous other allegations. Among those contained in the suit filed by Flintkote are:

- That American Mutual, Liberty Mutual and other insurers deliberately misinterpreted Flintkote's policies so that they would only defend and reimburse the company under the manifestation theory, despite the fact they and the insurance industry had previously responded under other theories that would provide more coverage.
- Through application of the manifestation theory and the use of retrospective premium adjustments and additional charges, Liberty Mutual has wrongfully caused Flintkote to pay more than $6 million for defense and indemnity of asbestos claims.
- American Mutual, serving as an adviser to Flintkote in obtaining certain insurance coverages from 1934 to 1976, failed to give Flintkote reasonable advice concerning the purchase of employer's liability insurance in certain states, possibly causing it to be uninsured or underinsured.

In turn, American Mutual alleges in its suit against Flintkote, Liberty Mutual and other insurers that:

- American Mutual's policies provide no coverage for Flintkote where the date of manifestation of an asbestos-related injury came after June 30, 1976. Those claims are the responsibility of Liberty Mutual, the suit says.
- American Mutual does not have to defend, indemnify or reimburse Flintkote or Liberty Mutual for asbestos claims in which Flintkote has violated certain policy conditions. In addition, the suit says Flintkote is not entitled to reimbursement for past retrospective premiums it has paid.
- Liberty Mutual has failed to adequately, properly and completely investigate, defend and settle claims against Flintkote.

According to both suits, American Mutual, which was Flintkote's primary liability insurer until 1976, and Liberty Mutual, which has been the company's primary liability insurer since that date, entered into a claims administration agreement in 1976 to compensate victims under the manifestation theory.

Under the theory, the insurer that provided coverage for Flintkote in the year in which the asbestos-related disease manifested itself in the victim would respond to a claim.

But the Flintkote suit contends that the insurance industry and the company's primary and certain excess insurers had previously adopted a broader coverage theory. They subsequently switched to the more restrictive manifestation theory to save millions of dollars in defense and indemnification costs, the suit alleges.

"American Mutual and Liberty Mutual switched from their previous interpretation of their policies and adopted the 'manifestation' theory, which they now espouse," the suit contends.

"The intent and effect of this switch in interpretation by American Mutual and Liberty Mutual was to save the many millions of dollars in defense and indemnity costs for which these insurers knew they would be obligated under the terms of the policies issued to insureds such as Flintkote."

Flintkote also alleges that Liberty Mutual's policies were subject to substantial retrospective premium adjustments and administrative charges that had the effect of making Flintkote liable for virtually all defense and indemnification costs.

Under the Liberty Mutual policies, the first $100,000 of all defense and indemnification costs are subject to retrospective premium adjustments and "administrative charges." According to one source in the insurance industry, the retrospective premium endorsement essentially had Flintkote paying $100,000 per claim, similar to a deductible or self-insured retention.

Since 1978 virtually all asbestos claims against Flintkote were assigned to the Liberty Mutual policies, the suit says, all of which are subject to retrospective premium adjustments.

"The practical operation of these policies, under the 'manifestation' theory used by Liberty Mutual, is that Flintkote has been required to assume the entire cost of defense and indemnity and to further pay Liberty Mutual an administrative charge as to all asbestos claims assigned to these policies, in an amount exceeding $6 million," the complaint says.

Moreover, the complaint charges that the retrospective premium payments and administrative charges made to both Liberty Mutual and American Mutual were unwarranted.

Flintkote charges also that American Mutual was negligent when it advised Flintkote between 1934 and 1976 about the types and amounts of insurance coverage it should obtain. The insurer acted as Flintkote's adviser for obtaining insurance coverage, including workers compensation and employer's liability coverage, the suit says.

The typical workers compensation insurance policy provides coverage for claims made pursuant to a state workers compensation statute (known as Coverage A) and coverage of an employee's claim under the common law not covered by workers compensation statutes (Coverage B), the suit notes.

In several states—Nevada, North Dakota, Ohio, West Virginia, Washington and Wyoming—Coverage A must be purchased from the state, though Coverage B is not available through the state and must be bought from commercial insurers.

"American Mutual negligently failed to advise Flintkote that it should obtain 'stop-gap Coverage B' insurance from a private insurer in the above states," the suit says.

"As a result of American Mutual's negligence, Flintkote did not purchase such insurance. Consequently, Flintkote may be uninured or underinsured for asbestos-related and other liability which may be incurred in the above states for employee claims not covered by 'Coverage A.'"

In all, Flintkote charges one or more of its insurers with breach of contract, conspiracy, bad faith, deceptive and unfair practices, restraint of trade, fraud, negligent misrepresentation, breach of fiduciary duties and professional negligence. It seeks an unspecified amount of compensatory and punitive damages.

The American Mutual suit focuses on settlements that Liberty Mutual entered with asbestos claimants and efforts by Liberty Mutual and Flintkote to get American Mutual to contribute to those settlements.

According to the suit, American Mutual and Liberty Mutual entered into an agreement whereby, under the manifestation theory, Liberty would handle claims after July 1, 1976, and American Mutual would handle claims before that date.

From 1976 to 1982, all but approximately 160 claims were handled by Liberty Mutual without any input from American Mutual as to payment or method of settlement, the suit adds.

Following a proposed settlement by Liberty Mutual of 2,500 claims for $2.5 million in California in October 1981, however, Flintkote asked American Mutual to agree to the settlements and to give Flintkote and Liberty Mutual authority to continue to use its settlement procedures, American Mutual's suit says.

When American Mutual refused to agree, pending its own investigation into the claims, Liberty Mutual subsequently told American Mutual it would ask it for full restitution and punitive damages for future costs in defending and indemnifying Flintkote, the suit contends.

Flintkote also asked American Mutual to approve additional groups of settlements and told the insurer it would demand coverage for cases it had tendered to Liberty and for which Liberty had assumed all defense and indemnity obligations.

After investigating the 2,500 claims in California and other claims, American Mutual said it discovered that Liberty Mutual handled the claims improperly.

They "had not been adequately, properly and completely investigated and defended, and settlements previously reached were not adequately, properly and completely documented," the suit says.

In February 1982, American Mutual filed a coverage suit in New York. The suit was stayed pursuant to a "stand-still agreement" while the parties sought to work out their differences. In August 1982, they came up with another agreement.

This time they agreed that American Mutual would defend and pay asbestos claims still open as of Oct. 1, 1982, while Flintkote and/or Liberty Mutual would pay all claims closed before that time.

This past Feb. 8, however, Flintkote demanded American Mutual pay it $10.8 million that it alleged it incurred directly or through Liberty Mutual in settling and defending asbestos cases prior to Oct. 1, 1982, the suit contends.

Also, Flintkote sought to recover almost $1.3 million additionally for

Continued on facing page

classified advertising

RATES AND CLOSING TIME:

Rates: Display classified is $60.00 per column inch, minimum of one inch. Straight classified is $5.50 per line, minimum of 5 lines. Count 34 characters per line (include each space and punctuation as a character). Additional $11.00 charge for blind box ads. Responses to blind box ads must fit into business size envelope. Responses are forwarded daily.

Closing: Published every Monday. Copy must be in written form by noon Tuesday, 6 days preceding publishing date. No verbal phone copy accepted. Prepayment required. Mail ads to Beverly Kluxdal, Classified Advertising, 740 N. Rush St., Chicago, IL 60611. For more information call 312-649-5340.

Business Insurance Circulation Breakdown*

Commercial Consumers	
Administrative Management: owners, presidents, vps, etc.	6,483
Financial Management: chief financial officers, vps of finance, secretaries, treasurers, etc.	10,138
Insurance Management: vps, directors, managers of insurance, risk, benefits, compensation, safety, security, etc.	5,299
Government, Associations, Unions, Educational Institutions	1,034
Commercial Consumers Sub-total	**22,954**
Insurance Agents & Brokers	9,771
Insurance Cos.	5,217
Financial Institutions	352
Actuaries, Attorneys, Adjusters, Appraisers & Consultants	2,603
Others allied to the field	937
TOTAL	**41,834**

*Source Business/Occupational breakdown of qualified circulation, November 1, 1982 issue, as submitted to BPA for December 1982, BPA Publisher's Statement.

SCHOOL DISTRICT LIFE & LTD

We offer stable and competitive group life and LTD markets for school districts and government units. Flexible plan design. Brokerage inquiries are invited.

GROUP BENEFIT PLANS
28200 Orchard Lake Rd.—#107
Farmington Hills, MI 48018
(313) 851-8535

WANT TO BUY
Property/Casualty Companies

We have need for several Property/Casualty Companies from bare charters to fully operational companies. Write Box 676, Business Insurance, 740 N. Rush Street, Chicago, IL 60611.

FLEET ACCIDENT
Consulting Services

The United Service Corp. Fleet Accident Management System, which was developed by a former Federal Dept. of Transportation employee and Bell System fleet accident consultant, is currently available for the first time to the public. The following analysis, information and loss prevention techniques can turn your **Fleet Accidents** into a **Profit Center**:

- Fleet Insurance Review and Recommendations
- Economic Analysis of Fleet Accident Costs
- High Accident Statistical Profiles
- Analysis of Property Damage Only and Injury Accidents
- Cost Effective Accident Prevention Techniques including Retrofit Vehicle Safety Devices and Advanced Safe Driver Training

For further information and initial free consultation contact:
James Gold
United Service Corporation
23732 Hillhurst Drive
Suite 24
Laguna Niguel, CA 92677
(714) 495-3445; (203) 268-1949

BI Classifieds assure top quality results!

SUNBELT agency seeks experienced marketing manager to head dept. Must have a total of 8 plus years commercial casualty underwriting experience with at least two years in an agency/brokerage environment. Supervisory/management exp. is mandatory. Exc. vertical growth potential and solid benefits. Starting salary in the $50K +/- range. Contact Insurance Recruiters, 3707 Rawlins, #416, Dallas, Tx. 75219. 214/528-0090.

EXECUTIVE DIRECTOR
Colorado Intergovernmental Risk Sharing Agency (CIRSA)

CIRSA is offering a unique opportunity to an individual with demonstrated risk management skills to serve as Director of the Denver-based self-insurance pool. Currently coverages are in Property and Casualty with an estimated start date of 1-84 for Worker's Compensation.

The Director would be responsible for general administration of service providers; service contract negotiations; claims review and management; analysis of all insurance programs; financial review; annual reports; and general coordination and control of operations. Due to the geographical spread of the 23 member cities, some travel would be required. The successful candidate will have:

- strong management capabilities
- bachelor's or advanced degree
- professional training or certification
- experience in or knowledge of risk management or related fields
- knowledgeable about the insurance industry, claims handling and litigation procedures
- familiarity with governmental processes
- strong oral and written communication skills

Salary will be commensurate with the candidate's qualifications and an excellent benefit package is provided.

This newly created position provides an outstanding opportunity for a progressive risk management professional. Resumes, references and salary history should be submitted by 6-30-83 to:

Timothy Greer, CIRSA Chairman
City of Glendale
950 S. Birch
Glendale, CO 80222
An Equal Employment Opportunity M/F

DRIVING ALL AROUND TOP MAN FOR NEW FLORIDA GROUP BENEFITS PROGRAM

We seek a person, preferably from Florida, with ideas on cost containment and a demonstrated record of performance in all phases of employee benefits. Top salary, benefits, stock participation to the right person. Send resume and personal letter to: WIMCO, P.O. Box 1616, Sarasota, FL, 33578.

GROUP HEALTH UNDERWRITER

Fast growth public company in health care field. This position requires B.S. degree plus 5+ years group health underwriting experience. Position reports directly to Sr. Vice President of Marketing in matters of selection, qualifying prospects, contract control, loss ratios.

This opportunity provides excellent salary and benefits package.

Resumes in confidence to Personnel Director:

United States Health Care Systems Co.
2500 Maryland Road
Willow Grove, PA 19090

Continued from facing page

retrospective premiums paid to American Mutual, including those arising from covered claims.

Less than two months later, on April 22, American Mutual filed its suit in New York.

American charges Flintkote and/or Liberty Mutual in 10 separate causes of action with breaching duties of good faith, due care, fair dealing and violating various conditions of the policies. It also contends that it is not required to reimburse either party for defense and indemnification costs or retrospective premiums.

It also seeks an unspecified amount of damages plus interest for costs incurred since Sept. 1, 1982, and more than $650,000 plus interest in retrospective premium payments that Flintkote has withheld.

Named in one or the other or both of the complaints in addition to Flintkote, American Mutual and Liberty Mutual, are Admiral Insurance Co.; Aetna Casualty & Surety Co.; American Home Assurance Co.; American Re-Insurance Co.; California Union Insurance Co.; Central National Insurance Co. of Omaha; Continental Casualty Co.; Commercial Union Insurance Co.; Employers Insurance of Wausau, A Mutual Co.; Fireman's Fund Insurance Co.; Gibraltar Casualty Co.; Granite State Insurance Co.; and Hartford Accident & Indemnity Co.

Also named are Highlands Insurance Co.; Home Insurance Co.; Insurance Co. of North America; Lexington Insurance Co.; Midland Insurance Co.; Mission Insurance Co.; National Union Fire Insurance Co. of Pittsburgh, Pa.; North Star Reinsurance Corp.; Northbrook Excess & Surplus Insurance Co.; Prudential Reinsurance Co.; Puritan Insurance Co.; underwriters at Lloyd's of London; and Allied American Agency Inc. ▪

TEFRA hits small firms' pensions

BROOKFIELD, Wis.—The dramatic changes in pension and profit-sharing plan rules caused by the Tax Equity and Fiscal Responsibility Act of 1982 will force many smaller companies to make drastic revisions in pension plans, according to an employee benefits consultant.

Bernard Handel, president of Handel Group Inc., an employee benefits consulting firm, says TEFRA will require most companies to review their existing pension and profit-sharing plans in an article in Newsbriefs, a bimonthly publication of the International Society of Certified Employee Benefit Specialists.

The law is particularly tough on high-earning personnel, he said, especially those who own their own business or operate closely held companies. "As a result of the new maximum limitation, future pensions to such persons may be considerably less than they anticipate," he said.

The new limitations apply to defined benefit and defined contribution plans.

Knowing this, small business owners and service companies may want to eliminate the corporation form of business structure and opt for sole proprietorship or a partnership, Mr. Handel wrote.

Beginning in 1984, these businesses will be able to install plans similar to Keogh plans, which are almost identical to permitted pension and profit-sharing plans.

A free copy of Mr. Handel's book is available by writing PR Department, ISCEBS, P.O. Box 209, Brookfield, Wis. 53005; 414-786-8711.

Celotex, Carey-Canada jump into asbestos fray

WASHINGTON—In addition to the suits exchanged by Flintkote Co. and American Mutual Insurance Co. over the nature and extent of insurance coverage for asbestos claims, two other asbestos defendants are suing their insurers as well.

In two separate suits, Celotex Corp. of Tampa, Fla., and Carey-Canada Inc. of East Broughton, Quebec, are suing the same nine insurers in different courts in the District of Columbia.

Both companies are subsidiaries of Jim Walter Corp., a diversified home builder and producer of building materials based in Tampa.

The defendant insurers in the suits provided liability insurance for Celotex and Carey-Canada from October 1977 until October 1982.

According to the suit, some of the policies contained exclusions for lawsuits brought against either company in which claimants allege they suffer from asbestosis, a non-cancerous fibrotic condition of the lungs caused by exposure to asbestos.

But despite the "asbestosis-only exclusion," some of the insurers are failing to defend and indemnify the companies for diseases other than asbestosis caused by exposure to asbestos, the suits contend. These diseases include lung cancer and mesothelioma, a cancer of the lining of the lung.

In addition, other defendant insurers did not write policies excluding asbestosis, but they are also not defending or indemnifying for any claims brought against the companies stemming from asbestos-related diseases, the suits add.

Both suits seek to make the insurers responsible for asbestos claims brought against the companies under the policies. They contend that the insurers have legal liability for all claims if any part of the asbestos-related injury—from the time of inhalation of asbestos fibers through manifestation of the diseases—occurs during the policy period.

Celotex is also currently engaged in a lawsuit with certain of its insurers in state court in Florida.

Both Celotex and Carey-Canada have been named in thousands of lawsuits brought by individuals claiming injury or illness from exposure to asbestos.

Named as defendants in the two most recent suits are California Union Insurance Co.; Columbia Casualty Co.; Employers Insurance of Wausau, A Mutual Company; First State Insurance Co.

The Home Insurance Co.; International Insurance Co.; National Union Fire Insurance Co. of Pittsburgh, Pa.; Northbrook Excess & Surplus Insurance Co.; and United States Fire Insurance Co.

When you need to identify the influentials, turn to the BI Directory.

The brand new **BUSINESS INSURANCE DIRECTORY OF CORPORATE BUYERS OF INSURANCE, BENEFIT PLANS AND RISK MANAGEMENT SERVICES** gives you the most comprehensive compilation of vital contacts, company facts and figures. Nowhere else will you find all this valuable information in a single volume!

You'll find alphabetical listings on 1,200 of the largest U.S. corporations ... listings that include sales volume, employee population, company address and phone number.

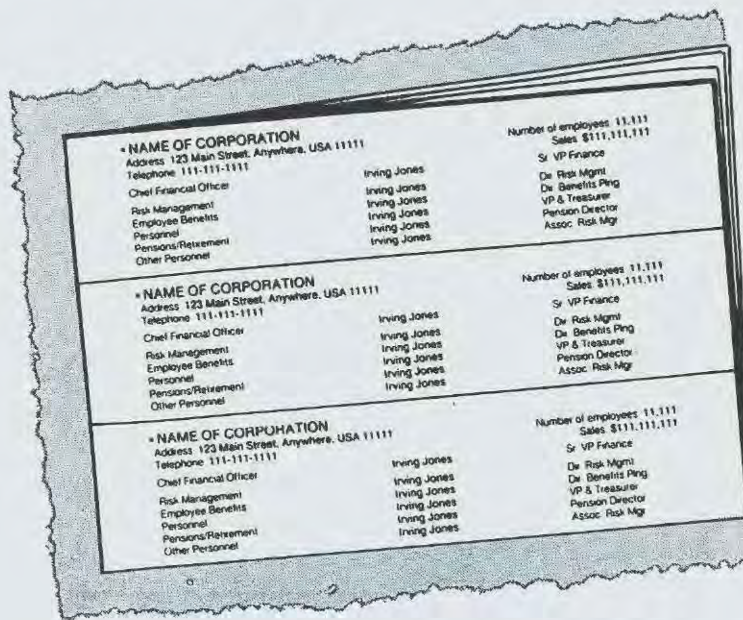
And you'll find the names and titles of the chief financial officers and the executives in charge of risk management, employee benefits, personnel and pension/retirement plans.

To further help you pinpoint the information you need, a special index will list corporations by size, based on number of employees.

Whether you're on the buying *or* selling end of this exciting business, the BI Directory will make your job easier.

As a "buyer," you'll use this reference tool to identify your professional counterparts – to compare notes on how to handle the responsibilities that come with your position.

As a "seller," you'll find the BI Directory to be the most convenient way to find out who the buyers are and how to reach them.



This easy-to-use 8½" x 11" volume sells for just $40, with a reduced price of $35 per copy for quantities of ten or more.

Fill out the coupon now, and send for the *new BI DIRECTORY ... a truly unique and indispensable source book.*

business insurance

BI Directory, Single Copy Sales
740 Rush St., Chicago, IL 60611
(312) 649-5415

Business Insurance Directory BI 6/6
Single Copy Sales
740 Rush Street
Chicago, IL 60611

Please send me ______ copies of the BUSINESS INSURANCE DIRECTORY OF CORPORATE BUYERS OF INSURANCE, BENEFIT PLANS AND RISK MANAGEMENT SERVICES
@ $40 each; $35 each for quantity of 10 or more.
Foreign postage is additional.

☐ Bill Me ☐ Bill Company ☐ Payment Enclosed
☐ Visa ☐ Mastercard

Account # ______________ Exp. Date: ______
Signature ______________
Name ______________ Title ______
Company ______________
Address ______________
City ______________ State ______ Zip ______
Phone ______________

Employer-sponsored PPOs attract attention

Continued from page 1

knocking down employers' doors to tell them about this health care alternative, although in certain areas of the nation marketing efforts are stepping up.

- Despite the lack of a nationwide PPO marketing blitz, the amount of participation in PPOs will grow in the next year.

However, few of the benefit managers planning to join a PPO are interested in PPOs sponsored by medical care providers, insurers or third-party administrators.

- Most benefit managers, including those who know little about PPOs, believe the concept could help control health care costs and offers other advantages.
- Many benefit managers see distinct disadvantages to using PPOs.

The Employee Benefit Board is composed of corporate and institutional executives in charge of employee benefits who have volunteered to respond to periodic surveys from *Business Insurance*.

In the most recent survey, 136 of 230 board members returned completed questionnaires for a 59% response rate.

Of those 136, only two now belong to PPOs. In contrast, 28%—more than a fourth of the respondents—had never heard of PPOs until the *BI* survey landed on their desks. Another 55% know what PPOs are but have never been contacted by a PPO marketing its program. And, only 16%—or 22—have been contacted by PPOs.

Most of the 98 survey respondents who were familiar with PPOs learned about them from their benefit consultants. Some 40% got the message that way. Another 39% learned about them from another employer; 32% from an employer coalition; 24% from their insurer; 19% through literature they had read; and 13% from area hospitals and brokers. (The total is more than 100% because many employers heard about PPOs from more than one source.)

Of the 22 employers who were directly contacted by a PPO, more than two-thirds got their sales pitch in the first couple months of this year or at the very end of last year, indicating PPOs are stepping up their marketing recently.

The most PPO marketing activity was reported in California, Missouri and Illinois. Benefit managers from Wisconsin, Oklahoma, Iowa, Massachusetts, North Carolina, Minnesota, Florida, Tennessee, Colorado and Ohio also said they had been contacted by PPOs.

Hospital-sponsored PPOs are most actively marketing their programs, the survey shows.

Of the 22 employers contacted by PPOs, 10 were contacted by hospital-sponsored PPOs with a heavy emphasis in Missouri. Four survey respondents were contacted by PPOs backed by employers or employer coalitions; three by Blue Cross/Blue Shield PPOs; two by doctor-sponsored PPOs; and one by a PPO sponsored by a third-party administrator.

Regardless of the source of information, employers apparently are getting the message about PPOs and are more interested in joining one. But they are, at this point, very selective about the sponsor of the PPO, preferring to stick with employer-sponsored PPOs rather than those sponsored by medical care providers or insurers.

Of the 98 survey respondents who were familiar with PPOs, 21 say they will join a PPO in the next 12 months. Another 11 employers say they are considering joining a PPO in the next year.

Twelve—or 57%—of the 21 employers joining PPOs this year are going to link up with PPOs formed by employer coalitions or employers working together outside a formal coalition setting.

In contrast, only five will join BC/BS-sponsored PPOs; five, insurer-sponsored PPOs; three, hospital-sponsored PPOs; two, doctor-sponsored PPOs and one, a third-party administrator PPO.

Of the two employers already participating in PPOs, one—a California electronics company with 1,800 employees—is in an employer-sponsored PPO that has just started up. The other—a forest products company operating in Idaho, Oregon and Washington—is in a PPO in Idaho sponsored by a third-party administrator.

Both employers have built-in incentives to make their employees want to use the PPO. The forest products company has eliminated employee copayments when a PPO is used and has added coverage under the PPO not included in the company's standard plan.

The electronics company has eliminated the deductible and reduced copayments when the PPO is used.

Among the other companies planning to join PPOs, reducing employee copayments when a PPO is used is the most popular incentive. Fourteen employers say they plan to use it.

Ten will institute lower deductibles for PPO users and nine will add services under the PPO not included in the firm's standard coverage. One firm said it would eliminate all deductibles when a PPO is used; one said it would eliminate any copayment; and one said PPO users would have to contribute less to health insurance premiums.

Companies apparently believe the savings to be realized through the lower fees charged by PPOs and the stricter utilization review they offer will offset the cost of these incentives.

The forest products company in the Idaho PPO says the PPO has contracted to provide a discount of more than 30% off standard fees. The California electronics company says it has been guaranteed a 16% to 20% discount by the employer-sponsored PPO it joined.

Five of the companies planning to join PPOs this year say the PPOs they are considering have promised discounts of 6% to 10%. Three expect discounts of 11% to 15%. Two are looking at 16% to 20% discounts and two more say they expect 21% to 25% discounts.

The money that the employer can save on health care costs due to these discounts is the biggest advantage of joining a PPO, the surveyed benefit managers said.

Seventy-one percent cited these discounts as an advantage. The next-biggest advantage, according to the survey, is the utilization reviews PPOs promise. Fifty-five percent cited this as an advantage.

Another 53% said the control a PPO would give employers over the quality and appropriateness of services provided employees is an advantage, while 43% said the statistics that would be available on utilization through the PPO is a definite advantage.

Overall, 71% of the benefit managers familiar with the PPO concept said they believed it has merit as a method of controlling health care costs.

On the other hand, some of the benefit managers surveyed are very much against the PPO concept, although they represent a minority of the benefit managers who answered the survey.

"So far it (PPOs) appears to be another form of marketing health care protection without any new innovations with respect to cost containment," said the manager of employee benefits for a construction company with 2,000 employees.

"Identifying 'choice' groups can only polarize health care delivery costs. A program that benefits only a portion of the consuming public must hurt the rest. PPOs are small-minded, self-serving solutions to escalating costs," wrote the benefits manager for a manufacturing company with 4,000 employees.

Many of the surveyed benefits managers worry that PPOs will only be another form of cost-shifting and not really reduce overall medical costs. They see the PPO users coming out ahead and non-PPO users picking up the extra tab to make up for the PPO discounts.

"I would be concerned that the savings derived may be passed on to other employees not participating in PPOs," said the assistant benefits managers for a holding company with 7,000 employees. "Therefore, there's no true savings, it's just expensed differently. It could only work if there was a concerted effort by all employees in a given area to use PPOs."

"Most PPOs are nothing more than marketing tools that have little or no cost controls in place," said the benefits manager for a distribution company with 2,500 employees.

The director of employee benefits for a paper company with 21,000 employees agrees that PPOs lack cost control incentives.

"There's a lack of cost control incentives to employees using the PPO. We want to change employee attitudes on health care by forcing an economic decision at the point of service. PPO designs up until now are all first-dollar coverage," he said.

"PPOs will be abused by physicians and employees," predicts the employee benefits manager for an agricultural food processor with 9,000 employees. "There is nothing to discourage abuse. Discounts will be made up by the number of visits (to the doctor)."

Others voiced specific concerns about using PPOs.

A big concern among the benefit managers is that a company that contracts with a PPO will increase its exposure to liability lawsuits from employees. They fear if the employer selects the medical care provider the employee should use and then the hospital or doctor makes an error or the employee disagrees with the treatment he receives, the worker will sue not only the hospital or doctor for malpractice but also the employer.

"The employer should not be involved in the selection of doctors or hospitals of their employees," warns the benefit manager of a manufacturing firm with 3,000 employees. "I predict that employees using PPOs will be named in malpractice suits. . . ."

A number of employers also pointed out that use of PPOs could be a real administrative headache for employers with many small operations around the country. The benefits manager for a retail drug store with 30,000 employees in scattered operations in 32 states said use of PPOs by his firm would be "administratively very difficult."

The survey also listed several of the most common complaints about PPOs and asked the benefit managers to check off what they considered a disadvantage of being in a PPO.

The most frequent disadvantage cited was that participation in a PPO restricts the employees' choice of hospitals and physicians. Just over 40% of the survey respondents familiar with PPOs cited this as a disadvantage.

The next most frequently cited disadvantage was the additional administrative work PPOs create for the employer. This disadvantage was cited by 37% of the benefit managers.

The additional cost of communicating the provisions of the PPO was cited as a disadvantage by 32%, restricted comprehensive medical services by 22%, the potential for antitrust suits against the PPO by 18% and disruption of present benefit program by 15%.

•

Employee benefit managers and buyers of employee benefit plans are invited to join the Business Insurance Employee Benefit Board. Just send a card with your name, title, company and address to Kathryn J. McIntyre, Editor, Business Insurance, 740 Rush St., Chicago, Ill. 60611. You will receive four surveys during the year on benefit issues.

insurance services guide

FIREMAN & KRAMER
Defense Counsel
All N.Y.C. Area Courts
Contact: Anthony LaBella, Esq.
305 Avenue U
Brooklyn, New York 11223
(212) 996-9600

Information About Software Systems for Claims, Benefits and Risk Analysis.
Call or Write
RESOURCE INFORMATION MANAGEMENT SYSTEMS, INC.
7800 W. College Drive,
Palos Heights, IL 60463
Phone: 312/448-5911

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

Benefits News Analysis
The magazine for benefits managers
Analysis of corporate benefit practices.
Flexible Benefits / Cost Containment
Savings/401 (k) / Communication
Systems/Admin. / International
Free copy—203/393-2272
Box 4033 New Haven, CT 06525

SMART'S HEALTH & SAFETY MANUAL FOR PUBLIC AGENCIES
• 30 DAY FREE TRIAL •
DARRELL HEPPNER, SMART'S
154 Sunnyside Dr., San Leandro, CA 94577

AGENT/BROKER LICENSING
Total turn-key service in all 50 states, P&C, L,A&H resident & nonresident. Call for information.
RIMCO Licensing Service
1/800/527-6806
10300 N. Central Expwy. #350
Dallas, TX 75231

CASUALTY ACTUARIES, INC.
Robert F. Lowe F.C.A.S., M.A.A.A., F.C.A
- Loss Reserve and Rate Evaluations for Insurance Companies and Self-Insureds.
- Statutory letters of opinion on loss and loss expense reserves.

12300 Olive Boulevard
St. Louis, MO 63141
(314) 878-5002

GYORY ASSOCIATES, INC.
PROFESSIONAL RISK MANAGERS
Risk Financing
Insurance-Risk Consulting
Latent Disease Product Liability Management
172 Franklin Avenue, Ridgewood,
N.J. 07450 (201) 445-8350

For advertising information in the INSURANCE SERVICES GUIDE
Contact: Beverly Kluxdal, 740 Rush Street, Chicago, Illinois 60611.
Telephone (312) 649-5340

Health savings fund dental plan

benefit beat

More than 1,600 employees at Bank Leumi Trust Co. of New York and its subsidiary banks are now receiving dental benefits after cost-saving changes were made in the company's medical plan.

The bank on April 1 began requiring premium contribution for individual health insurance coverage, raised the contribution required for family coverage and encouraged employees who were covered under their spouses' health plan to waive the bank's medical benefits.

Individuals must now pay $2.30 during every two-week pay period for medical coverage, while families must pay $7.92.

Benefits Manager Ellen Finkelstein and her staff decided to try to encourage married employees who were covered under their spouses' plans to waive the bank's medical benefits after they discovered that 39% of married employees had opted for individual coverage

Ms. Finkelstein found that most of these employees had elected individual coverage at one time because it was free and afforded backup protection in case a spouse lost his or her job.

Working with the bank's surgical and major medical insurer, Provident Life & Casualty Co., Ms. Finkelstein amended the coverage to allow employees and their families to rejoin the medical plan without establishing insurability or a waiting period if the spouse lost his or her job.

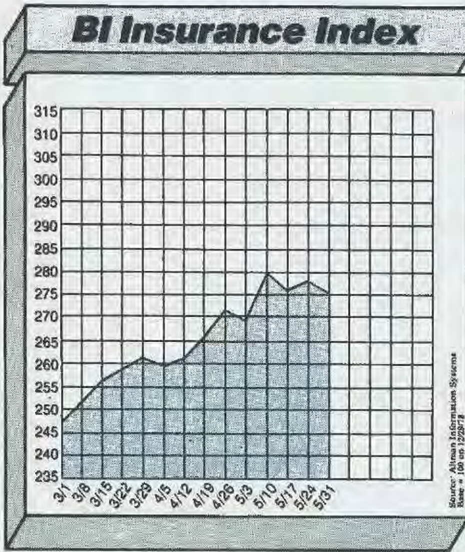
In all, Ms. Finkelstein said, 57 employees waived single coverage and 11 waived family coverage.

Blue Cross & Blue Shield of Greater New York provides Bank Leumi's hospitalization coverage and is participating with Provident in the plan. The bank also offers two HMO options: HIP Health Maintenance Organization and Blue Cross/Blue Shield of Greater New York Health Maintenance Organization.

The new dental plan, underwritten by Metropolitan Life Insurance Co., has a $50 per-person or $150 per-family annual deductible, though the deductible is waived for diagnostic and preventive procedures.

Employees must pay $2.17 monthly for single coverage. Family coverage costs $6.99 biweekly.

The plan pays 80% for diagnostic and preventive procedures and 50% for other charges, based on reasonable and customary charges. There is an annual maximum benefit of $1,000 except for othodontics, which have a $750 lifetime maximum. However, orthodontics coverage is only available for children. ■



The *Business Insurance* stock index is continuing its roller-coaster pattern, dropping 3.3 points to 275.3 during the week ending May 31. The index had gained 2.8 points during the previous period to reach 278.6. Thirty-three issues closed down, 17 gained and 14 remained unchanged. The leading gains were posted by Zenith National Insurance Corp., 9.9%; Chubb Corp., 7.0%; American National Insurance Co., 3.9%; American States Life Insurance Co., 3.2%; and SAFECO Corp., 3.0%. The largest losses were reported by Marsh & McLennan Cos. Inc., 9.5%; Corroon & Black Corp., 9.5%; Fremont General Corp., 8.1%; Old Republic International Corp., 6.2%; and Hanover Insurance Co., 5.8%. The *BI* index posted a 1.2% decline, less than the 1.6% drop suffered by the Dow Jones 30 industrials for the same period.

British Issues

31 May Companies	Price pence	P/E	Div. pence	Yield %	1 Week High—Low pence pence
Comml Union	164	49.7	16.86	10.3	164— 162
Eagle Star	411	16.4	24.29	5.9	411— 403
Genl Accident	411	13.1	24.29	5.9	411— 408
Gdn Royal Exch	446	11.8	27.86	6.2	446— 432
Phoenix	326	17.8	25.00	7.7	334— 326
Royal	480	12.4	37.86	7.9	482— 480
Sun Alliance	1112	15.2	68.57	6.2	1125—1112
Brokers					
CE Heath	318	8.7	21.07	6.6	320— 316
Hogg Robinson	111	8.5	8.57	7.7	112— 111
JH Minet	121	11.5	6.50	5.4	122— 121
Sedg Grp	216	12.3	10.00	4.6	216— 215
Stenhouse Hldg	112	10.5	7.86	7.0	113— 111
Stew Wrightson	248	9.0	20.43	8.2	248— 247
Willis Faber	526	13.9	25.00	4.8	527— 526

Source: Philip Olsen/Alan Clifton, Insurance Industry Specialists Kitcat & Aitken Stockbrokers, London

Latest news from Mission Group spurs talk of possible takeover

By DOUGLAS McLEOD

TWO RECENT announcements from Los Angeles-based Mission Insurance Group Inc. are fueling speculation that the company may be paving the way for its own takeover.

The first was the announcement that E.R. DeRosa, Mission's 60-year-old president and chief executive officer, plans to retire no later than Jan. 1, 1984.

The second was that Mission's board of directors has voted to lift a purchase limitation agreement that has prevented American Financial Corp. from buying more than 25% of the company's stock.

Mission officials, including Mr. DeRosa, deny that an acquisition of Mission by American Financial—an insurance and financial services holding company—or any other suitor is imminent.

Some industry analysts agree that a merger involving Mission is not likely anytime soon. Others, though, speculate that Mission may become a takeover target as a result of the board action and Mr. DeRosa's upcoming retirement.

Mission's stock surged more than four points following last month's announcements, hitting a 52-week high of $41 a share on the New York Stock Exchange. The stock settled back last week to $39.50, still above its price of $37.63 on May 3.

While setting a January 1984 retirement date, Mr. DeRosa said he will stay "as long as it takes for an orderly transition" at Mission. No successor has been named, and Mr. DeRosa said the company has hired an outside consulting firm to help it find the right person for the job.

"We want to make sure the board looks at outside and inside candidates," Mr. DeRosa explained.

Mr. DeRosa, who has served as the insurer's chief executive officer for 20 years and is widely considered a highly capable manager, has fended off takeover attempts in the past.

For example, the purchase limitation agreement recently repealed by the Mission board dates back to the late 1970s, when American Financial bought about 19.7% of Mission's stock in a move that prevented an unfriendly takeover by American International Group Inc.

At that time, American Financial agreed that it would not acquire more than 20% of the company's stock. That agreement was amended last year, raising the limit to 25%, although American Financial has not increased its stake since then.

Among American Financial's holdings are Great American Insurance Co., Great American Surplus Lines Insurance Co. and a number of other financial services subsidiaries. The company is privately held by the family of its chairman, Carl H. Lindner.

Mr. Lindner is on Mission's board of directors, as is Ronald F. Walker, president of Great American Insurance Co. But, a Mission spokesman said that Mr. Lindner is not being considered for Mr. DeRosa's job.

Mr. DeRosa and Edward A. Smith, chairman of Mission's board, said they didn't know if Mr. Lindner or another board member originated the idea of lifting the purchase limitation. The move was simply an "appendage" to the decision last year to allow American Financial to increase its Mission holdings to 25%, Mr. DeRosa said.

Mr. Smith, who is also a partner in the Kansas City, Mo., law firm of Smith, Gill, Fischer & Butts, said the board's action was prompted by Mr. DeRosa's impending retirement.

"It just came up in the context of the DeRosa retirement," he said, explaining that Mission wants to keep its options open after Mr. DeRosa's departure.

Mr. DeRosa conceded that Mission has conducted "very preliminary discussions" regarding an acquisition by "an industrial company that doesn't have a stake in the financial services area."

However, both he and Mr. Smith said that the board's action was not meant to clear the way for acquisition by American Financial or anyone else.

American Financial currently regards its stake in Mission as merely an investment, according to a 13/D form filed with the Securities and Exchange Commission. But, a company official did not rule out that its philosophy could change.

"There's been no decision relative to an increase (in our stake)," said James Evans, American Financial's vp and general counsel. "At such point in time as we make a decision to increase that position, we will file additional 13/Ds."

Some securities analysts also express doubts that a takeover is in the cards for Mission.

One roadblock to a merger is the apparent absence of a clear successor to Mr. DeRosa, according to Leandro S. Galban Jr., a vp of investment banking and research at Donaldson, Lufkin & Jenrette Securities Corp. in New York.

"Apparently, the board doesn't feel that there's anybody inside the company that can take his place," Mr. Galban said.

"Nobody is going to pay a premium for a company that doesn't have a really strong leader," he said.

He added that the price that Mission would probably ask would be more than many would be willing to pay, including Mr. Lindner, who was described by another securities analyst as "a discount asset-type of investor."

"By Lindner's standards of what he'll pay for things, the price is too dear," Mr. Galban added.

Other analysts, however, speculate that a takeover attempt may be coming Mission's way.

One prospective suitor, some say, may be New York-based Penn Central Corp., a diversified energy and telecommunications company of which Mr. Lindner is chairman. Penn Central is 23% owned by American Financial.

Penn Central may be in a better position than American Financial to make the deal, suggests James Stradtner, a partner with Alex Brown & Sons of Baltimore. Penn Central has more assets available to make the acquisition and also has larger tax-loss carryforwards that could be used to offset the Mission's earnings for tax purposes, he said.

But, if an acquisition move is made against Mission, it may not involve Mr. Lindner's companies at all, Mr. Stradtner added.

He pointed out that Mr. Lindner also owned about 20% of Gulf-United Corp. of Jacksonville, Fla. But rather than acquire the insurance holding company himself, he sold out when the company was swallowed up by Houston-based American General Corp., Mr. Stradtner said.

"He may be content to profit handsomely from his stake in Mission" if a takeover bid comes from some other suitor, Mr. Stradtner commented.

Two factors may contribute to a decision by Mission's board to look for a merger partner, according to Denis Callaghan, first vp with Paine Webber Inc. in New York.

One may be the absence of a strong chief executive at Mission after Mr. DeRosa's retires, he said.

The other may be a tightening market for workers compensation insurance in California, Mr. Callaghan added, noting that Mission Insurance Co. is the second-largest work comp insurer in the state.

Recent good underwriting experience is expected to keep workers compensation rates down and adoption of an open-rating law in the state would contribute to rate cutting, he explained.

Although Mission is a company of "outstanding" financial strength, a tightened market could take its toll, he said.

"This is a specialized company whose niche is about to be invaded," he said. "For Mission, the times ahead will not be nearly as good as the times behind them. They may decide it's time to unload it."

Indeed, Mission suffered an off year in 1982. The company posted net income totaling $45.1 million, down about 7% from $48.4 million in 1981. Per-share earnings dipped to $3.78 from $4.06 in 1981. Revenues totaled $427.8 million, down 1.4% from $434 million in the prior year.

Besides Mission Insurance Co., the large work comp underwriter, other Mission properties include Sayre & Toso, the nation's largest underwriting manager, Pacific Reinsurance Corp. and Holland-America Insurance Co. ■

BI Industry Stock Report

MAY 31, 1983 — 5/25/83 THRU 5/31/83

Insurance Cos.		Price	% Chg.	P/E	$ Div.	% Yld.	High	Low	Vol. (000)
Aetna Life & Cas Co	NYSE	42.13	0.0	7.4	2.64	6.3	43.38*	42.13	759.2
American Bankers Ins Group	OTC	14.25	-3.4	11.2	0.50	3.5	14.63	14.25	437.9
American Gen Ins Co	NYSE	22.25	-3.3	8.5	0.80	3.6	23.00	22.25	323.0
American Indty Finl Corp	OTC	20.75	0.6	15.4	1.12	5.4	20.88	20.75	4.0
American Intl Group Inc	OTC	72.75	-3.0	12.5	0.44	0.6	76.00	72.75	206.7
American Natl Ins Co	OTC	20.00	3.9	8.3	0.84	4.2	20.00	19.75	48.6
American Sts Life Ins Co	OTC	32.00	3.2	8.9	0.88	2.8	32.00*	32.00	0.4
Aneco Reins Ltd	OTC	3.63	-3.3	120.8	0.00	0.0	3.75	3.63	23.2
Avemco Corp	AMEX	16.25	0.0	9.7	0.58	3.6	16.38	16.25	10.1
Banks Iowa Inc	OTC	44.50	1.1	11.8	1.52	3.4	44.50*	44.00	0.0
Bitco Corp	OTC	37.00	1.4	7.7	2.00	5.4	37.00	36.50	3.9
Carolina Cas Ins Co	OTC	8.25	0.0	10.9	0.32	3.9	8.25	8.25	2.7
Chubb Corp	OTC	58.88	7.0	9.2	2.92	5.0	58.88	55.88	543.6
Combined Intl Corp	NYSE	33.63	-1.1	11.2	2.00	5.9	34.38	33.38	215.4
Continental Corp	NYSE	31.50	0.0	17.4	2.60	8.3	32.13	31.50	320.5
Crawford & Co	OTC	23.25	-5.1	16.8	0.60	2.6	24.75*	23.25	21.6
Crown Life Ins Co	OTC	110.00	0.0	7.2	3.10	2.8	110.00	110.00	0.6
Employers Cas Co	OTC	41.00	0.6	8.4	1.20	2.9	41.00*	41.00	4.1
Equifax Inc	NYSE	32.13	0.0	14.6	1.40	4.4	32.50	32.13	27.4
Excelsior Ins Co	OTC	12.00	0.0	7.3	0.70	5.8	12.00	12.00	3.3
Farmers Group Inc	OTC	40.13	-3.3	10.5	1.36	3.4	41.63	40.13	478.7
Foremost Corp Amer	OTC	53.25	0.0	16.3	1.24	2.3	53.50	53.25	8.5
Fremont Gen Corp	OTC	27.13	-8.1	904.2	0.48	1.8	28.50	27.13	140.1
Great West Life Assurn Co	OTC	199.00	0.0	10.8	10.00	5.0	199.00	199.00	0.0
Hanover Ins Co	OTC	60.50	-5.8	7.5	0.88	1.5	62.25	60.50	37.0
Hartford Steam Boiler Insptn	OTC	55.50	0.0	12.2	3.00	5.4	55.50	55.50	3.9
Jefferson Natl Life Ins Co	OTC	47.00	-1.1	14.7	0.76	1.6	47.00	47.00	2.2
Kemper Corp	OTC	48.50	-1.5	9.1	1.80	3.7	49.25	48.50	17.5
Lincoln Natl Corp Ind	NYSE	49.00	-1.5	8.9	3.00	6.1	50.38	49.00	114.9
Mission Ins Group Inc	NYSE	39.50	1.3	10.9	1.00	2.5	40.00	39.00	168.8
Nationwide Corp Ohio	OTC	41.75	0.0	15.3	0.70	1.7	0.00	DID NOT TRADE	
Northwestern Natl Life Ins	OTC	34.63	-0.7	22.9	1.50	4.3	34.63	34.63	34.8
Ohio Cas Corp	OTC	53.38	0.5	10.1	2.52	4.7	53.38	53.25	58.5
Old Rep Intl Corp	OTC	30.13	-6.2	7.4	0.90	3.0	32.00	30.13	46.5
Orion Cap Corp	NYSE	25.50	2.0	12.9	0.66	2.6	25.63	24.88	77.7
Preferred Risk Life Ins Co	OTC	33.50	-1.1	9.2	1.00	3.0	33.88	33.50	1.4
Provident Life & Acc Ins Co	OTC	62.00	-2.4	8.8	2.60	4.2	63.00	62.00	28.5
St Paul Cos Inc	OTC	63.75	1.8	6.5	2.80	4.4	64.00	63.50	200.5
Safeco Corp	OTC	56.50	3.0	11.8	2.40	4.2	56.50	56.13	36.0
Sri Corp	OTC	45.00	-4.3	8.4	1.12	2.5	45.00	44.25	86.6
Seibels Bruce Group Inc	OTC	25.63	-0.5	14.0	0.80	3.1	25.75	25.63	46.0
Statesman Group Inc	OTC	11.50	-2.7	8.5	0.15	1.3	12.13*	11.50	56.0
Tokio Marine & Fire Ins Co	OTC	99.75	-3.9	16.0	0.92	0.9	103.00	99.75	9.8
Travelers Corp	NYSE	30.88	-2.0	8.2	1.80	5.8	31.63	30.88	684.3
United Fire & Cas Co	OTC	33.00	-1.5	9.8	0.88	2.7	33.50	33.00	1.6
United States Fid & Gty Co	NYSE	53.25	-4.1	12.5	3.84	7.2	54.88	53.25	263.3
United Svcs Life Ins Co	OTC	22.63	-5.7	6.8	1.00	4.4	23.38	22.63	39.9
Uslife Corp	NYSE	24.00	-3.5	6.6	0.88	3.7	24.50	24.00	154.7
Washington Natl Corp	NYSE	33.38	-0.4	15.2	1.08	3.2	33.50	32.50	123.6
Zenith Natl Ins Corp	OTC	25.00	9.9	12.1	0.80	3.2	25.00*	23.00	27.1
INSURANCE COMPANIES	AVERAGE			10.3		3.7			
Agents/Brokers									
Alexander & Alexander Svcs	NYSE	22.00	2.9	0.0	1.00	4.5	22.63	22.00	574.9
Baldwin & Lyons Inc	OTC	41.50	0.0	7.6	0.80	1.9	41.50	41.50	1.7
Corroon & Black Corp	NYSE	22.75	-9.5	12.1	1.80	7.9	24.88	22.75*	38.4
Crump E H Cos Inc	OTC	11.63	-1.1	16.8	0.40	3.4	11.75	11.63	11.6
Emett & Chandler Cos Inc	OTC	10.38	0.0	0.0	0.00	0.0	10.38	10.38	26.1
Hall Frank B & Co Inc	NYSE	30.63	-2.0	17.4	1.70	5.6	31.13	30.63	114.5
Integrated Res Inc	AMEX	41.25	0.6	16.2	0.00	0.0	43.00	41.25	162.3
Marsh & Mclennan Cos Inc	NYSE	40.50	-9.5	11.7	2.20	5.4	43.88	40.50	314.4
Poe & Assoc Inc	OTC	6.50	0.0	0.0	0.40	6.2	6.50	6.50	4.3
Reed Stenhouse Cos Ltd	OTC	16.38	-3.7	16.4	0.60	3.7	16.50	16.38	1.0
AGENTS/BROKERS	AVERAGE			16.5		3.7			
Conglomerates/Holding Cos.									
American Express(Fireman's Fd)	NYSE	69.88	0.2	14.6	1.92	2.7	71.88*	69.88	1,070.8
Anderson Clayton(Ranger/PanAm)	NYSE	31.13	-2.0	20.7	1.32	4.2	32.63	31.13	20.4
Armco Inc	NYSE	19.00	-1.3	0.0	0.40	2.1	19.75	19.00	627.6
City Investing Co. (Home Ins.)	NYSE	33.88	-1.8	8.1	1.80	5.3	34.50	33.88	419.0
CNA Finl Corp (CNA)	NYSE	22.00	0.6	8.7	0.00	0.0	22.13*	21.63	26.5
Control Data (Comml. Credit)	NYSE	57.00	0.0	14.3	0.60	1.1	59.00*	57.00	1,062.8
General Re Corp	NYSE	59.00	-5.0	12.5	1.28	2.2	62.00	59.00	539.2
Gulf Utd Corp	NYSE	27.50	-1.3	8.6	1.32	4.8	27.75	27.50	569.9
Cigna Corp	NYSE	49.25	0.5	7.1	2.48	5.0	49.38	48.75	839.3
ITT (Hartford Group)	NYSE	39.00	0.0	8.4	2.76	7.1	39.75	39.00	892.5
Optimum Hldg Corp	OTC	7.75	-4.6	12.7	0.00	0.0	8.13	7.75	3.3
Sears Roebuck & Co. (Allstate)	NYSE	38.50	-4.3	14.1	1.52	3.9	40.38	38.50	1,880.8
Baldwin Utd Corp	NYSE	12.75	14.6	6.1	0.00	0.0	12.75	11.00	968.0
Teledyne Inc (Argonaut)	NYSE	151.00	0.4	13.1	0.00	0.0	151.75	150.75	475.2
Transamerica Corp (Occidental & Fred S. James)	NYSE	30.50	0.0	10.0	1.50	4.9	30.63*	30.38	247.4
CONGLOMERATES/HOLDING COS.	AVERAGE			13.3		2.6			

*Record high/low since Jan. 1, 1983

System design: Altman Information Systems

How The Hartford improves cash flow for groups of 100 or more.

"If you're still paying standard premiums, you're losing money."

Ray Drury, Vice President, Group Sales, tells benefit plan managers how The Hartford's full range of cash flow options can cut insurance costs.

Q. How did your Minimum Funding Group Life Insurance slash premium payments by almost 90% for a large Southwestern city?

A. By replacing the standard monthly premium that would have been due on the city's half-billion dollars of Group Life with a two-part premium—one part fixed and based on expenses and the premium for pooled coverages, the other part variable and tied to actual claims.

Thanks to this arrangement, the city's fixed monthly premium was reduced from $135,000—the estimated standard premium that would have been due—to less than $15,000. And the city has the use of the funds without any dilution of coverage or insurance safeguards.

Q. If losses become higher than normal, will the city pay more than the standard premium?

A. Absolutely not. Our Minimum Funding plan caps total monthly premiums—fixed and variable combined—so that they never exceed what would be due under a standard-premium plan.

Q. Can cash flow advantages be realized by small groups?

A. Definitely. While our Minimum Funding Group Life and cash flow LTD plans are designed for larger groups, we also have a full spectrum of options for groups of 100 or more. They include Minimum Premium Plan, Administrative Services Only, and Excess Risk Insurance.

With these options, you retain all or part of the risk and responsibility relating to claim payments. In doing so, you also retain all or part of the funds you'd ordinarily pay the insurance company for assuming that risk and responsibility. The cash flow advantages stem from having the use of those funds. If you hold reserves, you can also realize cash flow advantages from interest income generated by that money.

Q. How great a cash flow improvement can a small group realize by self-funding?

A. The improvement can be dramatic. For example, a West Coast electrical equipment manufacturer with 300 employees completely self-funded its medical benefits, while The Hartford provided Stop Loss coverage. As a result, the company reduced its fixed monthly cost from over $100 per family in standard premiums to under $10 per family—including third-party administration.

Q. What ways do you have to improve cash flow with your fully insured plans? And what kind of impact can they have?

A. We have Deferred Premium plans and Retrospective Rating Agreements which are available with our full range of group Life/Health coverages. Using both those options, a Midwest food processor with some 4,000 employees improved its cash flow by more than $1 million in a conventionally insured Hartford group plan. And that's not an isolated example.

To sum up, we have a full spectrum of cash flow options. And we'll work closely with you—and your broker, agent or Hartford-approved third-party administrator—to determine which options can best improve your bottom line results.

Q. How can I get a brochure describing The Hartford's full range of cash flow options?

A. Just call me at 203-683-8599. Or write Cash Flow Options, Group Sales Dept., Hartford Life Companies, P.O. Box 2014, Hartford, Conn. 06145.

Don't make a decision on Group Benefits until you talk to a broker or independent agent who represents The Hartford.

BUSINESS
HOME
AUTO
LIFE

Let us protect your world. THE HARTFORD

The Hartford Insurance Group, Hartford, Connecticut 06115.