

business insurance

JUNE 9, 1986

update

Airline group to decide whether to activate insurer

GENEVA, Switzerland—The International Air Transport Assn.'s executive committee will decide June 28 whether to activate a new mutual insurance company to write airline risks.

The IATA, which represents 126 member airlines, recently incorporated a Bermuda-based mutual called Airline Mutual Insurance Ltd. after studying the feasibility of open-

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Reporting weekly for corporate risk, employee benefit and financial executives/\$1.50 a copy; \$60 a year

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Risk managers' pay up, despite falling bonuses

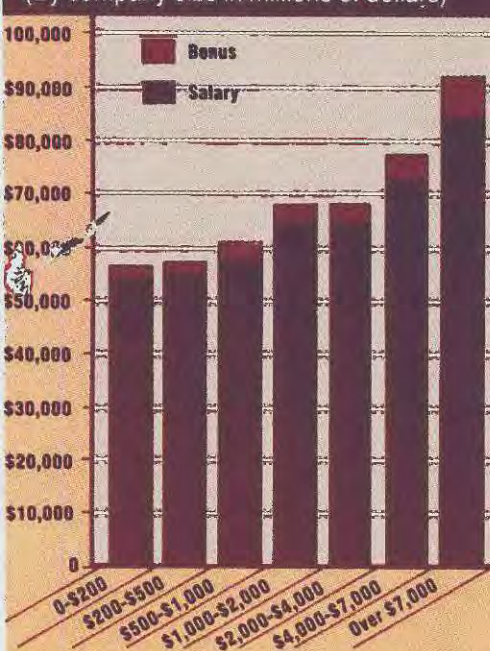
Risk managers' annual compensation is still climbing, despite a drop in bonuses, according to Logic Associates' 1985 Risk Management Compensation Survey. In fact, the average 1985 compensation for risk managers at the largest U.S. corporations topped \$90,000 for the first time in the survey's five-year history.

Compensation increased for risk managers in six of the seven corporate size categories surveyed, even though bonuses posted double-digit declines (see chart, page 3). But compensation for risk managers at companies with \$2 billion to \$4 billion in sales dipped slightly last year, according to the survey.

This week's coverage of the compensation survey, which begins on page 3, provides details not only about compensation, but also about the type of people in risk management, like their length of service with current employers, educational background and the role of women.

Next week, a report will look at the risk management departments at companies of various sizes, including staff size, risk management information systems and the use of captives.

Compensation of risk managers
(By company size in millions of dollars)



Source: Logic Associates Chart: Amy Palmer

Public wants more reform, Proposition 51 backers say

By ROBERT A. FINLAYSON

LOS ANGELES—Proponents of the successful Proposition 51 tort reform initiative in California hail last week's victory as a mandate for more civil justice reform, but opponents dismiss it as a narrow statement by the voters that they want lower insurance rates.

Voters in the state of California on June 3 approved Proposition 51 by more than a 2-1 margin, repealing the application of joint and several liability to non-economic damage awards in third-party liability lawsuits.

The application of joint and several liability forces defendants to pay damages in excess of their percentage of liability if other defendants cannot pay their shares of an award.

Non-economic damage awards involve awards for pain and suffering, inconvenience, injury to reputation, humiliation, mental suffering, emotional distress, loss of society and companionship and loss of consortium.

By definition, non-economic damage awards do not include punitive damages.

While 67% of the voters cast ballots for Proposition 51, last week's election drew the lowest California voter turnout in nearly 50 years, with only 39.7% of the state's 12 million registered voters going to the polls.

Spending on both sides of the issue—mostly for television ads—totaled nearly \$10.4 million, making it one of the most expensive proposition campaigns in California history. Supporters shelled out \$5.5 million and opponents spent \$4.8 million.

Proposition 51 immediately affects all tort liability cases yet to be brought to trial, according to attorneys familiar with implementation of California ballot initiatives and legal precedents. The courts will decide

whether cases currently on trial will be affected, attorneys say.

Whether the limited tort reform achieved last week will reduce current high insurance rates or make scarce insurance policies more available in California remains to be seen.

Several insurers, however, have already indicated that they will take a more active role in the California insurance market, according to California Insurance Commissioner Bruce Bunner. And, he is calling on all insurers to return to underwriting in the state.

Meanwhile, less than 24 hours after the election results were announced, leaders on both sides of the issue were planning their next moves.

The coalition supporting Proposition 51—a broad-based group of businesses and local government groups—is laying plans for its next attempt at reforming California's tort law.

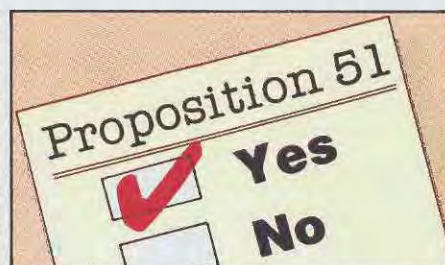
Opponents of the measure—plaintiffs' lawyers and consumer and victims' groups—were deciding

on a strategy to fight further tort reform efforts. Additional reforms are necessary, said Gene Livingston, a partner with the Sacramento-based law firm of Livingston & Mattesich and a spokesman for the Assn. for California Tort Reform, which was the driving force behind putting Proposition 51 on the ballot.

"The current system is so far out of balance and it is so expensive to consumers and taxpayers that something additional has to be done," Mr. Livingston said.

"We will not be asking for a wholesale reform of the tort law developed in the last 200 years, but we will be asking for some changes," said Michael Breining, general counsel of the California Manufacturers Assn., one

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Graphic: Amy Palmer

Market competition plays role

Proposed chemical mutual dies

By DOUGLAS McLEOD

NEW YORK—Plans for a chemical industry mutual insurer are dead, at least partially because it could not effectively compete with other excess liability insurance markets, sources say.

Casualty Excess Assurance Ltd., which was to have written excess liability limits of \$50 million excess of \$50 million for chemical companies, has failed to attract the minimum of 15 sponsor corporations, and plans for the facility have been abandoned, sources say.

Potential sponsors found certain aspects of the CEAL program unattractive, including an assessment feature and a required five-year sponsorship commitment, sources agree.

But a principal reason for CEAL's demise, some sources add, was its failure to compete effectively with other new casualty insurance facilities, including X.L. Insurance Co., the Barbados-based excess in-

surer organized by Marsh & McLennan Inc. and Morgan Guaranty Trust Co.

Chemical company risk managers trying to organize CEAL were outgunned by M&M's and Morgan Guaranty's promotional efforts for X.L., sources say, and several potential CEAL sponsors—including companies that had financed CEAL's feasibility study—are purchasing coverage from X.L. or other insurers instead.

"CEAL died for a number of reasons. One of them is that most of (the chemical companies) that went into it found other alternatives," said R.E. Lee, assistant treasurer of Allied-Signal Inc. in Morristown, N.J., a sponsor of the CEAL feasibility study that withdrew earlier this year and is now buying coverage in the \$50 million excess of \$50 million layer from the commercial insurance market.

A group of more than 15 chemical companies undertook the feasibility study for CEAL—originally

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Latest satellite loss causes market fallout

By STACY SHAPIRO

LONDON—Last month's loss of an Ariane rocket carrying an \$82 million satellite—which has grounded satellite launches for an undetermined period—is causing one major satellite insurer to temporarily stop writing launch coverage.

However, despite the loss of the International Satellite Organization probe, several other insurers say they will continue to write launch coverage in anticipation of a resumption of launches.

And while some underwriters are asking for new restrictions in launch insurance policies, none of the insurers is suggesting that rates should rise above the current level of about 25% of a satellite's insured value.

"Any higher and we would be imposing self-insurance," one underwriter said.

Arianespace, the European space agency that owned the Ariane rocket that failed May 30, announced last week that it will halt future launches for an indefinite period until the cause of the loss is determined.

The National Aeronautics and Space Administration put future satellite launches on hold following the January loss of the space shuttle Challenger. No insured satellites were aboard the shuttle when it exploded (BI, Feb. 3).

Following the latest loss, International Technology Underwriters Inc. in Washington, which writes on behalf of a group of U.S. and European insurers, temporarily stopped writing new satellite launch risks and

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aids New Mexico schools
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update

Airlines consider mutual

Continued from previous page
ing two dormant captives (BI, Dec. 9, 1985). The IATA believed it was easier to start a new company than to reopen the captives, said Tony Kelly, the IATA's assistant director for industry monetary affairs in Geneva.

The mutual insurer will begin writing aviation hull and liability risks following July 1 airline renewals if the committee approves the mutual.

A minimum of \$150 million in premium volume is promised by member airlines, Mr. Kelly said.

The mutual will follow the commercial aviation insurance market's policy conditions, deductibles and rates. London brokers were told during a meeting last week hosted by the IATA and attended by representatives of British Airways, Pan American World Airways Inc. and Lufthansa German Airlines.

The IATA has been promising to establish a mutual insurer since March 1984, when airline hull and liability skyrocketed because of adverse claims experience (BI, May 28, 1984). "This is a long-term project," says Mr. Kelly.

"If the market cuts its rates by 10% tomorrow, we still intend to go ahead with the plan."

Illinois bumps Universal Re

SPRINGFIELD, Ill.—Illinois is the third state to revoke Universal Reinsurance Corp.'s operating license because of the reinsurer's financial condition, a company spokesman said.

The Illinois Insurance Department canceled Universal's license May 28, effective immediately, according to Ken Smith, deputy director of the insurance department's property/casualty division.

A spokesman for Armco Financial Services Group in Morristown, N.J., Universal's parent company, said Illinois followed in the footsteps of Kentucky, which acted April 10 of this year, and Maryland, which revoked Universal's license July 1 of last year.

Armco has been running off Universal Re's book of business under a New Jersey Insurance Department order since April 1984 (BI, April 8, 1984; June 10, 1985). The company reported at year-end 1985 unpaid losses of \$325 million and policyholder surplus of \$3 million.

The cancellation prohibits insurers domiciled in Illinois from claiming amounts due them from Universal Re in future financial statements, unless they are otherwise collateralized. Insurers are expected to write off more than \$18 million in receivables.

As of late last week, Armco was still considering whether to protest the Illinois department's action, the company spokesman said.

Allied's N.J. license revoked

TRENTON, N.J.—The New Jersey Insurance Department last week revoked the license of Indianapolis-based Allied Fidelity Insurance Co. because of its apparent insolvency, says a department spokesman.

The Indiana Insurance Department has filed a petition with Marion County Circuit Court in Indianapolis to liquidate Allied, stating the insurer is insolvent by \$22 million (BI, May 12).

Allied, which had been writing liquor liability insurance for taverns and restaurants and commercial multiperil policies, wrote \$6.8 million in premium in New Jersey last year, and had pending claims totaling \$958,000 as of year's end.

The New Jersey Property/Liability Insurance Guaranty Assn., which will be activated once Allied is officially declared insolvent, pays up to \$300,000 per claim.

E.S.M., entities close to pact

FORT LAUDERDALE, Fla.—Seventeen public entities could receive about 48 cents for every dollar they lost through the allegedly fraudulent operations of E.S.M. Government Securities Inc., if they all agree to a proposed settlement offered by Grant Thornton, E.S.M.'s auditor.

The tentative settlement calls for Chicago-based Grant Thornton, which was previously known as Alexander Grant & Co., to pay approximately \$50 million to the public entities, which lost about \$105 million through E.S.M., according to attorneys for some of the entities.

Most of the public entities named in the proposed settlement have filed suit against Grant Thornton in U.S. District Court in Fort Lauderdale, while others have threatened to do so. The suits allege that they relied on the auditing firm's financial statements in deciding to invest funds through E.S.M., a Fort Lauderdale-based government securities dealer (BI, March 25, 1985).

E.S.M. closed in March 1985 through a court order obtained by the Security and Exchange Commission. It owed customers about \$320 million.

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Ohio employers cheer workers comp reform

By CAROL CAIN

COLUMBUS, Ohio—The result of a two-year effort to reform Ohio's workers compensation law will take effect in late August to the delight of employers but the wrath of organized labor.

Employer groups pushed hard during this year's legislative session, which ended June 3, to secure a workers compensation reform measure that would offset a series of state court decisions dating back to 1982.

The Ohio Manufacturers' Assn. said "calamitous" Ohio Supreme Court decisions "corrupted and liberalized" the state's workers compensation system by increasing the rights and benefits of injured workers, while at the same time increasing employers' costs and liability (BI, Feb. 25, 1985).

The omnibus bill adopted by the Ohio Legislature May 16—Substitute S.B. 307—will take effect in late August. It was signed by Gov. Richard F. Celeste on May 23.

The reform bill:

- Redefines intentional tort as an act committed with the intent to injure another or committed with the belief that the injury is substantially certain to occur.

- "Substantially certain to occur" is defined to mean an employer acts with deliberate intent to cause an employee to suffer injury, disease, condition or death.

- Restricts employers' liability and limits the amount of damages awarded in intentional tort cases.

The law requires the court to dismiss such a case if there is insufficient evidence of an intentional tort.

And, when an employer loses an intentional tort

lawsuit, the Industrial Commission, rather than the court, will determine the award to the injured worker.

This award to the employee, or the employee's estate in death cases, is capped at \$1 million and may not be less than 50% or more than three times the total compensation receivable under the workers compensation schedule of awards.

- Defines "injury" for the purpose of determining compensation. The law includes in this definition any injury caused by external accidental means or accidental in character and result, received in the course of, and arising out of, the injured employee's employment.

However, the bill specifically excludes psychiatric conditions, except where the conditions have arisen from an injury or occupational disease; an injury or disability caused primarily by the natural deterioration of a tissue, organ or part of the body; and injuries or disabilities incurred in voluntary participation in an employer-sponsored recreation or fitness program, provided the employee signs a waiver of rights to workers compensation benefits before engaging in the activity.

- Defines occupational disease as a disease contracted in the course of employment and which stems from hazards that distinguish that employment from other jobs, creating a greater risk of contracting the disease among employees than the general public.

- Modifies the return-to-work and temporary total disability award provisions established in *State, ex. rel. Ramirez vs. Industrial Commission*.

Current law authorizes compensation to an injured worker who is temporarily and totally disabled. Such

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Wing joins BI's staff in New York

Avra Wing is a new associate editor in the New York bureau of *Business Insurance*.

Ms. Wing will have primary responsibility for "Insurer Topics," a demographic section published quarterly by BI for insurance and reinsurance company subscribers.



Ms. Wing

She also will contribute to the weekly edition of BI.

Most recently, Ms. Wing was an associate editor of *Electronic News* in New York, where she also had been a copy editor. Previously, she was

the opinions editor for *New York Law Journal* and a freelance copy editor.

Ms. Wing received a master of arts degree in English from the State University of New York at Buffalo in 1973 and a bachelor of arts in English from City College of New York in 1970.

She can be reached in New York at 212-210-0143.

West Virginia enacts municipal tort reform bill

By CAROL CAIN

CHARLESTON, W.Va.—Local governments in West Virginia are now exempt from punitive damage awards after the Legislature overrode a gubernatorial veto of a tort reform measure.

The reform bill, which took effect June 1, also allows municipalities to form self-insurance pools for liability risks and caps municipal liability insurance rate increases at 10% annually.

In addition, the legislation:

- Restricts lawsuits against public employees and elected officials for their official acts to cases of alleged negligence.

- Caps awards for non-economic damages at \$500,000.

- Modifies the doctrine of joint and several liability in regard to all awards, including economic and non-economic damages, so that a defendant would not be liable for an award exceeding its percentage of negligence attributed by the court, unless the percentage is more than 25%.

"It's a good bill. It enables the West Virginia Municipal League to structure a self-insurance program that not only will save local governments money, but also will offer protection," said Nitro Mayor Arden Ashley, the league president.

The league's self-insurance pool is expected to be in place by Dec. 1, said John Bowling, mayor of White Sulphur Springs and chairman of the league's insurance board. He expects all of the more than 190 League members to participate in the pool.

The Legislature adopted the measure, S.B. 3, May 22 during a special session, but Gov. Arch A. Moore Jr. vetoed it on May 29. However, the Legislature overrode that veto the next day.

The governor said the measure was flawed because it dealt only with local governments and made no reference to state government or state employees.

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Pooling aids New Mexico schools

By STEVE TARAVELLA

LOS ALAMOS, N.M.—All but one of New Mexico's 88 public school districts are enrolled in a mandatory statewide pooling arrangement that is cutting their insurance costs.

Only the state's largest school district, Albuquerque Public School District, is exempt because of its size.

In what may be the first arrangement of its kind, all school districts with an average daily attendance of fewer than 60,000 are required by state law to fund their employee benefit plans—group health, dental and vision—and their property/casualty and workers compensation exposures through the New Mexico Public Schools Insurance Authority.

The authority, which was created by the Legislature, consists of two divisions. Its property/casualty division, established May 21 via H.B. 178, was backed by public school officials who sought to duplicate the success of H.B. 620, which set up a similar division last September for benefits.

The mandated pooling by the schools was orches-

trated by Tony Armijo, who was loaned to the state from his position as compensation and benefit manager at Los Alamos National Laboratory in Los Alamos.

The funds were created after several years of unsuccessful efforts to voluntarily draw the districts into joint powers authorities to negotiate as a group for insurance. The logistics of convincing so many districts spread across so large a state to agree on any one arrangement proved troublesome, Mr. Armijo said.

While the new laws require the school districts to pool their exposures, they do not require them to buy

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errors & omissions

- The policy that is believed to be the first written in the new Lloyd's of London building has a limit of \$185,000. A story in the June 2 issue incorrectly stated the policy limit in dollar terms.

Risk management bounty

Compensation rises 8.8% despite lower bonuses

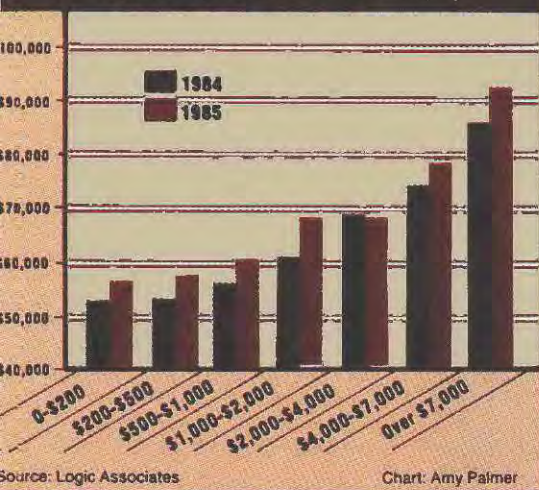
By JOANNE WOJCIK O'HARE

Although risk managers are receiving smaller bonuses, their average total compensation is increasing by almost 9%, according to a new survey.

Bonuses supplementing risk managers' annual base salaries plunged an average of 14% to 40% during 1985, depending on the size of company, the survey notes.

The most significant decline was among risk managers employed by companies with annual sales of \$4 billion to \$7 billion. Bonuses for risk managers in this category dropped 40% to an average of \$4,786 in 1985 from \$7,980 in 1984.

Rise in risk managers' compensation
(By company size in millions of dollars)



deal," explained Bill Perry, a partner at Logic Associates Inc., which conducted the survey.

"Regardless of how poor the market is, there's always a market for good people" and increased base salaries reflects this, added Richard Meyers, another partner in the New York-based recruiting firm that specializes in the risk and safety management professions.

Still, bonuses for risk managers employed by companies with less than \$200 million in annual sales dropped 34.6% to \$2,130 in 1985 from \$3,259 in 1984.

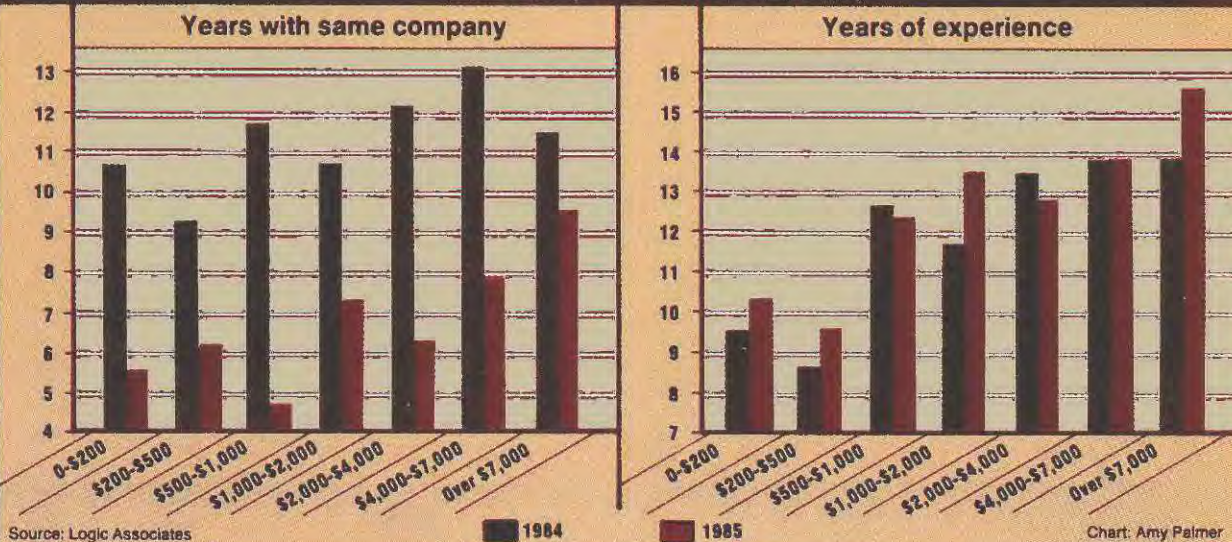
In the \$201 million to \$500 million in sales category, bonuses shrunk 34.9% to \$2,848 in 1985 from \$4,373 in 1984.

Risk managers employed by companies with sales of \$501 million

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Risk managers' experience

(By company size in millions of dollars)



Increase in job changes tied to tightening insurance market

By JOANNE WOJCIK O'HARE

Risk managers are changing jobs more frequently than before, a new survey reveals.

Risk managers at companies of all sizes surveyed by a New York recruiting firm reported fewer years of service with their current employers in the latest study, compared with a similar study released a year ago—indicating that more risk managers are changing jobs.

The tight commercial insurance market is the largest contributing factor to risk managers' propensity for switching companies, according to the survey's authors.

"The changes have come now because of the hard marketplace," said Bill Perry, a partner with New York-based Logic Associates Inc., a recruiting firm specializing in the risk management and safety management professions that annually surveys risk managers' compensation and responsibilities.

In all, 1,022 risk managers responded to the 1985 survey, a 34% rate of return. In 1984, 917 risk manag-

ers responded for a 31% rate of return. The risk managers responding were divided into seven categories based on company sales.

"We're seeing a lot more companies becoming a lot more aware of the insurance function," said Richard Meyers, the firm's other partner. "They're asking, 'Do we have the proper professional on staff to attend to these market conditions?'" And, when a risk manager resigns, companies often upgrade the position, Mr. Meyers said.

As a result, many companies are now looking for the "state-of-the-art" risk manager, both Mr. Meyers and Mr. Perry agreed.

This increasing focus on risk management has made the field more competitive for job seekers, they noted.

"It is this kind of marketplace that gives a good-quality risk manager leverage to better his position, while a mediocre risk manager will find himself or herself in the throes of competition," said Mr. Meyers.

According to the 1985 Logic survey:

- The risk manager with the shortest tenure at the

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Punitive damages acquired with firm

By STEPHEN TARNOFF

TALLAHASSEE, Fla.—Buy a company and you may also be buying its liability for punitive damages, according to the Florida Supreme Court.

If the acquisition includes all assets and liabilities, then liability for punitive damages is part of the deal, according to the court.

The Supreme Court's ruling last month came in a case involving a defendant in asbestos litigation. By a 4-2 vote, the court held that Celotex Corp., as successor to Philip Carey Corp., is liable for \$100,000 in punitive damages resulting from Carey's misconduct as an asbestos producer prior to its purchase by Celotex.

The court held that Celotex, a subsidiary of Tampa, Fla.-based Jim Walter Corp., assumed both the assets and the liabilities when it bought Carey in 1972 and therefore was liable for punitive damages caused by Carey's conduct.

The court also ruled that Celotex could have avoided liability for punitive damages by structuring the Carey acquisition differently, and that holding Celotex liable did not undermine the purpose of punitive damages in Florida.

The Florida decision follows similar rulings in at least four other jurisdictions, both state and federal, according to the opinion.

But, two Florida justices dissented vigorously from the May 8 opinion.

"I find no justification for punishing this corporation or any business entity when its conduct did not cause injury and when it could have avoided the punishment by selecting another form of acquisition," said Justice Ben F. Overton.

Celotex has filed a petition for rehearing with the state Supreme Court and is awaiting a decision, an at-

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Eye on Congress

Backers push for vote on risk act expansion

By JERRY GEISEL

WASHINGTON—Supporters of legislation to expand the federal Risk Retention Act hope roadblocks can be quickly cleared so the full Senate can vote on the measure this month.

"Our patience is beginning to wear a bit thin," said Jon Harkavy, general counsel and director of governmental affairs for the Risk & Insurance Management Society in New York.

Supporters are still hoping the Senate will consider the proposal this month following debate on the tax bill approved by the Senate Finance Committee. Any delay might make it impossible for the House to consider the risk retention legislation this year.

The Senate Commerce Committee sent the legislation, S. 2129, to the Senate floor on a resounding 14-2 vote in late March after refusing to consider proposals that buyers feared would gut the act.

The legislation, which is championed by RIMS, would permit businesses, trade groups and municipalities to purchase all lines of commercial casualty coverage—except workers compensation—on a group basis or to form captive insurers, called risk retention groups, to pool these risks.

Once a risk retention group is chartered in one state, it could operate nationwide without having to be licensed in other states.

The current Risk Retention Act, passed by Congress in 1981, gives this exemption to groups established to purchase or self-insure only product liability and completed operations exposures.

The purchasing group provision in the Risk Retention Act pre-empts state laws that generally bar the group purchase of insurance.

However, following the Commerce Committee's vote on the

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Senate panel divided over product liability bill

By JERRY GEISEL

WASHINGTON—While a majority of the Senate Commerce Committee agrees that it should pass a federal product liability reform bill, members are far apart on what should be in the legislation.

As the committee met last week to begin drafting a bill, it was clear that members haven't agreed on the framework of legislation.

"It has been difficult for me to see if there is a consensus on product liability," lamented Committee Chairman John Danforth, R-Mo. "It is a saga that goes on and on."

More approaches than ever were discussed at the Commerce Committee markup, but no broad-scale support was evident for any of them.

Those approaches included:

- Giving manufacturers economic incentives to settle cases before they go to trial.
- Passing a comprehensive tort reform bill.
- Obtaining more insurance claims information before drafting legislation.
- Doing nothing at all.

If a consensus cannot be reached soon, time simply will run out for the committee and the full Senate to pass a bill this year, observers note.

Should that happen, history would be repeating itself: About a year ago, the Commerce Committee failed to approve a comprehensive product liability bill because senators could not arrive at a consensus.

Sen. Danforth, who wants the committee to start voting on the legislation Wednesday or Thursday, said he would no longer support a comprehensive product liability measure that would completely rewrite state tort law.

"My own views have changed quite dramatically," said Sen.

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Proposition 51

Continued from page 1
of the members of the coalition that backed Proposition 51.

Mr. Breining helped draft the initiative.

Those changes likely will involve the state-of-the-art defense in product liability cases and limiting the time during which a manufacturer can be held liable for claims arising from an accident involving its products.

But, while the CMA will pursue other tort reform measures in the California Legislature, the group is not looking for a radical overhaul of the civil justice system, Mr. Breining pointed out.

"One of the primary considerations when we were drafting Prop 51 was fairness; fairness for the consumer, the taxpayer and potential defendants. That's how we drafted it, and that's how we'll pursue any further legislation," he explained.

The specifics of legislation addressing those concerns is being drafted, he said.

Mr. Breining predicts voters' support for Proposition 51 will break the current legislative logjam in the state Assembly, which has blocked several Senate-passed tort reform measures in the past three years.

Sen. John F. Foran, honorary chairman of Taxpayers for Fair Responsibility, the coalition that backed Proposition 51, and a sponsor of tort reform legislation, agreed.

"I think that it will probably have an influence on individual members of the Legislature to listen more carefully to proposal of this type," Sen. Foran said.

Legislation that would limit pain and suffering awards and some limitation on legal fees is a possibility, said the senator, who has championed tort reform efforts in the California Senate for more than three years.

However, Peter Perlman, president of the Assn. of Trial Lawyers of America in Washington D.C., said ATLA will continue to fight tort reform efforts on both the national and local levels.

In the meantime, both sides are debating the significance of the vote.

"I think the vote was a denouncement by the voters of frivolous lawsuits, extravagant jury awards and lawyers' fees and costly insurance premiums," said Mr. Livingston.

"I think that as other states followed California's lead on Proposition 13, the tax limitation initiative, we'll see similar kinds of efforts in other states," he predicted.

Jon Harkavy, director of governmental affairs and general counsel of the Risk & Insurance Management Society in New York, suggested: "The fact that the voters in California, which has traditionally been regarded as the most liberal of jurisdictions, recognized certain

problems in our tort system will certainly be a benefit to the momentum of tort reform in other states."

Franklin W. Nutter, president of the Alliance of American Insurers in Schaumburg, Ill., which has promoted tort reform, said: "The message, not only for California but for other states which are looking at possible tort reform proposals, is the public understands the issue, the public understands the impact on the cost of insurance and on the cost of products and the cost of professional services that they use and they have stated through Proposition 51 that the system needs some corrections.

"The significance of this is that it is the first reform of the civil justice system that has been put before the public and the vote has to be interpreted as a strong message that the public supports some changes in the system to bring some fairness back to all parties," he said.

"A lot of public policymakers, local governments and businesses kept a close eye on Proposition 51, not because of the specific substance of the proposition, but because of the public mandate that was given by it," Mr. Nutter continued.

"We have looked at Proposition 51 from the day it was proposed till this moment as a key indicator of the public's understanding of the liability system and an expression of the public's desire to rectify some of the imbalances in that system. Clearly the message goes far beyond the impact that Proposition 51 has on joint and several liability in California," Mr. Nutter said.

"A number of state legislatures are still in session for whom the message of Proposition 51 should be heard. We, on behalf of our organization, will make certain that message is heard not only in Washington (D.C.), but also in those states where the debate over tort reform goes on," Mr. Nutter said.

New York, Florida and Illinois are currently considering tort reform legislation, Mr. Nutter pointed out.

"To date, the debate on tort reform has been a debate among lawyers and representatives of the business community and certainly insurers, but yesterday in California the public entered the debate and took a position in favor of reforming the civil justice system," Mr. Nutter concluded.

William M. McCormick, president and chief executive officer of Fireman's Fund Insurance Cos. in Novato, Calif., said: "The judges and the trial lawyers rewrote our entire legal system in the last 25 years without any public debate and without any public mandate. Now the public is saying: 'We don't like what you did, and we want our old laws back.'"

"The passage of Proposition 51 by an enormous majority in spite of a malicious and misleading and heavily funded campaign by the trial lawyers is incredible," he said.

"Unfortunately, California was the leader in leading us astray in our legal system. It's nice to see California back in a leadership position and back on the right track."

Mr. McCormick said he hopes that legislatures around the country get the message that the public wants tort reform. "Proposition 51 is only a start. I hope they get the message and give us some real tort reform," he said.

Tort reform issues should be resolved in the legislature, he suggested, questioning why legislatures in other states were able to pass tort reform measures while the California Legislature has refused to deal with the issue.

Mr. McCormick said he favors the kind of tort reform recently passed in other states, like Washington, which included caps on awards for pain and suffering.

Opponents of Proposition 51, however, interpret the vote entirely differently.

ATLA's Mr. Perlman calls Proposition 51 very narrow and contends the vote "is certainly not any sort of directive relating to caps on damages or the other heavily promoted schemes which have been promoted throughout the country."

"It certainly doesn't help the victims," he added.

Gene Kimmelman, legislative director of Consumer Federation of America in Washington, D.C., called the vote "unfortunate for the consumers of California. I think it will create some gaps in people's ability to recover for all of the harm caused in the product liability area."

"I'm not sure what it means for the rest of the country," he added.

Whether Proposition 51 will have any effect on insurance rates or availability in California remains to be seen.

Insurance Commissioner Bun-
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Tort reform

Continued from page 3

Danforth. A sweeping federal product liability law "is biting off more than we can chew."

A comprehensive federal product liability law wouldn't add more certainty and uniformity to the legal system because courts in 50 states would interpret the law in 50 different ways, Sen. Danforth said.

Instead of sweeping tort law changes, Sen. Danforth said the federal legislation should expedite the speedy pre-trial settlement of product liability cases.

"Wouldn't plaintiffs and defendants be better off settling out of court than taking years to settle?" Sen. Danforth asked.

Legislation already introduced by Sen. Danforth, S. 1999, would give plaintiffs and defendants certain financial incentives to settle product liability claims before a suit is filed.

For example, if a manufacturer ignored a settlement offer (limited to economic damages and up to \$250,000 for pain and suffering for severe and permanent injuries) and the plaintiff sued and won, the manufacturer would have to pay awarded damages, plus a 25% penalty and interest payments starting from the time the claim was filed (BI, May 26).

But Sen. Nancy Kassebaum, R-Kan., said she didn't see how expedited settlements would solve problems with the legal system.

On the other hand, Sen. Slade Gorton, R-Wash., said he liked the concept of forcing faster settlements, but didn't agree with Sen. Danforth's approach.

"I find settlements appealing, but have serious problems with the way it is done," Sen. Gorton said, adding that he hasn't yet hit upon the right approach, either.

Some committee members do favor a comprehensive federal product liability law.

Sen. Robert Kasten, R-Wis., has introduced a Reagan administration-drafted product liability bill, S. 100, that places a \$100,000 cap on awards for non-economic damages, virtually eliminates the doctrine of joint and several liability and reduces product liability awards by the amount of other compensation a plaintiff receives, like workers compensation benefits.

The Kasten bill also would limit contingent fees plaintiffs' attorneys could collect, and would protect manufacturers from liability if they do not warn of obvious dangers or if a product is altered or modified in an unforeseeable way (BI, May 5).

But some committee members criticized parts of the Kasten bill. For instance, while Sen. James Exon, D-Neb., said he favored moving ahead with some type of legislation, he denounced the \$100,000 cap on non-economic damages as unfair and unreasonable.

"Caps seem fundamentally unjust in large cases," added Sen. Gorton. "We would be wise to stay away from them."

A number of committee members, most notably Sens. Albert Gore Jr., D-Tenn., and Donald Riegle, D-Mich., said more and better product liability claims information is needed before the committee should vote on a bill.

Problems with the liability system may be overstated, but that can't be determined until Congress has solid information on claims payments over the last several years, according to Sen. Riegle.

"Until we have the facts, we can't make policy judgments," the senator said.

"The point that we don't have comprehensive data is awfully hard to disagree with," added Sen. Gore. "Congress doesn't have the data base to make decisions on a subject that is this complex. I for one would like to see more data."

And, at least one committee

A comprehensive federal product liability law wouldn't add more certainty and uniformity to the legal system because courts in 50 states would interpret the law in 50 different ways, Sen. Danforth says.

member—Sen. Ernest Hollings, D-S.C., whose long discourses on the legal system last week seemed to be preparation for a filibuster if a bill reaches the Senate floor—flatly rejected any tort reform legislation.

"We are not the proper entity to solve this problem," Sen. Hollings said, adding that he would rather

trust local courts to decide product liability issues than the Congress.

Sen. Hollings said insurers' pricing practices—not the legal system—were to blame for the high cost and scarcity of liability insurance, citing a number of South Carolina businesses that have been hit with premium increases of several hun-

dred percent even though they haven't filed a claim against their insurance in decades.

Noting the differences of opinion, Sen. Gorton said committee members should be polled to see where the members stand on a number of key issues. Those issues, according to Sen. Gorton, should include:

- Should the committee pass a federal product liability bill?
- Should the committee get more statistical information from insurers before voting on a bill?
- Should there be an expedited settlement mechanism and, if so, how should the mechanism be structured?
- Should there be caps on non-

economic damage awards?

• Should something be done about the doctrine of joint and several liability, in which a plaintiff can recover damages from a defendant in excess of that defendant's percentage of fault?

• Should there be special liability rules for product sellers, such as wholesalers and distributors, who do not manufacture products?

• What, if anything, should be done to limit punitive damage awards?

• Should contingency fees be restricted?

"Until you have the views of 17 people (members of the Commerce Committee), it is awfully hard to draft a bill," Sen. Gorton said. ■

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Risk retention

Continued from page 3
legislation, Sen. Wendell Ford, D-Ky., placed a "hold" on the bill. A hold indicates to Senate leaders there is opposition to a bill.

Sen. Ford took the action to give the bill's supporters a chance to reach a compromise with the National Assn. of Insurance Commissioners, which has spoken out against the legislation.

These negotiations—led by Michael Mullen, an attorney with the Washington law firm of Crowell & Moring, who represents a loose coalition of employers that back the bill, and Robert Myers Jr., Washington counsel for the NAIC—have

'We want to iron out objections now,' Mr. Harkavy of the Risk & Insurance Management Society explains, noting that if regulators' objections can be settled now, there won't be a fight on the Senate floor.

continued sporadically since late March.

Some progress has been made. For example, the employer coalition, known as the Committee for Risk Retention, will not oppose an amendment to be offered by Sen. Ford on the Senate floor that would require risk retention groups

to furnish copies of their professional plan of operations to regulators in all states in which they intend to do business. Such a plan could be a captive feasibility study performed by a professional consultant.

"All responsible groups would prepare such a plan," said Mr. Mul-

len.

However, negotiations are continuing on whether a professional plan of operation would have to be furnished to the commissioner of a non-chartering state before the group could operate there or whether a commissioner would specifically have to request the plan.

In addition, other issues—involving how much control a commissioner would have over a risk retention group domiciled in another state—continue to be discussed. Neither Mr. Mullen or Mr. Myers would discuss those details.

While supporters of the legislation are anxious for the negotiations to be completed, RIMS' Mr.

Harkavy noted that if regulators' objections can be settled now, there won't be a fight on the Senate floor.

"We want to iron out objections now," he said.

Addressing as many regulatory concerns as possible in the Senate should also expedite the bill's progress in the House, Mr. Harkavy added. A similar bill is pending before the House Energy and Commerce Committee.

But even if the issue of how much regulatory control commissioners should have over risk retention groups that operate in their states is resolved, other issues could emerge on the Senate floor.

For example, representatives of offshore captive domiciles like Bermuda, the Cayman Islands and Barbados have approached Sen. Daniel Inouye, D-Hawaii, to introduce an amendment to allow risk retention groups chartered there to operate in the United States.

Sen. Inouye has not decided if he will propose such an amendment, an aide said.

Under current law and the pending legislation, a risk retention group must be chartered in one domestic state to operate in others.

However, under a sunset provision in the 1981 law, risk retention groups that were chartered in the Cayman Islands and Bermuda before Jan. 1, 1985, and met the insurance requirements of at least one domestic state can operate in the United States. It is not known how many offshore groups were chartered before the Jan. 1, 1985, deadline.

But, insurance agents' groups have dropped their efforts to include in the legislation a so-called needs tests, which insurance buyers had labeled a "killer amendment."

Under this proposal, businesses wanting to set up risk retention groups would have to prove to regulators in each state in which the groups are to operate that commercial insurance was not available on reasonable terms from admitted insurers.

Buyers have said the agents' proposal would gut the act by creating a bureaucratic nightmare for businesses hoping to set up risk retention groups, since each commissioner could establish different definitions of what constitutes reasonable terms.

In addition, buyers feared that state insurance regulators, who have generally been hostile to the concept of risk retention groups, could deny approval for groups to operate in their states even if there was a real market need.

"We have agreed to a broad expansion of the act," said Les Cheek, vp-federal affairs in the Washington office of Crum & Forster, who was involved in the discussions on a needs test.

In exchange for dropping the needs tests, buyers are being asked to accept regulators' authority to protect the public from poorly organized risk retention groups, Mr. Cheek said.

Several amendments already adopted by the Commerce Committee would give regulators greater control over risk retention groups to reduce the threat of insolvency.

Commissioners would have the power to stop risk retention groups from operating in their states if they believe particular groups are in "hazardous financial condition."

In addition, commissioners could enjoin purchasing groups from operating in their states if the coverage was written by an insurer in a hazardous financial condition.

Meanwhile in the House, Rep. Edward Feighan, D-Ohio, has requested that the General Accounting Office study how many risk retention and purchasing groups have been established under the 1981 law. That GAO study, the first of its kind, is expected to be published later this month.

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opinions

The voice of the people

WHAT A VICTORY!

The California public, offered the opportunity, reformed one aspect of liability law in California by passing Proposition 51 by more than a 2-to-1 margin (see story, page 1).

More important, the passage of Proposition 51 in California—a state not known as a bastion of conservatism—signals that the public does want some tort reform.

Granted, the voter turnout in what was a primary election was low and predominantly Republican. And Proposition 51 addressed a very limited issue: repealing the application of joint and several liability to non-economic damage awards.

Nonetheless, the vote to repeal the theory's application to pain and suffering awards in California is a significant statement by the voters.

The California voters—those that cared to cast their ballots—said they wanted change. They rejected the current system that permits judges and juries to assess non-economic damages against defendants out of proportion to the defendant's responsibility for the plaintiff's damages.

The California Tort Assn., therefore, accomplished what it set out to do by putting Proposition 51 on the ballot. It not only reformed what it considered an injustice in the tort system, but it also proved to the state Assembly, which has consistently stalled tort reform efforts, that the public really wants tort reform.

Now, we hope the Assembly heeds the voters' statement and begins serious consideration of other tort reform proposals, such as caps on pain and suffering awards, limitations on attorneys' contingent fees and an exemption from the collateral source rule, which



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Courts' conservatism

WHILE THE PUBLIC is beginning to clamor for tort reform, judges appear to be taking a more conservative stance on some issues.

While it may not please risk managers, the courts, for example, are becoming more conservative on the interpretation of coverage provided by insurance policies. In recent weeks, Associate Editor Stephen Tarnoff has reported on several cases that suggest the tide has turned against ever broader interpretations of insurance contracts.

In *Commercial Union Insurance Co. vs. Pittsburgh Corning Corp.* decided by 3rd U.S. Circuit Court of Appeals and in *Zurich Insurance Co. vs. Raymark Industries Inc.* decided by the Illinois Appellate Court, the

courts ruled that allegedly ambiguous policies ends with

And, *Aber C*
cided by the U.S.
Columbia, is inte
the application
handed down in
court in *Keene Corp. vs. Insurance Co. of North America*.

We hope that this new conservatism is not reserved for the interpretation of insurance policies. We'd like to see some of that conservatism applied to the underlying liability litigation.

letters

Availability of pollution liability cover questionable

To the editor: You report James C. Morrow as saying that environmental impairment liability insurance coverage can be underwritten (BI, April 28). It is a conclusion with which I agree in principle but which I feel is at best questionable under the present liability regime in the United States, even if restricted to those clients who have no obvious environmental exposures.

You also report Mr. Morrow as saying that pollution liability coverage should be written to cover both sudden and gradual incidents.

This is also a proposition with which I

agree. Our original EIL concept embraced this view in 1974.

You report that Mr. Morrow went on to say that previous EIL insurers did all the wrong things by trying to write only gradual pollution coverage. Inference then, of the general liability insurers, including those with which Mr. Morrow has been associated, also did the wrong thing in trying to write only sudden and accidental coverage.

Many are still doing so even today. It is possible to obtain coverage for general liability exposures, including sudden and accidental pollution, for higher limits than

are available under the Pollution Liability Insurance Assn.'s all-embracing package.

This being the case, policyholders will attempt to continue to purchase separate coverage for sudden and accidental and gradual pollution, as they did in the past.

EIL insurers may have been wrong to give in to this market demand; however, the market demand was created by the general liability coverage, not by EIL insurers.

Dr. R.M. Aickin
ERAS International Ltd.
London

Please explain my 'non sequitur' to the boss

To the editor: I am duly flattered that my letter was printed this week (BI, May 19). I am frantically looking for a copy, hoping that the word "not" precedes the word "passing."

If "not" is not there, my letter does not make a lot of sense and you would not have published it! Please let me know so that I do not have to explain the "non se-

quitor" to my boss!

Michel Dunia
Underwriting Manager
Fireman's Fund Insurance Cos.
Commercial Group Division
San Rafael, Calif.

■ Editor's note: We all read the missing "not" into your original letter, but regretably neglected to insert it for you.

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School pooling

Continued from page 2

commercial insurance. The legislation permits the districts to self-insure any coverage deemed feasible.

They can choose among various options, "getting the best we can out of the marketplace on each line of coverage," Mr. Armijo said.

Prior to pooling, most of the districts purchased benefit coverages from a union-sponsored plan. Property/casualty and workers compensation insurance were purchased separately from various commercial insurers, he said.

The districts had preferred the autonomy, but in this insurance market "were taking quite a gamble in doing their own thing," Mr. Armijo said.

Both funds are run by a nine-member board of directors appointed by various education organizations in the state. The board has selected two companies—one for each division of the authority—

to serve as intermediaries between it and the districts.

Compusys Inc., an Albuquerque third-party administrator, manages the benefit fund. Compusys collects premiums from the school districts, pays the insurers and maintains coverage eligibility records, among other responsibilities.

Gallagher Bassett Services Inc. in Albuquerque recently was selected to perform similar functions for the property/casualty division.

The savings have been immediate and impressive.

When the benefit authority was launched last September, the school districts collectively saved about \$9 million in annual premiums, Mr. Armijo reported.

● Prudential Insurance Co. of America, which was selected via a bidding process to write the districts' group health insurance, charged \$4 million less in annual premium than the existing union-sponsored health plan written by New Mexico Blue Cross/Blue Shield Assn.

Districts can choose from three indemnity plans offered by Prudential, each with a different stop-loss option, and may additionally choose to offer any of three health maintenance organizations.

● The districts avoided a projected \$3.5 million premium increase they would have been charged under the BC/BS plan.

● Delta Dental Plan in Albuquerque, chosen to write the dental indemnity plan, charged \$1.5 million less than the total charged by the various previous insurers. That plan is administered by the Colorado Vision Service Plan in Denver.

Districts can offer employees a dental HMO, Employers' Dental Services of New Mexico. About 17 districts offer both the fully insured and the prepaid options.

The savings on the health and dental plans enabled all 87 schools to offer their employees a self-insured vision plan that none offered previously, Mr. Armijo says.

And, savings are expected next month on property/casualty and workers compensation insurance.

By pooling to self-insure workers compensation coverage, the districts should pay about \$3 million in premium and save about \$2 million in their first year compared with what they now pay various commercial insurers, Mr. Armijo says.

During a four-year period ending July 1, the districts paid \$11.7 million to work comp insurers, which paid about \$3.5 million in claims, including legal fees, he says.

Gallagher Bassett will administer work comp claims, which are self-insured to \$200,000 per occurrence. Arthur J. Gallagher & Co. in Woodland Hills, Calif., is obtaining excess coverage above that amount.

The risk funding method for other property/casualty exposures will be determined with some assistance from Gallagher. Commercial insurers will be asked to bid on these risks June 13.

The Albuquerque Public School District was exempted from the legislation by virtue of its size after the district fought for independence, maintaining it was large enough to secure its own insurance. The APSD, in the state's largest city, has an average daily attendance of 65,000.

The legislation also permits districts to purchase additional insurance not purchased by the pool. And, a district that can secure coverage for less than the cost through the pool can be exempt from participating for that line of coverage.

The insurance authority is an example of alternatives being considered in numerous states, observed Natalie Wasserman, executive director of the Public Risk & Insurance Management Assn. Ms. Wasserman said she could not be certain if other states had implemented such arrangements mandating participation.

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New syndicates to open on Illinois exchange

markets

Two new syndicates on the Illinois Insurance Exchange, approved last month, are expected to open for business later in June.

Second Mercury Syndicate Inc. expects to capitalize at about \$8 million, while First Oak Brook Corp. Syndicate expects to capitalize at the minimum \$2.5 million.

The addition of the two new members brings the total number of syndicates on the 4½-year-old exchange to 22, though six of those are inactive, said James M. Skelton, who recently was named president and chief executive officer of the exchange. He previously had been executive director.

Capital and surplus of IIE syndicates now exceeds \$100 million, not including the two new syndicates, Mr. Skelton added.

Second Mercury is planning to write primary general and specialty liability coverages, the same as its sister syndicate, First Mercury Syndicate Inc., which was approved by the IIE board of trustees in August 1985 and began writing at the end of last year. First Mercury was capitalized at \$6.3 million (BI, Sept. 2, 1985; Oct. 28, 1985).

The chairman and president of both syndicates is Jerome M. Shaw, who holds the same positions with the syndicates' management company, Mercury Management Inc., an affiliate of CoverX Corp., a 12-year-old underwriting manager based in Southfield, Mich.

Although management of Second Mercury remains the same as First Mercury's, some of the investors will be different, Mr. Shaw said, adding that these investors, like First Mercury's, will be predominantly non-insurance individuals

and companies.

Mr. Shaw was unable to project year-end gross premium volume for Second Mercury, but expects the syndicate to write against its full capital, which should result in net premium volume of at least \$20 million.

While Mr. Shaw said his company will not form a third syndicate on the IIE, it is planning to form an Illinois-based insurer that may function as a reinsurer for the two Mercury syndicates. The new insurer is planned to be operational by the first quarter of 1987.

The other syndicate joining the IIE, First Oak Brook, is a subsidiary of United Financial Group, a recently formed holding company in Oak Brook, Ill., said David G. Taylor, executive vp of UFG and the new syndicate.

First Oak Brook will write "traditional excess/surplus lines business," Mr. Taylor said, specifically looking at small commercial special multiperil packages.

It will write business on a primary basis and will not write any professional liability or errors and omissions business, he said.

First Oak Brook will begin writing business as soon as funding is completed and reinsurance treaties are in place, which is expected by mid-June, he said.

Capital for First Oak Brook will come from private funding and individual investors pulled together by UFG, Mr. Taylor said.

UFG also owns United Commercial Affiliated, a 12-year-old man-

aging general agency and a broker on the exchange, as well as Oak Brook Property & Casualty Insurance Co., an insurer that recently received tentative approval from the Illinois Insurance Department. Mr. Taylor expects funding for the new insurer to be in place within the next 60 to 90 days.

Barbados manager

Bermuda-based Hanna Insurance Management Ltd. is incorporating a management company in Barbados.

Hanna Insurance Management (Barbados) Ltd. will not have its own staff but will retain one of the Big Eight accounting firms in Barbados to act as its representative.

"We have two or three new clients with a definite interest in Barbados, but we are not opening our own office unless the business warrants it," said Phillip Stamp, Hanna Insurance Management's chief operating officer.

Hanna Insurance Management, which was the sixth-largest captive manager in Bermuda based on 1985 premiums under management of \$250 million, now manages close to 80 captive insurance companies.

New aviation division

Insurance broker Rollins Burdick Hunter Co. has formed a new brokerage arm, the National Aviation Division.

The new division, based in Chicago, serves the insurance needs of

airlines, corporate aircraft, helicopter fleets, aircraft products manufacturers and others, said John Pacholic, president and chief executive officer of RBH Illinois.

"We will broker insurance in the aviation marketplace with the help of experienced officers in the new division," said Mr. Pacholic.

Donald A. Wilson, who was previously an account executive for a major airline and who has 40 years of experience in the aviation industry, serves as president and chief executive officer of the division, said Mr. Pacholic.

"We will make his expertise in the aviation marketplace available throughout RBH," he said.

In addition, J. Howard Payne, with 24 years experience in aviation, serves as senior vp, and Robert R. Manthey, with 16 years experience, is vp of the division, Mr. Pacholic said.

"This division will be helping our other offices in the production of aviation risks by providing technical support and it will also assist in marketing risks with the underwriters," he added.

Mr. Pacholic said RBH hopes to expand the division—which was formed in April—"particularly to the West Coast."

Benefit consultant

Employee benefit consulting services are now available from Kennedy Insurance Consulting, a new firm in Boise, Idaho.

Kennedy assists businesses with group life, medical, dental and disability plans. The firm, which now has about 20 clients, also assists employers in self-funding employee

benefit plans, designing and enrolling employees in cafeteria plans and offering flexible spending accounts, said a company spokeswoman.

Ronald Kennedy, president and founder of the company, was formerly a consultant with Fred S. James & Co. of Idaho.

The new firm is located at 1843 Broadway, Suite 101, Boise, Idaho 83706; 208-336-8300.

New AIU unit

American International Underwriters, a division of American International Group Inc., has formed a specialty group to assist European-based companies in coordinating multinational insurance programs.

AIU Multinational Insurance Group will help European companies obtain worldwide liability, property, marine cargo and financial insurance coverages, said an AIG spokeswoman. The main office of the group is located in Brussels, Belgium.

In addition, a service coordinator based in New York will help client companies obtain coverage for U.S. operations, she said.

Nuno Cardoso da Silva is the general manager of AIU-MIG in Brussels, she said.

Mergers/acquisitions

Alexander & Alexander Inc. has acquired a Phoenix, Ariz.-based insurance agency, The Charles Co., through a stock exchange.

The new corporation is called A&A of Arizona Inc. ■

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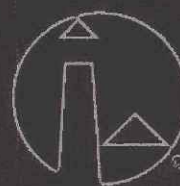
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Victoria, Hunt part company

HAMILTON, Bermuda—A.W. Hunt, the first managing director and underwriter of Victoria Underwriting Agency in Bermuda, is no longer with the company.

Mr. Hunt says he was dismissed May 28 from the 7-month-old facultative property reinsurance underwriting agency he helped form last summer with J&H Ltd. in Bermuda.

Victoria, owned by seven Bermuda-based companies, began issuing policies Oct. 30 in the name of one of its shareholders, GTE Reinsurance Co. (BI, April 14).

The other shareholders—including a subsidiary of J&H—take quota-share participations of at least \$50,000. With support from two other Bermuda-based companies, Victoria offers capacity of \$750,000.

GTE Re Managing Director Jens Juul said, "Victoria has parted company with its underwriter Burt Hunt because of a difference in underwriting philosophy and opinions. We hope the parting is amicable."

He declined to say whether Mr. Hunt had been fired or resigned, but commented that the parting had taken place after a meeting of the executive committee. Mr. Juul also noted he is not a member of the executive committee and referred questions to J&H.

J&H officials in Bermuda could not be reached for comment.

Mr. Hunt however, said: "I was dismissed at 4:45 p.m. on Wednesday (May 28) and escorted from the premises. As to whether the terms are amicable, that really depends upon how I am now treated."

Victoria will continue to operate. Mr. Juul stressed. And, both he and Mr. Hunt agreed that Victoria has not suffered adverse claims experience.

"We have not received a single claim since starting underwriting on Oct. 30," Mr. Hunt said.

Victoria has written close to \$2 million in premiums.

Mr. Hunt played a key role in the formation of Victoria. He began work on the agency with J&H more than a year ago after broker Pearson Webb Spingbett closed its Bermuda office. Mr. Hunt had run the PWS office since 1979.

Mr. Hunt also is president of the Bermuda Insurance Institute.

Organizations debate tort reform

By JERRY GEISEL

WASHINGTON—Does the civil justice system really need reform?

The answer, it seems, depends on your perspective.

On the one hand, the Consumer Federation of America in a new report takes issue with charges that liability awards are often excessive.

The Washington-based CFA says juries are not "running wild," but are increasing the size of awards because of higher general inflation and increases in medical costs.

For example, it is understandable that awards for lost income should have increased as salaries have risen. According to the CFA, the average family income in 1984 had risen to \$27,500, compared with \$7,300 in 1965.

"You certainly would not assume that a family earning \$27,500 in 1984 should be awarded for its losses suffered as though it was earning" only \$7,300, the CFA said.

The CFA also noted that between 1975 and 1984, inflation climbed 83%, real income rose 17% and life expectancy increased 3%.

Arguing against caps to limit jury awards, CFA Executive Director Gene Kimmelman says such caps "would deny innocent consumers the right to full compensation for their economic and social loss."

Taking a different viewpoint, the Heritage Foundation, a conservative Washington-based think tank, says in a "background" paper that the tort system is "perverted. No longer does it impose responsibility for damages solely on the wrongdoer. Instead, the system has become a lottery with huge payouts to the lucky few—and their attorneys."

Limiting its observations to medical malpractice cases, the Heritage Foundation recommends, among other things,

washington

that punitive damage awards against health care providers be abolished.

"There never was a sound basis for granting punitive damages in tort cases. When punishment is justified, it should be imposed through criminal, regulatory or professional disciplinary proceedings set up for that purpose, with proper procedural safeguards for the accused," the foundation says.

And, unlike the CFA, the Heritage Foundation advocates a cap—set at \$100,000—on pain and suffering damages in malpractice cases.

Meanwhile, President Reagan is adding his name to the drive to pass federal product liability legislation.

In his first public remarks on the issue, the president told a U.S. Chamber of Commerce rally late last month that tort law has become "twisted and abused."

President Reagan appealed for business to help support the administration's product liability legislation.

Death investigation

A case involving "several" deaths in a 1985 explosion at an Oklahoma fireworks plant has been referred to the Justice Department for possible criminal prosecution, the Occupational Safety and Health Administration says.

The June 25 explosion at the Aerlex Corp. fireworks plant located near Hallet, Okla., killed 22 people and leveled most of the buildings on the site (BI, July 8, 1985).

Under federal law, an employer can be punished with a \$10,000 fine and six months in prison if an employee dies in a workplace accident and the death is the result of the company's willful vio-

lation of OSHA safety standards.

The safety agency will not disclose further details while the Justice Department reviews the case.

401(k) criticism

Not everyone is enamored with 401(k) salary reduction plans.

Karen Ferguson, director of the Pension Rights Center in Washington, says the proliferation of 401(k) plans could reduce retirement income prospects for millions of workers.

In a recent newsletter, Ms. Ferguson says workers are in danger of not receiving adequate pensions if their employers shift money from defined benefit pension plans to 401(k) plans.

Under a 401(k) plan, a worker can make pretax contributions to a plan. These contributions often are matched, to some extent, by an employer.

Funds are not taxed until they are withdrawn.

But Ms. Ferguson noted that low-income workers often have little extra money to contribute to a 401(k) plan and run the risk of not receiving adequate pension benefits if employers shift their contribution from defined benefit plans to 401(k) plans.

Ms. Ferguson says attorneys and actuaries have told the center that corporations are making contributions to 401(k) plans with money that previously would have been used to sweeten pension benefits.

"Even more disturbing is the fact that we are hearing from an increasing number of employees whose employers have terminated their pension plans and substituted 401(k)s," Ms. Ferguson said.

"While increased reliance on 'individual initiative' may be philosophically appealing, it is both impractical and inappropriate in a retirement income context."



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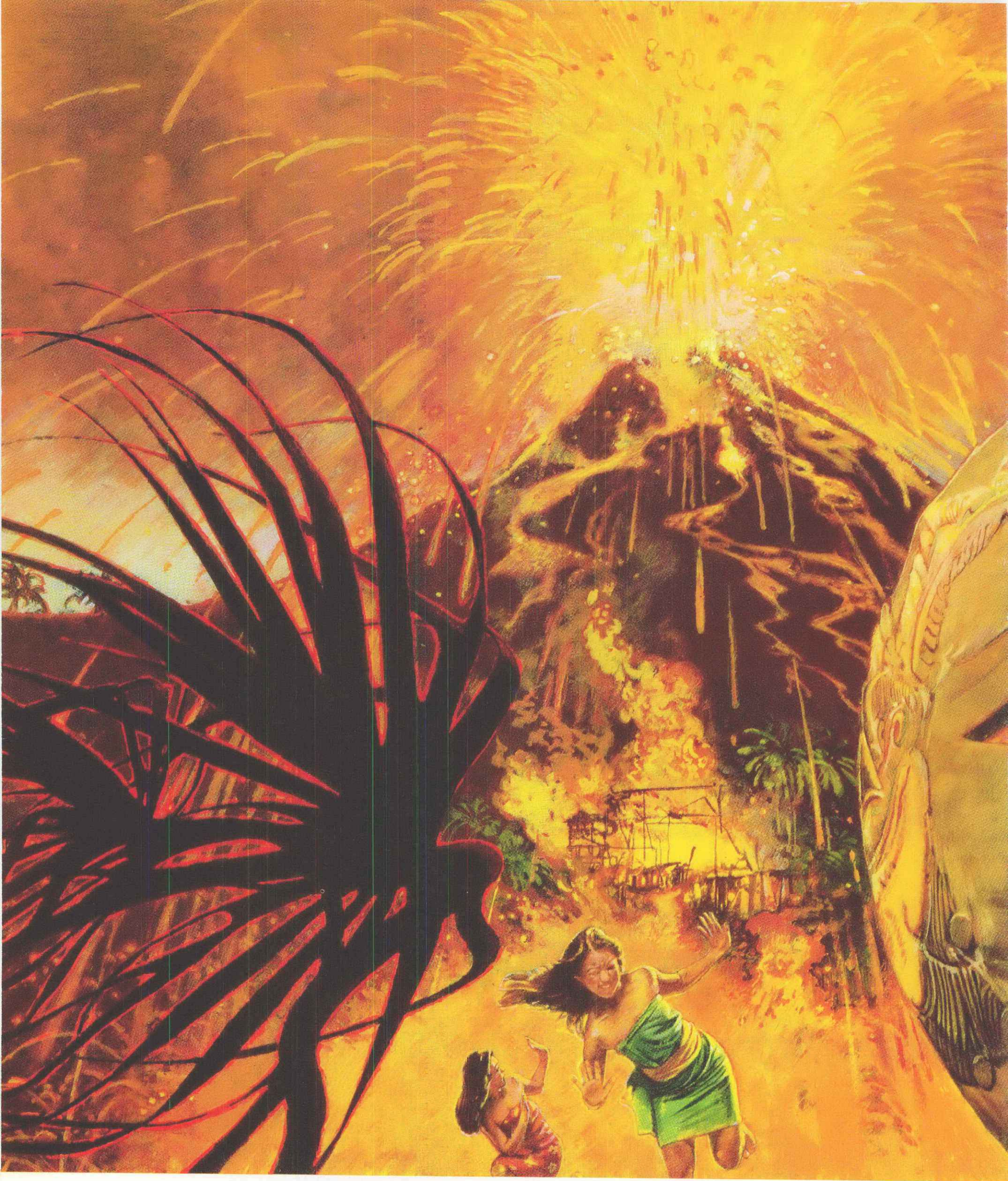
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Figure 6

[illegible]

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(continued)

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Executive benefits

Many companies opting for non-qualified retirement plans

By Richard H. Levinson
and John Bertko

More and more companies are taking a closer look at their senior executives' retirement and survivor benefit plans.

The 1982 and 1984 tax laws have severely curtailed the benefits that can be provided under qualified retirement plans, and these benefits would be restricted even further by the tax bill passed by the House late last year.

As a result, many employers are adopting non-qualified plans that provide retirement and survivor benefits greater than those permitted under qualified plans. The objective is to provide better incentives to attract and retain talented executives.

These plans are restricted to a group of highly compensated executives to avoid vesting, eligibility and reporting requirements under the Employee Retirement Income Security Act.

To prevent executives from being taxed before the benefits are paid, non-qualified plans cannot be funded; corporate assets cannot be set aside beyond the reach of the company's creditors.

The executive cannot attempt to attach corporate assets to protect his benefits. Typically, he only has a contract with the company in which the employer promises to pay benefits in the future. If the company goes bankrupt, the executive stands in line like every other creditor.

Further, the employer must consider the retirement obligation as an unfunded liability. The annual expense of the plan affects the corporation's earnings.

With this in mind, many insurance agents are marketing specially designed life insurance products combined with non-qualified plans. Some say that these insurance plans will ultimately recover the cost of a non-qualified plan and perhaps also return a profit to the corporation.

Earlier tax reform proposals appeared to threaten the tax advantages of insured non-qualified benefit plans because they would tax the inside buildup of life insurance cash values and eliminate the deduction of policy loan interest.

However, these proposals were not included in the House or Senate tax bill.

While there is much to be said in favor of financing executive benefits with life insurance, and while the insurance features make it possible to provide benefits at little or no cost to the company, it is essential to evaluate the risks involved.

Corporate management and the executive should approach these plans objectively and perhaps with a degree of skepticism. The employer also should be aware that insurance is a financing alternative, not a necessity.

Common types of non-qualified plans include:

- A death benefit plan, which is usually proposed to replace a corporation's group life insurance coverage for a select class of executives. The plan, sometimes referred to as a salary continuation or survivor income

plan, avoids some of the pitfalls associated with a "top-heavy" group life insurance plan under current law.

This type of plan can benefit a corporation by providing lower insurance costs for the same coverage or increased coverage at the same cost. It also may benefit the executives by making available some of the policy's cash value.

- A supplemental executive retirement plan (SERP), which provides additional income to executives who might otherwise not receive full benefits because of short service with a company or because of limits on maximum benefits payable under qualified plans.

SERPs usually are designed to bring retirement benefits up to a percentage of the executives' final pay.

- A deferred income plan (DIP), which allows an executive to take a reduction in salary or to defer bonuses and then receive the deferred compensation later when, presumably, he will be in a lower tax bracket. In its purest form, a DIP does

replace a very small portion of executives' final earnings.

- Certain executives, who may not spend an entire career with one company, may not complete sufficient service requirements to earn full pension plan benefits.

- Non-qualified plans provide the employer with a set of "golden handcuffs" to help retain key executives.

Choosing the best plan may depend on a number of factors, including:

- What are the corporation's objectives regarding death and retirement benefits for its key executives? For example, is the overall goal some percentage of final pay or spendable income?

- How management views the company's future. Is the company a target for acquisition? Will requirements for expansion or capital improvements cause future cash-flow problems?

- How are executives compensated currently? Emphasis on bonuses as opposed to salary usually keeps life insurance coverage at a less than

While there is much to be said in favor of financing executive benefits with life insurance, and while the insurance features make it possible to provide benefits at little or no cost to the company, it is essential to evaluate the risks involved.

not pay any interest on the deferred dollars, but the employer typically will credit interest on the funds since the company has used the executive's money. DIPs, like SERPs, pay survivor benefits.

DIPs are risky for the executive because he has no guarantee his money will be repaid at retirement. As with a SERP, to avoid problems with constructive receipt of the deferred income, the plan must be "unfunded." Therefore, the executive must be reasonably confident of the company's survival and profitability.

DIPs can create problems for the company as well. If the plan is not designed carefully, the employer may overcompensate the executive who defers income and overlook accounting and cash-flow implications.

In spite of some of the factors mentioned above, there are several good reasons for considering non-qualified plans:

- The 1984 tax law removed the tax advantages of discriminatory group life insurance, and the 1982 tax law reduced maximum benefits payable under a defined benefit pension plan from \$136,425 to \$90,000 and maximum annual contributions to a defined contribution plan from \$45,475 to \$30,000. The House tax bill would reduce these maximums even further.

- Qualified retirement plans often base benefits on base salary alone, excluding the bonuses and other incentive pay that often make up a large part of an executive's income in the last years before retirement.

- Social Security benefits are targeted primarily toward middle- and lower-income employees and only

desirable level for the executive since bonus amounts may fluctuate dramatically.

- The degree to which the corporation can afford to have an impact on its balance sheet and income statement. Each type of plan has a different charge against earnings, ranging from none at all to moderate.

- Whether the corporation wants to use the plan(s) to reward executives for past service or to provide incentives to increase productivity.

Analyzing these factors should help determine the relative value of each type of plan for both the corporation and the executive.

Typically, there are three approaches available for financing an unfunded non-qualified plan: pay-as-you-go, sinking fund and life insurance.

The primary advantage of the pay-as-you-go approach is that cash requirements in the first few years are low, allowing the corporation to keep its cash fully invested in the business.

However, in some plans, if funds are not currently accumulated, the early death of one or more executives can result in a significant corporate cash drain. Earnings on funds invested in the corporation also may be taxed.

In addition, the unfunded liabilities connected with non-qualified plans have become an increasing concern to management and executives. At first, many plans only covered a few executives for small benefit amounts, but with tightened legislative restrictions and increasing salaries, it is common to find the unfunded liability growing rapidly each year.

Under the sinking fund approach,

corporate assets are systematically accumulated in an amount projected to be sufficient to pay deferred executive benefits as they become due. Funds may be placed in stocks, bonds, bank accounts or other investments. The earmarked funds remain assets of the corporation, with the executive having no preferred claim to them.

The sinking fund approach can provide current financing on a flexible basis, but there is always the risk that, because of poor investment performance and/or premature executive deaths, the fund may be insufficient to pay plan obligations as they become due. Furthermore, the sinking fund's earnings are subject to income tax, thereby reducing its cost efficiency.

Under the life insurance funding approach, the corporate employer purchases, owns and is the sole beneficiary of a permanent life insurance policy—referred to as a "key executive" policy—on the life of each participating executive. The corporation borrows against the policy cash value to pay premiums and recover the aftertax cost of the loan interest and benefit payments.

At the death of the executive, the corporation receives the life insurance policy proceeds tax-free, which effectively reimburses the corporation for some or all of the cost of providing executive benefits.

Life insurance can offer financial and tax advantages because the internal cash buildup of a life insurance policy is not taxed unless the policy is surrendered before death.

In addition, the policy-borrowing technique often reduces the corporate cash flow required to fund executive benefits. More importantly, current tax regulations allow corporations to deduct the interest paid on borrowed cash values of life insurance policies.

Before deciding whether to use a corporate-owned life insurance or self-funding approach, consider:

- Cash flow in the short and long term. Keep in mind that the positive cash-flow elements of a life insurance-funded plan are achieved through a series of transactions including borrowing against the policy, paying policy loan interest in cash and tax savings, all of which occur at different times.

- The impact on corporate earnings. There are costs associated with these plans that life insurance does not eliminate, but simply recovers, at the executive's death. The actuarial probability of this event should be examined.

Continued on next page

Richard H. Levinson is a senior consultant in the Detroit office of Coopers & Lybrand where he specializes in the design and financing of executive benefit plans and the analysis of life and disability income insurance.

John M. Bertko is a principal in the San Francisco office of Coopers & Lybrand. Associated with the actuarial, benefits and compensation group, his expertise lies in the area of group insurance.

ASK A RISK MANAGER

RMIS programs can help even small companies

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Financial systems and cost-analysis programs are widely available to larger corporate risk management departments. Are there programs available for the small- to medium-sized risk management departments to better manage and market their programs?

A

Many of the risk management information systems and computer program models have seemingly focused on the larger user's needs. As a result, the vast majority of small- to medium-sized departments—those with one to three people and without internal

resources to do the financial analytical work, perhaps have suffered.

There is no doubt the proliferation of risk management information systems has confused many and may not have satisfied the needs of the majority of potential users.

In the past, your senior management had to be sold on the need for a risk management information system, and on its immediate use and value. Today, in order to properly manage your department and market your insured programs, the need no longer must be proven.

Financial analysis demands for insured and self-insured risk management programs are growing at an ever increasing rate. First it was the internal auditor who wanted to test the adequacy of your self-insurance reserves. (I've often wondered why they didn't have the same concern for the retrospective "insured" program.) His initial approach was to confirm that the numbers were in proper order. Then your firm's outside auditors asked the same questions.

Soon the self-insurance fund grew to such a size that you yourself asked an outside actuary to check the assumptions and help in forecasting ultimate expense.

Next the state agencies that certified you to self-insure workers compensation and no-fault auto insurance wanted better verification of proper reserving and ultimate cost. All through these exercises you were being asked to test the adequacy of insurance

claim reserves.

The answer to many of these questions may have been more easily addressed by the larger risk management departments. How does the smaller department, with little internal and perhaps no external help, analyze its retrospective rating or paid-loss retro cash-flow plans or its incurred-loss, expected-loss or guaranteed-cost plans?

And, with all of those funding options available, how can you be satisfied that you have the most cost-effective and workable plan for your profit centers and corporation?

Thorough financial analysis of insured, "semi-insured" and self-funded programs is a must for all risk management programs, no matter what the size. The ability to do this for yourself is worth the small price you pay for the programs available for use on your own personal computer.

There are many cost models for casualty insurance that can be run on many types of personal computers. They operate on SuperCalc-2 or SuperCalc-3 spreadsheet software.

The various cost models can help you perform a variety of financial analyses. Some of these which I found most interesting and of immediate value are:

- Premium allocation.
- Ultimate loss/IBNR projection.
- Self-insurance cash-flow analysis.
- Retrospective plan analysis.
- Cash-flow summary report.
- Retained loss analysis.
- Annual incurred-loss projection.
- Loss development projection

Many of the programs are "novice friendly" to operate and include a spreadsheet tutorial.

Here are some examples of what the programs can perform:

• An analysis of paid-loss retro cash-flow plans can determine the aftertax net present value cost of a paid-loss retro program in any given policy year. This will allow you to compare the cash-flow aspect of a paid-loss retro, and compare the plan with other cash-flow plans without going to the marketplace for a bid. You can then request quotations for the program that fits your company's needs.

• A premium allocation program allows you to forecast costs, monitor actual performance against budget and provide the data necessary to know where adjustments are required for large unexpected variations in loss experience.

Premium allocation programs are under constant challenge by profit centers and could be considered one

of the major frustrations for all risk managers. You are under constant pressure to change the system because of "internal" problems. The system must allocate costs to the profit center level and fit within the corporation's accounting structure. It should be loss-sensitive and measure exposure as well. And, all profit centers want to verify their allocations and the data you used.

• Programs that project ultimate losses and incurred-but-not-reported losses are now necessary for all risk management departments' cost analyses. In many cases you must separate discontinued from continuing operations in your forecasts. Use of your corporation's loss development and claim reporting logs is better used in your forecasting than relying on industry experience. Separating the frequency of loss forecast from the severity forecast allows you to identify unusual trends in severity or in the relationship between the two factors.

I am very impressed with these types of financial analysis models; they are often user-friendly, can be used in risk management departments of any size and are also good marketing tools.

There is a variety of such programs available on the market. *Business Insurance* will publish a directory of risk management information system software products on July 21.

Would you like advice from an experienced colleague on a risk management, benefit management or actuarial problem? Four features in the Perspective section of Business Insurance can give you some answers.

Ask A Risk Manager, Ask A Benefit Manager, Ask A Benefit Actuary and Ask A Casualty Actuary answer written questions from readers on risk and benefit management issues and actuarial problems.

This month's column, on risk management issues, is written by Ralph F. Perry Jr., vp and director of risk management at Amfac Inc. in San Francisco. Joseph Duva, director of employee benefits and compensation at SCM Corp. in New York, answers benefit management questions. William J. Miner, an actuary with The Wyatt Co. in Chicago, answers actuarial questions on benefit issues. And, Richard E. Sherman, a principal with Coopers & Lybrand in San Francisco, answers actuarial questions in the casualty field.

Mr. Duva's and Mr. Perry's columns appear alternately on the second Monday of each month. Mr. Miner's and Mr. Sherman's columns appear alternately on the first Monday of each month. Mr. Perry's next column will appear in August.

Address your questions to ASK, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611. Please give us your name, title and employer; however, Business Insurance will consider unsigned letters.



Mr. Perry

Executive benefits

Continued from previous page

• The top corporate tax bracket now and in the future. Plans financed with life insurance predicate most of their cost recovery on the corporation's ability to deduct the payment of compensation plan benefits to the executives and deduct the interest paid on the amount borrowed against the life insurance policy. Should the top corporate tax bracket be reduced or the deduction of interest disallowed, the cost of such plans would be dramatically increased.

• Current and future corporate earnings. A reduction in corporate earnings may place it in a lower tax bracket, which also would increase the aftertax cost of the plan.

• Interest rates. The cost of a plan funded with life insurance depends a great deal on arbitrage. Therefore, most policies have a loan rate tied to some outside index like the Moody's Corporate Bond Index. The insurance company will credit borrowed funds with an interest rate 50 to 150 basis points below the rate charged to borrow the funds. This

interest differential and the corporate tax bracket determine the gain or cost to the corporate policyholder.

Perhaps the best way to determine the method for financing the plan is to make some quantitative and qualitative comparisons. Some of these are:

- The corporation's aftertax cost of money—or what it reasonably could expect to earn if the premium dollars were invested elsewhere.
- An assumption whether executives will die on an actuarially calculated basis or at age 80.
- The degree to which executives will contribute to the plan.
- What the corporation expects to recover from the plan, and when.

Specifications then should be drawn and submitted to the agents or brokers selected to bid. Generally speaking, insurance products developed for this market are flexible so they can meet virtually any single objective, which requires that the wording of the request for proposals be extremely clear.

The executive and consultant who

negotiate should be prepared to meet with agents and brokers and answer questions to ensure that the company receives the best and most accurate proposals.

The comparisons of the insurance method with other financing methods should be based on a cash-flow analysis, net present value, internal rate of return and impact on earnings.

If, as a result, life insurance is selected as the financing method, the next step is to select the agent and insurer. This decision should not be based solely on numerical results of the various policies. Of equal importance, since the employer is planning to enter into an obligation that could run more than 40 years, are the financial strength of the insurer, the provisions of the contract and the agent's administrative ability.

Among these issues are:

- Is the insurer the parent insurance company or a subsidiary set up to market specific products? To what degree does the parent stand behind the subsidiary?
- Will the insurer protect the employer

from tax law changes that would adversely affect the plan's cost? Can the employer bail out of the policy if necessary? At what cost?

• Who will actually administer the plan and handle such details as installation, underwriting, compliance with tax law changes, accounting information and communication with participants? If the agent, how much time and staff are devoted to this? How is he compensated?

If a third-party administrator is involved, are there service fees or does the administrator share the commission with the agent? Will the insurer provide support if the others fail to do so?

In summary, "caveat emptor"—let the buyer beware—seems to apply to using corporate-owned life insurance to fund executive benefit plans. The potential cost recovery associated with the insurance should not be the sole basis for starting an executive benefit plan. Only a thorough examination of the corporation's needs and objectives can determine its validity.

Salary survey

Continued from page 3

to \$1 billion received bonuses averaging \$3,248 in 1985, which was down 13.8% from the average bonus of \$3,767 in 1984.

Bonuses for risk management professionals working for companies with sales of \$1 billion to \$2 billion dropped 19.8% to \$4,273 in 1985 from \$5,329 in 1984, while those at firms with sales of \$2 billion to \$4 billion posted a 38.1% decline to \$4,294 in 1985 from \$6,936 in 1984.

A 32.8% decline in bonuses was reported by risk managers employed by companies with sales of more than \$7 billion. These professionals earned bonuses averaging \$7,639 in 1985, compared with \$11,367 in 1984.

However, dramatically shrinking bonuses did not reduce overall compensation—salary plus bonus—in most of the categories because of significant salary increases.

The biggest salary hikes went to risk managers working at companies with annual sales of \$1 billion to \$2 billion. Salaries increased an average of 14.4% to \$63,370 in 1985 from \$55,387 in 1984.

This brought total compensation in this category to \$67,643 in 1985, an 11.4% increase from \$60,716 in 1984.

The only category of risk managers surveyed whose total compensation actually fell as a result of smaller bonuses was at companies with \$2 billion to \$4 billion in sales. Total compensation for risk managers at these companies averaged \$67,673, a decline of 1.5% from \$68,707 in 1984.

Risk managers in this category received the smallest salary increases of those risk managers surveyed. Salaries for these risk management professionals crept up just 2.6% in 1985 to an average of \$63,379, compared with \$61,771 in 1984.

The rest of the risk managers surveyed reported gains in both salary and total compensation:

- Risk managers at companies with sales of less than \$200 million earned 8.7% more in salary in 1985. Salaries for this group averaged \$53,736 last year, compared with \$49,423 in 1984.

Total compensation for members of this group averaged \$55,866, a 6% increase from \$52,682 in 1984.

- Salaries increased 12.1% in 1985 among risk managers employed by companies with sales of \$201 million to \$500 million to \$54,026 from \$48,213 in 1984.

These risk management professionals received total compensation averaging \$56,874 in 1985, an 8.2% leap from \$52,586 in 1984.

- Risk managers at companies with sales of \$501 million to \$1 billion earned 10.2% more in base salary during 1985, averaging \$56,857 last year vs. \$51,584 in 1984.

Total compensation for risk management professionals in this category averaged \$60,105 in 1985, an 8.6% jump from \$55,351 in 1984.

- Risk managers at companies with sales of more than \$7 billion received salaries averaging \$84,568 in 1985, a 12.3% leap from \$75,295 in 1984.

The combination of salary and bonuses brought these risk management professionals' total compensation to an average of \$92,207 in 1985, a 6.4% increase from \$86,662 in 1984.

According to information gleaned from the individual responses, the highest 1985 compensation was reported by the risk manager for a Missouri company with sales of \$501 million to \$1 billion. This risk manager earned \$106,000 in salary and a \$30,000 bonus, for total compensation of \$136,000.

This was lower than the most highly compensated risk manager in the 1984 survey: a risk manager

for a New Jersey conglomerate who earned a \$106,000 salary and a \$51,800 bonus for total compensation of \$157,800.

In all, 1,022 risk managers responded to the 1985 survey, a 34% rate of return. In 1984, 917 risk managers responded for a 31% rate of return.

While the 1985 Logic survey revealed few major changes in the employee benefits received by risk managers, more risk managers at smaller firms had access to company cars in 1985 than 1984.

A company car was reported by 15% of the risk managers at companies with sales of less than \$200 million in 1985, compared with 12.9% in 1984.

A total of 25% of the risk managers at companies with sales volumes of \$201 million to \$500 million reported having company cars in 1985, compared with just 19.6% the previous year.

An increase in the number of
Continued on next page

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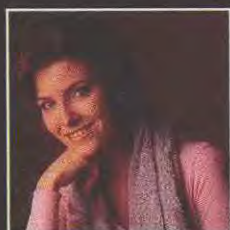
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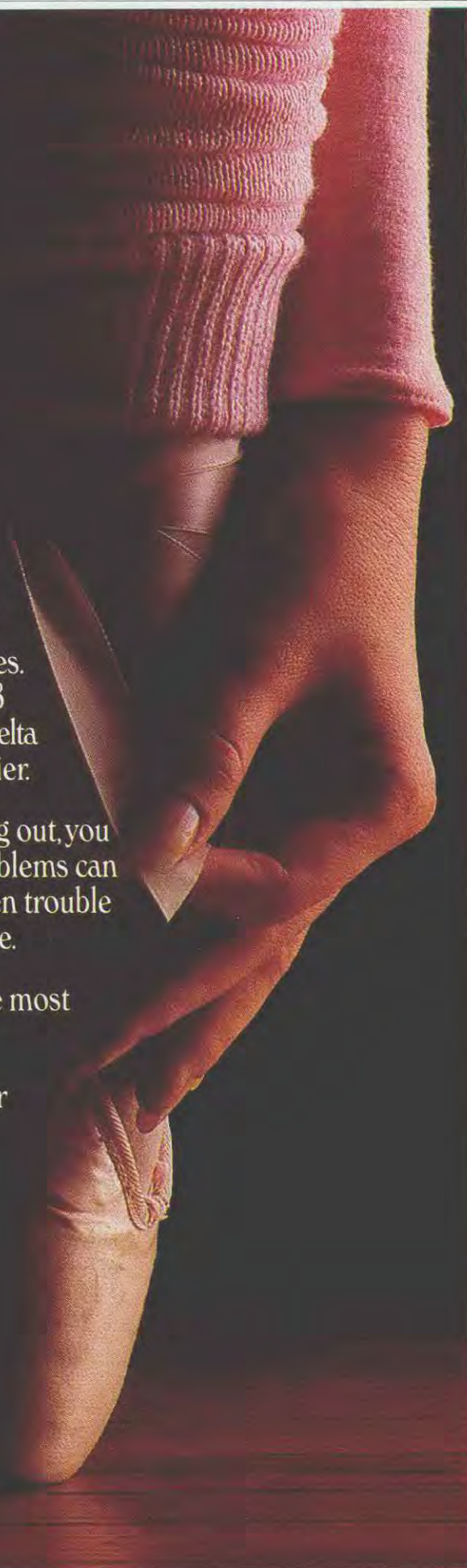
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Salary survey

Continued from previous page

risk managers with company car benefits was found at companies with sales of \$2 billion to \$4 billion and \$4 billion to \$7 billion.

In the former case, 13% reported having company cars in 1985, compared with just 10.2% in 1984. In the latter category, 24% of the risk managers said they had company cars in 1985, compared with 21.2% the previous year.

And at companies with sales of \$1 billion to \$2 billion, 12% of the risk managers responding had access to company cars in 1985, compared with 11.7% a year earlier.

However, many risk managers in other categories lost their access to a company car, with 14% of those at companies with sales of more than \$7 million reporting a company car, compared with 23.1% a year ago.

Thirteen percent of risk managers at firms with \$501 million to \$1 billion in sales said they had company cars in 1985, compared with 13.3% in 1984.

Stock options were available to about half of the risk managers responding to the survey.

At companies with sales of less than \$200 million, 38% had stock options in 1985, compared with 38.7% in 1984.

In the \$201 million to \$500 million in sales category, 41% reported having stock purchase options in 1985, compared with 40.2% the previous year.

Thirty-five percent of the risk managers at companies with sales of \$501 million to \$1 billion said they had stock options in 1985, down from 40% in 1984.

Stock options were available to 51% of the risk managers at companies with sales of \$1 billion to \$2 billion, compared with 53.2% in 1984.

The benefit was given to 50% of the risk managers at companies in the \$2 billion to \$4 billion sales

range, compared with 49.2% the previous year.

A total of 54% of the risk managers at companies with sales of \$4 billion to \$7 billion said they had company stock options in 1985, compared with 54.5% in 1984.

However, considerably fewer risk managers at companies with sales of more than \$7 billion were given stock purchase options in 1985, according to the survey. A total of 58% reported having the benefit in 1985, compared with 65.4% a year earlier.

Except for risk managers at companies with sales volumes of \$2 billion to \$4 billion, pension plan coverage held stable between 1984 and 1985, the survey showed, with 100% of the risk managers at larger companies reporting having the benefit.

Only 89% of the risk managers at firms in the \$2 billion to \$4 billion category reported being covered by pension plans in 1985, down from 98.3% in 1984.

At companies with less than \$200 million in sales, 93% said they were enrolled in company pension plans in 1985, compared with 93.5% in 1984.

Pension plans were offered to 87% of the risk managers at companies with sales of \$201 million to \$500 million in 1985, the same as in 1984.

Companies with sales of \$1 billion to \$2 billion offered pension programs to 91% of their risk managers in 1985, compared with 92.2% the previous year.

All of the risk managers responding said their companies provided group life insurance benefits, usually averaging 2.3 times annual salary. This was a slight increase from an average of 2.2 times salary in 1984.

Copies of the survey are available for \$60 from Logic Associates, 170 Broadway, Suite 1708, New York, N.Y. 10038; 212-227-8000.

More women filling risk manager jobs

By JOANNE WOJCIK O'HARE

The percentage of women in corporate risk management positions is increasing, especially among employers of certain sizes, a new survey shows.

For example, 22.8% of the 218 risk managers surveyed at companies with annual sales of \$201 million to \$500 million were women in 1985, compared with just 9.7% of 217 risk managers at that size company in 1984, according to Logic Associates Inc.'s 1985 Risk Management Compensation Survey.

"This has been an upswing since 1983," said Richard Meyers, a partner in the New York-based recruiting firm that specializes in the risk and safety management professions.

Bill Perry, the firm's other partner, attributed the increase in the number of women risk managers to "normal attrition."

Women who started out as risk analysts and in other lower-level risk management positions have become more experienced and are beginning to seek promotions, he explained.

"There are more women who are vying for the positions," he said.

Women also are gaining ground in the traditionally male-dominated insurance brokerage industry, Mr. Perry noted.

"These women, then, will turn around and look for positions in risk management," he predicted.

"For those women that are in other areas of insurance, there's a lot to look forward to in the risk management side," agreed Mr. Meyers. "We're seeing risk management grow to the point where there's no tokenism... The big word is 'qualified.'"

However, women still are outnumbered in the risk management profession and "have to be really good" to attract prospective employers' attention, admits Mr. Meyers. "They have to be much more talented in doing essentially the same job."

The second biggest gain for women in risk management was reported by companies with sales of more than \$7 billion, where 17% were women in 1985, compared with just 11.5% in 1984.

Gains also were noted at companies with sales of \$501 million to \$1 billion, where 9.6% of the risk managers were women in 1985, compared with 7.8% in 1984. At companies with sales of \$1 billion to \$2 billion, 10.3% of the risk managers were women in 1985, compared with 7.8% in 1984.

However, women risk managers lost ground at companies with sales of less than \$200 million, where only 8% of the risk managers were women in 1985, compared with 9.7% in 1984.

Declines in the number of women risk managers also were found at companies with annual sales of \$2 billion to \$4 billion and \$4 billion to \$7 billion.

In 1985, 6.3% of risk managers at companies with sales of \$2 billion to \$4 billion were women, compared with 6.8% in 1984, while 5.2% of the risk managers at firms with sales of \$4 billion to \$7 billion were women in 1985, compared with 9.9% in 1984.

Job changes

Continued from page 3

same company was most likely to work at a firm with annual sales of \$501 million to \$1 billion. Average years of service with companies in this category were just 4.6 years, compared with 11.8 years in 1984.

- The longest tenure was reported at companies with sales of more than \$7 billion. At these firms, risk managers reported having 9.6 years of service with their current companies in 1985, compared with 11.62 years in 1984.

- Risk managers at companies with less than \$200 million in annual sales reported an average of 5.5 years of service with their current employer in 1985, compared with 10.6 years in 1984.

- Years of service averaged 6.2 years at companies with \$201 million to \$500 million in annual sales, compared with 9.32 years in 1984.

- Risk managers at companies with sales of \$1 billion to \$2 billion had an average of 7.2 years' tenure in 1985, compared with 10.6 years in 1984.

- Risk managers at companies with sales of \$2 billion to \$4 billion averaged 6.3 years of service in 1985, compared with 12.3 years in 1984.

- Those at companies with sales of \$4 billion to \$7 billion reported being employed at their companies an average of 7.8 years in 1985, compared with 13.33 years in 1984.

While risk managers' length of service has decreased, their risk management experience is increasing, the survey shows.

Those working for firms with sales of less than \$200 million reported an average of 10.2 years of experience in 1985, compared with 9.6 years in 1984.

Years of experience averaged 9.4 in 1985 among risk managers at companies with annual sales of \$201 million to \$500 million, compared with 8.6 years in 1984.

Risk managers at companies with \$1 billion to \$2 billion in sales volume had an average of 13.6 years of experience in 1985, compared with 11.8 years in 1984.

Those employed by firms with a sales volume of more than \$7 billion were generally the most experienced, with 15.5 years in the field in 1985, compared with 13.7 years in 1984.

Years of experience remained about the same in the other three categories.

Risk managers at companies with sales of \$501 million to \$1 billion averaged 12.2 years in the field in 1985, compared with 12.6 years in 1984.

Those at companies with sales of \$2 billion to \$4 billion had an average of 12.7 years of experience in 1985 vs. 13.5 years in 1984.

And, those at companies with \$4 billion to \$7 billion in annual sales averaged 13.7 years of experience for both 1985 and 1984.

The percentage of risk managers holding insurance designations declined overall, although there were some increases in certain categories, the survey showed.

Approximately 28% of the risk managers working for companies with sales of \$201 million to \$500 million held Associate in Risk Management designations in 1985, compared with just 21.7% the previous year, while 14% were Chartered Property/Casualty Underwriters in 1985, compared with 14.1% in 1984.

At companies with sales volumes of \$1 billion to \$2 billion, 30% said they had ARMs in 1985, compared

with 27.8% in 1984. Fewer risk managers in this category held CPCU designations, however, with 18% having attained the designation in 1985, compared with 20.8% a year earlier.

Seven percent of the risk managers at companies with less than \$200 million in sales had CPCUs in 1985, compared with 9.7% in 1984, while 15% had ARMs in 1985, vs. 19.4% the previous year.

Fewer risk managers at companies with sales of \$501 million to \$1 billion had ARMs, down to 18% in 1985 from 22.2% in 1984. The number holding CPCU designations hovered at 22% in 1985, a slight dip from 22.2% a year earlier.

About 22% of the risk managers

employed by companies with \$4 billion to \$7 billion in sales held CPCUs in 1985, compared with 24.2% in 1984, while 18% had ARM designations in 1985, compared with 18.2% the previous year.

At companies with sales of more than \$7 billion, 25% reported having ARMs in 1985, down from 26.9% in 1984, and 19% held CPCU designations in 1985, compared with 23.1% in 1984.

In addition, risk managers' educational levels also declined in 1985 compared with 1984, with the exception of risk managers at the largest corporations.

To measure a risk manager's level of education, the survey used a ranking system, assigning a rank-

ing of 1 for a no degree, 2 for a bachelor's degree, 3 for a master's degree and 4 for a law degree.

Risk managers at companies with less than \$200 million in sales reported an average educational level of 1.9 in 1985, compared with 2.4 in 1984.

Risk managers in the next five categories reported an average level of education of either 1.9 or 2.1 in 1985. In all of these categories, the 1985 educational level was lower than that in 1984.

However, the risk manager at companies with more than \$7 billion in sales reported a hefty increase in educational background in 1985, with a ranking of 2.6 compared with 2.1 in 1984.

Despite the findings of the survey, the Logic Associates partners predict future risk managers will be better educated.

"A lot of risk managers have been thrown into the function as a second job within a company," Mr. Meyers explained. "For those people, experience may be more important than education."

But the changing market will force risk managers to become more sophisticated. Mr. Perry predicted that in the next five to 10 years more risk managers will have MBA degrees.

"And, if you look at the risk management staff education level," he pointed out, "I'll bet that it's up from five years ago."

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Coming next week

Articles on Logic Associates' 1985 Risk Management Compensation Survey will continue next week with a look at the makeup and duties of risk management departments.

Celotex ruling

Continued from page 3

torney for the company said last week.

The decision is not limited to asbestos companies and could be interpreted to apply more broadly, according to attorneys in the case.

The high court's decision stems from a suit against Celotex and various other defendants that was brought by a former Jacksonville, Fla., ship insulator, Leonard H. Pickett Sr., and his wife Linda.

Mr. Pickett used Philip Carey asbestos products between 1965 and 1968 and subsequently developed severe lung problems. In his lawsuit, he named Celotex, in its capacity as the corporate successor to Philip Carey.

In June 1983, a jury found that Carey was negligent in placing the products on the market and awarded \$500,000 in compensatory damages to Mr. Pickett and \$15,000 to his wife. Of that amount, Celotex

ultimately paid \$209,000 and other defendants paid the rest.

The jury also found that Celotex should pay \$100,000 in punitive damages because of Carey's misconduct. A state appellate court affirmed the punitive damage award and Celotex paid the award but also appealed to the state's highest court.

In establishing Celotex's liability for the punitive damages, the Supreme Court noted that Philip Carey Corp., founded in 1888, merged with Glen Alden Corp. in 1967. Carey subsequently merged with another Glen Alden subsidiary, Briggs Manufacturing Co., and became known as Panacorr Corp.

In 1972, Celotex purchased Glen Alden's controlling interest and later purchased the remaining shares of Panacorr, merging it into Celotex.

According to the court, the effect of the merger is controlled by Sec. 607.231 (3) of Florida law that says the surviving or new corporation is

subject to "all of the duties and liabilities" of a corporation.

Celotex admitted that under the merger, it was liable for compensatory damages, but maintained that it should not be liable for punitive damages.

Among Celotex's arguments: Philip Carey/Panacorr was the "real wrongdoer," there was no evidence of fault by Celotex, and its liability was only "vicarious" and not direct, which under a prior state Supreme Court decision absolves it of liability for punitive damages.

"We disagree with this characterization," the court said.

"Because of its merger agreement with Panacorr, whereby 'all debts, liabilities and duties' of Panacorr are enforceable against Celotex, and because of the effect of section 607.231 (3), the liability imposed upon Celotex is direct, not vicarious," it added.

"Liability for the reckless misconduct of Philip Carey/Panacorr

legally continues to exist within, and under the name of Celotex," according to the court.

The court also rejected Celotex's argument that imposing punitive damages against it is against the purpose of punitive damages in Florida.

"Punitive damages are imposed as a punishment of the defendant and as a deterrent to others," the Supreme Court said. "Both aspects of this purpose are present here."

The court said that Celotex, as the present embodiment of Philip Carey/Panacorr, is being punished for the reckless conduct that led to the suit.

"Further, allowing punitive damages in this instance may well deter other corporations from seeking to merge with other companies which have engaged in reckless conduct detrimental to the public health and thereby have the potential for the imposition of punitive damages," the court added.

"Were we to hold that the poten-

tial for punitive damages disappears at merger, this may well encourage reckless conduct," the ruling said.

"Our holding here recognizes that since reckless wrongdoing by the predecessor can result in liability for punitive damages against the successor, acquisition candidates are deterred from such actions."

The court noted also that corporations in acquisition transactions are "molders of their own destinies," and that Celotex could have avoided liability for punitive damages had it structured the merger differently.

The Celotex merger was a statutory merger, in which the acquired company disappears or is consolidated with the buyer and a new company is formed. Statutory mergers are distinguished from mergers based simply on the purchase of another company's stock or assets.

"When a corporation, such as Celotex here, voluntarily chooses a formal merger, it will take the 'bad will' along with the 'good will,'" the court added.

However, Justices Overton and Parker Lee McDonald strongly disagreed with the court's holding.

"Celotex is not being punished for its reckless exposure of the public to asbestos, but, as the majority acknowledges, is being punished for its method of acquiring Philip Carey's assets," said Justice Overton.

Justice Overton said that after this decision, businesses will have to recognize that purchasing a business and assuming liabilities and obligations means possible punishment for willful and wanton misconduct of the predecessor, whether or not they had notice or knowledge of the misconduct.

In a separate dissent, Justice McDonald noted that the purpose of assessing punitive damages is to improve the conduct of people or corporations and to punish and deter wrongful conduct.

"I fail to see how society would be benefited by punishing Celotex by awarding punitive damages in a lawsuit brought in the 1980s against Celotex, which by operation of law assumed the liabilities of another corporation in 1972 for the acts committed by that corporation in 1965-1968 or earlier, unless Celotex continued the same practices that produced the punitive damage award," Justice McDonald said.

"Celotex did not; it did not even retain the culpable officers of the offending corporation," the justice said.

"We were disappointed with the outcome," said Raymond T. Elligett, with the Tampa firm of Shackelford, Farrior, Stallings & Evans, which represented Celotex.

While the company has paid the compensatory and punitive awards, he said he did not know if they were covered by insurance.

However, the Picketts' attorney disagreed with Mr. Elligett's view of the case.

In an age of frequent corporate takeovers, the decision encourages those who would like to be acquired to operate lawfully or face greater scrutiny from potential purchasers, said Wayne Hogan of the Jacksonville, Fla., law firm of Brown, Tarrell, Hogan & Ellis.

A company spokesman declined to comment on the case.

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Another important concern is funding. You should have the option of insuring your plan or simply using administrative services to process claims. It may also be to your benefit to choose a plan that can be "experience-rated", so that your cost is based on your actual health care expenses, not a pooled community average.

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West Virginia

Continued from page 2

Gov. Moore said he thought perhaps the Legislature, "in the rush of lunch or dinner," forgot to include the state and its employees in the legislation.

But Senate President Dan Tonkovich, D-Benwood, said there was no oversight.

"The purpose is to aid and assist those local governments" that were having difficulty with rising premiums or lack of coverage, the senator said.

The municipal liability measure, however, took a back seat in the special session to a more sweeping medical malpractice bill—H.B. 149—that was adopted to amend S.B. 714, which was passed earlier this year and originally set to take effect last week.

Several major property/casualty insurers sent out thousands of cancellation notices in reaction to S.B. 714, which the insurers said would restrict their underwriting ability (BI, April 28; May 19).

Once H.B. 149 was adopted and signed by the governor on May 28, many insurers sent letters to their policyholders that rescinded the earlier cancellation notices (BI, June 2).

CNA Insurance Cos. in Chicago sent a letter to some 5,300 policyholders notifying them that "all policy terms and conditions, as well as effective dates, are fully reinstated in line with the policy earlier canceled or non-renewed by CNA."

Three CNA units—American Casualty Co. of Reading, Pa., National Fire Insurance Co. of Hartford and Chicago-based Continental Casualty Co.—write professional liability insurance, including medical malpractice coverage, in West Virginia.

St. Paul Fire & Marine Insurance Co. of St. Paul, Minn., another major West Virginia medical malpractice insurer in the state, also rescinded its cancellation notices to some 1,400 policyholders.

Policies that expired after May 31 were reinstated with their original expiration dates, said a St. Paul spokeswoman.

And, policies that expired between May 11 and May 31, which St. Paul agreed to extend until May 31, will continue under the original terms and conditions until renewal policies are processed or until the policyholder contacts St. Paul that it has replaced the coverage with another insurer, the St. Paul spokeswoman said.

The rescissions, however, do not end the controversy in West Virginia.

Attorney General Charlie Brown is proceeding with an antitrust suit against the three CNA units, St. Paul and the Ohio Hospital Insurance Co. of Columbus.

In a recent development in that case, a Kanawha County Circuit Court judge on May 29 granted a motion filed by the insurers named in the suit to dissolve a state Supreme Court temporary injunction that forced them to continue to write business in West Virginia.

However, the judge granted a 90-day stay of his ruling, giving the attorney general time to appeal.

Meanwhile, the case itself will continue in Kanawha County Circuit Court.

The court ruling has prevented OHIC from not renewing its insurer license in West Virginia. OHIC writes medical malpractice insurance for about 34 hospitals in the state.

OHIC's license expired May 31 and it turned it into the West Virginia Insurance Department, indicating it was withdrawing from the state.

However, because of the temporary injunction and subsequent Circuit Court ruling, the license was extended and returned to the insurer, said Insurance Commis-

Once H.B. 149 was adopted, many of the insurers rescinded their cancellation notices.

sioner Fred E. Wright.

"We will obey the court order," said Thomas E. Gallagher, OHIC's executive vp. "We did not renew our license, the commissioner just extended it. As things stand now, we still will pull out at the end (of the court case)."

And on still another front, results are expected sometime this month from an "adversary hearing" held April 29 by the Insurance Department. That hearing was held to gather evidence to determine whether to revoke the licenses of the three CNA units, St. Paul and OHIC. ■

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Ohio comp bill

Continued from page 2

workers generally receive 72% of their average weekly wage for 12 weeks, and then 66⅔% of their average weekly wage until they return to work.

Compensation may continue for a maximum of 200 weeks, but ceases when the employee returns to work or when an employee's physician has made a written statement that the employee is capable of returning to his or her former job.

In the Ramirez case, the Supreme Court interpreted the law to mean that employees may continue to receive compensation unless the employer can offer the employee the exact former position.

The new law adds two factors that, in combination, halt the payment of temporary total disability payments: When work within the physical capabilities of the employee is made available by the em-

ployer or another employer, and when the employee has reached the maximum medical improvement.

- Amends the law governing self-insurance of workers compensation risks, including the creation of a three-member board to monitor self-insurers.

The new law requires all employers that are permitted to self-insure to demonstrate sufficient financial and administrative ability assuring that all obligations of self-insurance status promptly are met.

The law requires the Industrial Commission to consider several factors in determining whether an employer has the ability to meet the obligations of self-insurance status. Among those factors are: a minimum of 500 employees in Ohio, two years of operating in Ohio and an organizational plan for administering claims.

The law also replaces the general surety bond requirement for self-insurers with the Self-Insuring

Employers' Surety Bond Fund. Self-insurers must obtain their surety bonds from the Industrial Commission, which is mandated to sell them at competitive rates.

- Amends workers compensation rehabilitation provisions, specifically creating a 14-member Labor-Management Government Advisory Committee.

The committee is to advise the Industrial Commission on the quality and effectiveness of rehabilitation services and make recommendations pertaining to the Industrial Commission's rehabilitation program.

"It's a very comprehensive bill," said Richard D. Schafstall, president of the Ohio Self-Insurers Assn. and director of safety and environmental health for Cincinnati Gas & Electric Co. He also was a member of one of the several panels appointed in recent years to design a reform measure.

"The solutions are not necessarily pro-labor or pro-management,

but the new law places incentives in the proper perspective for employees to return to work," Mr. Schafstall said.

The new law is a "dramatic improvement" over what Ohio had, said John Mahaney, president of the Ohio Council of Retail Merchants in Columbus.

He said he believes employers especially welcome the provisions in the law placing limits on intentional tort cases.

Employees should like the same provisions, Mr. Schafstall said, explaining that the definition of intentional tort in the past was only found in case law, but now will be in the statutes.

The Ohio AFL-CIO, however, is "pretty upset" by the new law, with Rep. Cliff Skeen, D-Akron, for pushing it through the House and with Gov. Celeste for signing it.

"Obviously the definition of injury will hurt us," said an AFL-CIO spokesman.

The new law takes Ohio's work-

ers compensation system back to the 1930s, the spokesman said, citing provisions that exclude stress-related injuries and those that take into account the aging process when determining compensability.

He predicts that when the Industrial Commission "gets into talking about the aging process," it will determine that "the back goes to hell" when a person reaches age 50, so that anyone older than 50 will not be compensated for a back injury.

Organized labor has not devised a plan of action at this point, the spokesman said. However, in retaliation, the AFL-CIO rescinded invitations to the governor and House Speaker Vernal Riffe Jr., D-New Boston, to appear at its convention this week.

The AFL-CIO spokesman said that comments made by the governor when he signed the legislation were "kind of like tweaking our nose" in an apologetic manner.

In those comments, Gov. Celeste, a Democrat who is up for re-election this year, said the legislation represented "a solid, bipartisan" effort.

"We want jobs in Ohio for all our citizens. This legislation should help ensure that our businesses are competitive. We also want safe jobs in Ohio, and this legislation must be implemented in a fashion which sustains that goal. Only such a workers compensation law is worthy of Ohio's citizens," he said.

Rep. Skeen, who also is seeking re-election, is considered one of the Legislature's most pro-labor members. He hammered out the final bill with Sen. Richard Finan, R-Cincinnati.

"This was hard for me," said Rep. Skeen, who explained he is a card-carrying member of both the United Auto Workers and the Communications Workers of America unions.

"But I didn't agree with labor on several issues. . . I (supported) the bill for the best interest for the entire state of Ohio," Rep. Skeen said.

Noting that the last major workers compensation reform measure in Ohio was enacted in 1975, Rep. Skeen said Substitute S.B. 307 "truly was reform legislation" and there will not be another effort "for a period of time." ■

Ohio investigates municipal cover

COLUMBUS, Ohio—The Ohio Insurance Department is reviewing the municipal liability underwriting practices of The Home Insurance Co. and National Union Fire Insurance Co. of Pittsburgh, Pa.

Several Ohio municipalities had complained about discriminatory underwriting practices or excessive pricing of municipal liability policies, according to Insurance Director George Fabe.

The Ohio department had initially asked for information from The Home and National Union, a unit of American International Group Inc., but "they were not responsive," Mr. Fabe said.

"They answered questions that we did not ask and didn't answer questions that we did ask," he said.

The department issued subpoenas to the two insurers in late April and last month issued a second set of subpoenas for additional data, Mr. Fabe said.

The Home and National Union have complied with the subpoenas, he added.

Mr. Fabe said the department has not reached any conclusions, adding no date had been set for completion of the review.

"We are confident that, once judged on the merits, the courts and the insurance commissioner will see that we are providing a quality service to the communities at a fair price," a spokeswoman for The Home said.

AIG declined to comment. ■

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Launch coverage

Continued from page 1
withdrew all open quotes.

"We will stop quoting until we know what is going on technically," said Intec President James Barrett, though he stressed that Intec is not permanently withdrawing from the market.

Mr. Barrett pointed out that "there isn't any launch insurance to arrange anyway because there aren't any launches."

In a telex sent to brokers, Intec stated that it "hereby withdraws all open offers and indications on all satellite projects now under discussion."

Intec's decision marks the second time it has limited its activities following the loss of a satellite aboard an Ariane rocket.

Last September, following the loss of two probes with a combined insured value of \$168 million, Intec said it would no longer cover inherent defects in satellites that prevent probes from commencing transmissions once they are placed in proper orbits (BI, Sept. 23, 1985).

Despite Intec's temporary withdrawal, other insurers said last week they will continue writing launch risks as they are presented. Those markets include syndicates at Lloyd's of London; Skandia Group in Stockholm, Sweden; Assicurazioni Generali S.p.A. in Trieste, Italy; and Munich Reinsurance Co. in Munich, West Germany.

However, at least one of these underwriters wants further restrictions added to launch policies.

"We will continue writing because it is a necessity. But we are reluctant to continue on existing terms," said Benito Pagnanelli, director of Generali's aviation and space department.

Mr. Pagnanelli suggested that satellite owners self-insure some of the risk during satellite launches.

"If the satellite is insured for \$100 million, then we should insure only 50% of the value and coinsure the rest," he said. "We must reduce our commitment on the launch phase."

Insurers like Mr. Pagnanelli hope that by limiting their exposure, they can hold down satellite losses, which have skyrocketed in the past several years.

Last month's loss raises the total claims faced by satellite underwriters since the 1970s to \$982 million, insurers say. About \$760 million in claims have been filed during the last 2½ years alone.

Satellite owners have paid total premiums of only about \$500 million since the 1970s, insurers say.

However, one broker noted the loss of the Intelsat probe is the first loss of an insured satellite in 1986. Since satellite underwriters have collected about \$100 million in premium so far in 1986, "Underwriters could in fact make a profit this year," the broker said.

The Intelsat F-14 satellite was destroyed after an engine failed on the Ariane rocket carrying the probe, sending the rocket out of control. The rocket and its payload was subsequently destroyed by ground controllers.

The satellite was insured for \$82 million under a 15-satellite package first written in 1982, underwriters say.

The package was divided into three insurance programs of five satellites each, and the F-14 was the third probe covered in the last of the three programs.

About 62% of the coverage on the Intelsat F-14 was written in the London market, led by Stephen Merrett, chairman of Merrett Syndicates Ltd. at Lloyd's of London. The London portion of the coverage was placed by Lloyd's broker Crawley Warren & Co. Ltd.

The remainder of the coverage was written by U.S. and European underwriters, including Intec and Generali, though Mr. Barrett

'If the satellite is insured for \$100 million, then we should insure only 50% of the value and coinsure the rest,' says Benito Pagnanelli of Generali's aviation and space department. 'We must reduce our commitment on the launch phase.'

termed Intec's participation as small. Corroon & Black Inspace Inc. was Intelsat's U.S. broker.

The rate for the coverage was 8.5% of insured value, sources say, which would put the premium for the coverage at about \$7 million.

In addition to the coverage on the Intelsat probe, one underwriter

said Arianespace had purchased \$10 million of coverage to insure any possible obligations it might owe satellite owners because of a launch failure.

However, Arianespace has not filed a claim as of last week, the underwriter said.

Last month's loss marks the sec-

ond claim on an Intelsat satellite in the past two years. A \$102 million Intelsat V satellite failed to reach geostationary orbit after it was launched in June 1982 by NASA's usually reliable Atlas Centaur rocket (BI, June 18, 1984).

Brokers noted last week the current hiatus in satellite launches may benefit the satellite insurance market.

Brokers at Johnson & Higgins, for example, will use the time to help place or renew in-orbit coverage for the 50 to 60 satellites that have been launched and are currently operating, said Alden Richards, vp of J&H's Space Systems Group in New York.

In addition, "We will be assisting

in putting together business plans for future space ventures. And we will be trying to find new markets for satellite risks. This is a full-time job," Mr. Richards said.

A London broker added, "Underwriters who are still writing satellite insurance are in it for the long haul. They have to expect that there will be one loss per year."

"We are at the bottom of the cycle and this isn't a time to withdraw from the satellite business," he noted.

"In insurance terms, all we have had this year is one loss. But the space industry has different problems. It has a crisis of confidence to deal with...but this crisis will not stay forever."

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Sub-total...22,354
Associations...483
Government, unions and educational institutions...1,252
Commercial Consumers
Sub-total...24,089
Insurance agents and brokers 10,285
Insurance companies...6,739
Financial institutions...748
Actuaries, attorneys, adjusters, appraisers and consultants...3,808
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Proposition 51

Continued from page 4

ner, however, says several insurers that have already indicated they will now take a more active role in underwriting California risks include: CIGNA Corp., Transamerica Corp. Group, Fireman's Fund Insurance Cos., and Aetna Casualty & Surety Co.

In letters he is sending to insurance company CEOs, Mr. Bunner is asking insurers to return to writing risks in the state, he said following a press conference last Thursday.

"They got what they were seeking. Now the ball is in their court. I'm gratified with the initial response, but the proof will be in the pudding. It really is incumbent on them to come back in the marketplace and make this work. If they don't, the whole free market system in California is at stake."

Mr. Harkavy, general counsel of RIMS, said the initiative "is going to put tremendous pressure on the insurance industry to show some improvements in the availability and affordability of commercial insurance."

"My own concern is how much expectations are going to be raised and how much the insurance industry will be able to deliver," said Mr. Harkavy.

"I'm exceedingly nervous that expectations have been raised and that the insurance industry in many cases for understandable reasons is going to want to sit back for a while," he said.

RIMS members, however, "are under no illusion" that Proposition 51 is going to improve affordability or availability of commercial insurance. "The tie-in is just not that deep," he said.

Mr. Nutter of The Alliance observed that if Proposition 51 decreases the cost of claims insurers must pay, it will result in lower insurance premiums.

"If Proposition 51 lowers the cost of claims to insurance companies, competition in the insurance industry will respond in the price of the product," according to Mr. Nutter.

David L. McIntyre, chairman of the board of Fremont General Corp. in Los Angeles, said he expects Proposition 51 to change the entire liability insurance market for municipalities.

Municipalities are considered big risks for paying large damage awards under joint and several liability, especially in traffic accident

cases in which the drivers are underinsured or uninsured and the municipality is found partly to blame.

"I personally feel that this is going to change that whole market dramatically. This (joint and several liability) is the big shadow over that market," he said.

"So I know the climate from an underwriting standpoint has changed dramatically, but what is going to happen (in this market) I don't know," because no statistics are available to determine exactly how much joint and several liability awards cost the insurance industry, Mr. McIntyre said.

But in spite of this lack of information, the initiative "clears the air

as to what you're actually insuring and, therefore, should allow underwriters to return to some degree of comfort that they are not going to get sandbagged on some of these risks," the Fremont chairman said.

He added, however, that more reforms are needed in California.

Mr. McCormick, chairman of Fireman's Fund Insurance, agreed. Although Fireman's Fund will begin looking at offering and repricing liability coverage for California cities and towns because of Proposition 51, Mr. McCormick said it will be to a lesser degree than in states where more sweeping measures have passed because additional changes are needed in California's tort liability system.

However, Mr. Perlman of the American Trial Lawyers said Proposition 51 "was very heavily promoted as a means to reduce insurance (rates). The voters bought reduced insurance rates," he said. "Whether they get it or not is something that time will tell. Based on the experience in other states, if they don't achieve significant insurance reform, this entire proposition and the promotion will backfire on the insurance industry."

"I would think that school districts and municipalities would demand that insurance rates come down (now that Proposition 51 has passed)," added Jay Angoff, counsel to the National Insurance Consumers Organization in Alexandria,

Va.

Meanwhile, California Assembly Speaker Willie Brown will continue to push for legislation that ties tort reform changes to rollbacks in insurance prices, a spokeswoman said.

"He's concerned that a year from now the insurance companies are going to come back and ask even more limitations on what victims of accidents can claim," she said.

Mr. Brown has a bill pending in the California Legislature that would place the burden on insurance companies to prove their rates are not excessive. That legislation bill also would establish a board to review property/casualty insurance rates.



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Jun 9	May 28
Jun 16	Jun 4
Jun 23	Jun 10
Jun 30	Jun 18
Jul 7	Jun 24
Jul 14	Jul 1
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CEAL program dies

Continued from page 1
known as CASEX—last year, assisted by consultant Tillinghast, Nelson & Warren Inc. (BI, Dec. 2, 1985).

CEAL was to have offered a combined excess general liability and directors and officers liability limit of \$50 million excess of \$50 million.

Capital was to have been raised with a flat reserve premium of \$2 million per participant, consisting of \$1 million in cash and \$1 million guaranteed by a letter of credit. Participants also would have paid a variable premium of \$500,000 plus an additional amount based on the participant's gross sales.

At the beginning of April, CEAL was still short of the 15 sponsor corporations it needed to start operating. About seven companies—most of them among the original sponsors of the feasibility study—had committed to joining CEAL. These included Olin Corp., Monsanto Co., Hercules Inc., Dow Chemical Co., Ethyl Corp., Dow Corning Corp. and BASF Systems Corp.

Diamond Shamrock Corp.—whose director of corporate insurance, Robert D. Stauffer, had been a principal organizer of CEAL—had dropped out of the group earlier in the year after Diamond Shamrock sold its chemical operations.

Unsure of whether CEAL would receive enough support to go forward, chemical company organizers brought in Fred S. James & Co. to help market the program, and a meeting of potential CEAL sponsors was held during the Risk & Insurance Management Society conference in Toronto in mid-April.

"They felt the need to bring in someone who could devote a little more time to it," said Alburn Blankenship, executive vp of Fred S. James of New England in Boston. "Most of the risk managers involved were up to their ears in their normal insurance duties."

Representatives of 40 or 50 chemical companies went to the meeting, according to sources who attended.

Some of those in the CEAL group were encouraged by the turnout.

"I certainly came away from that meeting feeling quite optimistic that, by gosh, we have a real good program and we have Fred S. James on board," said one source who requested anonymity. "I felt confident that that meeting was going to allow us to do it."

But the meeting failed to generate the support CEAL needed. Some risk managers, in fact, had ruled out joining CEAL before arriving in Toronto.

Letters announcing the meeting had been sent to high-level executives—including chief financial officers and treasurers—at a number of chemical companies, according to one risk manager, who was asked by senior executives to attend even though the risk manager had already decided that CEAL didn't have enough spread of risk to constitute acceptable security.

"It was kind of like a directive from above that I attend, even though I had seen the proposal and didn't think very much of it," said the risk manager, who asked not to be named.

By the beginning of May, CEAL organizers had decided to abandon the project.

'With these other things that have come along, I'm not sure that there is as much of a void as there was last year,' one risk manager says.

"The word I got was that it looks like we've got a dead duck on our hands," one source reported.

Chemical company executives and other sources offer a variety of reasons for CEAL's failure, some of which involve how the facility was to be structured. These include:

- Objections to CEAL's assessment feature. If CEAL's financial condition warranted, the insurer's directors had the option of assessing members a maximum of 2.5 times their highest standard premium in a single year and five times their highest standard premium over five years.

- Objections to the requirement that CEAL participants commit to remaining in the facility, paying premiums—and potentially assessments—for five years.

- Worries about how participants' risks would be rated. CEAL would have based rates partly on participants' total gross sales, including sales of products other than chemicals.

Companies whose total revenues included a relatively small proportion of chemical sales were concerned about being rated on the same basis as companies whose revenues were drawn entirely or almost entirely from chemicals, generally considered more hazardous risks, sources explained.

- Concerns about including D&O coverage in the basic CEAL policy. Some companies argued that D&O coverage should be rated separately.

- Concerns that CEAL would have an inadequate spread of risk among its relatively small group of chemical company sponsors.

In addition to problems with the program itself, observers note that CEAL ran into trouble with the emergence of other excess liability coverage alternatives, including X.L.; American Excess Insurance Association, a line slip composed of U.S. insurers organized by Marsh & McLennan and Johnson & Higgins; Tortuga Casualty Co., a facility formed by The Reiss Organization for Reiss captive management clients; and other proposed industry insurance companies that overlap with CEAL's intended market, like RX Ltd., a drug industry company now being formed.

"With these other things that have come along, I'm not sure that there is as much of a void as there was last year," said the risk manager for another company that participated in the CEAL feasibility study but did not commit to becoming a CEAL member.

"We were just taking a wait-and-see approach" as other coverage alternatives developed, said the risk manager, who asked not to be named.

Some observers said that CEAL suffered at the hands of competitors—particularly X.L.—primarily because it was poorly promoted.

While M&M and Morgan Guaranty ap-

proached potential sponsors' senior executives directly—in some cases bypassing the risk management staffs—CEAL was entirely the creation of risk managers, said D. Hugh Rosenbaum, a principal with Tillinghast, Nelson & Warren in Darien, Conn.

Corporate executives "were willing to listen to outsiders who said, 'This is a good thing,' more than they were willing to listen to insiders," Mr. Rosenbaum said. "(Risk managers) were headed off at the pass by orders from on high."

He added that some of the objections to CEAL's program may have been put forward to justify decisions that had already been made in the upper echelons of some companies to participate in X.L. rather than CEAL.

"CEAL was a good idea. It lost out to superior promotion," he observed.

"We thought that if the program was good enough, it would sell itself to at least the minimum 15 participants," said one risk manager who asked to remain anonymous. "We underestimated that and did not undertake the promotion of the program early enough."

Fred S. James was brought on in late March to help drum up support for CEAL, but by then "it was too little, too late," the risk manager said.

However, Jack Sinnott, senior vp of M&M, said that X.L. is a capitalized company, rather than a mutual, and therefore it made sense to approach corporate financial executives.

"We had to go to the financial management of the companies. It was not an insurance decision," he said, adding "the risk management side of the corporation was kept fully involved."

Another blow to CEAL—but not a fatal blow—was the loss of Diamond Shamrock, sources note.

"There is no question that when Diamond Shamrock withdrew, we lost a lot of momentum," said one risk manager, adding, however, that "we were already in trouble."

"At a critical point it lost its leadership," Mr. Rosenbaum said. "A critical factor for success for these private insurance deals is leadership within the membership of the organization."

Adding to CEAL's troubles was an M&M analysis of the CEAL program distributed last year that Mr. Rosenbaum said "specifically attacked" CEAL on the grounds that there was insufficient spread of risk.

"I did hear some comments to the effect that maybe it was not as fair as it might have been and that maybe we were getting trod on a little bit," said one chemical company risk manager who asked not to be named.

However, chemical company risk managers do not contend that the M&M analysis contributed to CEAL's demise.

M&M officials contend that its analysis was an impartial review of a number of elements of the CEAL program, including the spread of risk, written at the request of M&M chemical company clients.

"If the inference was that Marsh was distributing a letter to try to sandbag CEAL, that's not the case," Mr. Sinnott said.

M&M prepared a similar review of Bankers Insurance Co. Ltd., a D&O and bankers blanket bond facility that started issuing policies to financial institution on May 1.

update

E.S.M., entities close to pact

Continued from page 2

Lawsuits against Grant Thornton seek about \$320 million in actual damages and about \$1 billion in punitive damages or recoveries. The amount of money sought by plaintiffs exceeds Grant Thornton's insurance coverage, according to the auditing firm's attorney.

Manville settles with 3 insurers

DENVER—Manville Corp. has settled disputes totaling approximately \$11.3 million with three of the liability insurers with which it is in litigation in San Francisco.

The settlements are with American Re-Insurance Co., Puritan Insurance Co., successor in interest to Manhattan Fire & Marine Insurance Co., and Reliance Insurance Co., successor to Standard Accident Insurance Co.

The agreements are subject to court approval.

Dentists acted illegally: Court

WASHINGTON—In a decision that will boost health care cost containment efforts, the Supreme Court ruled unanimously last week that a group of Indiana dentists acted illegally by refusing to submit X-rays to insurers.

The Federal Trade Commission had charged in 1978 that the Indiana Federation of Dentists violated federal antitrust law for not sending X-rays and treatment plans to insurers for review before dental work is performed.

However, the 7th U.S. Circuit Court of Appeals in 1984 reversed the FTC, saying the dentists' actions were designed to ensure high-quality care.

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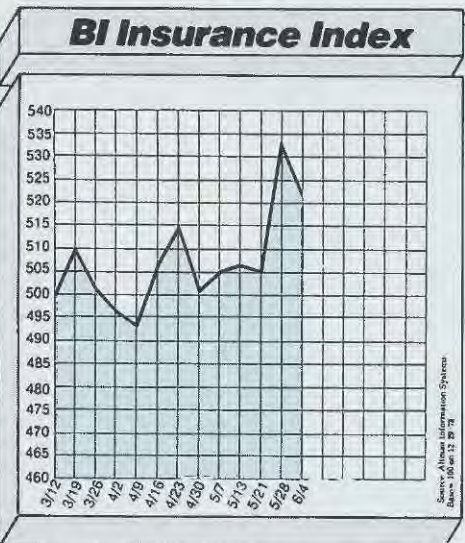
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The Business Insurance index of insurance industry stocks plunged 10.4 points during the most recent trading period, closing at 522.7 points on June 4. This is a 2.0% drop from the record 533.1 points set on May 28. That week, the BI index jumped 29 points. On the June 4 closing, a total of 41 stocks posted losses, 12 recorded gains and seven remained the same. Stocks that fell by the largest margin were Aneco Reinsurance Ltd., down 13.0%; Poe & Associates Inc., down 12.0%; Lincoln National Corp., down 7.5%; Fireman Fund Corp., down 7.4%; and American International Group Inc., down 6.7%. Stocks that posted the largest gains during the trading period were Frank B. Hall & Co. Inc., up 14.4%; Business Mens Assurance Co. of America, up 9.5%; Nobel Insurance Ltd., up 7.6%; Crown Life Insurance Co., up 6.9%; and Liberty Corp. of South Carolina, up 3.1%. The other major stock market indicators also tumbled during the trading period. The New York Stock Exchange composite fell 1.1%; the Standard & Poor's 500 average dropped 1.1%; and the Dow Jones 30 industrials fell 0.8%.

British Issues

3 June	Price	P/E	Div.	Yield	1 Week
Companies	pence		pence	%	High-Low
Comml Union	302	27.5	16.9	5.5	316-302
Genl Accident	802	14.6	31.4	3.9	832-802
Gdn Royal Exch	833	16.0	40.7	4.9	862-833
Royal	854	14.2	36.7	4.2	910-854
Sun Alliance	633	21.1	23.6	3.9	675-633

Brokers	Price	P/E	Div.	Yield	1 Week
	pence		pence	%	High-Low
CE Heath	595	9.0	34.5	5.8	615-590
Hogg Robinson	298	9.9	13.4	4.4	305-298
JH Minet	219	8.4	11.3	5.1	228-219
Sedg Grp	332	12.3	15.7	4.7	347-330
Stew Wrightson	403	12.8	15.7	3.8	410-398
Willis Faber	417	15.4	12.5	3.0	435-417

Source: Philip Olsen/Alan Clifton, Insurance Industry Specialists Kitcat & Aitken Stockbrokers, London

Recent insurer stock prices don't reflect market outlook

By MYRON M. PICOULT
Special to Business Insurance

IN 1897, MARK TWAIN sent a cable from London to reporters in the United States in which he exclaimed, "The reports of my death are greatly exaggerated." One could paraphrase this statement to also apply to the current state of property/casualty stock prices.

The weakness in the group over the past few weeks has been related to profit taking. The factors substantiating the liquidation have included:

- A rise in interest rates.
- An impending slowdown in rate relief, which is a precursor to rate cutting.
- Anticipation that proposed tort reform measures will result in mandated rate reduction.
- Replenishment of the industry's capital base, which underscores a likely reversal in pricing trends.
- The expectation of a material influx of foreign capital into the U.S. reinsurance market.
- Major negatives for the industry included in the Senate's tax proposal.

We acknowledge that the property/casualty insurance industry has a marvelous propensity to constantly shoot itself in both feet. However, at this juncture, we disagree that the pricing and underwriting cycle is about to reverse.

Balance sheet problems, difficulties with reinsurance recoverables, a slower pace of net investment income growth and a slight squeeze on cash flow due to the likelihood of "real" tax payments all augur for the sustenance of the pricing and underwriting cycle beyond 1988.

This is the fabric from which multiple expansion will come. To be sure, the easy money has been made and greater selectivity

Myron M. Picoult is senior vp and senior insurance analyst with Oppenheimer & Co. in New York. He is the past president of the Assn. of Insurance & Financial Analysts and a member of the New York Society of Security Analysts.



Mr. Picoult

is critical. Some insights into the beginning of tangible improvement in the industry's fortunes is contained in our review of the insurers' first-quarter results:

- Net written premiums among the 20 companies surveyed rose an average of 26.9%. All reporting companies showed premium growth.
- However, the wide disparity in results continued to be evident. The volume increments ranged from between 2.6% for Fireman's Fund Insurance Cos. to 75.4% for CNA Financial Corp.
- Seven underwriters posted above-average premium increases, while 13 were below the average.
- More than half of the companies' growth ranged between 8% to 34%.
- Likewise, earned premiums rose 25.8% in the first quarter as the impact of prior rate increases begins to flow through the income statement. Again, seven underwriters' earned premium growth was above the average, 13 posted subaverage numbers. Earned premium increases ranged from 5.5% at Fireman's Fund to 78.8% at American International Group Inc.
- Pretax net investment income increased an average of 17.3%, with the spread ranging from a 5.6% decline in investment income at Continental Corp. to a 67.9% increase at USF&G Corp.

Aftertax investment gains were lower as most companies continue to emphasize taxable instruments. Half of the companies surveyed were at or above the average gain for the quarter.

As one would expect, cash-flow trends also show improvement, with most underwriters in a positive position. Using the "candy store approach"—which calculates cash flow as written premiums less underwriting expenses and paid claims—the only major underwriters in the minus column were CIGNA Corp., Kemper Corp. and Transamerica Corp.

• The group's aggregate combined ratio, after policyholder dividends, equaled 109.7%, compared with 117.9% in the first quarter of 1985.

Of the 8.2-point swing in the combined ratio, 2.4 points came from the expense ratio and 5.8 points came from the loss ratio. Reserve strengthening was basically a missing concept in the first quarter.

Nine underwriters posted combined ratios

that were worse than the average and 11 companies' combined ratios were better than average.

Seven companies produced a 10-point improvement in their combined ratios. Once again, the only company that was below par was GEICO Corp., although Chubb Corp. at 100.5% was crowding the mark.

• The statutory premium-to-surplus ratio approximated 2.4-to-1 at the end of March, while the reserve-to-surplus ratio at the end of the first quarter equaled 2.7-to-1. These ratios were somewhat improved from the year-end 1985 figures, which is not surprising given the additions to the companies' surplus in the past year.

Loss reserves, on average, rose 18.4% and paid claims rose 12.8%. The latter figure reflects a 51.6% decline in first-quarter catastrophe losses.

Finally, property/casualty earnings improved substantially for most insurers, in part because of lackluster figures from comparable reporting periods.

Of the major insurers, only The St. Paul Cos. Inc.'s property/casualty operation posted red ink.

First-quarter industry results

The U.S. property/casualty insurance industry posted a \$474 million pretax operating income during 1986's first quarter, compared with a \$1.4 billion loss during the first quarter of 1985, according to the Insurance Services Office and the National Assn. of Independent Insurers.

The 133.9% increase in operating income reported by the industry compares with the 532.2% increase in first-quarter aftertax operating income reported by 24 major property/casualty insurers surveyed by Business Insurance (BI, June 2).

The data is not directly comparable because the industry results are on a pretax basis, while the insurers reported aftertax figures to BI.

The industry's net aftertax income totaled \$2.3 billion for the period, primarily because of \$1.6 billion in realized capital gains.

The industry posted a \$4.7 billion pretax underwriting loss for 1986's first quarter, compared with a \$5.9 billion loss for the comparable period a year ago, a 20.3% improvement. The 27 insurers whose underwriting results were included in BI's survey reported \$2 billion in underwriting losses, a 25.2% improvement.

The industry reported \$5.2 billion in pretax investment income, up 13% from \$4.6 billion a year ago.

The 27 insurers whose pretax investment income was included in the BI survey reported a 17.1% improvement in pretax investment income to \$2.3 billion.

The III said the industry's consolidated surplus increased \$6.1 billion to \$82.2 billion, an 8% increase over the \$76.1 billion posted at year-end 1985. The increase was primarily the result of \$1.6 billion in realized capital gains, plus \$3.7 billion in unrealized capital gains and a \$1.1 billion infusion of new funds.

Surplus among the major insurers surveyed by BI grew 34% to \$21.7 billion.

The Home Group Inc.

The Home Group Inc. has reached a credit agreement with the Chase Investment Bank that permits it to borrow up to \$200 million on a revolving credit basis for two years, says a Home spokesman.

With a revolving credit agreement when a borrower repays a portion of the funds he borrows, that amount then becomes available to be borrowed again. Under terms of the Chase agreement, any amount outstanding after two years could be converted to a two-year loan repayable in eight equal quarterly installments.

The spokesman for the New York-based insurance holding company said part of the available funds will be used to replace funds taken from its investment portfolio to pay Los Angeles-based Imperial Bank for its purchase of the Imperial Premium Finance Co. in March.

BI Industry Stock Report June 4, 1986 5/29/86 thru 6/4/86

Brokers										Price % Chg. P/E \$ Div. % Yld. High Low Vol.(000)									
Alexander & Alexander Svcs	NYSE	39.00	-2.5	0.4	1.00	2.6	40.25	39.00	666.2	Continental Corp	NYSE	47.88	-0.5	0.0	2.60	5.4	49.25	47.25	859.7
Baldwin & Lyons Inc	OTC	108.00	-3.6	54.3	0.80	0.7	108.50	108.00	1.4	Crown Life Ins Co	OTC	310.00	6.9	3.1	0.00	0.0	310.00	310.00	0.0
Corroon & Black Corp	NYSE	58.00	-4.7	20.3	0.65	1.7	63.00	57.13	656.9	Durham Corp	NYSE	46.25	0.5	12.4	1.36	2.9	47.00	45.75	7.1
Crumm E H Cos Inc	OTC	26.50	1.0	22.5	0.25	0.9	27.50	26.00	316.9	Farmers Group Inc	OTC	85.63	-4.3	15.4	2.00	2.3	91.00	85.63	410.9
Emett & Chandler Cos Inc	OTC	18.75	0.0	25.3	0.00	0.0	0.00	0.00	0.0	Fairmont Fint Inc	AMEX	29.50	-1.3	22.2	0.00	0.0	31.13	29.50	125.5
Gallagher Arthur J & Co	OTC	49.50	-2.9	21.3	0.40	0.8	51.50	49.50	52.5	Fireman Fd Corp	NYSE	35.88	-7.4	0.4	0.30	0.8	38.63	35.88	1,429.8
Hall Frank B & Co Inc	NYSE	27.88	14.4	0.0	0.00	0.0	27.88	24.88	795.4	Fremont Gen Corp	OTC	27.25	0.9	0.0	0.48	1.8	27.88	27.13	464.1
Marsh & McLennan Cos Inc	NYSE	59.00	-4.5	23.4	1.50	2.5	61.88	58.00	836.4	Great West Life Assurn Co	OTC	700.00	0.0	7.0	18.00	2.6	700.00	700.00	0.0
Poe & Assoc Inc	OTC	11.00	-12.0	0.0	0.53	4.8	12.50	11.00	22.0	Home Group Inc	AMEX	27.75	-2.6	60.3	0.00	0.0	28.75	27.63	730.9
AGENTS/BROKERS AVERAGE										Hanover Ins Co	OTC	61.75	-0.8	33.0	0.56	0.9	62.75	61.75	83.5
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