

Van pooling risk ahead: Proceed with caution

By KATHRYN MCINTYRE ROBERTS

CHICAGO—A new corporate exposure is rolling down America's highways. At the rate it's moving your boss could park the problem on your desk tomorrow.

It's company-operated van pooling, a program whereby a company supplies vans to its employees for commuting. One employee chauffeurs and the riders pay the operating expenses—including insurance.

To its advocates, this hybrid of private and mass transportation is hailed as an answer to pollution, energy consumption, traffic congestion and parking. It improves employee punctuality, saves workers money and lifts morale, proponents claim.

But for the risk manager, the commuter venture can present insurance problems. A van full of commuters, usually 12 persons, is an enormous liability exposure that insurers are not racing to cover. Underwriters don't have a classification in their commercial manuals for such an arrangement and premium quotes have ranged from \$250 to \$3,000. It's also unclear whether workers' compensation or auto liability insurance covers injured employees.

However, risk managers whose companies started the wheels of van pooling whirling have resolved these concerns. And the Insurance Services Office (ISO), responding to the increasing number of commercial and private van pooling arrangements, is this month filing new rates

and classifications to cover the exposure.

Generally, risk managers say, there are two approaches to insuring the van pool: Include the exposure in the corporate fleet policy or secure a separate automobile policy. Either way, they suggest, decide with your insurers if injured commuting employees will be paid under workers' compensation.

Including the van pool exposure in the corporate fleet policy, particularly a retrospective rating plan or one with a large retention, is less expensive than buying a separate policy.

That's the way the Minnesota Mining & Manufacturing Co. in St. Paul, Minn., handles it. Insurance director Howard T.

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Two Los Angeles commuters arrive for work fresh and relaxed, part of a growing trend in van pooling. The ISO, to end some confusion, has filed new rates and classifications for the van pools.

Ford urged repeal of TRESOP law; passage unlikely

By MARIE KRAKOWIECKI

NEW YORK—The Ford Administration tried to scuttle tax reduction act employee stock ownership plans (TRESOPs) by proposing their repeal in its fiscal 1977 budget analysis.

However, few people in the employee benefit field appear to have been aware of or concerned by the Ford move, made just as TRESOPs began growing in popularity, particularly among utilities, oil companies and other capital intensive firms.

Former Internal Revenue Ser-

Dew leaves Lloyd's for Gulf captive

By MARGARET LeROUX

NEW YORK—Leslie R. Dew resigned his position as senior deputy chairman, Lloyd's of London, and will head a Bermuda insurance agency backed by Gulf Oil Co.'s captive, Mr. Dew told *Business Insurance*.

Mr. Dew, 62, also resigned as a non-marine underwriter and principal of the Merrett syndicate, one of the largest at Lloyd's with more than 1,400 members. He has been a Lloyd's underwriter for more than 40 years.

The retirement settlement paid Mr. Dew was "the largest ever paid" to a Lloyd's underwriter, he said. Although he would not name the amount, he said an estimate of 250,000 pounds (\$432,000) "is too small."

Mr. Dew will head an underwriting agency, Britamco, which is being backed by INSCO, the insurance underwriting subsidiary of Gulf Oil Co.

"They are anxious to develop

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vice commissioner Sheldon S. Cohen cited the Ford proposal as support for his own prediction that "ESOPs won't be around that long."

Mr. Cohen, who headed the IRS from 1965 to 1969, said from his own experience that incoming administrations usually consign budget proposals from the outgoing administration to "the ash can."

"But this one makes good sense," Mr. Cohen said, indicating that the Carter team has some basis for taking the Ford proposal seriously.

"They've got to justify themselves economically," Mr. Cohen insisted, referring to proponents of ESOPs and TRESOPs.

The Ford budget item, Section F of "Special Analyses—Budget of the U.S. Government," called for the repeal of provisions of the Tax Reform Act of 1976 that allow ESOPs to be funded through extra investment tax credits. It urged repeal based on what it called "equity grounds" because only employees of taxable corporations would benefit and those who are more highly paid would receive the biggest benefits.

It also suggested that workers might be led to depend upon the fortunes of a single firm for their income security during retirement if they expected benefits from a tax act ESOP rather than from a more diversified investment portfolio.

In a table of proposed changes in tax expenditures which accompanied the Ford budget, repeal of ESOPs as outlined above was shown to increase revenues by \$105 million in 1977 and \$255 million in 1978.

Despite the potential impact of such a proposal on many newly-installed TRESOPs, it seems few people, even those who work as TRESOP consultants, were aware of the Ford move.

"That's bunk!" one employee

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business insurance

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Product liability bill faces revision after opposition

By JERRY GEISEL

WASHINGTON—A Senate bill to ease the product liability insurance crisis through a federal reinsurance program was praised by small business interests but sharply criticized by the insurance industry.

"We believe it is the only feasible means of providing small firms immediate relief from the rapidly escalating rates of product liability coverage," said James D. McKevitt, counsel for the National Federation of Independent Business (NFIB).

But James T. Gillice of the American Mutual Insurance Alliance expressed only grudging approval, calling the bill "one of the least undesirable of many options

which have been suggested to provide some relief on the problem."

As a result, a staff aide to Sen. John Culver (D-Iowa) said he expects substantial changes in the bill after two days of hearings this month before the Senate Select Committee on Small Business.

The Culver-Nelson bill would authorize the Small Business Administration to provide reinsurance to primary insurers of small businesses unable to get product liability coverage on "reasonable terms." The pool would be limited to three years; the SBA would establish eligibility rules.

Sen. Gaylord Nelson (D-Wis.), the other sponsor, said the bill was a "stopgap remedy."

The bill, Mr. Gillice suggested, raises more questions than it an-

swers. "Is it sound public policy," he asked, "to assume that all products are equally entitled to guaranteed coverage, regardless of their hazards and social usefulness?"

Citing the preliminary Interagency Task Force report on product liability, Mr. Gillice noted that one cause of the product liability problem is "that some manufacturers produce unsafe products."

As the bill now is written, a manufacturer of high-risk products such as firecrackers and skateboards would be entitled to participate in the reinsurance program on the same basis as a manufacturer of more socially desirable products.

The Culver-Nelson bill, and any

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The inside story

Employee benefit trust

Arizona moves to revoke the licenses of two insurers linked with the National Multiple Employers Foundation. Page 2.

Workers' comp

A legislative panel urges changes in the heavily criticized workers' compensation law in Illinois. Page 3.

Tanker suit

The state of Virginia has filed a \$2 million suit in connection with a tanker crashing into a bridge. Page 7.

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- WORKERS' compensation fraud is big business. Editorial, Page 8.
- A DETROIT utility cuts losses from theft of service. Page 12.
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- FINDING all your risks can involve odd moments. RiskWatch, Page 21.
- NORTH Sea oil risks could involve huge losses. London Line, Page 22.

State moves to revoke licenses of 2 insurers linked to ERISA trust

By GREG DAVID

PHOENIX—The Arizona Department of Insurance is moving to revoke the licenses of Contract Life Insurance Co. and Valor Life Insurance Co., two insurers connected with the bankrupt National Multiple Employers Foundation, *Business Insurance* has learned.

The two insurance companies were organized as "limited domestic reinsurers" which under Arizona law may not accept more than \$3,000 in reinsurance per life. The department contends a reinsurance arrangement between the Foundation and Contract Life involved risks well in excess of that limit.

In addition, the state charges the two insurance companies failed to keep the department apprised of changes in ownership.

The National Multiple Employers Foundation is a self-funded employee benefit trust that filed for bankruptcy Feb. 2. Sources close to a labor department audit say the Foundation's deficit may reach \$3 million.

Gerald E. Webb, founder of the National Multiple Employers Foundation, owns Contract Life and 50% of Valor Life. Nicholas J. Dollwet, who took over for Mr. Webb as administrator of the Foundation in June 1975, owns the other half of Valor Life.

However, even after June 1975,

Mr. Webb remained a consultant to the Foundation and a vp of N D & Associates, the firm Mr. Dollwet used to administer the trust, according to the Foundation's promotional material. Mr. Webb also received 2% of all money collected by the Foundation.

The Arizona investigation of Contract Life began after *Business Insurance* uncovered the existence of a reinsurance contract between the Foundation and Contract Life.

The Foundation originally had reinsurance coverage with Safety

This is one of a continuing series of Business Insurance stories on employee benefit trusts. Previous stories appeared in the Jan. 24 and Feb. 7 issues on Page 1.

Mutual Casualty Corp. in St. Louis. That contract was cancelled effective Aug. 28, 1976, according to Safety Mutual officials, for failure to pay premiums.

Mr. Webb and Mr. Dollwet then reached an agreement to provide reinsurance between Aug. 28, 1976 and Jan. 1, 1977.

On Jan. 6, 1977, Mr. Dollwet and Mr. Webb signed an agreement under which Contract Life agreed to provide reinsurance coverage for losses in excess of \$12,500 to a maximum of \$275,000 per individual. Under the contract

all losses were to have been paid in cash by the Foundation before Contract Life provided reimbursement.

The contract was signed Jan. 6, retroactive to Aug. 28, 1976. The same day, Jan. 6, Mr. Webb and Mr. Dollwet agreed to cancel the contract, with coverage ending Jan. 1, 1977.

Edward Getoor, one of the Foundation's sub-administrators, said he removed his groups from the Foundation after seeing the agreement between the Foundation and Contract Life. Because of the cash clause, he said, Contract Life would not have to pay any claims.

According to his interview with California investigators, Mr. Dollwet said half the risk was ceded by Contract Life to Valor Life. Frederick C. Berry, deputy director of the Arizona department, said presumably half the \$200,000 premium was also ceded.

Mr. Webb had purchased Valor Life, then called Great Fidelity Life Insurance Co., in September 1976. Sometime after that, Mr. Dollwet acquired 50% of Valor and the two men offered to sell 50% of the company to the Foundation's sub-administrators.

Mr. Dollwet told the California investigators that he owned 25% of Valor. However, the prospectus sent to the sub-administrators says that Mr. Dollwet owned 50% of the company. The effort to sell stock to sub-administrators collapsed.

It seems likely Mr. Dollwet and Mr. Webb knew the Foundation was in serious financial difficulty when the reinsurance arrangement with Contract Life was signed. Mr. Dollwet had met with administrators in late December in an effort to find a solution to the Foundation's financial difficulties. On Jan. 17, nine days after the contract was signed and terminated, Mr. Dollwet informed his administrators that claims filed since mid-November would not be paid.

Mr. Webb and Mr. Dollwet have offices in the same building in Novato, Calif.

Mr. Dollwet said previously he could not comment on any aspect of the Foundation or the advice of his attorneys.

The hearing on the Arizona charges will be held April 5. ■

Reinsurance plan used to bilk funds—report

NEW YORK—Swindlers have bilked millions of dollars from union welfare funds by using phony reinsurance schemes to misappropriate premiums intended for group life, health and accident coverage for union members, according to The New York Times.

The Securities and Exchange Commission and the Senate Government Operations Committee are studying the extent of the fraud to see whether federal rather than state regulation of the reinsurance industry could correct the problem.

The Times report said a reinsurance plan allegedly enabled conspirators to make off with the bulk of \$7 million in premiums paid by the Central States, Southeast and Southwest Areas Welfare Fund of the International Brotherhood of Teamsters in behalf of 200,000 beneficiaries in 31 states last year.

A grand jury court case involving the Teamsters has been delayed in Los Angeles. A key figure in the case, a promoter named Joseph Hauser, is on trial for extortion in a separate case involving seven prepaid union medical funds in California.

A second series of court cases involves an estimated \$29 million a year in premiums for group insurance policies covering unions, municipal employees and school boards in both Texas and Arizona, the Times said.

Old Security Life Insurance Co. of Kansas City, Mo., a 25-year-old firm with a good reputation, was the primary policy writer in the Teamster case and the Texas-Arizona cases. One of the aspects of the reinsurance fraud which the SEC and the Senate are investigating is that since reinsurers are only loosely regulated by the states, dishonest companies may be able to "hide" behind established firms such as Old Security Life.

Old Security arranged for Family Provider Life Insurance Co. to pick up 80% of the Teamster business and premiums in a reinsur-

ance agreement. In the Texas-Arizona case, Old Security passed 100% of its obligations to the Washington American Life Insurance Co. of Phoenix, which the assistant attorney general of Arizona said was on its way to collapse due to manipulation by the Texas conspirators.

The Teamsters alleged in federal court that they had not been told of the arrangement with Family Provider, which is a Phoenix company controlled by alleged conspirators. Attorneys for Old Security were quoted as saying the company acted in good faith and ended up a victim itself in the fraud. It is paying 100 cents on every dollar of insurance claims, even though the reinsurer got 80 cents of every premium and reserve dollar paid by the Teamsters.

The reinsurance fraud case is a complicated one. Even former Attorney General Richard G. Kleindienst is involved because his former law firm received a \$250,000 commission fee from the alleged conspirators and helped steer Teamster fund premiums to them. Mr. Kleindienst has refused to return the fee, which he shared with another Washington lawyer, Thomas D. Webb Jr., according to the Times report.

The SEC is said to be investigating the reinsurance fraud with special consideration to provisions of the Employee Retirement Income Security Act of 1974 which provides for the federal regulation of pensions and some benefit plans. ■

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errors & omissions

• A story in the Feb. 7 issue on an employee benefit certification program omitted the participating schools. Those schools are New York University, Loyola University in Chicago, UCLA, University of California at Berkeley, Marquette University in Milwaukee and Georgia State University. Further information is available from the International Foundation of Employee Benefit Plans, PO Box 69, Brookfield, Wis. 53005; phone (414) 786-6700.

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Panel urges changes in Illinois work comp

By GREG DAVID

SPRINGFIELD, Ill.—A legislative subcommittee has proposed changes in the workers' compensation law in Illinois to correct serious problems stemming from the last major overhaul in 1975.

The 1975 law, designed to bring the state into compliance with the recommendations of the National Commission on State Workmen's Compensation Laws, resulted in an 88% increase in standard rates. The workers' compensation insurance subcommittee says a portion of the increase can be attributed to instances where the legislature exceeded the commission's recommendations.

Palmer App, president of the central division of the Kemper Insurance Cos., said the report was a "thorough and commendable job," a view echoed by John E. Linster, senior vp at Employers Insurance of Wausau. Douglas Stevenson, the workers' compensation specialist for the Illinois Manufacturers Assn., said, "The recommendations are excellent as far as they go."

The 1975 law increased permanent total benefits to two-thirds of weekly wage with a ceiling of not more than 100% of the state's average weekly wage. It also increased awards for permanent partial disability and eliminated the requirement that an occupational disease have its origin during employment.

The subcommittee said permanent partial disability "probably

accounts for a large part of the unexpected increase in workers' compensation insurance rates." These awards to workers who are able to return to work despite injuries take over 60% of the benefits paid in Illinois. Over 80% of the permanent partial cases involve a less than 10% disability.

Illinois benefits in these cases were higher than average even before the 1975 law, the subcommittee says. And at present, each arbitrator decides on the amount of disability. The result, says Kemper's Palmer App, is that attorneys are involved in 47% of Illinois cases compared to only 20% of the cases in Wisconsin.

In addition, he argued, Illinois allows a 20% contingency fee on the entire award while Wisconsin allows a fee only on the portion of the award in dispute. Such attorneys' fees divert workers' compensation money from benefits and contribute to higher rates, he said.

The committee proposes the establishment of standards, such as those drawn up by the American Medical Assn., to determine permanent partial disability. In addition, it urges some limitation on attorneys' fees.

The problem of hearing loss was termed a "time bomb" by both Mr. Linster and Mr. App. In 1975, the legislature prohibited consideration of pre-existing conditions in awarding workers' compensation benefits if the condition was aggravated by working conditions. Thus the first claim would involve total consideration of hearing loss

while the second, at another job, would involve the loss between the two claims, Mr. App said.

The cause of hearing loss is difficult to determine, Mr. Linster said, and workers' compensation benefits would be paid for injuries not related to employment.

The committee also recommends pre-existing conditions be considered in awarding benefits.

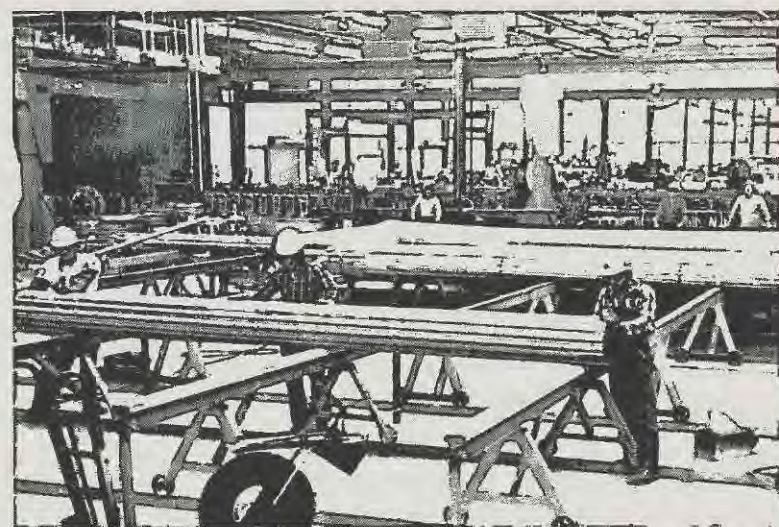
The committee wants changes in the operation of the assigned risk pool. The pool has experienced dramatic growth with the number of risks increasing from 545 in 1974 to 14,000 in 1976 and an estimated 25,000 in 1977.

A new entity should be created to assign risks to the pool, supervision should be transferred from the Industrial Commission to the Insurance Department and the buy out provision should be amended, the panel urges.

The buy out provision prohibits an employer from self-insuring or leaving the pool until premiums exceed liabilities. Such a provision "contravenes the basic insurance principal of risk," the committee says.

Both the Kemper and Employers Insurance of Wausau executives agreed that the recommendations would help to alleviate the problems in Illinois. Mr. App said rate reductions could not be expected immediately but that they could be expected eventually if the changes were enacted.

Many companies have complained that their rates increased far in excess of the 88% increase



Standard workers' compensation rates in Illinois have increased 88% since the '75 law.

in standard rates. Mr. App said the poor workers' compensation experience in Illinois in the last several years had contributed to a decline in the number of companies receiving experience rating discounts.

The problem of availability, reflected in the increase in the risks in the assigned risk pool, would also be helped by the proposals, Mr. Stevenson said. Kemper, for example, had increased premiums in 1975 while writing fewer risks, Mr. App said, although he did not have final figures yet.

Ron Nelson, the legislative coordinator for employer groups on the issue, said the support of two members of the committee not

normally associated with business groups (Sen. Terry Bruce and Rep. Richard Mautino) was a sign that action is possible this year. The Illinois Manufacturer Assn. is in the process of drafting its own bill.

In addition to the committee's proposals, Mr. Stevenson said he believes a reduction in the permanent partial disability benefits and a possible reduction in the temporary disability benefits is also needed.

"The legislature for years has treated workers' compensation as an intramural football game between business and labor," Mr. Stevenson argued, discouraging business in the state.

the benefit beat

Syntex upgrades plan, adds dental coverage

SYNTEX CORP. has upgraded its hospital plan and added dental care and prescription drug coverage for its 2,500 domestic employees. The Palo Alto, Calif., pharmaceutical corporation eliminated the deductible for the first \$3,000 of covered expenses and the first \$300 of diagnostic, x-ray and lab services each year. The next \$3,000 of covered expenses carries a \$75 deductible and a 20% copayment; 100% of expenses are paid after \$6,000. The lifetime maximum was raised to \$300,000 from \$50,000. The new dental plan pays 80% of preventive care with no deductible. Basic and major dental care are covered by a single \$25 deductible with Syntex paying 80% of basic care and 50% of major care. Employees pay \$2 per prescription under the drug plan administered by Paid Prescriptions of Burlingame, Calif. The health and dental coverages are underwritten by Massachusetts Mutual Life Insurance Co.

PHILADELPHIA NEWSPAPERS Inc. agreed to a 200% increase in the company contribution to the Newspaper Guild's health and welfare fund in a new 31-month contract covering 800 editorial, advertising and business employees. The union and the newspaper company reached an overall economic settlement, but the union had failed to divert enough money to the fund to pay recent Blue Cross/Blue Shield increases, resulting in a deficit. Under the contract, the per employee per week contribution is increased \$10 to \$18.75 from \$8.75. Next March there is additional \$6 increase to \$24.75. The company, publisher of the Philadelphia Inquirer and Daily News, believes the additional contribution will eliminate the deficit and cover future rate increases.

SEARS ROEBUCK and Co., the world's largest retailer, has become involved in the prepaid dental care business for the first time. A prepaid dental clinic was opened in a Sears store in El Monte, Calif. "The clinic is run by an independent dentist who leased the space from Promo-Dent, a subsidiary of National Health Care Systems of Irving, Calif., which leased the space from Sears," said the company. Don Maruna, chairman of the board of National Health Care, said negotiations with Sears had been underway for some time. The cost of the prepaid clinic is \$30 annually for an individual and \$80 for a family, regardless of size. National Health Care has units in Florida, Kentucky, Indiana, Arizona and Oregon.

WESTINGHOUSE ELECTRIC CORP. will appeal a decision ordering the company to pay 44 former employees \$1.5 million in back pension benefits, a spokesman said. The decision, made by one member of the three member Massachusetts Commission Against Discrimination, involved back pension benefits paid following the closing of a Westinghouse plant in East Springfield in 1970. As part of a labor agreement three years later, a Westinghouse spokesman said, the company paid pension benefits to employees at that plant who were 55 years old or older at the time of the closing. However, 44 employees, aged 40 to 55, sued for similar pension benefits under age discrimination laws.

THE "DEATH KNELL" has sounded for group term life insurance for executives if a recent Internal Revenue Service proposal is finalized, predicts a vp of consulting firm Towers, Perrin, Forster & Crosby. Donald E. Sullivan explained that death benefits for executives would likely be provided by self-insurance arrangements if the IRS succeeds in its plan to sharply increase the rates of taxable income on the value of employer-paid group term life insurance in excess of \$50,000. The reason? Executives will be taking home smaller paychecks if the tax rates on their group term life go up. But to eliminate this tax, corporations could provide their executives with death benefits by self-insuring. Death benefits under group term life insurance are tax-free to beneficiaries; but beneficiaries would have to pay taxes on the proceeds under self-insured programs. Nevertheless, the self-insured plans would result in lower taxes in the long run, Mr. Sullivan explained at a conference in New York, because beneficiaries are likely to be in a lower tax bracket than executives.

UAW WORKERS AT Rockwell International's automotive operations plants have agreed to a three-year contract that includes the improved dental, emergency and psychiatric care, drug and alcohol abuse rehabilitation, hearing aids, and retirement benefits negotiated in the pacesetter Ford-UAW contract. The national agreement, which covers 6,000 employees at 10 Rockwell plants, also includes increased prescription copayments by employees and a later effective date for health insurance coverage. Variations on the general industry pattern include the UAW's acceptance at Rockwell of only nine mandatory paid personal days

off rather than the 12 won at Ford. Included in the hotly contested paid personal holiday plan—which a UAW spokesman said was one factor behind the three week strike—are three additional day's pay bonuses, one to be awarded on each of the next three Christmases. A slightly different family vision care plan than Ford's will take effect at Rockwell on Feb. 1, 1978. It covers 100% of charges from participating providers for a comprehensive eye exam and glasses every two years. Contacts will be covered to correct severe vision problems; otherwise only the cost of eyeglasses will be applied. Over the life of the contract accident and sickness weekly benefits will increase to \$170 from \$120, life insurance will increase to \$15,000 from \$10,000 and accidental death and dismemberment payments will reach \$7,500 compared to \$5,000. Improved health care benefits include full payment for a home health aid and at-home nursing and physical therapy services.

PAID HOLIDAY and paid vacation policies for American and Canadian office workers were almost unchanged in 1976, says the Administrative Management Society. The only significant difference was that only 8.5% of U.S. companies provided 12 paid holidays in 1976, compared to 12% in 1975. The results are based on an annual survey of almost 7,000 companies.

RHODE ISLAND'S catastrophic health insurance plan, the first in the nation, paid \$857,000 to 150 families in 1976. The plan pays medical bills after a claimant has exhausted health insurance coverage and met certain requirements for out-of-pocket expenditures. The bill is designed to encourage Rhode Island residents to obtain adequate health insurance by lower out-of-pocket requirements for those with insurance than for those without coverage. The average expenditure was \$4,500; 65% of the families receiving assistance were Medicare recipients.

Benefit Beat keeps risk managers and employee benefit managers abreast of changes in plans around the country as well as other important developments. We'd like to know if you've made any changes or know of any significant developments. Write Greg David, Business Insurance, 740 N. Rush St., Chicago, Ill., or call (312) 649-5279.

Product liability rectangle tangles risk managers

By MARIE KRAKOWIECKI

NEW YORK—The risk manager stands between the legal profession, the insurance industry, his own industry and the public in situations involving the American tort system, especially as they effect product liability.

Yet the tort system has evolved to where it is now trying to force the insurance mechanism to perform a function for which it was neither intended nor funded, a Risk & Insurance Management Society seminar was told here last month.

Giving the risk manager's point of view, Edith Lichota, assistant treasurer of The Carborundum Co. of Niagara Falls, N.Y., told a RIMS panel discussion that the American tort system ignores the basic economic and technological facts

of life and violates the checks and balances which are built into it and make it work.

Like the other members of the panel discussion, Ms. Lichota, who is also an attorney, blamed the judiciary for altering the basic concepts behind the idea of tort.

Another panel participant, James B. Sales, of Houston law firm Fulbright & Jaworski, explained that the original principle in tort law was that for every wrong there was equal redress available. The dilemma today, he charged, is that the concept now calls for compensation every time there is an injury, whether it is the result of a wrongful act or not.

Citing California as having gone furthest in this direction, Mr. Sales charged, "The judiciary is abro-

gating the tort doctrine in favor of social compensation without legislative authorization or ratification."

Courts today tend to focus on socioeconomic factors and to decide liability based on who in the case is able to pay the most in a product liability lawsuit, even if the maker of the product has exercised all due care in the manufacture of the product, Mr. Sales said.

As Ms. Lichota explained, the judicial branch of the government in effect has come to hold manufacturers responsible for perfect product design. However, the courts won't adequately recognize limitations on product design implicit in the state of the art at the time of manufacture.

The Carborundum assistant treasurer blasted insurance com-

panies for not being willing to go all the way in providing legal defense for their corporate insureds who become involved in product liability lawsuits. She urged her RIMS listeners to pressure their insurers for better legal representation.

She would like to see plaintiff lawyers' contingent fees eliminated or restricted, punitive damages struck from civil lawsuits, and the concept of fault re-introduced to the tort system.

Although she did not go as far as Mr. Sales, who said he thought the only solution for the ills of the current tort system would be legislative action, possibly Congressional action, Ms. Lichota said she favored some federal guidelines including perhaps a statute of limitations on the time

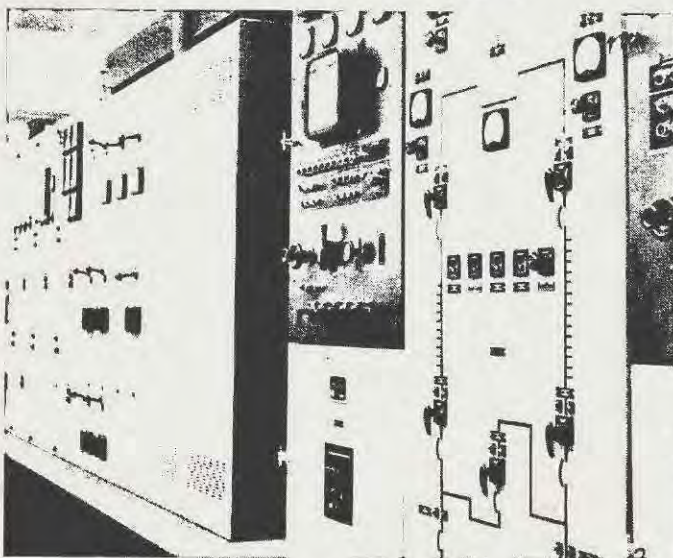
span during which a manufacturer may be sued.

She criticized joint underwriting associations (JUAs) which have been set up in some states to help provide insurance coverage to professions currently troubled with capacity shortages. The medical profession, plagued by malpractice problems, is a typical user of JUAs.

The concept of a JUA, Ms. Lichota charged, is "forcing the insurance mechanism to continue payment of claims on a basis which should not be maintained." This is a "cosmetic" approach, she said, and does not address itself to the underlying problem.

Russell A. Drake Jr., director and corporate risk manager for Borden's Inc., moderated the RIMS panel discussion, which also included Donald W. Segraves, vp of the American Mutual Insurance Alliance, and Dr. Mark R. Greene, professor of insurance at the University of Georgia. ■

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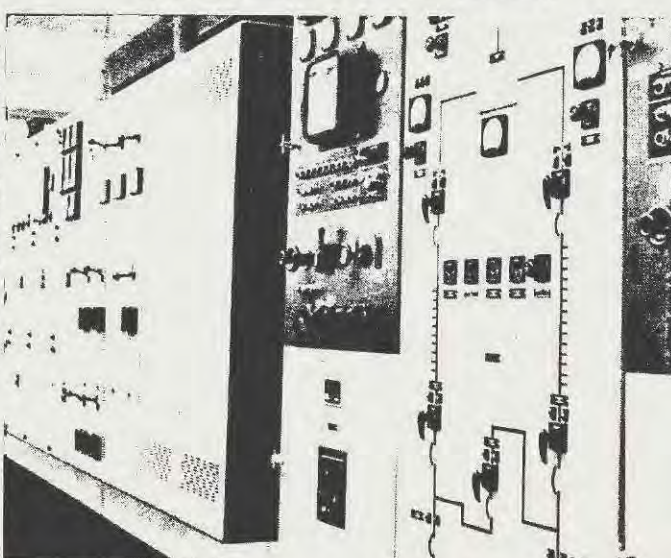
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RIMS sets program for meeting

NEW YORK—The program is now complete for the 15th annual Risk & Insurance Management Society conference in New York April 24-29.

The annual conference at the New York Hilton and Americana hotels is actually composed of three parts. Monday and Tuesday will be taken up with employee benefit sessions and industry sessions, the latter open only to risk managers. Wednesday through Friday features general sessions and mini-seminars on risk management and insurance topics.

The presentation of the Business Insurance Communication Awards will be at a luncheon at the Americana Hotel Tuesday April 26.

A panel of judges considered several categories including booklets, personalized correspondence, audio-visual presentations and total communication programs.

Topics scheduled for employee benefit sessions include ERISA's impact on benefit plans, benefits in Canada vs. benefits in the U.S., considerations in choosing an HMO, corporate attitudes toward retirees and formulating a dental plan.

Among the industry sessions planned are apparel and textiles, construction, food chains and processing, gas and electric utilities, hospitals, oil and trucking.

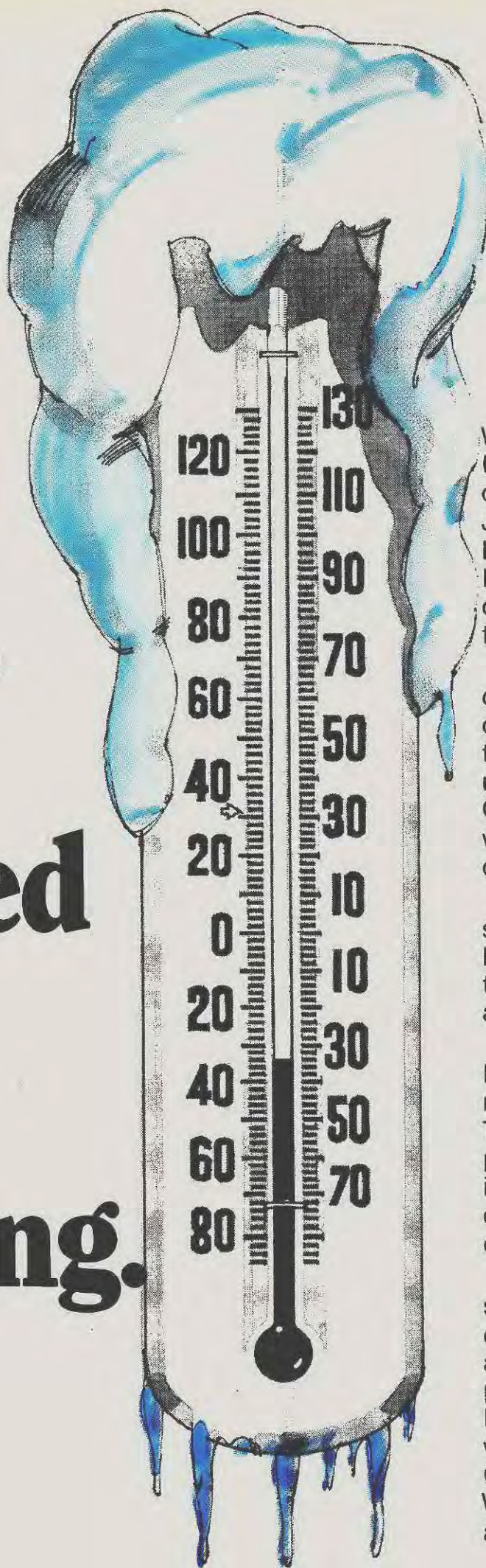
Risk management and insurance seminars Wednesday will discuss developing a CGL manuscript, business interruption law, legal liability, international insurance problems, transit and marine risks, and the relationship between the broker, the insurer and the risk manager.

The product liability crisis, working with today's restricted market and the relationship between a captive and its parent corporation are among Thursday's seminars.

Special speakers will be Pauline Frederick, international analyst for the United Nations, Sir Havlock Henry Trevor Hudson, chairman of Lloyd's of London and F. Lee Bailey, the well known defense attorney.

Further information is available by contacting Conference Director, Risk & Insurance Management Society, 205 E. 42 St., New York, N.Y. or phone (212) 557-3214. ■

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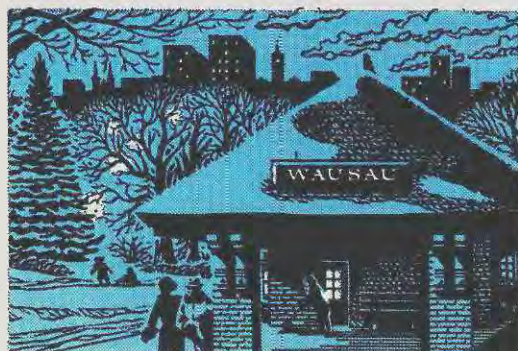
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• **Kidnap and ransom insurance**, as offered by the National Union Fire Insurance Co. of Pittsburgh, Pa., is described in a brochure titled *Extraordinary Times Demand Extraordinary Protection*. National Union, a member of the American International Group, offers a plan which reimburses lost ransom money and also pays an

emergency weekly income to the kidnap victim's family. For a free copy of the brochure write Product Information, Corporate Communications, American International Cos., 102 Maiden Lane, New York, N.Y. 10005.

• An International Insurance Travel Planner, a brochure that

includes a list of holidays and dates of insurance-related association meetings plus a calendar for marking dates to remember, is available from Duncanson & Holt Inc. For a free copy write Duncan & Holt Inc., 99 John St., New York, N.Y. 10038.

• **Business Flying:** Some Professional Considerations, a 16-page booklet prepared by the Insurance Co. of North America, discusses company exposures and needed insurance when employees travel in non-commercial aircraft. For a free copy write: INA, Dept. R., 1600 Arch St., Philadelphia, Pa. 19101.

• **Examining an Employer's Financial Capacity to Self-Insure Under Workmen's Compensation Statutes** is a 150-page booklet developed under the auspices of the Center for Insurance Research at Georgia State University. Authors Larry D. Grant and Maurice E. McDonald present a system for

such an examination that includes a methodology for measuring potential financial obligations on future claims and outstanding obligations on claims that have already occurred. Recommendations for administrative procedures and implementing the system are included. Price is \$7. Write: Publishing Services Division, School of Business Administration, Georgia State University, University Plaza, Atlanta, Ga. 30303.

• **A Bibliography of Insurance History** includes books, pamphlets and articles from North America and Europe on the history of insurance. Books and pamphlets on the economic, social, urban and business environment in which insurance has played a vital role are included. Indexed by type of insurance, listings are alphabetically arranged by author under each subject category. Price is \$7. Write: Publishing Services Division, School of Business Adminis-

tration, Georgia State University, University Plaza, Atlanta, Ga. 30303.

• **Collective Merchandising of Automobile Insurance—The Employers' View**, a 49-page study by Bernard L. Webb, investigates the status and future of group merchandising of private passenger automobile insurance. Price is \$5. Write: Publishing Services Division, School of Business Administration, Georgia State University, University Plaza, Atlanta, Ga. 30303.

• **The Tax Reform Act of 1976: What It Means to the Corporate Executive**, a six-page newsletter from Kwasha Lipton Inc., offers a brief summary of the changes in the law affecting executive compensation and provides a dollar and cents comparison of how the new tax rules affect stock options and "phantom" stock plans. For a free copy write: Dept. M., Kwasha Lipton, 429 Sylvan Ave., Englewood Cliffs, N.J. 07632.

• **A Risk Managers Guide to Goods in Transit**, a 16-page booklet prepared by the Insurance Co. of North America for risk managers of corporations that sell and ship goods domestically and overseas, discusses ways to identify, measure and handle the risk and implement a risk management program. For a free copy write: INA, SuperService, 1600 Arch St., Philadelphia, Pa. 19101.

• **Operation EDITH**, a pamphlet from the American Mutual Insurance Alliance, explains the basic steps to home fire safety. EDITH stands for Exit Drills in the Home and the pamphlet tells families how to effectively use early warning systems and to plan escapes. Available in lots of 100 for \$1.50. One free copy is available upon request with a stamped, self-addressed envelope. Write: Accident and Fire Prevention Dept., American Mutual Insurance Alliance, 20 N. Wacker Drive, Chicago, Ill. 60606. Attn.: Gary Jensen.

• **SEC Liability Insurance for Private Placements**, a promotional brochure from National Union Fire Insurance Co., discusses the company's expanded SEC insurance program which now includes protection for liabilities arising out of private placements. For a free copy write: Product Information, Corporate Communications, American International Group, 102 Maiden Lane, New York, N.Y. 10005.

• **In Boiler & Machinery Insurance . . . it's the whimper, not the bang**, that'll cost you, a promotional brochure from the American International Underwriters Corp., discusses the company's boiler and machinery insurance policy. For a free copy write: Product Information, Corporate Communications, American International Group, 102 Maiden Lane, New York, N.Y. 10005.

• **Best Says We're Best** is a promotional brochure from American Home/National Union which discusses the companies' **Inland Marine** coverages. It includes a list of the companies' branch offices. For a free copy write: Product Information, Corporate Communications, American International Group, 102 Maiden Lane, New York, N.Y. 10005.

• **Bounce This Idea Off Your Head** is a catalog sheet from the Willson Products Division of ESB Inc., makers of head protection equipment. The sheet describes hard hats and plastic caps for protection of the worker in industry. For a free copy, write Stephen A. Neimiller III, Advertising Manager, Willson Products Div., ESB Inc., P.O. Box 622, Reading, Pa. 19603.

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State asks \$2 million in tanker-bridge crash

By JERRY GEISEL

RICHMOND—The state of Virginia has filed a \$2 million damage suit in U.S. District Court here against the operator of a sulfur tanker that knocked out a bridge over the James River, severely disrupting marine and land transportation between Richmond and Williamsburg.

The suit charges that the 25,000-ton Marine Floridian, a 33-year-old tanker operated by Marine Transport Lines of New York, was "unseaworthy" and traveling at "excessive speed" at the time of the Feb. 24 accident.

In a related suit, Plant Food Products Inc. of Hopewell, Va., a manufacturer of agricultural products, has sued Marine Transport for \$600,000 in compensatory damages.

One lawyer close to the case predicts a "plethora of suits" will be filed by Virginia businesses along the James River who were cut off from their markets when the ship rammed into the 4,463-foot bridge—the only direct route between the town of Hopewell and the port of Richmond.

Although Marine Transport officials declined to discuss any aspects of their coverage, *Business Insurance* has learned that a British-based protection and indemnity club, the London Steamship Owners' Mutual Insurance Assn. Ltd., provided the 612-foot Marine Floridian's liability insurance.

The broker for the protection and indemnity policy, thought to provide coverage up to \$100 million, was A. Bilbrough & Co. Ltd., of London.

The hull was insured for \$7.8 million with both London and U.S. companies believed to be dividing up the coverage.

The accident occurred shortly after the tanker discharged a load of molten sulfur at Allied Chemical Corp.'s huge complex in Hopewell.

As the ship approached the nine-year-old, \$5.5 million steel and concrete bridge, the Marine Floridian's rudder froze after an electrical failure in the steering mechanism.

According to testimony at a Coast Guard hearing, the 35-man crew attempted to halt the ship, which had been traveling at full

speed or seven knots, by dropping anchor and reversing the engines.

But the tanker was unable to stop. Nearly 480 feet of the tanker slid under the bridge before the Marine Floridian's superstructure slammed into the bridge's green metal frame, knocking a 241-foot span on the ship and toppling a 113-foot section into the James.

There were no reported injuries, but two vehicles plunged into the

river, as the ship was pinned beneath the heavily damaged bridge.

The state's timetable for opening the James to commercial traffic received an additional setback when the bridge's north tower collapsed into the river 10 days after the accident.

Coast Guard records indicate that the Marine Floridian had been involved in 13 other incidents before the latest accident. Since 1969, the ship's record includes five collisions, three groundings and five equipment or material failures.

A Coast Guard spokesman said the Marine Floridian's safety record was comparable to other ships of similar size and age. ■



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Tort liability rate up 400%

SACRAMENTO, CALIF.—The state of California has had to swallow a quadrupling of the premiums it pays for excess tort liability coverage.

Gene Marquart, state insurance officer, said the premium for excess tort liability insurance soared from \$200,000 to nearly \$1 million, while the retention on the policy climbed from \$2 million to \$5 million. The limit on the policy remained at \$50 million, however.

Emett & Chandler of Los Angeles and Marsh & McLennan of San Francisco are the brokers on the policy which boasts a number of underwriters.

Expiring last September, the policy has been maintained on a short-term basis pending the state legislature's appropriation of the \$1 million needed for the premium, Mr. Marquart said. He said the appropriation bill passed the assembly's Ways & Means committee on March 2.

editorial opinions

Work comp fraud

WORKERS' COMPENSATION fraud is big business. It's such big business, in fact, that it may end up being the backbreaker of us all, individual taxpayers and private industry alike.

The fraud is increasingly being documented. Even more exposure is needed, so that the crooks among us are known and dealt their just desserts.

News coming out of state workers' compensation claims investigating boards doesn't hold much promise for an end to fraudulent medical claims by workers, who seem to be finding it easier than ever to have their illnesses and disabilities certified by acquiescent—if not conspiratorial—physicians.

The recent case, detailed in the March 7 issue of *BI*, involved air traffic controllers in Atlanta who received 75% of their salaries for job-related neuroses and then worked at lucrative second jobs. That case makes us shudder. Workers who perpetrate this kind of fraud on their employers should be prosecuted—it's the worst kind of "white-collar crime."

State and federal workers' compensation laws should be amended to mandate that all injured or disabled workers must see a doctor selected by their employers to provide a second opinion if these patients are allowed to use "a doctor of their own choice" to certify a job-related disability.

The Atlanta air controller situation is a direct result of a big loophole passed in 1974 allowing workers to choose their own physician. Until then, federal workers had been required to go to a U.S. public health facility or to a designated private physician.

Let's go back to the old law, in the case of federal workers.

And private employers should lobby harder than ever to see that such a blatant temptation to commit fraud isn't allowed in state work comp laws.

Just as with employee benefits, workers' comp disability and illness, compensation schedules must have built into them some tough disincentives to overuse the benefits.

Insurers & brokers

A BROKER ATTENDING the recent Society of Chartered Property & Casualty Underwriters seminar on self-insurance in Tampa noted that an insurance company manager bemoaning soaring work comp benefit costs will still make a tidy profit on that insurance.

The broker's comment, made in private following a speech, contradicted the impression left by the underwriter about the insurance company's interest in escalating comp benefit levels. The insurance company executive had told a group about benefits paid to a widow totalling more than \$1 million if the woman lived out the expected 39 years of her life.

What the insurer failed to note, the broker told a *Business Insurance* editor afterwards, was that despite the high level of benefits in the state mentioned, the insurer would still end up making a profit on that comp business. The reason, he said, was because the insurer would earn all investment income and/or interest from the benefits deposited in a fund to pay the future claims.

Asked why he didn't offer this comment during the public session, the broker responded that he would not contradict or question in public an underwriter's statement because he has to work with the insurer and can't afford to alienate an important supplier.

This makes us wonder how straightforward brokers are with their commercial clients. Who are they working for... the clients or the insurers? It's an age-old question, but one which hasn't been adequately explained yet.

Self-insurance

RISK MANAGEMENT consultants grappling with the problems of smaller and medium-sized corporate clients needing insurance foresee that even this segment of American business will look more and more to self-insurance and other risk-funding alternatives.

A story in the Feb. 7 issue raised an interesting upshot of the trend for all companies—large and small—to seek the most efficient methods to fund risks. Because many organizations are being cancelled by their underwriters or being notified of skyrocketing premiums, they are forsaking the traditional and accepted approach to handling losses—insuring them—and thinking in terms of doing for themselves, singly or jointly, what the insurers are refusing to do.

And, as one consultant noted when queried about risk management trends among smaller businesses, when the insurance business turns around and resumes a competitive cycle, "There will be a lot of money not available to the insurance companies. People won't abandon self-insurance and association (programs) in a couple of years."

Our services issue

BUSINESS INSURANCE has scheduled its annual Risk Management Services issue for May 30, incorporating for the first time this year the broad subjects of safety and security. Formerly, safety and security were dealt with in a separate special issue. The reason for combining these subjects with other loss prevention topics in the Service issue was simple: the overall shift in the way the risk management and insurance business now approaches loss prevention and claims handling dictated that we devote much more attention to the myriad suppliers of advice and counsel to risk and benefit managers.

In recent years, an "unbundling" has taken place in the insurance industry, with underwriters and brokers not only providing but also emphasizing their engineering, consulting and administrative capabilities. In addition, independent contractors such as adjusters, accountants, actuaries, consultants, communicators, data processors, salvagers and security experts are working directly with insurance and employee benefit managers to provide counsel on the best management techniques for corporations and other organizations.

Readers are invited—suppliers and buyers alike—to contribute ideas for stories to be developed in the special services issue this year. If you use or provide a worthwhile or unusual service you think we'd like to hear about, write or call Greg David, *Business Insurance*, 740 N. Rush St., Chicago, Ill. 60611; or phone (312) 649-5279. We need to hear from you by April 15.

letters

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

Product liability

To the Editor: I like your publication but take exception to your editorial on "Product Liability-Crisis or Problem."

The article reminds me of something I would do while in college homework to satisfy academic requirements. In other words, it represents the undergraduate response to a problem as compared to that of a graduate who has faced the problem in life.

I repeat that I like your publication with exception of the editorial page. Perhaps this space could be used for advertising in the future.

R. P. Bolton

Callahan Insurance Agency, Inc., Bainbridge, Ga.

Grade A!

To the Editor: Re: Editorial "NADER'S LIABILITY PLAN" of 1-24-77.

In this day of hassle and harrangue, aggravation and inflation, it is absolutely refreshing to read a restatement of basic logic.

Your recommendation, with respect to changing IRS rules to encourage more self-insurance via tax credits on self-insured reserves, should be widely hailed and enthusiastically encouraged by our industry.

Grade yourself an "A"!

J. P. Wlekinski

J. P. Wlekinski & Co. Inc., Munster, Ind.

A faulty practice

To the Editor: The letter of Dr. Matthew Lenz published in the Feb. 7, 1977 issue deserves a reply.

His response to the riskWatch column of Ms. Krakowiecki describes the work-study program of the College of Insurance and indicates that its graduates readily obtain jobs with insurers or insurance brokerage firms. Next he admits that insurance company or brokerage background "is not necessary for the job" (of risk management), but that he "cannot fault any company for not hiring a risk manager with no experience."

The letter from Dr. Lenz largely substantiates the point of the original article—that the job market for the newly graduated student is either the insurance company or the insurance agency, but

Continued on page 21

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Insuring Co

Confronted with increasingly complicated risks and exposures, together with a rise in insurance costs, business organizations today are seeking new approaches to insuring their assets.

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

By any standard, today's business organizations are more complex and have more difficult-to-meet insurance needs than at any time in the past.

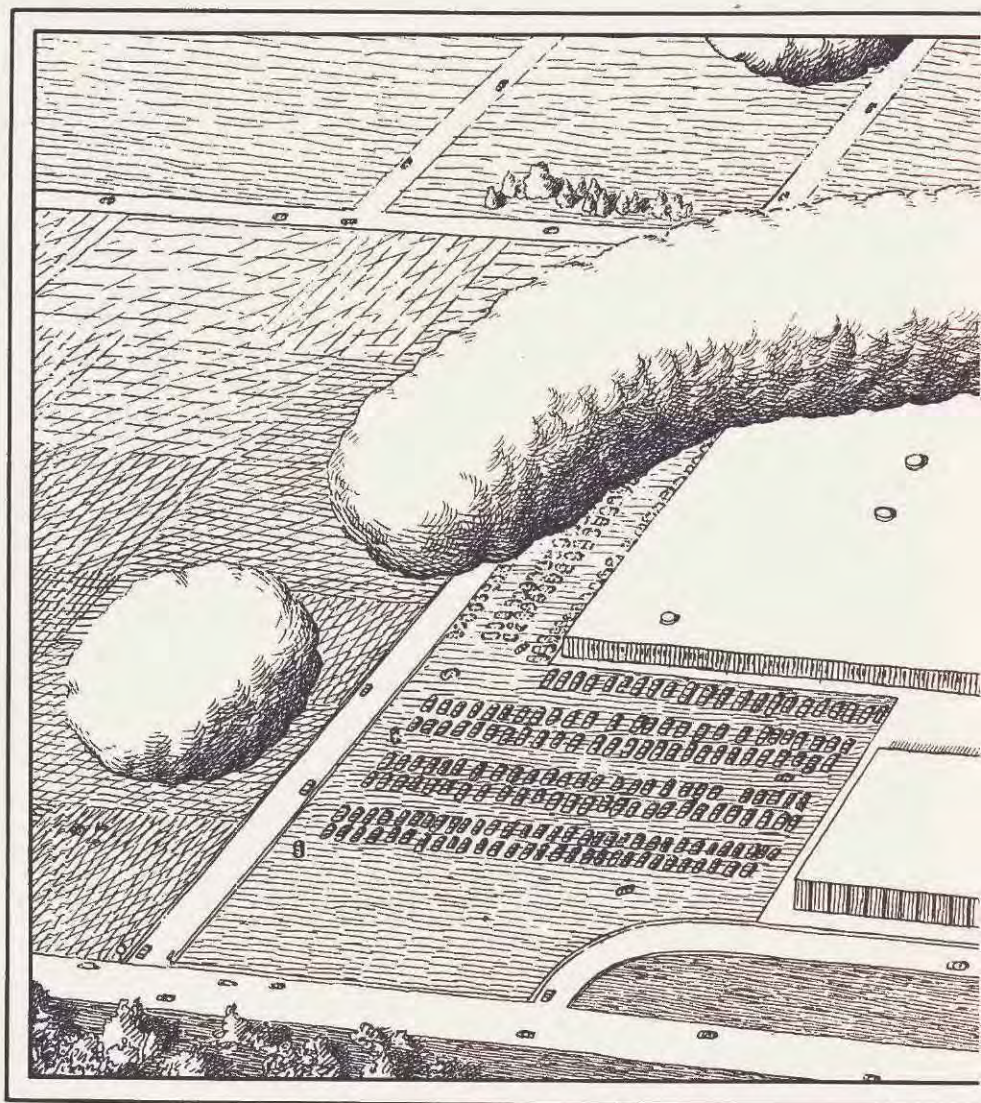
Typically, a modern company offers a variety of products and services, with a number of offices, factories and warehouses at widely separated locations. Its markets are international and its distribution patterns complex. Its exposures to risk of loss are correspondingly widespread.

For some firms, the dollar magnitude of potential losses can have a significant impact on corporate profitability, and the mounting cost and complexity of insurance coverage has reached the point where it can add substantially to the cost of doing business.

Under these circumstances, corporate risk managers and financial executives are seeking new alternatives in structuring programs to protect their companies' assets.

The importance of risk retention

In today's markets, insurance coverage often hinges upon the retention by the insured of some

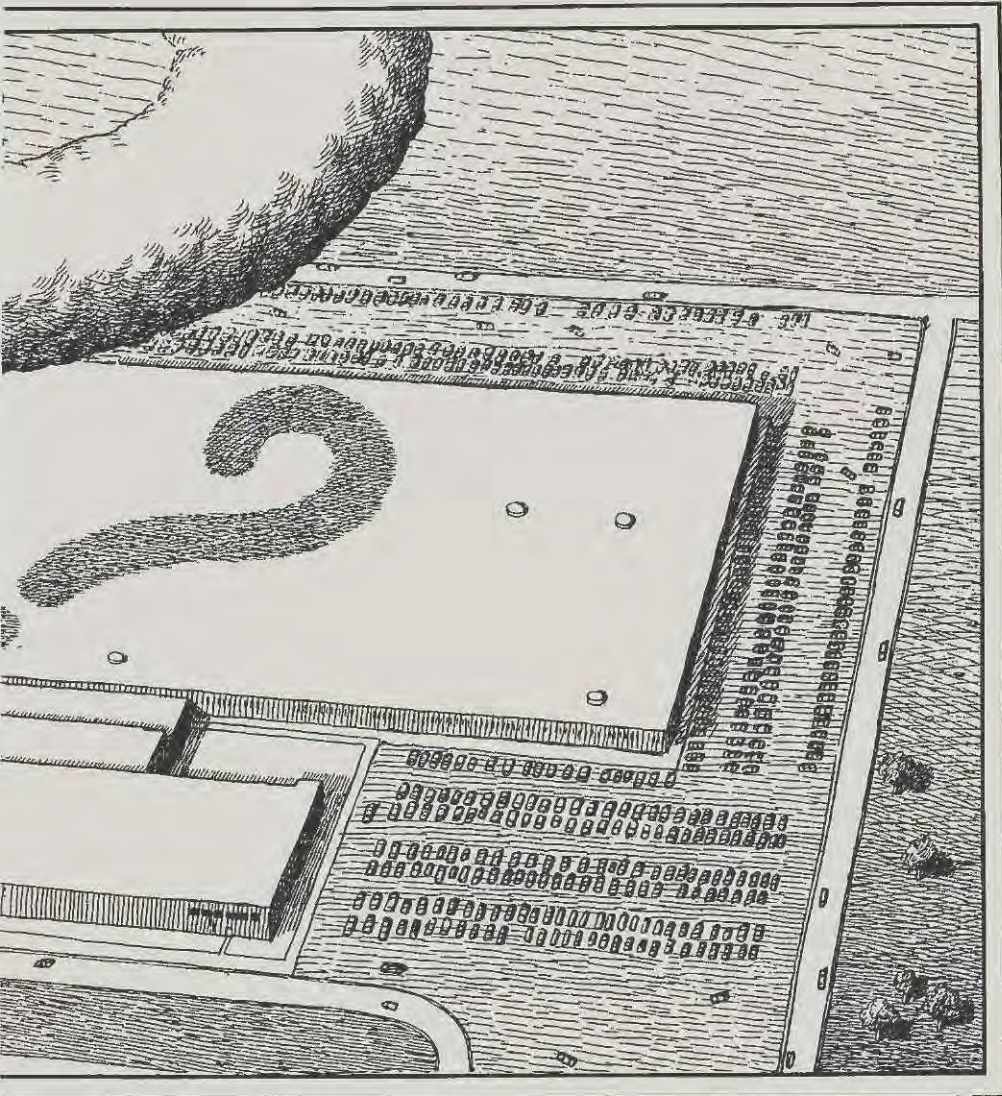


part of the risks involved—whether through high deductibles or outright self-insurance. Many companies find that the higher cost of insurance in itself justifies increased risk retention. Determining what part of what risks might be self-insured is one of the most important single moves a company can make toward efficient overall protection.

Those risks with high loss frequency but low severity are good candidates for partial or complete retention. The company's capacity to finance risk retention must be considered in every case, with large exposures above certain limits often placed with an insurance carrier.

Any program of risk retention should also make provision for the services usually furnished with insurance coverage. They include loss control, claims handling, record keeping, rehabilitation, salvage and subrogation (the right of the company to succeed to a claimant's rights after satisfying the

Complex Risks



claims). Such services, which may be financed through funds saved on premium payments, can be furnished internally or provided by an outside supplier.

If a corporation is able to handle sizable risks, it might also consider the formation of a company-owned "captive" insurance or reinsurance company, with services provided in part from the outside.

A comprehensive approach

The range of corporate insurance needs frequently includes both standard risks, for which insurance usually can be readily obtained, and high risks, which can be more difficult to place. Generally speaking, a company with a wide range of risks might find it advantageous to treat all of its exposures together. Working through an insurance broker or agent, the company can then approach insurance carriers with a comprehensive picture of

its overall needs and invite them to propose solutions that best fit the firm's requirements.

This could result in all coverages being placed with the insurer that offers the best proposal.

Alternatively, the difficult-to-place risks may have to be handled by "layering"—placing coverages in layers with different carriers. In unusual high-risk situations, all or part of the coverages may have to be placed with surplus lines or excess lines carriers.

Many firms face complex alternatives in meeting their insurance needs. Comprehensive analysis of all available options by risk managers and financial executives, working closely with agents and brokers and the insurance companies they represent, can generate the most cost-effective solutions.

As an objective discussion of the insurance needs of business today, INA has prepared a booklet entitled, "Insuring Complex Risks: Some Professional Considerations." Copies may be requested by writing INA Corporation, 1600 Arch Street, Philadelphia, Pa. 19101.

* * *

The Insurance Company of North America was founded in Independence Hall, Philadelphia, in 1792. Today INA and its affiliated companies operate around the world with major interests in property and casualty insurance, marine and aviation insurance, life and group insurance, reinsurance and risk management services.

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Utility cuts losses from power thieves

By MARIE KRAKOWIECKI

WASHINGTON—Detroit Edison Co. efforts to reduce the theft of electricity uncovered contractors who were building entire subdivisions on stolen power and Michigan police officers who tampered with the wires in their home to get free service, the utility's director of security says.

Donald G. Bluhm told a conference of the American Society for Industrial Security (ASIS) that he hasn't any figures on how much

Detroit Edison loses each year due to theft of service (the loss nationwide is estimated to be in the millions of dollars a year). But he said in 1975 his company recovered more than \$61,000 in revenue from discovered cases of tampering.

In the last two years Detroit Edison has increased reports of illegal tampering by 42% by training meter readers to spot illegal activity using slides based on actual investigations.

Mr. Bluhm, who heads a secur-

ity department of one administrator and six investigators, showed the ASIS group a portion of the slide presentation so other security directors could adapt similar measures to cut losses at their own companies.

Contractors turned up as the most flagrant offenders in Detroit Edison's theft of service problem. Mr. Bluhm's investigative staff learned that tampering by contractors has increased since underground wiring became popular. Before some contractors begin a building project, they will tamper with the above ground pedestal of underground electrical wires. By taking the covers off such pedestals and hooking up their own unmetered wires to them, contractors will build several homes using stolen electricity. One contractor build an entire complex in this illegal fashion.

These tampering tricks sometimes are more serious than just stealing service. Often tampering with electrical wiring creates a hazardous situation which could pose possible liability problems for the utility.

For example, if a contractor pries a cover off an above ground pedestal in order to illegally plug into it, the pedestal can conduct live electricity into anyone who touches it. Children playing near it could be electrocuted, Mr. Bluhm warned.

Another favorite trick by contractors is to deliberately smash electric meters outside new homes and claim the damage was done by vandals. While they "wait" for the electric company to fix the meter, they use alligator clips (such as those used to jump car batteries) to plug into electrical wires and receive unmetered service.

Alligator clips are also used by contractors such as floor sanders who work in a house for a short period of time and want to tap

into existing service without paying for it. They just hook up the alligator clips into the electric wires above where the wires feed into the meter.

No one seems to be above tampering with electric service. Detroit Edison has one case pending in which police officers of a Detroit suburb used "shunt" wires on their home meters. Shunt wires, as the name suggests, deflect all but about 3% of the electrical service so it isn't metered.

Mr. Bluhm said Detroit Edison now trains its meter readers to be aware of possible tampering by noticing foreign wires near the meter or house service drop, indications that the meters had been turned upside down so they register negative usage or indications that the meters' seals were opened so users of electricity could change

the readings.

Detroit Edison discovered through a survey that about 8% of the more than one million meters it reads were unsealed; but by training meter readers to recognize and report such cases promptly, it was able to recover some of its revenue losses.

One sensitive area Mr. Bluhm told the ASIS group about is that a security investigative team must be very sure that someone is actually tampering with the meter or stealing service before it makes any moves against them.

If a utility suspects a certain customer of tampering, he suggest the company install a meter on the pole outside the building in question so that the electricity is simultaneously measured both outside and inside. The meter readings can be compared at a later date, and if there is a significant difference, the security department has evidence that theft of service took place.

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around the states

Proposal would ease group coverage rules

DENVER—Legislation has been offered in the Colorado Senate that would remove the current requirement that group insurance policies include benefits for mental health conditions, complications of pregnancy and newborn children. Sponsors of the change said present law not only requires that the benefits be included, but the insurance purchaser must buy them because they are part of the minimum group package.

ANNAPOLIS—The Maryland Court of Appeals has liberalized a 30-year-old rule that limited the testimony of "non-treating" physicians in damage suits. Since a 1947 case, testimony by a non-

treating doctor in damage suits involving bodily harm was limited to the physical examination of the person. The state's highest court adopted a new rule that allows expert testimony by non-treating physicians to include their "medical conclusions and the information . . . received from the patient which provides the basis for those conclusions."

TALLAHASSEE—Florida Insurance Commissioner William Gunter has approved a \$2.5 million a year rate increase for workmen's compensation insurance. The 1.1% hike, which will affect 100,000 Florida employers, came four months after a 13.6% increase, and it was the fourth rate boost in a one-year period. Gunter said the increase was necessary because the maximum weekly benefits, which are tied to the state's average weekly wage, went up from \$112 to \$119.

HARRISBURG—Pennsylvania's Commonwealth Court has ruled that state law prohibits insurers or employers from making agreements of settlements with compensation claimants to pay compensation that is not in accord with the Workmen's Compensation and Occupational Disease Laws.

OLYMPIA—The state of Washington's five public pension systems would be combined into one under legislation introduced in the state Senate. It is similar to a measure offered last year, with one important exception. It doesn't reduce benefits by the amount a retiree receives in Social Security benefits. Pension reformers said they eliminated the Social Security offset clause in the hopes the revision would be passed by the legislature this year.

HARRISBURG—The Hospital Assn. of Pennsylvania has told the state Insurance Department that the single most costly item affecting the cost of hospital care is malpractice insurance. The association said that in five years the insurance cost has gone up 2,000% or 50 times greater than the inflation rate. The association organized its own insurance firm in 1975 after most commercial carriers refused to renew malpractice policies because of increased and more costly claims.

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agent/broker topics

'It's time for a management change'

A&A chief to step aside after 14 years of success

By BARBARA JEAN GRAY

NEW YORK—"I have been chief executive officer for 14 years and I think that's long enough for anyone to have that job. I think there should be changes in management from time to time and I don't think I should go on longer than that."

That's how Kenneth W. S. Soubry explained his decision to step aside as chairman of the board and chief executive officer of Alexander & Alexander Services Inc. at the age of 56. Effective with the stockholders' meeting in April, Mr. Soubry—the man behind A&A's rapid growth—will assume the newly created position of chairman of the executive committee.

William L. Carter Jr., also 56, will become chairman and chief executive officer, while John A. Bogardus Jr. assumes Mr. Carter's title as president and chief operating officer. Mr. Bogardus, 49, is now executive vp and director of the firm's eastern division.

The three top men at the nation's second largest public brokerage firm discussed the changes from a 21st floor corner suite overlooking Midtown and the East River.

Mr. Soubry initiated the reshuffling last fall when he approached other members of the executive committee with the idea, the chairman said. Approval came in December.

"We feel that from the point of

view of our clients, the financial community, and the insurance companies, we have arranged for a very orderly transition of power," he said.

"We wanted to keep Ken involved on a continuing basis," Mr. Carter interrupted. "And being chairman of the executive committee will definitely keep him involved and heavily involved."

"I think that one thing that Ken and Jack and I have talked about in our planning... is that we will retain Ken's vast experience and knowledge of the company. But we will use it perhaps in a little different way for the future, in that he will be a step or two back from the day-to-day operational end of the business to where he can be tremendously important to us in terms of planning and thinking."

"And this is what we've lacked because our company's grown so rapidly that the three of us have just been absolutely absorbed..."

"...In the day to day operations," finished Mr. Bogardus.

"So this is part of the design," Mr. Carter continued, "that we've carefully structured, that hopefully Mr. Soubry will be able to spend more time further away from operations making it very very effective for the company."

In the 14 years under Mr. Soubry's direction, A & A has grown dramatically. Gross revenues in 1976 totaled \$159 million compared to \$20.9 million in 1968, the

year prior to going public. Net income in 1976 rose to \$16.4 million against \$932,000 in 1968. Employees numbered 4,250 in 1976 versus 1,100 in 1968.

Asked how such a dynamic force could possibly downshift, Mr. Soubry replied, "The dynamic force is the team of people that work with you. You know, no one can do anything like this alone. The whole purpose—we've been very careful—is to make sure that we have in-depth management. And this is what we do have. And we're demonstrating it, I think, by making this move. We pride ourselves here on a team. It really is a team and it extends nationwide. Offices help each other; regions help each other. The three of us are available almost anytime—providing they give us some warning—to help in specific situations."

"I would not want to suggest that it was all done by me. It was done by a lot of very very capable people indeed, who are with us and will be with us. We concentrate on the future leadership of the firm. I think the greatest responsibility that management has is to leave a continuing management that can take this firm on to even greater heights. This is our responsibility."

An aggressive acquisition policy has been A&A's prime vehicle in growth and it promises to continue.

"We're very actively involved in a continuing program of acquisitions," Mr. Carter stated. "We've been among the most active brokerage firms in this area and we think perhaps the most successful. We have a continuing interest in acquisitions. We find that there are still fine, large firms that are interested in discussing merging and we're interested, in some instances, in them. We're finding in many instances where we can develop mergers in cities where we already have important offices which further strengthens those offices."



Alexander & Alexander's troika: (left to right) John Bogardus, Kenneth Soubry and William L. Carter, Jr.

"People are always thinking that we're running out of potential merger candidates but actually 1975 and 1976 contained some of the biggest mergers we made," said Mr. Soubry. He named the Wachovia Insurance Agency Inc. in Winston-Salem, N.C., the ECCO General Agency Inc. in Houston and the Beichroeder, Bing & Co. Inc.—all "big, big" agencies.

"You have to really have a fairly large office to be able to really service accounts today," Mr. Bogardus explained. "That's why in some cities, where we feel we need to be larger, we're interested in a

merger to give us that base so that we can have more of a full service local office."

The most desirable markets, Mr. Carter listed as Los Angeles, Houston, New York, San Francisco, Seattle and Chicago. "Those are the major cities where, even though we have very large operations, we think the community is so healthy economically and our market share could be tremendously increased in many or most."

The most exciting city is Houston, they agreed, where company headquarters continue to proliferate. Of the large Sunbelt cities, Phoenix is the one city where A&A does not have coverage.

Among A&A's most recent acquisitions was that of Frank B. Mankey management consultants in Greenwich, Conn. Among other areas, the firm specializes in executive compensation, an area which "ties in very closely with our entire benefits area," Mr. Bogardus said. "There are relatively few of these people around in the country and it takes a long time to develop them within."

A similar imbalance in the labor demand and supply equation involves actuaries who have come into great importance with the enactment of ERISA, the executive vp noted. A&A is increasing its actuarial staff and opened three such offices last year alone. "We could and have acquired some firms in this area," Mr. Bogardus said, "but we're unable to train them fast enough for the need so this is one area where we do have to go outside to bring in new people. An interesting sidelight here is that this is the most rapidly expanding opportunity for women to get ahead and they are very interested in actuarial science."

Mr. Carter himself is an acquiree, a product of the 1970 Alexander & Alexander merger with Harris-Moore & Associates Inc. of Dallas, where he had been president and a managing partner.

Mr. Bogardus on the other hand, worked his way up through the A&A ranks after starting out as a production trainee in 1950.

Similarly, an A&A veteran, Mr. Soubry joined the firm in 1949 and became an officer 10 years later.

The executive committee, which Mr. Soubry will now chair, meets formally once a month and informally oftener, he explained. Each monthly meeting is held in a different city chosen by the regional director. Prior to the meeting, the committee shares an informal dinner with 10-15 of the

Continued on page 12F

N.J. agents challenge auto rate rejection

By BARBARA JEAN GRAY

TRENTON, N.J.—New Jersey auto rating has come under legal fire from agents, the Insurance Services Office and State Farm Mutual Insurance Co.

The three groups have filed suits to overturn last December's rejection of auto rate increases filed by nine companies.

Insurance Commissioner James Sheeran said he would not approve any increases until companies explained why they needed higher rates at the same time that they were reporting higher profit margins.

"It's strange to me that you can see these kinds of rate increases being demanded," he told Agent/Broker topics in an interview. "It's clear to me that property/casualty insurance companies are enjoying one of their best years."

Mr. Sheeran said one company, which he would not name, would be granted a rate increase, although the increase would be substantially below the company's request.

Many agents in New Jersey claim the rate rejection was a blanket moratorium and was illegal. However, a spokesman for the commissioner said, "No such moratorium was ever declared, nor was the word ever used. He (Mr.

Sheeran) would have approved any increase if justified, but they have not justified any yet."

The eight insurers whose requests are still pending are State Farm, Kemper, Crum & Forster, Chubb Group, Travelers, Reliance, Hartford Group, and Aetna Casualty & Surety Cos. Since December, Allstate and Fireman's Fund have also requested rate increases. None have been granted.

The 4,600-member Independent Mutual Insurance Agents Association of New Jersey and William B. Lentz III, a motorist unable to get auto insurance through the normal market, have filed suit in Superior Court against five insurance companies, commissioner Sheeran, and the ISO, early this month.

The suit charges that the companies (State Farm, Kemper, Crum & Forster, Travelers, and Aetna Casualty & Surety Cos.) have failed to provide compulsory auto liability and that the commissioner has failed to set "reasonable and adequate" rates.

In January a class action suit on behalf of the 18,000 agents in the state was filed against Commissioner Sheeran in Passaic County Superior Court by the four principals of the Steel Agency in Wayne. The civil suit charges that the rejection of rate increases have been based on factors which

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are immaterial according to state statute. The plaintiffs feel the commissioner is allowing insurance companies to make money on commercial business, but not on personal lines, and averages the two coverages at the expense of personal lines agents.

The Steel Agency sent solicitations for financial support to 2500 agencies. To date, the fund totals "several thousand dollars," according to Charles Steel.

State Farm Mutual also took its case to the State Superior Court in mid-January. State Farm cited loss figures of \$14.3 million for the first 11 months of 1976 in its application for a 21.4% increase.

Charging that the commissioner publicly stated a blanket refusal to grant any rate increases in December prior to an impartial hear-

ing on their particular request, State Farm asked the appellate division "to provide an impartial forum to hear its case." But the appeal was dismissed and State Farm is now weighing further alternatives including an appeal to State Supreme Court. A hearing by the Commission is scheduled for March 23.

The Insurance Services Office also filed in the appellate court in Trenton in January, stating that Mr. Sheeran acted in an "arbitrary and capricious manner, did not base his decision (to grant or not to grant the nine increases) on evidence at the hearing but based it on other facts adduced and thereby denied us due process of law," according to a spokesman. The suit also alleges that he is "biased and prejudiced against ISO and has treated the situation not on the evidence but has made up his mind in advance."

The ISC filed a brief requesting expedition in mid-February and is awaiting an answer.

Personal Auto insurance last year represented \$800 million in premiums in this state. Rates increased between 50% and 80% in the first 11 months of 1976, agents estimated. The problems precipitating the present critical situation

Continued on page 12G

Agent hopes to carve niche with medium-sized firms



Alan Shetzer hopes to pick up where Allstate leaves off.

ELK GROVE VILLAGE, ILL.—To your list of independent agency doomsayers, add one independent agent.

Alan Shetzer, however, is not forecasting the demise of all independent agents, just the garden variety 1977 style.

He predicts continued inroads and eventual domination of personal lines and small commercial business by direct writers. He also foresees continued growth of major brokerage houses in large commercial accounts, and believes large life companies like Prudential and Equitable may get into the casualty business.

Mr. Shetzer plans to carve his niche in the middle—the medium-sized commercial account with 50 to 200 employees, and annual premiums under \$100,000.

Mr. Shetzer was introduced

to insurance nine years ago at Marsh & McLennan, later moving to Allstate. He assumed the independent agent role for the first time four years ago when he started the Chicago branch of Kelter-Thorner Inc. of Southfield, Mich.

Eighteen months later, when a group of Allstate account executives became available after the company deemphasized medium sized accounts (\$5,000 to \$50,000 in premiums), Mr. Shetzer formed Service Marketing Systems Inc. to move into the vacuum. He bought the Chicago office of Kelter-Thorner last November and merged it with Service Marketing Systems.

The result is S&S Insurance Agency here, co-principaled by Thomas Street, also a former Allstater. S&S currently writes all its

business commercial accounts with an average annual premium of \$25,000.

Premium volume for the firm is estimated at \$2 million and gross revenues at \$250,000.

Clients include small local manufacturers, machine shops, auto dealers and a number of real estate developers including General Growth Development and the Arthur Rubloff branch in Kansas City.

"Agencies like ours don't have the wherewithal politically or in staff to handle large national accounts. On the other hand, large nationals cannot afford to handle medium-sized accounts like ours, which do not have a risk manager, because the commission dollar is not there."

"I think you will see agencies like ours cropping up to service this market. It's a large market and there's a definite need. Today, these customers are being serviced predominantly by agencies which do 50% commercial. These are the agencies that will disappear as they will be unable to evolve into 100% commercial.

It takes as many man-hours to service a small account as a large one, Mr. Shetzer said. Hence, the agency now writing half of its premiums in personal and accommodation lines, will come up short.

In addition to Messrs. Shetzer and Street, the other 2½ producers of S&S also are one-time Allstaters and have technical backgrounds. It is lack of technical knowledge which will prevent the typical independent agency from converting into a 100% commercial agency, and thus spell doom, the agent believes.

"In order to get good quality people you have to make them partners. If you hire good people, you won't keep them if they have any ambition.

"We don't take the time to develop a producer because if he is any good he will strike out on his own." Hiring someone cold, it would take one and a half years to get the dollar investment returned, he estimated. "We have a subsidiary corporation for producers to get ownership and we keep segregated books."

The principal are on salary and the producers on straight commission.

Personnel at the insurance company level, Mr. Shetzer charges, is "limited talent" mainly because the companies don't pay key people. The average producer at S&S brings home \$30,000.

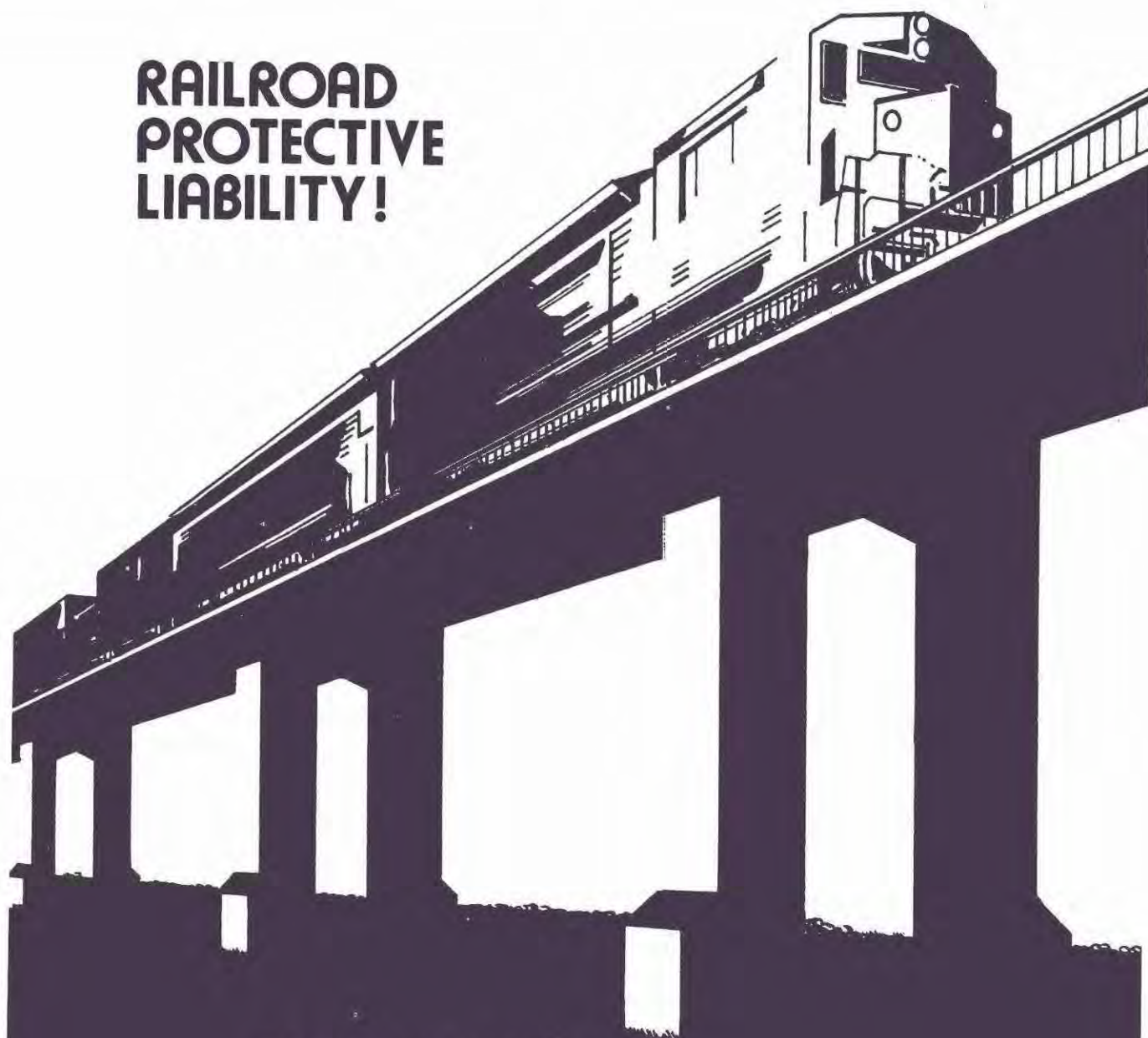
As for operating expenses, Mr. Shetzer prides himself on running a tight ship and estimates he could "run the shop" for \$1,000 to \$1,500 per month. "You don't need a fancy office set up. The clients don't come here. If I have had 10 people come to my office in 10 years, it's a lot. I know more of my partner's accounts, and vice versa, so if a customer phones in with a problem and the account executive is away, someone else here can help the customer immediately."

Mr. Shetzer says the average commission for S&S may be between 12% and 13%—negotiated away from a 20% norm "to keep a competitive edge. You must maintain a competitive product. You don't write new accounts unless you're low going in."

How to keep that business once it's won? "We concentrate on high risk hazards. Once you've solved someone's problems, he tends to stay with you." Mr. Shetzer estimated his attrition rate at less than 5%.

—BJG ■

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Agent faces jail, loss of license in bribery case

ALBUQUERQUE—An insurance agent here has pleaded guilty to a four count misdemeanor charge of soliciting and procuring insurance without a proper license.

The charges against Richard Cottrill of the Richard Cottrill Insurance agency involved a workers' compensation policy for the Employment Security Commission, a New Mexico state agency.

In return for being allowed to plead guilty to a misdemeanor charge, Mr. Cottrill testified before a grand jury investigating the commission.

The grand jury has indicted former ESC director Rudy Ortiz and Charles Davis, an associate of Mr. Ortiz, on bribery and conspiracy charges. The indictment alleges the two men solicited and received bribes from Mr. Cottrill in connection with the workers' compensation policy.

Both Mr. Ortiz and Mr. Davis have pleaded innocent. Mr. Cottrill is listed as an unindicted coconspirator in the bribery indictment.

Sentencing for Mr. Cottrill has been tentatively set for June 30, according to the attorney general's office. The agent faces a possible sentence of 30 to 60 days on charges of improperly soliciting or procuring workers' comp policies for the ESC and for the Comprehensive Employment and Training Act (CETNA) in December 1975 and July 1976. The state was charged \$143,000 in premiums for the two policies. But All Star Insurance Corp., supposedly the underwriter, said the policies were never issued.

The essence of the charges was that he (Mr. Cottrill) was self-insuring—receiving the payments and paying the claims himself when it was not insured," said Frank Coppler, Mr. Cottrill's attorney.

Mr. Cottrill has also agreed to make restitution to the state as part of the agreement.

The agent has been issued a "show cause" order by the superintendent of insurance on why he should be allowed to retain his license. The hearing has been set for this month, Mr. Coppler said.

Although Mr. Cottrill declined to comment on the size of his agency, sources estimate he and one other full time employee generate over \$500,000 in premiums.

The former ESC director Rudy Ortiz, faces charges of demanding or receiving five bribes totaling \$20,732 between October 1975 and October 1976, from Mr. Cottrill,

according to published reports. His co-defendant in the bribery and conspiracy charges, Charles Davis, is charged with aiding or counseling Mr. Ortiz.

Reportedly there is a federal grand jury investigation being conducted on the activities of Western American Life Insurance Co., a local company, in which Mr. Ortiz once owned controlling interest but which has since gone into liquidation. A spokesman for the U.S. Attorney's office had "no comment" whether such an investigation was in fact underway.

At the time of his resignation Feb. 24, Mr. Ortiz filed a \$2.5 million suit against Mr. Cottrill charging that he (Ortiz) had been forced to resign as a result of the negligence of Mr. Cottrill, that he (Ortiz) had suffered "scorn and

ridicule" which has rendered him "unable to earn a livelihood."

David Norvel, attorney for Mr. Ortiz, said "we will be taking depositions soon" on the suit.

Regarding the grand jury indictment of four counts of bribery and one of conspiracy, Mr. Norvel said he didn't have much comment on the plea except "we're very satisfied that he (Mr. Ortiz) will be vindicated. It was a politically motivated indictment which we will demonstrate very vividly."

In another development, Joseph Diaz, attorney for Bernalillo County, which includes Albuquerque, announced plans to file suit this month against Mr. Cottrill in attempt to recover \$100,127 paid last summer as premiums for a public professional liability suit, a spokesman for Mr. Diaz's office stated.

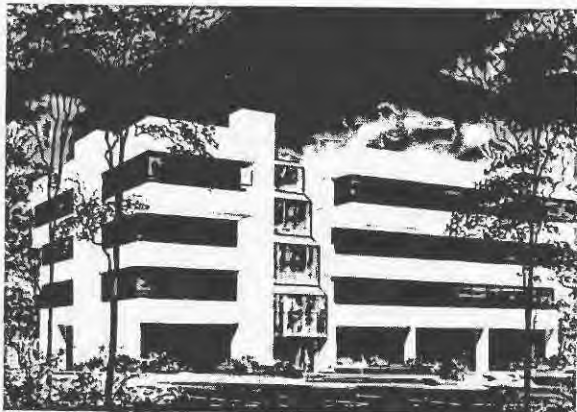
The county was notified last October by All Star, the insurer, that it would be cancelled for lack of premium payment. But they were assured by the agent, Mr. Cottrill, that the notice was a mistake the county has charged. However, All Star maintained that it never received the premiums.

A second policy for Bernalillo County, this one on policeman's professional liability, and also brokered by Mr. Cottrill, was valid with All Star until the company went into liquidation March 1.

All Star went into liquidation when a Milwaukee Circuit Court judge entered an order that the firm was "insolvent and/or impaired" according to Norbert Zabinski, special deputy for the Wisconsin Insurance Commissioner and liquidator in this case.

—BJG ■

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Miller lists top 4 firms

SAN FRANCISCO—The four largest privately owned brokerage houses in California are Albert M. Bender Co. Inc., Clifton & Co., Kindler & Laucci and Albert G. Ruben & Co. Inc., according to the latest Russell R. Miller survey.

The four firms all had more than \$4 million in commission income last year.

The annual Miller survey also said it found that the largest brokers in the West have an increasing desire to remain private rather than join their national public brokerage firm colleagues.

The survey found six brokerage firms in the state with between \$2 million and \$4 million in commissions in 1976. They are: Andreini and Company, A. Mason Blodgett & Associates, Barney & Barney, Cal-Surance Associates, Inc., Diner Levison Company and McCord & Holdren, Inc.

Four other firms have moved above the \$1 million classification, but not reached \$2 million level. They are: Colonial Western Agency Inc., Richard N. Goldman & Co., Robert F. Driver Co. Inc. and Republic Insurance Brokers Inc.

The survey found that productivity rates, as measured by commissions per employee, have risen drastically. It said that 1976's norm was in the \$32,000 to \$35,000 range versus \$27,000 to \$28,000 in 1975.

"The primary cause of this increase is that most houses added few employees during a period when they were reunderwriting much of their book of business in an environment of increasing premiums," the survey says. It predicts that these forces should lessen fairly soon, bringing the figures down.

J&H finds a way to say, 'Maybe we're different'

NEW YORK—If they didn't own themselves, maybe they wouldn't be advertising their employees.

But Johnson & Higgins does and they are.

"We're projecting an image through our people," vp Seth Faison told Agent/Broker Topics in an interview.

"You can get attention, but whether it's in keeping with the company image is another thing. If we put a picture of a naked woman in the Wall Street Journal, 95% of the readers would notice it, but whether they would identify it with Johnson & Higgins, or get good vibes about the company, is something else."

The six-month-old print campaign of the privately held brokerage firm is the creation of David, Oksner, and Mitchneck Inc. of New York. A two-third page ad in the Wall Street Journal every other week is scheduled to run until September. Other publications used are Fortune, Newsweek, the metro section of TIME ("in small metro areas where we are less well known"), Business Insurance, Risk Management and, on marine coverage only, Fair Play in London.

Believed to be the second largest brokerage firm behind Marsh & McLennan (although no one is certain since J&H does not release financial information) the campaign is aimed at the risk manager, the chief financial officer and the corporation's chief executive.

Six ads have been run so far and others are in the works. Three or more individual employees per ad, depicted in line drawings, are identified with copy explaining their role.

The copy always starts, "If we didn't own ourselves, maybe we wouldn't..." then states a practice of the firm. "The ads are related to things we do differently," Mr. Faison said. "This is a way of highlighting our differences (from the other 10 largest brokers) as a privately held firm. We think it's a positive factor. But we cannot say that because we're privately held, we definitely do things a certain way, just maybe."

The people "come across as real—not phoney baloney and not models. Most insurance ads use models. We used to. When we started our 'people campaign' seven years ago, we used to feature our people in photos. The person was often identified with an oddball quote—something like 'When I was a kid I flunked geography, but now I'm heading a division in 88 countries'. In the next phase, we talked about the individuals we served, showing a picture maybe of a man in a meat packing plant saying, 'This year our client will pack 200 pounds of beef' etc. to show we're experts in specific industries."

This season's campaign thrust is not just one J&H worker per ad but several in line drawings which allow more open space than photos. About 60 to 70 individuals have been "advertised."

"Of course we tend to pick people more likely to be known by clients, especially those with specific expertise, such as the auto industry in Detroit or offshore drilling in Houston."

And response to date has been primarily from existing clients commenting to the advertised individual. "We have also gotten some negative feedback from some publicly held brokers."

Although some management people have been featured, most of the cast has been technical per-

If we didn't own ourselves, maybe our local offices would think like local offices.

Insurance brokers of our scope and size are few. Most are publicly-held. There is

This is one of the Johnson & Higgins ads keyed to the firm's private ownership.

sonnel. The one exception has been the ad stressing use of the College of Insurance, featuring five bright and shiny work/study students or graduates.

Advertising employees who may leave J&H has not been a problem, Mr. Faison told A/B Topics, "since we have less turnover than most of our competitors."

"Our ads are done for three things," commented chairman of the board Richard Purnell "and they are not necessarily in this order: one—our staff, our own em-

ploye relations; two—existing clients; and three—prospective clients."

When asked about the feasibility of broadcast media, Mr. Faison answered, "We never toyed with it, but then we're an oddball firm. We're not advertising to the general public. We avoid personal lines—are in fact trying to get out of it—and try to concentrate on corporate insurance."

"Personal lines can be profitable if you're located in different areas, but we're located on Wall Street and its equivalents, where you're paying premium rents and salaries."

"Where we're different from others is in handling corporate problems. One cannot handle them with insurance policies off the shelf and personal lines are mass produced coverages. They have to be." —BJG ■

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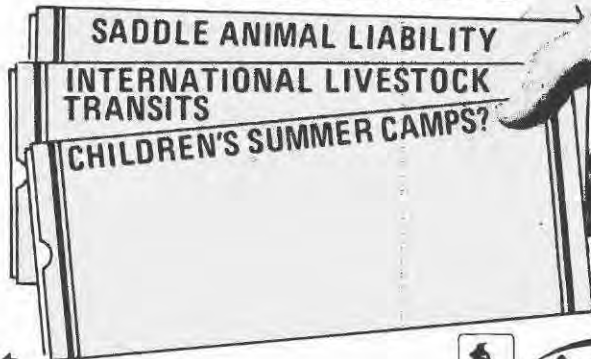
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For more facts circle 155 on reply card

A&A chief steps aside...

Continued from page 12A

office's younger staff "not necessarily the office heads and the senior department heads, but some of the bright young talent the regional manager thinks is going to rise up in a year or two. We make the meeting completely off the record. They can ask us any questions they want to. And we can ask the many questions we want to. We've found it to be a very very useful tool to get to know some of the potential future leaders of this company."

Over the past three to four years this has meant dinners in at least 35 to 40 different cities.

Beyond the monthly meetings, the executive committee is in communications "almost daily" Mr. Carter volunteered. In addition to the Soubry/Carter/Bogar-



William L. Carter

dus troika, the committee includes a fourth director, Tinsley Irvin, who is also a senior vp.

Mr. Irvin is headquartered in Atlanta. Mr. Carter splits his time between his native Dallas and here, and Messrs. Soubry and Bogardus are headquartered here.

At the same time the management shifts were announced, A&A declared a generously increased dividend—a quarterly rate of 35¢ up from 26¢ a year ago, averaging out to a yearly payout of \$1.40 versus \$1.06 per share. The two moves were not related the executives said.

Regarding the chances for continued favor for brokerage firm stocks on Wall Street, Mr. Bogardus offered, "I think the industry as such has had a consistent record of steady growth—not necessarily spectacular—but steady growth which apparently much of the investing public is looking for. I think if we can sustain this, that probably the same degree of interest will continue."

Though declining to forecast profits for 1977, in keeping with the firm's public policy since 1969, the three were generally optimistic for insurance brokerages in coming years.

In an attempt to single out the major hindrance to profits in 1977, Mr. Bogardus began, "You can always say getting top personnel, but I think that the industry in general has been doing a better and better job of attracting people with great potential into the industry. And yes, this is a continuing problem."

Mr. Carter said general market conditions, the lack of capacity in insurance companies and strict underwriting, required more work than any other in the brokerage business.

"It takes us a lot longer today to market a piece of business, to place a renewal than it ever has, that I can remember," Mr. Bogardus claimed.

"So the success or non-success of the insurance companies has direct bearing on the brokerage industry. We see it as a continuing concern, possibly for the next year to two, particularly in the casualty field..."

"... liability and workman's comp, enumerated Mr. Soubry."

"We're sympathetic to the fact that they have got to make underwriting profits. It's the only way they're going to build up their surplus and therefore increase their capacity. And yet we have an obligation to our clients," Mr. Carter stated.

The feasibility of a broker assuming the role of a risk-bearer has been the subject of discussion, Mr. Bogardus acknowledged in response to a direct question. "It's something we do look into from time to time. It's difficult really to say whether or not we will become an advocate of that. Heretofore we have not been." —BJG ■



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Bituminous INSURANCE COMPANIES

For more facts circle 156 on reply card

N.J. auto rates . . .

Continued from page 12A
are numerous, they assert.

The immediate roadblock for agents is placing new business.

The state's assigned risk pool (believed to be second only to North Carolina in size) covered 15% to 18% of the auto driver population last year. Although originally designed 30 years ago to handle risks that private carriers declined, it is now writing much, if not practically all new applications, agents contend. This is because many of the traditional markets are limiting new business if not departing altogether.

The withdrawal of GEICO, believed to be the second largest underwriter in the state, compounded the market crunch. That impact is "hitting right now," according to Eugene L. Morris of the Morris agency in South Orange.

Other insurers are not eager to pick up this GEICO business, he said, and this is forcing new applicants into the assigned risk pool. "We're turning down so many beautiful accounts," he lamented.

Agents receive a 10% commission for placing a risk into the assigned risk pool versus an average 15% with a private carrier. The assigned risk pool early this

year requested a 70% rate increase.

Agents most frequently cited the \$200 threshold (the lowest in the nation) and the unlimited medical benefits in the mandatory no-fault auto insurance as the reason for skyrocketing rates.

No-fault auto insurance was instituted in 1973.

"The purpose of no-fault was to cut down on litigation" said Independent Mutual Agents president James Davies. "But it does not do it with a threshold of \$200. The idea is that the reduction of litigation reduces the costs of administration, which in turn reduces the costs of the premiums."

No-fault has accomplished the goal of expediting claims. But rapport between insurer and insured is spotty since the assigned risk pool involves random selection

rather than consumer choice, Mr. Davies elaborated.

As for reducing litigation, "If anything, it has increased it," Mr. Davies said. This is unlike other states, such as Florida, which greatly restrict limitation.

At a recent public hearing on insurance, several options were considered, including a competitive state fund. Mr. Davies said he viewed the idea of a state fund as a "political pressure tactic" and the overall situation as a standoff between the insurance companies and the government.

Throughout the state, agents expressed doubt about the possibility of a state fund. They pointed to neighboring Maryland, the nation's only operating auto state fund, as a failure as evidenced by an operating deficit of \$30 million.

However, John Corbley, chairman of the board of trustees of the Maryland Auto Insurance

Fund, while neither discouraging nor endorsing a New Jersey fund, says the two are not comparable.

Mr. Corbley said the Maryland state fund was created to provide a market for business which private carriers decline. It is basically the same function performed by joint underwriting associations and reinsurance facilities in Florida and Michigan, differing only in administration. Furthermore, Mr. Corbley adds, the New Jersey proposal is for a competitive state fund and Maryland's is monopolistic.

Maryland's State Fund, if accounted on a cash flow basis, would show a \$250,000 surplus for 1976, Mr. Corbley reported.

At least one other suggested alternative to New Jersey's present auto program is the elimination of the assigned risk pool and the establishment of a reinsurance facility and open rating, which has been publicly supported by Commissioner Sheeran. A

bill proposing this is presently before the state senate's Insurance Committee.

Additional options will be the subject of a public conference this month set jointly by Gov. Brendan T. Byrne and Herbert Klein. A former assemblyman, Mr. Klein had been asked to conduct a study beginning last July.

A preliminary report was submitted in December and the conference results will be translated into "urgent and direct" recommendations for submission to the legislature, Mr. Klein said.

The Independent Insurance Agents of New Jersey also support the idea of a reinsurance facility similar to those in North Carolina, South Carolina and Massachusetts. "It would facilitate better relations among agents, companies and insureds, and give the agents better control of the situation," Jerry Lieb, president

letters

A/B Topics fills a gap

To the Editor: Please allow me to express my sincere appreciation for the admirable job you have done with the inclusion of "Agent/Broker Topics" in your publication. Although this section is relatively new, the content is excellent. "Business Insurance" definitively fills a gap among publications in the industry and "Agent/Broker Topics" echoes this fine endeavor.

I also commend you for the editorial (Jan. 24) on agent licensing and testing. Although there are some minor drawbacks to the test presently used in Illinois, there is no doubt that this is a significant improvement over tests used in prior years.

My personal opinion would place strict controls and requirements on licensing. I, in fact, would go further than requiring each state to upgrade their testing methods as I would also require some form of continuing education to remain licensed and a reexamination at periodic intervals. In addition, I would eliminate the use of a grandfather clause.

Only with the above will the insurance profession truly reach a proper level of professionalism and competency and thereby be better prepared to serve the public. It is disturbing to note that in many jurisdictions licensure is more stringent for such professions as barbering and blacksmithing.

Relative to the desire for increased competency of those in the agency and brokerage ranks, you may be interested in reviewing material regarding the development of education modules by the Independent Insurance Agents of America for use by their respective state associations. I am pleased I was party to the development of this concept and I believe this is a significant development for the Independent Insurance Agents of America and for the insurance profession in general.

Timothy J. Cunningham
James H. Cunningham Agency
Inc., Elmwood Park, Ill.

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Making every moment count? Here are ideas

Got a minute? Great! Where did you find it?

That's what Agent/Broker Topics asked a sampling of retailers after hearing (and hearing, and hearing) that it takes two to three times longer to accomplish the same tasks today as it did a year ago.

Shopping longer and harder to find underwriting markets for new clients and obtaining additional, more competitive premium quotes at the behest of existing clients, has slowed the pace of transactions considerably.

Time-saving efficiencies built into agency operations in the past year include:

Issuing **POLICYHOLDER BINDERS** upon premium payment and eliminating the time lag waiting for the policy from the insurance company has been imple-

mented by V.C. Jordon Agency in Tampa. Fay Staats of that firm said, "It saves time on collection billing and checking on new big accounts. We can collect premiums with applications."

At Steel, Jacobs & Associates in Denver, one of several suggestions of an efficiency consultant was a system of sorting and **AS-SIGNING THE MAIL** to a specific desk and filing a weekly progress report on each of those pieces. This initial system facilitated efficiencies throughout the work flow system, said Rollo Jacobs, vp. In the personal lines department, the system has resulted in a personnel cutback to two from three, and in the commercial department to two people from three and a half, despite rising premium volume. Mr. Jacobs said the serv-

ices of Gary Holdgate, representing the InsGroup (of which Steel, Jacobs is a member) were invaluable.

USING A SERVICE BUREAU has enabled Schoelzel & Associates to go to a part-time bookkeeper instead of a full-timer, Shirley Lissolo, office manager of the Denver firm said.

A further commitment into the computerization field was listed as a time saver for Warren & Sommer. That Denver agency is **USING A MINI-COMPUTER** which eliminates all manual paper work—financial reports, accounting reports, etc. The move will allow the accounting department to stay at two rather than add two employees which would have been needed for the growing business,

office manager Fred Bernard explained. He estimated the computer saves four to five days of turn around time because information previously obtained from the firm's Texas branch was mailed in. Delinquent accounts information, for example, which previously arrived on a monthly basis, is now on hand immediately. Video display terminals provide instantaneous account status.

Akin & Akin has found a few extra minutes per month by **PRE-QUOTING COMMERCIAL BUSINESS** on new and renewal accounts. This eliminates much of the haggling time between agent-prospective clients and agent-insurance company, Robert Peal, vp, said. The Howell, Mich., agency has done this for a few years and 18 months ago ran a newspaper ad

offering 24 hour quotes, a practice of insurance companies. Of the pre-quotes submitted, 90% are approved. St. Paul Fire & Marine Insurance Co.'s experimental program of allowing some agents, including Akin & Akin, to issue their Series 2000 package on commercial business has also been a time-saver.

Retaining a **PROFESSIONAL SAFETY ENGINEER** to conduct fire rate studies, product liabilities studies, and building valuations has been done in the last year, too, by Akin & Akin thereby eliminating the wait for an insurance company representative.

Using more discrimination in **WEEDING OUT POTENTIAL CLIENTS** is cited as a time-saver by Asher Schapiro, chairman and president of Adams, Scott and Conway Inc. Mr. Schapiro said he used to assume that half the prospective clients he spoke to would materialize into profitable business, but now his questions are more direct and negotiations shorter. The New York broker said he now pursues only two out of ten prospects.

OPERATING ON WORK ORDERS, with all client contact documented in a file accessible to all employees has reduced unnecessary duplication for the William Buell Insurance Agency in Libertyville, Ill. The duplication problem is more prevalent for smaller agencies than for those with specified account executives for each customer, Mr. William Buell commented.

WRITING SPEED MEMOS rather than conventional letters has also been a time-saver at the Buell agency.

An inside, three-person sales staff **COORDINATING TRAVELING PRODUCERS'** schedules has been productive for the Winn Insurance Agency in Hollister, Calif. This system, whereby the insider people also suggest possibilities for cold calls, has been in effect for a few years, secretary-treasurer Sandra Rose said. Eight months ago, the firm added a service account executive for the purpose of making regular check up calls on accounts with annual premiums over \$10,000.

The result has been better client relationships and a freeing up of time of outside producers to develop new business. —BJG ■

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Agents have the expertise

LOS ANGELES—Expertise and knowhow among producers exceeds that in many insurance company's branch offices, an insurance company president says.

Increased control at company headquarters, which was unacceptable to professional employees, spurred their exodus, suggested Frank E. Raab of the Allianz Insurance Company at a recent meeting of the Western Association of Insurance Brokers.

LA acquisition

The Sharp Insurance Managers Inc. has acquired Jaeger & Co. to form the SJW Insurance Managers Inc. in Los Angeles. Principals are Rie R. Sharp, president, Marsha J. Watkins, vice president, and Martin Jaeger, consultant. Joint gross revenues for 1976 were estimated between \$110,000 and \$120,000.

Insurer seeks recovery of largest marine loss

HONOLULU—Fireman's Fund Insurance Co. has filed suit in federal court here to recover \$11.9 million it paid out in connection with the sinking of the Liberian tanker Hawaiian Patriot.

The suit charges Indo-Pacific Carriers Inc., owners of the tanker, were responsible for the loss of the ship in late February in stormy seas 340 miles west of Hawaii.

Fireman's Fund paid Pacific Resources, a diversified energy company based in Honolulu, \$11.9 million for the loss of the crude oil being carried in the tanker.

The 840-foot Hawaiian Patriot, which was described as a "very large, but not a super tanker," was carrying crude oil destined for Pacific Resources. It was en route from Indonesia to Hawaii when it discovered a large, 17-by-35 foot gash which was spilling millions of gallons of crude oil forming a slick 50 miles long.

Coast Guard Lt. Commander Rick Gallien said the Hawaiian Patriot suddenly burst into flames and sank shortly after the hole was discovered. All but one of the 39 crew members aboard was rescued.

More than 5 million of the 30 million gallons of the tanker's cargo reportedly had leaked into the sea.

Fireman's Fund, which had insured the crude oil for Pacific Resources on an ocean cargo policy, paid \$11.9 million to the diversified energy company on March 1, two days after the explosion. A Fireman's Fund spokesman said that the payout represents the in-

surer's largest ocean marine loss—equivalent to what the company paid out in 1906 for the fire and damage caused by the San Francisco earthquake.

Finance Factors of Honolulu brokered the ocean cargo policy. Robert Doane of Finance Factors said that in suing Indo-Pacific Carriers, the insurance company is following the precedent that permits insurers to go after third parties that may have caused losses for which it must pay claims.

Indo-Pacific Carriers is known to be a one-ship operation. Its agent is Sea Transportation, New York.

Lt. Commander Gallien said that a full-fledged investigation into the explosion is under way. ■

State insured in air crash

HARRISBURG—The state of Pennsylvania is fully insured for the loss of one of its leased aircraft that crashed near here late last month killing nine persons, including the state transportation secretary and several other high ranking Pennsylvania officials.

As part of its lease agreement with Piper Aircraft of Lock Haven, Pa., the manufacturer of the twin-engine turboprop, Pennsylvania was required to purchase hull liability insurance to cover the \$513,000 plane replacement cost.

The 10,000-pound plane was added to an existing policy with Insurance Company of North America that covers the state's other leased and owned aircraft.

The policy also provided passenger and public liability coverage. State insurance officials, however, declined to discuss the limits of this part of the policy.

No lawsuits have been filed yet in connection with the crash. But one source close to the case said several families of the crash victims had met with attorneys to discuss possible legal action.

The day before the Piper Cheyenne crashed, the plane's anti-stall device malfunctioned, resulting in a loss of cabin pressure.

A National Safety Transportation Board team investigating the accident has not established a correlation between the malfunction and the crash.

The plane took off in a heavy fog that limited visibility to less than a mile. Three minutes after takeoff from Harrisburg's Capital City Airport, the plane slammed into a house killing a woman inside as well as the eight persons aboard the aircraft. ■

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Van pooling . . .

Continued from page 1

Weber said the company's 92 vans are part of its retrospective rating plan with The Travelers Insurance Co.

"The seven-year experience has been excellent, so the cost per unit is far below any normal commercial rates," he said. There has been only one bodily injury, to a pedestrian, and the claim has not been settled yet.

The cost of insuring one of the vans is "less than it costs me to insure my car to drive back and forth to work," said Mr. Weber. "And the slight additional insurance cost is fully recovered in the fees paid by the riders."

3M has taken the position that its employees are commuting, not working, and not covered by workers' compensation in the event of an accident. "We believe that (holds true) for the passengers, but we're not so sure on the drivers. We've been unable to get a satisfactory answer from Minnesota," Mr. Weber said.

Without a clear ruling, Mr. Weber says, "The safe route is to assume they will have a common law right to sue and provide enough insurance to cover all the passengers on a liability basis."

A Los Angeles multi-employer van pool operation—a cooperative effort of Commuter Transportation Services Inc., Crocker National Bank and the Atlantic Richfield Co.—carries \$10 million of liability insurance per occurrence and pays \$1,200 per van for insurance.

Chrysler Corp. in Michigan includes its 35-van fleet, which will soon be 50 vans, in its regular fleet policy with the Hartford Accident & Indemnity Co. It's a \$500,000 retrospective rating plan and Chrysler carries excess insurance.

Chrysler insurance specialist Don Sabbe said it costs \$350 to insure each van and it's part of the operating expense paid by the riders.

A unique aspect of Michigan's no-fault automobile insurance law provides a twist to insurance at Chrysler, Mr. Sabbe explained. The law allows a company's group health insurance to be the primary coverage in the event of an accident. The auto policy then fills in to meet the no-fault requirements.

As elsewhere, the workers' compensation question is open. "Chrysler takes the position that the coverage would be no different than if the commuters were in their own automobiles," Mr. Sabbe said.

The Prudential Insurance Co. of America, which operates 80 vans in five states carrying 800 employees, also added the van pooling liability to its overall corporate policy. It is a retrospective rating plan including workers' compensation, general liability and auto liability.

Prudential's insurer, which the company declined to name, agreed claims would fall under workers' compensation. "We felt we wanted coverage for comp—it's limited by law—and we got an affirmation from our underwriter," a company spokesman said.

Other companies, such as SmithKline Corp. in Philadelphia, chose to separate the van pooling exposure from the corporate insurance. That's when the insurance becomes a challenge.

Assistant risk manager Joe Perrello explained SmithKline decided on a separate policy for its 10 vans because "we wanted

the company. He conceded, however, that employees could reject workers' compensation and sue instead.

Since the program began a year ago with three vans, there has been only one fender-bender accident, Mr. Perrello said.

Scott Paper Co. in Philadelphia takes a similar approach. Robert F. Campbell, manager of casualty insurance, said the company buys a separate policy for its two vans. "We didn't want to allocate the cost to all our plants," he explained.

Mr. Campbell declined to disclose the policy's premium but said he considers it "reasonable for the classification as a private livery under a commercial policy." The policy is with Scott Paper's fleet and workers' compensation underwriter. The insurer and Scott Paper have taken the position workers' compensation will cover claims from employees.

In two years of operating the commuter vans, there have been two minor property damage accidents, said Mr. Campbell.

Montgomery Ward & Co. in Chicago hasn't experienced any major accidents during its three-year van pooling operation either. But the company hasn't fared as well trying to secure a separate policy to cover them.

Currently the 16 commuter vans are included in the corporate \$250,000 self-insurance program. Following the philosophy that the program should be self-sufficient, a separate policy for \$250,000 combined single limit was sought. Insurance manager Joseph E. Fowl said they found "high rates—several times higher than the average for all our vehicles."

The ISO hopes its new rates and classifications will loosen up the market and spur reasonable rates for insuring van pools.

"Unfamiliarity is tightening up the market," explains Robert L. Brusaw, manager of ISO's commercial auto division. "An underwriter hears van pooling and he says, 'What's that?' They've been rating by analogy," he said. Insurers sometimes choose the public auto class which results in a wide range of premium quotations.

The new filings cover both private and commercial pools. In the commercial manual, employer-owned vans with up to eight seats will be rated as a pickup truck. There are small increases, based on the number of seats, for larger vehicles.

The rating increments are small, such as a multiple of 1.05 for vans seating nine to 20 persons. "We are assuming a high incidence of workers' compensation covering losses," Mr. Brusaw explained, based on the opinion of the ISO's legal staff.

He hastened to add, however,

The more you know about loss prevention, the less your business could lose.

The Hartford didn't wait this container out of the



"We are not predetermining where the responsibility lies. We're just setting up a classification and rating system." Since the workers' compensation issue is cloudy, Mr. Brusaw recommended companies use the same underwriter for workers' compensation and automobile insurance. "Two different companies could disagree over which is responsible," he warned.

A broker who handles van pooling accounts suggests a company check state law and sit down with its liability and workers' compensation underwriters to settle the coverage question.

The broker also recommends companies with van pools remove the "fellow employee" exclusion in their comprehensive general and automobile liability policies.

The ISO's new filings will take effect July 1. Member companies may file their own programs deviating from the ISO's, but the

tendency is to follow the ISO with a 10% to 25% variation in rates, Mr. Brusaw said.

Although the new filings will solve the classification barrier to insurance, "capacity is still a problem. This still represents a pretty big exposure," Mr. Brusaw observed. The ISO, though, is hoping van pooling will be a "good class of business. There is good driver control," Mr. Brusaw said.

Dr. Frank Davis, associate professor of marketing and transportation at the University of Tennessee and an advocate of van pooling, believes this method of transportation represents a reduced exposure for insurers because "they're new vehicles, good drivers and its a familiar route."

Still, Mr. Brusaw said, "What scares the underwriter is the catastrophe—that 10 people could be killed or seriously injured." No one is aware of a such an accident yet.

Product liability . . .

Continued from page 1

other measure dealing with thorny product liability coverage problems, cannot ignore the issue of what products deserve coverage and at what price, Mr. Gillice said.

Nearly all witnesses pressed Sen. Culver, chairman of the hearings, to reveal what he and Sen. Nelson meant by the "reasonable terms" at which product liability insurance must be available.

Mr. McKevitt of the NFIB said eligibility for the federal reinsurance program should be determined by "product liability premium as a fixed percentage of gross receipts."

While Mr. McKevitt declined to suggest a specific figure for determining what was a reasonable premium, he indicated firms pay-

ing about 2% of gross sales for product liability coverage ought to be eligible for the reinsurance program.

Other witnesses tossed out premium cost figures ranging from 1% to 3% of gross sales as yardsticks for determining eligibility. Mr. McKevitt noted, however, that his 2% of sales going to product liability premiums would protect those small businesses most severely impacted by the insurance availability problem. He believes 90% of all small businesses do not need help, while the other 10% have problems.

Some of the most heated debate was between Sen. Culver and Prof. Victor E. Schwartz, former project director of the Interagency Task Force on Product Liability.

While Sen. Culver obviously grew angrier, Prof. Schwartz ex-

plained that the long-delayed final report would not be ready until June 1—at the earliest. He also described several shortcomings of the Culver-Nelson bill.

Product liability problems, Prof. Schwartz said, have occurred "across the board" in some industries, most notably the pharmaceutical, capital goods and medical devices industries.

"Depending on how 'small' is defined, some businesses that are severely impacted by product liability insurance cost problems might be excluded from relief under S. 527 (Culver-Nelson bill)," Prof. Schwartz said.

But what disturbed Prof. Schwartz most was the bill's failure to link participation in the reinsurance program with assurances from businesses that they follow safe practices in the manufacture of their products.

"A reinsurance mechanism that eases product liability rates, but loses sight of the goal of product liability prevention, could undermine one of the positive notes sounded in the product liability area," he said.

Other witnesses appearing before the committee suggested that any reinsurance plan as outlined in the bill be tied in with tort reform.

These witnesses suggested that before coverage would be made available to businesses in a state, the legislature would have to come up with certain reforms limiting attorneys' contingency fees and eliminating liability if a product is extensively modified.

Despite the objections raised, staffers said they expect the bill to easily pass a committee vote later this session.

"The important thing is to get legislative approval allowing the SBA to provide reinsurance and give small businesses breathing space that would enable them to survive while a long term solution is worked out," said one staffer.

Some of the technical problems, such as defining what is a reasonable rate for product liability coverage, could be worked out by the SBA in conjunction with the federal Insurance Administration after the measure is approved, the staffer added.

High court to rule on tanker laws

WASHINGTON—The Supreme Court has agreed to decide whether states may regulate the presence of oil tankers in their ports to prevent oil spills.

At issue is whether the existence of a comprehensive federal water safety law prevents states from passing their own legislation for regulating the operations, traffic routes and safety design of tankers.

A lower court ruled earlier that a state of Washington law that banned tankers of more than 125,000 tons from the port of Puget Sound and required smaller vessels to carry certain safety features clashed with the need for national uniformity and imposed an unconstitutional burden on interstate commerce.

If the lower court order is overturned, it could mean that the states might pass and stringently enforce tough legislative measures affecting waterway safety.

The U.S. Coast Guard currently is being criticized for failing to enforce the safety provisions of the 1972 federal Ports and Waterways Safety Act. The court is expected to decide the case before it recesses in June.

for a Federal law to keep wrong hands.



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Continued on following page

SPEAKING OUT

Pregnancy disability pay is coming—eventually

By Peter Downes

Manager of Insurance
American Trading & Production Corp.
Baltimore, Md.

FOLLOWING THE recent Supreme Court decision that private employers may refuse sick pay for pregnancy related disabilities, a rash of editorials and commentaries have appeared. Such an editorial was recently published by Ms. Bernice Malamud, who among other things is a member of the New York State Insurance Advisory Board and of the National Task Force on Discrimination in Insurance. Ms. Malamud likened the decision to the Dred Scott case which overturned Congressional attempts in the 1850s to limit slavery.

Like others in my trade, I have pondered the G. E. decision and I intend to express a few thoughts on the subject. For it seems to me that people who argue on either side of the case have studiously avoided saying a few things out loud.

The first important point is that in the District of Columbia and 45 of the United States or thereabouts, sickness disability is still a voluntary program. The exceptions are California, Hawaii, New Jersey, New York and Rhode Island. Regardless for the moment of the content of any disability programs, many employers outside the compulsory states can solve any problem of discrimination by dispensing with any kind of disability program. This, of course, is not true of every employer since many are locked into programs negotiated under union contracts. These programs in the absence of legislation to the contrary will still be voluntary in nature in that their content may include anything the employer agrees to finance and the union agrees to accept.

Here then is an illogical situation. If it is discriminatory to exclude maternity benefits from a program, is it not more discriminatory to deprive some women from participating in any kind of program? This would not arise in New York, for example, where the state disability program stipulates that there shall be a minimum level of benefits available to all. But in Texas, to pick a state at random, one might see Mrs. Johnson receiving a benefit because she worked for the right employer whereas Mrs. James, her next door neighbor, might not receive anything. Or, as George Orwell said, "all animals are equal, but

some are more equal than others."

This argument is based on the premise put forward by Ms. Malamud that the payment of pregnancy related disability benefits is a human right. If it is indeed a right to receive such benefits, then there is also a corresponding duty owed by somebody to pay for those benefits. Ms. Malamud says that this duty belongs to American business, pointing out that a reverse decision in the G. E. case would have cost as much as \$1.3 billion in insurance costs and perhaps much more. This presumably is an annual cost.

This argument fails to mention what the textbooks used to call the incidence of taxation. The American businessman may pay the insurance bill but it is John Doe, his customer, who will put up the money. There was never yet an employee benefit that was not paid for by the consumer at large and maternity benefits would be no exception. If then the \$1.3 billion figure is correct, and assuming a 200-million population figure, to pay for such a benefit would require from the John Does of this country an involuntary tax at a rate of \$6.50 per capita per annum. The actual amount paid by each John Doe would, of course, depend on the actual expenditure of each member of the population at large. To pursue the argument of Ms. Malamud to its logical conclusion, therefore, she is saying in effect that the entire population of the United States has the duty to pay a tax to provide maternity benefits to the mothers of all children born in the United States.

I believe these arguments to be cogent. By this I do not mean that I am arguing that disability plans should or should not include pregnancy benefits but rather that within the political processes of the U.S. a decision will sooner or later have to be made as to whether such a benefit is in fact a human right and whether the population at large has the duty of paying for this right. Ms. Malamud has concluded that it is such a right but sadly recognizes, nevertheless, that Title VII of the Civil Rights Act must be changed to put the matter beyond doubt.

To my mind just about everything else in connection with the G. E. case is irrelevant. It does not matter what other benefits the plan includes whether they be male-oriented or otherwise. Such plans may include vasectomy, prostatectomy, circumcision, mastectomy, hysterectomy and tubal ligation, but the inclusion of

these benefits has nothing to do with human rights per se. They are merely surgical processes which may apply to one sex or the other, and in relation to non-statutory plans may be included or excluded at will. Indeed, one readily concedes that if compulsory payment of maternity benefits gives rise to involuntary taxation, then the inclusion of any other benefit in a plan gives rise to a public contribution which in practice is no less involuntary.

Notwithstanding the G. E. decision, the matter is by no means done with. The G. E. decision may delay matters by some years, but if a substantial proportion of public opinion decides that maternity benefits are what it wants, then it will find a way to get them. The British and Canadians, just to mention two examples, faced up to similar problems some years ago. In Canada, a monthly benefit payable until a child's sixth birthday was paid to every child born except the first. The amount received was declared as income so that it became, in fact, part of a graduated tax. Those with a small income paid little or no tax and thus received a smaller actual benefit or none at all.

Again, I am not saying that this is the right way to do things but merely illustrate the way in which such a matter has been handled outside the U.S., whether by way of children's allowances or maternity benefits. For my own part, I do not believe the question of human rights enters into the matter at all but that what is involved is simply a social decision. Proponents of maternity benefits are, in fact, simply members of a movement struggling to change U.S. social structure.

To summarize, we have on the one hand the supporters of the status quo who say that with the possible exception of certain state plans, disability programs are voluntary in nature and benefits may be negotiated, granted or withheld at will. It is likewise pointed out that pregnancies themselves represent a voluntary decision and thus it is the responsibility of the parents to finance the birth. Financial considerations play a significant role.

Opponents of this point of view say that life is not like that at all and that at best these arguments are outmoded. Notwithstanding ZPG groups and their ilk, babies will still be born. However, a significant portion of the working population is dependent solely on its wages and it is socially desirable for these workers to maintain whatever economic status they may possess and not see it damaged when giving birth to children. To this end, it may be argued that to avoid discrimination maternity benefits must become available to all and the population at large must be coerced into financing them.

Viewing the history of the United States during the past 50 years, I think that it will be only a matter of time before benefits will be made available—but just how much time I do not know.

2 times annual earnings and is usually non-contributory.

- Disability benefits are also frequently provided, usually as a rider to the group term life insurance.

- Private insured health care plans are most commonly provided for higher-salaried employees of multi-national employees.

- It is now compulsory to make actual provision for the seniority premium liability by either setting up a qualified trust or establishing a book reserve.

- There is little need to establish a qualified funded pension plan.

Mr. Simone is vp and director of the international division of Kwasha Lipton Inc., Englewood Cliffs, N.J. He has been involved in international benefits and compensation for more than 15 years and has worked with clients in Europe, Asia, Latin America, Australia, Africa, Mexico and Canada.

Mr. Simone is co-editor of International Benefits Information Service (IBIS) and is a member of the American Pension Conference and the Canadian Pension Conference.

Captives . . .

Continued from preceding page

Service (IRS). The two best known cases involve suits brought by the Ford Motor Co. and the Carnation Co. It is interesting to note that suits were brought by Ford and Carnation against the U.S., and not the other way around. The Ford case centers around premiums paid from a Ford operation in England to its Bermuda captive and the IRS contends that these premiums were a constructive dividend to Ford in the U.S.

In the Carnation case premiums on U.S. risks are involved in connection with some insurance where Carnation's captive has been used as a major reinsurer.

It is also interesting to note that both Ford and Carnation have retained the same Washington, D. C. firm of Miller & Chevalier to represent them. It is the feeling of many involved in the captive area that these two suits will be won by Ford and Carnation, which would materially increase interest in the captive programs.

If, on the other hand, the two suits and others are lost and all tax advantages are wiped out, it is my prediction that the sound captive insurance companies will continue to prosper.

No study of the Bermuda insurance market would be complete without a few comments on Bermuda's government, its people, and predictions for the future.

Bermuda has two political parties, the U.B.P. and the P.L.P. Bermuda's constitution introduced in 1968 provides for internal self-government with responsibility for external affairs, defense and internal security retained by the United Kingdom Government.

In both parties there is a desire to see Bermuda take on additional responsibilities in connection with its own government and I think this will happen regardless of the party in power.

Most of those in the international community of Bermuda are pleased that Bermuda has a link with the United Kingdom and we hope it will continue in a manner acceptable to our Bermudian friends.

As big as I am, it is not wise to crawl out on a limb but I have decided to do so and make a few predictions for the future. The American insurance market will continue to be tight, with its principal growth generated internally since very little new money is coming into the industry, and this growth will hardly keep up with inflation.

Because of the tight insurance market in America and the desire of corporations to use insurance as a tool in financial planning and the chronological stabilization of income, we will see the captive movement flourish regardless of the actions taken by the U. S. government as respects the few remaining tax benefits.

I think many of the Bermuda captives will turn out to be insurance subsidiaries doing a proper business and taking their place among the professional risk bearers in the world.

My guess is that in the near future most of the major insurance companies and brokers throughout the world will have offices in Bermuda. It is certainly within the realm of possibility that some day Lloyd's Syndicates could be formed in Bermuda, acting through underwriting agencies in Bermuda working closely with Lloyd's Underwriters in London.

Joseph H. Blades is chairman of the Blades Group of Companies. They are:



J. H. Blades & Co. Inc., Houston, Texas; J. H. Blades & Co. (International) Ltd., St. John's Insurance Co. Ltd. and Blades Management Co., all of Hamilton, Bermuda. Mr. Blades has a B.S. degree from the Uni-

versity of Texas and has studied insurance at the University of Houston. He is an underwriting member of Lloyd's of London, a director of the National Assn. of Professional Surplus Lines Offices and is a non-lawyer member of The Maritime Law Assn. of the U.S.

Mexican Social Security . . .

Continued from preceding page

pesos per month.) Employees contributed 3.75%, employers contribute 9.375% and the government, the remaining 1.875%.

Retirement pensions under the Mexican Social Security system are paid on a monthly basis, normally from age 65, with discounted pensions available at age 60 if the insured person is involuntarily unemployed. The law is periodically revised to increase the level of covered earnings and pensions in the course of payment.

The amount of retirement pension for an insured person is based on his average daily earnings for the last 250 weeks of contributions. This final average earnings figure determines into which earnings group the individual falls.

Once the earnings group is determined, the actual amount of retirement pension is calculated by applying the appropriate service factors. The "basic amount" is attributable to the first 500 weeks of contributions, and an additional "annual increment" is computed for each 52 weeks of contributions in excess of 500. Thirteen to 26 weeks of contributions are counted as a half year, over 26 weeks as a full year.

Compulsory profit sharing for practical-

ly all companies is based on principles set forth in the Constitution of 1917 and was introduced as an amendment to the labor law in 1963. Subsequent amendments were made in 1970 and 1974.

The aggregate amount of profits required to be shared with employees each year is 8% of pre-tax profits. Contributions to benefit plans and trusts to fund the seniority indemnity are not subject to the profit sharing calculation.

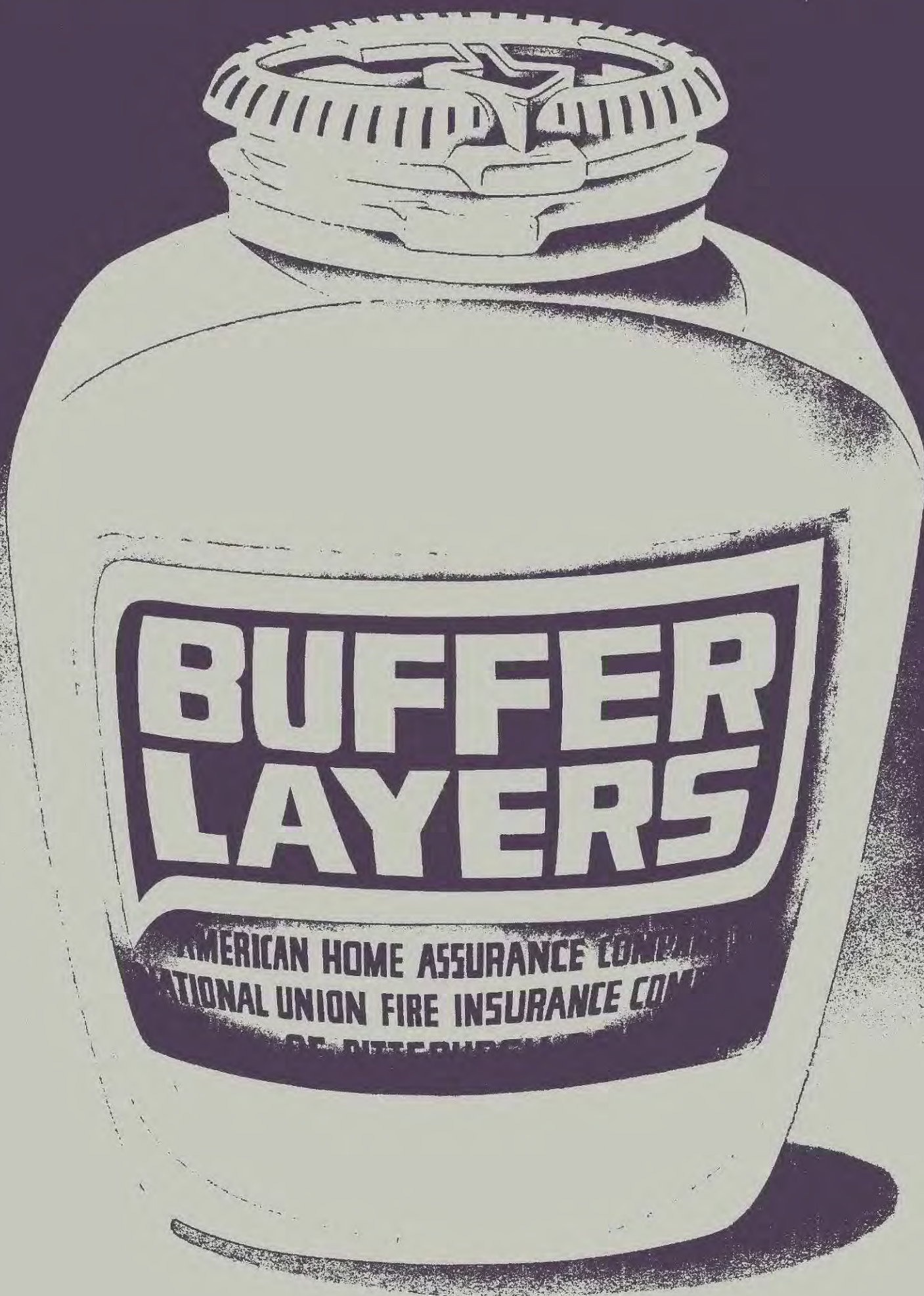
In addition to termination indemnities and profit sharing payments, the Mexican labor law requires that workers with at least one year of service are entitled to a Christmas bonus equal to 15 days' pay, and that employees are also entitled to vacation with pay of at least six days after one year's service, increasing to 12 days after three years of service, and two additional days for every five years thereafter.

Following is a summary of the employee benefit situation in Mexico today:

- Old-age and health benefits provided under the law are extremely generous.

- Group life insurance is probably the most prevalent form of voluntary benefit in Mexico today. Coverage is usually 1 or

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TRESOPs . . .

Continued from page 1

benefits manager said indignantly when read the proposed repeal.

Richard B. Spitznass of Weyerhaeuser Co., in Tacoma, Wash., which recently installed a TRESOP in addition to its already-generous employee benefit plans, made this

comment:

"It's really stretching it considerably to suggest that TRESOPs are the sole retirement benefits. Their impact overall is minimal at best." Mr. Spitznass also objected to the repeal proposal's appeal to "equity grounds" because some employees would receive higher benefits than others under TRESOPs. The formulas for deter-

mining many types of benefits are based on sliding scales to wages and just because TRESOPs also use the structure doesn't mean they are not equitable, Mr. Spitznass pointed out.

Victor M. Zink, director of employee benefits and services for General Motors Corp., which has a TRESOP for certain salaried employees, said he had heard of the Ford budget item but was not concerned about its possible effect.

He echoed the sentiment expressed by a Washington lawyer who specialized in ESOPs: Sen. Russell Long, the Louisiana Democrat who heads the powerful Senate Finance Committee, is a leading proponent of ESOPs and TRESOPs, and has sufficient influence in Congress to discourage any attempts to repeal tax incentives for ESOPs.

Even among large consulting firms that help establish ESOPs and TRESOPs for clients, there appears to be little concern. TRESOP expert John E. Balkcom of Hewitt Associates in Deerfield, Ill., for example, said he couldn't comment on the Ford proposal because he didn't know much about it. John Miller, also of the Hewitt team that put together a study of TRESOPs (BI, Dec. 13, 1976) said he had heard of the Ford plan, but that the firm felt little concern that it would be enacted.

Still, there is no guarantee that the Carter team will totally ignore the proposal from the Ford Ad-

ministration. Since Gerald Ford signed the Employee Retirement Income Security Act of 1974 (ERISA), which has specific provisions on ESOPs, there was some question about why the Ford administration sought the repeal of tax reduction act ESOPs at all.

Norman Kurland, an attorney who formed his own ESOP investment banking firm in Washington, D.C., answered the question this way: "The Ford Administration never understood what was going on" with respect to ESOPs or TRESOPs.

"There's no chance at all that that's (the Ford proposal to repeal TRESOPs) going to get anywhere," Mr. Kurland countered heatedly to Sheldon Cohen's prediction that ESOPs won't be around for very long.

Mr. Kurland took that one step further and predicted, because of a 1976 law known as the Public Works Act, that the government would get more involved in ESOPs under tax free loans it has been authorized to make under the act to financially troubled cities, Mr. Kurland explained. The cities would be aided if ESOPs were set up at companies which might otherwise shut down. The Commerce Department used a 3% loan to set up just such an ESOP at South Bend Lathe, which saved 500 jobs in the city of South Bend, Ind. in 1975, Mr. Kurland said. With the new freedom to move into entirely interest-free loans, the Commerce Department may have more potential than ever before to help fund new ESOPs, he said.

Dew leaves . . .

Continued from page 1

this," Mr. Dew said, "and I'm hopeful it (Britamco) will be the jumping off point for a larger operation involving other insurance subsidiaries."

Sources in Bermuda said they expect other insurance subsidiaries to join INSCO in a consortium to support Britamco. "But right now it's still in the stage where everyone's talking about it," one captive manager said.

Mr. Dew rented an apartment, the first step to meet residency requirements for Bermuda citizenship. However, he intends to spend four or five months a year in New York "to develop this operation," he said.

Some industry sources speculated that the presence of the former Lloyd's official signifies a more active underwriting role by INSCO, which has capitalization of more than \$20 million.

Gulf is in the process of withdrawing from Oil Insurance Ltd. (OIL), the petroleum industry mutual insurance company (BI, Oct. 20, 1975). When the announcement of the withdrawal was made, a Gulf spokesman indicated more activity for INSCO.

However, Gulf officials declined to comment on Mr. Dew's new role. "We have an agreement that any announcement regarding his joining INSCO would be made by Mr. Dew," a Gulf spokesman said. "Until he makes that announcement, we cannot comment."

Mr. Dew's move adds prominence to the insurance industry in Bermuda. He had begun in January serving his third term as deputy chairman of Lloyd's.

Robert Reeves, risk & insurance manager, Ashland Oil Inc. and president of the Captive Insurance Co. Assn. (CICA) said, "With respected names such as Leslie R. Dew relocating to Bermuda, the Bermuda market will grow in a more responsible manner."

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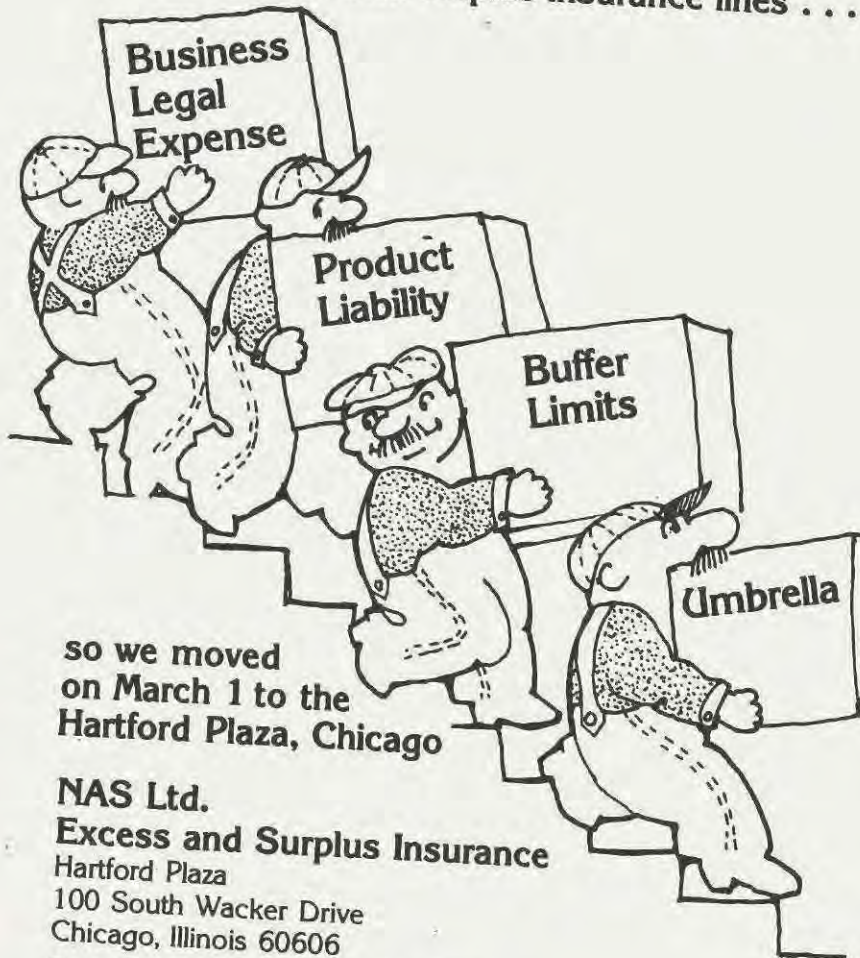
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Work comp increase

The Pennsylvania Compensation Rating Bureau has been granted an 8.7% rate increase for workers' compensation insurance. The bureau had sought a 12.2% increase. The revised rates, effective Feb. 1, are expected to result in \$41.6 million in additional revenue for the 231 companies represented by the bureau.



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riskWatch

By MARIE KRAKOWIECKI

Finding all your company's risks can provide amusing anecdotes

The first time I covered a risk management conference for *Business Insurance*, I ran into a group of risk managers in a bar in Underground Atlanta one night. To a man, they were wearing plastic Gay Nineties hats left over from a CNA party. Some of them were also wearing plastic CNA pearls. Risk managers back then struck me as a singularly unfunny bunch.

Times change. Last year at Los Angeles, I went out with a group of risk managers after the CNA party. A couple of them wore the plastic hats again. One wore pearls. I remember thinking they were funny. So much for perspective.

Now, after a few years of reporting about risk managers, I have come to appreciate the knack they have for landing on their feet when they find out—in odd ways—about exposures to their companies. The best of them have developed a built-in serendipity or antenna for picking up tidbits that could affect their work even when they're not in their offices. Some of this is funny stuff.

Howard Weber of Minnesota Mining & Manufacturing Co. realized 3M had a problem one day when he looked at his wife after she returned from the beauty parlor. The hairdresser set her hair with Scotch Tape, a 3M product whose aggressive tack was not designed for use on human skin. As the risk manager, Mr. Weber checked around and found out that beauty operators all over the country were using Scotch Tape.

That was more than 10 years ago, before the courts made product liability lawsuits a national pastime. But to head off an inevitable bunch of product liability claims related to Scotch-Tape-induced rashes, 3M had to develop a new product, hair-setting tape, which would be safe on the skin.

Robert S. Spender was tipped off to an exposure for one of his firm's subsidiaries in a more embarrassing way. Mr. Spencer, vp of risk management and insurance for Fuqua Industries in Atlanta, was visiting his underwriters at The Home Insurance Co. in New York to negotiate an umbrella policy. One question the underwriters asked was whether Fuqua's truck line, Interstate Motor Freight, ever shipped to New York.

■ "Absolutely not," Mr. Spender told them just before leaving for lunch. He recalls that as they all walked out the door together on lower Wall Street, "the first thing we saw when we looked up was a big truck with 'Interstate Motor Freight' written on its side."

My favorite story is about Russell Drake and the way he found out that a product liability exposure related to Eagle Brand condensed milk was not as dead as he and Borden Inc. believed it to be.

Over lunch, Mr. Drake told a group how hard Borden had fought to eliminate a recipe from cookbooks which called for boiling an unopened can of Eagle Brand condensed milk in a pan of water. A sugary pudding was supposed to result. What sometimes resulted instead were explosions, regular condensed milk hand grenades.

A craze for old-fashioned cookbooks made the situation even worse, Borden's director of corporate risk management said. But the company finally succeeded in getting the recipe out of cookbooks and in eliminating the exposure. His pleasure was short-lived.

In fact, his face went slightly ashen as a man at our table said he and his wife saw a television show in Boston only a few months ago which demonstrated the recipe. It seems WBZ-Boston, runs a woman's program called "Woman '77" with consumer and information segments. WBZ told me they remember the show featuring the condensed milk recipe, which was demonstrated by a Washingtonian named Carol Cutler, author of a cookbook called "The Six Minute Souffle."

The last time I checked with Mr. Drake, no further trouble had developed as a result of the program. But it just goes to show the strange ways that risk managers can stumble onto risks that their companies face, just when they think they have all their bases covered.

"If you have to write about this," Mr. Drake said good naturedly, "you might say something about how people should be more concerned with safety when they make up recipes."

People should be more concerned with safety when they make up recipes. And in the meantime, risk managers should try to be ready for the unexpected. ■



Krakowiecki

letters

Continued from page 8

not the risk management department of an industrial or commercial firm.

To a degree Dr. Lenz makes explicit that which the original article left implicit—that while the insurance industry "background is not necessary for the job," it is necessary to get a job. Further, Dr. Lenz states that he "cannot fault" a company for following this practice.

Well I can fault it. While the practice is readily understandable, it perpetuates a fundamental weakness in the current practice of risk management, that the cornerstone of risk management is insurance management. It teaches every young person entering into the field to think first in terms of insurance solutions to risk management problems. While most of us, myself included, have this bias in our thinking, many believe that we should first think in terms of prevention or retention. As long as risk management remains simply as a sophisticated method of insurance management, its full benefit to society will remain unutilized.

In a more specific sense, I question whether it is most desirable for commercial and industrial consumers of insurance to rely for the training of its "purchasing agents" on the producers of insurance, for it is then impossible to overcome completely the philosophy and view point of that initial training.

Dr. H. Wayne Snider

Chairman, Department of Insurance and Risk, Temple University, School of Business Administration, Philadelphia, Pa.

RiskWatch—interesting

To the Editor: I found Marie Krakowiecki's article on multi-employer risk manager positions (riskWatch, Feb. 7) most interesting. Would you please give me the address and phone number of Mr. Leonard R. Friedman to obtain additional insight?

Tony Koehn

Neenah, Wisconsin

Mr. Friedman said he may be contacted through his answering service number, 212-279-0410, or at 115 Robby Lane, Manhasset Hills, New York 11040.

Yankee or confederate?

To the Editor: Re: Issue of 2/21/77, pages 27-28, Yankee Dryer.

The Allendale Mutual Insurance Co. could have saved itself a lot of time and money by practicing a little risk management.

It should tell all insureds south of the Mason-Dixon line to rename their yankee dryers—what else—confederate dryers.

Everyone knows (in Alabama, at least) that all yankees are cracked.

Ken Crothers

Crothers-Rectenwald, Inc., Maumee, Ohio.

Worthless diplomas?

To the Editor: I beg to differ with your editorial "Going Too Far." The situation is not absurd, it is tragic. The \$5 million suit is only a small indication that one parent has awakened to the fact that government schools are only acting as custodians not educational institutions.

If we desire to protect the future of our business and our country we should get all governments out of the educational business. The facts are the gov-

ernment is printing counterfeit money and the government schools are handing out worthless diplomas and it is all traceable to the false philosophy upon which our courts of law are operating.

We should get 90% of the so-called public servants' snouts out of the public feed trough.

J. C. Van Antwerp, Jr.

Van Antwerp Agency Inc., Mobile, Ala.

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Huge losses possible in North Sea oil risks

By JOHN H. MILLER

LONDON—A major blow-out in North Sea oil fields could result in 15,000 tons of oil a day pouring into the ocean.

Fractures of underwater pipelines could lead to large scale pollution and repaid costs of \$15 million.

If the pattern of loss established on U.S. offshore fields is repeated in the North Sea, where the weather is much more severe, there is every possibility for major losses.

Those are among the conclusions of an intensive study of insurance risks in the North Sea oilfields by William D. J. Price of Commercial Union's risk management subsidiary.

"Total investment in the world offshore industry is expected to be more than \$25 billion and production 150 million tons a year by 1980," he explained in an interview.

"So the scope for loss is clearly enormous especially in view of the need to obtain oil and gas from deeper and rougher waters than ever before.

"Between 1955 and 1976 global losses in offshore development and production totalled \$258 million, of which \$126 million came through storms, \$58 million through blow-outs, fires or explosions, and \$74 million for other reasons.

er reasons.

"North Sea production accounted for \$68 million of this, almost entirely through storms. But if you bear in mind that the weather is more favorable off Louisiana and Texas except for hurricanes, there is appreciable scope for greater future losses off the U.K. and Norwegian coasts."

He believes care and research is taken in the design stage of any major engineering project, followed by over-confidence as the concept gets modified without a full understanding of the changes.

"Every 30 years since 1847 there's been a collapse of the latest design of metal bridges," he explained. "Investigation of steel rig design seems to indicate it's going the same way as five generations of metal bridges.

"The original design of structure was developed for drilling and production in the Gulf of Mexico, and North Sea platforms are the second generation of such structures. But I feel somehow that they may be departing too far from the design rules to counteract buckling.

"These rules were originally derived in the aerospace industry in the 1960s, and the high casualty rate among offshore structures places a great responsibility on designers.

"It's not enough to assess the

most likely values of the loads, but they must also think of the effect that might follow errors in determining the loads and the ability of the structure to meet them."

There is a 5% chance that a typical concrete production platform can be up to 58% stronger or weaker than is required, Mr. Price estimates, so there is need for generous safety factors to be kept in mind at all times.

So far there is little knowledge in some large sea areas about the full effects of local wind, waves and underwater currents, and mobile vessels are exposed to great risks because of this.

Blow-outs are a peril which have led Norway to insist on design and clean-up procedures being capable of handling the worst conceivable mishap, but the U.K. government has left emergency measures to the oil industry whose contingency plans may be less embracing and cheaper.

One unknown is whether one blow-out in 500 to 800 holes is likely to be the pattern in the North Sea, or whether the 1 in 1,800 pattern of the Gulf of Mexico will be repeated.

"Increasingly sophisticated protection systems are more prone to failure than simple rugged systems, so regular checking and calibration of key components in these systems becomes important," Mr. Price pointed out.

Values of offshore structures are soaring so steeply that premiums have to reflect the extra risks involved. Statford's latest platform in the North Sea is valued at \$600 million. That compares with \$140 million for a big liquid natural gas carrier and \$44 million for a Boeing 747.

Premiums may start from around 0.3% of the value during construction, and can be as high as 3% during the critical phase of installation on the sea bed. The largest production platforms can attract \$12 million a year insurance premiums during their operation, but underwriters might discount this by up to 20% if first class protection systems are installed. Fire, lighting, explosion and blow-out insurance represents about half the premium.

"Potential savings of between \$1 million and \$2 million a year can be made in premium payments if the right designs to prevent or reduce platform losses are introduced," Mr. Price said.

"Pipelines are likely to account for 6,000 miles of undersea installation in the North Sea by 1985, and the enormous values at risk are recognized when you realize that repair costs for a submarine pipe fracture taking 30 to 90 days to repair can cost up to \$14 million, while the total loss of revenue during that period can be 10 times as much.

"For example, a 32 inch diameter pipeline running for 200 miles will cost between \$120 million and \$400 million to install, depending on extremities of latitude in the North Sea.

"All risks insurance will probably add \$500,000 to \$1.8 million a year to the costs. Insurance is normally placed on a first loss basis with a high deductible, and the indemnity is strictly limited to a small part of the value.

"There's limited financial incentive to design for better loss prevention at present. But if the loss experience deteriorates, this incentive could quickly show itself more effectively."

Savings up to \$1 million on annual cover for a \$400 million land-based storage and refining facility can still be achieved if the right protection and risk management attitudes are used. ■

OSHA sulfur rule

WASHINGTON—A recent Occupational Safety Health Administration (OSHA) proposal calls for a sharp reduction in worker exposure to sulfur dioxide.

A key provision of the standard would reduce the allowed exposure level from five parts of sulfur dioxide per million parts of air (ppm) to two ppm for a 40-hour week. A worker could now be exposed to more than 10 ppm during any 15-minute sampling period.

The proposal has already come

under fire. Food industry representatives said the proposed two ppm level is based on possible chronic effects from exposure to sulfur dioxide over a 12-month period. Employees in food industries, however, are only exposed from two to six months.

Comments on the proposal should be sent to: Docket Officer, Docket No. HO39, Room N3620, U.S. Department of Labor, 3rd and Constitution N.W., Washington, D.C. 20210. ■

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people

Foltz to Green Giant; Swoverland promoted

Brian Foltz, 35, joined Green Giant Co. in Chaska, Minn., as risk manager, a new position in the company. He is responsible for the entire corporate insurance program including loss control throughout the company. He reports to the director of taxes and risk management. Mr. Foltz was previously risk manager for Land O'Lakes Inc., Minneapolis.

At Land O'Lakes, Gary Swoverland, 32, was promoted to risk administrator, replacing Mr. Foltz. He is responsible for the property and casualty insurance program, claims administration, loss prevention and OSHA programs and reports to the assistant treasurer. Mr. Swoverland was an insurance specialist at Land O'Lakes, a position now filled by Stella Alexis, 28, a former claims adjuster with CNA Insurance Co.

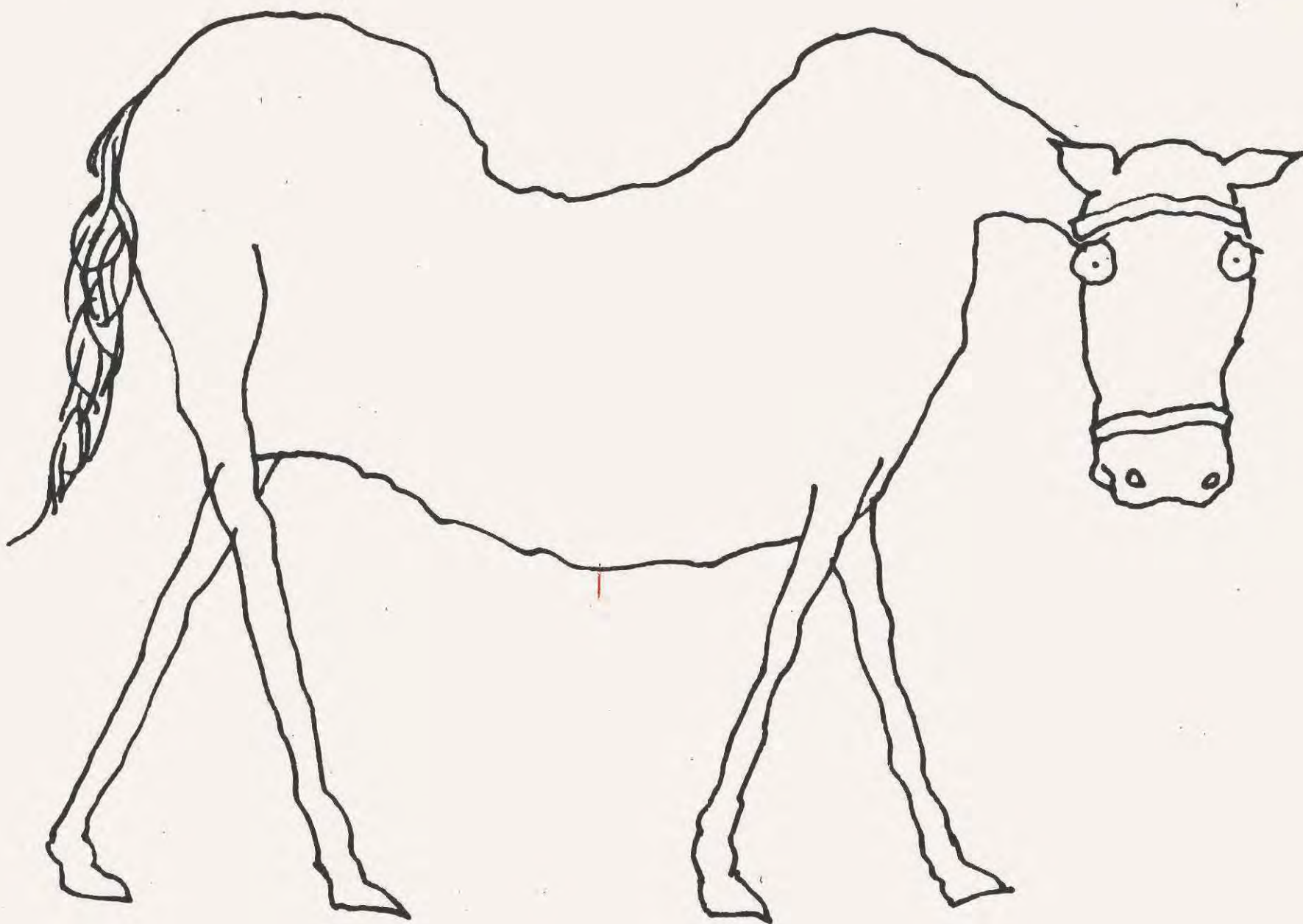
Peter S. Gioe has been named manager of compensation and benefits for Max Factor & Co. in Los Angeles, a new position. He was formerly director of employee benefits programs at Syntex Corp. in Palo Alto, Calif. In his new position, Mr. Gioe will be responsible for all employee compensation and benefits activities worldwide. He reports to William J. Gibbons, senior vp, personnel and industrial relations. Prior to joining Syntex Corp., where he previously served as director of international personnel, Mr. Gioe was engaged in personnel activities at IBM World Trade Corp. At Syntex, Mr. Gioe

was replaced by N. D. Mattson who assumed the title of director of compensation and benefits.

Rod Umscheid, 30 was named risk manager for Orange County, Calif., replacing Dick McElligott who joined Fred S. James in Laguna Beach, Calif. Mr. Umscheid joined Orange County in 1975 as employee benefits administrator and was named to take over Mr. McElligott's duties in late December.

Audrey J. Meadows, 29, was named compensation and benefits manager at Louis A. Weiss Memorial Hospital in Chicago, a new position. She heads a staff of two fulltime and one part time employees and is responsible for control of all benefit information on an individual employee as well as on a plan basis. Included in the benefit plans administered by her department are retirement and disability programs. In addition, the department monitors and prepares pay plans and practices.

Patti Slatter has been named to the newly created position of insurance co-ordinator for National Medical Enterprises in Los Angeles. She was formerly corporate insurance assistant for Beneficial Standard Corp. in Los Angeles. Ms. Slatter reports to Ray Hodges, risk manager for National Medical Enterprises. Before joining Beneficial Standard Corp., Ms. Slatter worked in the corporate insurance department at Teledyne Corp. in Los Angeles.



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