Week of March 10, 1980

business insurance

the national newsweekly of loss prevention, risk financing & benefit management/$1 a copy; $20 a year

Loop the LOOP

An owner-controlled casualty program just can't lasso all the work comp risks for the LOOP, the first U.S. offshore supertanker unloading station. But one builder's risk plan covers all the property. **Page 3.**

Capping claims chaos

Risk managers who complain that insurers don't care about slow claim payments find a sympathetic contact in Commercial Union's Bill Bailey. Someone you should know, **page 14.**

U.S. probes Sambo's benefit plan

Sambo's use of a captive may have the company up against the wall.

Captive use may break law

By JERRY GEISEL

SANTA BARBARA, Calif.—The Labor Department is investigating whether Sambo's Restaurants Inc. violated federal law by failing to notify the government that it was using its Bermuda captive to reinsure employe benefits, *Business Insurance* has learned.

Sambo's acknowledged it is aware of the Labor Department investigation. Arthur Dowd, vp-personnel, said that during a probe late last year, Sambo's employe benefit plan was given "a clean bill of health." But Labor Department investigators now are back on the scene requesting additional information about the "offshore interest," he said.

Under a long-awaited class exemption from the Employe Retirement Income Security Act of 1974 issued last August (*BI*, Aug. 20, 1979), the Labor Department said a U.S. insurance subsidiary may underwrite group benefit insurance programs for its parent company's employes as long as the business doesn't account for more than 50% of the subsidiary's book of business.

The 50% rule—an increase from the original 5% limitation—only applies to domestic insurance company subsidiaries. The Labor Department prohibits the direct insurance of employe benefit programs with offshore insurance companies.

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Pregnancy law fuels costs: Execs

employe benefit board

CHICAGO—Most benefit managers think the federal pregnancy benefit law enacted early in 1979 has driven health benefit and disability costs up.

Despite the added costs, however, employers generally don't plan to cut back health, medical or disability benefit programs.

These are two of the findings in the first Employe Benefit Board survey of the year, drawing 87 responses from a panel of more than 100 participants at companies around the nation.

The wide-ranging survey asked about several other subjects in addition to measuring impact of the federal pregnancy law, including involvement in cost control projects, participation in health maintenance organizations and the use of calendar year deductibles in health benefit plans.

Two-thirds of the panelists attributed higher health/medical plan costs to the pregnancy benefit law requiring employers to provide maternity and pregnancy-related benefits equal to benefits for other illnesses. Of the benefit managers saying costs are up, many said it is too early to tell precisely what the law's cost impact has been.

A large group of 23 benefit managers said health/major medical costs were pushed 1% to 5% higher by the law, although a few managers blamed the law for increases as

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Ky. work comp bills Page 4

House reviews pools; small firms praise bill

WASHINGTON—For W.J. Ransom, president of Handling Inc., a small Ohio-based distributor, the product liability crisis won't go away.

In the last three years, Handling Inc.'s product liability insurance premium has jumped 900%, increasing to $6,000 from $600 even though the company has never been hit with a product liability claim.

But legislation endorsed by the Carter Administration and reviewed last week by the House of Representatives may help reduce the high cost of product liability insurance for Handling Inc. and hundreds of other small firms that have written to Congress about the problem.

Although the Risk Retention Act (H.R. 6152) has been surrounded by controversy during the six months it has been working its way through hearings and committee proceedings, advocates of the bill contend there's a groundswell of support for the measure among small businesses.

Large companies with sophisticated risk managers don't appear to be excited about the bill, but about 20 major trade associations representing more than 600,000 small and medium-sized companies have endorsed the bill or its concepts.

The House Interstate and Foreign Commerce Committee received about 250 letters from businesses around the country faced with serious problems of high costs and lack of insurance for product liability risks.

Two dozen firms contacted by *Business Insurance* endorsed the legislation because they believe it offers alternatives for risk financing they otherwise wouldn't have available. They also said it will inject more competition into the insurance marketplace.

Each of the companies employs fewer than 300 people and has sales of less than $50 million a year. Lacking full-time risk managers and enough annual premiums to gain any leverage with insurers, these companies complain their options are limited when it comes to individually self-insuring risks in lieu of buying insurance coverage.

The Risk Retention Act has two major parts, one allowing firms to jointly establish federally chartered insurance companies for product liability risks. The other section would allow companies to collectively negotiate with insurers to buy insurance as a group, presumably to achieve lower rates and more favorable policy terms. In neither case do the companies banding together have to be related businesses.

State laws requiring high capitalization rates and imposing other restrictions have sharply limited the use of risk pools. The Risk Retention Act would allow companies to use letters of credit in capitalizing a group insurer, much as the laws in Colorado and Tennessee allow corporations to establish and fund limited-purpose

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Endorsement

"At least we would have another option," Kathryn Sisson says of the Risk Retention Act. Many small manufacturers agree that high product liability costs hurt.

NEWSPAPER

for your information

Affiliated FM asks for stay on revocation of N.C. license

RALEIGH, N.C.—Affiliated FM Insurance Co. is fighting the recent revocation of its license to operate in North Carolina by state insurance commissioner John Ingram.

Affiliated FM officials went to court in North Carolina late last week to ask for a stay order on the revocation, issued by the commissioner because of what he said were "wrongdoings" in the insurer's handling of claims stemming from a contaminated tobacco fertilizer (*BI*, Sept. 17, 1979).

Affiliated FM was the primary insurer for Borden Inc., manufacturer of the contaminated fertilizer blamed for destroying about 10% of the state's summer harvest. The company has paid out its limit of $10 million in losses to farmers in the state. The rest of the losses, covered by Lloyd's of London, are expected to reach about $25 million.

The insurance commissioner has argued that the first months of settlements were marred by bungling and disputes over payments by Affiliated FM and that he had to create an arbitration panel to facilitate complete payment of claims.

But a spokesman for Affiliated FM said the company plans to counter in its court action that it paid all legitimate claims promptly and has fulfilled its responsibility.

State officials said that of 1,100 claims originally filed by farmers, only 28 remain outstanding. But a department spokesman said the fast settlement of the claims was helped by Lloyd's of London representatives in the area who coordinated settlement efforts.

Winnebago to pay settlement

FOREST CITY, Iowa—Winnebago Industries Inc. will pay most of a $2.15 million out-of-court product liability suit settlement to a pair of Tucson, Ariz., girls who suffered burns in the 1977 crash of a Winnebago recreational vehicle.

Great American Insurance Co. of Cincinnati is Winnebago's primary product liability insurer. Canadian Universal Insurance Co. Ltd. of Providence, R.I.; First State Insurance Co. of Boston, and U.S. Fire Insurance Co. of Morristown, N.J., are also on the risk as excess and umbrella insurers through Alexander & Alexander.

The settlement, made the day before the case was to go to trial, followed more than two years of litigation resulting from the accident.

The two teen-age plaintiffs, Karen Corbett and Diane Fiorina, suffered burns when the "mini-Winne" they were riding in crashed into a cement overpass curb and burst into fire on May 6, 1977, while traveling on Interstate 10 about 75 miles from Phoenix.

They later sued Winnebago, charging that defective design and manufacture of the vehicle's fuel line system caused the fire.

The suit also names as defendants Chrysler Corp., manufacturer of the vehicle chassis; the Tucson dealer who rented it out; the teen-age boy who was driving the vehicle, and another woman.

Strikes won't hike rates: ISO

CHICAGO—Police and firefighter strikes in Philadelphia and Chicago, respectively, should not send commercial property rates skyrocketing, despite charges of local union leaders.

"Big cities like Chicago and Philadelphia are rated exclusively on loss experience," explained Fred Marcon, executive vp of the Insurance Services Office, the rate- and form-making bureau that serves many leading insurers.

"The cities would have to have several large losses, like massive fires, before rates would be affected. And that would take some time before the rating process goes to work," he said.

Though several commercial brokers said they expected underwriters to be wary of Chicago, whose arson problem has received nationwide television coverage, insurers contacted directly by *Business Insurance* said they would wait for loss totals before adjusting rates.

Court awards $415,000

SAN DIEGO—In the third largest court award to date stemming from the September 1978 crash of a PSA jetliner here, the San Diego superior court has awarded $415,000 to the surviving husband and daughter of Darlene Watkins, killed on the ground.

The decision, reached after an eight-hour jury deliberation, brings the total court awards resulting from the tragedy to more than $4.5 million. A portion of the award, $15,000, was for property damage to the family's rented home.

Man sentenced in art theft

CHICAGO—A former employe of the Art Institute of Chicago has been sentenced to a 10-year prison term for stealing three Paul Cezanne paintings from the institute in late 1978.

Laud Spencer Pace, 31, a former shipping clerk at the institute, was sentenced Feb. 29 by Judge Robert Massey in Cook County circuit court after an earlier conviction (*BI*, Feb. 18).

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Vol. 14, No. 10—Business Insurance (ISSN 0007-6864) is published weekly at 740 Rush St., Chicago, Ill. 60611. Application to mail at second-class rates is pending at Chicago, Illinois and at additional mailing offices.

Taxi insurance costs drive hack rates up

By ELLIS SIMON

Photo: Ellis Simon

Hacking comp costs

New York City taxi operators say the recent 20% to 40% rate hikes are needed to cover accelerating insurance costs.

NEW YORK—Accelerating insurance costs are driving New York City taxicab owners up a one-way street to financial ruin, cab companies say.

Since 1977, workers compensation costs for owners of large fleets have risen even faster than fuel costs, says Jack Toal, president of the Metropolitan Taxicab Board of Trade. Compensation costs rose 109.1% during that period, while gasoline prices rose 108.1%.

Liability insurance costs rose 36% during that period, adding to the cabbies' woes.

New York hacks used these figures to help justify 20% to 40% fare hikes recently approved by the city's Taxi and Limousine Commission. The increase was to go into effect in early March, but pressure from Mayor Edward Koch and other politicians postponed its implementation.

Taxicab owners say they're backed against a wall when they buy mandatory insurance coverages. The state insurance fund is the sole source of workers compensation coverage for taxi drivers and only three companies write taxicab liability on a voluntary basis.

However, some cabbies are their own worst enemies, brokers and underwriters charge. "The taxicab owner has to consider himself a partner with the insurance company in order to cut his losses," one broker said, complaining that's not what happens. Instead, general liability losses continue to mount.

Tougher licensing laws are needed, too, he added, charging there are "too many inexperienced drivers coming into the field." Many drivers are recently arrived immigrants from Russia, Israel, Greece and Haiti who had little driving experience in their former homes but were able to scrape enough money together from relatives here to purchase a car and medallion, the broker said. "They're buying themselves a job."

"The biggest problem in writing taxicab liability insurance on a voluntary basis is that you don't know who the driver is day-to-day," one big underwriter said. Large fleets are particularly troublesome he added.

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Ball player's widow sues Cessna for design flaw

By JOHN MAES

AKRON, Ohio—The widow of New York Yankees catcher Thurman Munson has filed a $42.2 million damage suit in federal court here against Cessna Aircraft Co. and Flight Safety International Inc., both of Wichita, Kan.

The suit, filed Feb. 27 by Diana L. Munson, charges Cessna with negligent design of the twin-engine Citation aircraft the late baseball star was flying when it crashed and killed him Aug. 2, 1979, while he was practicing takeoffs and landings at the Akron-Canton Airport.

Flight Safety International, a flight training service, was negligent by providing Mr. Munson with an inadequate training program for flying the Citation jet, the suit charges.

Cessna is insured by Associated Aviation Underwriters and Lloyd's of London. Flight Safety International is insured by U.S. Aircraft Insurance Group. Cessna declined to comment, but a corporate official of Flight Safety cited a recent comment made by Langhorne Bond, administrator of the Federal Aviation Administration, that Flight Safety has a "good" training program.

The complaint alleges that defective design of the cabin door locking mechanism on the aircraft delayed the occupants' escape from the burning plane by several minutes. Mr. Munson's two passengers were forced to exit through an emergency door and were unable to rescue the severely injured baseball star from his pilot's seat because the fire had become too intense.

Had the two passengers been able to open the cabin door without difficulty, they could have pulled Mr. Munson from his seat, "and out of the aircraft before the fire intensified and caused his death by inhalation of superheated and toxic substances," charges the suit.

The suit also contends that Flight Safety misrepresented the quality of its flight training program for the Citation. The program was "inadequate for its primary purpose" of training for single-pilot operation of the plane.

The suit asks that Ms. Munson be reimbursed $1.1 million by the defendants if a court orders her to pay that amount to Cornhill Insurance Co. Ltd., insurer of Mr. Munson's plane. Cornhill, a British underwriter, is attempting to recoup from Ms. Munson a $1.1 million lien paid to Republic National Bank of Dallas for the airplane.

Cornhill is also asking a federal court to declare an insurance policy covering the aircraft invalid, charging Mr. Munson violated its provisions by flying the plane unaccompanied by a pilot-instructor, a policy requirement because Mr. Munson had accumulated less than 100 hours of flying time (*BI*, Jan. 7, 1980). ■

Photo: New York Yankees

Yankee's pride

Thurman Munson, former Yankee catcher, died in a 1979 plane crash.

errors & omissions

• An amusing series of responses to CPCU exam questions ran in the Feb. 25 Perspective section. They were inaccurately described as purported answers to an agent/broker licensing exam.

• The Supreme Court on Feb. 26 upheld an Occupation Safety and Health Administration regulation allowing workers to refuse hazardous tasks, not on February 19 as was stated in *BI*'s March 3 issue.

• An article in the Feb. 18 issue incorrectly identified Harold Smith as a public adjuster. Mr. Smith and his firm by the same name work exclusively on behalf of insurance companies.

Oil project spins LOOP of coverages

By ELLIS SIMON

NEW ORLEANS—Owner-controlled casualty insurance programs save money on most jumbo construction projects, but the nation's first offshore supermarket unloading facility proved too slippery for one policy to hold.

It needed a reference to keep all the contracts straight.

So J.C. Ballard, vp-administration and treasurer for LOOP Inc., who has risk management responsibilities for the Louisiana Offshore Oil Port, became more contract administrator than insurance buyer.

With eight design and construction management consultants (prime contractors) for the $600 million project, an owner-controlled program providing workers compensation and liability insurance just wasn't reasonable, said Daniel J. Gieseler Jr., president of Corroon & Black of New Orleans, LOOP's broker.

"This is more like a series of separate projects," he explained.

LOOP is a pipeline system running from a pumping station 18 miles out in the Gulf of Mexico to eight giant four-million-barrel storage tanks dug out of a salt dome 1,200 feet beneath the ground 25 miles inland.

Three pipelines will connect the offshore pumping station with floating hoses that supertankers can use to unload their oil.

Another pipeline, built by Shell Oil Co., will run from LOOP's underground storage facility at Clovelly, La., to St. James, La., where it will hook up with a north-south distribution system that reaches 25% of U.S. refining capacity.

The complex is scheduled for completion in March 1981.

Nearly a dozen major construction projects make up the myriad exposures posing colossal risks for LOOP and more than 400 contractors. Among these are marine construction of two platforms housing the pumping and control units and huge concrete bases connected to hoses and buoys; offshore and inland pipeland work; dredging to restore marshes to their prior state after the pipelines are laid; inland un-

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Photo: Ellis Simon

J.C. Ballard, vp-administration and treasurer for LOOP Inc., is more a contract administrator than insurance buyer for the massive $600 million project.

Risk profiles pinpoint health problems

By STUART EMMRICH

ATLANTA—Employers looking for ways to reduce the cost of treating employes' health problems are helping identify for workers what those potential problems might be.

Workers for such diverse employers as the Center for Disease Control in Atlanta, New Jersey-based Johnson & Johnson Co. and the University of Arizona are being offered the chance to fill out detailed questionnaires about their lives and medical histories. In return, they are told what their chances are of dying during the next decade. The University of Wisconsin, a clearinghouse for one of the "risk profiles," reports that the "great bulk" of more than 15,000 such questionnaires last year came from employer groups.

Participants in the program get more than bleak assessments of their future, however. The federal Center for Disease Control for the past 18 months has offered employes programs to help them stop smoking, lose weight, change their driving habits, reduce stress, exercise more and drink less.

"The proposal has been just great," said Charles Althafer, director of professional services at the center. "If anything, it has been a little too good. We have hit a snag recently because we have run out of space to offer these classes, especially the exercise ones. We have to find a way to make this available to more of our employes."

About two-thirds of the center's 2,000 employes participate in the voluntary program, which also protects their anonymity; employes fill out questionnaires with a code number, rather than a name.

The program costs the center about 50 cents per participant for the computer processing used to identify the health hazards, Mr. Althafer said. The employe pays the cost for the individual classes, but often receives a discount because of the high level of participation.

CDC's biggest contribution is space for the programs. "We recognize that getting people to attend these programs is probably the biggest hurdle to overcome. Getting the YMCA to offer exercise out here, rather than downtown, for instance, greatly increases the chance that our employes will take advantage of it," Mr. Althafer says.

Although CDC officials say it is too early to assess the impact of these programs, one major goal is to determine if the employes stick with healthier lifestyles. A good sign is that after nine months, 47% of the people from the non-smoking classes still haven't gone back to smoking cigarettes.

The center is in the process of looking at sick leave figures over the past year to see if some employes take less sick time since the programs started.

Designed as a pilot program for other federal agencies, the results from the center will also be shared with private companies. "Hundreds" of firms have expressed interest in the program and have asked for information about it, Mr. Althafer said.

"I wouldn't have believed two years ago that there could be this much interest. No one heard of it then, and now it is becoming as popular as sliced bread," he said.

One firm about to embark on a sophisticated two-year program similar to CDC's is Johnson & Johnson. Now in the process of offering the risk profiles to its employes, the company plans to run pilot programs at some of its subsidiaries and then, in two years, compare health data from those subsidiaries with figures from subsidiaries where no such programs were offered.

Gene Hollen, vp for special projects, estimated about 7,000 of the company's 60,000 employes worldwide will probably be involved in the active program during the next two years.

Both the CDC and Johnson & Johnson said they are not involving insurance companies in the programs yet. Johnson & Johnson self-insures its employe benefits and the CDC said that although it hasn't included any of its several underwriters in the program, Blue Cross of Georgia is interested in seeing the results, as it is considering offering some form of the program to its subscribers.

Johnson & Johnson was motivated to start the risk profile program, the cost of which has not yet been determined, after its chairman of the board said a health-oriented manufacturer should probably be doing something constructive about employe health, Mr. Hollen said.

He added, "All employers are experiencing great increases in health care costs. We are trying to find out whether, if you approach the problem from a positive manner, is it possible to accomplish anything? That is what we want to determine."

Besides offering its staff and faculty the chance to identify their potential health problems, the University of Arizona at Tucson is also reaching out into the community under a research project funded by the H. Kellogg Corp.

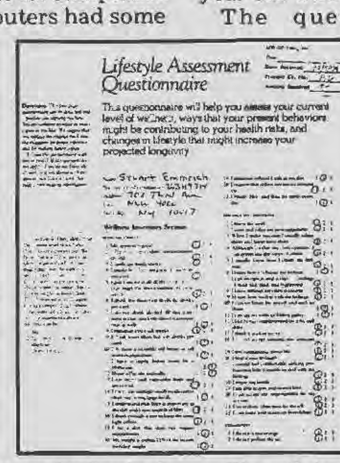
In the middle of a four-year program, the university is keeping tabs on 2,000 people, half of whom just received the results from their health profiles and the other half who get the results and educational programs to help them correct their hazardous habits.

By 1982, the university intends to compare the results from the two groups and see if there are any significant differences. ■

Reporter rates risks with profile form

NEW YORK—I'm as healthy as any normal 32-year-old. The problem is that I am only 25.

That disconcerting news came from a "risk profile" I recently filled out and sent to the University of Wisconsin for its computers to study. The computers had some word of encouragement, though: If I follow their advice, I could lower my health age to a robust 18 and increase my estimated survival time from another 40 years to 53 years.



Mine was one of an estimated 15,000 profiles processed by the university's Stevens Creek Foundation over the past year. The majority had come in bulk packages from employers, a spokesman said.

The profiles have been featured in various national magazines and touted by the San Francisco-based Health Research Institute as a way for employers to help their workers identify potential health hazards and offer ways to minimize problems.

The university has offered the service for the past 18 months, springing from a program first started for its students. The profiles not only try to identify physical problems that may occur but emotional ones as well, pointing out, for instance that suicide is the greatest cause of death among 30-year-old women.

The questionnaire asked whether I smoke (no), whether I am overweight (no), whether I consume more than one or two alcoholic drinks in a week (yes), how much I exercise (not much) and whether I use seat belts (hardly ever). It also asked for statistics on blood pressure, blood cholesterol level and past illnesses.

The advice I received was fairly routine: Cut down on my drinking, start buckling those seatbelts and get more exercise.

Supporters of the program say it sometimes takes a computer printout to get people to do what they knew all along they should be doing. Moreover, the results are often more specific, depending on age and habits.

Maybe it does work. I joined a gym a few weeks ago.—*Stuart Emmrich.*

California lawsuit attacks no-fault work comp rule

By RHONDA L. RUNDLE

SACRAMENTO—Litigation-plagued Johns-Manville Corp. is fighting an asbestos-related case in the California supreme court that state employers say threatens to topple the no-fault basis of the workers compensation system.

Under attack in Johns-Manville Products Corp. vs. superior court is the "exclusive remedy rule" of the state labor code, which guarantees speedy medical and maintenance benefits for a worker injured on the job, but denies him or her the right to sue the employer.

Seeking to skirt the exclusive remedy rule in this controversial test case, plaintiffs attorneys argue that Johns-Manville fraudulently misled its employes about the hazards of asbestos after its own research showed the fibrous material to be unsafe.

"Such flagrant disregard for the welfare of its employes constitutes a deliberate injury tantamount to assault," says Bryce Anderson, attorney representing the lead plaintiff, Reba Rudkin.

"It's true that in the past the courts have recognized a victim's right to sue an employer in assault cases," notes Warren Hanna, attorney for the California Workers Compensation Institute. Those cases involved personal assault by an employer upon an employe, he explains, and cannot be compared with suits involving occupational disease.

Although the lower court initially decided in favor of plaintiffs Rudkin et al, the appellate court reversed the decision. "We were quite surprised when the supreme court consented to review this case," Mr. Hanna notes, "because it refused to hear a similar case introduced last year."

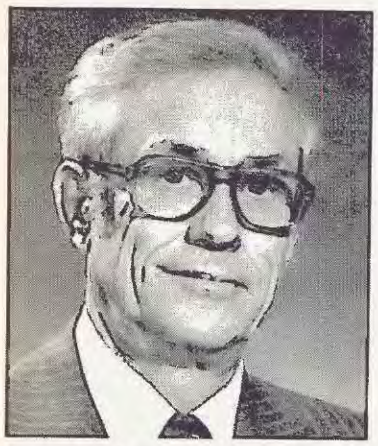
Because of the present makeup of the court, several legal experts representing employer interests told *Business Insurance* they are apprehensive about the outcome.

This legal challenge could bode ill for the workers compensation system since "its integrity is what makes it work," says Donald W. Satterlee, vp and claims counsel at Argonaut Insurance Co., a large writer of workers compensation insurance in California.

"The supreme court has shown an unfortunate tendency over the

Continued on page 27

Ky. bill would limit work comp benefits




Opposing views

"We are hoping to have a premium savings of 30%," says Rep. Lloyd Clapp (left), but Leonard Smith calls it "a ripper bill."

By JILL KAPLAN

FRANKFORT, Ky.—Permanently partially disabled workers in Kentucky will receive workers compensation benefits for a shortened maximum period of four years, possibly cutting employers' premiums as much as 30%, if a new bill introduced here is passed.

The bill (H.B. 532), sponsored by Rep. Lloyd Clapp, is one of 13 introduced in recent weeks of confused legislative activity in Kentucky designed to revamp the workers compensation system. Among the major bills pending are proposals for a wage-loss plan, a state insurance fund, increased weekly benefits with little change from present law and an audit of insurance rates and losses.

Under present state law, a worker with a permanent partial disability may receive benefits for life. These benefits are said to be a major cause of the state's soaring compensation rates.

Kentucky's premium rates are ninth highest in the nation, while benefits paid to workers rank forty-second in the country.

The Clapp bill proposes to cut off all payments to disabled workers at age 65. The bill also calls for a 30% increase in benefits for totally disabled workers.

Totally disabled workers now receive average weekly payments of $120. Under the Clapp proposal, workers would be entitled to a maximum of two-thirds of their weekly wages or 75% of the state average weekly wage, whichever is less. This would raise weekly payments to about $165.

"We are hoping to have a premium savings of 30%," Mr. Clapp said. Much of the bill evolved from a two-year study by a special task force, headed by Mr. Clapp.

Mr. Clapp contends he is supported by the state Chamber of Commerce, Associated Industries of Kentucky and the Independent Insurance Agents of Kentucky, a group representing 590 agencies and 2,500 agents.

Several big employers, including B.F. Goodrich based in Akron, Ohio, said they were unaware of pending workers compensation legislation in Kentucky. One employer favors Mr. Clapp's proposal because his firm belongs to AIK, a sponsor of the bill.

"It seems to be the best bill of all those proposed," said John W. Stewart, insurance manager at Brown & Williamson Tobacco Co.

"I can't say that I'm that familiar with the details of the other bills," Mr. Stewart admitted. "It's the most widely publicized bill. It seems to offer the kind of reduction that's needed."

Mr. Stewart said he would be interested in other bills that could achieve similar reductions. Brown & Williamson, manufacturer of Kool, Viceroy and Raleigh cigarettes, pays $1 million to $2 million in workers compensation claims a year. The company employs between 9,000 and 10,000 workers in Kentucky.

Labor unions oppose the Clapp bill. "It's just about as bad a bill as you can get," said Leonard Smith, AFL-CIO executive secretary.

"It's a 'ripper' bill, ripping benefits from injured workers," Mr. Smith said. "A lot of these guys don't have a heart."

Mr. Smith and labor representatives favor two bills sponsored by Rep. Ronald Cyrus, an AFL-CIO member. Mr. Cyrus calls for the establishment of a state-operated insurance fund to compete with private insurers (H.B. 349).

"The problem is that there is no competitive market for insurance in Kentucky," Mr. Smith said. "A state provider would lower premiums and stimulate economic development."

The other Cyrus bill (H.B. 623) is similar to the present state law, but proposes an increase in workers' weekly benefit payments. The bill cuts off permanent partial disability payments at age 65 and calls for a review of all claims after 10 years.

A wage loss plan, similar to that adopted in Florida, is being sponsored by Sen. Lowell Hughes and key senate Democrats. The bill would limit compensation for some injured workers to wages actually lost.

Several other bills introduced in the house call for independent audits of insurance companies to determine if rates are fair.

"An actuarial study is not really necessary," Rep. Clapp said. "It's an escape from the problem instead of facing up to the music." He denounced the wage-loss bill as being "too cumbersome and expensive to support."

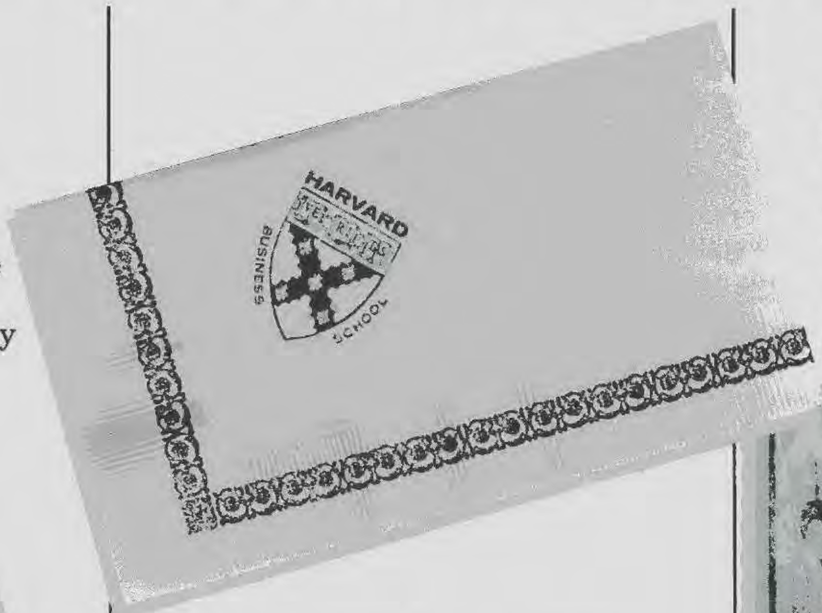
"There are several points on which I'm willing to compromise or to provide amendments," Rep. Clapp said. He said he won't consider increasing permanent partial disability payments to 10 years, but a five- to six-year cap is a possibility. ■

Name change

The U.S. operations of British insurer Royal Insurance Cos. Ltd. have adopted the name Royal Insurance for their own. They were previously known as Royal-Globe Insurance Cos.

GOOD COMPANY!

Our policyholder, the Hoffmaster Company of Oshkosh, Wisconsin, is renowned as a supplier of the highest quality disposable table napkins, placemats, table covers and coasters. They supply them to some of the most prestigious customers in the world.



Hoffmaster's success in getting and keeping these most discriminating customers is based on their reputation for uncompromising quality of product and service.

It's the same kind of quality and service that has made Wausau Insurance Companies the insurance "partner" for the Hoffmaster venture since their founding in 1947. Even through changes that included original family ownership, purchase by a major conglomerate, and re-purchase by the top-level operating management team to return Hoffmaster to independent operation under local control.

As at Hoffmaster, quality has a special significance for Wausau. We too recognize it as the factor that brings us new customers . . . and keeps longstanding customers. We are particularly gratified when people such as Hoffmaster — who base their success on unrelenting quality-consciousness — recognize quality suppliers for their true value. That's a big reason we're so proud

of having been Hoffmaster's insurance "partner" all these years. Good companies yield good partnerships.

Wausau Insurance Companies®
Employers Insurance of Wausau

editorial opinions

Bill helps buyers

TO STEM THE SKYROCKETING costs of making and selling goods, businesses can work to change the tort laws governing product liability. Indeed, businesses nationwide are doing exactly that, and meeting with a good deal of success.

But tort reform attacks only one part of the product liability problem. According to the findings of a half-dozen major studies during the last three years, accompanied by the findings of hundreds of studies by business groups, insurance is also part of the problem.

The proposed Risk Retention Act, introduced last August, has value for large and small businesses. It addresses the insurance cost and availability problems encountered by many companies over the past five years, providing a powerful incentive for the insurance industry to base ratemaking on realistic assessments of risks and losses.

▪ In the relatively brief time since the bill's introduction, we've weighed all arguments on both sides. Because of its laudable objectives, the avoidance of a heavy-handed federal enforcement mechanism and the overwhelming need of small and medium-sized business for the law, the Risk Retention Act has our wholehearted support.

The insurance industry is understandably upset by the proposed law. Insurers fear their best commercial customers will race to establish pooled plans with industry colleagues to insure their own risks. This is nothing new. Multiple owner insurers (sometimes called group captives) have multiplied in recent years, offering an option to companies.

Insurers slow to respond to the needs of commercial insurance buyers can expect to pay the price. Captives in Bermuda, Colorado and Tennessee have drained dollars from the industry, just as federal risk pools will if the Risk Retention Act passes.

But the insurance industry is none the worse for wear as a result. Underwriters have coped nicely with the competition from a 1,000 or more captive insurance companies, single parent-owned and established by industry groups. Despite its early fears, the industry is healthier for the competition.

Commercial insurers surely won't lose all their customers, which will more likely form captives to insure higher deductibles, draining off some dollars from the industry but providing a stabilizing influence over the longer run.

▪ Insurers themselves have openly admitted that insurance shouldn't be purchased for first-dollar losses. With the kind of pools the act encourages, companies would have a way to finance all those first-dollar losses the industry has said it doesn't want to insure anyway.

A second major provision of the act is likely to bring about a basic change in the relationships between insurers and their commercial customers. The law would essentially abolish laws now on the books in 45 states prohibiting companies from joining forces to negotiate collective insurance deals with underwriters.

These laws were passed to protect the insurance industry from its customers, limiting the influence of all but the largest buyers.

▪ The outcry by companies of all sizes during the era of the so-called product liability crisis has conveyed a clear message: Buyers of commercial insurance think liability rates are unfair and discriminatory, bearing no relationship to actual risks of loss or to loss experience. They want a way to get around the industry's vise-like grip.

The insurance industry will be more responsive to its corporate customers with the passage of the Risk Retention Act. The law will be good for business consumers.

business insurance

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

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Published by Crain Communications Inc., Chicago, HERBERT ZELTNER, *group vp;* ALFRED MALECKI, J.J. GRAHAM, S.E. COHEN, LOUIS F. DE MARCO, WILLIAM STRONG, ROBERT W. KRAFT, STEPHEN D. GILKENSON, ARTHUR E. MERTZ, *vice presidents;* JAMES M. FRANKLIN, *vp-finance and administration;* MERRILEE P. CRAIN, *assistant secretary*.

Published weekly at 740 Rush St., Chicago, Ill. 60611 (312-649-5200). Offices: 708 Third Ave., New York, N.Y. 10017 (212-986-5050); Suite 1253 National Press Building, Washington, D.C. 20004 (202-638-5300); 6404 Wilshire Blvd., Los Angeles, Ca. 90048 (213-651-3710). $1.00 a copy. $20.00 a year in U.S. Foreign $5 a year additional. For first class mail add $20.00 U.K. and Canada; add $12.00 for air delivery Europe and Middle East only. WILLIAM STRONG, *vp-circulation*. PAMELA JANOUSEK, *circulation manager;* ROGER DiGREGORIO, *fulfillment director*. Four weeks' notice required for change of address. Send subscription correspondence to Circulation Department, Business Insurance, 740 Rush St., Chicago, Ill. 60611 or phone 312-649-5221. Telex 25-4248. Cable CRAINCOM. Microfilm copies are available from University Microfilms, 300 Zeeb Rd., Ann Arbor, Mich. 48013. Microfiche copies available: Bell & Howell, Micro Photo Division, Old Mansfield Rd., Wooster, Ohio 44691.

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letters

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DOL replies

To the editor: This letter is in response to an article which appeared in the Jan. 21 issue entitled "Hidden study blasts longshore act." The article refers to a draft report entitled "Insurance Arrangement Under the Longshoremen's and Harbor Workers Compensation Act" of a study conducted by Cooper & Co. Inc. under a contract with the Department of Labor.

The department undertook the insurance study because of reports of serious problems confronting employers covered by the Longshoremen's and Harbor Workers Compensation Act with regard to the availability and rates of insurance coverage under the act. However, more specific information was needed to understand the problems more fully in order to seek possible remedies which might be available to provide relief for these employers.

The article states that the Department of Labor has suppressed the report for five months. This is not an accurate statement. A draft of the report was received from the contractor in August 1979 and, in the course of our own review of it, serious concerns arose with regard to the credibility of the conclusions reached by the contractor in terms of the data included to support the conclusions. During this review, it was learned by the department that the contractor had not fulfilled that part of the contract which called for a preliminary review of the draft by two insurance specialists and an actuary. We felt then, and continue to do so, that a technical review is essential to assure the quality of the final report product.

In our judgment, it would be in error to bypass this step and release an incomplete report. In order to obtain the desired technical review in a timely manner, because of the obvious delay in the procurement process involving a contractor, the department has referred the draft directly to the three technical consultants previously selected by the contractor for their review and comments. Their reports are expected on or about March 1, after which further action will be taken to finalize the report.

The chairman and ranking minority member of the subcommittee on labor standards of the House Committee on Education and Labor, by letter of Nov. 1, 1979, requested copies of the draft report in connection with oversight hearings the subcommittee has been conducting on the Longshoremen's Act. It was explained in the reply to their letter that the report was still in draft form and had not been reviewed by the technical experts as specified in the contract. However, on their further request, the report was furnished to congressmen prior to my testimony before the subcommittee on Dec. 6, 1979.

At that hearing, I stated: "As we indicated in our letter to you furnishing you this report, it is a draft only. It does not have the endorsement of the Department of Labor. We do not feel it is in a sufficiently final version, acceptable to us, from which we can make appropriate policy decisions and recommendations. We will forward the final copy of the report as soon as it is completed."

Donald Elisburg
Assistant secretary
U.S. Department of Labor
Washington, D.C.

Editor's note: We stand by our story. Members of Congress said they were unable to obtain copies of the draft report. There were numerous indications the findings were intentionally withheld.

More on abortion

To the editor: I am appalled at the obvious display of illogic in your highly unprofessional editorial "Abortion inequities" Jan. 21. As a consequence I now have much less regard for your publication. The fact that you would attempt to impose your liberal philosophy under the guise of professionalism has, in my estimation, damaged your credibility. I would now like to see an attempt on your part to defend the posture that an employer should not have the freedom to determine the type or design of the benefit plans it chooses to have or not to have.

C.J. Devine
Racine, Wis.

Missing the point

To the editor: In reading the various responses in your publication to your editorial "Abortion inequities" (Jan. 21), I believe that both your editorial and your correspondents have missed the right issue. The issue is the proper scope.

If we extrapolate the theories of property and casualty insurance to medical insurance, and they can be so extrapolated, the proper function of insurance is to protect against unforeseen loss. Certainly, most medical insurance policies have not responded to claims for cosmetic nor elective surgery unless following an accident or a covered medical procedure, scar reduction, etc. Wherein does elective abortion differ? And, should conception be continued to birth, should pregnancy benefits be covered by medical insurance? I think not, because neither condition is unforeseen. Rather, either condition is totally elective.

It is certainly an accepted social and economic responsibility that an employer should make available to employes an adequate, comprehensive medical program but there should be proper limits to responsibility, particularly as it affects costs incurred by the minority of employes but must be shared by the majority of employes. What next waits in the wings to stem from your reasoning? Is it the responsibility of medical plans to respond to ear and nose reductions, to breast implants, to transsexual operations? Better it would seem to be to recognize an imperfection of humanity and to know that it cannot be bought at any price.

Jay A. Ashley
Special risk analyst
Stateco Insurance
Santa Clara, Calif.

Female view

To the editor: I find it interesting that each of the letters condemning the Jan. 21 editorial "Abortion inequities" was written by a man.

Perhaps they would feel differently if they were biologically able to bear children.

Denise M. Bala
Pine Hill, N.Y.

New addition

To the editor: In the last paragraph of my article on business auto loading and unloading ("Loading exclusion puts serious gap in cov-

Continued on page 25

GE plans to plug into CG dental policy

GENERAL ELECTRIC CO. will plug into a new dental assistance plan covering about 280,000 U.S. employes and their dependents, beginning July 1. The program was negotiated last summer in a three-year pact between GE and 13 unions (*BI*, July 23).

The new plan, written by Connecticut General, will cover diagnostic and preventive care twice in a calendar year as well as restorative and prosthodontic procedures, all on a scheduled fee basis. The combined annual maximum payment for restorative and prosthodontic work is $750 per person per calendar year.

The plan will also cover 100% of fees for endodontic, periodontic, oral surgery and accidental injury services up to the first $500 in each calendar year, and 85% of the balance. These four types of care are currently covered by GE's comprehensive medical expense insurance, written by Metropolitan Life and Aetna, but will be transferred to the new dental plan July 1. Orthodontia is not covered.

Connecticut General will set up a claims office in the Hartford, Conn., area to exclusively service the GE account.

Employes will be eligible for the dental plan after one year of continuous service with the company, and GE pays all premiums. The cost of the program has not been determined yet, said Steve Tsorvas of GE's corporate employe benefits staff.

benefit beat

Higher pensions

About 760 members of United Food & Commercial Workers International 686 won higher pensions and hospitalization benefits under a new contract ratified with Teepak Inc. in Danville, Ill.

The three-year pact increases pension benefits to $13 a month per year of service from the previous $11, for both current retirees and those retiring this year. Workers retiring in 1981 will receive $14 a month per year of service and those retiring in 1982 will receive $15. Current retirees will also be included under hospitalization insurance for the first time.

Hospitalization insurance will now cover 100% of costs for the first year of hospitalization. Previously, insurance covered only the first $750 of costs and 80% of additional costs.

Home health care

A pilot program providing home health services to 22 patients saved more than $42,000 during the first seven months of operation, reports Blue Cross of Virginia. The patients' care, coordinated by St. Mary's Hospital Home Health Service in Richmond, included visits by nurses and home health aides, medical supplies, physical therapy, prescription drugs, lab and X-ray services and equipment.

The patients received 241 visits and other services at a total cost of about $10,500. If the patients had been hospitalized, their care would have cost $52,600, the Blue Cross said.

Company honored

Kimberly-Clark Corp. of Neenah, Wis., has received the first "Investment in Tomorrow Award" given by Blue Cross & Blue Shield United of Wisconsin, in honor of its employe health management program (Benefit beat, Jan. 28). The award is presented to corporations, associations, employer groups or individuals that have achieved excellence in promoting positive health and health care cost containment.

Kimberly-Clark's voluntary program, now open to all 4,500 of its employes at the corporate headquarters and nearby facilities, includes health appraisal, multiphasic screening, physical examinations, health education, counseling and exercise programs. The program is housed in a $2.5 million multiphasic testing and physical fitness facility.

$1.8 million payout

About 2,000 employes at Advanced Micro Devices in Sunnyvale, Calif., have received nearly $1.8 million in the company's most recent semiannual profit sharing payout, the largest such payout since the company initiated the plan in 1972.

The payment, which covers the period April through December 1979, represents 12.3% of participants' base salary for the period. About half the sum was paid in cash and half in long-term individual trust accounts.

The company has put 10% of its pretax profits into the program since its inception. The latest payout was more than twice the sum in the current period in 1978, with about 50% more participants.

•

Made any benefit changes? Write Valerie Berg, Business Insurance, 740 N. Rush St., Chicago Ill. 60611 or call 312-649-5430.

No sex bias in plans: Mercer

TORONTO—Canadian pension plans that pay different benefits for men and women are not discriminatory if the differentiation exists for actuarial reasons, William M. Mercer Ltd. says in a letter to Gordon Fairweather, chief commissioner of the Canadian Human Rights Commission, appealing for retention of present regulations.

Impending regulations could create difficulties for the many small money purchase and profit sharing pension plans in Canada, Mercer says. The average membership of the 6,700 such plans is 33 persons, although most of those plans are not under federal jurisdiction.

"We favor human rights legislation that will eliminate the discrimination that formerly existed in many employe benefits plans and to some extent still does exist," the Mercer letter states.

"We do not believe that the legislation should be made to apply in an area where reasonable people differ in their opinions and where great damage will be done to arrangements that are designed to be equitable and simple."

Present regulations permit differentiation because of age, when determined on an actuarial basis, and proposes a similarly worded provision to allow differentiation in pension plans because of sex "when such differentiation is determined on an actuarial basis." ▪

Risk execs blast product liability plan

london line

By JOHN H. MILLER

LONDON—U.K. risk managers and businessmen are lashing out against restrictive product liability rules proposed by the European Economic Commission (*BI*, Oct. 15, 1979), calling instead for legislation similar to the U.S. model product liability bill that will hold manufacturers liable for injuries only if they are proved to be at fault.

"We're still not convinced after a survey of our members that the overall impact has been fully investigated," states the U.K. Assn. of Insurance and Risk Managers in Industry and Commerce, adding its voice to protests by the Confederation of British Industry.

Regarding the "state of the art defense," AIRMIC warns: "Failure to include this defense in EEC directives will affect consumers because it will inhibit product development that can be valuable to many people. High technology industries, like pharmaceutical and transport, will be adversely affected and can face high insurance costs."

"The draft EEC directive is not a mechanism to regulate fair competition," says AIRMIC deputy chairman Tony P. Benson. "It will create a new class of unfortunates, namely those who sustain product-related injury and will single them out for compensation not available to people who suffer accidents in their home. The directive is ill-founded and impractical."

Product recall in Europe has been inadequately debated and insurers fear enormous problems are likely, AIRMIC says.

"Product liability insurers may be encouraged to insist on their insureds making early and expensive recalls on insufficient evidence just to avoid potential claims," the group says.

One solution offered by AIRMIC would be to exempt producers of "significantly defective" products from liability if they advertised their products' defects and recalled the products, in effect making the defects common knowledge to buyers.

Pointing out that it represents a cross section of British industry, AIRMIC says: "The EEC directive is an item of social compensatory legislation rather than an instrument for regulating fair competition between member states. It discriminates severely against producers, and we deplore this. It will divert vital resources at a time when British and European industries are facing stern challenges."

The Confederation of British Industry, meanwhile, has sent a letter to Sally Oppenheim, one of Britain's trade secretaries, to study recent U.S. legislation on product liability.

"The new U.S. model legislation has removed Americans from the trap into which they had fallen through earlier legislation providing for no-fault liability," wrote Bryan Rigby, CBI deputy director general.

"We're very concerned that the EEC still means to hold manufacturers to blame for defects which nobody could possibly foresee. This attitude is wrong in principle and very damaging, especially as support has already been given in the European Parliament to the opposite view. Manufacturers should not be liable if they can prove their product was not defective in the light of scientific and technological development at the time it was marketed.

"The U.S. model act gives strong support to our views and we hope it will be closely studied by the U.K. government."

Lloyd's defense

Insurance contracts bound in the U.S. or Canada by persons with authority to act on behalf of Lloyd's underwriters are valid whether or not those persons were "tribunalized," Lloyd's says in court papers filed in reply to a suit over Sasse Syndicate losses.

The suit by Sasse Syndicate members charges that unapproved agents produced "dubious" New York fire risks that caused $41 million in losses in 1976 and 1977 (*BI*, Feb. 11). The agents had not gone through the tribunal set up by Lloyd's non-marine association.

Although most brokers or agents authorized to act on Lloyd's behalf in the U.S. have gone through the non-marine market's screening process, it is not mandatory, Lloyd's says.

Lloyd's maintains that because these agents were working as approved "cover holders" under a binding authority given by Sasse to Den-Har Underwriting Agency of Florida, they were entitled to get the U.S. business they did.

"Cover holders who are able bona fide to describe themselves as agents or representatives of Lloyd's underwriters and who issue certificates purporting to bind these underwriters to risks would appear to have authority under many U.S. laws to act in this way," Lloyd's contends in its court documents.

States with such laws include Colorado, Iowa, Missouri, New Hampshire, New Jersey, North Carolina, North Dakota, Rhode Island, South Carolina, Tennessee, West Virginia and Wisconsin, Lloyd's says. Lloyd's contends it was unaware that Den-Har broke any U.S. state laws in accepting the fire risks and passing them on to Sasse in London.

Peter Green, Lloyd's chairman, says all valid outstanding claims on Sasse policies will be met as part of Lloyd's intention "to protect innocent policyholders."

Trial delayed

A suit filed by Sasse Syndicate members over $41 million losses will not come to trial until Jan.

High Court Judge Michael Mustill rejected an earlier trial for the suit filed against Lloyd's, the Sasse Turnbull underwriting group and the Merrett Dixey Syndicate (*BI*, Feb. 11).

Poorer results

U.K. insurers are likely to suffer further deterioration in U.S. underwriting results in 1980, says stockbroker W. Greenwell & Co., although a number of conflicting factors may have an effect.

The firm's chief analyst Roger Harvey, who has prepared a survey of the top seven U.K. insurance companies' worldwide prospects, believes competition over U.S. commercial property and general liability lines will hurt underwriting results. Premium rate controls on auto coverage, combined with claims inflation, will cause higher losses, he says.

"The uncertain factors are the level of catastrophe losses and the rate of claims inflation," he said, adding that the overall operating ratio in the U.S. is likely to decline to around 105.

Interest advantage

A U.K. firm of business analysts is adding its voice to the controversy over charges that insurance brokers here are delaying payment of premiums to underwriters so they can take advantage of highly favorable interest rates.

"Investment income remains an important part of brokers' earnings and helps to give them some protection against deteriorating underwriting results," reports Intercompany Comparisons. "But they can only derive full benefit from high interest rates if they make the period of time between receiving premiums from clients and passing it on to underwriters work in their favor."

Current U.K. interest rates can provide as much as 75% of yearly profits for small brokers and 25% to 30% for larger brokers, the report adds.

Out of insurance

The U.K.'s Midland Bank has sold its 10% stake in Sedgwick Forbes/Bland Payne international broking group for nearly $50 million.

The banking house had a controlling stake in Bland Payne before it merged with Sedgwick Forbes last year in anticipation of a major tie-up with Alexander & Alexander in the U.S. But it pulled out of insurance when the merger took place and has now sold its final holdings to various London financial and business institutions.

Talks on the A & A deal are still underway after 15 months.

Fire losses

U.K. fire damage reached $800 million last year, compared with $680 million in 1978.

Four mammoth fires in unsprinklered buildings each cost insurers $20 million, and the British Insurance Assn. is calling for greater fire prevention efforts.

Safety campaign

Believing risk management can be very effective in reducing insurance costs, the British Safety Council is launching a campaign to prompt businesses to undertake better loss prevention programs.

"Many U.K. companies are overinsured," said James Tye, safety council director general. "Effective loss control programs can lower their insurance costs quite drastically. Risk managers in the U.K. should be able to prove that many firms, like their U.S. counterparts, have been vastly overinsured in the past."

Urging senior corporate executives to practice risk management, Mr. Tye said insurance is not necessarily "the easier or most efficient means" of controlling business risks.

Disclosure rules

British insurers will have to disclose more information on their financial position in their annual returns, under new regulations introduced by the U.K. Trade Department.

The protection of consumers is one of the main aims of the new rules, said Malcolm Reid, a Trade Department official.

Whaling ship

Sabotage to the tiny whaling ship Sierra is likely to cost Lloyd's nearly $1 million under a policy covering "in port" risks while the ship was being repaired.

The 683-ton vessel was undergoing repairs in Lisbon, Portugal, when protestors from whale preservation societies set off explosives that tore the hull to pieces. Ten minutes later the ship was at the bottom of the sea and its life as a "pirate" whaler had ended.

For the past seven years, the Sierra had made huge catches that angered preservation societies trying to stop fishermen from defying International Whaling Commission rules.

Complaints reached such a pitch last year that Lloyd's agreed to cancel its cargo coverage policy and not renew its hull coverage when it expired. But Lloyd's did agree to cover the ship while in port for repairs. ■

Competition heats up

Reinsurers may court smaller firms

"We want to write closer to the loss level," says Harold Hudson.

GREENWICH, Conn.—Small and medium-size firms may be able to swing a better umbrella policy rate as hot reinsurance competition begins to reach the commercial marketplace.

General Reinsurance Corp., like several other reinsurers, would rather reinsure umbrella policies for small and medium-size firms than high excess casualty layers of the Fortune 500 companies, says chairman and chief executive officer Harold Hudson. This switch could free more insurer capacity for small risks.

Cutthroat price competition for high excess casualty facultative risks has virtually forced General Re to drop out of this market, he explained, though the big risks once totaled 15% of General Re's business.

"The price differential has become so deep that we're not interested," adds Ronald L. Bornhuetter, senior vp and comptroller.

"If prices were 10% less than what we thought the price should be, we'd compete," Mr. Hudson adds. "But at 50% less, it's not worth competing."

"We want to write closer to the loss level. We're looking for program-type business and umbrella coverage for smaller firms as well as the truly unusual risk that can be priced by an underwriter."

Competition, aggravated by an influx of new entrants to the reinsurance industry, has squeezed General Re's volume growth. Its 1979 net written premium of $762.3 million was off by 1% from the year before (*BI*, Feb. 11).

General Re also reaches buyers directly through an excess insurer division, North Star Reinsurance Co., a broker-oriented subsidiary. North Star has begun writing direct excess risks and Mr. Hudson sees potential for growth in direct excess business and in the marketing of services to captives.

"We've entered into that area to provide services that we have available, such as underwriting and actuarial services," Mr. Bornhuetter noted.

General Re has performed some claims servicing for fees but has not been aggressive in marketing its services.

"Our services are not regularly sold on a fee basis," Mr. Hudson said. "We might perform some analysis on behalf of a client, but we consider that included in the price of reinsurance."

One notable exception has been a contract with the Minnesota workers compensation fund. "We did it because we had a service to offer," said Mr. Bornhuetter, predicting that "once we get one account, other people will come to us."

Large self-insurers have approached General Re for insurance services, but "we see the primary insurance industry as the market we want to serve," Mr. Hudson said. "It isn't our goal to foster competition to them by supporting their competitors."

General Re will, however, write direct excess insurance over a self-insured retention, "but it's probably above what the primary company would retain," says Mr. Hudson, adding that the company is not comfortable writing for new self-insurers.

The insurance market cycle may chart the future course of General Re. Mr. Hudson anticipates the insurance cycle eventually forcing excess capacity out of the reinsurance business as it has before.

But, as a hedge, the firm is considering acquiring a foreign insurer, reinsurer or even a direct domestic insurer as a way of getting better use of its vast capital resources. Its statutory surplus is more than $500 million.

Diversification can be a handicap in obtaining growth and volume, Mr. Hudson says. General Re maintains an extensive staff of underwriters, actuaries, claims and rehabilitation specialists.

Slow growth and hesitancy in tapping new markets, added to a conservative preimum-to-surplus ratio of 1.3:1, have also led to investor disenchantment (*BI*, Feb. 4, Feb. 11).

General Re's treaty reinsurance growth has been satisfactory, maintains Mr. Hudson. Life reinsurance has growth at a rate of 10% to 15% annually and now produces more than $100 million in premiums, Mr. Bornhuetter adds.

Some of the growth has resulted from opening offices over the past two years in secondary insurance centers such as Seattle, Des Moines, Kansas City and Columbus, Ohio. ▪

Texas JUA sees decline

AUSTIN—The Texas Medical Liability Insurance Underwriting Assn. (JUA) saw a sharp decline in participation in 1979, covering only 2,509 doctors and 122 hospitals, compared with 4,340 doctors and 163 hospitals in 1978.

The Texas JUA has provided coverage to doctors, nurses, dentists and other health professionals since 1975. It is scheduled to be disbanded at the end of 1981 unless the legislature continues it.

"The JUA worked to get us out of the crisis period," said David Wilson, JUA chairman, "and now there are either new means to handle this business or companies are now providing a market. We expect this to continue to be the case for this year."

The majority of the Texas JUA's business is excess coverage, with 828 primary and 1,803 policies underwritten in 1979. ▪

Insurer must cover underage worker

TRENTON—Insurance companies must cover on-the-job injuries to minors even if they were hired in violation of child labor laws, a New Jersey appeals court has ruled.

"It is beyond belief," the court said, "that the (state) legislature in particular or public policy in general would countenance a situation in which an insurance carrier . . . would be permitted to exclude coverage . . . and thus deprive for the damages he may be awarded in a negligence action."

Alan Sindoni, then 15 years old, lost his left arm on July 1, 1975, when it got caught in machinery at Variety Farms of Hammonton. The company and its president were charged with negligence in permitting the youth to work with or near power-driven machinery, a type of employment prohibited to minors under 16 in New Jersey.

Under the state workers compensation law, he is allowed to sue his employer rather than simply collect a compensation award based on his injury. The youth also might be able to sue the company for punitive damages because of the alleged child labor law violations. The appellate court ruled that in that case, Variety Farms' insurer would not have to cover those excess damages. New Jersey Manufacturers Insurance Co. is the company's insurer.

"In this state," the court said, "punitive damages are sums awarded apart from compensatory damages and are assessed when the wrongdoer's conduct is especially egregious. Public policy does not permit a (wrongdoer) to shift the burden on punitive damages to his insurer."

Judge Baruch Seidman said in the decision that insurance companies should not be required to pay the extra damages, since their behavior is not being punished.

around the states

Back to arbitration

LOS ANGELES—An arbitrator's decision requiring Blue Shield of California to pay punitive damages for refusing to pay a hospital bill must get a new hearing before another arbitrator, a Los Angeles superior court judge has ruled.

Arbitrator Daniel Fox last year ordered the plan to pay the $1,116 hospital bill of an employe with the Los Angeles County Probation Office, as well as $12,000 for mental and emotional stress and $300,000 for Blue Shield's alleged "bad faith" in refusing to pay claims.

Superior court Judge Maurice Hogan ruled that Mr. Fox was biased and failed to provide a neutral hearing for the dispute.

Blue Shield argued in the arbitration hearing last year that the patient had been hospitalized for routine outpatient tests.

Accident benefits

OKLAHOMA CITY—The Oklahoma Natural Gas Co. here must pay workers compensation benefits to an employe paralyzed in an accident that occurred as he was going home from a company Christmas party.

The workers compensation court upheld another judge's order that Alvie E. Williams be paid $50 a week or $25,000 in payments, including a $5,000 attorney's fee.

"This is not to say that other employers shall be liable for any of the injuries that their employes might sustain while going to and from other Christmas parties," the court warned. "Such other cases will have to stand on their own merits."

Oklahoma law states that injuries sustained by employes en route to or from work are not in the course of employment. But Mr. Williams was involved in special duties for his employer outside the regular scope and time of his employment, said John Estes, the employe's attorney.

The court said that Mr. Williams was sufficiently pressured by his supervisors to attend the party. ONG received a "substantial benefit" from his attendance, the court ruled.

The company plans to appeal the case.

S.C. rate increase

COLUMBIA—Employers in South Carolina will pay $9.1 million more for workers compensation insurance as a result of a recently approved 9.5% increase in premium rates.

Insurance commissioner John W. Lindsay noted that although a 16.7% increase was requested, overall losses versus premium income, plus increased benefits to beneficiaries and rising medical costs, justified a lesser hike.

The National Council on Compensation Insurance has successfully challenged some past commission reductions in court.

South Carolina employers now pay about $100 million a year. The rate increase breaks down to 3.9% for manufacturers, 20.9% for contractors and 9.1% for all others.

Work comp hearings

HARRISBURG—Legislation aimed at improving Pennsylvania's 65-year-old workers compensation program will be discussed by lawmakers and representatives of business and industry during public hearings to be held by the state labor and industry committee.

Twenty-two bills proposing various reforms will be on the agenda for meetings in five cities, which are scheduled to begin next week and end in June.

The dates for the meetings are: March 21 in Bethlehem; March 27 in Philadelphia; May 1 in Pittsburgh; May 15 at Pennsylvania State University, and June 5 at the state capitol.

The committee's recommendations will not be ready until the 1981 session convenes.

No-fault law

ATLANTA—The Georgia legislature is not likely to repeal the state's no-fault automobile insurance law this year, insurance commissioner Johnnie L. Caldwell says, although the state senate has voted to repeal the law.

Both the house and senate, however, are likely to form study committees "with a goal of improving the present no-fault law, or replacing it," he said.

"I strongly suggest that we come up with a replacement for this law that would improve its operation, rather than just strike the law down and leave us with nothing to replace it," the commissioner said. ■

Attorney cleans up CU claims chaos

By SUSAN ALT

someone you should know

BOSTON—Risk managers energetically working to get hold of their claims, defense tactics and litigation costs complain insurers have created many of today's problems.

Not only have dollars been paid out too freely, they charge, encouraging false or inflated claims or both, but many claims and lawsuits also have been allowed to lie around gathering dust for months and years before anybody responded to claimants. That has cost policyholders a bundle, considering the annual inflation rate and the claimant's boiling point.

Some insurance companies have agreed with these laments and have begun taking action, but none as forcefully as Commercial Union in Boston.

Chairman Lawson Swearingen saw in 1977 the need to orient the company's claims management programs to a growing number of lawsuits, increasingly aggressive tactics of personal injury lawyers and the tangled relationships of his company with counsel hired to handle CU's defense around the country.

The upshot was the hiring of Bill Bailey, 39, the short, wiry, pistol-quick brother of F. Lee Bailey. Bill Bailey is as tough and serious in his dealings as F. Lee is flamboyant in front of the TV cameras. Mr. Bailey is now senior vp and senior claims counsel for CU, recently promoted to head the entire home office claims technical division as well as new claims counsel operations.

Using Mr. Bailey may be innovative, but CU seemed particularly slow to recognize its problems in the first place. In 1977, CU didn't even have an office to coordinate and monitor legal activities; Mr. Bailey now has 12 people, mostly bright young lawyers, on staff in Boston. He is also opening claims counsel offices around the country, five already established and three to be opened before year-end.

CU's object was to have some-

Defense tactic

"My favorite word is communications, and it has to occur at all levels," says Bill Bailey, CU claims counsel.

one in charge who could speak the language of plaintiffs attorneys. Mr. Bailey is a Harvard Law School graduate who with his brother practiced law in the 1970s as a personal injury plaintiffs lawyer, running another business on the side.

With little fanfare, Mr. Bailey set out one and a half years ago to change CU's internal attitudes and a general sense of disorganization in claims matters. Within a few short months, he brought out two new manuals—essentially, brief policy and procedure statements. One is for all CU claims offices on the questions to ask, procedures to follow and need for quick response and thorough communication on litigation. The other is for all outside counsel handling CU defense, spelling out what CU expects of its hired guns.

They assign specific responsibility for claims monitoring to the CU claims person handling a claim or lawsuit. The attitude prevailing in the past was too often that of the obvious claims person who thought once a claim became a lawsuit it was handled solely by the hired lawyers, Mr. Bailey says.

On top of these is a set of quality control standards, dictating the length of time a claims person has to respond to claims.

The point is not only to avoid letting claims inflate and to avoid paying fraudulent or overstated claims, but to avoid "bad faith" actions for unwarranted stalling that angers the claimant or the courts. "Anybody who does that is sitting on a time bomb," Mr. Bailey says. "There is no excuse to sit out legitimate claims."

Mr. Bailey hasn't done this alone. The architect of CU's about-face is Harry Martins, first senior vp of CU, in 1977 charged with revamping CU's claims operation to tighten up an endless stream of dollars flowing out of CU's coffers. Besides changes in Mr. Bailey's end of the claims business, Mr. Martins instituted special investigating units, the quality control standards to achieve loss and claims control improvements and several other major programs.

Behind him was Lawson Swearingen, saying, "We'll pay every dime we owe, but not one penny more."

If Commercial Union succeeds in its plan, there will be fewer losses to pay, a rein put on the size of losses and the number of punitive damage awards will diminish.

Enter Mr. Bailey, a lawyer's lawyer, zeroing in on the insurer's Achilles' heel he once used to his advantage in prosecuting personal injury cases. The trouble with insurers, as he sees it—CU is far from alone in this—is that defense tactics are too often disorganized and fraught with delay.

"My favorite word is communications, and it has to occur at all levels" in the claims process, Mr. Bailey says: between the CU home office and its field staff handling claims, between claims counsel and outside attorneys, between field claims staff and outside attorneys and between everybody and the plaintiff or plaintiffs attorney.

The single biggest problem the insurers have is lack of coordination industrywide. The Assn. of Trial Lawyers of America, on the other hand, offers a highly coordinated, integrated system using a sophisticated communications network with computer backup. Plaintiffs lawyers can obtain through ATLA a slew of legal research, reports on how to prepare and try cases and instructions on how to handle interrogatories.

Until the insurance industry has something similar, Mr. Bailey is trying to bridge the gap with national account claims teams. These consist of a highly skilled technical claims person and experienced trial attorney who visit with each large corporate account to learn everything they can about the company. The team then coordinates every pending claim involving that company.

Without this kind of structured coordination, product liability cases can turn into disaster; a court decision or legal response in one case may destroy a defense strategy somewhere else. "I found a case being tried in Pennsylvania in which the attorney was supposed to answer a demand for admission of facts, and a case in California involving the same policyholder. The case involved drugs injected into patients. If the attorney in Pennsylvania had answered as he planned, it would have destroyed the California case. The theory of collateral estoppel is being used against us more frequently now," Mr. Bailey laments.

One reason CU has moved to regain control over its claims operations is because policyholders in recent years have tried to wrest the decision-making authority over their defense from CU.

The result: friction. In these cases, CU is uncomfortable because its money is at stake, and it contends the insured doesn't always handle settlements wisely.

Too often a defendant wants to push a case too far instead of settling out of court, thinking that taking the case to trial would result in victory and total vindication, Mr. Bailey says. Plaintiffs attorneys, in turn, may uncover documents damaging to the defendants and costing the defendant and the insurer much more than a settlement would have.

When Mr. Bailey joined CU, there were 11,000 active lawsuits pending around the country and more than 2,000 hired lawyers with their meters running. Now CU tracks the lawyers and the work they're performing on CU's behalf, although this hasn't yet resulted in fewer suits or lawyers.

The roughly 85,000 claims outstanding at year-end 1978 hadn't changed by year-end 1979, however, even though business had increased 14%, which may herald positive results in the future.

The number of active suits is still higher than it was when Mr. Bailey came aboard, but he attributes that "as much to the general litigiousness of society" as to CU's renewed reluctance to pay overstated claims. Legal expenses, however, dropped in 1979, partly because of a change in billing procedures but also because of the tighter working relationship with—perhaps closer scrutiny over—outside counsel. ■

Flexible compensation can cut costs: Consultant

BROOKFIELD, Wis.—A flexible compensation and benefit program could save money for employers, says a consultant who has conducted a study of the compensation policies of nine U.S. firms.

Mark Bennet Manin, a consultant with Coopers & Lybrand in New York who conducted the study, found that management's attempts to compensate employes based on the principals of "comparative difference" and "parity" result in escalating benefit costs. The study was funded by the International Foundation of Employe Benefits here.

Comparative difference ensures that dissimilar groups in the corporate hierarchy are paid different salaries, and parity ensures salary equity between similar classes of employes. The balance is upset when one group gains an advantage through government action or collective bargaining, Mr. Manin said.

In order to avoid such an imbalance, "More emphasis should be placed on the compensation package of other employes in similar positions throughout the industry, as well as making sure that unionized employes do not have non-union counterparts in the same job classification," he said.

A second step would be to emphasize benefits as a way to make compensation flexible. This could be done by reducing the current emphasis on a standardized benefit package and creating choices for the individual, he said.

"A company's retirement and welfare plan(s) could be more flexible by introducing optional levels of coverage and using employe contributions throughout the benefit package," Mr. Manin said.

An employe could then individualize his or her own compensation package, diminishing the impact of group pressures.

The complete 65-page report is available for free from the foundation's information services, P.O. Box 69, Brookfield, Wis. 53005; 414-786-6700. ■

Financial Strategies

In Business Insurance

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Cost analysis tells us when to go offshore.
-Gillette's Mather

A multinational firm, according to William L. Mather, Administrator of Risk Management for The Gillette Company, doesn't necessarily have to buy all its overseas property coverage at high local rates.

In Gillette's case, when the company determines that an overseas exposure is costing more than a comparable U.S. exposure (.20-per-$100, for example, as opposed to .10-per-$100), corrective measures are taken. "In countries which permit the practice," says Mather, "we export the reinsurance back to our offshore captive."

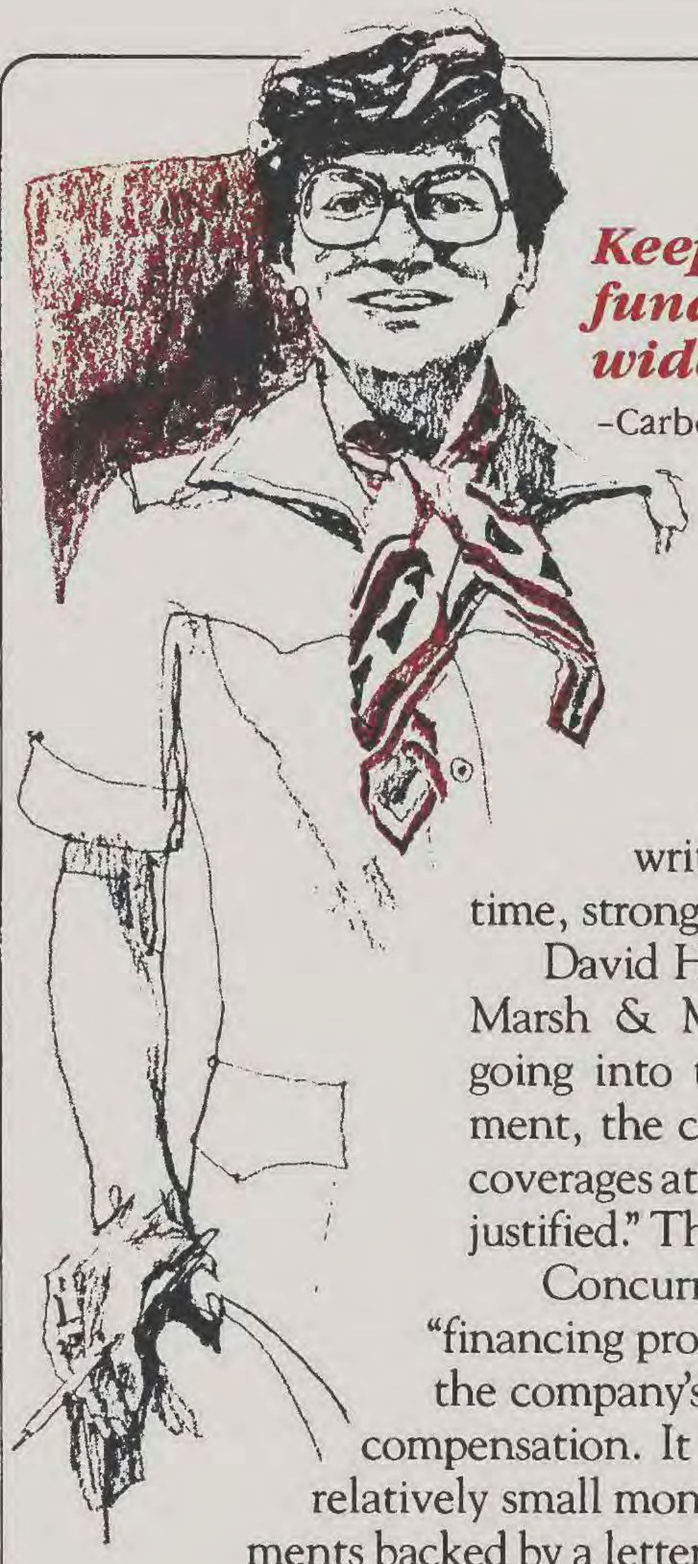
An admitted national carrier writes the basic property coverage for Gillette at prevailing rates – assuring that the policy is in compliance with local laws and regulations. But the carrier retains only part of the risk, with the majority being reinsured by the Gillette captive.

When the two premiums are averaged, the high rate of .20-per-$100 can be substantially reduced. Mather sees this as a viable way of smoothing out differentials between U.S. and overseas property-coverage costs.

Inflationary pressures continue to push employee benefit costs higher and higher. Outlook for a slackening of this trend is doubtful, but one hopeful sign exists in a mechanism for controlling the rate of growth of these costs. From the corporate standpoint, flexibility in cash-flow management and investment return are additional advantages.

The Carborundum Company now self insures medical, surgical and death-benefit programs for over 3,000 salaried employees in the U.S. "Our cost increases," says Edith Lichota, Assistant Treasurer of Insurance and Benefits, "have beaten the inflation statistics in this area by one-third to one-half."

Operating under a federally approved Trust arrangement, the plan can be funded on a



Keeping our funding options wide open.

–Carborundum's Lichota

current basis – or, alternatively, be pre-funded. In the latter case: no impact on P&L. Additionally, tax-exempt interest generated in the Trust reduces corporate expenses or accumulates as a funding reserve.

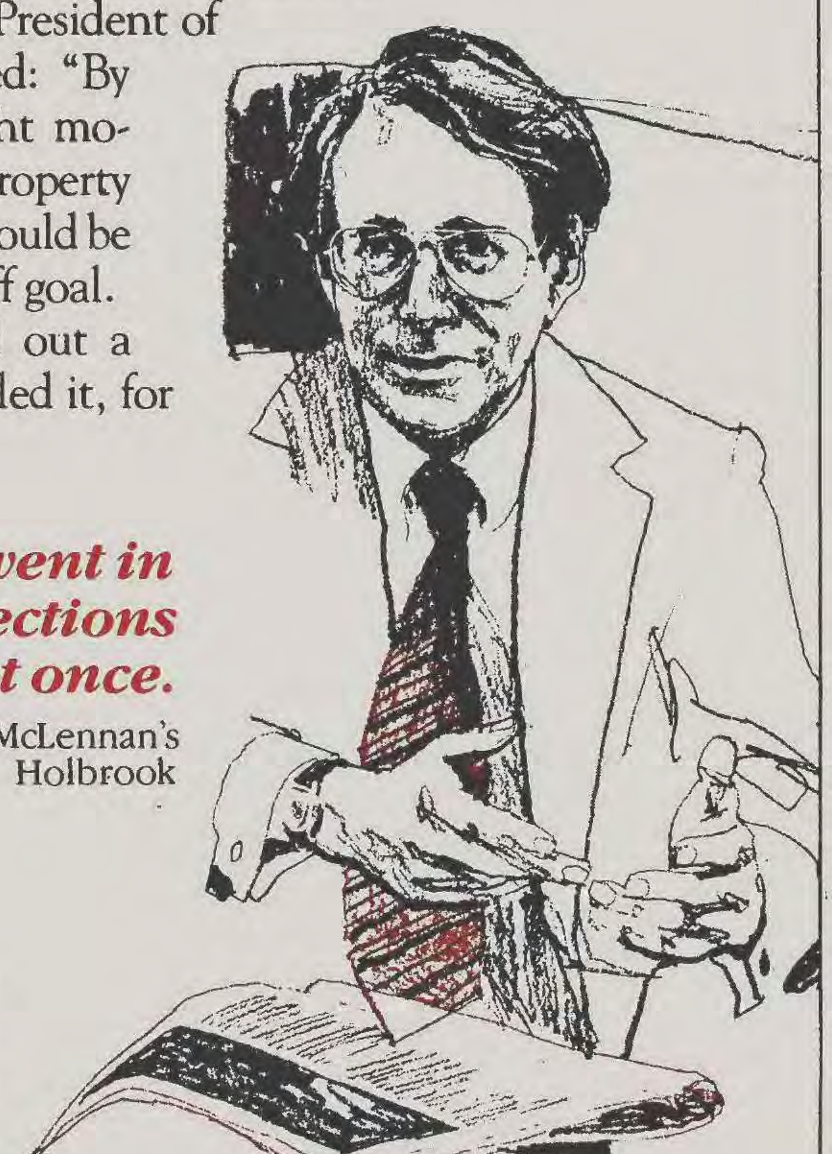
Ms. Lichota sums up: "We've got an effective vehicle from the benefits viewpoint and the Treasurer's."

A brokerage firm reports that a large conglomerate's insurance department recently implemented two "opposing" money-management plans – with excellent results. Management had requested that department heads seek operating tax write-offs through purchases and capital investment. At the same time, strong cash-flow positions were to be maintained.

David Holbrook, Senior Vice President of Marsh & McLennan, commented: "By going into the market at the right moment, the conglomerate bought property coverages at as large a premium as could be justified." This satisfied the write-off goal.

Concurrently, M&M worked out a "financing program," as Holbrook called it, for the company's workers' compensation. It involved relatively small monthly payments backed by a letter of credit guaranteeing the carrier future premiums plus loss-adjustments.

Large amounts of cash were retained by the company in the same year it achieved a major write-off on insurance purchases.



We went in two directions at once.

–Marsh & McLennan's Holbrook

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The resources to do it all, the strategies to do it right.

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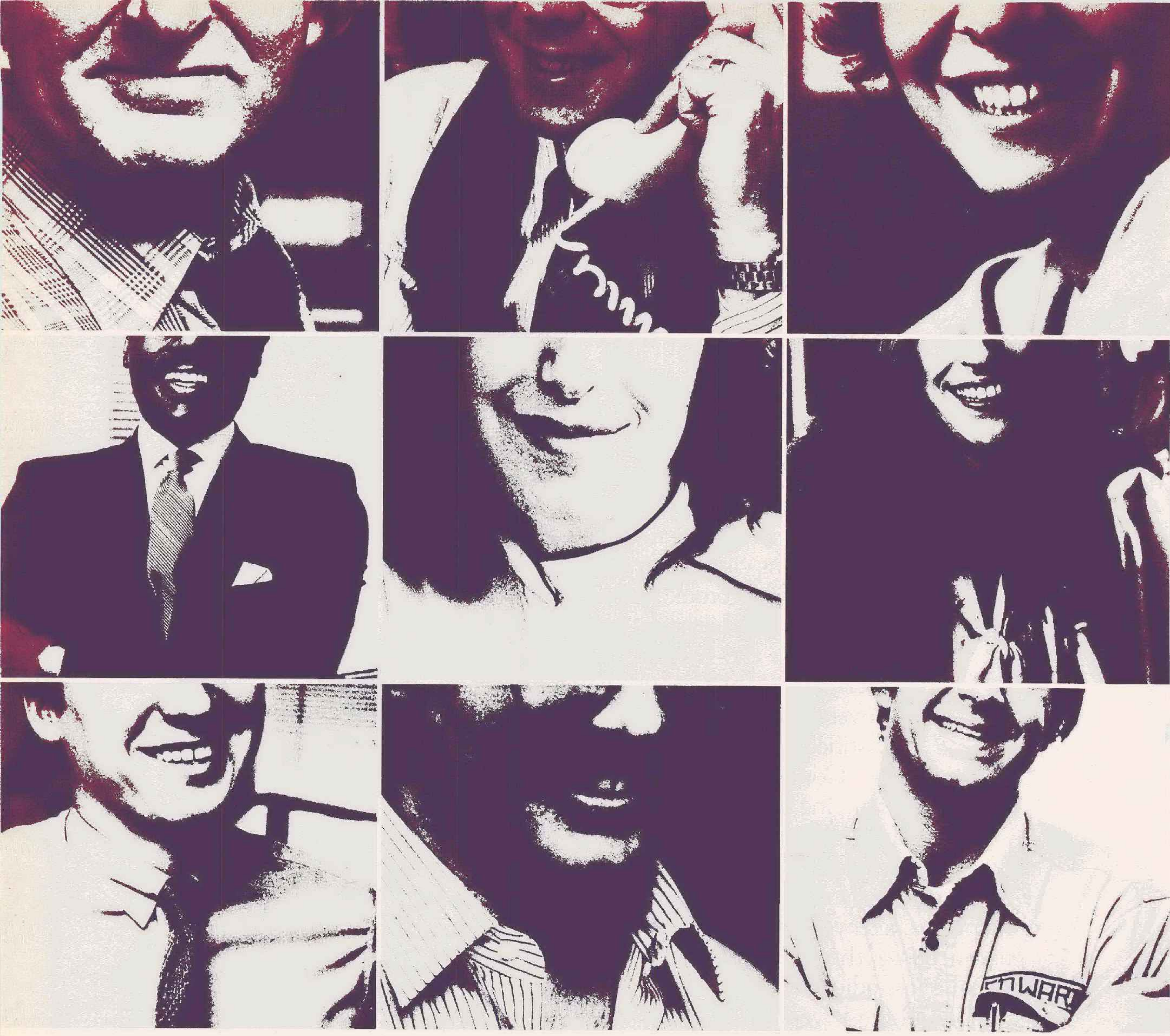

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perspective

Courting disaster?

Lack of records, safety experts leads to product liability losses

By Gerald S. Burko

WHAT HAPPENS when a product liability lawsuit occurs? Well, the first thing the claimant's attorney does is go out and get himself an expert witness who can prove that at the time of manufacture the state of the art was such that a safer piece of equipment could have been manufactured and thus prevent the injury. Furthermore, the attorney may require that the company produce records showing that it "in good faith" attempted to provide as safe a piece of equipment as it could manufacture. I would venture to say there is not more than one company in 100 that could produce such documentation.

Manufacturers frequently ask whether it is necessary or desirable to maintain records on manufactured products and if so, how long? The maintenance of complete records by manufacturers is highly recommended by defense attorneys in product liability cases. In addition, many manufacturers are required by law to maintain records and make them available for inspection. Defense attorneys believe blueprints and specs used in design and manufacturing, including modifications, should be carefully maintained. No fixed period of time for retention can be given since the product life and the hazard involved must be taken into account.

George Peters devotes a chapter in his book "Product Liability and Safety" to the growing tendency to demand specific records and technical details of the state of the art in quality assurance functions. In referring to the quality assurance records and how they can be misinterpreted and used against the company, he states that some manufacturers order the destruction of all records after a given time. Unfortunately, the very absence of such records often creates the false impression of culpability.

Because lawsuits can be filed many years after a product is manufactured, the loss records may come at a time when no one can remember the specifics related to a single product. Some manufacturers attempt to avoid anything that may be incriminating, but these records may be necessary to help prove the absence of fault on the part of the manufacturer and to substantiate a company's statement that it did everything a reasonable person could do to ensure a high quality product, to ensure traceability when claims are made and to ensure that minor or unfounded claims can be quickly and effectively dispatched.

In my experience as an expert witness for the claimant, I have never seen such information regarding the design of the product in question. This leads the "expert" to question if there ever was any discussion regarding the safety or quality of the product. The job of an expert witness working for the insurance company, as you can see, is much more difficult. In a recent case I worked for the defense, I described the case of a woman blinded by an unguarded, threaded shaft, knurled knob and spring under tension.

I stated that the guard was unnecessary, as proved by records dating back many years that showed that no problem with this part had ever been reported to the manufacturer. There were notes indicating that the installation of a guard had been discussed, but that in the opinion of the a safety professional it was not needed. The suit was filed six years after the equipment was manufactured.

The suit was filed for slightly more than $90,000. The insurance company was prepared to settle for as high as $25,000 and that would constitute a win for them. The final amount was $18,000. In private discussion with the insurance company I was told that even though it "won," the policyholder would have its premium increased so the insurer would recover the $18,000 within a very short time.

One of the problems companies saddle themselves with is the common practice of playing musical chairs with the post of safety director or quality control manager. By doing this there is no assurance the company has chosen someone competent for the job. If almost anyone can do the job with little or no training, mistakes must occur, as the individual fails to benefit from past experience or expert and specialized techniques.

Let us take a case in which products are mass-produced. Proper inspection is necessary to exclude or control those manufacturing discrepancies that may cause injury to the consumer, user or bystander. This includes controls on raw materials and a check during the manufacturing process as well as on the finished product. Placing this program in the hands of a well-meaning but unknowledgable engineer would be ineffective. Your company may not be able to afford a full-time individual to supervise a quality control program, but there are a number of highly qualified firms and individuals that can be retained as consultants to oversee and review quality control programs.

In the area of industrial safety, many of the same things are true. The premium for workers compensation is based on the experience of the individual companies. In Ohio, a monopolistic state, a penalty of as much as 85% of the base premium may be incurred for excessive use of compensation. There can also be an 85% credit for companies with a good experience. The easiest method of avoiding increased premiums is to avoid the injuries in the first place. This means not only giving employees a safe place to work but convincing the worker to work in a safe and productive manner.

Strong judgment

Records may be necessary to help prove the absence of fault on the part of the manufacturer, but few companies keep sufficient documentation, says Gerald Burko.

The Occupational Safety and Health Act establishes a national standard of safety against which industry can be measured.

Then comes the problem of the additional expense of OSHA compliance. OSHA has brought forth anger, frustration and criticism from members of business, labor and government since it came into existence. OSHA legislation has caused more controversy than almost any other law in the history of our country. Rep. William Steiger, one of the authors of the law, once said:

"Labor spends one hell of a lot of time telling us why the act is not strong enough, why standards are too weak and why too much time is taken in development of standards. Management takes a lot of time telling us why the act is too strong, and that compliance officers don't know what they are doing. . . ."

In the face of this continuing criticism, proposed legislative amendments and possible judicial disembowelment, OSHA may seem as though it must be about to give up and fade away.

Don't believe it. Despite many problems from within and without, OSHA continues to receive support and money from Congress. It has stabilized it leadership, is vigorously carrying out its mandate and is establishing new standards. Someone within the company must be aware of all of thses regulations and their constant changes and additions.

Not only must the individual be aware of the additions and changes, but also of the omissions in the standards. For instance, OSHA requires fire extinguishers be installed as per specific regulations on size, type, distance from floor, etc., etc. Yet nowhere in thse standards is it required that anyone know how to use an extinguisher.

The success of a loss control program is substantially increased if the responsible party has been certified by a peer group or state agency and is a member of an acknowledged professional organization.

It goes without saying that not every unlicensed engineer is going to screw up if given the responsibility of a loss control program. There is no guarantee that a certified individual is going to give mistake-free advice. But the chances are that someone with the proper credentials can do the job well. ■

Gerald Burko is president of The Safety Consultants Co. in Cleveland, Ohio. He is a professional expert witness, product liability and quality control consultant.

perspective

Extra efficiency expertise

Internal auditor's efforts improve risk detection

By Que H. Christensen
and Ronald M. Mano

COORDINATING THE EFFORTS of various company departments to increase efficiency and reduce costs is not a new idea. Indeed, companies have been doing this for years. However, many companies may not have recognized the potential for increased efficiency and cost savings that might be realized by a programmed coordination of the efforts of risk managers and internal auditors.

Risk managers who do not use the internal auditors as a source of information must either operate without valuable and relevant information or collect the information themselves. Since the collection of information is a necessary procedure of internal auditing, duplicating the effort would be inefficient and costly.

As readers of *Business Insurance* know, the objective of a risk manager is to establish and administer an effective program to control business losses. This is accomplished by keeping the possible exposure to loss to a minimum, by transferring the risk through adequate insurance coverage or a combination of the two. The successful accomplishment of the risk management objective depends on the gathering of accurate information regarding every department.

In a perfectly administered risk management program, all potential losses have been exposed and protection sufficient to estimate or transfer the risk is provided at the least possible cost. Business complexities increase the difficulties risk managers face in recognizing potential losses and providing adequate protection for the company. There is increased exposure due to the following factors:

- The vast growth of world trade and worldwide operations of multinational corporations.
- Advanced technology that has brought about complex new products and enormous concentrations of values in a single product (e.g., the supersonic airplane).
- The development of highly integrated business organizations in which failure of one segment may cause shutdowns and losses in other units of the company.
- Increased social consciousness, which has complicated relationships with government and has required special attention to the problems of complying with new statutes regarding pollution, product standards, legal liability, pricing and many other aspects of business that were formerly largely unregulated.

To understand these new risks, the insurance executive needs an internal auditor.

The internal auditor is often called the eyes and ears of management and has the responsibility to appraise and report information. He should know the philosophy, goals, plan, modifications, finances and operational flow of the firm. Being a staff officer with authority to penetrate each department enables him to obtain a vast understanding of each department and the organization as a whole. He is often the most knowledgeable man in an organization concerning overall operations. He is a valuable resource of pertinent information for management.

He is a trained fact-finder who, by means of an audit, observes, questions, analyzes, compares, investigates and evaluates each branch or department on a regular basis. Because of his intimacy with all company operations, he is in the best position of all employes to recognize weaknesses, problems, dangers, inefficiencies and potential loss.

One of the specific functions of many internal audit departments is to review the system of internal control to ensure it is in place, functioning and effective. In order to make that evaluation, the internal auditor must intimately understand the system and its effectiveness. If the same information were provided to the risk manager, he could more effectively determine the needs for insurance by specific area or function.

With the information gathered from his audit, the internal auditor is responsible for making recommendations to management for correction and improvement. He is a professional within an organization who can help management reduce the ever-present risks, isolate problems and solve these problems.

The internal auditor's expertise and knowledge can aid the risk manager in improving the management of risk and should result in increased profits for the company. The internal auditor regularly visits departments and often obtains information that would be helpful in exposing and evaluating potential risks.

George L. Mead, director of risk management education at the Insurance Institute of America, has said, "Perhaps nothing short of omniscience can equip the risk management specialist to recognize all exposures to accidental loss which may strike an organization."

Even with omniscience, few risk managers would have the time to make personal inspections of all departments to investigate every company operation and procedure. However, such inspections are specific internal audit functions. As a result of this audit function, the internal auditor is knowledgeable of department operations and that information is essential to properly plan and administer a risk management program. No one is better qualified to help the risk manager expose risk than the internal auditor. To ensure that the risk manager has the needed information and to avoid duplication of effort, the internal auditor should be relied upon as a primary source of information with respect to risk exposure.

A look at the production and accounting departments will reveal some things an internal auditor might observe that would be of value to the risk manager. In the production department, the most obvious is the risk to machinery and people. The internal auditor will be in a position to examine:

- Operational safety of machinery.
- Ability and reliability of employes.
- Dependence on inputs that could slow or stop operations.
- Any change in fixed asset-disposals or acquisition.
- Loss or damage in shipping.
- Compliance with government regulation.
- Good quality control.
- General safety.

Communications of the internal auditor's observations and findings could help the risk manager take necessary action to control the exposure through assumption, avoidance or transfer.

In addition to helping expose risk, the internal auditor can be useful in valuing potential loss because of his background and because of his familiarity with the company's accounting and financial records. The internal auditor gains this familiarity with the accounting records because he must understand the complete flow of financial information throughout the business. He often breaks down the flow of operations into flow charts.

A thorough review of these flow charts by the risk manager would illustrate who does and does not have responsibilities of handling cash funds. This information would help the risk manager in his assessment of who should be bonded and who needs no bonding. It would also help him evaluate the optimal levels of bonding for each individual or position. The review of the financial operations might reveal individuals who are currently bonded but have no access to company funds and therefore no need of bonding.

A specific plan to coordinate the functions of the risk manager and internal auditor in a given organization would reveal numerous areas where the information already in the possession of the internal auditor could assist the risk manager. Such an effort should be initiated in every firm that has separate risk management and internal audit departments.

Coordination of risk management and internal auditing will increase efficiency, eliminate possible duplications of effort, provide better protection and increase profits. Risk managers would have more time to spend on designing new plans, reducing and eliminating risk and following up on existing plans.

Photo: Reliance Insurance Cos.

Gaining familiarity

Personal inspections of all departments and operations are a specific function of the internal auditor.

Using information the internal auditor obtains during an audit is efficient. The observations made during an audit should help risk managers do a better job of controlling risk and providing protection. Such information should help the risk manager be fully aware of risks that can be reduced or eliminated, those the company can or should assume and those that should be transferred through insurance.

Better protection and increased efficiency should result in increased profits by protecting the company from catastrophic losses. The company will not have to spend its money on unnecessary insurance. Eliminating duplication of efforts in gathering information always results in cost savings. ■

Que H. Christensen is an accountant with Utah Power & Light Co. in Salt Lake City and Ronald M. Mano is assistant professor in the college of business, University of Utah in Salt Lake City.

MCM buys RIMCO Risk Management

markets

WILLIAM S. McINTYRE and Keith Kakacek sold their majority and minority interests, respectively, in RIMCO Risk Management Inc. of Dallas. The buyer was MCM Corp., a life insurance and financial services holding company in Raleigh, N.C. Mr. McIntyre is no longer involved in RIMCO Risk Management, although Mr. Kakacek continues as president.

Financial terms of the MCM acquisition weren't disclosed. RIMCO Risk Management billed $1.5 million in 1979 for risk management consulting services, approximately the same revenues the company had in 1978. RIMCO is thought to be the second largest risk management consulting firm. RIMCO International, including the consulting division, publications and seminars, is thought to have revenues of nearly $3 million annually.

Mr. McIntyre hasn't been directly involved with the RIMCO consulting operations for over a year, spending most of his time expanding the business of a RIMCO and INA Corp. joint venture begun in early 1979 (*BI*, April 30, 1979). He will now assume full responsibilities as president of INA Construction Risks Inc., the Dallas joint venture.

MCM has committed "significant additional capital" to RIMCO, said Mr. Kakacek, which should enable the firm to fulfill its plans of opening four more offices within the next four years.

Under the agreement with MCM, RIMCO International Inc. is changing its name to McIntyre Financial Services Inc. The firm is 100% owned by Mr. McIntyre. The firm is the holding company for publishing and seminars enterprises, along with being a partner in the joint venture with INA. RIMCO Interamerica S.A., a dormant company formed to do consulting in South America, is also changing its name to A&M Risk Management S.A.

Crump branch

E.H. Crump Cos. Inc. has formed an excess/surplus and specialty lines insurance operation in Denver. The new office, Crump-Davis of Colorado Inc., will be jointly owned by Crump-Davis Inc. of Dallas and James R. Mayer of Littleton, Colo. The new office will be located at 650 S. Cherry St., Denver, Colo. 80222; 303-320-5300. Mr. Mayer is president of the Denver operation.

Record dividend

MarketDyne International paid a record $14 million in cash dividends to safety group participants in 1979. MarketDyne, an affiliate of INA Corp., is a marketing and consulting firm specializing in commercial lines of insurance through trade associations.

The increased dividend return resulted from greater member participation and effective loss control programs, said Richard P. Goodwin, president. Safety groups are composed of small or medium-sized businesses that are members of trade associations or meet group eligibility requirements. An individual commercial package or workers compensation program is underwritten by Pacific Employers Insurance Co., an INA affiliate.

Offices upgraded

Four commercial lines offices of The Travelers Insurance Cos. have received commercial lines managers and have been upgraded from district status, now reporting directly to the company's home office in Hartford.

The move was made to bring the underwriting and marketing facilities of The Travelers closer to its agency forces, said Leslie M. Dow, vp-commercial lines.

The four commercial lines managers and their market areas are Thomas J. Roberts, San Diego; Jerry H. Roy, San Antonio; Peter N. Higgins, Hamden, Conn., and Kenneth W. Soule, Portland, Maine.

Rate predictions

Property/casualty insurance buyers will have the market advantage this year, but 1981 may bring 12% to 20% rate increases, says William A. Pollard, president of the Philadelphia-based Reliance Insurance Co.

Speaking to a group of Rocky Mountain area insurance buyers at a seminar given by Warren & Sommer Inc. brokerage of Denver, Mr. Pollard said inflation is dealing the insurance industry a heavy blow in underwriting losses. While inflation has been running at 12% to 13%, insurers have increased rates only 2% to 3%, he said.

Surety bonds

F.I.A. Insurance Co., a new company, is underwriting surety and fidelity bonds in New Jersey. Executives of F.I.A. are Carl B. Shible, president; Fred G. Scocozza, vp of bond underwriting, and Richard N. Dumont, executive vp. The company's office is at 80 Pompton Ave., Verona, N.J. 07044; 201-239-0800.

London brokerage

Corrie Bauckham Batts Ltd., a new insurance brokerage associated with Lloyd's brokers C.J. Coleman Co. Ltd., has appointed directors and begun operations.

Directors are John Corrie, Douglas Bauckham, Colin Batts, Reginald Liddiard, Christopher Coleman and Derek Stuart-Brown. The company specializes in placing property and liability binding authority contracts for selected American agents. Its address is 155 Minories, London, EC3N, 1BT; 01-480-6587 and 01-488-2211; telex 8811661 COINSG.

New offices

U.S. Administrators has opened a new medical claims processing office at 70 Universal City Plaza, Universal City, Calif. 91608.

HL Capital Management Corp., a newly formed diversified insurance services company, has opened a Northern California headquarters at 2277 Fairoaks Blvd., Sacramento, Calif. 95825; 916-922-7093. The new office will house the operations of HL's two insurance subsidiaries: HL Insurance Services Inc., a multiple line brokerage, and Captive & Self-Insurance Services Inc. ▪

info

• Interested in captive insurance companies? Risk Management Ltd. has published **Captive Insurance Companies**: The European Location—Guernsey—Channel Islands. For a free copy, write Michael A. Ward, managing director, Risk Management Ltd., Union Street, St. Peter Port, Guernsey, Channel Islands.

• **Ansul Fire Protection Products** Guide features descriptions and application information on hand-portable and wheeled extinguishers, pre-engineered fire suppression systems, custom and truck-mounted fire suppression systems and fire suppression agents. For a free copy, write Sara M. Lambrecht, The Ansul Co., Marinette, Wis. 54143.

• A newsletter discussing minimum funding requirements, **mergers and spinoffs** and lump-sum distributions is available from Pension Planning Co. Inc. For a free copy, write communications department, Pension Planning Co. Inc., 355 Lexington Ave.. New York, N.Y 10017.

• Connecticut General is offering a report, **Planning for Group Dental Insurance**, discussing the rationale for dental benefits, plan design trends and claim delivery. A free copy may be obtained by writing to Ruth Jefferis, C-311, Group Insurance, Connecticut General Life Insurance Co., Hartford, Conn. 06152.

• A newsletter entitled **Formulating a Retirement Policy for the '80s**: A New Ballgame is available from Kwasha Lipton, consulting actuaries and employe benefit services. For a free copy, write Department M, Kwasha Lipton, 429 Sylvan Ave., Englewood Cliffs, N.J. 07632.

• A **Claims Administration System** brochure is available free from the System Development Corp. Write Arthur L. Slotkin, vp and general manager, SDC Corporate Services, 2500 Colorado Ave., Santa Monica, Calif. 90406.

• St. Paul Risk Services Inc. is offering a brochure kit describing its services and answering questions often asked of **self-insurers**. A smaller brochure is designed specifically for hospitals. To receive these materials at no cost, write Jon A. Roeder, marketing officer, St. Paul Risk Services Inc., 424 Hamm Building, 408 St. Peter St., St. Paul, Minn. 55102.

• **Employer Options in Dealing with HMOs**: Is Minimum Compliance Always Best? is the name of a newsletter from Kwasha Lipton. For a free copy, write Department M, Kwasha Lipton, 429 Sylvan Ave., Englewood Cliffs, N.J. 07632.

• The Ohio Bureau of Workers Compensation is offering a publication entitled **An Employer's Guide for Protection for You and Your Employes.** The guide describes how to control workers compensation costs without denying legitimate benefits to injured workers. For a free copy, write publications center, Bureau of Workers Compensation, 246 N. High St., Columbus, Ohio 43215.

• **Risk Management Made Simple** is the name of a new promotional brochure from H & W Risk Management Services designed to help insurance people sell risk management programs to clients and prospects. For a free copy, write H & W Risk Management Services, 19752 MacArthur Blvd., Suite 150, Irvine, Calif. 92715. ■

datebook

APRIL 13-18. RIMS Annual Risk Management and Employe Benefit Conference in Atlanta; Fees: for full week, $375 for members, $450 for nonmembers; for partial week, $275 for members, $350 nonmembers. RIMS, 205 E. 42nd St., New York, N.Y. 10017; 212-557-3294.

APRIL 28-MAY 2. Petroleum Tankship Operations Course in New York, sponsored by the World Trade Institute; $660, $595 per additional registrant from same company. World Trade Institute, 1 World Trade Center, 55 W, New York, N.Y. 10048; 212-466-3170. ■

APRIL 14. Excess and Surplus Lines Workshop in Jackson, Miss., sponsored by Society of CPCU; $70 for members, $80 for nonmembers. Society of CPCU, Kahler Hall, Providence Road (CB #9), Malvern, Pa. 19355; 215-648-0440.

APRIL 16-19. Annual Convention of the National Council of Investigation and Security Services in Nashville. NCISS, Suite 700, 1101 Connecticut Ave. N.W., Washington, D.C. 20036; 202-857-1157.

APRIL 20-23. The National Council of Self-Insurers 1980 annual meeting in Lake Lanier, Ga.; $250 for members, $300 for nonmembers. Mary Ann DeSanto, NCSI, 420 Lexington Avenue, New York, N.Y. 10017; 212-867-9200.

APRIL 21-22. Sixth Public Utilities Workshop in Arlington, Va., sponsored by the American Society for Industrial Security; $180 for members, $230 for nonmembers. ASIS, 2000 K St. N.W., Washington, D.C. 20006; 202-331-7887.

APRIL 21-22. Sixth Public Utilities Workshop in Arlington, Va., sponsored by the American Society for Industrial Security; $180 for members, $230 for nonmembers. ASIS, 2000 K St. N.W., Suite 651, Washington, D.C. 20006; 202-331-7887.

APRIL 21-23. Modern Loss Control Management Seminar in Overland Park, Kan., sponsored by International Safety Academy; $375 or $350 each for three or more from same company. ISA, P.O. Box 19600, 10575 Katy Freeway, Houston, Tex. 77024; 713-932-9400.

APRIL 21-25. International Fire, Security and Safety Exhibition and Conference sponsored by Victor Green Publications Ltd., London. Victor Green Publications Ltd., 106 Hampstead Rd., London NWk, 2LS, England; phone 01-388-7661; telex 8811108 IFSSEC G.

APRIL 27-MAY 2. Practical Reinsurance Course in London, sponsored by Risk Research Group. Elaine Cumberland, Risk Research Group, Bridge House, 181 Queen Victoria St., London EC4 4DD; 01-236-2175.

APRIL 28-30. Reporting and Disclosure Compliance Under ERISA Conference in Detroit. sponsored by American Management Assns.; $450 for members, $520 nonmembers. AMA, 135 W. 50th St., New York, N.Y. 10020; 212-586-8100.

APRIL 28-30. Communicating Employe Benefits Meeting in Chicago, sponsored by American Management Assns.; $450 for members, $520 nonmembers. AMA, 135 W. 50th St., New York, N.Y. 10020; 212-586-8100.

Small business market

Aetna prepares P/C benefit combo

IN A NEW TWIST to marketing insurance to small businesses, Aetna Casualty & Surety is preparing to test market a new package that will combine property and casualty insurance with group life and benefits programs into one package, *Business Insurance* learned.

The package will be tested later this year before it is sold nationally, Aetna revealed, but the company declined to release any more details.

products & services

On-line system

Insurance System of America Inc. has introduced a new on-line Health Claim Management System for processing group health claims. HCMS controls claims from receipt to payment and maintains a detailed claims history for immediate terminal display.

The system handles basic, major medical and comprehensive health care plans, including dental claims, and can be utilized with existing hardware. ISA is at box 47975, Atlanta, Ga. 30362; 404-449-3950.

Yachts, skis, skates

Hull & Co. Inc. has amended its policy for yachts to include vessels valued at more than $300,000. Coverage is available for worldwide cruising, racing and normal navigation limits, as well as Panama transits and circumnavigation. Excess protection and indemnity coverage for pleasure yachts is also available.

Hull has also broadened its ski equipment rental liability program to include higher limits and has introduced a package plan for retail roller skate sales and rentals. Both programs are available on a comprehensive general liability basis or may be limited to rentals. The roller skate policy offers property coverage on a named peril or an all risk basis.

Hull & Co. Inc. is at 1441 E. 17th St., Santa Ana, Calif. 92701; 714-547-0793.

Counselor liability

Rockwood Insurance Co. in Rockwood, Pa., is offering a new professional liability policy to protect counselors, clergy and social workers. The policy covers professional counselors for damage arising out of negligence, errors or omissions in rendering or failing to render professional services.

Included are defense costs against suits even if the allegations are false or fraudulent. Limits range from $25,000 to $300,000.

Interim business

Aetna Insurance Co. of Hartford has introduced a business continuation insurance endorsement offering blanket protection for both the expense involved in setting up an interim business and the earnings lost because of damage.

There is no coinsurance clause in the endorsement; Aetna will pay the actual loss sustained, subject to policy limits. Other features include a 120-day extended indemnity period and coverage of the first $500 in fire department service charges.

Fiberglass fabrics

Singer Safety Products Inc. has introduced new Temp/Tex brand fiberglass fabrics for heat protection and thermal insulation. Temp/Tex is available in rolls or as custom curtains and blankets, and in three fabrics; woven, hypalon coated or aluminized fiberglass. The fabric can be used for protection in welding areas, as molten metal splash guards, or to reflect high heat.

Bulletin No. 012020, which explains the product, is available from Singer Safety Products Inc., 444 N. Lake Shore Drive, Chicago, Ill. 60611.

Multi-peril plans

Two pilot multi-peril policies for small to medium-sized businesses are being offered by Aetna Casualty & Surety Co.

Business Owner XL, for retail, apartment and office accounts of at least $1 million in sales or value, is being piloted in Florida, New York, North Carolina, Missouri, Oregon and Wisconsin. The policy is also designed to cover most wholesale accounts.

The manufacturers and contractors package policy is offered to building trade or specialty contractors or light manufacturers. It is available in Colorado, Connecticut, Indiana and Virginia.

Fire barrier

A new fire barrier construction material is being produced by Vermont Industrial Products in Morrisville, Vt.

The material is based on a magnesia cement dubbed "inorganic resin system," which has high thermal barrier and strength properties.

IRS rigid, foamed panels can be tailored for specific uses in mass transportation and stadium seating, door cores, wall panels, files and safes.

Arthur D. Little Inc. of Cambridge, Mass., holds the patents on IRS.

Claims auditing

H&W Risk Management Services is branching out into claims auditing for self-insurers.

The mistakes an audit will show, says H & W president David R. Hoskins, include: duplicate claims payments; failure to obtain proper releases; payment of one claim with unrelated client's money; payment of frivolous claims; failure to recognize obvious legal defenses, and failure to verify damages.

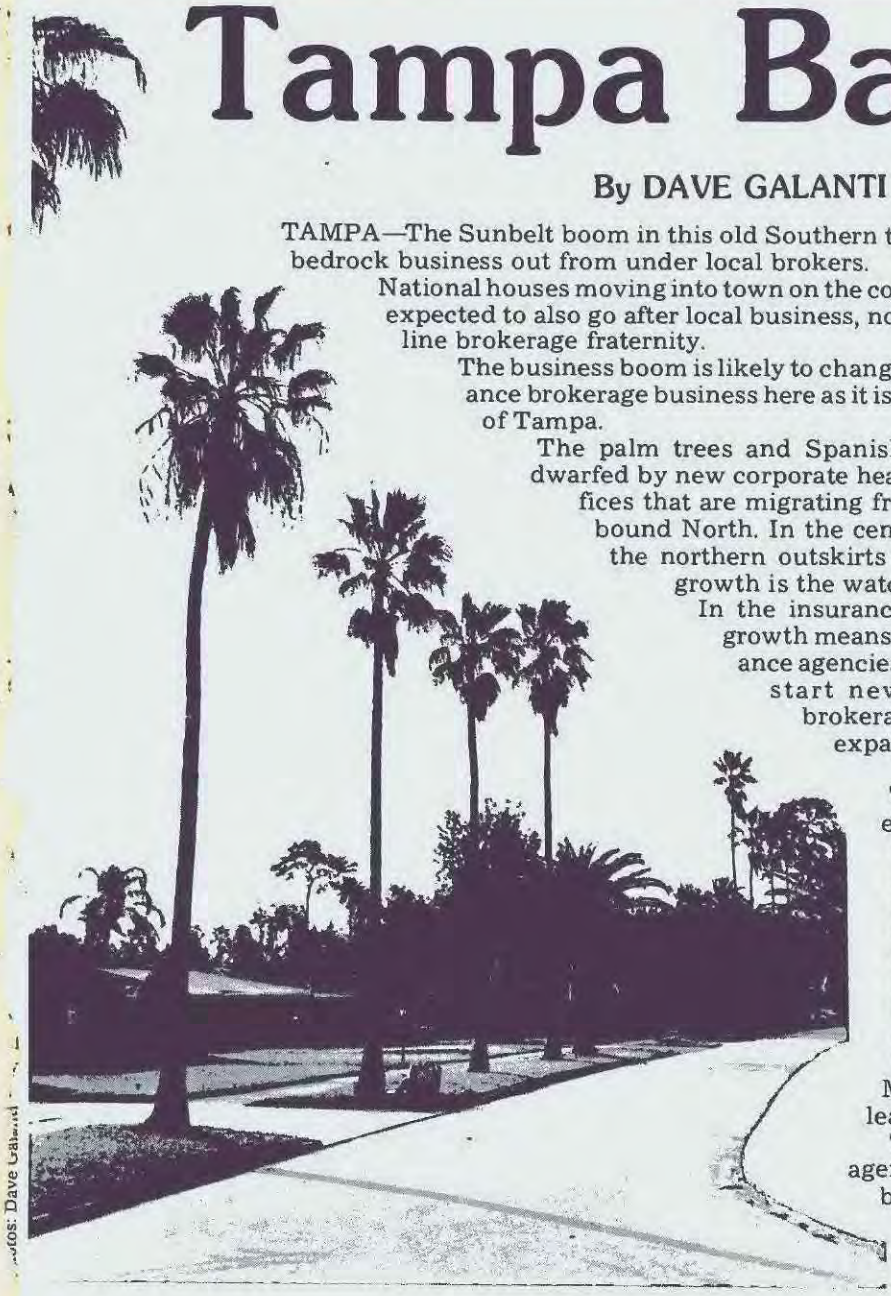
More information is available from H & W Risk Management Services, P. O. Box 18614, Irvine, Calif. 92713; 714-851-9122. ■

agent/broker topics

A REGULAR EDITORIAL SECTION EXCLUSIVELY FOR AGENTS AND BROKERS

Tampa Bay: Sunbelt boom challenges Tampa 'old-line' agencies

By DAVE GALANTI



Photos: Dave Galanti

TAMPA—The Sunbelt boom in this old Southern town is likely to shake the bedrock business out from under local brokers.

National houses moving into town on the coattails of new industry are expected to also go after local business, now the mainstay of an old-line brokerage fraternity.

The business boom is likely to change the makeup of the insurance brokerage business here as it is already changing the face of Tampa.

The palm trees and Spanish architecture are being dwarfed by new corporate headquarters and branch offices that are migrating from the snow- and union-bound North. In the central business district and the northern outskirts of Hillsborough County, growth is the watchword.

In the insurance marketplace here, this growth means a solid "old line" of insurance agencies will be challenged by upstart newcomers and national brokerages if they seek to keep or expand their long-held clout.

Tampa is the U.S.'s eighth largest port, bolstered by Florida's rich phosphate deposits. Surprisingly, however, little marine business is written locally. Phosphate mines and shipping facilities are controlled by out-of-state firms with brokerage connections in Miami, Atlanta, New Orleans or New York.

That has left the Tampa agencies to fight over land-bound risks, which historically have been few. Big risks have traditionally been controlled by the large brokers elsewhere and medium-sized risks aren't that plentiful. The result: a number of old-line agencies with revenues hovering around the $1 million mark, so close in size that they defy a ranking after big time Poe & Associates and growing O.H. Carter Co.

Tampa's old-timer agencies—Carter, Otto Stallings & Son, Woodward-Crowder Co. and Lykes Brothers Insurance—have been and still are housed in Tampa's downtown area. Their success has depended upon family ties and political connection. These ties further complicate the ranking process, since it is impossible for outsiders to estimate precisely how much volume those family- and clout-related firms bring in.

But the market is changing. Efforts to attract Northern businesses and industry have succeeded, local brokers say, and these firms have shown a willingness to be more objective and demanding about where they place their risks. The first of these growth areas has come in the northern end of Hillsborough County.

More recently, these changes have reached even the old-line agency's backyard: the downtown area. More than $150 million in new private construction is underway in the central business district, with projects including a four-block office-hotel-retail complex and several smaller office towers.

This development has caused the formation of two new insurance centers in the city—one west of downtown Tampa near the causeway to St. Petersburg and another smaller grouping north of the city—plus an influx of new insurance agency blood to compete for these newer risks.

In the West Tampa location is Frank B. Hall & Co. of Tampa, which opened two years ago to take advantage of this new growth. Even newer to Tampa is the Marsh & McLennan operation, which signed its office-space lease last month and is just furnishing the office.

To the north lies the aggressive personnel of Insurance Management Corp., which vows it will out-hussle the old-timers downtown and take away much of the new northern end business.

All of which means Tampa agents are taking a new look at their market.

"Tampa has traditionally been a strong family agency

Continued on next page

Sister city lacks big firm risks

ST. PETERSBURG, Fla.—This West Florida coast city has a reputation as the home of Midwestern retirees, vast Gulf of Mexico beaches and a sunny climate.

The stereotype looks true. Downtown the streets are clean, but show their age. The retail district could be in better shape, and new development seems limited.

For the insurance agent here, the market is very different from across the bay in Tampa, the port city, the industrial center. St. Petersburg and Pinellas County have the residences and small offices.

This doesn't mean there are no large agencies in St. Petersburg; there are. But agents have to take a different plan of attack.

"There's really not that much commercial lines business here, and what is here is heavily sought after," says Bill Wallace, president of Bennett, Wallace, Welch & Green Insurance. "The heavy contractors and heavy wholesalers just aren't here. And what is here can be covered out of Tampa or someone's Miami office."

The result is a dependence on personal lines, which can total up to 40% of business even in some larger St. Petersburg agencies.

"This agency began as essentially a 'Ma and Pa' business in personal lines," Mr. Wallace says. "That's how our dads got started. Of course we would like to get to 80% commercial, but we'll have to see if that is going to happen."

Hardy Payor, president of West Coast Insurors, is in the same boat. Although West Coast's main office is located along a strip of insurance agency offices instead of in the residential area that houses Bennett, Wallace, Welch & Green, Mr. Payor says he still does an amazing amount of personal lines business.

"In this office, we do about 20% personal lines," he says. "But that's the market. There's a lot of personal lines business here—you can't turn your back on it.

"It's expensive to write," Mr. Payor adds. "Now that we can offer the easy-to-read policies, everyone wants their policies explained. The retirees around here have the time to do it, whereas 20 years ago they would have paid their premiums and forgotten about it."

Not that he doesn't like the retiree market.

"The amount of commercial business will increase as things happen," says Marguerite Dawson.

"With people on fixed incomes with one home and one car, it doesn't add up to be much premium," Mr. Payor says. "But it is profitable business. For one thing, the retirees today grew up during the Depression and hate to have bills lying around. They pay all of them 30 days in advance. They are also less claims conscious than people today."

Apartment buildings and condominiums make up a large part of

Continued on next page

INSIDE

Frank Marchant keeps on trying despite pitfalls.

Tampa old-liners test area newcomers

Continued from previous page
town," says Robert Crowder of the Woodward-Crowder Co., one of Tampa's old-line agencies. "Until the recent boom, Tampa buyers have been satisfied with the few agencies that have existed here.

"We're aware of the competition that's coming, but the established agencies tend to emphasize service more than the newcomers. It can affect an agency's growth because it is costly in terms of manpower, but it's something we always have done and plan to continue in the future."

"Tampa is still a pretty provincial place," agrees Horace H. Everett, senior vp and manager of Frank B. Hall of Tampa. "When Hall came in, they looked to buy an agency that could provide them with the kind of contacts they needed to be a success here. They then added ways of doing business that were not common in this area."

Business battle

The battle over new business is one that will be fought on many fronts in the immediate future. According to the agents, some of the old-line agencies will remain fairly stable, satisfied with keeping the long-term business they have always controlled. Other old-liners will expand into other geographic areas and lines of business.

Similarly, the newer agencies will also take two paths. Some will stay out of the downtown area, conceding that business to out-of-towners and the old-line agencies. Others will seek out central business district risks, seeing that business as something they can eventually attract.

"I'd like to say that we could keep the downtown area to ourselves, but there are a lot of outsiders coming in," Mr. Crowder says. "There will also be a lot of new companies and new executives moving here that have no tie to the older agencies.

"The newer agencies and the big brokers are tough competition—they'll be sniping at our business," he adds. "That's why we can't stand still. We're looking forward to and planning for the future. Last year, for example, we brought in a younger producer and now have a good spread of age groups within the agency."

Marsh & McLennan will go after both types of business as well, says vp Andre Paquet.

Mitchell Stallings

Robert Crowder

Calvin Carter

The veterans:
Three of the Tampa agencies newcomers will compete with: Otto P. Stallings & Son., Woodward-Crowder Co. and O.H. Carter Co.

"We're going after the influx of new business. At the same time, M&M will try to offer existing businesses down here new approaches in insurance coverage," Mr. Paquet says. "There are quite a few businesses down here already that could investigate self-insured retentions, captives and other new ways of doing things."

Relative newcomer

Although it is the largest agency housed in Tampa, Poe & Associates is a relative newcomer to the area's commercial business. William F. (Billy) Poe started the agency back in 1956 and nurtured it to nearly $12 million in premiums in 1978, the latest figures available. Although only 20% of this business is in the Tampa Bay area, the firm still expects to write a lot of new business there.

"You look out the window toward the heart of downtown and all you see is a lot of torn-down buildings and parking lots," says Thomas K. McMullen, Poe's account executive. "But come back in two years and you'll see an entirely different scene. They'll have to bring down half the North to fill all the offices they have planned."

"This is a good area for business to come to," agrees Poe president Joe Brown. "Tampa is the nation's eighth largest port; there's no income tax on individuals and the homestead expansion is high. That attracts individuals and businesses as well."

One of the toughest problems Mr. Brown sees is not the competition from other brokers, but the crunch to get talented producers and employes. The influx of business means more interest by agencies to insure them. However, with Florida's tough agent licensing law (an out-of-state producer must wait one year before he becomes eligible for a producer's license), it creates pressure to hire the best of the small pool of Florida-based producers.

People problems

"The biggest threat to us doing the job we want to is getting those good people—that's a problem in this market," Mr. Poe says. "Every big broker that comes in here and establishes an office will make it even tougher. Training your own people is one answer, but it often takes more time than we have if we want to grow at the rate we do.

"We don't see any external growth that can hurt us," Mr. Poe adds. "We have the capital resources and the markets to take advantage of. In the future we'll just have to stress internal organization to ensure we do the best job for our clients and still make a profit."

Like Poe & Associates, O.H. Carter Co. has expanded into markets other than its home base and is considered the city's second largest broker. However, the old-line Tampa firm still does 50% of its business in the area and says it can continue to compete in the future.

"As far as competition is concerned, the small-town aspects of Tampa are disappearing," says president Calvin Carter. "We're fortunate to have the reputation around here, but we don't think that's enough. We've gone out to get the markets and personnel to do more all the time. We feel we're like M&M and Alexander & Alexander even though we're smaller.

"In Tampa, it's really Poe and us that have looked elsewhere for new business. Poe writes a lot of medical association risks; we take care of a lot of new car dealerships and commercial garages in Florida and Georgia," Mr. Carter adds. "These new areas are an important part of our business, but we still want to operate a successful general agency here. Just because you're established doesn't mean you can't still be successful."

Questions growth

One agent who still holds a lot of clout in the downtown area is Mitchell Stallings, head of the Otto P. Stallings & Son agency. Mr. Stallings isn't convinced that growth is the answer.

"I know that there is the opportunity for rapid growth here because of all this construction," he says "But a lot of it will be tied up with national concerns with brokers elsewhere.

"We'll try to pay more attention to our present accounts," Mr. Stallings adds. "We don't write as many policies as some think we should because we spend a lot of time servicing our accounts. But you can be sure that when we have a little spare time, we'll latch onto a few accounts." ■

Personal lines challenge St. Petersburg producers

Continued from previous page
the commercial risks available to St. Petersburg agencies. At West Coast, general and specialty contractors also play a substantial role, Mr. Payor says.

"There are no big risks, though," he says. "You seldom run up against even a $10,000 risk, so you have to go out and write a number of small risks for it to add up."

"I think there's a lot of $25,000 to $50,000 premium over there," counters Horace H. Everett, senior vp and manager of Frank B. Hall of Tampa. Although Hall's office is in Tampa, it is only a 15-minute drive across the causeway to St. Petersburg.

"I think that despite what's considered to be the truth over there. We've had very good luck in Pinellas County and are looking for more business in that area."

Marguerite Dawson, who owns her own agency in a new office-shopping complex in the slowly changing downtown area, is also bullish on the St. Petersburg market.

"I write mostly personal lines, but I do write the building my office is located in and another shopping center," Ms. Dawson says. "The amount of commercial business in this area will increase as things happen here. Downtown redevelopment is a major push and when that happens there will be insurance to sell."

When Ms. Dawson started her own agency in 1975, she countered a trend in the city to move away from downtown into the more residential outskirts.

"Most agents moved out of here; I moved in," she says with pride. "I see a need for insurance agencies in the downtown area, both today and in the future. I like this area, and think downtown will be where the action is. I want to be a part of its growth."

Dealing with the small risk can be fun, as Mr. Payor points out.

"I still look forward to coming to work each day," he says. "We try to be creative here, and I go out a lot with our producers on unusual or difficult risks. You can have a lot of fun with the small premium payer, being unique and understanding his problems.

"Of course, you can't be creative with things such as self-funding or offshore captives," he adds with a smile.

"That's like reading 'Alice in Wonderland' to me because we don't have anybody who qualifies. But you can be creative in knowing what to insure and what not to insure. You can also be different in your approach to deductibles and discovering problems that the insured isn't aware of." ■

It's still fun
"You can have a lot of fun with the small premium payer," says St. Petersburg agent Hardy Payor. "You can be different in your approach to deductibles and discovering problems that the insured isn't aware of."

Taking notice

Big brokers search for Tampa Bay key

By DAVE GALANTI

TAMPA, Fla.—It was bound to happen. When a town is in the midst of a boom period such as the Tampa Bay area is facing, the national brokers are going to sit up and take notice.

If you're Frank B. Hall & Co., your interest in Tampa is largely your two-year-old acquisition. If you're Marsh & McLennan, Tampa brings you closer to a large client: Florida Power Corp. If you belong to Insurance Management Corp., your interest is whetted by some of the big money that's pouring down here from the North.

Tampa may not have been big broker territory in the past, but it most likely will be in the future, with the participants playing for keeps.

"We have to be a major force in this market in five years," says Andre Paquet, head of the new Marsh & McLennan office here that he is starting from scratch. "I am telling people that we didn't come in here to fold up. We're looking for that fairly large commercial account. Hopefully, we'll get some of the construction business around here."

While Mr. Paquet moves into Marsh & McLennan's west Tampa offices and looks for staff, neighbor Horace H. Everett looks out from his Frank B. Hall & Co. office with a staff of 20 and wonders about the future.

"You don't do business here the same way as they do it in Chicago or New York," Mr. Everett says. "There are 20 risks maximum that are over $1 million premium and those are either written by a family tree or a national broker elsewhere.

"The trick here is to know the important people so you can get your foot in the door," he adds. "That's why when we look for new producers, we try to hire young trainees with local identities. You can train the product knowledge, but you have to get in the office before you can sell anything."

On Tampa's north side, Tom Gillingham, president of Insurance Management Corp. of Tampa, says he's having good luck with the businesses new to the area. Insurance Management Corp. is the oldest of the big brokers in town.

"The new growth is in Tampa, and that's why we're here. It's a nice area where we feel we can do business," Mr. Gillingham says. "We're writing a ton of the Northern business that comes down here, primarily manufacturing.

"This really isn't a tourist area, you understand," he adds. "We have a blue-collar workforce here and that attracts business. We're also picking up a fair amount of the contractors that are moving down here. We'll grow by leaps and bounds. In pure new business this year we expect to add $1.5 million in premiums, without writing an account over $250,000."

Other brokers are reportedly interested in the area as well. Rumors fly that Johnson & Higgins, the nation's largest privately owned broker, wants in. So may Fred S. James & Co. Neither would confirm their interest. One problem, however, is that most of the existing agencies don't want to sell.

"We looked into the possibility of acquiring someone," M&M's Mr. Paquet says, "but the agencies we were interested in weren't for sale."

The reasons are many, the agents say.

"It probably is true that the national brokers have had a hard time purchasing here," says Billy Poe of Poe & Associates. "A lot of the established agencies are family owned with heirs to consider. Others aren't large enough to allow the big brokers to really get excited about them."

Frank B. Hall's Ted Maznicki has another theory.

"Some of that non-success can be attributed to the innate pride of people here that they can do anything the big brokers can," Mr. Maznicki says. "But eventually, some will have to sell. Genealogical progressions aren't automatic because not every agent's son wants to be an agent. If the family pride prevents an agency from bringing in a nonfamily member as a producer, eventually something will have to happen."

For now, however, the large brokers are willing to slug it out.

"If you can welcome competition, I do, because it brings a certain professionalism to the market," says Hall's Mr. Everett. "In the two years we've been here, I've had a hard time communicating new ideas like captives—which really aren't so new—to potential insureds. If M&M comes in and pitches the same line, maybe that person will believe one of us."

"How will we break into the established agency's business here?" M&M's Mr. Paquet asks. "We'll just show up every once in a while to tell them what we can offer in new approaches. Sometimes you can do a one shot feasibility study for a fee. People who have been insured the regular way for years are beginning to change their way of thinking. Hopefully, we'll hit these guys at the right time."

As for Insurance Management Corp.?

"We think on anything short of international risks, which we don't write, we can hold our own with anybody," Mr. Gillingham says.

There will always be skeptics, however. Calvin Carter, head of O.H. Carter Co., is one of them.

"The big brokers don't scare us," Mr. Carter says. "We have the same capabilities they do and we have been successful against them in the past. We also have people who keep up with the industry and can keep the business." ■

E/S company opens its doors

TIGARD, Ore.—Western Insurance Intermediaries Inc. has begun doing business this year.

The company will provide marketing services for insurance agents in the Northwest as excess, surplus and managing general agents. ■

Chicago producer struggles to place hard minority risks

A/B T local leader

CHICAGO—Frank Marchant's office isn't as big as it once was.

There are two desks in his new 34th floor John Hancock Center office, smaller than the one he had when he was president of his own North Loop agency. The desks are crowded together, as are the framed mementos of his long military and insurance careers.

Although he no longer runs Frank Marchant & Associates and now serves as a consultant to the larger Beneficial Insurance Agency here, Mr. Marchant remains as enthusiastic about his work as he was when he began business on Chicago's less affluent South Side more than 25 years ago.

"Those years weren't always the most successful," he says. "I worked in several different locations with various associates and almost lost my only property/casualty contract several times. But I kept hitting my head against the wall because the potential of the insurance business fascinated me. I felt then, as I still do today, that there is a lot of minority business out there that isn't being tapped by the minority insurance agent."

Mr. Marchant's enthusiasm spills out in several ways. He still reports to his office at about 5 p.m., working a full off-hour day to serve his insurance clients, many of whom still come from his old South Side stomping grounds. He still fights with insurance company underwriters to write minority risks and remains concerned about involuntary redlining by insurers. And although he admits he hasn't been as successful monetarily as some might expect, he would like to be known as a person who is very happy with his job.

He still spends a lot of his time prospecting new clients in the minority community, despite the fact small and medium-sized minority-owned commercial risks are hard to find and larger minority-owned risks tend to go to larger agencies. And he still remains convinced that if minority agents keep hitting that wall long enough, something will happen.

"Look at this article," he says, handing over two newspaper clippings from early January. "One article is about how the minority businessman is doing better than ever before. The second one is about a minority broker in New York who started out in Harlem and now is on the board of at least one prestigious insurance company: Erneste Procope.

"These are the stories of people that have made it," he continues. "The atmosphere here in Chicago can't be very different than what it is in New York. If we keep trying, sooner or later we minority insurance agents in Chicago are bound to make a breakthrough."

Such grand dreams weren't the reason Mr. Marchant began doing business, however.

"My first real contact with insurance came during World War II, when I got a $10,000 life insurance policy," he says. "That seemed like a fabulous amount of insurance to me. But it somehow got cut out, and when I got married I found I needed it.

"I investigated getting a policy on my own, but all of them seemed to be out of the price range of a student," he adds. "Finally, I was contacted by an Occidental insurance agent who sold me a policy. I was tremendously impressed with him and thought I could make some extra dollars in my spare time by selling insurance."

A little deception was involved in that first effort, he admits.

"I went in on the concept that if we spread out the work between six or seven of us, we could meet the company's demands on our volume," Mr. Marchant recalls. "They had no idea that I was working part-time. When the company representatives came out to visit, I would leave my other job and get behind the desk at the agency."

Although he was able to get a contract to sell life/health insurance, one of Mr. Marchant's earliest frustrations was getting property/casualty insurance.

"The trouble at that time was getting a property/casualty insurer to take anyone on," he says. "Then, in 1962, INA came in and helped us. They gave us some private training—I guess they thought that someday we'd be a giant in the insurance industry."

That wasn't exactly the way it turned out, Mr. Marchant adds.

"The first year was a total loss for them," he says. "I think the first policy we wrote for them had a fire. But after that first year we showed them who we were prospecting—businessmen and choice homeowners in stable neighborhoods—and they stayed with us. The second year was better, the third was worse.

"What we were finding is still true for the small agent," Mr. Marchant says. "If you don't have a good hunk of commercial to balance things, five autos can wipe you out in terms of your loss ratio."

At this time, Mr. Marchant's firm was called Liaison Associates and was located on the second floor of a South Side building. There were seven associates who donated $1,000 each to give the firm working capital. Two years later, the capital was gone (along with some of the original associates) and he moved the agency into the basement of his home. His wife quit her job and helped him run his agency, which he still was doing part-time.

Later, when he found too many people were visiting his home, he moved the agency into a shopping center. Through it all, however, the number of risks he was writing wasn't increasing.

"We were out prospecting very heavily," he says, "But the problems were always the same. The insurer was turning down some risks we thought would qualify—taverns, beauty shops, etc. At the same time, we couldn't get into the large minority businesses because their insurance was controlled elsewhere. In 1969, I was still writing about $80,000 in preferred risks and $100,000 in marginal risks."

Mr. Marchant made the decision to stay in business, however, and moved to a North Loop location. Finally, he made the decision to merge his agency with Beneficial, a subsidiary of C.K. Johnson & Associates, another minority-owned insurance firm.

He has no regrets, however.

"There really aren't too many full-time minority insurance people around," Mr. Marchant says. "Minority agents are usually in real estate or something else as well as insurance. You just can't write enough business to really make it pay.

"But if we just hang in there, something has to happen," he adds. "Someday one of us will break through, just like that woman in New York."

As for his future, he sees at the same time a lot of hope and a lot of the same frustrations that have hurt him in the past.

"Look at this risk—it's an ice cream shop in one of Chicago's South suburbs," Mr. Marchant says. "The owner has been with me ever since his first ice cream cone. Now the insurer wants to cancel the policy because he's been late.

"Now I know what's going on here," he continues. "Money comes hard to this person, and he's had some trouble with a bad partner. But he's totally dedicated to his business and will do everything he can to make it work. I think it's a risk that should be written.

"I just hope other things don't enter into this decision as well," he adds. (The suburb involved has a history of arson.) "He had a bad partner. Well, I've had the same problem in my past. Was I going to torch my insurance agency? Hell, no."

He hopes someday minority agents will have the clout to avoid such problems.

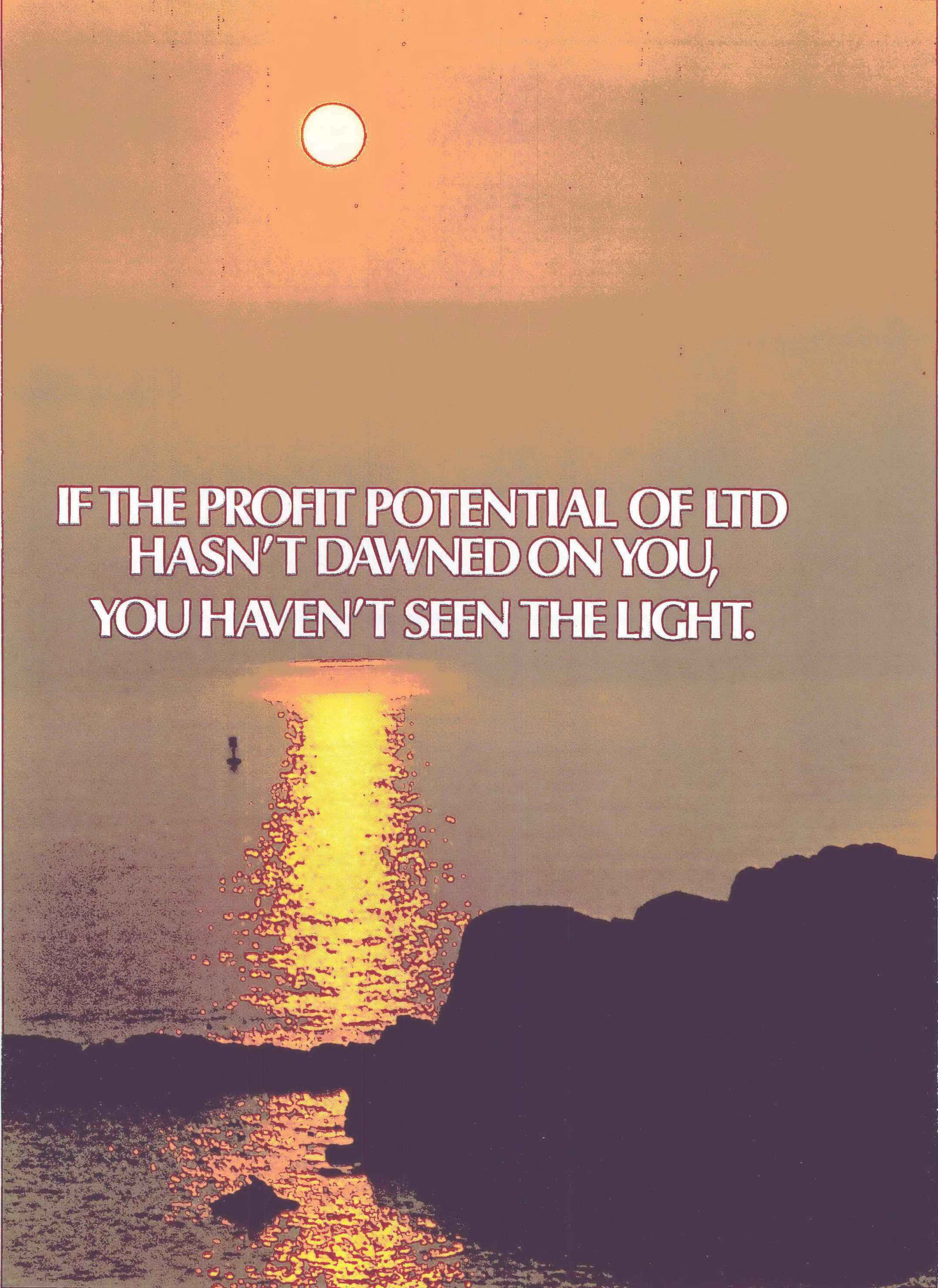
"If Marsh & McLennan called on the company to write this risk, it would be written immediately," he says. "I've done a lot of work on redlining and it doesn't always start from above." (Mr. Marchant was awarded a National Assn. of Professional Insurance Agents award for a project on redlining.)

"A lot of times it can begin with insecurity of the marketing or underwriting manager," Mr. Marchant says. "If he's insecure in his job, he'll tighten down on loss-ratio standards. This insecurity then filters down to the underwriters, who are afraid of losing their jobs or looking bad. So you get very few people willing to take that chance on a 'marginal' risk.

"We've seen that problem and we'll probably see more of it," Mr. Marchant says. "But there's still a potential for the minority agent—someday it's going to fall together for us. We've just got to keep hitting our heads against the wall." ■

"There is a lot of minority business out there that isn't being tapped by the minority insurance agent," says Frank Marchant.

Photo: Dave Galanti


IF THE PROFIT POTENTIAL OF LTD
HASN'T DAWNED ON YOU,
YOU HAVEN'T SEEN THE LIGHT.

Game plan aids agent-insurer team

By Jeffrey E. Felts

HAVING BEEN on the insurance company side of the fence for 10 years, it's not always easy to imagine yourself in another's shoes—but it's certainly a worthy exercise from time to time. I believe there are many aspects of our business that need to be addressed in order to adequately describe what an agency should or should not expect from a company.

Before going any further, I must emphatically state that an agency should not expect everything. No one company can or should be expected to be all things to all agencies.

I strongly recommend that the agency planning its future should look at its goals and objectives and then determine where it would like to be within the next three to five years. Choosing lines of business (personal or commercial) requires company selection to be scrutinized.

Jeffrey E. Felts is a secretary and field representative of the Hamilton Mutual Insurance Co. of Cincinnati. The National Assn. of Professional Insurance Agents has named him its 1979 Field Representative of the Year.

If personal lines are selected, not only should a standard insurer be considered, but possibly also a substandard insurer for types of businesses not written in the standard market. It is extremely important that the agency recognize and segregate the standard from the substandard lines of business.

If commercial lines are to be your future forte, such factors as the types of accounts to be written, the size of the accounts and an appropriate search for good markets in these areas should also be weighed. Many times it is good to have a separate company for the larger capacity lines.

Having made these basic first decisions, the next step is to look over the list of players carefully. I believe that one of the most important things to look for in any company is the integrity of its management. This should be done from the board of directors, through the company president, down to the lower management and key underwriting personnel. An agency should be able to know where it stands with a company and whether its management is willing to keep its agents advised of what is going on and the direction the company is moving from an underwriting standpoint.

The best place to glean this information is to ask a fellow agent who also represents that company. Has the company tried to maintain stable underwriting and rates in lean as well as good times, or is it in the marketplace today and out tomorrow?

Most companies, at one time, have experienced some difficulty in our peak and valley underwriting cycles, so I would suggest you view the long term, say for the past 10 years, which should give you some idea as to how that company shapes up. If you don't feel comfortable with the top and middle management or their goals and yours do not run a parallel course, I would suggest you look elsewhere.

This brings us to service. What does the company promise? Can the company deliver what it promises? Are you always waiting for the quote that never gets there in time or the policy that is always incorrect?

Direct billed programs are good only if they are correct and prompt. Regarding quotes on commercial accounts, I would say that two weeks for smaller accounts should be a reasonable turnaround time—assuming you have given the underwriter the necessary information to prepare the quote. Larger, more complex quotes may take a little longer.

I can't overemphasize the necessity of providing underwriting with the information needed to rate the policy.

My personal experience in this area indicates that 90% of all of our companies' delays in issuing quotes is a direct result of inadequate information. Additionally, a brief sketch and a snapshot of the risk can save countless time in underwriting responses as well as mean the difference between acceptance or rejection of a risk. With regard to personal lines, I would say two weeks should be more than adequate time for policy issuance.

So far, I have not mentioned price—simply because price alone is worthless if it is not combined with reasonably prompt service. If your quotes are coming in three weeks after the expiration date, chances are you have lost the business unless the client is either your brother, best friend or stupid. What about the company that can't deliver the policy? Think about the time you have to put in on this type of account, the many telephone calls, the excuses, etc.

All of this sheds an unprofessional light on your agency. Not to mention that it is extremely difficult to bill a policyholder without delivering the policy when it is due. I believe an agent should be able to call a company collect or on a WATS line and have direct access to the underwriting department.

Additionally, I believe the company should have the flexibility to be able to provide a "quick quote" if a last minute quote is needed. I must also stress that this is a privilege that should not be overused by making all your quotes "last minute rushes." When a company does extend this type of service, I believe you should favor the company by making sure it writes its fair share, or you may find the underwriter will probably politely decline to quote, feeling he is just spinning his wheels.

Can you get service out of your field representative? Some quote and some don't. Will your field representative intercede for you if you have a problem or question? Does he get your questions answered, does he keep you informed of his competitive products? Do you use him? I personally don't pretend to be the last word in insurance, but I can get an answer from the home office and get back to my agents with a timely answer.

Do you tell your representative of problems you are having, and does he help to the best of his ability? It goes without saying that when there is a problem, you should provide him with specific information so he is able to adequately address the problem when he presents it at the home or branch office. Tell your representative what you expect and how you like to operate—if Thursdays are bad days for calls, tell him.

Probably any company's most important area of service is claims handling. Such things as draft authority to agencies can be of vital service to your customers.

How is the claims representative who is handling your particular area regarded by other agencies? Is service prompt and courteous? Is the claims department flexible regarding the interpretation of the given policy or form? Is it interpreted with the intent of the policy in mind or with the exact letter of the policy? This is an area where a good relationship between the agency and the adjuster can mean the difference between success and failure of the partnership.

Does your company provide some sort of profit sharing agreement? If so, are the demands reasonable and do they fit into the plans of your agency? If you are a relatively small agency and the company requires a $100,000 or more premium volume before any profit sharing is paid, it may be unrealistic for you to enter into an agency agreement.

Additionally, many companies have a volume increase incentive type arrangement whereby the agent receives a larger percentage of profit sharing if they are able to maintain or exceed a certain percentage of growth. In planning, this must be looked at carefully because as the agency increases to six figures and more in premium volume, this percentage requirement represents a great deal of additional business. A 10% increase on $300,000 of premium volume is a substantial amount and, quite possibly, an agency might be financially better off to take that additional premium production and put it with a newer company where profit sharing benefits are good but not so demanding.

All profit sharing agreements should be carefully scrutinized, and I would strongly suggest an agency run through some sample computations to see how these profit sharing agreements actually work out in dollars and cents. What may look like a large profit sharing agreement when worked in such a manner may turn out to be not worth the paper on which it is written. Both the Professional Insurance Agents and the Independent Insurance Agents of America offer some excellent guidelines for comparing profit sharing agreements.

A final point is that of innovations. I believe a company should be responsive to the market demands and to the needs of its agency force. In my own particular case, our company has developed several products as a result of input from our agency force, and I might add that in most of these cases these products have been very successful. If you have a good idea, I believe it is important that company management be willing to listen to your thoughts and weigh your input

It is my sincere conviction that we will see many changes within our industry in the 1980s. Not all of these changes will be necessarily for the better. It is, therefore, vitally important that the agencies and the companies try to work closely together for the benefit of our mutual industry cause. ■

Foreign pact

CIU Inc. and Argos, Compania Argentina de Seguros Generales, S.A., have signed an agreement to represent each other's interests in the United States and Argentina. CIU specializes in foreign insurance while Argos is an Argentina company that operates in all branches of insurance.

Agent spots small firms' safety perils

By ROBIN SUHRBIER

COLCHESTER, CONN.—Selecting an agency for a small business in a small town is based not so much on premium dollar savings as on personalized service.

For such businesses as Fred B. Clark Corp., one of Connecticut's largest sawmills, and Jerome Squire's 50,000 chickens producing nearly 10,000 eggs each day, the insurance agent needs to assume the roles of risk manager, safety director and father confessor. Neither business has technical insurance expertise available within its own staff, necessitating the need to seek help from a knowledgeable insurance source.

Steven Jurovaty of the Gerhardt Insurance Agency has taken a small personal lines agency and turned it into a growing commercial lines business with the capability of serving companies like sawmills and chicken farms.

His total premium business for 1979 was about $500,000, a 25% increase over 1978, with commercial lines accounting for about 40% of the total business. Mr. Jurovaty's projection over the next four years is to increase his commercial underwriting to about 75% of his business.

The Gerhardt Agency roots go back to 1870.

Mr. Jurovaty's approach is based on full service professional guidance for each of his business accounts. He researches each risk, develops a profile of the exposures and then coordinates a total risk protection program combining insurance with safety and security recommendations.

Counted among his commercial clients, in addition to the sawmill and the egg farm, are Colchester's town offices and the local board of education, as well as both political parties, whose needs are primarily for liability coverage. He also has S&S Leather Inc., a multinational supplier of therapeutic arts and crafts for hospitals and institutions, and about 80% of the other businesses in town.

Consider the high-risk business of a sawmill where safety must be at the forefront of every question. Fred B. Clark Corp., a $1 million-a-year business, takes pride in an excellent safety record. But the potential for severe injury, says Mr. Jurovaty, is always present. Including the workers compensation coverage, Clark's total insurance package costs $25,000 and is underwritten by Aetna Casualty & Surety.

Workers compensation for the sawyer (the person who operates a high-powered saw) costs $26.26 per $100 of payroll. The premium dollars paid for this coverage alone account for one-third of Clark's total dollars paid for workers compensation coverage.

General liability, workers compensation and automobile damage and liability are Clark's three main exposures and account for 90% of its premium dollars. The limits of liability are more than $1 million.

Mr. Jurovaty expects that the individual experience rated plan now available to sawmills will result in a credit for Clark on the

A/BT

workers compensation coverage by the end of this year. Clark has only 15 employes, but the injury record at the company is exceptional, considering the functions employes perform are highly hazardous and require constant awareness of safety practices.

For the automobile exposure, Mr. Jurovaty runs fleet profiles that outline accident records and driving habits of the drivers. He checks for upkeep of the trucks as well as where the truck maintenance is handled.

He has organized the claims handling service for loss settlement through Clark's front office, periodically reviewing procedures for filing a claim.

Since becoming a partner with Ruth Stebbins, a 25-year veteran of the Gerhardt Agency, Mr. Jurovaty has "shored up" some of the older accounts and brought several accounts back into the agency. He recently spent considerable time reviewing the Colchester Board of Education's insurance contracts and found some he thought "were a detriment to my client."

He compiled a peril priority list for the board and sat down with the members to explain why certain items should be included under one coverage and may not be under another. For example, this particular client needs sufficient theft coverage for calculators and typewriters, both of which are easily stolen and easily fenced. But the exposure to fire is much less, so he recommended rewriting the fire coverage.

The insurance package for the board of education was divided among three insurers: Aetna; New London County Mutual of Norwich, Conn., and Merchants Insurance Group, Buffalo.

The largest business Mr. Jurovaty services is S&S Leather Inc., with 40 employes and $5 million in sales. Because of the relatively low level of risk involved, S&S premiums are low, about $15,000 a year. When he took over the company's underwriting program, he found areas where S&S was lacking in coverage and other areas where limits weren't sufficient. He doubled coverage on property, expanded the liability insurance and improved S&S Leather's bonds.

He added Aetna's transit policy with a goodwill rider, which for $800 a year pays up to $5,000 on the loss of any order shipped out.

For the 50,000-head chicken farm, the owners pay $7,000 for fire and liability coverage under a farmer's comprehensive policy split among Excelsior Insurance Co. in Syracuse, Aetna and Merchants. The property policy covers chicken mortality, at a cost of $2 to $2.50 per chicken, plus the value of buildings and other contents.

Primary exposures for an egg farm are fire and windstorm. Periodically Mr. Jurovaty inspects the chicken coops for adequate ventilation, buildup of dust in and around electrical boxes and sufficient removal of waste. Breakage of eggs during handling and sorting is a self-insured loss.

A loss to a small business without adequate insurance protection could result in financial ruin for those dependent on that business. As the agent for such businesses, "I must assume the responsibility for making sure that doesn't happen through sound risk management," he said. ■

IIAA committee focuses on consumers

A/BT

NEW YORK—The Independent Insurance Agents of America wants to use the head-to-head contact it has with insurance consumers to meet those consumers' needs head-on.

The agency group has formed a national committee on consumer concerns to both listen to the suggestions of consumer groups on how to improve insurance matters and determine ways that individual agents and brokers can respond to these problems.

"Opinion polls show that independent agents have great credibility and that credibility is greater than that of the insurance carriers," says John Frankel, chairman of the committee and vp of the Frankel Brothers Insurance Agency in Cleveland. "We want to use that credibility to establish a communication link between us and them."

The committee, formed last fall, had its first organizational meeting in November. Its second meeting last month centered on the creation of a consumer action plan, Mr. Frankel says.

"One of the first things my eight-person committee needs to do is to create a task force of industry people, realtors, local legislators, bankers, members of consumer departments and other consumer representatives," he says. "We need to get a wide range of people so that we can address common insurance problems completely.

"The national committee plans to meet four or five times a year and will deal with national consumer groups," he adds. "But we will also work closely with pilot groups on a more local area—committees in Chicago, Cleveland, Buffalo and Miami have already committed themselves to these same goals."

The local groups will be where most of the action is, Mr. Frankel says.

"This effort will only work if we can concentrate in areas where consumers have problems that we can effectively confront," he says. "That's why the national group will be working with the city committees and perhaps a few state associations.

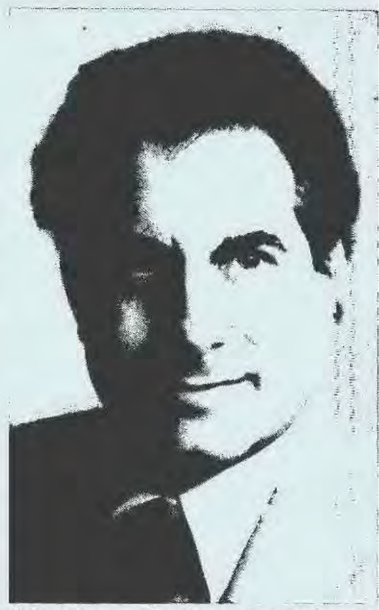
"The whole plan is based on the belief that the independent agent is a leader in his area," Mr. Frankel says. "The principal is on local boards and heavily involved in the community. People are going to listen to a person like that much more than an insurance company spokesperson."

Although the committees' first efforts are likely to be in the personal lines area, eventually commercial lines problems will also be discussed, he says.

"We're set up to deal with groups, not individuals," Mr. Frankel says. "Our meetings aren't supposed to be gripe sessions for individual policyholders. But consumer groups today are noisy—they are forcing the issues. There has to be some credible group to listen to these problems and help solve them.

"Many of the problems they bring up will deal with homeowners or drivers," he adds. "But we'll have to deal with commercial aspects too, because the problems of redlining or affordability are faced by the small-business owner as well."

On a national level, Mr. Frankel says the committee will discuss issues with the National Safety Council, Insurance Institute for Highway Safety and the National Fire Protection Assn. ▪



"Opinion polls show that independent agents have great credibil.ty," says John Frankel.

ACORD adds work comp form

ORANDELL, N.J.—The Agency Company Operations Research & Development Organization (ACORD) has added a new workers compensation application form, the first of a new series of commercial forms due this year.

The form joins the application information, general liability, business auto, vehicle schedule and property sections introduced last year, says ACORD president Robert E. Merriman.

Combined, the forms will make up the heart of the ACORD commercial lines application series, he says. Available by next fall will be four other sections, including a commercial umbrella section and a package of six inland marine floaters, he adds.

ACORD is a 10-year-old, not-for-profit agency organized to act as the research arm for various property/casualty insurers and independent agents. The agency has had various personal lines application and claim forms available to agents, but only recently decided to enter commercial lines.

The style of the new workers compensation form echoes that of the forms preceding it, Mr. Merriman says. ACORD plots underwriting information property/casualty companies need from agents, then takes this information and condenses it on a single, unified form that all agents writing for these companies can use.

The ACORD forms eliminate the need for separate forms for each company and simplify an agency's work schedule because employes need only be taught how to use one form, Mr. Merriman adds.

"We feel that from 80% to 85% of the data a company wants for its underwriting needs is common to all companies," he says. "If so, then it is practical to develop a universal form for each section that the majority of companies can use. If one of our companies feels it needs some additional data on a particular form, it can have it added on the 'other information' section."

Currently, more than 100 company groups and 60,000 agencies use ACORD forms. ▪

Files keep agents from starting cold

A/B/T **systems**

TAMPA, Fla.—Insurance Management Corp. here is trying to take the chill out of cold prospecting for its producers.

Cold calls are a staple of broker selling, but the thought of entering potential policyholders' offices without basic information or a helpful referral leaves many producers just that—cold.

IMC-Tampa president Tom Gillingham is trying to change that with a one-person marketing department that finds and encourages sales. By keeping detailed files on more than 14,000 Tampa and St. Petersburg firms, IMC is developing a knowledge pool that helps producers during both prospecting and renewals.

"I was a marketing major in college and I wanted to use that knowledge to develop our prospects file," says Mr. Gillingham, who has headed the agency since 1976. "About a year ago, I came up with the present system."

The system starts with Dun & Bradstreet SIC code cards, which list basic information about Tampa and St. Petersburg firms employing more than 10 persons. The file is augmented by newspaper articles about area firms. The intent, Mr. Gillingham says, is to compile sources producers can use in developing accounts.

"When our account executives hear of or see a possible account, they pull the SIC card to get the basic facts," he says. "If they are still interested, they tell Helen Cortney (the one-person marketing department) to prepare a full report."

Producers use the prospect file, which includes a full Dun & Bradstreet report and an analysis of business contacts, to seek out the firm's leadership. If the producer can't make a contact in six months, it is then passed to another IMC producer for the next six-month period.

Using this system, Mr. Gillingham is assured that all major prospects are constantly being reached by IMC producers, he says.

"The cliche in this industry is the producer driving down the street, seeing a great risk along the road, jotting it down, then never getting around to prospecting it," Mr. Gillingham says. "With our system, if that producer doesn't get to it, someone else will. But it usually isn't passed along, because if a file is prepared for the producer and it sits on his desk, he'll find time to get around to it."

Files are maintained on all companies, including both IMC clients and prospects. If a contact is made and the potential policyholder wants IMC to come back later, a memo is put in the firm's file.

Ms. Cortney is responsible for this too, Mr. Gillingham says. "She keeps track of who the account is assigned to and notifies that person 90 days before that date we promised to make the next contact.

Marketing plan

"We want to keep our name out there all the time," says Tom Gillingham, IMC-Tampa president. "If we do that, we have a better chance of writing the business."

"This helps in two ways," he adds. "First, it makes sure that our producers don't miss a contact date. Second, it eliminates duplicated effort. If another producer becomes interested in that risk, he'll check first with the marketing department. If it is already assigned, he won't go out after it and embarrass us."

If the producer fails to land the risk, this information is added to the file. A year later, the file is checked and given to the same producer. The producer can either try it again or have it reassigned to another producer.

"We do that because things change," Mr. Gillingham says. "If you don't get an account one year, you may the next. By constantly adding information to the file, we don't have to start cold all over again. We know where we stood in the past and why we didn't get the account. And we know that whether or not the original producer is still with us to tell us the history."

Besides keeping the files for producers, the prospect reports allow IMC to send out direct mail promotions. IMC uses both shotgun (scattered firms) and rifle (selected firms) mailings.

"The Dun & Bradstreet cards allow us to personally address letters," Mr. Gillingham says. "We give notice of the letters to our producers, who then must follow them up in person within five days. Helen monitors this system and tells me whether we are doing this." ■

Emotional reaction

A/B/T **letters**

To the editor: I read with great intense and emotional interest your fine article in the Feb. 4 issue regarding the status of mandatory continuing education proposals affecting agents and brokers in the various states.

I say intense and emotional because I have opposed the seed of this legislation since learning of its planting here in Pennsylvania last July. And I have been trying to wake up my colleagues to the implications this juggernaut legislation presents.

I am emphatically and intensely in favor of continuing education—on a voluntary basis! And I am steadfastly and rigorously pursuing this commitment to continuing education, as I know the majority of agents and brokers do similarly countrywide.

Let us face these questions: Do we want clerks in state legislatures telling us when, where and to what extent we have to be educated? Do we really seek to invite more regulation of our business and profession? Where are our professional associations that should be fighting this attempted regulatory intrusion into our business?

Dennis W. Jeff
Treasurer
Glen E. Orndorf Inc.
Lancaster, Pa.

Coverage costs drive taxi firms crazy

Continued from page 2

Large fleets have been forced to self-insure liability risks or seek coverage through the state's assigned-risk plan. Owner-operators and owners of two- or three-cab mini-fleets can purchase coverage in the voluntary market.

Empire Mutual Insurance Co. writes mandatory minimum liability coverage of $10,000 per person and $25,000 per occurrence for about 95% of the city's 4,500 owner-operated taxicabs.

Eagle Insurance Co. and Nassau Insurance Co. write excess liability coverage for the owner-operators and basic and excess coverage for mini-fleet operators.

Empire Mutual's rates for basic coverage have remained stable since 1977, but the cost of excess coverage has more than doubled since then. Broker Mickie Sherman, a taxicab specialist with the Expert Agency, says the annual premium Eagle Insurance charged for $100,000 per person and $300,000 per occurrence excess liability coverage rose to $800 from $300.

Insurers blame high rates on inflating medical and auto repair costs as well as the local judiciary for personal injury and death claim awards of $500,000 or more. "I'm forced to eat their loss ratio numbers," Ms. Sherman contends.

Few alternatives

The prospects for alternatives are bleak, she says. Liability policies now in effect seldom have deductibles and it's "doubtful any company would issue a policy with a deductible," Ms. Sherman says.

There is little hope for taxi owners banding together to form a mutual insurance company. "It's been tried so many times before and each time it's laid an egg," one broker said.

Don't expect new markets, either. "Any company that has stayed in this business has gone broke," remarked a broker with 50 years taxi experience.

Few viable alternatives to the state insurance fund exist for taxi fleets needing workers compensation coverage. Most fleet owners insure with the state fund to take advantage of a 25% automatic discount from manual rates the fund gives large accounts, Mr. Toal said.

Some large fleet owners considered self-insuring workers compensation risks, but the required bonds were too costly, he contends. "It would have required putting up close to one year's premium."

Taxicab owners operate on a cash-flow basis and one year's premium is a difficult amount for a fleet owner to accumulate and set aside, Mr. Toal said. Most fleets pay a 25% deposit on their compensation premium and pay the balance in monthly installments.

Safety groups

Safety groups have also been considered, but those plans encountered snags as well, he noted.

Higher weekly benefits and salaries have also meant higher workers compensation costs. The standard rate for taxi workers compensation coverage increased since 1977 to $11.75 from about $5.60 per $100 salary, Mr. Toal said. The current maximum weekly benefit in New York is $215, up from $95 in 1977.

The number of taxi workers compensation claims has remained stable, however, Mr. Toal says. He contends the workers compensation premium is excessive, charging the state insurance fund pays 40 cents out of each dollar for losses and 55 cents for administrative costs.

State insurance fund rates conform to manual rates established by the New York compensation insurance rating board. Rates generally allow 60 cents for loss payments and 40 cents for administrative costs, said Herbert Jacobs, director of underwriting for the state insurance fund.

The state fund currently pays 80 cents of each premium dollar for losses, he added. He did not have taxicab loss experience information available. ▪

letters

Continued from page 6

erage," (*BI*, Feb. 25), I recommended that the interested parties contact their insurer for an endorsement clarifying the open questions. I wish to add the following:

The ISO has issued an endorsement to the general liability policy providing an additional definition of loading and unloading.

According to an explanatory memorandum issued simultaneously, the endorsement is intended to make the general and auto liability policies compatible.

As many underwriters do not automatically attach this endorsement to policies even in states where it has been approved, risk managers and brokers should request it wherever the loading and unloading endorsement analyzed Feb. 25 is part of the auto liability insurance.

Henry Salfeld
New York, N.Y.

Simple solution

To the editor: A simple solution to the leased auto definition and coverage problem ("Form turns its back on those leasing cars," *BI*, Feb. 25) is to fill in the blank next to the numeral 10 in the description of covered auto designation symbols. The exact reading could vary but the intent would be obvious. I assumed this is why the blank was left—to cover other than standard situations. This blank can be used to cover a multitude of situations which need not be mentioned here.

Richard W. Fee
Fee & Fee Insurance Inc.
Bloomington, Ind.

Unfair to agents

To the editor: Re Feb. 11 riskWatch.

Mr. Strazewski's article opens with a snear (*sic*) at agents. He then goes on to explain the problem between the agent and one of his companies. The inference was that the agent would sell whatever he could in order to make a sale or to protect his agency contract. That is unfair! The agents that I come in contact with through various professional organizations are primarily interested in their client. Granted, they don't want to take advantage of the insurance companies they represent; however, the customer comes first.

Many agents will recommend broad coverage at a higher price to their customers but also give them the opportunity to select a lower-cost contract which does not provide quite the protection they feel is needed.

Putting the agent's problem with the company aside, Mr. Strazewski's article did not give a good reason why the agent shouldn't be selling both company's contracts. And remember, an agent's success is based on his service to his customers.

Samuel M. Palley
Palley Simon Associates
Jenkintown, Pa.

Total frustration

To the editor: Your Jan. 28 workers compensation issue ("Attitude Helpers rescues firms from safety woes," p. 15) suggests that Employers Insurance of Wausau had not provided safety services to D. B. Rosenblatt Inc. In fact, Mr. Rosenblatt's firm was part of an association of small businesses which had agreed to work with us through a safety committee.

In discussion with our Twin Cities staff, I have found almost total frustration on the part of our safety professionals. Nothing of any substance was being accomplished through this arrangement. Our people could discern very little serious interest in safety management on the part of these committee participants. We were not even able to get them to meet with us on a regular basis.

Roger Drayna
Public relations director
Wausau Insurance Cos.
Wausau, Wis.

Still smarting

To the editor: As an insurance executive who has read your periodical for my entire career, I found your headline on page 2 of your Feb. 18 issue to be appalling. Only an unerudite, illiterate and untraveled staff would not know that the term "Frisco" is an insult to a great city.

Warren S. Stanley
Executive vp
IWest
San Francisco, Calif.

Mea Culpa.

What's in a name?

To the editor: Your headline on page 2 of *BI* Feb. 25, "Frisco voters . . . " I am sure upset many San Francisco readers.

Although I have spent my business life in Southern California, I enjoyed my youth in Northern California. I learned early that we do not use the word Frisco. It is only acceptable to use San Francisco or the city.

D. F. Anderson
President
Anderson & Murison Inc.
Pasadena, Calif.

Oil project spins LOOP of insurance coverages

Continued from page 3

derground drilling in salt to bore out spaces to be used as storage tanks; creation of an enormous reservoir at nearby Clovelly for brine storage as oil is pumped in and out of the tanks; construction of an office building in the town of Galliano, and a large pumping station to be built at Fourchon, La., where the pipeline comes ashore.

Coverage compliance

Contractors on the project must provide workers compensation and liability coverage to meet specifications established by LOOP and Corroon & Black. C&B helps LOOP review contracts to ensure compliance with insurance requirements and reviews coverages to see they are purchased at reasonable cost, Mr. Gieseler added.

Contract compliance review pinpointed a few instances where contractors allocated too much of their insurance costs to LOOP, Mr. Gieseler noted. C&B's knowledge of insurance markets revealed other contractors were paying too much for insurance, he added.

Although some contractors provided additional information to justify their insurance charges, often the cost to LOOP was either reduced through negotiations with the contractor or by the contractor renegotiating his coverages with his broker, Mr. Gieseler continued.

Corroon & Black has not determined the actual cost savings to LOOP since often renegotiations produced broader coverage or higher limits rather than lower premiums, explained Karcher C. Wild, senior vp of Corroon & Black of New Orleans.

Minimum requirements

Insurance requirements vary, depending upon a contractor's exposure, Mr. Ballard said.

Minimum requirements are workers compensation coverage, $100,000 employers liability coverage to insure against Jones Act (seamen's liability) exposures, $1 million in comprehensive general liability and automobile liability, $5 million umbrella liability and marine insurance coverages as needed.

Photo: Ellis Simon

This pumping station at Fourchon, La., is one of the LOOP project facilities covered under a complex set of insurance contracts.

So far, the LOOP project has "been unbelievably clean," Mr. Ballard said. Aside from a few automobile collisions and minor workers compensation incidents, the first years of work have seen only one disabling injury on a pipelaying barge and no deaths.

Although LOOP project complexities made a single, owner-controlled casualty insurance program unfeasible, LOOP has a broad form all-risk builders policy written by Oil Insurance Ltd. for physical damage, losses. By using a wrapup policy for builders risks LOOP has saved millions of dollars.

Joint venture

LOOP joined OIL in 1977 at the recommendation of an insurance committee composed of risk managers from the five firms holding shares in the LOOP venture: Robert Kreiling of Texaco Inc.; George Obelensky of Shell Oil Co.; Charles Niederer of Murphy Oil Co.; Donald Sailors of Marathon Oil Co., and Roland Pagan of Ashland Oil Co. Even now, they meet occasionally to make recommendations to Mr. Ballard.

In 1977, LOOP needed to demonstrate that it had $50 million of pollution liability insurance to obtain federal licensing. OIL was the only market the participants believed stable enough to provide the pollution coverage in the coming years, Mr. Ballard said. LOOP obtained five consecutive one-year pollution liability policies from OIL by putting up a letter of credit for $5.2 million to back up its premium and contribute to OIL's capitalization.

Today, LOOP's premium to OIL for builders risk and pollution liability coverage is about $250,000 per year, Mr. Ballard said. The policy has a $5 million deductible. That might seem high for a company expected to generate annual revenues of about $150 million, but the cost savings justify it, he adds.

Had LOOP required subcontractors to provide their own builders risk coverage, the project would have cost "untold millions" more. For example, if Brown & Root, builders of the offshore platforms, provided builders risk coverage for themselves, they would have charged at least $3.3 million more for their work, Mr. Ballard said.

LOOP's other insurance coverages include general liability and workers compensation coverage for its own 100-plus employes, underwritten by MOAC with a $500,000 single limit. Automobile fleet coverage is provided by Insurance Co. of North America.

Umbrella liability coverage is written in four layers: Mutual Marine Office provides $10 million excess of $500,000; the London market writes $15 million excess of $10.5 million; Lexington Insurance Co. and MOAC write $10 million excess of $25.5 million, and Gilbrator Casualty Co., U.S. Fire Insurance Co. and MOAC participate in the $10 million excess of $35.5 million a year. ■

Ford closes defense on surprise note

By ROGER ROWAND
Special to Business Insurance

WINAMAC, Ind.—Ford Motor Co. wrapped up its defense of the Pinto on a high note last week, bringing out a second surprise witness who had talked with one of the three girls killed in a fiery 1978 accident.

Ford lawyers spent the remaining days of the defense period trucking out enough scientific evidence to deluge the jury with mental pictures and statistics purporting to show that the 1973 Pinto was properly designed and produced.

Much of the testimony in the final days of Ford's defense presentation focused on the key issue of whether the Pinto occupied by the three victims was stopped when it was hit by a van. Upon impact, the Pinto burst into flames and burned the three girls to death. Ford Motor Co. is charged with three criminal counts of reckless homicide for an allegedly unsafe design and for not warning users of the Pinto about the dangers of the product.

As the state of Indiana prosecution team headed by Elkhart County prosecutor Michael Cosentino launched into its final rebuttal, Judge Harold Staffeldt grew angry with an apparent attempt to introduce new evidence and bring back some earlier prosecution witnesses. Judge Staffeldt barred Mr. Cosentino from rehashing his case, despite Mr. Cosentino's claims that he had been given no warning what witnesses and evidence Ford would use in its behalf.

Judge Staffeldt said he wasn't about to start the whole trial over again, though he acknowledged that this "was one of the toughest decisions of the case so far." The prosecution's chance to rebut the defense's case isn't the time to introduce new evidence and questions, he decided in prohibiting earlier witnesses from taking the stand.

Ford structured its defense to show that any other similarly sized 1973 car would have suffered the same amount of damage the death car suffered when hit by a van going 55 mph. Several surprise witnesses during the past three weeks have testified that the Pinto's driver, Judy Ulrich, told hospital personnel before she died that the Pinto was stopped when the crash occurred.

Last week, Ford produced a 39-year-old nursing supervisor at Elkhart General Hospital who said Ms. Ulrich confirmed in the hospital where she lay dying of burns that the car was stopped when hit. Her testimony appeared to shock the prosecutor and his team, who had earlier been equally surprised when a hospital orderly who had also talked with Ms. Ulrich testified she told him the car was stopped.

This testimony is important to Ford because it indicates more accurately the difference in the speeds of the two vehicles when the crash occurred. The closing speed is critical in establishing the impact and the amount of damage that would typically be caused.

John Habberstad, an accident reconstruction specialist from Spokane, showed the jury films of a 1972 van crashing into six different cars the size of the Pinto at speeds just over 50 mph. The damage was very similar to that done to the Pinto. ▪

Lawsuit shakes work comp

Continued from page 3

past couple of years to erode the exclusive remedy rule," he adds. "Repeated challenges are burdensome, run up defense costs and undermine the system."

"We probably have an instance of 'serious and willful misconduct' here," Mr. Satterlee continues. Johns-Manville is not arguing the facts of the case, but is contesting the plaintiff's right to bring a tort action under the exclusive remedy statute.

Plaintiff attorneys say, however, that civil liability is a better deterrent to wrongful misconduct than the workers compensation system. In cases of serious and willful misconduct, benefits under workers compensation are fixed at 50% above usual, whereas they are potentially unlimited in civil liability actions.

If the case sets a new precedent, it could reduce the number of claims that feed into the workers compensation system, notes John Richman, vp of Fireman's Fund. That's because cases alleging fraud are not covered by insurance. Deliberate wrongdoing is not an insurable risk.

In the big picture, however, target companies could face ruinous losses far outstripping any miniscule reduction in workers compensation insurance costs.

Ironically, the lead defendant in the case, Reba Rudkin, died of lung cancer about a month ago. The approximately 75 codefendants include many of the estates of deceased employes.

Plaintiffs attorney Mr. Anderson says he expects the California supreme court to rule within 60 days because "the court has come under fire recently for slow decisions." Other attorneys, however, believe it may be a year before a decision is reached.

Johns-Manville, a large producer of asbestos, is besieged by asbestos-related lawsuits around the country (*BI*, June 11, 1979). The company has won and lost cases, but to date no punitive damages have been awarded.

Asbestos causes asbestosis, a non-malignant scarring of the lungs, and mesothelioma, a cancer of the linings of the chest and abdominal cavities. Exposure to asbestos is known to increase the risk of lung cancer. ▪

Work comp payments rise

COLUMBUS—The Ohio workers compensation bureau paid $450 million in disability compensation, medical and death benefits during 1979, 19.8% more than the nearly $376 million paid in 1978.

Disability compensation and death benefits totaled nearly $308 million, an increase of 22% from 1978, while medical bill payments were nearly $143 million, up 14.6%.

A total of 419,404 claims were filed during 1979. ▪

Baxter names Joplin to new risk post

comings & goings: buyers

Ruth Joplin, 29, was named to the newly created position of insurance administrator for Baxter Travenol Laboratories Inc., Deerfield, Ill. She is responsible for the administration of domestic property and casualty insurance programs, reporting to Thomas Lenhart, manager of risk management. Ms. Joplin was formerly with Arthur J. Gallagher & Co. for about two years as an account executive. She holds a B.A. degree in French and English from Olivet Nazarene College.


Joplin

* * *

R. Jay Palmer, 37, has been named to the newly created position of risk manager at Pacesetter Financial Corp. in Grand Rapids, Mich. He previously worked as corporate insurance analyst at Gerber Products Co. in Fremont, Mich., where **Charles Witteveen,** 45, has replaced him. Mr. Palmer, who reports to secretary/-treasurer Russell R. Kempker Jr., will be responsible for coordination of security procedures and control and financing of risks. He has a B.S. degree from the Indiana University school of business. Mr. Palmer is vp of the West Michigan chapter of RIMS. Mr. Witteveen, who reports to corporate insurance manager Dennis Teerman, was previously an internal auditor for Gerber. He has a bachelor's degree in business administration from Grand Valley College in Allendale, Mich.


Palmer

* * *

Burndy Corp. in Norwalk, Conn., has promoted **John Benigno,** 25, from collection analyst to treasury analyst. He replaces **Richard Viola,** who was promoted to financial projects manager. Mr. Benigno will be responsible for the company's worldwide insurance program. He is a graduate of Sacred Heart University with a degree in business administration. He reports to Alan H. Peltz, corporate treasurer.

* * *

Jack Carlson, 34, has joined Transamerica Corp. as claims manager. He replaces **Alan Jones,** who left the company. Mr. Carlson, who previously served as claims supervisor for SAFECO Insurance Cos. in Burlingame, Calif., reports to Wayne Morrison, director of risk management. He will be responsible for the administration and management of claims covered under the subsidiaries' insurance program. He has a B.A. degree from California State University and is also pursuing his CPCU.

* * *

Marianne Stark has been named risk manager for Washoe County, Nev., to replace **Mary Finnell,** 31, who is now risk manager for the state of Nevada. Ms. Stark previously was senior insurance analyst at Kaiser Cement Corp. in Oakland, Calif. She has a B.S. degree from the University of San Francisco and reports to Candace Fox, director of budget and analysis. Ms. Finnell, in her newly created position, reports to Howard Barrett, head of the department of administration. She has a master's degree in safety management and a bachelor's degree in business administration from the University of Arizona.

•

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Labor Dept. probes Sambo's captive

Continued from page 1

The August class exemption, however, did not resolve whether insurance subsidiaries may reinsure employe benefit plans underwritten by licensed insurers. Reinsurance arrangements are being judged on a case-by-case basis.

One company, U.S. Industries of New York, has requested an individual exemption so it can continue to use its Bermuda captive, Diversity Insurance Co. Ltd., to reinsure a "major part" of its employe benefit business insured with Prudential (*BI*, Oct. 29, 1979).

However, unlike U.S. Industries, Sambo's apparently never notified the government it was using its Bermuda captive, SAMCO, to reinsure benefits also insured with Prudential.

ERISA requires companies to notify the government if their employe benefit plans are engaging in party-in-interest transactions. Civil penalties equal to 5% of the amount of benefit business conducted may be imposed for failure to reveal party-in-interest transactions.

Criminal penalties of up to one-year prison terms also could be imposed if the government determines that Sambo's "willfully" failed to inform the Labor Department about an alleged party-in-interest transaction.

A Sambo's benefit official interviewed by *Business Insurance* following the release of the class exemption last summer seemed unaware that there was a government rule limiting the use of a captive to write a parent's employe benefit business.

According to a recent *Business Insurance* profile of Sambo's, the company has used its captive to reinsure employe benefit plans for several years (*BI*, June 11, 1979).

Even before April 1977, when Republic National Life of Dallas issued policies for Sambo's group health insurance programs, most of the coverage was reinsured with SAMCO.

Then in early 1977 Prudential won the giant Sambo's account and followed Republic National's practice of laying off most of the risk with SAMCO.

The Labor Department investigation of Sambo's employe benefit arrangements is just one of the fast-food chain's problems.

According to its most recent report filed with the Securities and Exchange Commission, Sambo's lost almost $45 million in the first nine months of 1979.

Sambo's is also the target of at least 10 separate lawsuits by former restaurant managers charging Sambo's changed their compensation programs and "adversely affected the managers' retirement plans." ▪

Pregnancy law fuels costs: Managers

Continued from page 1

high as 25%. The biggest specific increases for maternity care were at two firms that reported 47% and 60% jumps, respectively.

Disability costs, too, have risen because of the federal pregnancy law, said 85% of the board members responding to the survey. The disability plan increases were most often 1% to 10% (21 responses), although another 11 survey participants said increases ranged from 11% to 25%. One benefit manager said his disability benefits are costing 32% more because of the law and another said costs are up 160% since the law went into effect.

Few cutbacks

Only 10% of the benefit managers on the board have cut back health, medical or disability benefits to curtail the added costs of benefits that must be provided under the new law. Two managers are planning to cut back benefits in the next 12 months to stem the added cost burden.

An overwhelming 86% of the companies whose benefit managers are on the Employe Benefit Board already cover the cost of abortions in their health/medical benefit plans. Many firms cover the cost of abortions only if they are therapeutic, medically necessary or if the life of the mother is threatened. Other firms don't cover abortions because they are elective procedures, but do cover any complications resulting from abortions.

Several benefit managers noted that company policy specifically provides that abortions not be covered under benefit plans.

More than half of the 87 benefit managers who responded to the survey said they have actively taken steps in the last six months to control outlays for health and medical benefits. Of the 50 managers who said they tried new cost control techniques in recent months, an astounding number are monitoring local hospital charges and expansions, telling employes what they can do to hold expenses down, implementing second surgical opinion programs, covering 100% of the cost of outpatient treatment, scrutinizing disability claims closely and adding HMO options.

New suppliers

Probably the most innovative approach to cost control is one firm's establishment of in-house medical treatment facilities for some illnesses and disabilities, and full service in-house dental offices at two locations.

A few employers are adding restrictive provisions to benefit programs, such as a new preexisting illness exclusion, limitations on mental health coverage, a narrower definition of disability, reintroduction of scheduled benefits, higher deductibles (in one case an increase to $100 from $50), limits on benefits when plans are revised (such as a weekly maximum disability benefit, not just 70% of pay).

One company that extended a mail-order prescription drug plan to some salaried employes has found this is a less costly source of prescription drugs. Another firm began negotiating directly with hospitals and testing labs for fee discounts. At the same time it began operating its own alcoholism rehabilitation facility.

Ten company benefit managers have formed or helped to form local and regional cost containment coalitions of employers or are participating in local coalitions.

Internal controls

Several firms undertook internal administrative steps to control costs, setting up a cost containment task force, establishing new procedures for auditing coordination of benefits in claims.

One company has begun requiring that all medical tests be performed at a single controlled location.

Of the 87 benefit chiefs participating, only one offered an estimate of savings. "We have instituted in our medical plan six cost containment measures estimated to have saved about $80,000."

There's a lot of controversy over which methods of controlling costs are most effective. Most companies participating in HMOs can't trace any tangible savings to the organizations, but nonetheless view prepaid health care through HMOs as the best way to save money.

Second surgical opinions, one manager says, don't help reduce costs at all; they're only for employes' "peace of mind." But others disagree, saying second surgical opinion plans have already generated savings and will continue to. ▪

Controlling Benefit Costs

Most Effective Techniques:

- Fee schedules
- Hospital utilization review
- Maximum benefit caps
- Exclusion of vehicular accidents unless no other coverage
- Close scrutiny of claims payment for COB
- Pre-admission testing
- Participation in local coalitions
- Participation in HMOs
- 80%/ 20% coinsurance provisions in plans
- Mail-order Rx drug plan
- Outpatient surgery
- Close scrutiny of disability claims
- Self-insurance of benefits
- Companywide health awareness program

Least Effective Techniques:

- Second surgical opinions
- Having delegates on hospital boards
- PSRO programs
- Participation in IPAs
- Serving on HSA boards

Annual deductible proves most popular

The overwhelming majority of employers have provisions in their health and major medical benefit programs for a single calendar-year deductible per employe or per family, the Employe Benefit Board survey revealed.

Ninety-three percent of the survey participants said they now use a calendar-year deductible rather than the per-illness deductibles once common in employe benefit plans.

The most popular annual deductible per employe per year is $100, with 45 of the 87 participating companies using that as the annual required deductible. Another 21 provide for a $50 deductible, while other scattered firms use $25, $30, $40, $75, $150 and $200 deductibles for individual employes.

Family deductibles each year are most commonly $200 (30 companies), although some firms use $100 (10 firms), $150 (seven firms), $250 (five firms) and $300 (11 firms). Aside from a few other scattered amounts, the highest annual deductibles were $400 and $500 per family, required by five companies.

Some firms also provide for a flat, out-of-pocket annual maximum expenditure per individual or per family, so that the benefit plan will cover all costs beyond a certain maximum payment. The annual maximum out-of-pocket provisions range from $500 (three firms) up to $2,500 per family (three companies).

It is fairly common for employers to establish a maximum number of deductibles that will be applied in one year per family, in lieu of a ceiling above which the plan will cover all costs. Ten companies said they cover costs above a maximum of two or three individual deductibles.

Risk Retention Act wins praise from small firms

Continued from page 1

insurance underwriters.

Forty-five states now have laws barring businesses or individuals from purchasing insurance in groups, according to the Commerce Department.

The Risk Retention Act "is one of the most important bills Congress can pass this year," says Robert King, president of William H. Taylor & Co. Inc., a Lehigh Valley, Pa., distributor with 38 employes that has seen its product liability premium quadruple in three years. "Our margins are paper thin and this bill would assure equitable coverage at reasonable rates."

But whether Congress will finally approve the Risk Retention Act remains to be seen. The Senate Commerce Committee, now considering the legislation, traditionally has been more inclined to favor insurance industry positions, and the industry is lobbying Congress to kill the bill.

Alternative coverage

In letters sent to members of the House Interstate and Foreign Commerce Committee, Arthur Mertz, president of the National Assn. of Independent Insurers, a trade association of property/casualty insurers, said the bill is unnecessary and inefficient.

But two dozen small firms contacted by *Business Insurance* endorsed the pooling legislation.

"If you don't get a fair premium (quote) based on risk, you could warn the insurer that the firm was going to join a pool and that would force them to become more competitive," said J.R. Bentley, administrator of Galiso Inc. of Anaheim, Calif.

"If we could pool with other wholesalers who have the same risk as we do . . . it will be beneficial," adds Kathryn Sisson, treasurer of Mid-Way Supply Inc. of Zion, Ill. "Even if we don't go into a pool right now, at least we would have another option, that might make insurers more competitive."

Each time Mid-Way Supply tries to obtain product liability insurance, the insurer tries to rate the firm as a contractor, resulting in higher rates than a wholesaler warrants, Ms. Sisson says.

"Claims are so rare, you have to go hunting for them," says W.L. Clifton, president of Behrens Inc., a Waco, Tex., pharmaceutical wholesaler. "I've never even heard of a claim being paid out against a wholesale drug distributor. Premiums ought to relate to losses. Frankly, we're being robbed by the insurance industry."

Public benefits

Small business executives also say the public would be the real beneficiary if they could pool their risks. "The public will be protected because firms that now go bare because of the high cost (of insurance) could get coverage ensuring compensation in the event of a claim," said John F. Darcy, president of AGL Welding Supply Co. Inc. in Clifton, N.J.

No one, not even the Commerce Department which drafted the bill, has been able to estimate how many companies might set up federally chartered pools, but based on interviews with small companies, the number of pools might be enormous.

Robert King, president of William Taylor & Co., believes there are thousands of Pennsylvania firms unable to buy product liability insurance or unhappy with high costs that would join pools.

Robert Sheppard, president of Dix Equipment Co. of Trenton, Mich., said he would "jump at the chance" to join a pool. He'd also help organize other distributors in the Detroit area to set up a pool. ▪

Hospital insurance group survives loss of member

NASHVILLE—The four proprietary hospital chains participating in Hospital Underwriting Group (HUG) will continue operating the multi-owner insurance company despite the pullout of the largest participant last summer.

Though observers of HUG had speculated the company might be disbanded because of inadequate spread of risk among the participating hospitals, Charles Chaffin, director of insurance services for Charter Medical Corp., thinks HUG "is still a good deal." Mr. Chaffin says he's working on his June renewal right now.

HUG, founded in 1976 by four sizable hospital chains, was domiciled in Bermuda until late last summer when it moved to Tennessee following passage of that state's new captive law. The move took place several months after American Medicorp, a 40-hospital chain, pulled out of HUG.

American Medicorp, headquartered in Bala Cynwyd, Penn., merged with Humana Inc. of Louisville, Ky., in February 1979, making Humana one of the two largest chains of investor-owned hospitals in the country. Humana, which has its own Colorado-based captive insurance company, Health Care Indemnity Inc., consolidated Medicorp's coverage into its programs in June when Medicorp's three-year coverage commitment with HUG expired.

Even with the loss of American Medicorp, HUG now insures roughly the same number of hospitals as when it was formed, noted Richard Ragsdale, treasurer of Hospital Affiliates Inc. in Nashville. This is attributable to HAI's growth during the intervening years and the addition of National Medical Enterprises to HUG's stable of participants in 1977.

The continued growth of all the chains participating in HUG should ensure HUG's spread of risk improves steadily, Mr. Ragsdale said.

That is not to say the group was unconcerned, however, when American Medicorp pulled out. Lifemark Inc. in Houston retained actuaries and insurance consultants, in fact, to analyze HUG's status at the time, noted John Hobbs, treasurer. Their conclusion was that HUG was still viable in terms of premium flow and risk spread.

At the time of Medicorp's merger with Humana, members of HUG examined the possibility that Humana should join HUG as a participant. After the decision was made to combine the Humana and Medicorp programs and pull American Medicorp out of HUG, the four remaining participants reevaluated the feasibility of continuing HUG, although Marsh & McLennan, acting as consultant, advised that HUG was as viable as it ever had been.

HUG presently insures 118 hospitals with 10,500 beds, generating an annual premium flow of $10 million.

The actual impact on HUG was slight following the American Medicorp pullout, agreed Ray Hodges, vp of National Medical Enterprises in West Los Angeles.

"HUG anticipated at the time it was established that its configuration might change through merger or withdrawal," Mr. Hodges said. "As a result, procedures were in place to absorb the impact of change."

John Neff, Tennessee insurance commissioner, said the state was satisfied that the group insurer was financially sound at the time HUG moved its domicile to Tennessee from Bermuda.

HUG's manager and chief executive is John J. Middleton, an account executive with Marsh & McLennan Inc. in Nashville, who moved to Tennessee from Bermuda to manage the organization. ▪

Calif. sees 46% plunge in awards

SAN FRANCISCO—Product liability awards handed out by California superior court juries plunged by 46% in the last year, says an insurance trade group.

The average 1979 award was $299,466, compared with an average 1978 award of $599,470, according to the Insurance Information Institute.

The size of the average award in 1978 was exceptionally high because of several unusually large awards made by California juries that year. The largest of those was $128 million to a teenaged youth who was severely burned when the Ford Pinto he was riding in crashed and burned after being struck from the rear. The award was later reduced to $6.1 million and Ford is appealing.

Meanwhile, in another California development, the state assembly has passed legislation (A.B. 550) allowing the defense to introduce as evidence at trials the amount of public and private collateral payments an injured plaintiff is receiving.

The measure, sponsored by Rep. Allister McAlister, has a good chance of passage when the state senate takes up the proposal later in the session, said a spokesman for the National Federation of Independent Business. ▪

riskWatch

Prosecution question complicates bonding

By MIKE HINCHEY

Bonding rates for many companies seeking protection from employe malfeasance are skyrocketing and it is hardly surprising. The estimated annual loss to white-collar crime stands at $44 billion.

A company's position regarding prosecution of offenders is the most controversial issue in fighting crime in the suites. While some firms enthusiastically support prosecution, others opt not to press charges. To further complicate matters, companies report different obligations to their insurers.

Hinchey

"You can't get restitution from someone who is making license plates in the state pen," said one company president. His bonding company makes the decision to prosecute when the loss is above the deductible, he noted.

"Prosecution without regard to restitution" is the policy of the Continental Illinois National Bank. The big banks have the biggest stake in loss prevention. Their deductibles average $500,000.

But policy is not a simple matter. A company's policy must cover two related but distinct losses: one above and the other within the deductible limit. Because of this, many companies find they need two sets of rules.

"We definitely prosecute," says Joseph Dancheck, director of risk management for Chicago's Harris Bank. And they do prosecute, if the loss is within their deductible. If the loss is above the deductible, Harris asks the bonding company for advice. It's unlikely Harris would prosecute without the consent of the bonding company.

"They insist," says Mr. Dancheck, explaining he couldn't get a bond without allowing the bonding company input when the insurer must cover a loss.

Not so, says one bonding company. "We are disinterested parties," maintains John Posey, supervising claim examiner with the Kemper Group.

"We've no right to prosecute," emphasizes Kemper's Thomas Patton, bond underwriting officer. Mr. Patton points out the distinction between civil rights to recovery, which Kemper has, and the rights to move forward on a criminal prosecution, which are vested in the victim company. When a company comes to Kemper seeking advice, Mr. Patton tells it to take the matter up with its attorney. Many companies are "scared to death" of a possible suit for malicious prosecution, he notes.

Mr. Patton cautions, however, that a company should do nothing to interfere with the bonding company's right to salvage. Insurers have no primary right to prosecute, but may have an interest in stopping a prosecution.

Corporate risk managers are often reluctant to comment on their prosecution policy. "Damned if you do—damned if you don't" is how the risk manager of one $1 billion manufacturing company put it.

Hyatt Corp.'s policy calls for the bonding company to have control where a loss is above the deductible, said risk manager Robert Duty. But even if there were no contractual relationship, says Mr. Duty, it's still wise to call in the insurer. A mishandled case would hurt a company's loss experience and the price of its bond.

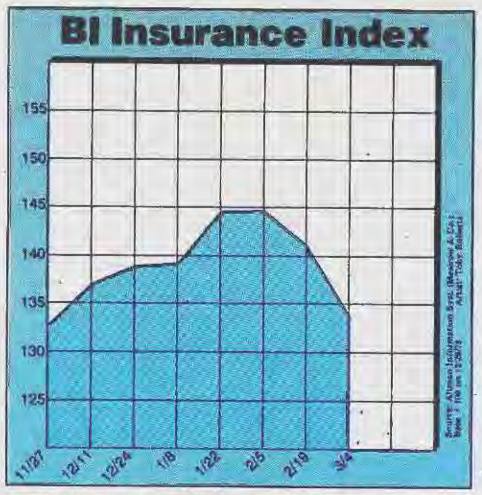
Hyatt has a firm policy to prosecute where the loss is within its deductible. But Mr. Duty recommends that only strong cases be prosecuted.

Most companies would prefer to prosecute. Says a spokesman for Zenith Radio Corp., "It makes good sense." But the expertise and aggressiveness of authorities varies with locale.

But Hyatt's aggressive policy doesn't really reduce the cost of the bond, Mr. Duty said. Mr. Patton of Kemper says there is nothing in the rate schedule regarding a company's prosecution policy, but an aggressive policy to prosecute would be a positive factor. A tough policy may help in a borderline case, he said. Clearly though, if a company seeks an advantage because of its policies, it must sell the policy to its bonding company.

Big losses, of course, do not occur frequently and most risk managers fortunately have no experience in dealing with them. Brokers, with their diverse experience, can be helpful. It is important to be prepared. The alternative is to learn the hard way.

Mike Hinchey is a Chicago-based freelance writer, experienced in writing on legal issues.



The insurance industry fell out of favor with investors in the latest two weeks, slamming 70 out of the 75 stocks listed in the *BI* Industry Index. The index value on March 4 was 134.3, down 5% from two weeks ago. The base of 100 for the index was at year-end 1978. Insurance stocks took more of a drubbing than other industries, though other stock price indicators also fell. The only major winners on the *BI* index list were Standard Life Insurance Co. of Indiana, up 21% to $18.75, and Farmers Group Inc., up 10.4% to $26.50. Biggest losers were American National Insurance and Crawford & Co., both down 16.4%; Northwestern National Life, down 14.5%; SRI Corp., down 14.1%; Mission Insurance Group, down 13%, and United Services Life Insurance, down 12.7%.

British Issues

3/4 Companies	Price pence	P/E	Div. pence	Yield %	2 Week High—Low pence pence
Comml Union	136	6.2	14.00	10.3	142—135
Eagle Star	166	7.2	12.00	7.2	171—157
Genl Accident	238	6.7	17.14	7.2	242—226
Gdn Royal Exch	240	7.5	16.57	7.7	244—230
Phoenix	232	7.0	18.57	8.0	238—230
Royal	335	6.8	30.71	9.2	343—332
Sun Alliance	566	9.6	39.29	6.9	572—560
Brokers:					
CT Bowring	133	10.2	5.45	4.1	140—131
CE Heath	197	7.9	11.83	6.0	202—197
Hogg Robinson	107	9.7	7.48	7.1	110— 98
Alex Howden	104	8.8	10.00	9.6	109—103
JH Minet	99	9.2	5.95	6.0	103— 98
Sedg Fb Bl Pn	95	9.5	7.14	7.5	100— 92
Stenhouse Hldg	74	7.0	6.46	8.7	80— 74
Stew Wrightson	193	8.2	16.15	8.4	200—193
Willis Faber	240	12.0	14.77	6.1	242—231

Source: Kitcat & Aitken, London

Bache broker takeover highlights trend: Analyst

By STUART EMMRICH

NEW YORK—When Bache Group gobbled up Ter Bush & Powell little more than a week ago, it was taking its own analyst's advice. The $10 million takeover of the upstate New York firm probably came as little surprise to many in the industry who have watched buyers snap up brokers over the years and who have watched with interest Bache's own success with California-based Albert M. Bender Co. during the last two years.

"Investors have had a love affair with brokerage firms for most of the last decade," explained Herbert Goodfriend, securities analyst with Bache Halsey Stuart Shields Inc., a subsidiary of the Bache Group.

Insurance industry analysts for several years have recommended insurance brokers as attractive takeover possibilities for companies in a wide range of industries looking for ways to diversify and stabilize earnings.

Brokers are viewed as money machines in the insurance business, desirable especially for firms wanting cash flow and financially oriented services on the roster of products they offer.

"The opportunities are very significant. You can get over the cyclicality and the seasonality of the securities industry. There is also more consistent growth in the insurance brokerage business," says the veteran investment analyst.

Several factors that make the insurance brokerage business look especially attractive for outsiders, Mr. Goodfriend observes, are:

- It is an unregulated industry.
- It is not involved in operations having a great impact on ecology or the environment, two areas causing increasing problems for businesses.
- Returns on invested capital for brokers are at least two to three times higher than the average of firms in the Dow Jones Industrials or most other comparable industries.
- The growth rate over the past decade has been triple the growth of the Gross National Product.
- Insurance brokers make money on invested cash float.

Mr. Goodfriend also argues that an insurance broker's expenses are also more easily determined in advance than they might be for companies in some other industries.

"Because it is a people-oriented industry, you have a pretty good fix on costs. You can only add people when new business warrants it, for instance," he said.

It is also possible to gauge fairly accurately what commission and fee revenues will be from year to year for an insurance brokerage operation, he says.

Although competition among brokers is tough, account turnover seems to be somewhat less than in other similar service industries, he believes.

"You have pretty good client loyalty, as long as you do a good job. A competitor has to come in and prove he can do a better job for your client, which isn't the easiest thing to do," Mr. Goodfriend says.

There are roadblocks to jumping into the brokerage business, among them potential entrants' realization of how attractive the insurance brokerage business has become.

"The ticket to entry is fairly high," Mr. Goodfriend said. "You have to pay a fairly stiff multiple of earnings. The asking price for these firms has gone up greatly in proportion to what they perhaps should expect."

Also, because a brokerage's assets lie in the people it employs, a takeover by an outsider can be a sticky affair that may alienate present employes and cause them to look elsewhere for jobs. When that happens, an acquirer loses the assets that were the primary reason for the takeover.

Some analysts suggest this is one of the biggest problems Marsh & McLennan faces if it succeeds in its purchase of London-based C.T. Bowring.

This potential stumbling block was one factor carefully scrutinized by Bache before it purchased Ter Bush & Powell.

"One of the reasons we bought Ter Bush & Powell is that the key people gave us assurances that they would stick with us. It is something you have to get in this business. You have to go in and hold the clients' hands. You have to assure your future employes that they will embellish their futures by staying on, rather then leaving. You stroke them, and most rational men and women would respond to that."

To arguments that suggest the future of the industry may not be best served by further consolidation and takeovers, Mr. Goodfriend counters: "It is part of the free marketplace that the efficient companies often end up taking over the less-efficient ones. It is the most productive use of capital," he contended.

BI ticker

Commercial Union

Commercial Union reports $28.2 million in underwriting losses in 1979, compared with an underwriting profit of $5.8 million in 1978. Losses from Hurricanes David and Frederic were blamed for much of the drop.

Pretax income also declined during the past year to $80.5 million from $87.3 million, a decrease of 8%, while the combined ratio climbed to 102.5% from 98.5%. Earned premiums increased 8% to $910.8 million.

Kemper Corp.

Net income for Kemper Corp. increased 19% in 1979, to $86.3 million from $72 million, while a strong fourth quarter showed a 34% improvement over 1978, to $24.6 million from $18.3 million.

First-quarter winter storms in the Midwest and the two hurricanes in the third quarter were blamed for depressing property/casualty operating results, but investment income managed to bring overall property/casualty earnings up 6% over 1978, to $52 million from $48.8 million.

CNA Insurance

CNA Insurance experienced a $60 million underwriting loss in 1979, an even worse performance than the $18.6 million loss reported in 1978. Fourth-quarter results from the Chicago company showed a slight improvement from the previous year, however, with a $7 million loss, compared with $9.6 million lost in the same period of 1978.

Operating income for the company's combined insurance business declined 4% in 1979, to $188.2 million from $195.5 million, while the combined ratio climbed to 103.3% from 101%.

Net premiums earned from property/casualty operations increased 21%, to $1.2 billion from $1 billion.

Net income for the parent CNA Financial Corp. showed a decline of 11% in 1979, to $189.1 million from $210.7 million. Fourth-quarter net income dropped 5%, to $49.8 million from $51.9 million.

USLIFE Corp.

Net income reached record levels in 1979 for USLIFE Corp., $90.1 million compared with 1978's $74.2 million, an increase of 21%. Revenues jumped 25%, to $772 million from $620 million.

Those figures were not only good news for company officials, but have prompted at least one analyst to recommend the stock to investors.

Herbert Goodfriend of Bache Halsey Stuart Shields Inc., in a recent market report, predicts a rosy future for the New York company in 1980: annual premiums climbing to $100 million from the present $72 million and net income rising another 11% to $100.

Patting the company on its back for what he said was a finely defined and well-oiled marketing strategy, Mr. Goodfriend said USLIFE should continue to move up on rivals during 1980 in such areas as insurance in force, premium income, insurance issued and assets, all of which improved in industry rankings during 1979. ■

BI Industry Stock Report

Insurance Cos.		March 4, 1980 Price	% Chg.	P/E	$ Div.	% Yld.	2-20-80—3-4-80 High	Low	Vol. (000)
Aetna Life & Cas Co	NYSE	32.62	-2.2	4.7	2.12	6.5	33.00	30.75*	1,469.5
American Bankers Ins Co Fla	OTC	8.87	-2.7	5.7	0.44	5.0	9.13	8.88	120.1
American Finl Corp Ohio	OTC	30.50	2.5	3.3	0.04	0.1	30.75*	30.00	61.5
American Gen Ins Co	NYSE	31.25	-9.4	4.7	1.00	3.2	35.25	31.25*	300.5
American Indty Finl Corp	OTC	15.75	-8.7	4.7	1.12	7.1	17.25	15.75*	20.5
American Intl Group Inc	OTC	57.00	-4.2	9.7	0.42	0.7	59.75*	56.00	491.4
American Natl Ins Co	OTC	13.37	-16.4	5.4	0.62	4.6	16.13	13.38*	217.9
American Sts Life Ins Co	OTC	19.00	-3.8	7.9	0.64	3.4	19.75	19.00*	3.2
Aneco Reins Ltd	OTC	6.25	2.0	0.0	0.00	0.0	7.38*	6.13	430.9
Appalachian Natl Corp	OTC	2.56	-10.9	7.3	0.16	6.2	2.88	2.56*	7.4
Avemco Corp	AMEX	11.00	-2.2	8.2	0.50	4.5	11.50	10.50*	29.3
Banks Iowa Inc	OTC	26.25	-4.5	5.5	1.32	5.0	27.50	26.25	4.4
Bitco Corp	OTC	36.50	-3.9	4.7	2.10	5.8	39.00	36.50	17.7
Carolina Cas Ins Co	OTC	7.75	-4.6	4.5	0.32	4.1	8.13	7.75	7.3
Central Natl Finl Corp	OTC	7.50	0.0	3.8	0.35	4.7	7.50	7.50	1.5
Chubb Corp	OTC	33.00	-5.7	4.2	2.40	7.3	34.75	32.50*	258.7
Combined Ins Co Amer	OTC	18.63	-3.9	5.6	1.40	7.5	19.50	18.63	390.0
Connecticut Gen Ins Corp	NYSE	32.12	-1.9	4.9	1.52	4.7	33.13	30.25*	754.0
Continental Corp	NYSE	25.25	-1.0	4.7	2.20	8.7	26.13	25.13*	456.0
Crawford & Co	OTC	14.00	-16.4	12.0	0.48	3.4	16.50	14.00*	39.9
Crown Life Ins Co	OTC	63.50	0.8	46.0	2.40	3.8	64.50	63.50	9.4
Crum & Forster	NYSE	48.75	-7.4	4.5	2.52	5.2	52.25	48.75*	213.1
Employers Cas Co	OTC	35.00	-4.1	6.3	1.20	3.4	36.50	35.00	10.4
Erc Corp	OTC	60.75	-6.5	6.9	1.40	2.3	64.25	60.50*	594.3
Equifax Inc	NYSE	18.50	0.7	5.9	2.20	11.9	19.00	18.50	11.8
Farmers Group Inc	OTC	25.00	-8.3	8.7	1.00	4.0	27.13	24.75*	351.5
First Colony Life Ins Co	OTC	26.50	10.4	11.2	0.76	2.9	27.00	24.00	9.1
Foremost Corp Amer	OTC	16.25	-10.3	6.9	0.60	3.7	18.13	16.25	116.1
General Reins Corp Del	OTC	78.00	-7.1	6.3	2.00	2.6	85.00	78.00*	278.3
Globe Life & Acc Ins Co	OTC	28.38	0.0	10.1	0.40	1.4	28.38	28.25	83.1
Great West Life Assurn Co	OTC	150.00	0.0	6.8	8.00	5.3	150.00	150.00	0.0
Hanover Ins Co	OTC	32.00	-6.6	3.8	0.52	1.6	34.25	32.00*	72.4
Hartford Steam Boiler Insptn	OTC	29.50	-11.3	5.9	2.20	7.5	33.25	29.50*	10.6
Integon Corp	NYSE	25.50	-5.6	9.7	0.48	1.9	27.63	25.50	107.5
Jefferson Natl Life Ins Co	OTC	30.50	-3.2	7.8	0.64	2.1	31.50	30.50*	32.1
Kemper Corp	OTC	26.50	-7.0	3.9	1.40	5.3	28.38	26.50*	125.0
Lincoln Natl Corp Ind	NYSE	37.75	-10.7	5.5	2.80	7.4	42.00	37.75*	158.2
Mgic Invt Corp	NYSE	22.63	-8.1	6.7	1.00	4.4	24.88	21.75*	989.1
Mission Ins Group Inc	NYSE	26.88	-13.0	6.5	0.80	3.0	30.38	26.75*	93.0
Nationwide Corp Ohio	OTC	17.63	-0.7	5.3	0.66	3.7	17.75	17.63	12.7
Nn Corp	OTC	33.25	-6.3	7.2	2.00	6.0	36.50	33.25	133.6
Northwestern Natl Life Ins	OTC	26.50	-14.5	5.4	1.25	4.7	31.50	26.50*	87.4
Ohio Cas Corp	OTC	33.25	-7.6	4.7	1.76	5.3	35.75	33.13*	134.2
Old Rep Intl Corp	OTC	15.50	-9.5	3.6	0.92	5.9	17.63	15.00*	88.2
Pinehurst Corp	OTC	8.25	0.0	8.7	0.00	0.0	9.00*	8.13	176.9
Preferred Risk Life Ins Co	OTC	18.50	0.0	6.6	0.50	2.7	18.50	18.50	13.6
Provident Life & Acc Ins Co	OTC	38.00	-5.0	5.1	1.48	3.9	40.50	38.00*	33.3
Republic Natl Life Ins Co	OTC	20.12	-3.0	10.6	0.70	3.5	22.25*	19.88	580.7
Ryan Ins Group Inc	OTC	19.00	-5.0	5.2	0.12	0.6	20.00	19.00	11.1
St Paul Cos Inc	OTC	33.00	-6.7	4.5	2.00	6.1	34.75	32.25*	401.1
Safeco Corp	OTC	34.25	-4.9	4.9	1.80	5.3	36.00	33.75*	161.6
Sri Corp	OTC	18.25	-14.1	3.7	1.00	5.5	21.75	18.25*	42.0
Seibels Bruce Group Inc	OTC	14.50	-4.6	5.8	0.80	5.5	15.20	14.40	24.5
Southwestern Life Corp	OTC	42.00	-3.4	15.2	1.00	2.4	43.75	42.00	559.1
Standard Life Ins Co Ind	OTC	18.75	21.0	11.6	0.44	2.3	18.75*	15.50	21.1
Statesman Group Inc	OTC	4.75	-9.5	4.0	0.15	3.2	5.25	4.75*	37.4
Tokio Marine & Fire Ins Co	OTC	120.50	-4.6	12.8	2.49	2.1	126.00	120.25*	4.9
Travelers Corp	NYSE	38.00	-3.8	4.2	2.48	6.5	40.00	35.00*	816.0
United Fire & Cas Co	OTC	25.75	0.0	8.2	0.90	3.5	25.75	25.75	0.0
United States Fid & Gty Co	NYSE	35.38	-6.9	4.3	2.80	7.9	38.25	35.38*	438.9
United Svcs Life Ins Co	OTC	13.75	-12.7	5.1	0.80	5.8	16.00	13.75	175.3
Washington Natl Corp	NYSE	22.50	-11.3	4.9	1.40	6.2	25.25	22.50*	40.8
Zenith Natl Ins Corp	OTC	16.25	-7.1	10.7	0.40	2.5	17.75	16.25	36.0
INSURANCE COMPANIES	AVERAGE			6.2		4.2			
Agents/Brokers									
Alexander & Alexander Svcs	OTC	28.75	0.0	10.0	1.64	5.7	29.25	28.50*	560.0
Baldwin & Lyons Inc	OTC	24.38	-7.1	4.5	0.70	2.9	26.00	24.38*	23.1
Corroon & Black Corp	NYSE	24.25	-7.2	9.0	1.56	6.4	26.00	24.13*	57.4
Crump E H Cos Inc	OTC	10.38	-1.2	10.1	0.32	3.1	10.50	10.13*	56.5
Hall Frank B & Co Inc	NYSE	21.75	-8.4	7.5	1.44	6.6	23.88	21.75*	94.6
Integrated Res Inc	AMEX	14.75	-7.8	9.9	0.00	0.0	16.50	14.75	100.5
James Fred S & Co Inc	NYSE	22.13	-9.7	8.4	1.40	6.3	23.50	22.13*	146.5
Marsh & Mclennan Cos Inc	NYSE	59.50	-10.5	10.1	3.60	6.1	66.50	59.50*	105.7
Penn General Agencies Inc	OTC	1.37	0.0	10.6	DID NOT TRADE				
Reed Stenhouse Cos Ltd	OTC	8.37	-2.9	6.5	0.48	5.7	9.00	8.25	93.3
Rollins Burdick Hunter Co	OTC	20.75	-4.6	9.3	1.24	6.0	21.75	20.75	13.6
AGENTS/BROKERS	AVERAGE			8.3		5.2			
Conglomerates/Holding Cos.									
American Express(Fireman's Fd)	NYSE	28.25	-2.6	5.8	1.80	6.4	30.00	28.00*	1,140.9
Anderson Clayton(Ranger/PanAm)	NYSE	23.25	-0.5	5.9	1.12	4.8	24.38	23.13	63.2
City Investing Co. (Home Ins.)	NYSE	16.13	-5.8	3.2	1.20	7.4	17.25	16.13*	521.5
CNA Finl Corp (CNA)	NYSE	16.88	-3.6	3.6	0.00	0.0	17.88	16.88	218.0
Control Data (Comml. Credit)	NYSE	54.12	-7.1	7.9	0.60	1.1	59.63	53.50	1,013.2
INA Corp (Ins. Co. of NA)	NYSE	29.25	-9.3	4.6	2.20	7.5	32.38	29.25*	413.4
ITT (Hartford Group)	NYSE	26.00	-9.6	9.1	2.40	9.2	28.63	25.88	2,051.0
Reliance Group Inc	NYSE	63.25	-8.3	2.7	2.00	3.2	72.50*	62.88	303.4
Sears Roebuck & Co. (Allstate)	NYSE	16.13	-5.8	5.8	1.36	8.4	16.88	16.00*	3,162.3
S & H Co. (Bayly Martin & Fay)	NYSE	15.12	1.7	5.0	1.00	6.6	15.50*	14.88	22.7
Teledyne Inc (Argonaut)	NYSE	144.50	-4.2	5.2	10.00	6.9	149.25	143.38	339.3
Transamerica Corp (Occidental)	NYSE	15.75	-8.0	4.3	1.12	7.1	17.38	15.75*	938.4
CONGLOMERATES/HOLDING COS.	AVERAGE			4.7		5.5			

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