WEEK OF MARCH 22, 1982

business insurance®

Reporting weekly for corporate risk, employee benefit and financial executives/$1 a copy; $40 a year

Entire contents copyright 1982 by Crain Communications Inc. All rights reserved.

update:

EPA to again impose ban on liquid waste dumping

WASHINGTON—The federal Environmental Protection Agency will again ban the burial of containerized liquid wastes, reversing a decision made last month, an agency official says (*BI*, March 8).

Buried drums will not be allowed to contain any "visible, freestanding liquid," notes Gary Dietrich, director of the EPA's

Continued on next page



Illustration: Amy Palmer

New benefit staffers take on cost control

By MARGARET LeROUX

Health care manager.

Recognizing the need for a corporate strategy to stem rising medical costs and someone to lead the way, this new staff position is evolving in many employee benefit departments.

With it is coming new responsibilities for the employee benefit professional, who is expected to do much more than administer an insurance program.

At Caterpillar Tractor Co. in Peoria, Ill., Levi Strauss & Co. in San Francisco and John Deere & Co. in Moline, Ill., the change has already taken place. But other companies, like Owens-Illinois Co. in Toledo, Ohio, Atlantic Richfield Co. in Los Angeles and Warner Lambert Co. in Morris Plains, N.J., are just moving toward creating a staff position to make one person responsible for mapping out health care cost-containment plans.

The person who gets the job needs to be a top-notch communicator and persuader who can get his or her word across not only to the

Continued on page 66

DES firms ask court to apply Keene ruling

By RHONDA L. RUNDLE

WASHINGTON—Two major drug companies are asking the U.S. District Court here to decide how their liability insurers should pay claims for injuries allegedly caused by the anti-miscarriage drug DES.

Two separate lawsuits, filed by Eli Lilly & Co. Inc. and E.R. Squibb & Sons Inc. against their respective insurers, will test whether a recent landmark court decision involving insurance coverage for asbestos claims also applies to diethylstilbestrol-related losses.

The District of Columbia Court of Appeals ruled last October in Keene Corp. vs. INA that all of a manufacturer's insurers from the time a claimant is exposed to asbestos through diagnosis of an injury are liable for damages paid to claimants (*BI*, Oct. 12, 1981). The U.S. Supreme Court recently declined to review the "triple-trigger" decision (*BI*, March 15).

This appellate ruling, which reversed the trial court, vastly broadens insurance coverage available to asbestos maker Keene Corp. Lilly and Squibb aim to win the same sweeping interpretations of their policies to pay DES claims and mounting legal defense costs.



Aetna files suit against drugmakers over who should pay DES claims. See story, page 3.

Eli Lilly & Co., based in Indianapolis, and Squibb & Sons, in Princeton, N.J., both confirmed that the highly favorable Keene ruling influenced their choice of court for filing disputed coverage lawsuits against their insurers.

In its lawsuit filed March 9, Lilly names as defendants more than 60 insurance companies and Lloyd's of London underwriters and companies that provided excess and umbrella liability insurance to the drugmaker from 1942 through 1976. The listing of defendants reads like a Who's Who in the Insurance Industry over the past 40 years.

Indemnity Insurance Co. of North America (now Insurance Co. of North America) provided first-layer excess coverage to Lilly from the early 1940s through the early 1950s, followed by various Lloyd's underwriters and companies in the 1950s and 1960s and by The Home Insurance Co. in the 1970s, said Walter Taylor Jr., Lilly's assistant general counsel.

He declined to discuss limits of coverage under Lilly's layered excess program because "it could be injurious to underlying DES litigation." He said limits were low in the early years after 1940 and much higher in later years.

Lilly's self-insured retention also has grown substantially since 1942. High excess liability insurance layers appear from court documents to have been purchased starting in 1960.

Defendants in the Squibb lawsuit include American Motorists Insurance Co., the drugmaker's primary liability insurer from 1968 through 1975, and three previous primary insurers including Indemnity Insurance Co. of North America (INA), Liberty Mutual Insurance Co. and The Hanover Insurance Co.

The Lilly and Squibb lawsuits were filed in U.S. District Court for the District of Columbia within the same week and were both assigned to Judge Louis Oberdorfer. Despite parallel issues, attorneys for the parties do not think it likely the cases will be consolidated.

In view of Keene Corp. vs. INA, Squibb's insurers must defend the drugmaker and pay losses and expenses related to DES claims when any one of three possible situations triggers coverage under the company's liability policies, Squibb argues in its suit.

These three triggers include injury as a result of DES ingestion; first manifestation of DES-related injury; and ingestion prior to and first manifestation of injury after the respective periods of insurance policy coverage, which would hold insurers responsible for the latency period between ingestion of the drug and manifestation of the disease.

"Our view is that the Keene decision applies to DES as well as to asbestos," summed up Theodore R. Boehm, an Indianapolis attorney with the firm of Baker & Daniels that represents Eli Lilly & Co.

"Keene was just one of the factors we considered in deciding to file in Washington," noted Lilly's Mr. Taylor. "Most of the defendants are qualified to do business there and our law firm handling the litigation also has a Washington office."

So far none of Lilly's insurers has paid anything for

Continued on page 70





SPECIALTY RISKS

Pages 13-47



NEWSPAPER

update:

Liquid waste dumping ban

Continued from previous page
Office of Solid Wastes, adding that disposal site personnel will again have to open drums to insure they do not contain liquids.

The new ban will become effective as soon as it is published in the Federal Register, probably this week.

District may be spared $900,000

SEATTLE—Seattle School District No. 1 may not have to come up with $900,000 to help pay a $6.4 million jury award to a former student injured while playing football (*BI*, Feb 22).

School district officials were concerned they would have to dip into the education budget to pay the award, which exceeded the district's $5.5 million in liability coverage.

However, Insurance Co. of the State of Pennsylvania, the district's excess insurer, has offered to hold the district harmless for the $900,000 if a new trial in the case was not granted, according to school district attorney Craig Campbell.

The motion for a new trial was denied March 11 and a judgment in accordance with the verdict was entered the next day.

The district has $500,000 in primary coverage with Hartford Insurance Co., and Insurance Co. of the State of Pennsylvania provides $5 million in excess coverage.

A King County Superior Court jury awarded $6.4 million to Christopher Thompson and his mother Feb. 11. The youth, who was 15 at the time of the 1978 accident, was paralyzed during a football game when he struck another player with his head.

More Hilton fire suits filed

HOUSTON—At least three more lawsuits have been filed following the March 6 fire at the Westchase Hilton Hotel. Three others were filed the week after the blaze (*BI*, March 15).

Meanwhile, Houston fire officials have issued misdemeanor citations to hotel manager Erich Huemer for failing to submit a fire evacuation plan to the city fire marshal. It also cited night clerk James Harvey for failing to sound a fire alarm immediately. Both men could be fined a maximum of $200.

Houston attorney Robert Collins represents three victims of the fire in suits that name Westchase Hotel Corp., the hotel operator and manager; 9999 Westheimer Hotel Joint Venture, the hotel owner; and the family estate of George Ballas, an investor in the hotel.

Mr. Collins' newest suit is on behalf of Thomas Roper of Oklahoma, a hotel guest, who is seeking unspecified damages in the state District Court for Harris County. Mr. Collins also represents guests Michael and Douglas Cisco of upstate New York in their lawsuit in the U.S. District Court in Houston.

Attorney Rockne Onstad, who represents the guardian of 17-year-old Silvia Espanol in a wrongful death suit against the hotel owners, operator and fire alarm company, is now also suing on behalf of her uncle Victor Hernandez. Ms. Espanol lost five family members in the fire. Mr. Hernandez lost his mother and brother.

Neither suit, filed in the Harris County Probate Court, specifies damage amounts.

In another new suit, Les and Dorothy Jones are seeking $359,000 in actual damages and $500,000 in punitive damages for respiratory ailments and emotional trauma suffered during the fire, says Houston attorney Barry Flynn.

Insurer to pay huge settlement

HUNTSVILLE, Ala.—Transport Insurance Co. will pay a woman whose husband and daughter died in a traffic accident a $1.3 million lump sum and more than $2,500 a month for the rest of her life.

Depending on her life span, Donna Price of Huntsville could receive as much as $14 million, according to her attorney, David Wininger. The monthly payments, to begin at $2,500, will increase by 6% each year, he says.

Her 25-year-old husband and 6-month-old daughter died in a September 1981 train-tanker truck collision. Transport Insurance of Dallas, liability insurer for Miller Transporters Inc. of Birmingham, agreed to settle in late February. A Transport Insurance spokesman says the settlement does not exceed Miller's policy limits.

"They (husband and daughter) were in a vehicle that had stopped at a railway crossing to wait for a train to pass when the gas tanker —coming from the opposite direction—pulled in front of the train," says Mr. Wininger. The two were engulfed in flames from the truck, owned by Miller Transporters.

A $10 million lawsuit against the city of Huntsville, Southern Railway System and Fruehauf Corp., the manufacturer of the trailer, is still pending, he says.

index

Action line	55	**Riskwatch**	43
Around the states	62	**Speaking out**	41
Benefit beat	4	**Spotlight report**	13
BI ticker	71	**Washington**	11
Classifieds	68		
Comings&goings: buyers	55		
Comings&goings: industry	53		
Datebook	48		
Editorial opinions	8		
Info	49		
Insurance services guide	70		
Legal briefs	42		
Letters	8		
London line	54		
Markets	57		
Perspectives	41		
Products & services	52		

Vol. 16, No. 12—*Business Insurance* (ISSN 0007-6864) is published weekly at 740 Rush St., Chicago, Ill. 60611. Second-class postage is paid at Chicago, Ill., and at additional mailing offices. Postmaster: Send address changes to *Business Insurance*, circulation department, 740 Rush St., Chicago, Ill., 60611; 312-649-5221. Copyright 1982 by Crain Communications Inc.

Third bill seeks federal plan for occupational diseases

By EILEEN NORRIS

WASHINGTON—The latest attempt to establish a federal occupational disease compensation program is being snubbed by U.S. employers, who fear they will be stuck with a huge chunk of its cost.

U.S. Rep. George Miller's bill, H.R. 5735, is the third Occupational Health Hazards Compensation Act to be introduced in Congress in the last six months.

Under his proposal, employees disabled by asbestos or uranium-ore diseases or their survivors would be eligible for two-thirds of their pre-disability earnings and complete medical benefits.

The bill also contains a provision to bring compensation for additional diseases and occupations under the act as scientific and medical evidence warrants.

Employer groups are leery of opening up benefits to future occupational diseases, but they like the part of Rep. Miller's bill that prohibits employees from suing employers.

Rep. Miller's bill mandates that the federal benefit program would be the worker's exclusive remedy for damages from these occupational diseases.

But passage of the bill also would place the financial burden "where it belongs—with the manufacturers and the employers," says Rep. Miller, R-Calif.

As might be expected, the business community is not happy with that portion of the bill.

The U.S. Chamber of Commerce is categorically opposed to Rep. Miller's legislation and says it would follow in the footsteps of the "black lung disaster," referring to the federal black lung disease fund that is sorely undefunded.

The National Assn. of Manufac-

Continued on page 64

Captive managers' deadline nears

The deadline is near for submitting questionnaires for the annual *Business Insurance* captive management directory, which will be published April 19.

If your company offers captive management services and you have not yet filled out a questionnaire, call Sallie Drury at 312-649-5398.

The deadline to return completed questionnaires is Friday, March 26.

Asbestos suits hurting UNR

CHICAGO—Auditors for UNR Industries Inc., which is named as a defendant in more than 6,500 pending asbestos lawsuits, will qualify their opinions of the company's 1979, 1980 and 1981 financial statements, the company says.

The move reflects uncertainty over the outcome of the suits in which UNR is co-defendant. All seek damages for injuries or wrongful death resulting from exposure to asbestos.

So far, UNR has settled 2,649 cases, trials in eight others have been completed and 580 suits have been dismissed. Its share of resulting settlements and costs, after insurance proceeds, is about $6.6 million, the company said.

UNR said its costs related to asbestos litigation in 1981 totaled about $7 million, $5.8 million of which was charged against previously established reserves.

The company said it is no longer possible "to predict with any degree of certainty the ultimate outcome or financial impact of this litigation."

Most of the suits involve pipe insulation that UNR's subsidiary, Unarco Industries Inc., made until 1962. The company has not made asbestos products for more than 11 years.

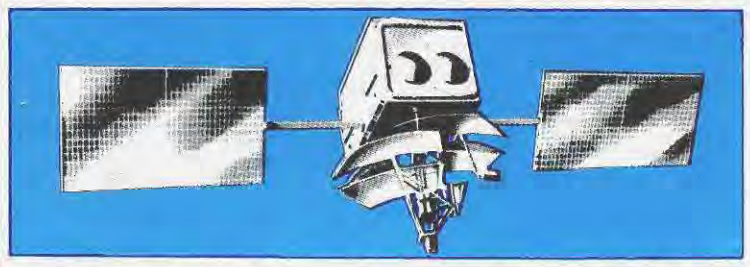
Last year, auditors for Johns-Manville Corp. said they would qualify the company's financial statements for 1979 and 1980 because of growing concern over the impact of asbestos-related lawsuits.

UNR also said it is no longer in compliance with long-term loan agreements and posted a loss from continuing operations in the fourth quarter of 1981 and for the entire year.

It is seeking a resolution of the non-compliance status, which imposes limitations on short-term bank borrowing. ■

errors & omissions

• The Michigan Court of Appeals did not find in December 1981 that Velsicol Chemical Corp. had "intent to induce (its workers) to work in close proximity to a hazardous work condition" as stated in *Business Insurance* on Feb. 8.



Satellite firm wants safety manager to unearth problems

By STACY SHAPIRO

LONDON—New frontiers in space exploration, like the U.S. space shuttle, are creating new safety problems for satellite manufacturers to track.

To identify the perils, a British satellite manufacturer is creating a new position: the satellite safety officer.

The safety officer will work with a quality-control team of engineers and other safety managers, called a Launch Vehicle Interface Team, said Gerry Sibilia, quality manager for British Aerospace P.L.C.

The team will follow the satellite's progress through each of its design stages to the launch pad and then into space, constantly monitoring whether the satellite will perform safely.

Some of the safety considerations are prompted by the space shuttle, which has the capability—although yet untested—of carrying satellites into space and putting them in orbit.

"When we are currently producing satellites, we design them either for shuttle or a rocket launch in Europe," said Mr. Sibilia. "It depends on the cost comparison of the two types of launches and the availability at the time of the launch.

"A lot of safety work is involved in any case, though the shuttle launch means much more work," he said.

In the case of a shuttle launch, the team must make sure that the satellite will not pose safety perils to the spacecraft's crew. The satellite must be able to withstand the pressures of lift-off and open properly when it reaches its 22,000-mile geostationary orbit.

But most importantly, it must be able to withstand any emergency landing the shuttle might be forced to make before the satellite is released, said Mr. Sibilia.

"If the satellite cannot be launched from the shuttle and it means the shuttle returns with the satellite on board, it is a critical situation. In the design stage, we must make sure that the satellite does not affect the emergency landing mode or hurt the astronauts," he said. "So we must take landing into account when designing."

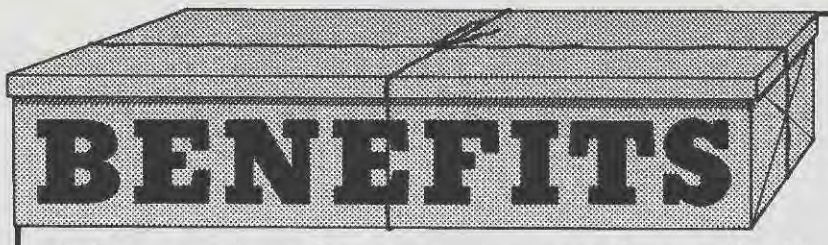
If the shuttle must land with the satellite still on board, there's danger that the satellite's fuel tanks will explode. "We have to make sure the tanks withstand high-shock conditions or the jettisoning of fuel takes place," Mr. Sibilia said.

The safety engineer also must watch each step of the design stage to make sure the satellite stands up to great pressures, even if the shuttle doesn't have to make an emergency landing.

He must monitor the activities of the general contractor and the subcontractors. And he must be able to make design change suggestions to make the satellite safer for the shuttle crew to handle.

"For example, on the satellite, because of weight constraints, the structure must be of a bare-bones design," Mr. Sibilia said. So the team tests the stress factors of various materials to see how much pressure they can withstand before cracking.

Continued on page 69



Graphic: Amy Palmer

Present and future

Few employers require high deductibles

By JERRY GEISEL

LINCOLNSHIRE, Ill.—Few companies make employees pay high deductibles to encourage wiser use of health care and curb rising costs, according to a new survey.

Less than 4% of 582 major employers impose annual medical care deductibles of $150 or more in their group health insurance plans covering salaried employees, according to Hewitt Associates, a national benefits consulting firm based in Lincolnshire.

Instead, the $100 annual deductible, which some experts say is too low compared with current medical costs, continues to remain the norm. Some 55% of surveyed firms continue to impose a $100 deductible, while 24% of firms impose deductibles of $50 or less.

"We're not talking about a wholesale movement yet to higher medical care deductibles," a Hewitt Associates spokeswoman said.

To get a handle on benefit trends taking place among salaried employees at the nation's larger corporations, Hewitt Associates last year surveyed 582 employers—including three-fourths of the 100-largest industrial companies.

On employee contributions to health insurance premiums, the survey found that 38% require employee contributions for employee and dependent coverage; 23% require contributions for dependent coverage only; and 39% require no employee contributions at all.

According to the survey, 85% of the companies pay 100% of reasonable and customary charges for hospital room and board coverage; another 3% pay 90% of room and board bills, while 6% pay 80%.

Furthermore, 40% pay all reasonable and customary surgical fees and 80% of employers cover 80% of surgical care. Some 20% of employers use a schedule to compute reimbursement for surgical care.

About three-fourths of employers include a stop-loss feature in their group health insurance plans to cap how much an employee will have to pay out of his pocket for hospital and doctor bills in one year.

A majority of the employers' health insurance plans covering salaried employees limits lifetime benefits to less than $250,000. Another 13% of the plans limit maximum benefits to between $250,001 and $500,000, while 15% of the plans offer a maximum lifetime benefit of between $500,001 and $1 million.

Eighty-two percent of employers pay Medicare Part B premiums for workers who stay on the job after 65. The Medicare premium, which covers physicians' bills and outpatient services, now costs $11 a month and is set to rise to $12.20 on July 1.

Continued on page 65

Size of deductibles companies impose

Deductible amount for each individual	% of companies
Less than $50 per year	2%
$50 per year	22%
$51-$99 per year	8%
$100 per year	55%
$101-$149 per year	<1%
$150 per year	3%
Over $150 per year	<1%
Flat dollar per cause	2%
Based on pay	2%
Other (e.g., family deductible only; or depends on option selected by employee)	5%
	100%

Source: Hewitt Associates

Firms foresee higher costs, move toward self-insurance

By JOHN C. MILLIGAN

NEW YORK—It's like being caught between the hammer and the anvil for many U.S. companies. On one side are inflation and rising health care costs; on the other, competition for employees and employees' benefit expectations.

This combination will lead to higher benefits costs through 1985 as additions like dental and vision care insurance and more cafeteria-style plans add to the benefit burden, employers predict in a recent benefit trend survey.

Companies of all sizes also will move toward more self-insured employee benefit programs as corporate financial officers re-examine all aspects of their benefit operations, predicts Roll, Bender & Co., a New York marketing research firm.

Roll, Bender surveyed 805 corporations throughout the United States, asking them to predict the benefit picture through 1985. The participants ranged in size from 3,000 or more employees down to 100. The response rate to the mailed questionnaire was 60%.

Some 188 insurance brokers, consultants and agents also were questioned in a separate survey effort. Like the employers, these benefit advisers foresee a strong trend toward more dental, vision and cafeteria-style benefits and self-insurance.

Both surveys were conducted at the behest of a major life and health insurance company, says Win Roll, chairman of the marketing research firm. Mr. Roll would not identify his client.

An overwhelming number of employers in the study—76%—agree that benefit costs will continue rising through 1985. Large companies are anticipating the pinch most, with 84% of those respondents having 3,000 or more employees predicting future cost increases. And employers at the lower end of the scale agree. Some 69% of the firms surveyed with 499 or fewer workers foresee rising costs.

The biggest culprit, as seen by 39% of the participants, is increased medical costs. Twenty-seven percent cited general inflationary effects as the largest contributor to rising benefit costs. The impact of these two forces alone is tremendous, employers agree.

Also blamed were:

- Competition for employees, 14%.
- Employee pressure for benefits, 12%.
- Union demands, 12%.

Besides the rising cost, employers foresee some important changes in

Continued on page 64

Aetna sues nine firms over DES liability claims

By STEPHEN TARNOFF

HARTFORD, Conn.—With billions of dollars in damages at stake, Aetna Casualty & Surety Co. is suing nine drug manufacturers over who should pay for injuries from the anti-miscarriage drug DES.

Aetna, the liability insurer for the drugmakers during varying periods between 1948 and 1981, filed the declaratory judgment action Feb. 26 in U.S. District Court in Washington.

Named as defendants in the suit are G.D. Searle & Co. of Skokie, Ill.; Abbott Laboratories of North Chicago, Ill.; Upjohn Co. of Kalamazoo, Mich.; Johnson & Johnson of New Brunswick, N.J.; Lincoln Laboratories Inc. of Decatur, Ill.; William H. Rorer Inc. of Fort Washington, Pa.; Primo Pharmaceuticals Laboratories (now Drummer Co.), a division of Lemmon Co. of South Hackensack, N.J.; Parke-Davis & Co., a division of Warner-Lambert Inc. of Morris Plains, N.J.; and Endo Laboratories of Wilmington, Del., a division of E.I. du Pont de Nemours & Co.

The suit asks the court to spell out the coverage theory under which Aetna must respond to damage claims by victims of DES-related diseases.

It also seeks to determine if the drug manufacturers had coverage when the injuries from diethylstilbestrol were discovered in the victims, according to Aetna attorney Thomas J. Groark Jr.

The suit echoes ongoing litigation between asbestos manufacturers and their insurers over who is liable for claims by the victims of

Continued on page 70

Illinois Bell entices early retirees

By JAMES C. LAWSON

CHICAGO—Illinois Bell Telephone Co., in an attempt to streamline its workforce to cope with the poor economy, is offering benefit incentives to early retirees.

The large communications utility, one of the state's largest employers with more than 37,500 workers, is offering health, dental and life insurance benefits and supplemental salary plans to management and non-management employees electing early retirement.

The health, dental and life insurance benefits are being extended, at no charge to employees, for the remainder of their lives.

The early retirement offer is being made to more than 3,000 management and non-management employees who are middle-managers, installers or service representatives or who perform other office functions.

The program, begun late last month, is slated to run until the end of March. So far, 140 management employees have elected to take early retirement. Figures are not available on non-management employees who have until the end of the month to finalize their decisions.

While the company's flat earnings last year influenced its decision to trim the workforce, Jack Herron, the company's benefit manager, said the program also is being offered to make more employment opportunities available to younger employees and for technological reasons that have changed the company's workforce needs.

"We're not making our commitment to earnings," emphasized Robert Rehnberg, manager of insurance. Personnel cuts are one of the company's first cost-cutting measures,

Continued on page 67

Insurers debating if 'test-tube' costs will be covered

By BILL DENSMORE

At The Travelers Insurance Cos., "test-tube" fertilization is a routine maternity cost covered under its group insurance policies.

But, according to a *Business Insurance* survey, that policy on test-tube babies is not run-of-the-mill.

The *BI* poll shows some of The Travelers' competitors will not cover the cost of fertilizing a female egg in a laboratory and re-implanting it in the mother because they consider the procedure "experimental" or "non-necessary."

Other insurers say they might cover the medical procedure if requested to do so by a client or if the medical profession endorses it as a "necessary and appropriate" procedure. The additional coverage could mean higher premiums, they point out.

Still other insurers say they haven't been asked to deal with the question yet and have no policy.

All of the insurers surveyed, however, do cover the expense of the actual birth of a test-tube baby and often the cost of diagnostic tests leading to laboratory fertilization.

In vitro fertilization, as the medical procedure is technically called, was pioneered by a British doctor as a way to help infertile couples bear children. At least three clinics in the United States now offer the procedure, which is considered a potential remedy for at least 400,000 infertile couples.

The cost of the actual fertilization and implantation is $1,500 and up. Added to that are diagnostic and routine pregnancy expenses.

"The Travelers covers it (the fertilization procedure)," says Thomas R. Jones, manager of press relations for the insurer. "We have had a claim and we're honoring it. It's treated in the same way as artificial insemination if it's necessary. . .the person has to be diagnosed by a qualified physician as being infertile or incapable of producing children."



Photo: Wide World

Elizabeth Carr, born in Norfolk, Va., is the nation's first 'test-tube' baby.

The nation's first "test-tube" baby was Elizabeth Jordan Carr, born Dec. 28 to Judith and Roger Carr of Westminster, Mass. The same Norfolk, Va.,-based clinic that performed the fertilization procedure for the Carrs said a second woman has successfully undergone the procedure and is expected to deliver March 31.

It does not appear the Carrs will have insurance coverage for the fertilization. Mr. Carr is employed by General Electric Co., which has its group hospitalization insurance with Blue Cross of Massachusetts and major medical coverage through Metropolitan Life Insurance Co.

A Metropolitan Life spokeswoman confirmed the company has received a inquiry letter for the Carrs through the GE account but would not say what expenses

Continued on page 63

University offers prescription drug plan

The University of Michigan in Ann Arbor is offering 3,000 of its union employees a new prescription drug plan.

The new plan, won by members of the American Federation of State, County & Municipal Employees, the Trades Union and the International Union of Operating Engineers and funded by the university, allows employees to purchase up to a maximum 30-day supply of a prescription by making a $2 payment per pharmacy visit.

The prescription drug plan is underwritten by Blue Cross/Blue Shield of Michigan.

In addition, employees of University Sellers Inc., which operates the student bookstore at the university, are receiving life insurance benefits for the first time.

The company's 64 employees, members of the Industrial Workers of the World union, will receive $10,000 life insurance.

The life coverage is underwritten by Aetna Life & Casualty Co., the same company that provides the employees' health insurance coverage.

University Sellers pays the bulk of the premium while employees pay the balance, making contributions through payroll deductions based on a seniority schedule.

University Sellers operates independently of the university.

benefit beat

Improved package

Bakery and delicatessen workers and meat cutters at 64 Kroger Co. supermarkets in the Cincinnati area are receiving a lucrative menu of benefits that include improved life insurance, dental and disability coverages and, for the first time, a prescription drug plan.

The upgraded benefits package, the result of contract negotiations between the Cincinnati-based supermarket chain and members of the United Food & Commercial Workers Local 610, also includes life, health, dental, prescription drug and disability coverage for the first time for part-time employees, who make up nearly one-third of the union's membership.

All of the life, health, dental and disability improvements were effective Jan. 1, while the prescription plan went into effect Feb. 28.

Part-time workers will receive $3,000 group life insurance coverage through a plan underwrittern by Prudential Life Insurance Co., which also underwrites Kroger's health, disability and dental plans. Full-time employees now have $10,000 in life coverage, a $5,000 hike.

Kroger is also providing part-time workers with disability coverage that pays 66% of lost wages, up to a maximum of $75 a week. Disabled full-time workers receive two-thirds of their weekly salaries, up to a maximum of $150 per week this year and $175 in 1983. The coverage provides payment from the first day for accidents and from the fourth day for illness, up to a maximum 26 weeks.

Under the health plan, part-time workers receive up to 70 days of hospitalization coverage with maximums of $60 per day and $2,000 annually.

The upgraded Kroger dental plan pays 100% of all claims for preventive, restorative and prosthetic work performed, with an annual maximum of $1,000.

The previous annual maximum had been $800. No deductible is required of employees.

The prescription plan provides employees with unlimited coverage. Employees pay a $2-per-purchase deductible.

Life purchases

More than 40% of Chicago-area privately held companies surveyed do not purchase special life insurance policies for their top executives, a study says.

Many of the companies surveyed said they did not buy the insurance for key executives because they would feel obligated to do the same for other executives and employees.

Of the companies purchasing special life insurance for top officials, 47% bought amounts of less than $500,000, according to the survey by Crain's Chicago Business, a weekly business magazine, and Planning Group Inc., a Glenview, Ill., consulting firm.

Twenty-two percent bought between $500,000 and $1 million of coverage and 24% purchased more than $1 million.

Federal pensions

Future pension increases for the nation's 3.3 million retired federal and military personnel would be slashed under a Reagan administration budget proposal.

The administration has proposed that pension increases for many retired federal and military employees be limited to the rise in the Consumer Price Index or the amount of the previous year's pay increase for active federal and military workers, whichever is smaller.

Currently, federal pension benefits are automatically increased annually to match the rise in the CPI. In addition, the administration also will recommend legislation to limit or eliminate benefit increases for federal or military workers who retired years ago with pensions that are higher than what they would receive if they retired now.

For example, a retiree whose pension is 120% more than the amount he would receive if he retired today would not get a cost-of-living increase until current pension levels catch up with his pension.

Because pension levels have risen faster than regular pay increases for active federal and military workers, many retirees receive larger pensions than their counterparts with the same grade or rank who retire today.

The administration estimates that the federal government's pension costs for its employees would be cut by more than $1 billion if Congress approves its recommendations.

Finally, the administration has proposed that federal employees be required to pay 1.3% of salary, on the first $32,400 of wages, for Medicare coverage. This would add more than $300 million in annual revenues to the financially ailing Medicare health insurance trust fund.

•

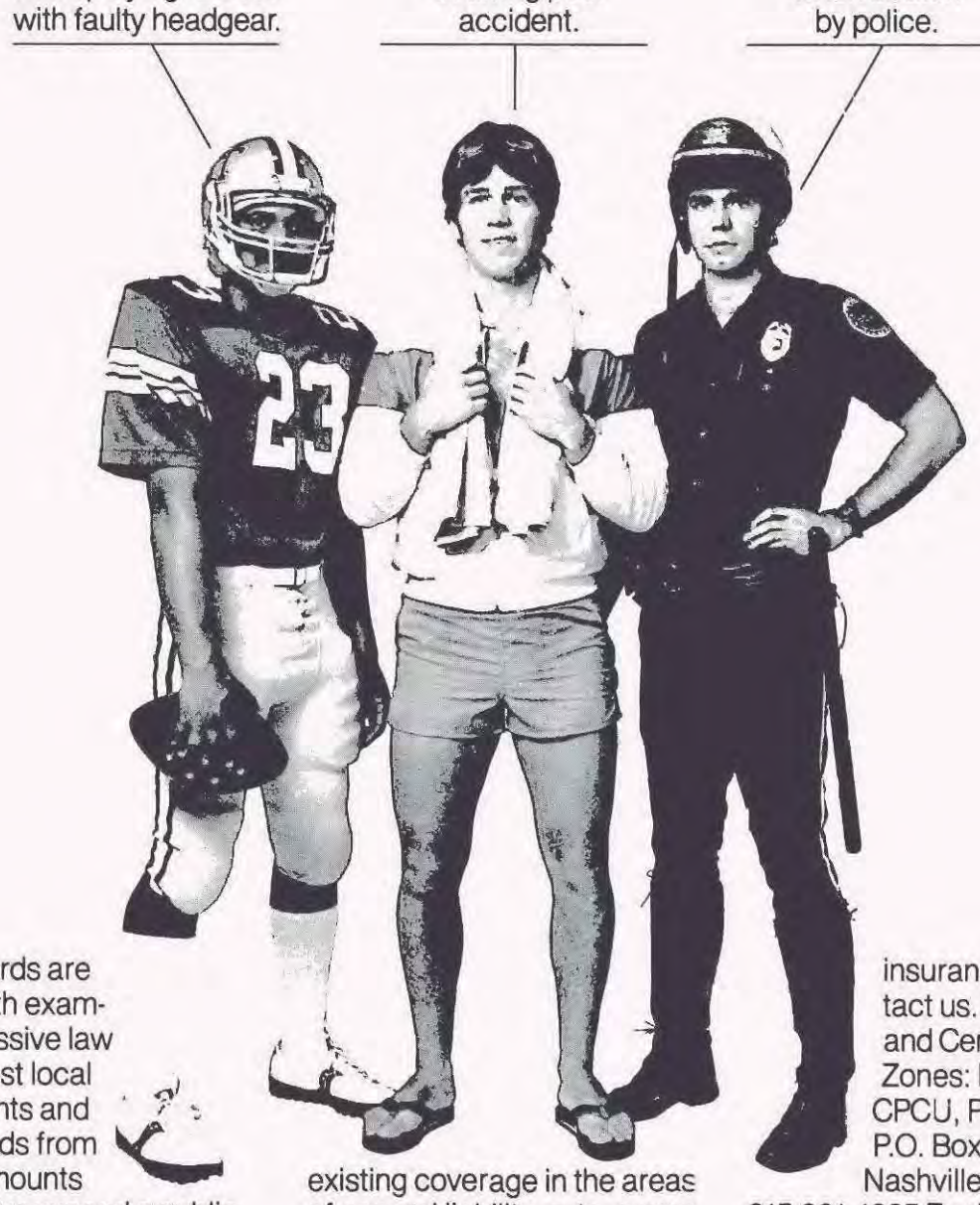
Made any benefit changes? Write James Lawson, Associate Editor, Business Insurance, 220 E. 42nd St., New York, N.Y. 10017; 212-210-0143.

Is your local government coverage sized to fit these kinds of suits?

$1.1 million– student paralyzed while playing football with faulty headgear.

$2.3 million– man paralyzed in diving pool accident.

$10.4 million– man paralyzed when beaten by police.



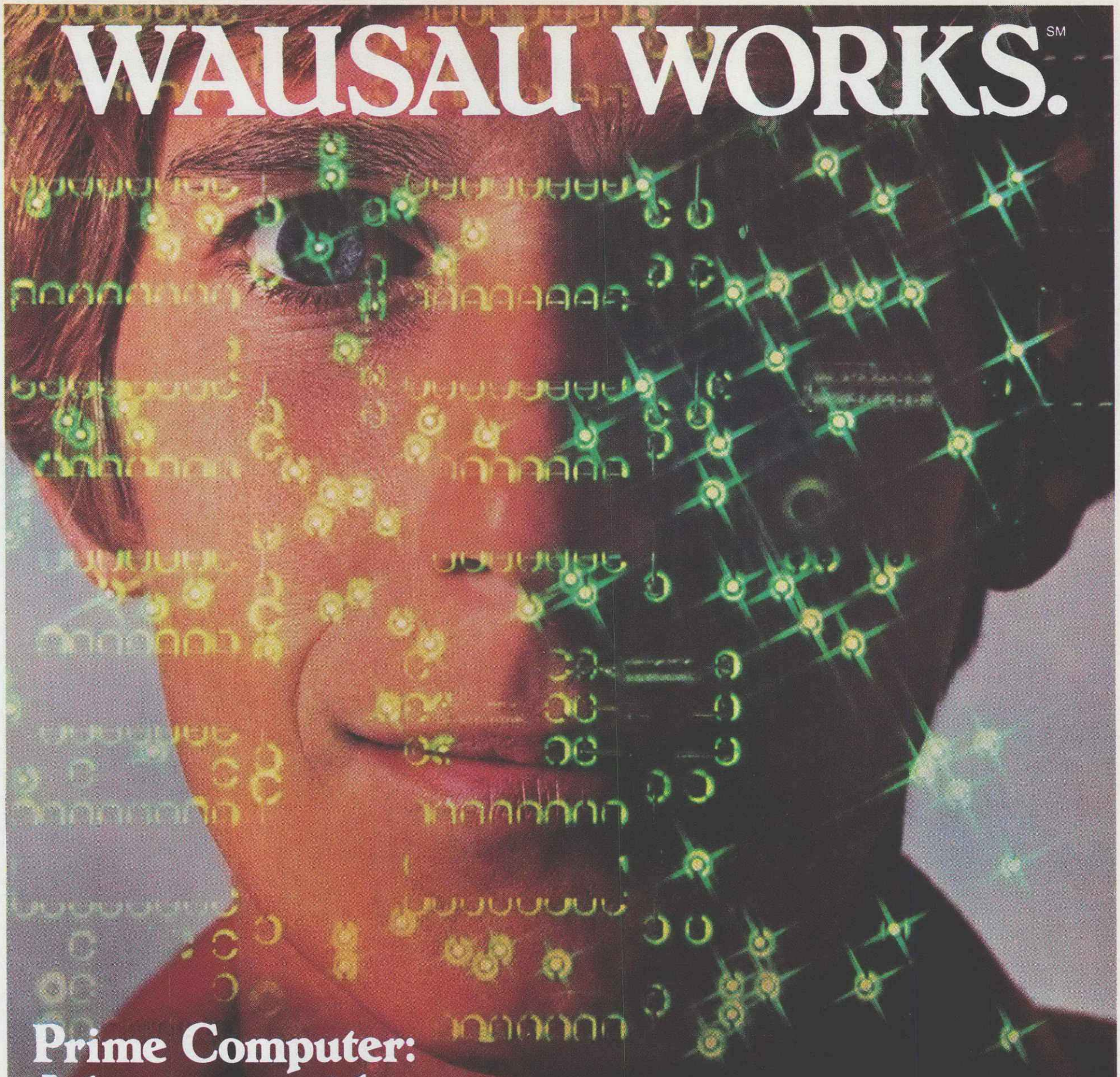
Court records are packed with examples of massive law suits against local governments and huge awards from juries in amounts that often far exceed a public entity's insurance coverage.

The PENCo Excess Program is specially designed to protect local governments from such disastrous events. Available from an A-rated carrier licensed in all 50 states, the PENCo Excess Program supplements your existing coverage in the areas of general liability, auto, errors and omissions and law enforcement.

This important extra coverage is available to counties, cities, school districts and public utilities and can be written for limits up to $10 million.

Ask yourself "what if?" And if you're not sure what the answer is, have your independent insurance agent contact us. For Eastern and Central Time Zones: **Dan Lee,** CPCU, PENCo East, P.O. Box 1280, Nashville, TN 37202, 615-361-4065 For Mountain and Pacific Time Zones: **Joel Ganze,** PENCo WEST, 3580 Fifth Avenue, San Diego, CA 92103, 714-297-6825.

PENCO



Prime Computer: A business with an eye to the future looks to Wausau.

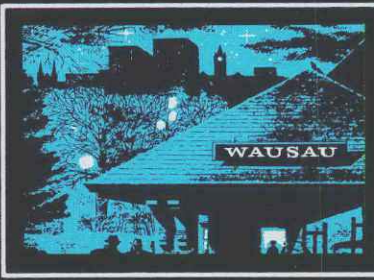
Prime Computer, Inc., a business phenomenon.

A company that did $12,000 of business in 1972 and now does $400 million. A company that went from 25 employees to more than 4,000 in less than ten years.

Prime paired up with Wausau in 1980 for workers compensation insurance. Jared Wollaston, Corporate Risk Manager for the policyholder, says, "Wausau put together a very creative program, reasonably priced. In Wausau, we saw a combination of quality, creative underwriting and service capabilities that could meet and keep pace with our growth."

Mr. Wollaston adds, "We demanded the same quality of Wausau that we know our customers demand from us. We weren't disappointed. As a result, we placed our general liability and fleet auto insurance with Wausau, too."

At Wausau, growth and change have been *our* way of life for 70 years. That's why we are sensitive to our policyholders' growth problems — and why we insist on making business insurance work for a living.



WAUSAU INSURANCE COMPANIES

® Wausau, Wisconsin 54401



Photo: Pattern Makers' League

Model builders may have a greater chance of contracting cancer.

Group plans new cancer tests for employees in wood shops

WASHINGTON—An international labor research group is undertaking an extensive cancer screening program for 10,000 workers in wood shops in 21 states.

Ford Motor Corp. and Caterpillar Tractor Co., based in Peoria, Ill., say they will pay for the testing, which will average about $200 per worker.

General Motors Corp., however, has refused to pay for the tests, saying it already has examined its 1,600 pattern and model makers.

Pattern and model makers construct prototype parts for products like autos, airplanes and boats from a variety of wood, plastic and synthetic materials.

Three different studies have shown that pattern and model makers may face a greater risk of cancer—particularly cancer of the colon and rectum—than other workers.

The Workers' Institute for Safety & Health in Washington, an international union affiliated with the AFL-CIO, is working with the Pattern Makers' League of North America on the cancer screening program, which they expect will be more extensive than GM's study of about 5,000 metal, plastic and woodworkers, including the corporation's 1,600 pattern and model makers.

A GM spokesman says the company found 26 cases of cancer in that study.

Some 8,000 PML members are expected to be tested by this summer, says Knut Ringen, project director for WISH, which is operating with a grant from the National Cancer Institute.

WISH is hoping to develop a model program to be used by other employee unions that may fear their workers are being exposed to occupational hazards on the job.

The three to four hours of cancer screening tests include a complete medical history and physical exam; a rectal exam; a complete blood count; a stool sample to see if any blood is present; a sigmodoscopy, which is the term used for the instrument the doctor uses to view the last 10 to 20 inches of the colon; a urinalysis to check for bladder cancer; a front and side chest X-ray; and a pulmonary lung function test.

After the workers have been tested under the voluntary program, the results will be analyzed by an independent third party, says Charles Romelfanger, general president of the Pattern Makers' League in Arlington, Va.

Besides the testing conducted for GM by the Michigan Cancer Foundation, which found that wood workers in Detroit develop cancer of the colon or rectum 2½ times as often as all male Detroit residents, the National Institute for Occupational Safety and Health found that among league members who have died, colon cancer occurred 66% more often than in the general population, Mr. Romelfanger says.

The high incidence of colon cancer was true for both metal and wood workers and, in addition, NIOSH found an excessively high rate of leukemia among league members who worked primarily with wood, he said.

The Memorial Sloan Kettering Cancer Center reported high colon and rectal cancer rates among men who worked in one or more of 14 GM wood shops, says Mr. Romelfanger, who adds that colon and rectal cancer were most often found among long-term wood workers.

The latest WISH study is an attempt to have a neutral and acceptable analysis of the problems that pattern and model makers face, he says.

The GM study has come under attack by critics for its lack of an adequate control group, but Dr. Robert Wiencek, GM's director of occupational safety and health, defends the study as complete.

"I can't see us paying an outside specialist to perform tests that have already been conducted in-house on our 1,600 model and pattern makers," he said. ■

Personal injury awards increase

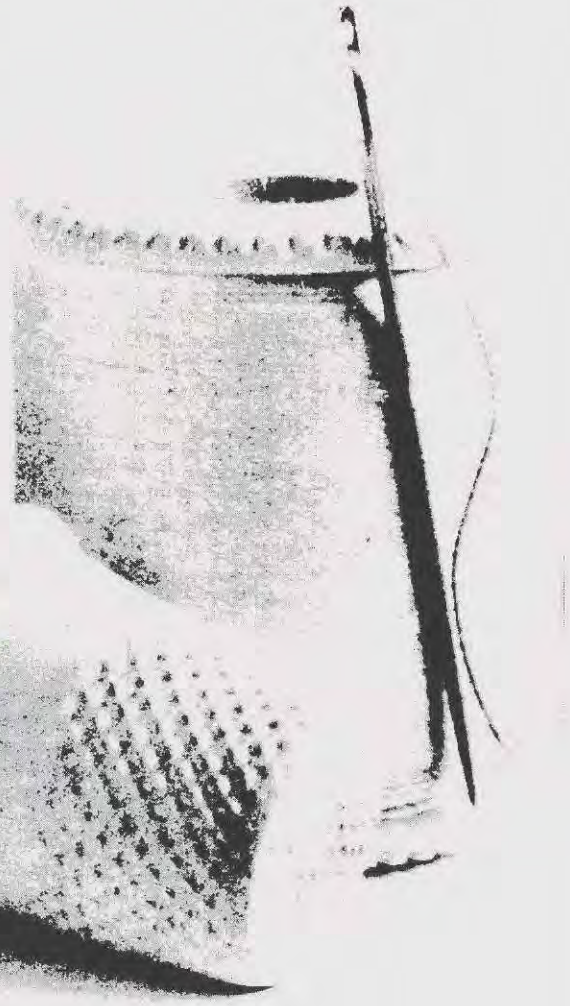
SOLON, Ohio—Jury awards for personal injury lawsuits rose faster than consumer prices in 1980, according to a study.

The average personal injury award in 1980 increased 24.5% over the average award in 1979, nearly double the 13.5% rise in the Consumer Price Index, according to a study by Jury Verdict Research Inc. of Solon, Ohio.

Although information on 1981 verdicts is incomplete, preliminary results indicate another steep increase in awards.

The nationwide study was based on verdict information gathered by the Ohio-based research firm on wrongful death, whiplash, knee and back injury cases. These cases are considered representative of all personal injury awards. ■

How to sew up a practical program for insuring public entities



Municipalities, school districts and housing authorities have suffered as much as anyone from the rising costs of insurance protection. At Scottish & York, we used our vast experience in working with public entities to come up with a practical and economical solution to the problem.

Essentially our program involves three factors: extensive loss control engineering assistance, responsive claims handling, and acceptance of a Partial Self-Insured Retention plan. We have the expertise to help clients implement all three phases of the program. And we're flexible enough to adapt the program to first dollar coverage or to existing self-insured retentions. We can work with your client's risk manager or coordinating official, or we can provide complete P.S.I.R. management services.

If you have municipal, school [illegible] housing authority clients looking [illegible] practical, cost-effective program, call [illegible] Scottish & York office nearest you. We'll [illegible] a plan to suit your needs.

Creative excellence in product development

Scottish & York International Insurance Group

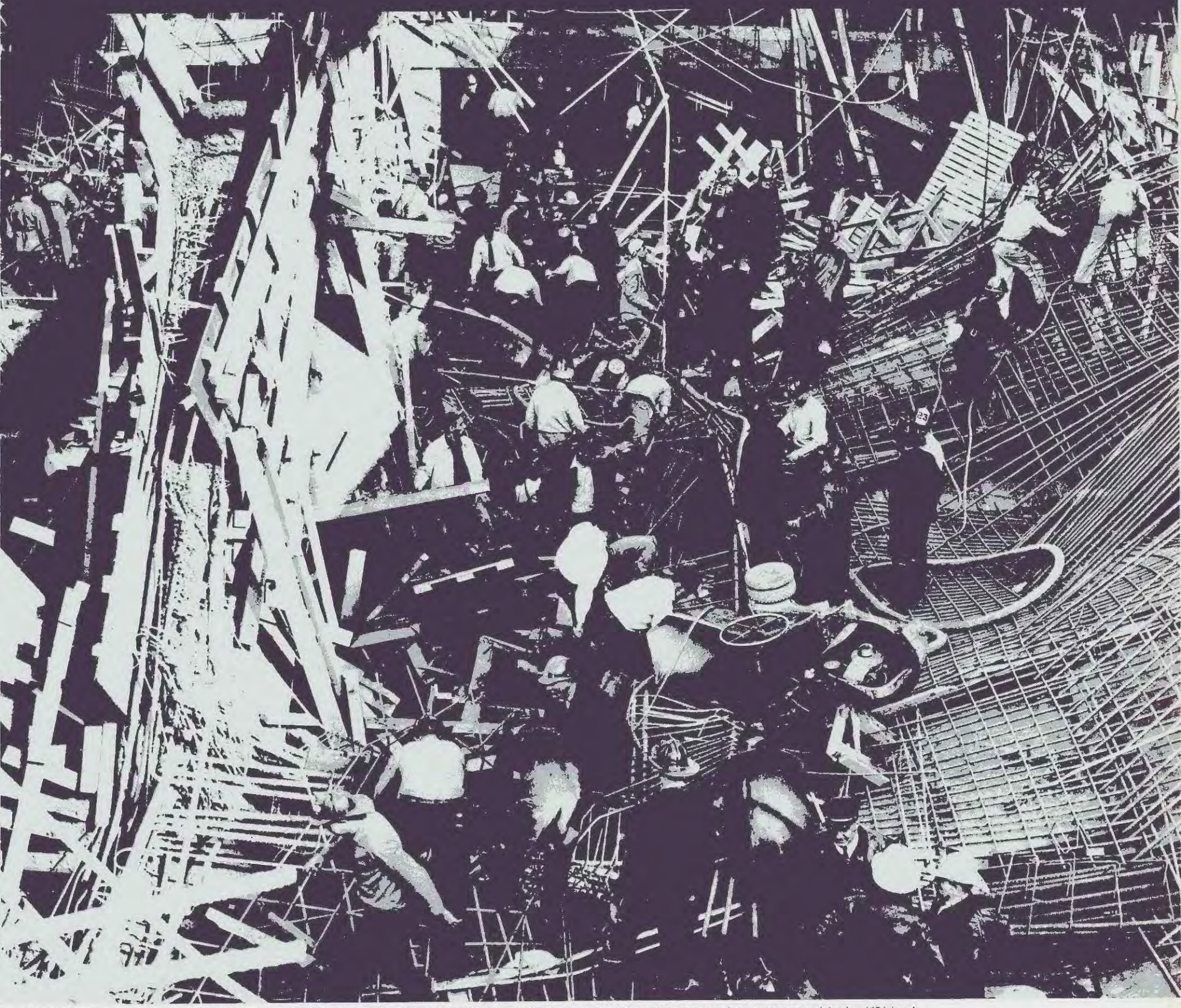
Home Office
Princeton, NJ 609/452-7900

Regional Offices
Atlanta, GA 404/934-5300
Englewood, CO 303/779-0055
Princeton, NJ 609/452-7900
Richardson, TX 214/234-1079
Studio City, CA 213/508-5311

A network of Service Offices throughout the United States.

As a self-insurer of Workers' Compensation...

YOU MAY BE ASSUMING MORE RISK THAN YOU HAVE TO.



During the construction of the New York Coliseum, in May, 1959, the third floor collapsed; steel rod frames and concrete tumbled three stories; two workmen were reported dead and 15 injured. Months of construction were lost. Costs were estimated to be in the hundreds of millions.

IN ADDITION TO EXCESS WORKERS' COMPENSATION FOR THE SELF-INSURED, YOU CAN NOW HAVE FIRST-DOLLAR SPECIFIC INJURY COVERAGE...OR A COMBINATION OF THESE COVERAGES CAN ALSO BE USED AS A BUFFERED LAYER ON EXCESS WORKERS' COMP.

Let PIA quote on your excess Workers' Compensation risks. Find out how little it will cost to include first-dollar specific injury coverage. Specific Injury Coverage provides first-dollar reimbursement for claims resulting in death, paraplegia, quadriplegia, loss of sight, amputation of hand or foot caused by accident.

We do not deal directly with insureds. For further information have your agent or broker contact PIA.

pia
The Broker's Broker.
Professional Indemnity Agency
409 Manville Road
P.O. Box 130
Pleasantville, N.Y. 10570
(914) 747-1818
Telex: 646929 TWX: 710-572-2197

editorial opinions

Some wild imagination

ENOUGH IS enough.

And we hope the West Virginia Legislature and the Illinois Supreme Court agree.

On March 8, Associate Editor Eileen Norris reported on a move by West Virginia employers to nullify a state Supreme Court decision that injured employees may sue their employers for deliberately intending to harm them if they can show that the employer's disregard for safety led to their injury.

Since that decision was handed down in 1978, injured employees in West Virginia have filed more than 200 lawsuits against employers. But when 150 employees at the Monsanto Co. plant in Nitro, W.Va., filed a multi-billion-dollar suit against the textile manufacturer last year, the West Virginia employers decided they had had enough. They united to back legislation that would again make work comp the exclusive remedy for workplace injuries.

Although the bill would allow employee suits if an employer intentionally set out to harm his employees, the worker would have to show an actual specific intent to harm, not merely allege negligence.

We back the West Virginia employers in their battle, agreeing that workers compensation's no-fault provisions offer the best protection for both employers and employees.

Believing that, we are even more amazed with an Illinois appellate court decision (*BI*, March 15) that not only erodes but virtually wipes out immunity from employee lawsuits for the majority of Illinois employers.

The appeals court upheld a lower court ruling that said if an employer owns his business site, he can be sued by an employee because of his "dual capacity" as landowner and employer. The plantiff argues that the "landowner" is liable for what happens on his property even if the "employer" cannot be sued.

We see this interpretation as no more than a play on words.

We agree with the employers who do not want to be asked to pay twice for the same workplace injury—through workers compensation as the employer and then again as the landowner. And we too believe this ruling will further dampen an already gloomy business climate in Illinois.

We agree with Leonard Day of the Illinois Chamber of Commerce that the appellate court's "landowner" ruling is "an attorney's retirement plan and an employer's nightmare." And if it is left stand by the high court, Terrence E. Flynn, an attorney for U.S. Steel in Illinois, is more than correct when he says: "Dual capacity is a concept whose present limits are only those of imagination."

We urge the Illinois Supreme Court to halt such wild imaginations.

letters

Comp funds are not better

To the editor: The Perspective article by Barry Martin (*BI*, Jan. 18) alleges that state workers compensation insurance funds are more efficient than private insurers, a statement to which I take exception for several reasons.

The principle point of Mr. Martin's article is that state funds offer better financing arrangements to employers than commercial insurance by returning operating profits to employers in the form of dividends. The promotion of dividends appears to be the only marketing tool used by state funds and has, unfortunately, become a standard marketing tool throughout the insurance industry in light of the current economic conditions.

Our experience indicates that the insurance industry can better serve the ultimate insurance buyer by assisting him to improve his experience modification and net insurance costs by providing effective loss-control services and claims management. Large dividends indicate that premiums charged to a particular risk are excessive and are, in fact, a return of funds that should not have been spent in the first place. Even employers with debit experience modifications and/or surcharges may earn dividends based on inflated penalty premium.

Risks insured with state funds are 100% dividend participants, whereas private insurers have many non-participating risks. Thus, comparing dividends as a percent of earned premium between private insurers and state funds is difficult.

Mr. Martin also indictes that state funds are not subject to commission expenses; however, the costs of salaried sales staffs and incentive programs should certainly offset, if not exceed, agency commissions. Salaries continue whether a sales effort is or is not successful; whereas, commissions are only paid after a sale is made.

Mr. Martin further quotes that no private group should be allowed to profit from workers compensation or social insurance. The profit motive has long been recognized as an incentive to provide a better product or service at a competitive price. Private insurers must effectively manage claim expenditures if they are to show any profit, thus benefitting the insurance buyer in the end. Claims case loads are generally lower among private insurers than among state funds, as well.

Buying insurance through an agent or broker is a far better bargain than through a state fund or direct writer. At no cost to the buyer, he has the services of a professional insurance manager representing him with the insurance company. As the agent represents a sizable source of income to the insuance company, you can be assured that he exercises considerably more influence than would an individual insurance buyer. He also has the option of choosing between several insurance companies; thus, he can select an insurer to suit the individual needs of each risk.

Additionally, insurance agents monitor the services provided by insurers, like loss control, as well as reviewing claims prior to filing statistics for experience rating purposes. The cost of these services is borne entirely by the insurance company through the commission program.

A common error in comparing state funds with private insurers is the failure to separate workers compensation statistics from multiline companies' records. Insurance buyers should, therefore, be sure to read the "fine print" when making such comparisons.

I fully agree, however, that state funds and private insurers continue to develop methods of improving the entire workers compensation system and services.

Lee Herridge
Vp of special services
Fremont Indemnity Co.
Los Angeles

Employee IRAs

To the editor: The initial polls we've taken indicate that most companies are taking a "wait-and-see" approach to Individual Retirement Accounts (*BI*, March 1).

Here are some of the arguments for company involvement:

- Many personnel and benefit managers are taking the position, "employees can set up their own IRAs on the outside, and we'd rather they did. We don't need any more fiduciary exposure or administrative hassle in the pension area in addition to ERISA-mandated rules."

Sure, employees can set up an IRA. But how many of them really will, especially below the upper-management level? We believe many employees will ask and think about it, while continuing to find other things to do with their money. In particular, those employees who are in lower-wage brackets, and for whom the long-range implications of an IRA may be most meaningful at retirement, may not take advantage of this opportunity.

- "If we sponsor a program, we are, in essence, endorsing the investment policies of an institution, and what if things go sour?" Sure, it could happen. But we don't think it will if the primary sponsor is prudently chosen and monitored on a regular basis, similar to pension money managers.

We are very concerned about the general lack of financial sophistication of the typical employee. What if the employee does select an IRA and discovers in 20 years the account opened with some broker has been dissipated through valueless churning and lackluster stock selections?

We believe some guidance with the administration of an IRA is necessary to protect the interests of the average wage-earner. Most corporate management has adequate expertise within its ranks to select a solid administrator for a payroll-deduction program.

If the initial administrator does not work out as originally anticipated, it is always possible to institute a change.

- The final and most important reason for employers to rally behind this IRA opportunity is it may prove to be the last chance to bail out Social Security without turning additional control of pensions over to the government.

If the IRA concept does not work, the Social Security system will need massive infusions of capital to stay afloat. Much of that revenue could come, directly or indirectly, from increased corporate tax revenues. Consequently, it is in corporate America's best long-range interests to support IRAs by assisting employees through payroll-deduction programs.

Robert Preston
Vp
Risk Planning Group Inc.
Darien, Conn.

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

business insurance®

Reporting weekly for corporate risk, employee benefit and financial executives

Publisher: Alfred Malecki *(New York)*

Editor: Kathryn J. McIntyre, *A.R.M. (Chicago)*
Managing Editor: Lorrie Gawla *(Chicago)*
Senior Editor: Len Strazewski *(Chicago)*
CHICAGO: James M. Burcke *(Copy Editor)*; Eileen Norris *(Associate Editor)*; Stephen Tarnoff *(Associate Editor)*; Donna L. Yanish *(Agent/Broker Topics Associate Editor)*; Claudette Dampier *(Assistant Copy Editor)*; Merrill S. Saltzman *(Graphics Editor)*; Amy Palmer *(Production Assistant)*; Jim Bakasetas *(Production Assistant)*; Dorothy Parr Snowden *(Proofreader)*; Sallie J. Drury *(Editorial Assistant)*
DALLAS: Steve Sherwood *(Associate Editor)*
LONDON: Stacy Shapiro *(Associate Editor)*
LOS ANGELES: Rhonda L. Rundle *(West Coast Editor)*
NEW YORK: Bill Densmore *(Bureau Chief)*; James C. Lawson *(Associate Editor)*; John W. Milligan *(Associate Editor)*
WASHINGTON: Jerry Geisel *(Washington Editor)*
Corporate: Todd E. Fandell *(Corporate Editor)*; Joe Faraci *(Corporate Art Director)*

Advertising Director: Donald A. Walsh *(New York)*
Midwest Sales Manager: Robert L. Niesse *(Chicago)*
CHICAGO: Don Mahlmeister *(District Manager)*; Barbara Tosheff *(Classified Sales)*; Fran Prybylo *(Production Manager)*
LOS ANGELES: Lori Weinstein *(Assistant)*
NEW YORK: Charles A. Horvath *(District Manager)*; Jack Forrest *(District Manager)*; Timothy O'Hara *(District Manager)*

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

EDITORIAL: Chicago: 312-649-5398; Dallas: 214-528-3561; London: 01-637-7961; Los Angeles: 213-651-3710; New York: 212-210-0100; Washington: 202-638-5300
ADVERTISING: New York: 212-210-0133; Chicago: 312-649-5276; Los Angeles: 213-651-3710
COMMUNICATIONS: New York: 212-210-0132
CIRCULATION: Chicago: 312-649-5221

Published by Crain Communications Inc., Chicago
G.D. CRAIN JR. founder (1885-1973)
MRS. G.D. CRAIN chairman
KEITH E. CRAIN vice-chairman
S.R. BERNSTEIN chairman/executive committee
RANCE CRAIN president
MARY KAY CRAIN treasurer
MERRILEE P. CRAIN secretary
DAVID J. CLEARY executive vp/general manager
JAMES M. FRANKLIN vp/finance

Published weekly at 740 Rush St., Chicago, Ill. 60611. Offices: 220 East 42nd St., New York, N.Y. 10017; Suite 515, National Press Building, Washington, D.C. 20045; 6404 Wilshire Blvd., Los Angeles, Calif. 90048; 5327 N. Central Expwy., Suite 200, Dallas, Texas 75205; 25 Bedford Square, London WC1B 3HG, England. $1 a copy. $40 a year in U.S. Canada and all other foreign add $14 for surface mail. Europe and Middle East only add $35 for air delivery. First-class mail to U. S. and Canada only, add $50. WILLIAM STRONG, *vp-circulation*. DIANE WALSH, *circulation manager*. ROGER DiGREGORIO, *fulfillment director*. Four weeks' notice required for change of address. Send subscription correspondence to Circulation Dept., Business Insurance, 740 Rush St., Chicago, Ill. 60611 or phone 312-649-5221. Telex 25-4248; Cable CRAINCOM. Microfilm copies are available from University Microfilms, 300 Zeeb Rd., Ann Arbor, Mich. 48013. Microfiche copies available: Bell & Howell, Micro Photo Division, Old Mansfield Rd., Wooster, Ohio 44691.

BPA Member of Business Publications Audit of Circulation ABP

How secure is your reinsurance?



North American Re has one of the strongest balance sheets in the reinsurance industry.

When we accept a reinsurance risk, you can always rely on us to be here when you need us.

For nearly a century, we've played an important role in the insurance industry in America.

And together with Swiss Re, we're one of the oldest and largest international reinsurers in the world.

Our financial stability is the result of many years of reinsurance experience combined with a conservative investment strategy.

NORTH AMERICAN RE

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

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

Firms ask panel to change multiemployer law

By JERRY GEISEL

WASHINGTON—On June 14, 1979, Republic Industries Inc., a Kansas City, Mo., holding company, purchased Johnson Motor Lines Inc., a Charlotte, N.C., motor carrier for $16.8 million.

One year later, following the passage of the Motor Carrier Act of 1980, Republic decided to shut down Johnson. Trucking industry deregulation and high interest rates made it impossible to keep operating Johnson as a profitable company, said Republic President Edward Riss.

Now, the one-year ownership of Johnson may cost Republic a lot more than it bargained for when it bought the trucking firm.

Since closing Johnson, Republic has been hit with bills totaling $19.6 million from multiemployer pension plans, including a $16.6 million claim from the Central States, Southeast and Southwest Areas Teamsters' Pension Fund, of which Johnson was a member. Those claims, for unfunded pension liabilities owed the multiemployer plans from which Johnson withdrew, exceed Republic's net worth.

Those bills, which Mr. Riss calls "ludicrous" and "mind-boggling," are the result of a law Congress passed in 1980: The Multiemployer Pension Plan Amendments Act.

That law, which gives multiemployer pension plans the power to collect withdrawal liability payments from employers to pay for benefits promised but not funded, is under attack.

Employers say they can't live with a law that allows a pension plan to take away all their assets. They want Congress to pass legislation, S. 1748 (*BI*, Nov. 2, 1981), introduced by Sen. Orrin Hatch, R-Utah, that once again would allow employers to walk away from multiemployer plans without having to pay for promised benefits.

To get their message across, some 16 witnesses, mostly smaller employers, told a Senate Labor subcommittee earlier this month how the Multiemployer Amendments Act has disrupted their businesses and why the committee should back the Hatch bill.

* * *

Willett Motor Coach has been busing Chicago school children since 1923 through contracts with the Chicago School Board.

In 1980, Willett lost most of its contracts when it was undercut in price by companies that employed non-union, part-time employees to cut overhead.

As a result, Willett was forced to lay off more than 100 bus drivers, a move that triggered a withdrawal liability claim.

Under the Multiemployer Amendments Act, companies that lay off workers and whose contributions to multiemployer plans drop off are considered to have "partially withdrawn."

A partial withdrawal means the firm has to begin paying a share of the unfunded vested benefits.

Unless Willett finds jobs for at least 135 drivers by 1983, it will have to begin paying $1.4 million to the Local 744 Teamsters fund. David Howell, chairman and chief executive officer of The Willett Cos., thinks the withdrawal liability bill is unfair.

"Do you respect private property or don't you?" Mr. Howell asked. "Please, remember the multiemployer pension promise—to contribute. Do not hold us liable for a promise we never made."

Other experts argue, though, that a major reason the plans are so badly underfunded is that companies participating in the plans fought to keep their contributions low while union representatives won promises for higher benefits.

Mr. Howell said no one—not the U.S. Chamber of Commerce, the Chicago Assn. of Commerce & Industry, the firm's auditors or actuaries—warned him of the enormous potential liabilities the Multiemployer Amendments Act could impose on the industry.

While Mr. Howell believes the pensions promised to workers enrolled in multiemployer plans should be honored, he doesn't believe employers should have to pay for those benefits.

"We totally refute any confiscation of our property to pay for a promise we didn't make," he said.

* * *

T.I.M.E.-DC Inc. had been hurt by the 1980 deregulation of the trucking industry.

Added competition was cutting into the profits of the Lubbock, Texas, common carrier, its president admits.

To get the company back into the black, it had hoped to combine operations with East Texas Motor Freight Lines of Dallas.

The merger could have cut costs by at least $14 million a year because the firms could have consolidated terminals and adopted other cost-cutting efficiencies.

But the firms couldn't merge, they believed, without triggering huge withdrawal liability claims from their multiemployer pension plans.

"The potential liability for such a withdrawal was enormous. . .it could be as much as $30 million," said T.I.M.E.-DC President Hugh Shurtleff. "Such a huge withdrawal liability would have destroyed the business and financial advantages of the proposed sale."

As a result, the consolidation talks were broken off and T.I.M.E.-DC continues to lose money.

Trucking company mergers are needed to enable firms to reap the benefits of economies of scale, Mr. Shurtleff said. But the Multiemployer Amendments Act and its withdrawal liability provisions make it virtually impossible for companies to buy, sell or merge with other firms, he said. ■



Risk. Having someone behind you can be reassuring.

There are some risks that you simply can't face alone. That's why Corroon & Black stands behind you at each stage of your risk management program. Evaluating your cash flow. Analyzing past losses. Forecasting future ones. And offering you the best risk financing alternatives.

But you'd expect this innovative, professional approach from one of the world's top business insurance brokers. So, contact us. We'll show you the difference a helping hand can make.

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

Baldrige not endorsing tort reform legislation

By JERRY GEISEL

WASHINGTON—The Reagan administration won't back federal tort reform legislation—at least not yet.

In a major blow to supporters of legislation that would pre-empt state tort and case law with one federal product liability law, Commerce Secretary Malcolm Baldrige said he couldn't endorse a federal tort bill.

Speaking before the Senate Commerce Consumer subcommittee, Mr. Baldrige suggested that a federal tort reform law runs counter to the administration's plan to reduce the role of the federal government.

"Except where outweighed by pressing national needs, this means leaving states free to adopt their own standards, enforced by state officials in state courts."

Mr. Baldrige said, however, that the administration would work with Congress "toward a balanced analysis of the issue."

The subcommittee is examining draft legislation proposed by Sen. Robert Kasten, R-Wis., that would, among other things, bar product liability suits against manufacturers of major capital goods 25 years after their products were delivered (*BI*, March 8).

Health care costs

Medical care costs are increasing more than twice as fast as the general inflation rate.

Health costs rose 0.8% in January, compared with a rise of 0.3% in the Consumer Price Index, according to the Department of Labor.

If medical costs continue to rise at the current rate, the medical care component of the CPI will increase 9.6% this year.

Meanwhile, the administration can't make up its mind on the best way to curb these increases.

Last winter, a government task force headed by Health and Human Services Secretary Richard Schweiker recommended that employers be barred from taking tax deductions on premium payments exceeding $150 a month for employees with family coverage and $60 a month for individuals (*BI*, Dec. 14, 1981).

In addition, the task force said employers would have to offer employees a choice of health insurance plans and provide tax-free rebates to workers who opted for low-cost plans with high deductibles and high co-insurance.

Supporters of the "pro-competition" plan argue that if employees are given a choice of health plans and tax incentives for choosing low-cost plans, insurers will offer better benefits, while employees, who will be paying more of the bills, will have a greater stake in controlling costs.

But now administration officials are re-evaluating the plan, which is under heavy fire from business, insurers and labor groups.

Instead of imposing a cap on the amount of tax-free health insurance benefits an employer could offer, the administration is leaning to a voluntary plan that would allow employers to offer tax-free cash rebates to workers who select cheaper plans, provided the employer's average contributions fell within a government-specified limit.

Williams' pension

Harrison Williams may no longer be the senior senator from New Jersey, but he is now eligible for a big pension.

Mr. Williams, who resigned last week as the Senate considered his expulsion because of his conviction in the Abscam bribery scandal, goes back to New Jersey with a $45,000 annual pension. The pension is based on his 28 years of service as a congressman and senator.

That $45,000 pension, provided by the congressional pension plan, compares with the average pension of about $13,000 now received by retired federal workers.

Mr. Williams, as the former chairman of the Senate Labor and Human Resources Committee, played a key role in the passage of the Employee Retirement Income Security Act of 1974 and the 1978 Pregnancy Discrimination Act, which requires employers to offer equal pregnancy benefits to their employees in their group health insurance plans.

Social Security

The National Commission on Social Security, the bipartisan panel formed to develop ways to shore up the Social Security program, will meet this week.

The meeting, which is open to the public, will begin at 9:30 a.m. March 26 in Room 5110 of the Dirksen Senate Office Building.

The commission, which includes members of Congress as well as union and corporate executives, was established by President Reagan last fall after administration recommendations to bolster the Social Security program foundered.

The 15-member panel is supposed to make its recommendations after the November elections.

Meanwhile, the administration has rejected congressional suggestions for a two-year freeze on Social Security cost-of-living benefit increases as a way of cutting massive budget deficits.

"In the president's view, Social Security is off the agenda for 1982," a White House spokesman said.

He said the administration will not recommend any changes in Social Security until the bipartisan commission issues its report.

Social Security benefits are expected to rise about 7% on July 1 to keep pace with increases in the Consumer Price Index.

Decision reversed

The Supreme Court has unanimously ruled that federal courts can't review the "reasonableness" of collective bargaining agreements covering benefit trusts that are jointly run by the employer and the union.

While federal labor law allows courts to review procedures used in setting up the trusts, the law doesn't allow courts to decide whether the terms are reasonable, the justices said.

The decision reversed an appeals court ruling that the 1974 agreement between the United Mine Workers and the National Coal Operators Assn. was discriminatory because it raised health insurance benefits for one group of widows, but excluded another group. ■

"We Listen Before We Speak"

(To Risk Managers)

Somewhere along the line, traditional insurance brokers started calling themselves "risk management specialists." In name, this created an appropriate balance with corporate risk managers, but there was little substantive change. And intentionally so. The old system worked well for them.

This, however, was not true in all cases. Risk Management Economics, a division of BRI Coverage Corp. was created. It was not an existing unit with a new name. Nor is it an insurance broker doing another job. RME is a new group of financial and management specialists brought together to function as an effective counterpart to risk managers. They recognize the need for different dimensions of financial and claim management. To offer innovation rather than traditional answers. To reevaluate and redefine the role of insurance in a company's risk management program. To evaluate numbers against reality and reality against numbers. To listen...and to attack the true source of insurance expense —the cost of claims.

For an example of the Risk Management Economics' approach to risk management, talk to someone who has taken advantage of our original thinking. And if you even suspect, as we do, that there are not standard solutions, call us and find out what we can do for you. **Talk To Us.**

BRI Coverage Corp.

156 William Street, New York, N.Y. 10038 212-233-7171



"Two roads diverged in a wood, and I –
I took the one less traveled by,
And that has made all the difference."

Robert Frost

In a world of endless choices, the people of Cameron and Colby show a refreshing willingness to move in new directions. With imagination. With creativity. And the ability as underwriters of Special Purpose Risks and Reinsurance to rise to the challenge of change. ◇ *Leaders in Special Purpose Coverages through First State Insurance Co. and Professional Reinsurance through New England Re.*

Cameron and Colby

Rising to the Challenge of Change

60 Batterymarch St., Boston / Wall St. Plaza, New York / Tower Place, Atlanta / Hartford Plaza Bldg., Chicago / Hibernia Bank Bldg., San Francisco / Wilshire Sq. II, Los Angeles

SPECIALTY RISKS

Catastrophes still shock corporate planners

By LEN STRAZEWSKI

Disaster: the most frightening of special risks.

Towering infernos, earthquakes and air crashes dominate the nightmares of corporate presidents, risk managers and line workers. Irwin Allen films drive home the fear that catastrophes can happen, destroying both life and property.

But within the realm of all the risks that threaten corporations, catastrophes can come in all seasons, sizes and varieties, each with a potentially devastating effect on corporate and individual well-being.

In this Spotlight Report, *Business Insurance* will take you on a guided tour of various natural and man-made disasters that threaten businesses around the country and will explain how corporations and municipalities prepare for the worst events imaginable.

We will look at the obvious natural risks: heat waves in summer, cold snaps in winter, hurricanes and floods, earthquakes, volcanoes and fatal accidents. And we will review the more subtle risks people create for themselves, including pollution accidents and computer failures.

Our emphasis is on the little-practiced and sometimes misunderstood role of catastrophe planning in corporate risk management.

Misunderstood?

Although several businesses like Levi Strauss & Co. in San Francisco and Memorial Medical Center in Corpus Christi, Texas,—which are profiled in this section—are ready for almost anything, many corporations only think they have a disaster program.

Many companies rely on simple worker evacuation plans and a few basic guidelines for after-the-fact cleanup, consultants say.

And several risk managers told *Business Insurance* that while they felt they had adequate property and liability insurance, sometimes bolstered by high-limit business interruption coverage, they had not prepared centralized, comprehensive loss-control programs to limit catastrophic losses before they happen.

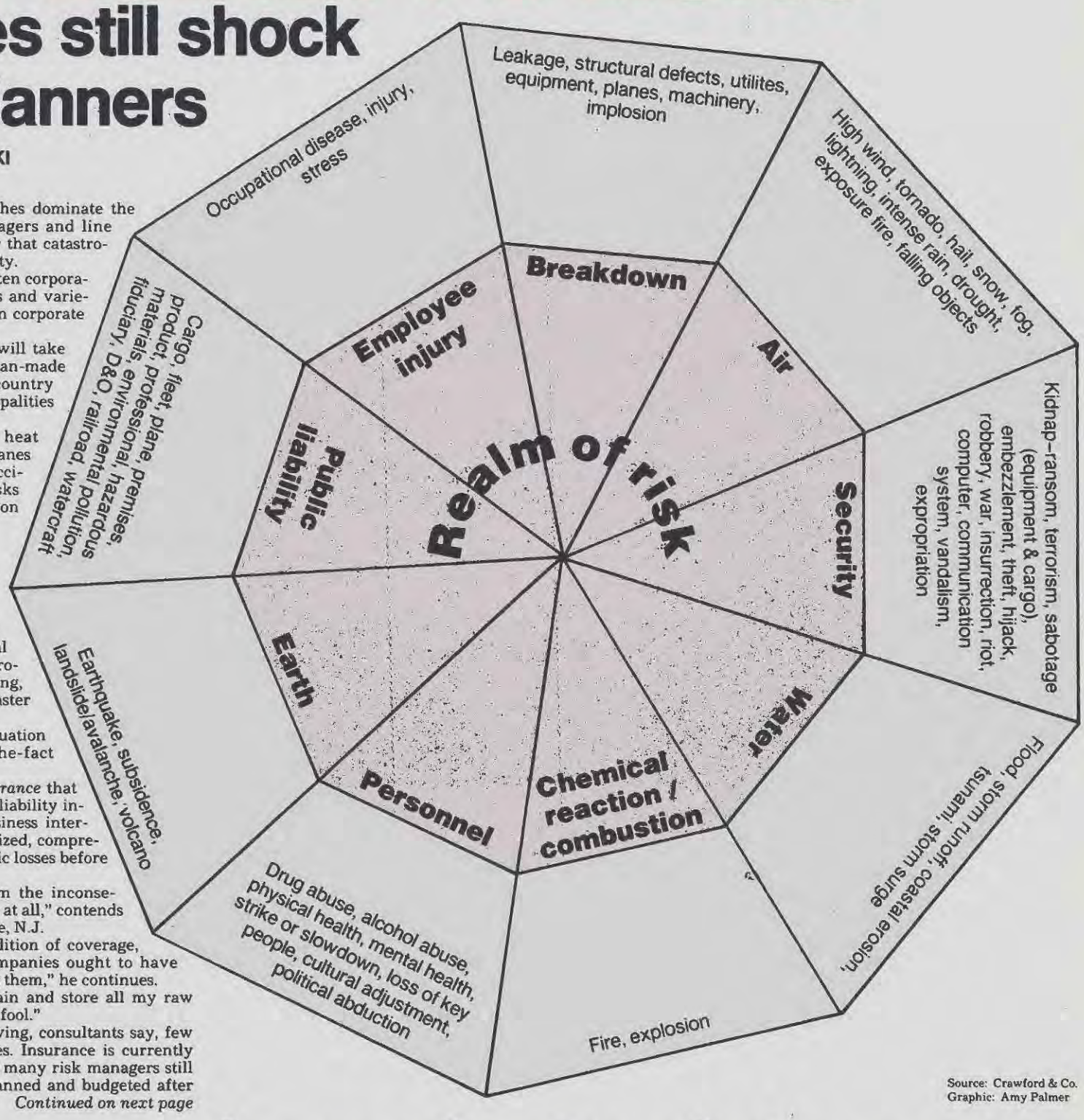
"Most so-called catastrophe plans range from the inconsequential to the inept, when companies have them at all," contends security consultant Belden Menkus of Middleville, N.J.

"Since insurers don't require them as a condition of coverage, few companies bother. And the insurance companies ought to have their collective heads examined for not requiring them," he continues.

"If I run a corporation situated on a floodplain and store all my raw materials nearby, any insurer that covers me is a fool."

Although interest in disaster planning is growing, consultants say, few companies have written, promulgated guidelines. Insurance is currently cheap, so there is little economic incentive. And many risk managers still see loss control as a luxury, something to be planned and budgeted after

Continued on next page



Source: Crawford & Co.
Graphic: Amy Palmer

Heat waves cook up plant safety woes

By JOHN W. MILLIGAN

NEW YORK—The fishin' might be easy come the summertime, but companies still have some things to worry about when the dog days of August arrive.

Although many companies seem more preoccupied with operational threats caused by severe winter cold, summer temperatures concern those businesses whose products and workplaces are especially sensitive to hot weather.

Employee safety is a primary concern during summer's heat, and many companies take special care to advise workers and supervisors of the proper way to deal with torrid conditions.

Summer also brings the risk of fire, and insurers dispense some helpful advice on how this risk can be reduced when hot, dry weather prevails.

Employee well-being is probably the No. 1 concern for most companies during summer heat waves.

Several companies told *Business Insurance* that they tackle the problem with employee communications at individual plants pointing out the problems of working in extremely hot conditions.

At B.F.Goodrich Co., the tire, engineering and chemical products manufacturer based in Akron, Ohio, the problem of heat stress is handled at the plant level by local safety personnel.

"It's usually handled on a localized basis because they know best what their problems are," notes Peter F. Johnson, loss-control manager within Goodrich's risk management division.

Goodrich has safety personnel at all plant locations who know which local activities are the most stressful during heat waves. It is their responsibility to advise plant supervisors on shorter work periods, lighter work loads or other necessary steps to insure worker safety, Mr. Johnson says.

The company also takes pains to see that all buildings are properly ventilated, Mr. Johnson continues.

A similar approach is followed at Borden Inc., a manufacturer and distributor of consumer food products based in Columbus, Ohio.

With an estimated 500 plant locations nationwide, Borden starts at the local level. Working through medical consultants at individual plants, employee attention is aimed at such measures as the need to take salt tablets and rest periods, observes Russell A. Drake Jr., director of risk management.

Safety bulletins are posted at each plant location, Mr. Drake says, and the issue gets strong play in plant publications.

"I've seen local (plant) newspapers filled 70% with safety items," Mr. Drake says.

Borden tackles the problem of summer work conditions at the corporate level, too, issuing more general bulletins to each plant location.

Yet in a company with "so many unique operations" throughout the country, specific steps to combat hot summer temperatures will vary from location to location, he says.

"There is no one thing that we do," notes Mr. Drake. "Each location has a custom-made program."

With summer's long dry spells and soaring temperatures comes the threat of fire, and Industrial Risk Insurers, based in Hartford, Conn., has some suggestions.

An association of property/casualty insurers that specialize in fire insurance and related engineering services for highly protected risks, IRI sees drought conditions posing several potential hazards.

"The potential is always there to have a situation in which water conditions can become critical, either for personal use or for fighting fires," notes James Ingalls, assistant chief engineer at IRI.

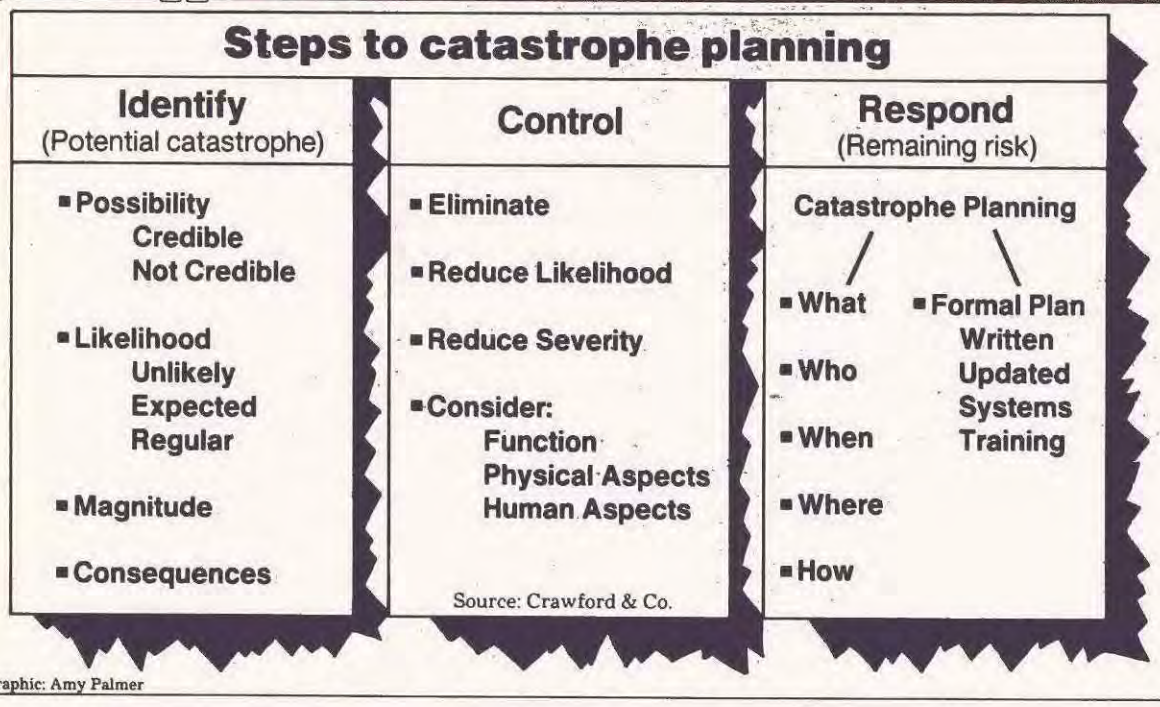
When drought conditions prevail and local municipalities have placed restrictions on water use, IRI suggests that firefighting equip-

Continued on page 18

Hospital's plan beats hurricanes
Page 20

Risk managers don't quake when earth shakes
Page 34

Banks stay on top when computers are down
Page 46



Graphic: Amy Palmer

How to prepare for catastrophes

Continued from previous page
property and liability insurance is purchased, not before.

"Part of the problem may be in the evolution of risk management," notes Robert W. Arends, director of risk control services for the Midwest region for adjuster Crawford & Co.

"Most risk managers come out of the insurance industry and tend to think in terms of the traditional insurance coverages first. As the profession grows, however, we are seeing much more interest in catastrophe and loss-control planning."

Although a proper insurance program and business interruption coverage is essential to pay for losses after a disaster, Mr. Arends says a good disaster plan should begin long before any loss occurs.

He recommends a systematic planning process that begins by identifying the potential catastrophes that can threaten a company, then proposes a way to reduce the risks before they happen and finishes with a catastrophe response plan to deal with losses that couldn't be avoided (see chart).

"You have to start by deciding what kinds of catastrophes are credible in your area. In Chicago, for example, tornadoes and to some extent earthquakes are credible. They have been known to happen. But hurricanes are not credible. Though everything is possible, hurricanes have never been known to hit Chicago. Tsunami, giant waves, are likewise not credible because they have never been known to occur in non-oceanfront areas."

Credible risks can then be rated according to their likelihood, says Mr. Arends. Some catastrophes, like a major earthquake in Chicago, are unlikely within the life of most organizations and businesses. However, an earthquake may be a likely risk for the city of Chicago, whose lifetime will likely extend for hundreds of years.

Others catastrophes occur more frequently. Tornadoes are common in the Midwest and cause severe property damages. In California, minor earthquakes often occur and occasionally destroy property and disrupt business. This would be an expected risk: Something that will happen occasionally and can be prepared for.

Other risks, like crippling snowstorms in Minnesota and tropical storms in Gulf Coast regions, are regular and occur virtually every season. Preparing for them should be central to any catastrophe plan.

With the risks in hand, a company then looks to loss control, Mr. Arends says.

"With the right planning, we can live in virtually every environment. But we should ask whether or not it is worth it. It is probably not worthwhile to build a nuclear power plant or an explosives factory on the San Andreas fault," he notes. "So, you might use your risk identification data to help choose a site and control risks by moving away from the exposure."

Likelihood and severity can also be reduced. Knowing the magnitude and nature of the risk also helps you design specific loss-control programs.

If you fear tornadoes, knowing that tornadoes produce high winds along a narrow path may lead your company to space its buildings farther apart, limiting the possibility that more than one building will be heavily damaged, Mr. Arends explains. Knowing the structural effects of earthquakes can help you design an earthquake-resistant building.

Knowing how people respond to disasters can help in advance, also. A company can prepare workers for likely disasters, eliminating panic and accidents that might impair the corporation's response.

Designing a corporate disaster response plan is the most complex part of catastrophe planning, consultants agree. It must be written and communicated to both executives and workers to be effective.

A company should begin drafting its plan with a corporate planning doctrine and any kind of planning documents it can find, advises Mr. Menkus. The Federal Emergency Management Agency may help, as well as Civil Defense groups and

Continued on page 16



AVIATION INSURANCE?
I MAKE BOLTS, NOT AIRPLANES. He could be one of your clients. And he probably already has a Products Liability policy. But chances are that policy excludes aviation liability. So he's unprotected if one of his products eventually becomes part of an aircraft involved in a major loss. That's where Associated Aviation Underwriters can help. For over fifty years we've been handling the special insurance requirements of the aviation industry and we can provide your client with the aviation products liability coverage he needs. Call us today. For aviation insurance—whatever business your client is in—flying first class means coverage from AAU.

AAU FLYING FIRST CLASS

ASSOCIATED AVIATION UNDERWRITERS 90 John Street, New York, New York 10038 • ATLANTA • CHICAGO • DALLAS • DENVER • DETROIT • KANSAS CITY • LOS ANGELES • SAN FRANCISCO • SEATTLE



A SMALL CRACK IN A 1200 PSI STEAM LINE

can take off a man's arm. High-speed turbines have enough explosive power to level a multi-story building. Today's larger machines running at high speeds, temperatures and pressures are making industrial accidents more serious and more costly than ever.

As one of North America's largest industrial insurance companies, Arkwright-Boston knows that even with today's complex machinery, most losses could be avoided with proper maintenance and equipment checks. Through the Factory Mutual System, we provide regular boiler and machinery inspections. Our engineers can diagnose excessive wear and corrosion of equipment with methods such as ultrasonics and magnetic particle testing. We find these advanced non-destructive examination techniques helpful in preventing loss.

Is it unusual for an insurance company to be involved with magnetic particle testing? Not for us. We're Arkwright-Boston. A most unusual insurance company.

ARKWRIGHT-BOSTON INSURANCE

Factory Mutual System

A MOST UNUSUAL INSURANCE COMPANY

ANDREWS LITIGATION REPORTERS

Asbestos — DES — Hazardous Waste

If your company has potential or real liability stemming from litigation related to any of these issues, the twice-monthly *Litigation Reporters* published by Andrews Publications, Inc. should be must-reading for you and your associates.

These are individual, national journals of record on asbestos, DES and hazardous waste litigation. They provide texts of complaints, answers, orders, depositions and significant pleadings along with experienced, unbiased editorial coverage of hearings, bench rulings and settlements. Federal judges, plaintiff and defense attorneys, insurers and defendants rely on them for timely and comprehensive coverage. Call or write for descriptive sample of your subject of interest.

ANDREWS PUBLICATIONS, INC.
P.O. Box 200, Edgemont, PA 19028 (215) 353-2565

Assume the worst in disaster plans, consultants advise

Continued from page 14
trade associations. However, most federal agencies are currently cash-starved due to budget cuts and may no longer have the time and expertise to work in corporate planning.

Assume that you are on you own in responding to whatever losses disaster hands you, Mr. Menkus adds.

"Assume that your employees are not going to endanger their own lives to protect your factory," he says. "Most workers see their families as first priority during any natural or man-made disaster. If there is civil disorder, they are not going to run to the plant; they will head straight home to look out for their families.

"Also assume that the usual amenities, telephone service, public utilities and transportation, etc., will not be available. You may be the biggest subscriber to your local telephone company, but when it comes to trouble, you are just one subscriber that waits in line with the others."

Local fire and police departments may also be unavailable to corporate taxpayers. Most likely, they will be tied up trying to keep a fire from spreading to schools, hospitals, emergency service centers and private homes, for example. Corporate buildings may not take a high priority and may have to be content with potluck service.

"Assume that whatever you need, you will have to provide yourself," Mr. Menkus emphasizes. "If you expect fires, you may want your own firefighting force and equipment. If in any way you can expect telephone service to be cut off, you may want an earth station dish that bypasses telephone lines and communicates directly with communications satellites."

Businesses should also not expect much aid from other corporations in the area. Mutual aid agreements may not apply if a whole area is devastated, and local suppliers may not be able to find new sources of raw materials for you if they are busy digging out from an earthquake or bailing out from a flood.

Make you own secondary contracts and backstop your own production process. Don't expect to be able to subcontract easily to local firms.

When your needs, replacements and procedures are codified, communicate the plan to everybody and rehearse frequently, consultants agree. Test the plan a minimum of every two years.

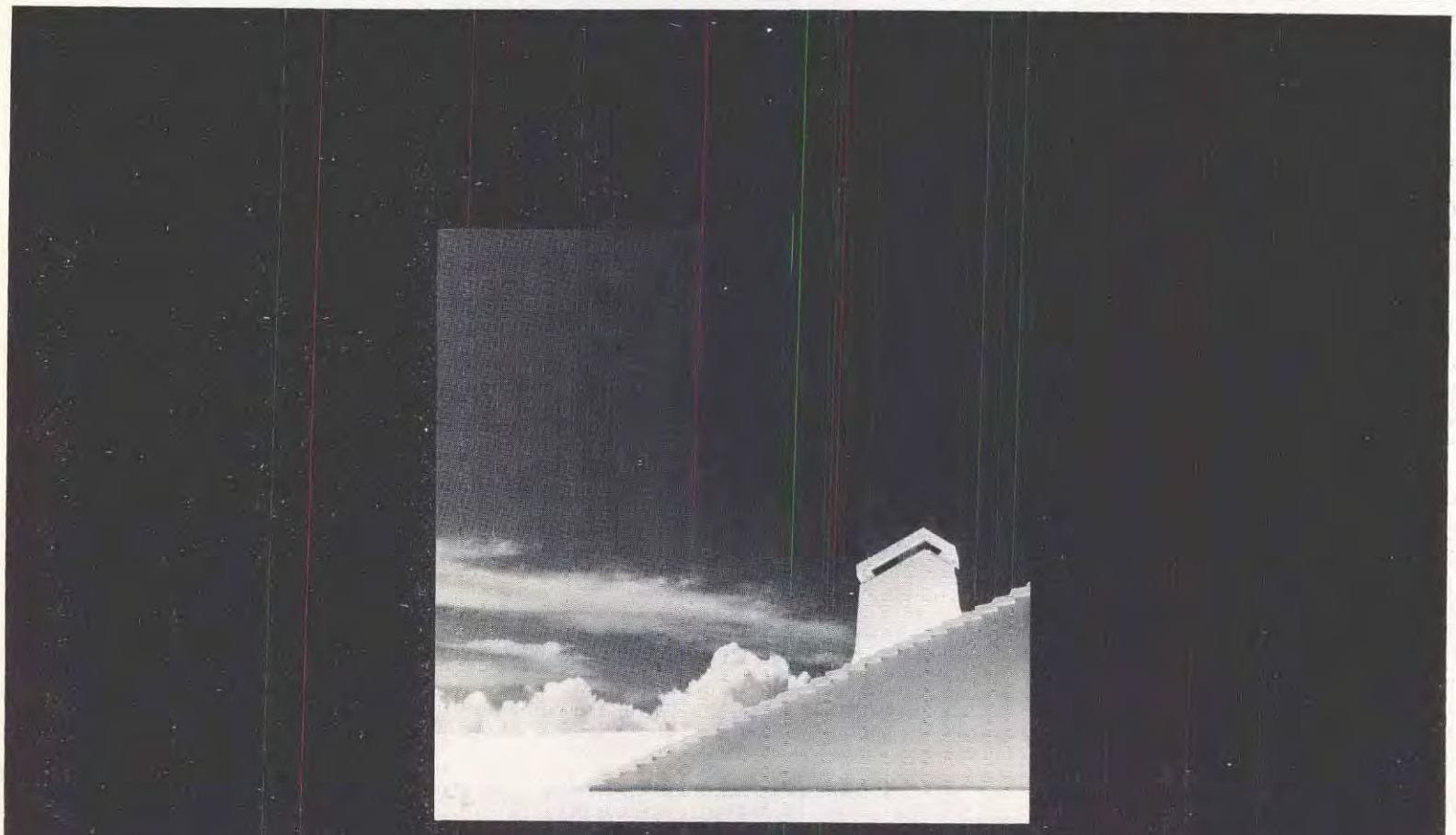
"Be realistic. Make sure everybody understands how you want the plan to work. Don't assume that all executives will be available. They won't be. Make sure everyone knows his role and his responsibility as well as who makes decisions when superiors are missing," Mr. Menkus says.

Rehearse the plan like war games, Mr. Arends of Crawford & Co. advises. Systems training that simulates a disaster is the best way to rehearse, especially if non-participants are present to evaluate performance and create simulated problems.

"For example, employees may be doing just great, hooking up a hose to the right water outlet at the right time. But if it's out of order, will they know where to go next? A non-participant referee can evaluate that response by declaring the outlet off-limits and observing the reaction," Mr. Arends says.

Invite local authorities to your training program, the consultants say. Local fire department personnel can help evaluate your plan as well as learn about your plant so they will be better able to help in a disaster.

"Some people think better under pressure than others, but systems training seems to make the good better and the poor improve," Mr. Arends says. ■



BERMUDIAN ROOFTOPS
PROVIDE MORE THAN SHELTER

Bermudian roofs are an ingenious system of freshwater collection so, in addition to providing shelter, the white rooftops provide a consistent source of a vital commodity. Walton Insurance Limited can provide for your reinsurance needs. But we offer something more—a consistent source of Aviation, Casualty, Marine and Property coverage. Our underwriters are prepared to write the kind of covers that last, year in and year out.

Isn't It Time You Looked Into Walton?

Walton Insurance Limited, Global House, Church Street
P.O. Box 1833, Hamilton 5, Bermuda Tel: (809-29) 2-3304
Cable: "INSURAN" BERMUDA Telex: 3457 INSUR BA

WALTON
Insurance Limited



THE POWER BROKERS™

Finding supermarket coverage doesn't have to be a superhuman effort.

It can be a real uphill struggle these days to locate a broker who can handle the risks of the supermarket business—especially if the supermarket isn't exactly located in such a super location.

It can be a struggle, that is, until you check it out with The Power Brokers.

Because whether the store is uptown, downtown, or out of town, our access to markets lets us place just about any risk for any supermarket anywhere in the country. (Plus we offer all sections and any limits.)

And if you're happily surprised to find that there still are brokers this resourceful, you'll be virtually ecstatic over our responsiveness. Because we've made it our policy to get back to you with a competitive quote—even on the toughest risks—in a fast 47 hours or less.

With all this going for us, why go to extremes yourself? If you need supermarket coverage, simply contact The Power Brokers.

And live like a normal human being again.

THE SAEX GROUP

474 Appleton Street, P.O. Box 1310
Holyoke, Massachusetts 01041
Telephone: (413) 538-8261
Mass. Wats: 800-332-3847
All other states: 800-628-9017
Telex: 95-5494

GLOBAL SURPLUS

3325 Wilshire Boulevard
Los Angeles, California 90010
Telephone: (213) 386-1200
Calif. Wats: 800-421-9544
Telex: 67-3521

1 Union Square, Suite 3412
Seattle, Washington 98101
Telephone: (206) 624-9880
Telex: 32-1138

The Power Brokers is a trademark and service mark of Hallways Advertising, Inc. Copyright © Hallways Advertising, Inc., 1982. All rights reserved.

Heat waves cook up plant safety woes

Continued from page 13
ment like tanks and pumps be checked visually whenever possible.

IRI also suggests that sprinkler systems be electrically checked to make sure their valves are open.

Should drought conditions become so critical that there is no water at all, Mr. Ingalls says, "We ask (the insured) to curtail hazardous operations until water conditions are back to normal."

IRI also addresses the potential for power outages during hot summer weather when demand for electricity is the greatest.

It requests that all electrical pumps for firefighting have diesel generators to supply backup power for the pumps.

Companies also should have alarm systems that operate with either battery or diesel backups, Mr. Ingalls says.

Soaring summer temperatures can affect a company's production process as well, but many firms seem less concerned by these conditions than freezing cold and snow during winter months.

The impact of summer's heat will depend on the type of company involved, with food processors and distributors more sensitive than most.

No such company wants weather-related problems regardless of the season, but summer does bring its own special problems and disaster possibilities.

Iowa Beef Processors of Dakota City, Neb., one of the nation's largest wholesalers of meat products, pays special attention to its refrigeration facilities year-round.

Maintenance personnel at its 10 plants work seven-day weeks, inspecting plant refrigeration units and performing hourly checks on the reefer (refrigeration) units of trucks leaving the plant.

It doesn't matter what the season or whether a shipment of beef ends up frozen or fried after a reefer unit malfunctions on a truck: Iowa Beef still has a problem.

"Summer or winter, it doesn't matter," says risk manager Gary Felt. "We still have a product to protect."

Yet, Mr. Felt does admit that a truckload of frozen meat in winter may be preferable to a refrigeration failure in summer, since the company may still be able to sell the frozen product if it does not meet the original buyer's specifications.

When there is a road accident involving an Iowa Beef truck, Mr. Felt says, the company dispatches a second refrigerated truck to the scene as soon as possible in case the meat must be transferred.

The company also pays special attention to shipments traveling by rail in refrigerated piggyback trailers, charting the shipment's progress through various checkpoints.

Should a major train derailment occur during the summer and the shipment end up stranded, Iowa Beef will get extra fuel to the reefer units as soon as possible, Mr. Felt says.

"It's going to cook on you after a while," he says. "If we find we have a product sitting out in the boonies somewhere, Iowa Beef Processors is going to do everything it can to get some fuel to that reefer unit."

Another producer especially sensitive to the effects of high summer temperatures is the electric utility, whose product is needed by all commercial and industrial companies.

One electric utility, Consolidated Edison Co. of New York Inc., meets summer's high demand for electricity with a comprehensive wintertime maintenance program.

Con Ed's problem is not that its 12 coal-fired generators and one nuclear power plant are sensitive to heat, says company spokesman Dan Walden.

The problem is the demand that its 2.7 million customers place on those plants during heat waves.

"Needless to say when we have periods of high heat, that's when we need our equipment the most," he says.

To combat the problem, Con Ed operates an equipment maintenance program during the winter when customer demand is lower, pulling generating facilities off-line to prepare them for heavy summer loads.

"The trick is to make sure your equipment is serviced in the winter, so it's in good operating condition during the summer," Mr. Walden observes.

Con Ed also claims to have much greater generating reserves than in the 1960s, when a prolonged heat wave would push the utility very near its total generating capacity for the area.

"We have reserves even in the summertime, so we're in fairly good shape even if we had to take a plant down," Mr. Walden says. ■



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

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

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

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

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

*New prices effective 1/1/82

Few Southern companies prepare for winter risks

By STEVE SHERWOOD

MEMPHIS, Tenn.—In the South, where sub-zero temperatures and ice storms are rare, few companies adequately prepare for severe winter weather.

Although some companies have addressed this potential problem through extensive emergency planning, most tend to take it as it comes.

Memphis-based Federal Express is clobbered by the cold at its locations all around the country but generally doesn't see the problem as a disaster.

The overnight parcel carrier recently designed a comprehensive disaster plan that covers in detail the company's reaction to nearly every natural disaster, including hurricanes, tornadoes, earthquakes and floods—everything except extreme cold weather at its locations in the South.

Cold is one of the least important perils facing Federal Express, says M.C. Shermer, vp of risk management. "When you are spread out as much as we are, it doesn't affect you that much.

"We're taking about catastrophes, large or small, that could interrupt our business," Mr. Shermer says.

Federal Express says it is well prepared for bitter cold at its Northern outposts and only slightly delayed when winter pays a visit to the South.

However, Federal Express incurred some unusual costs when icy conditions in Dallas, Atlanta and other Southern cities made it difficult to deliver packages there.

"We may have an influx of expenses in particular locations for extra trucks and airplane deicing," Mr. Shermer says. "But when this happens in a part of the country that normally doesn't get that kind of weather, it is hard to plan for."

It's a different story for Dallas Power & Light.

In Dallas, utilities and other industrial gas customers agree to forego use of natural gas during cold weather emergencies in favor of residents and small businesses.

Since 50% of Dallas Power & Light's generator capacity is powered by natural gas, the utility must store fuel oil at its facilities for emergency use.

The facilities themselves are vulnerable to the weather, too. The utility fears that power plants could be frozen, a company spokesman says.

"Our plants are exposed to the open air and we must use special insulating techniques to keep them going," he notes.

After a difficult 1980 winter storm, the utility set up an emergency control center and revamped its disaster contingency plan, the spokesman says.

"That was our first major disaster in 30 years. Some people were without power for 10 days."

The plan paid off this past winter. Severe cold weather in January curtailed delivery of natural gas to the utility, but the company was able to keep supplying its customers.

"A disaster plan is absolutely essential to keep generating plants operating," the utility spokesman said. "Ours is very thorough." ■

Chemical firms help themselves

WASHINGTON—Chemical companies involved in an environmental accident are helping themselves through an emergency information program operated by the Chemical Manufacturers Assn.

The CMA, a Washington-based industry group composed of some 200 chemical companies, operates CHEMTREK, a chemical accident resource service.

CHEMTREK provides police and fire officials—often the first decision makers to reach the scene of an accident—immediate information on the hazards of the chemical involved and the first steps that should be taken.

CHEMTREK then frequently acts as a "communications link" between the company and the cleanup agent to make sure activities match the hazards created by the environmental accident, a program official notes. ■

CAPTIVE.

A SIMPLE WORD • AN IMPORTANT DECISION • A MAJOR STEP

The corporate or association client considering a captive has many decisions. Landmark offers its services to you or your client in performing analyses of the insurance needs, rendering you an in-depth study of how a captive would look for you, explaining tax implications, reinsurance, fronting, and other important factors.

Additionally, ongoing management services are provided for captive owners. Our offices in Bermuda, the Bahamas and the Cayman Islands provide complete assistance to the captive client. Reinsurance facilities are available, and we can assist in all important decisions which face the captive. May we tell you more? Please write for a brochure explaining our services.

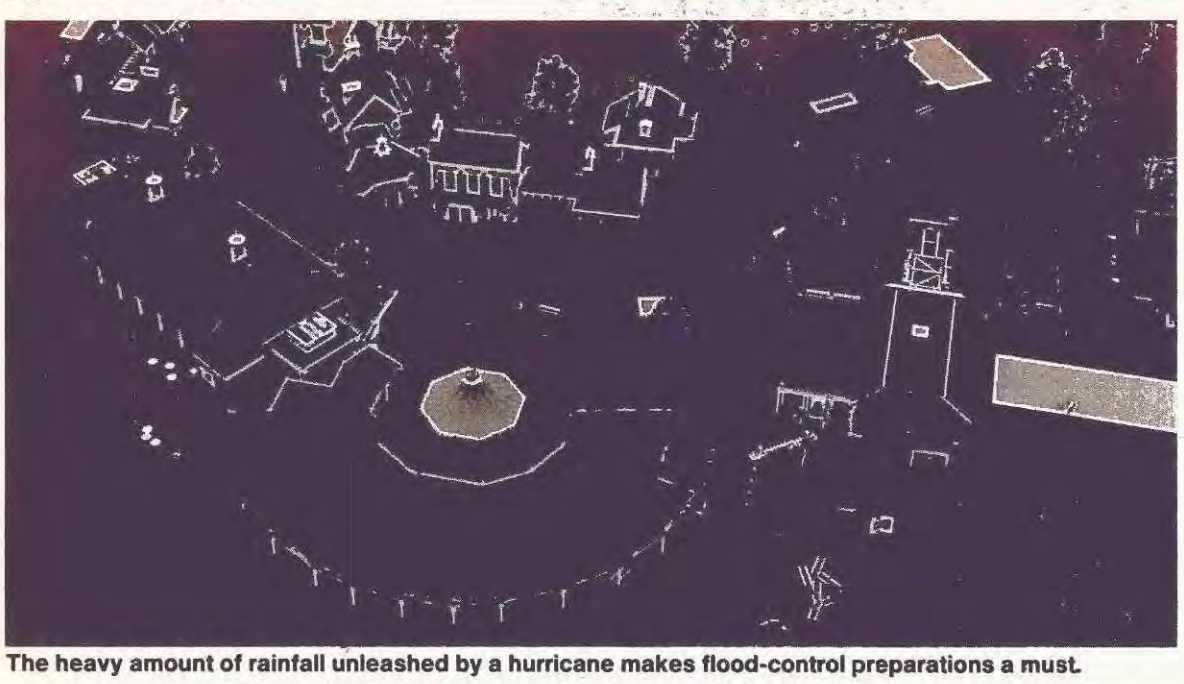
WILLIAM E. THOMPSON, PRESIDENT
THE LANDMARK INSURANCE GROUP, INC.
1515 CLASSEN BLVD., BOX 676 • OKLAHOMA CITY, OK 73101

INTERNATIONAL INSURANCE SERVICES OF THE LANDMARK GROUP

Q. Which insurance broker gives you a program tailor-made for your company's needs?

A. Rollins Burdick Hunter.

ROLLINS BURDICK HUNTER
Taking Risk Out Of Risk Management Worldwide



The heavy amount of rainfall unleashed by a hurricane makes flood-control preparations a must.

Hospital's plan allows operation during hurricane

By STEVE SHERWOOD

CORPUS CHRISTI, Texas—"Our business is handling disasters," says Betty Foster, vp of patient care and support services for Memorial Medical Center, located in the Gulf of Mexico's hurricane alley.

Situated only 1½ miles inland from Corpus Christi Bay, Memorial is the largest hospital in southern Texas and must continue full operation even during the giant storms that frequent the Gulf.

Because of this responsiblity, the hospital maintains a written disaster plan designed to keep its doors open, even during hurricanes. Patients' lives depend on the plan's success.

Planning at Memorial Medical Center focuses on keeping the hospital functioning and patients safe, says Ms. Foster, who doubles as internal disaster chairman for the medical center.

As the designated trauma center for southern Texas, the 500-bed hospital must be ready to accept hurricane victims, too.

"We try to be prepared for the maximum number of patients," says Ms. Foster. This number is determined in cooperation with other area hospitals, which also have disaster plans. "We have to realize we could be the only hospital left standing."

Memorial's disaster plan, which has been in effect for more than 15 years, takes effect as soon as a hurricane enters the Corpus Christi vicinity.

It details actions each department must take at different stages to prepare for the assault.

"We can go into a state of readiness in 10 to 15 minutes and be sandbagged and boarded up within four to six hours," Ms. Foster says. But usually the hospital has more time. The first alert comes before the hurricane is within 36 hours of landfall.

"We release all patients who can possibly go home and transfer those who can be moved to hospitals further inland," she says. "This frees up beds we may need during the storm."

Memorial's 400 doctors are put on alert and staff members who can work throughout the crisis are called in, she says. Department heads supervise the inventory of drugs, medical supplies, food and other necessities, beefing up whatever appears to be inadequate.

"The dietary section goes out and buys a ton of ice or has the ice company send out refrigerated trucks that plug into our emergency power system," adds Hal Newton, vp of administration and professional services, who acts as external disaster chairman.

Memorial's emergency electrical generators are equipped with enough fuel to last seven days, Mr. Newton says. Their tanks are topped off before the hurricane strikes.

In case the Corpus Christi water supply is cut off, Memorial can fall back on its 30,000-gallon emergency water reservoir. The disaster plan also provides for previously designated milk companies to park trucks filled with water outside the hospital to supplement this supply.

Employees wear security badges since access to the hospital is restricted to authorized personnel and patients during emergencies. All others seeking shelter are sent to the public storm shelter several blocks away.

If necessary, Memorial can use the Emergency Medical Communications Network to call for National Guard four-wheel-drive vehicles to carry people and supplies through high water, Mr. Newton says.

The radio system, patched in with the Texas Department of Safety, was installed in 1970 after the hosptial lost outside communications during Hurricane Celia.

Continued on next page

THERE'S ONE IMPORTANT DIFFERENCE BETWEEN RTC & OUR GIANT COMPETITORS.

TIME

We're specialists. We focus all our energy and expertise on • professional liability, • D & O • public officials liability. And, make no mistake. RTC has the same underwriting abilities as bigger companies. But we can afford to give you something they can't. TIME.

To pay attention to your hard-to-place accounts. To find a way to underwrite new, small or really unusual risks. To give you the kind of professional, prompt

TIME

service a valued client deserves. Because your business is important to RTC. While it's just a drop in the bucket to the others.

Give us a call or write for more information. We'll give you more than the fastest yes or no in the business. More than quotes that sell. We'll give you what only RTC can give.

OUR TIME

RTC Underwriting Services, Inc.

Heights Plaza • 777 Terrace Ave.
Hasbrouck Heights, New Jersey 07604
Telephone (201) 288-8620 • Telex 134211

Continued from previous page

Due to pre-hurricane preparations, the hospital staff was able to live in the building for six days during Hurricane Alan in August of 1980 and Mr. Newton says the hospital could have operated 10 days without resupply.

"We are mindful of all the things that could happen to us," says Ms. Foster. "Our worst case would be an explosion in our power plant, which would be very destructive and difficult to cope with, but we would go into action just as the plan provides. This would entail evacuation of patients."

So far, the worst storm damage has been broken windows, she says. Should a hurricane do enough harm to force the hospital to close, it has a business interruption plan worked out with its bank.

"If something happens to the facility, the bank will loan us money and carry us financially until we can get things going again," she says.

Mitchell Energy & Development Corp. of Dallas has no formal written disaster plan for dealing with hurricanes, but does plan its reaction to storms threatening Gulf Coast holdings.

Unlike Memorial, which must fully staff its facility, Mitchell evacuates gas plants and production platforms vulnerable to high winds or flooding.

If a hurricane strikes, facilities that are threatened will be shut down.

"Anytime you do work offshore, your production people have a program submitted to the U.S. Coast Guard covering a lot of contingencies, including storms," says Douglas Campbell, manager of insurance and safety.

"Whenever we have an impending storm, my office starts tracking it and contacts the various facilities in its path," Mr. Campbell says. "We keep them aware of what is happening up to the minute."

Mitchell operates 14 production platforms along the Gulf Coast, mostly in bays or bayous, and one on the Outer Continental Shelf. It also has 16 gas processing plants inland, which may be susceptible to flood or wind damage during hurricanes, and recreational properties including the Galveston Country Club.

Storm procedures offshore include shutting gas valves, plugging wells to prevent possible spillage and evacuating crews, Mr. Campbell says. "This is done well in advance of any real, dangerous situation."

Onshore buildings are boarded up and personnel evacuated when necessary.

"So far, along the coast, we've been fortunate," Mr. Campbell says. "Some storms have come close enough to seal off roads, but we were in contact with the plants and had them shut down." ■



Photo: Wide World

Preparations must be made before the hurricane strikes.

What to do in a hurricane

HARTFORD, Conn.—Industrial Risk Insurers recommends a two-step planning program to prepare against a hurricane's wind and water damages.

First, to reduce wind damage, companies with coastal facilities sould be sure proper repairs are completed before hurricane season, which is May to October.

Loose, corroded or weakened roof coverings should be fixed or replaced since high winds typically lift roofs from buildings. Likewise, corroded or weakened tiles, ventilators, metal stacks and siding should be repaired or replaced.

"Make sure you have a supply of boards, tools, batteries, tarpaulins or polyethylene sheets, non-perishable foods and other equipment on hand," IRI advises.

"You should also locate and determine the availability of portable generators and sump pumps and lay in a supply of sandbag materials if your plant is subject to flooding."

Step two of the plan begins after a hurricane watch. Plant owners should:

- Anchor fuel tanks or fill them with water to avoid flotation in a flood.
- Keep power plant and fire pump houses in service as long as possible, but have facilities available to remove vital pump motors and other equipment should flood-control measures fail.
- Remove portable fire protection equipment from flood-threatened areas, provide emergency lighting and communications and cooperate with public fire officials in planning special protection during emergencies.
- Review the location and use of all fuel and control valves with employees and instruct them to close appropriate valves during flooding.
- Secure or dispose of loose equipment or other objects that could be carried through the air by high winds.
- Secure all unnecessary electrical leads.
- Make sure all management personnel have a copy of the company's updated disaster plan.

An average of two hurricanes hit the United States each year, each doing an estimated $100 million in property damage.

A winning hand.



Up to now, we've played each card separately. Cameron and Colby (reinsurance and surplus lines). Abbey Overseas (Bermuda). AFIA (foreign risks). Special Accounts Insurance Department (large risks). Special risk underwriting division (unique risks and programs). Claims and loss control (bundled and unbundled services). All independent of one another.

Now we've put them all together as one dynamic operation to serve today's large, complex or unique risk.

All together as Hartford Specialty Company.

Skilled underwriting, financial arrangements, custom claims service, experienced loss control, an in-depth reinsurance system, worldwide capabilities . . .

. . . together they make a winning hand.

HARTFORD SPECIALTY

Performance is our specialty.

Hartford Specialty Company • An Affiliate of
The Hartford Insurance Group • Hartford, Connecticut 06115.

"As the pioneer in worldwide
the best insurance brains in the



nsurance, we were able to choose world as our partners."

Paul F. Butler
President & Chief Executive Officer

"It started in 1918 when, as the first American organization specializing in international insurance, we started underwriting American business risks overseas.

"Our people, from the beginning, set the standard for insurance knowledge in each country we entered. Their knowledge proved invaluable to American industry seeking to protect its assets as it expanded around the world.

"I'm proud of that. But as proud as I am of our past, I'm even more proud of our present.

"When I joined AFIA a little over a year ago, the first thing I did was leave. I traveled around the world to AFIA offices to learn our operation firsthand.

"I can tell you there is much about AFIA to be impressed by, but nothing, absolutely nothing, impressed me more than our people.

"Throughout the world AFIA now has thousands of people serving your interests, more than 95 percent of them being nationals of the 135 countries where AFIA serves you.

"Their knowledge of local insurance laws, regulations, customs, idiosyncracies and actual ways of doing business in each country is, I am firmly convinced, unparalleled. My conviction is borne out by the fact that in virtually every country in which we do business considerably more than half of that business covers local risks, written in competition with local insurance companies.

"Our people are knowledgeable, credible, respected; they are trusted.

"Something more impressed me about AFIA's overseas people and that is the way they work with AFIA's staff in the United States. The cooperation between the people, the blending of the vast amount of information from overseas with the careful planning that goes on here is, I believe, what sets AFIA apart.

"Faced with the multiplicity of complications that is international insurance today, the modern American multinational corporation must seek out an underwriter whose knowledge of every variable in international insurance is complete.

"AFIA's people make AFIA that underwriter.

"That is, quite probably, the chief reason AFIA now provides protection for more than 100,000 clients around the world.

"And why I believe AFIA is the underwriter for your international insurance program."

For a copy of "AFIA: WORLDWIDE CAPACITY AND CAPABILITY", write AFIA, Dept. B, 110 William Street, New York, NY 10038.

AFIA

The older we get the younger we think.

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

Volcanic threats not scaring businesses

By STEPHEN TARNOFF

Reports that Mount St. Helens may be ripe for another eruption don't scare Washington state businesses very much.

And in Hawaii, where active volcanoes still exist but have been largely dormant, businesses also shrug off one of the world's more spectacular risks.

But despite the general bravado, losses from Mount St. Helens have spurred some new interest in volcano preparation.

Mount St. Helens first erupted on May 18, 1980, and was followed by five more blasts in the next five months.

It caused an estimated $27 million insured damage, according to Edward Hermanson, assistant vp for Property Claims Services, a division of the American Insurance Assn.

More than 65,000 insured claims were filed for damages to dwellings, vehicles, commercial and industrial buildings and their contents.

Since then, government and local businesses in the nearby areas have taken some precautions, although there is not the widespread belief that another eruption will occur soon.

Lloyd Inman, director of public works for the city of Longview, Wash., approximately 40 miles from Mount St. Helens, reports that a committee of city and business representatives is currently at work on an evacuation and catastrophe plan.

Sandbags have been stockpiled and dike patrols have been set up to prevent the flooding that people fear more than an actual eruption, he says.

Silt released following the volcanic eruptions nearly two years ago raised the height of the local riverbeds making them more likely to flood, especially if Mount St. Helens spouts again.

"The dikes have never been topped," Mr. Inman says, but many fear that heavy rains combined with a deeper than average snowpack in the mountains could cause flooding when the snow melts.

The city also has plans for its vital records, he adds.

"As soon as there is a warning, we move the records to a safe place. We have more duplicates of records, so they can be preserved."

A spokesman for Weyerhauser Co., a forest products company based in Washington state that lost 68,000 trees in the eruptions, said that warning systems are in place to monitor river flooding and alert workers to evacuate in case of another eruption.

With a 473,000-acre tree farm on Mount St. Helens and a complex in Longview, Weyerhauser has employees "working right on the mountain."

"But the general feeling is that it won't erupt again for a long time," the spokesman says.

Last time, replacement, repair and other losses cost Weyerhauser $76 million before taxes.

At the Castle Rock School District in Castle Rock, Wash., "we haven't seen a lot of changes per se," says Business Manager John Kleine. "There's nothing you can do on a daily basis to protect yourself."

Still, all valuable records have been placed in marked cabinets so if any flooding occurs, the records of the approximately 1,400 students can be removed and taken to Vancouver for storage.

The district has property insurance of $200,000 per building to cover water drainage and electrical repairs caused by flooding, but the coverage does not approach the buildings' replacement value, Mr. Kleine notes.

For the Public Utility District, a local utility in Longview, the ash fallout from the eruption two years ago created cleanup problems and cut down on the utility's ability to supply water, according to General Manager Bob McKinney.

But, by and large, major changes have not taken place.

"I don't think we're doing anything that differently," he says. "We're just much more aware."

The utility has purchased flood insurance, however, and "most everyone has located records so they wont be on the bottom floor where they can flood," Mr. McKinney adds.

The Seattle First National Bank has two branches near Mount St. Helens and suffered $50,000 to $75,000 in damage, mostly to cars, cash machines and air conditioning equipment following the eruptions, according to risk manager Mabel Weiss.

"If it happens again, we will be a little more alert to prevent damage," Ms. Weiss says. "But to be realistic, most feel it won't happen again for a long time and probably will have forgotten the instructions."

The bank has broad-form property coverage with a high deductible but is not insuring against flood loss, though it did the first year after the eruption, Ms. Weiss says.

Hawaiian businesses are more concerned with earthquakes than the islands' famous volcanoes.

A couple of active volcanoes spew steam every few years, says Wes Brandt, an assistant vp for Marsh & McLennan in Hawaii. "But those are on the island of Hawaii and are away from the populated areas."

Fires caused by lava flows are not much of a problem, either, says William F. Gleason, president of Johnson & Higgins of Hawaii. The few places on the island of Hawaii that could be in the path of lava flow and catch fire would be covered by fire insurance.

Insurance specifically for volcano-caused damages is available but not very popular.

"We do write it," said John Platt, underwriting supervisor of the special risk department at Cravens & Dargan & Co., Pacific Coast, a Hawaiian excess/surplus lines brokerage. "But we prefer to do so under a difference in conditions policy."

Under such a policy, damages resulting from earth movements, like mudslides and landslides, associated with volcanoes and earthquakes are covered.

"It is not an item that is purchased very regularly," Mr. Platt added. "But we are seeing increases in the request for coverage," mostly from major landowners.

The major reason that the insurance is not regularly purchased is that the "lenders have not required it and it is not a cheap coverage," Mr. Platt said.

For a normal high-rise building in Hawaii, the cost is 22 cents per $100 of value, with a mandatory 5% deductible. ■

NOW
Sherwood Has It.

The SMALL solution to big lumber needs.

- Competitive rates and form
- Representing 45 domestic insurers
- $200,000,000 capacity
- Contact Dick Small, Lumber Dept. Manager

SI SHERWOOD INSURANCE SERVICES
201 California Street, Suite 900 • San Francisco, California 94111
(415) 956-3236 TELEX 171719 SHERINSUR SFO

Get a grip on the future with General Re.



Reinsurance decisions made today can have an enormous impact on your company's financial strength for years to come.

That's why it's always a good idea to get the General Re view on your reinsurance programs.

Put the imagination, resources and financial strength of General Re to work for you now. The future is at hand.

General Re

America's Largest Reinsurer

General Reinsurance Corporation, Greenwich, Connecticut
Atlanta, Chicago, Columbus, Dallas, Des Moines, Hartford, Houston, Kansas City, Los Angeles, New York, Philadelphia, San Francisco, Seattle, Washington, D.C., Montreal, Toronto, and London.

© 1982 GRC

Firms aid in preparation for toxic accidents

By JOHN W. MILLIGAN

NEW YORK—A serious accident occurs at a major Gulf Coast company that produces a chemical used in plastics manufacturing. A holding tank ruptures, emitting a large plume of toxic gas.

The safety of plant employees is of immediate concern, but what about the nearby communities?

Whether this emergency turns into a tragedy depends on how quickly plant personnel react and what decisions they make.

Many companies are not ready for emergency situations like the release of a hazardous chemical, says James M. Harless, program director at Radian Corp., the engineering subsidiary of Hartford Steam Boiler & Inspection Co.

But others, taking note of the third-party liabilities that can follow a chemical pollution disaster, have designed detailed plans to prepare for the accident that everyone hopes will never happen.

Radian, based in Austin, Texas, is helping a half-dozen chemical and petrochemical manufacturers develop emergency response plans. It's also one of several consultants that specializes in pollution cleanup.

Although most companies would employ outside contractors that specialize in cleaning up spills and monitoring gaseous releases, chemical manufacturers still must be able to keep accident damage in hand until help arrives, he says.

A good emergency response program has three components, he explains:

- A reaction plan designed to protect plant personnel.
- A plan for environmental impact monitoring.
- A plan for remedial cleanup.

The program also must be flexible.

Environmental accidents may involve gaseous chemicals that can endanger downwind communities or liquid that poses a threat to groundwater. The pollutants may be flammable or explosive.

Radian starts out with a risk assessment that identifies the key elements of a potential accident, including the physical properties of chemicals that might be released.

Or as Mr. Harless, who has a doctorate in chemistry, puts it: "What is it going to do when it gets out?"

Radian also examines the plant to identify the "weak links" in the manufacturing process where an emission or spill will be most likely to occur.

The consultant then shifts its attention to plant employees, defining what their immediate response should be if an accident occurs and how they can be best protected.

Specifications are needed for each chemical used and the type of protective clothing that should be worn by plant personnel stationed in hazardous areas.

This information is compiled in a reference manual, Mr. Harless says, and placed in central locations throughout the plant.

"But basically, the best response is to get the hell out of there," Mr. Harless says.

The second phase of Radian's crisis management concept is adequate monitoring to detect the environmental impact on the plant and surrounding communities.

Radian has several approaches to monitoring, the most elaborate based on a complex computer model.

For example, if the release involves a gas that is likely to travel by wind, the firm can erect a meteorological tower at the plant site that feeds data into a computer. This enables the manufacturer to determine exactly where and how quickly a gas plume will travel and who might be exposed, he says.

The firm also will monitor the environmental impact of liquid spills. In one case, a Colorado-based oil company lost 30,000 gallons of petroleum from underground storage tanks, and Radian monitored the impact on groundwater.

The third component of the emergency response program is pollution cleanup, which is tricky business, Mr. Harless says.

"It's a very simple and logical process on the definition side," he explains, but "it's extremely difficult on the execution side. That's because of Mother Nature."

While Radian will perform cleanup and waste removal chores after some accidents involving liquid pollutants, it leaves really big jobs for other consultants.

OH Materials Inc., an emergency response and environmental restoration firm based in Findlay, Ohio, with 200 employees in seven locations throughout eastern and southern United States, tackles more difficult cleanup jobs.

OH will take on virtually any pollution accident except for large offshore oil spills and nuclear decontamination, Vp Bob Graziano says. It will respond to transportation accidents involving trucks, rail cars, pipelines and barges, as well as other accidents.

The firm will contract with companies in advance and is sometimes included in the client's emergency response plan. OH charges hourly rates for personnel and daily rates for equipment.

At the first emergency call, an operations staff member determines the accident's location and time, the chemical or hazardous substance involved and whether a fire has broken out.

Then, a four-member emergency response team composed of a chemist, supervisor, foreman and recovery technician is sent to the accident site.

While this crew is in transit, OH will provide officials at the scene with advice on immediate steps to take to control the situation, Mr. Graziano says.

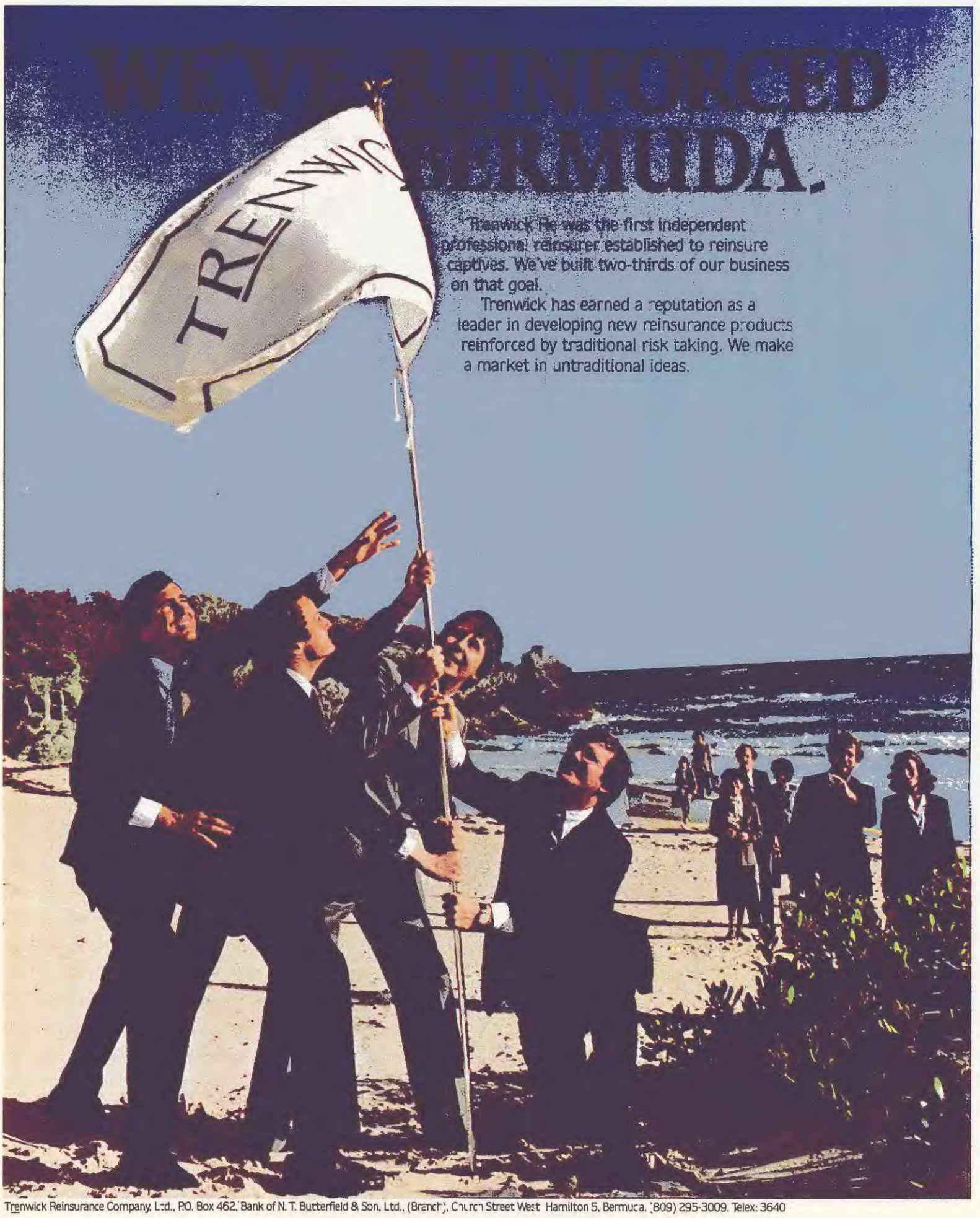
Once the team has reached the accident site, further assessment will determine what equipment from OH's 225-piece rolling stock is needed.

Mr. Graziano supports the concept of pre-emergency planning if it allows a company to respond quickly to an accident, but he does not believe that companies should try to carry out dangerous cleanup activities themselves.

Expecting employees to cope with a situtation they will see only on rare occasions is "asking too much," Mr. Graziano says.

Even experienced outside companies can have trouble. The most fearsome accident is "the one where we don't know what we're dealing with," Mr. Graziano says, like an abandoned hazardous waste disposal site whose owners have disappeared, leaving no records of the chemcials dumped.

"And there I can assure you that there are no easy answers. You're dealing with the unknown." ■



Most companies have developed evacuation plans

WILLOW GROVE, Pa.—If disaster strikes, are you ready?

Does your company have an evacuation plan? Do employees know what they should do or whom they should listen to in case of a major fire or natural disaster?

If not, your company may be less prepared than most, according to the Administrative Management Society, a national organization of office managers and administrators.

The AMS polled 500 members in the United States and Canada to discover that most companies, more than 80% of responding members, had established procedures for emergency evacuation of workers and visitors.

The survey, conducted for the organization by Edward G. Thomas, chairman of the department of business education of the James J. Nance School of Business Administration of Cleveland State University, found that nearly two-thirds of 326 respondents had a formal written plan for evacuating employees during an emergency.

Of those companies that did not have a written emergency evacuation plan, half had an unwritten emergency plan.

Only one-fifth acknowledged they had developed no set procedure for evacuating employees in an emergency.

Of the 80% of the respondents that had a written or unwritten evacuation procedures, the majority—more than 90%—said they had communicated the plan to all employees.

More than half of the companies, 59.5%, placed posters or notices on bulletin boards to explain evacuation plans, and 54.7% of companies explained evacuation procedures in employee orientation talks. Nearly one-half of the employers, 46.3%, said they conducted evacuation drills or emergency practice sessions.

Of the 151 companies that said they conducted drills, about half said the sessions were held semi-annually, about one-third held practices annually and about 10% held drills quarterly.

However, only about one-fourth of the respondents reported that emergency procedures were covered in company operating manuals or employee handbooks, and less than 10% said managers discussed evacuations and emergency procedures during one-to-one meetings with employees.

More than 72% of the responding managers also reported that they knew who was to be in charge in emergency situations, and most of that group, 71.5%, said that employees were also aware of who would be in charge during an emergency.

Some 208 of the 235 companies that designated emergency authority supplied the titles and responsibilities of emergency directors.

In most cases, company safety or security directors had responsibility for employee safety and evacuation, while building or property managers, often not individuals employed by the company, were responsible for property safety and protecting the interests of the building owners and insurers.

However, more than 48% of the respondents said that company supervisors and line managers had not received special evacuation or emergency training except for fire drills.

Responding to questions about injury preparedness, about four-fifths of the total respondents or 82.8% said that at least one employee had had first-aid training. Only 7.4% of those responding to the survey said that no employees had received first-aid training.

AMS members also acknowledged a reliance on and confidence in municipal police and fire departments to help protect them in case of a major blaze.

Continued on page 30

CD PC
CRAVENS, DARGAN & COMPANY PACIFIC COAST

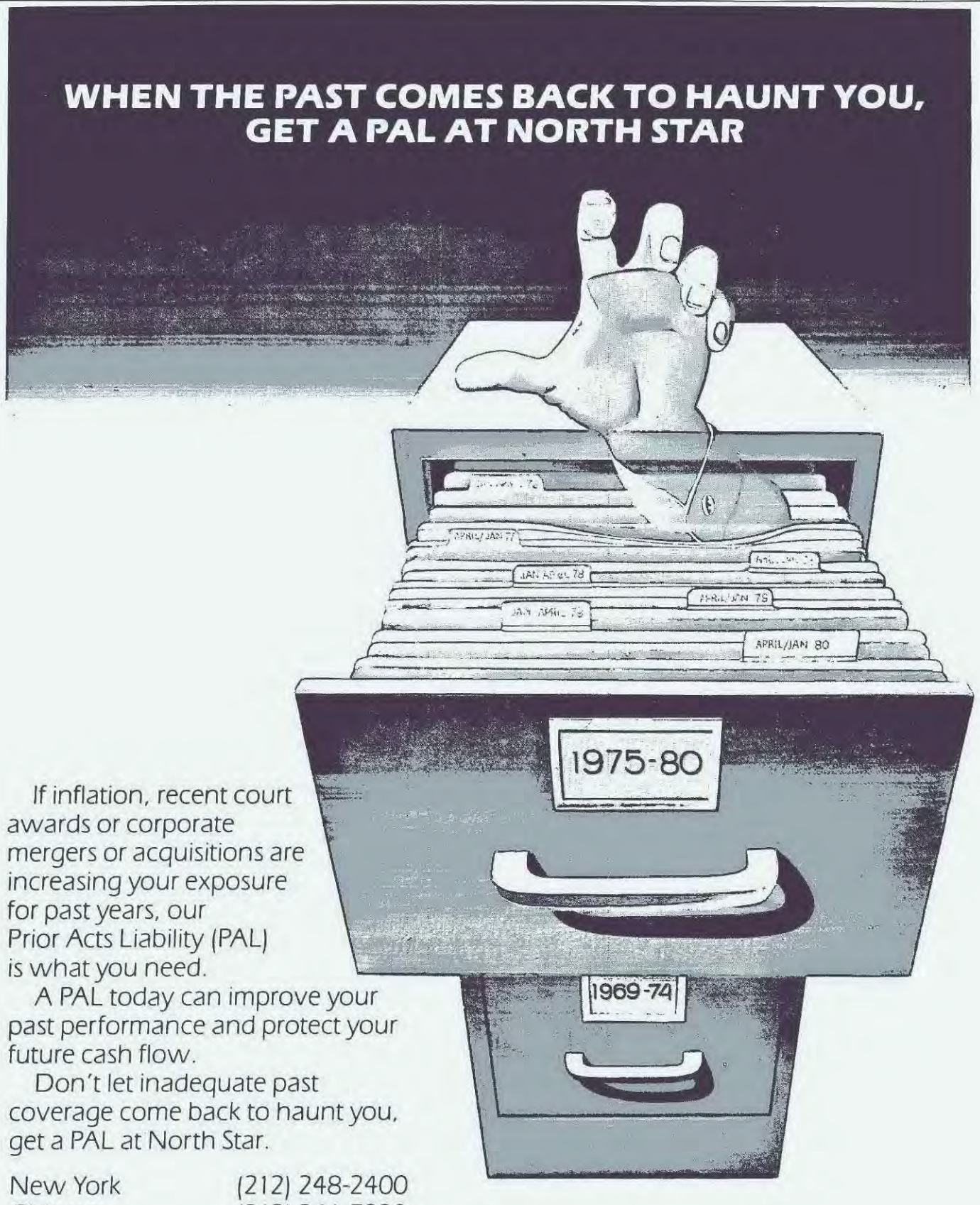
MARKETS FOR:

AVIATION, SPECIAL RISKS PROPERTY, LUMBER, EXCESS & SURPLUS, OIL, OCEAN MARINE

HOME OFFICE
350 CALIFORNIA STREET, SUITE 1600
SAN FRANCISCO, CA 94104
(415) 622-7700

BRANCH OFFICES
SAN FRANCISCO
555 California Street, Suite 2940
(415) 622-7600
LOS ANGELES
3580 Wilshire Blvd., 14th Flr.
(213) 739-0555
SEATTLE
Peoples Nat'l Bank Bldg., Suite 810
(206) 223-9383
SPOKANE
Washington Trust Building, Suite 1
W. 717 Sprague Street
(509) 838-4450
PORTLAND
200 Market Building, Suite 750
(503) 295-2537
NEW YORK
90 William Street
(212) 344-5912
ATLANTA
211 Perimeter Center Parkway, Suite 550
(404) 393-0640
CHICAGO
101 N. Wacker Dr., Suite 1300
(312) 853-3110
HONOLULU
1510 Pioneer Plaza
(808) 521-5031

WHEN THE PAST COMES BACK TO HAUNT YOU, GET A PAL AT NORTH STAR



If inflation, recent court awards or corporate mergers or acquisitions are increasing your exposure for past years, our Prior Acts Liability (PAL) is what you need.

A PAL today can improve your past performance and protect your future cash flow.

Don't let inadequate past coverage come back to haunt you, get a PAL at North Star.

New York (212) 248-2400
Chicago (312) 346-7890
Los Angeles (213) 383-7734

Business accepted through appointed surplus lines brokers.

NORTH STAR

© 1982 North Star Reinsurance Corporation



FRANK B.

It takes SERVICE

Frank B. Hall, the world's most inventive insurance services firm, will bring you the finest service your corporate risk management program has ever had. From 225 global offices our 6800 Hall professionals serve an impressive roster of clients, both large and small.

FOR THE BEST

Thirty-five leading airlines, scores of large utilities, hundreds of shipping lines, computer manufacturers, auto makers, hotel chains, gas and oil companies, off-shore drilling operators, coal mining companies, hi tech concerns and groups of all sizes from major food operators' networks to small town associations think Frank B. Hall service is the best available anywhere in our industry.

AROUND THE WORLD

Every service we perform can take on worldwide scope if our clients need protection overseas. Hall has a global insurance brokerage network, a worldwide reinsurance company, an internatonal aviation company. And the same applies to our employee benefits company, our excess and surplus facilities and our claims handling group. Not to mention our EDP expertise which stretches around the world, too.

BY THE BEST

Hall service comes from highly experiencd insurance technicians, talented, dedicated account executives and the most sophisticated group of technologists you'll ever hope to meet.

So, if it's Service you want, it's Service you'll get when you contact a convenient Frank B. Hall office. We're in place and ready to serve you.

Creative insurance services.
We've got what it takes.

HALL & CO.

B Frank Hall

NOBODY DOES IT BETTER!

the T&S people®

Managing General Agents/Surplus Line Brokers
DELAWARE VALLEY UNDERWRITING AGENCY, INC.
Corporate Headquarters
125 Greenwood Avenue, Wyncote, PA 19095
215 572-3800

DVUA

NEW YORK, NY (212) 227-8606
PITTSBURGH, PA (412) 281-3920
HIGHLAND HTS., OHIO (216) 449-0351
WEST ORANGE, NJ (201) 731-3033
CHARLESTON, WV (304) 342-4835

Most firms have made evacuation plans: Study

Continued from page 27

Nearly all of the respondents, more than 98%, said their local fire departments were reasonably well-equipped to handle emergencies in their buildings and that local utility companies would provide adequate water pressure for firefighting under virtually any conditions.

More than three-fourths of the respondents said that they were sure the local fire departments had proper evacuation training and were prepared to detect and neutralize potentially harmful gases from fires or chemical reactions.

More than three-fourths of the respondents said they knew that local fire departments had fire ladders long enough to reach top floors of their office buildings in case exits were blocked by smoke or fire.

In the few cases in which those surveyed did not think the fire department had sufficient ladder capability, respondents noted that they worked in buildings of 10 stories or higher.

Most of these respondents said they believed ladders would reach only as high as the 10th floor.

However, less than half of the respondents were likely to know whether fire departments had access to special evacuation equipment like helicopters.

Some 45.4% said the firefighters had such equipment; more than 36% did not know if the equipment was available.

More than two-thirds of the respondents also said they believed that local police were properly trained in both evacuation techniques and in the detection and neutralization of explosives.

But in both cases, more than 25% of the survey respondents did not know whether the local police had such personnel at all. ■

ONE OF THE LARGEST WRITERS OF TRANSPORTATION COVERAGE MAY SURPRISE YOU...

IT'S ALEXANDER HOWDEN INSURANCE SERVICES: The Agent's complete, full service facility for the owner-operator to our real specialty – the jumbo fleet.

And why have we become such a driving force in long haul truck! In two words, access and authority, particularly in the critical areas of underwriting and claims processing.

CUTTING THROUGH THE APPROVAL "TRAFFIC."

At AHIS, there is no bureaucratic stalling until an accommodating market can be found. (Nor will a claims check "idle in neutral" until 3 company officers sign off!) Plus, not only do you get action with insight, so will your clients. Our adroit engineering specialists work with – and for – your truck-clients providing keen safety and compliance guidance.

Add our multi-line capability (physical damage, liability and cargo); our virtually unlimited capacity; monthly reporting flexibility; complete check drafting authority... and it's easy to see why agents of caliber are avoiding "intermediary roadblocks" at all costs.

How about you. If you're tired of being "shifted around" every time you need a prompt decision, simply pick up the phone and call Brenda Pair, our senior vice president.

PHONE 404-351-5880.

– Or, if you wish, mail your business card to us at 1705 Commerce Drive, NW/Atlanta, GA 30318. And see how you can get all the advantages of a direct writer working for you – not around you.

Find out, 1st hand, how well we know your business and your need for clutch performance over the long haul.

Alexander Howden Insurance Services, Inc.

A Member of Alexander Howden Group U.S. Inc.

Branch offices in Atlanta, Boston, Chicago, Cleveland, Columbia (MD), Cranford (NJ), Dallas, Hartford, King of Prussia (Pa.), Livingston (NJ), Los Angeles, New York City, Newport Beach (CA), Portland, Seattle, San Francisco.

Many buildings lack sprinklers

How safe are your office buildings?

The Administrative Management Society, an organization of office administrators and managers based in Willow Grove, Pa., asked 500 members to describe the fire safety features of their buildings.

More than 300 respondents reported that their buildings were generally well-organized for evacuation but lacked mechanical fire safety systems like sprinklers and exhaust systems.

Among other safety features:

- About two-thirds, 62.9%, had automatic fire-alarm systems that sounded throughout the building.
- Nearly all, 95.4%, had clearly marked emergency exits.
- More than three-fourths, 78.2%, had non-locking fire doors that exit to stairwells.
- About two-thirds, 64.4%, had floor, wall and ceiling coverings made of fire-resistant materials.
- More than half, 52.8%, had posted signs showing evacuation routes.

However:

- Less than half, 46.9%, had a fire alarm system hooked directly to the local fire department.
- Less than half, 49.4%, had overhead sprinkler systems.
- Only about one-third, 38%, had an emergency backup generator designed to engage in event of a power outage during an emergency.
- Less than one-third, 31.3%, had an exhaust system to carry smoke or toxic fumes away from workplaces.
- Less than half, 48.2%, had smoke detectors.
- Less than one-third, 31%, had signs near elevators warnings personnel not to use elevators during an emergency. ■

Broker gambles on exotic risks

By BILL DENSMORE

WOBURN, Mass.—Edward A. Dipple, who grew up in London's East End, now lives in a world of balloon rides, mountain climbs, jetliner trips and baseball games.

Mr. Dipple is a member of a small fraternity that takes odd life and disability insurance gambles for big stakes. The risks include top executives on corporate junkets and baseball teams with multimillion-dollar players.

"We've even had companies who want to insure their computer genius because he's set up a program and only he knows how to key it in," says Mr. Dipple, a former British broker who came to the United States in 1973 to underwrite sports risks for a member of the Lowndes Lambert Group.

Now Lockwood, Dipple & Green, his own speciality brokerage based in this Boston suburb, has annual premium volume of more than $7 million and has earned a measure of fame for placing the major league baseball club owners coverage for last summer's players strike.

But "key-man" insurance, for both corporations and sports teams, is a growing area that is adding to his firm's reputation.

"Every one of these risks is very much individually rated," Mr. Dipple says. For example, one company planned a business-pleasure trip for a half-dozen executives who were to take a ride in a hot-air balloon, he recalls.

"We wrote it for them," he says, but only after determining that only two executives would board the gondola at any one time.

Sports risks account for about 10% of his firm's business, so he and associates spun off an affiliated company, American Sports Underwriters Inc. (*BI*, March 15).

Sports risk insurance—essentially a form of disability coverage in which the club owner receives the benefits while the employee continues at full salary—requires a knowledge of a player's habits both on and off the field, says Peter T. Eshelman, president of the new company.

Underwriting factors include age, sport, position, performance, health and environmental factors like if the team usually plays on artificial or natural turf.

"If one guy has a lot of things going for him but he's a cocaine addict, that poses a lot of problems," he says.

A typical 25-year-old major league outfielder whose guaranteed multiyear contract is valued at $1 million might warrant that his club pay a premium ranging from $7,000 to $15,000 a year against the risk of losing his services.

International Accident Facilities Inc. of Boston is LD&G's biggest competitor for sports risks.

IAF has underwritten a variety of disability and life insurance coverages for athletic events, including an all-star baseball team tour of Japan.

"The underwriting is actually Lloyd's of London and American Accident Reinsurance Group, which is managed by Duncanson & Holt," says John A. Skingsley, executive vp of IAF.

American Accident Reinsurance Group in New York, a pool of about 80 insurers, provides reinsurance for large key personnel coverages—from oil companies that ferry personnel to North Sea rigs to National Hockey League teams. It has an annual premium volume of about $100 million.

Other players in the specialty personnel risks marketplace are American International Group, The Hartford Insurance Group, Chubb & Sons Inc., Fireman's Fund Insurance Cos. and INA Corp. ■



PCS = Professional Cost Savers

It's no wonder more of the nation's largest insurance companies, Health & Welfare funds and major employers are endorsing Prescription Drug Plans. Usually with PCS. It's a low-cost benefit . . . less than half the cost of a typical dental plan; yet, much more visible.

It makes a lot of sense!

And, that's why the majority of firms choose PCS — The Professional Cost Savers — to administer their Prescription Drug Plans. In the long run, PCS has proved that its sophisticated cost controls can save much more than most firms thought was possible.

And, that's not the only way you'll save. PCS can cut your aspirin bill by taking the headaches out of Prescription Drug Plan administration. PCS is the Number One administrator of Prescription Drug Plans . . . because we've been doing it for years — better, faster, more reliably than anyone else!

Big claim? You bet. But, we can prove it. So, let us tell you the complete PCS Story. Write: Pharmaceutical Card System, PCS Building, 2005 North Central Ave., Phoenix, AZ 85004. Or, Phone: (602) 257-1500, Ext. 251.

PHARMACEUTICAL CARD SYSTEM, INC.
a Foremost-McKesson Company
PCS

Where should a smaller company go for D&O coverage?



Straight to CMI

There are a number of markets offering D&O coverage. Some (quite understandably from a bottom line view) prefer to deal only with large, very large or gigantic companies. A smaller prospect—especially if it is burdened by any problems—often gets short shrift, a fast shuffle or a flat turn-down.

CMI specializes in D&O coverage for commercial risks with assets of $150,000,000 or less. If you have problems, we look for ways to help resolve them. If you're looking for D&O coverage for a small-to-medium size company, there's a simple way to avoid a frustrating run-around. Head straight to CMI. You're welcome.

CMI®
CAPACITY MANAGERS INTERNATIONAL, INC.
160 Water Street, New York, NY 10038 (212) 344-5300
10 S. Riverside Plaza, Chicago, IL 60606 (312) 641-3377
485 Route 1 South, Iselin, NJ 08830 (201) 750-0300

Member
Ashford Holding Corporation

THE PHONE RINGS.
YOUR EMPLOYEE'S CHILD HAS BEEN KIDNAPPED.

HER LIFE DEPENDS ON YOUR EVERY WORD.

ARE YOU WILLING TO RISK MAKING A MISTAKE?

If you are not, you should re-examine your Kidnap/Ransom/Extortion policy in terms of your carrier's emergency crisis capability.

PIA offers you important facts (on the facing page) to help you determine the complete adequacy of your policy.

WHAT DO YOU CONSIDER MOST IMPORTANT WHEN BUYING A KIDNAP/RANSOM/EXTORTION POLICY?

- ☐ PRICE
- ☐ COVERAGE
- ☐ SERVICE

Price and coverage are usually the consideration when buying a Kidnap/Ransom policy. However, in the event of an extortion or kidnap, *service* becomes the most important factor.

If your policy forces you to rely upon your local law enforcement agency, you should consider this carefully: law enforcement is often unable to adequately respond to all the sensitive complications of Kidnap/Extortion. Call them and ask about the services they render; you may discover they can only explain the options open to you. At no time will they advise you on what course of action to take.

Extortionists and kidnappers are basically mentally unstable. An inexperienced response to such mentalities can lead to complications that create a life-threatening situation.

FACTS

According to the FBI statistics, in 1981 there were over 200 domestic kidnappings. This record may be incomplete because all kidnapping acts are not a violation of Federal law. There were in excess of 4,700 extortion attempts in the U.S. and over 235 violations of the Hobbs Act.

SERVICE IS PRIMARY

When that critical phone call comes, it must be handled by *experts* who have experience in dealing with extortionists and kidnappers. Most underwriters of K/R policies do not have the resources to supply you with this specialized domestic assistance. This renders their "broad coverage policy" inadequate when you need this specialized *service*.

Question your insurer and broker now, as to the qualifications of their negotiaters and ask for details regarding their domestic response capabilities. The answer you get may be very enlightening.

PIA does not deal directly with insureds. For further information, please have your broker contact Albert Van Wagenen, V.P., at PIA for our complete kit with detailed information regarding Kidnap/Ransom/Extortion insurance.

THE PIA ADVANTAGE

PIA Kidnap/Ransom/Extortion Insurance offers the services of the Paul Chamberlain Agency for *domestic* assistance and Lawnwest Ltd. for *international* assistance. The Paul Chamberlain Agency, composed of highly commended former FBI agents now specializing in the sensitive needs of industry, will arrive promptly and conduct the negotiations that bring a victim safely home (or neutralize a terrorist's intent). You, your family, your employees, colleagues and their families can be spared the anguish and possible severe mental and physical damage that could otherwise result. And similar response will come from our international team, Lawnwest Ltd.

There simply is no indemnification high enough to cover such losses. *Price and broad coverage are of no consequence without a specialized negotiating service.* Only PIA Kidnap/Ransom/Extortion insurance can adequately protect you from the rapidly rising wave of kidnap/extortion incidents.

Regardless of whether you consider price, coverage or service as the single most important factor in determining where you purchase your Kidnap/Ransom/Extortion coverage, PIA is ranked Number 1 in *all categories* by those who understand the various values of a Kidnap/Ransom/Extortion policy.

Re-read your policy. Then call your agent or broker and have him contact PIA.

The Broker's Broker.
Professional Indemnity Agency, Inc.
409 Manville Road
P.O. Box 130
Pleasantville, N.Y. 10570
(914) 747-1818
Telex: 646929
TWX: 710-572-2197

Some California risk managers ready for quake

By CAROL G. BLITZER

SAN FRANCISCO—Most Californians are rather blase about earthquakes, considering them random acts of God rather than perils involving tremendous potential loss of life and property, local risk managers say.

But not all risk managers take an ostrich-like approach to earthquake preparedness. Many protect their firms with comprehensive insurance programs and disaster plans.

Stanford University in Palo Alto, Calif., about 35 miles south of San Francisco, sustained severe damage in the legendary 1906 quake. Today, it considers earthquake insurance and emergency planning an important ingredient in its operation.

Stanford recently increased its earthquake and difference in conditions coverage to $85 million over a $3 million deductible to accommodate the increased value of school buildings and an adjacent shopping center and medical facility.

The university and its holdings, including contents, are valued at $1.1 billion. The coverage cost $550,000.

The university also buys separate excess property, vandalism and malicious mischief coverage over a $1 million self-insured retention.

Risk manager Robert Beth says with proper insurance and planning, Stanford should be able to continue operations even after a major quake, as it did in 1906.

As part of its catastrophe planning, Stanford follows a long-term structural improvement plan that involves securing storage areas, bookcases and shelves, especially in laboratories.

By tapping university resources, including an earthquake center in the School of Engineering, Stanford also prepares educational programs for students and employees.

Stanford holds annual earthquake drills, during which the university president is confronted with various scenarios and is forced to make instant decisions. He must choose, for example, between saving a library or a dormitory by using limited resources hampered by multiple malfunctions.

"We learned a lot about how to assemble vehicles and how not to further injure people," Mr. Beth explains.

A number of other colleges have contacted Stanford to discuss its earthquake plan, Mr. Beth says.

"Smaller schools are interested but lack the money. One decided it couldn't afford insurance but would set aside reserves," he says.

Mr. Beth also would prefer to use cash reserves to fund earthquake risks, "but if an earthquake occurs within the next 10 years, there's no time to accumulate enough reserves."

Transamerica Corp., a multimarket service company involved in finance, manufacturing and transportation, is also very aware of earthquake perils at its properties in both Northern and Southern California.

According to Judith Tornese, director of risk management, the company recently purchased earthquake coverage as part of a difference in condition policy that covers both business interruption and property risks.

"We're looking into more direct damage property insurance," she adds, and possibly contingent earthquake coverage to deal with exposures for non-owned properties.

But earthquake preparation involves not only insurance but also structural and management preparation. For example, Transamerica hired an engineering consultant to survey its computer facility in Los Angeles and is now acting on recommendations to strengthen floor supports below the computer.

"We consider earthquake exposure when designing buildings," Ms. Tornese says. Transamerica's corporate headquarters, the well-known high-rise "pyramid" in downtown San Francisco, is quite resistant to tremors because of its broad base, she notes.

For many firms, earthquake preparation is not limited to San Francisco. Although Del Monte Corp. is headquartered in San Francisco, its production facilities are spread throughout Northern California.

"We carry $100 million maximum for earthquakes plus business interruption coverage," says A.C. Hart, assistant treasurer for insurance and risk management.

Del Monte also has a disaster plan that includes both local and out-of-state off-premises storage as well as backup auxiliary power.

California & Hawaiian Sugar Co. purchased its Crockett, Calif., facility, northeast of San Francisco, soon after the 1906 earthquake. Risk Manager Marge P. Layne says it is the largest sugar refinery in the world, producing most of its own energy.

C&H buys million in business interruption insurance, recently increased from $30 million to take advantage of falling rates, but has no direct property coverage on the plant.

"We assume some damage if a major earthquake hits, but not devastating damage," says Ms. Layne.

The company buys no earthquake coverage for administrative offices in San Francisco. In case of major damage, the company will move its offices to Crockett, she says.

Although many risk managers in the San Francisco area take the earthquake peril seriously, some experts feel prepared companies are a minority.

"Most people aren't convinced that they (preparedness programs) can make a difference," says Charles C. Thiel, program manager for Woodward Clyde Consultants in San Francisco, an engineering firm.

They tend to see earthquakes as acts of God, with the religious concept that God is getting even, he says.

"This removes them from being active participants in prevention."

Although companies may not be good at predicting individual damage, experts can predict aggregate damage very well, says Mr. Thiel, a member of the steering committee for the governor's Emergency Task Force on Earthquake Preparedness.

Companies need to use the concept of "minimizing maximum regret" rather than looking at present values of future revenues, he says. "Normal cost benefit analyses don't work in all circumstances.



"Earthquake preparedness need not cost very much," he insists, and can be part of normal business planning.

Mr. Thiel's own firm soon will move from San Francisco to Walnut Creek, an East Bay community. Although the "driving reason is economics," earthquake vulnerability was another factor in the decision, he reports.

The new six-story, squat structure will be more earthquake-resistant than downtown high rises. But Mr. Thiel stresses that height alone is not a good way to judge the earthquake safety of a building. San Francisco buildings in general get good marks for structural safety, he says.

Woodward Clyde does not buy earthquake insurance because its principal asset is its staff, most of whom are usually away from the office at any given time, Mr. Thiel says.

But as part of its earthquake planning, Woodward Clyde has its own communications system so it can contact employees wherever they may be, if necessary, to assemble them.

Emergency supplies are on hand to enable staff members to be self-sufficient for several days, Mr. Thiel says.

Staying in business could be a function of whether a company opted to buy adequate business interruption and property damage insurance, and many companies don't, one insurance broker explains.

"Both are readily available," says H.B. Bennett, assistant vp and property marketing specialist for Alexander & Alexander in Los Angeles. Mr. Bennett has placed earthquake coverage with limits as high as $200 million over a $500,000 deductible. The risk was valued at $1 billion.

"There's a tendency for Eastern-owned companies to buy earthquake insurance as soon as they open a branch in California," Mr. Bennett notes. But those that do not have the coverage are often minimally insured, he adds.

"Not one in five high rises has earthquake insurance and those that do might have a $5 million to $25 million limit on a $100 million building," he says.

High-rise buildings under construction often are totally insured against earthquakes, but the coverage is eliminated once the high risk is completed, Mr. Bennett explains.

The lack of coverage is often a simple matter of cost, he says. Fire insurance for a 20-story high rise typically costs two cents to three cents per $100 coverage, as opposed to 15 cents per $100 for earthquake coverage.

"It's a question of whether you can afford it," he says.

Stressing that business interruption costs following a major quake could be as large as direct damage claims, Mr. Bennett says that Alexander & Alexander recommends business interruption coverage when there's a large manufacturing risk.

"There could be a long delay before repair of normal operations and you could be down for months rather than weeks," Mr. Bennett says. The coverage is readily available.

Herman P. Schlander, a retired underwriter for Global Surplus Insurance Services Inc. in Los Angeles, agrees that there is not any difficulty in obtaining earthquake direct damage or business interruption insurance because there's plenty of capacity. But he agrees that there is no widespread demand for the business interruption coverage.

Earthquake business interruption insurance is one of the last types of coverage a business purchases and the first to be discarded when business is bad, Mr. Schlander says.

Most companies buy it only because of outside pressure, exerted usually by a mortgage holder, he explains.

Although the usual deterrent to buying insurance is cost, the market is currently very competitive and "insurers are fighting to write. It's the softest market I've seen. If you're going to get it, get it now," he insists.

Smaller companies might have problems, he notes, but a large premium risk would be quoted at well under 50% below bureau-published rates, he says.

"Companies are motivated by the size of the premium rather than the quality of the risk," Mr. Schlander says.

Deductibles for the business interruption coverage range up to 10% of annual earnings, and the time-period deductible can be as long as one week, he says. ■



Use this form, or the card in this issue, to enter your subscription to Business Insurance.
Or call (312) 649-5221.

A full year, 52 weekly issues, $40.
Just 76¢ a copy.

Business Insurance
Circulation Dept. 740 Rush Street Chicago, IL 60611

Business Insurance:
Please ☐enter or ☐renew my subscription at $40 for a full year, 52 weekly issues.

(Canada add $14 for surface delivery, $50 for air delivery. Europe & Middle East add $35 for air delivery. All other foreign add $14 for surface postage.)

☐ Payment enclosed. ☐ Bill me. ☐ Bill company.

name (please print)

title

company

nature of business

☐ business or ☐ home address

city state/country zip/postal code

☐ Please send information on your special 25%-off group rate for five or more subscriptions.

☐ I prefer not to receive information or advertising by mail from companies not affiliated with Crain Communications.

Mail to: Business Insurance
Circulation Dept. 740 Rush Street Chicago, IL 60611



We may not be in the plans today...
but we could be tomorrow

Tomorrow the dust will clear. Bulldozers and cranes will remove the debris, and new construction will replace the demolished buildings. With this will come the need for many specialized insurance coverages.

On such a tomorrow, when your client confronts a difficult risk problem, you can confidently turn to the Crowther People for the solution.

John H. Crowther, Inc. is a leader in writing excess and surplus lines insurance coverage, including demolition and construction contractors, and such other difficult placements as umbrella, products or professional liability. When it's your client's tomorrow for the surplus lines market, make sure John H. Crowther, Inc. is in the plans.

the Crowther People

Minneapolis 612/333-0361
Des Moines 515/243-1221
Omaha 402/393-2040
Springfield 417/887-0354
Bismarck 701/223-1112
Billings 406/248-7183
Sioux Falls 605/336-0960
Topeka 913/267-1222
Salt Lake City 801/328-3133
Portland 503/224-5081
Boise 308/336-7131
Denver 303/753-0071
Madison 608/833-4567

Photo courtesy Minneapolis Tribune

Levi Strauss' disaster plan extends worldwide

By CAROL G. BLITZER

SAN FRANCISCO—Moving its headquarters to a backup location and duplicating computer operations are two ways Levi Strauss & Co. hopes to control losses if a major earthquake strikes.

"It isn't enough to consider earthquakes separately. You need to look at catastrophe planning," says Richard H. Soper, director of risk and insurance management for the garment manufacturer with $2.8 billion in annual sales.

Levi Strauss employs more than 46,000 people worldwide, with 3,000 working in the corporate headquarters in San Francisco. The company's master disaster plan covers domestic operations concentrated mainly in the South and Southeast and international operations in 32 countries.

Levi Strauss' plan highlights risks relating to fires, tornadoes and hurricanes, earthquakes and/or building structural collapses, electrical power failures, boiler and machinery emergencies, explosions and flooding.

Emergency committees from each plant meet regularly for training and drills, and claims management personnel are confronted with hypothetical claims to see how they would be handled if a catastrophe does arise.


Mr. Soper

In case of earthquakes, the location that could be most affected is corporate headquarters, according to Mr. Soper. Much of the risk has been mitigated in the new five-building layout by limiting building height to seven stories and using the latest earthquake-resistant designs.

The five buildings are separated and, therefore, not subject to a "hammering" effect, Mr. Soper explains. Although the site overlooks San Francisco Bay, it is thought to be far enough away from the bay to avoid tidal waves, he adds.

Vital records have been duplicated and are stored in Texas. If telephone service and utilities are discontinued, headquarters may be moved to an alternate site.

At each company plant, including the headquarters, emergency supplies—food and water, disposable blankets, stretchers and splints—have been set aside on each floor, keeping in mind that in a major disaster employees might not be able to depend on police and fire personnel to arrive immediately.

Teams are trained in both first aid and cardiopulmonary resuscitation and receive retraining periodically.

The risk management department originated the disaster program, but the corporate security department now supervises it.

To set the risk-control mechanism in motion, a 24-hour telephone answering service is available for reporting emergencies. Mr. Soper and several of his employees carry pagers to enable them to be reached during non-business hours.

Emergencies falling under the plan include fire, smoke contamination, serious workers compensation claims or automobile accidents, property losses of more than $10,000 or a major impairment in a sprinkler system.

Any sprinkler malfunction that lasts more than 12 hours could require the hiring of a night watchman or stopping hazardous work, like spray painting, until the sprinklers are back in working order, Mr. Soper says.

Levi Strauss buys earthquake insurance in various configurations, depending on the location. All of its international property exposures, including earthquakes, are insured by its captive, Zenith International Insurance Ltd.

Business interruption coverage comes into play if raw materials cannot be delivered and would delay manufacturing or when a retail outlet cannot accept delivery of a finished product due to a fire in its warehouse, for example.

Mr. Soper approaches all possible losses with a flow analysis noting expenses, goods, raw materials, partially completed goods and people resources. From this, he can identify the problem and then measure the risk and loss potential.

"We look at financial considerations when determining how to fund it. We ask, 'Is the risk within risk-bearing capacity of the corporation?' Normally, we would end up with a high deductible and an excess layer over what is retained in self-insurance," Mr. Soper says.

Levi Strauss maintains deductibles, ranging from $100,000 to $1 million, and self-insured portions can be funded or unfunded, depending on the extent of the risk.

For example, the first layer of property insurance for sites in the United States and Canada has a large deductible that is funded through an informal loss account, but the worldwide plate glass exposure is an unfunded retention.

Insurance is considered an appropriate solution when the potential for catastrophic loss is greater than the company's risk-bearing capacity or when the risk is not readily measurable, Mr. Soper says.

Earthquakes fall into this category as do fire and flood exposures above a self-funded retention. Other insured risks include directors and officers liability and comprehensive general liability insurance, covering truck fleet operations, products and personal injuries.

Primary casualty insurance is retrospectively rated above a self-insured retention.

"We have to look at payroll, operating expenses, contingent computer plan operations, rebuilding, impact on the balance of the corporation during the loss, workers compensation expense and impact on the benefits program," Mr. Soper explains.

Noting that "prevention or reduction of exposure to loss is by far the most effective and usually the least expensive solution to risk problems," Mr. Soper says Levi Strauss focuses on employee safety, fire protection engineering, truck fleet transit operations and product liabilty as major loss-control areas.

The risk and insurance management department is now composed of two operating units, one of which concentrates on insurance and self-insurance, including the Bermuda captive, and the other on loss-control, safety and emergency procedures.

"We're viewed as a good risk because we've tried to control or modify our loss exposure." ■

NAPSLO

Strengthen your marketing power and increase your profits by utilizing the services of a member of the National Association of Professional Surplus Lines Offices (NAPSLO).

NAPSLO wholesalers have the **buying power** to deliver the market you require at the price you want, so there's really no need to pass up a new business prospect or to forego competing for a renewal.

Member wholesalers act as an additional marketing arm that works expressly for your agency's benefit.

Save time and increase your profits.

NAPSLO members can find the specific market you need, when you need it.

In today's highly competitive marketing environment, **time is money**. So when your prospective insured requires a specialty market with specific coverage and attractive pricing, let your NAPSLO wholesaler go to work.

Then, you can spend more time writing classes of business you know and like best.

Your bottom

Panel helping to decide disaster priorities

By CAROL G. BLITZER

SAN FRANCISCO—You may not have access to your company helicopter in the event of a major earthquake disaster—if the state needs it more.

Your mutual aid plan with a local electronic data processing center may not come into play—if both of you are destroyed at once.

Your computer center could be wiped out completely, not by earthquake damage but by a lack of fuel to run the generator or water to keep the temperature down—if the state decides its utilities could be better used elsewhere.

Priorities—who gets what and when after a disaster—are what the governor's Emergency Task Force on Earthquake Preparedness is trying to establish.

The Finance and Monetary Services Advisory Committee of the task force—encompassing banking, insurance, stock exchange and savings and loan companies—is seeking information by June 30 on the location and needs of the companies' computer centers to help the state make decisions in case of a major disaster.

The state is asking the committee to determine what it would take to keep a skeleton data processing system running to provide a financial base for long-term recovery.

"We're getting very good cooperation from companies," says Chairman James F. Burns, executive vp and chief financial officer for First Interstate Bank of California in Los Angeles.

The committee is operating through trade associations and clearinghouses like the Federal Reserve Bank and will use these facilities to communicate to companies if major quake hits, he explains.

"Most of us know what to do if a plane crashes into our computer center. There are plans to dispatch cash reserves to a local area," he says, adding that many companies have mutual aid agreements.

"But we have to consider that mutual aid banks might be knocked out as well" after an earthquake, he says.

"This is further complicated by the need to integrate with other programs responsible for life safety, as well as petroleum and power sources," he adds.

"What we're finding out is that most companies have plans, but all are taking another look. Many did not realize that phones could be out or that transportation or energy and backup systems could be affected," says Bernard I. Farrell, asistant state insurance commissioner for property/liability lines and a member of the committee.

John P. McCann, regional vp of the Insurance Information Institute in San Francisco, another committee member, stresses that the financial impact on a city hit by a major earthquake could easily equal or exceed the direct impact on buildings.

Billions of dollars are directed through San Francisco banks daily, accruing millions of dollars in interest, he explains.

If electronic data processing is curtailed for up to 48 hours, it could cause a shutdown of the banking system for up to six months, with a grave impact on the ability to cash checks, use credit cards or receive pension payments, he says.

Denying electricity to a bank or insurance facility could have catastrophic consequences, Mr. McCann says, suggesting the state might decide to shut down local stores rather than a branch bank. Or it may decide to consolidate functions at one bank rather than five, he says.

"These decisions will be made at the command center at Travis Air Force Base, but they need to know what's there, sector by sector," he adds.

The Insurance Information Institute is preparing an earthquake preparedness manual offering insights on how to protect employees at the worksite and in their own homes, how to save property and advice on how to prevent losses by duplicating records and having word processing and data storage backup systems.

The institute will also publish damage scenarios to give a better idea of what to expect.

"We are so different now than in 1906. We can't expect the same kind of survival. All the problems have compounded geometrically," Mr. McCann says.

Risk managers have to look at operations and anticipate loss prevention, he says. They will have enormous liability if they don't take precautions now.

"Think of the trauma level. You'll need a communication system to let employees' families know they're OK. There could be long-range liability," he warns.

Working out individual company plans won't be enough, Mr. Burns adds. Companies can't assume their helicopter won't be needed for carrying medical supplies into the disaster area.

"You need to have an alternate plan," he adds.

By midsummer, the committee hopes to have the basic issues spelled out and put in perspective. "We won't have it down to 'banks get the sixth tanker of oil in Los Angeles County,' but we will get a priority setting. We can't refine it down to a gnat's eyelash," Mr. Burns explains.

"You hope the plan never has to be put to the test. But if it does, you hope it's already on the shelf, because you won't have time to do it during a disaster." ■

NAPSLO

Broaden your market access.

NAPSLO members work with admitted and non-admitted markets throughout the United States and abroad. This extensive market access gives you the opportunity to tackle business you might not normally undertake.

With a NAPSLO member working for you, your marketing potential is practically unlimited.

Your financial strength for the future.

With over 400 active members, and more than $4 billion in premiums produced annually, NAPSLO members have the strength and resources to make **your** future more profitable.

Talk to your NAPSLO wholesaler right away. Your bottom line will thank you for it.

For the NAPSLO wholesaler nearest you, call or write to:

Dale Bohm–NAPSLO (404) 998-9075
P.O. Box 1507 • Roswell, GA 30077

NAPSLO UBERRIMA FIDES

line's best friend.

You may be overpaying your workers' comp insurance in Texas.

If you have separate coverage for the Texas portion of your national workers' comp program, there's a very good chance you're paying too much.

Because, in Texas, even though your national carrier's workers' comp insurance rates are the same as ours, we may be able to save you money if you place the Texas portion with us—through dividends and retrospective savings.

And because we're a Texas-based company, we're closer to your Texas operation with solid service.

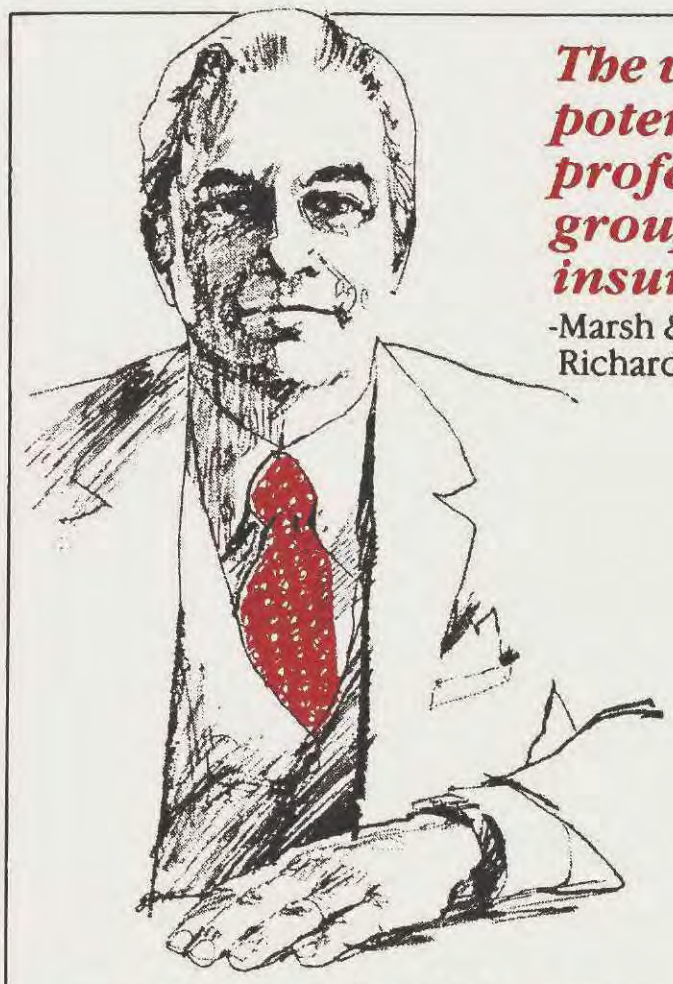
Find out what we may save you this year. Call our National Accounts Division at (214) 653-8100.

TEXAS EMPLOYERS' INSURANCE ASSOCIATION
P. O. Box 2759
Dallas, Texas 75221

Employers Insurance of Texas:
Texas Employers' Insurance Assn.
Employers National Insurance Co.
Employers Casualty Co.
Employers National Life Insurance Co.

Financial Strategies In Business Insurance

An INA Series



The vast potentials in professional group insurance.

-Marsh & McLennan's Richard Hatzel

"Not long ago, large liability claims and awards were only seen in the medical profession, but those days are over," says Richard Hatzel, Senior Vice President at Marsh and McLennan. "Now, any licensed person can face serious liability exposures.

"These people are leaning more and more heavily on their professional associations for help in matters like insurance," he says, "and that is where we come in." Hatzel is manager of the New York sales department and deeply involved in development of group association business. He finds he looks to his underwriters just as association members look to their group leaders.

"And the insurer we depend on most is INA. They have the greatest resources of any company we work with, and that's important when you sell to pastoral counselors one day and to doctors who want kidnap and ransom the next."

Hatzel feels the insurance industry has just scratched the surface of a rapidly expanding field. "There is a lot more group errors and omissions coverage out there to write, but that is only the beginning. Once these affluent professionals are sold initial coverage they are a prime target market for life, accident, even group homeowners policies.

"In all these areas we work closely with INA, and we even collaborate in the manuscripting of policies. That is rare today, but after all," he concludes, "INA has been in professional group liability the longest, has more experience than anyone, and carries a well-deserved reputation for service."

Reliable coverage in a turbulent market.

-American College of Obstetricians & Gynecologists' Dr. Ervin Nichols



"By the mid-1970's, the frequency and severity of professional liability claims against doctors had risen to a point where many insurance companies simply got out of the market," says Dr. Ervin Nichols, director of practice activities for the American College of Obstetricians and Gynecologists (ACOG). "This left physicians with a choice between paying astronomical premiums, practicing without coverage, or discontinuing practice altogether."

The ACOG responded to the crisis by asking its insurance broker, Frank B. Hall & Co. of Illinois, to find a carrier willing to offer group coverage to the ACOG's 15,000 member specialists.

"The company we selected was INA," comments Nichols, "and its program was attractive for two reasons. First, their coverage was priced competitively. And equally important, they agreed to help us take positive steps to reduce the risk of liability claims against our members."

To bring about such a reduction, INA continuously gathers and analyzes claims data from physicians' groups around the country. The ACOG then uses this input to keep its members up-to-date on recent trends in liability litigation—and new safety procedures in patient care.

"While our claims prevention program is still too new to be accurately assessed," concludes Nichols, "we can definitely credit INA with providing a stable, reliable source of coverage for our membership. And, in view of the volatile atmosphere surrounding professional liability, that in itself is a significant accomplishment."

Opening up the personal umbrella market.

-John F. Curry's Arthur G. Larocca



"Excess liability umbrella policies have long been a necessity in corporate coverage," says Arthur G. Larocca, Executive Vice President of the John F. Curry Agency in New York. "But the demand for personal umbrellas is fast catching up.

"As our society becomes more affluent, as well as more litigious, people of above-average means need protection. INA has been responsive to this need."

The latest development at INA permits agents and brokers to write one umbrella policy with a limit of up to $10 million. "Before this, we had to string together a series of $1 million policies from a variety of sources to meet our customers' needs. Now, we can efficiently offer new customers the limits they require as well as upgrade existing coverages."

The greatest potential for brokers in this area, according to Mr. Larocca, is in the growing trend among larger corporations to offer personal umbrella coverage under group contracts to their executives as a fringe benefit.

"Not only is this an exciting new source of revenue for agents and brokers," he continues, "but it is a tremendous boost to the benefits packages that companies need to assemble to attract and keep top executive talent.

"I see this as a smart product for smart customers," he concludes, "and the most astute brokers will be able to bring the two parties together."

Decision-making in business insurance has never been more complex. And the financial implications have never been greater. Today, devising cost-effective insurance programs requires knowledge, experience, capacity—and a complete range of products and services. Flexibility and the willingness to innovate are also essential.

INA's ability to combine these elements can assist you in developing practical solutions, new approaches, and better strategies. Consult the professionals. Write directly to John Cox, President, INA Property-Casualty Group, 1600 Arch Street, Philadelphia, PA 19101 or call (215) 241-2729.

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

INA
The Professionals

"Professional liability?"

"My broker uses the same firm that insures him. Shand, Morahan."



Architects. Engineers. Lawyers. Accountants. Data processors. Management consultants. Investment advisors. Bankers. Directors and officers. Even insurance brokers and insurance companies. They all share a common need: professional liability insurance they can depend on.

Another interest all busy professionals share is the desire to not have to give their liability exposures a second thought.

Simply, they all need, and expect, the best coverage there is. At reasonable cost, and comprehensively tailored to their particular liability requirements.

Shand, Morahan & Company provides precisely this kind of custom-tailored insurance for an ever growing number of professional firms. As the largest underwriting manager of errors and omissions insurance in the U.S. we can take the worry and concern—and possibly some of the cost—out of your professional liability program. That's because our flexible, knowledgeable underwriting approach allows us to design a policy to your precise, professional liabilaity needs.

We do it so well, in fact, that more and more insurance agents, brokers and insurance companies themselves are selecting us for their own professional insurance every day.

Next time you're discussing liability insurance with a business colleague, or with your broker, mention our name. You'll find Shand, Morahan & Company is fast becoming synonymous with professional liability programs of the finest order. Simply because we design them that way.

Shand, Morahan & Company, Inc.

One American Plaza, Evanston IL 60201
312/866-2800, Telex 72-4328

perspective

GETTING IT IN WRITING

Catastrophe claims hinge on policy language

By Stephen I. Dietz

FLOODS, VOLCANOES, hurricanes and riots are all catastrophes, but probably the most common is fire.

After a catastrophic fire, the first insurance-related action by the adjuster, as the insured's representative, is to notify the direct damage and liability insurers. Immediately the adjuster asks himself, "Do we have enough insurance? Do we have the right coverages? Are the policies in order? Have we received the endorsements that were requested? Do we have signed binders or acknowledgments of those endorsements that we haven't received?" These and other questions start running through his mind.

It brings up the problem of policy text vs. intent: agreeing on and negotiating a policy contract, then receiving a contract that greatly differs from the one requested. An adjuster must wait weeks or months for the corrected endorsements. The only answer is to write detailed confirmation letters on content and intent between all parties involved and then to conduct a conclusive follow-up to make sure the policy is what was intended.

This measure isn't fail-safe.

A few years ago, I was representing a client in the Far East who had sustained a monsoon loss. The facility was severely damaged. It was covered under a Lloyd's ocean marine contract with a warehouse endorsement plus local coverage on real property and machinery. My client's insurance representative had obtained an excellent contract for him with a good valuation clause, consequential damage endorsement and final selling price stated as finished goods less unincurred charges.

But the insured had taken it upon himself to meet with his friend, an agent of the Lloyd's company. The insured wrote the agent confirmation letters amending his policy because the client believed he was an insurance genius. Therefore, when I received the insurance policies and met with the insurance surveyor, I was informed that the policy was amended to base cost of labor and material, freight and incurred duty; no selling price, overhead charges or other details had been included.

The insured saved about $60,000 over the four years involved, yet, as a result of his prolific letter writing, it cost him about $2 million. This man is still a client, but now only his insurance manager handles his insurance.

An insurance contract should provide protection against all possible contingencies of loss. Many times a premium savings that removes protection and coverage is "penny-wise and pound-foolish," as in the case of my client.

The possibility of a catastrophic loss should always be present in the risk manager's or policyholder's mind. Those possibilities should be covered in policies. Nothing mentioned in a conversation automatically becomes part of an insurance policy; it must be requested in writing.

The adjuster and the risk manager have to function as a team in the event of a loss. Cooperation is essential in order to insure maximum adjustment of the loss and to enable the insured to recoup losses.

The function of an adjuster, representing the insured, is to aid, advise and assist the policyholder in the preparation, presentation and settlement of his claim.

No two losses are the same—each has different circumstances, property, equipment and products involved—but all loss recoveries basically require the same structured set-up and procedure.

Let's look at some examples.

Fire destroyed a large manufacturing complex in the Philippines, where one of 15 buildings was totally destroyed. One 200,000-square-foot building contained a knitting mill, sewing plant, machinery warehouse, bonded warehouse, finished goods warehouse, cutting rooms, production department and office.

Our books and records were excellent concerning raw materials, work-in-progress and finished goods, but there was little information on equipment, machinery, spare parts and supplies.

Only debris was visible in a videotape of the burned building, so a detailed layout of each department was drawn with every piece of equipment in place. A detailed list of equipment was started as the removal of the debris began. After one week another videotape showed progress. After two weeks a detailed sorting of equipment

Continued on next page



Graphic: Jim Bakasetas

Stephen I. Dietz is president of Dietz International Public Adjusters Inc. in New York. This article is excerpted from a speech he gave Feb. 11 to the Quebec Risk & Insurance Management Assn.

speaking out

How the LTD benefit pays off in the long run

By Michael S. Massey

LONG-TERM DISABILITY benefits, at first glance, seem to be phantom benefits, according to Peter O'Brien (*BI*, Jan. 18). After considering all other disability income offsets that have to be subtracted from an LTD plan, how much of a benefit is left?



Michael S. Massey is corporate risk manager of Chelsea Industries Inc. in Boston.

Yet because of special requirements, some disability incomes never materialize. In such cases, the LTD payment becomes the benefit mainstay.

Simply stated, for those unfamiliar with this coverage, the long-term disability benefit payable is based on a benefit formula. This formula may be 60% of base monthly earnings, less "other income" benefits. Mr. O'Brien correctly points out that these other benefits traditionally include Social Security benefits, workers compensation, state disability benefits, group benefits from any disability provision in the employer's retirement plan and benefits from another employer group disability plan.

An analysis of LTD offsets should also consider the many situations where the extra income will not come into play.

For example, under Social Security, Mr. O'Brien correctly points out that this is probably the largest area to be offset. He also points out that this mitigating effect can be reduced substantially by limiting the offset only to the individual's Social Security benefits and not for the full family offset. Yet, most plans probably already do this.

Also keep in mind that, regardless of the offsets for other income, an eligible employee will never receive less than the plan's minimum benefit. In many cases this may be a low amount like $50 per month, but this could be raised if deemed inappropriate, as Mr. O'Brien mentions.

Consideration also has to be given to the fact that the Social Security offset is normally frozen once benefits start. So future Social Security increases, recently in the range of 9% to 14% annually, do not further reduce LTD payments, but are tax-free income for the employee.

Finally, take into account that the definition of total disability under Social Security can be considerably more stringent than the definition under the company's LTD plan. Social Security says that, from the start of one's eligibility for benefits, the employee must be unable to do any sort of substantial work for pay and that the disability is expected to last at least one year or result in death.

Continued on next page

perspective

Details must be written into policy

Continued from previous page
had begun.

We established the physical inventory to support our building layout. After four weeks, all the debris was cleared and everything was visible. The only items that could not be identified were those made of wood or plastic that were consumed in the fire.

Our accountants, in conjunction with the client's internal and outside auditors, had compiled the inventory. We were dealing with domestic purchases, imported purchases, quotas, inventory in bond, supplies and the importation of duty-free items of materials and equipment under government growth programs. It was not a simple inventory book loss.

Dealing with the destruction of this one building also involved departments located in other buildings in the complex. So, our loss wasn't limited to one division, but included all manufacturing divisions.

The building was covered at replacement value, so all inventories, with the exception of work-in-progress and finished goods, were priced at that figure. Local firms were contacted for quotations on the major items and overseas quotas on major items were obtained from Hong Kong, Japan, the United States, Italy, West Germany and other countries. A local contractor, with our staff estimator, reconstructed the building on paper, considering local building costs and codes.

After about five weeks of preparation, the inventories were compiled and we were ready for our first meeting working toward settlement.

At all prior meetings with the involved insurers' representatives, various procedures were agreed upon, and their staffs checked out inventories as they were being prepared.

Normally, a major loss in the Philippines would take at least a year to settle and may drag on for two years or more. Our normal time for settlement, because of our detailed preparation and presentation, was between three to six months.

Another case involved a catastrophic loss that occurred in Connecticut.

A major electronic component manufacturer's plant, where more than 800 people were employed, was severely damaged by a tornado. The roof, approximately 180,000 square feet, was completely destroyed. Very delicate, sophisticated electronic equipment in every department was water-soaked. All finished goods, work-in-progress and raw materials were affected, and only four walls were still standing.

First, we notified the insurance company. Then we immediately rented six large trailers as headquarters, obtained several generator trucks for emergency power, coordinated an immediate removal of equipment, work and finished goods to a safe location. Thus, we conformed to policy conditions—protecting the property. We also knew we were dealing with an excess of $20 million worth of contents.

In this instance we were lucky. The insured had a new facility under construction that was about 90% completed, so that was used as a temporary location.

We met with the company adjusters and agreed upon procedures and established guidelines.

All points that were agreed upon were confirmed in writing. The building repairs began immediately and the insurance companies provided a clerk of the works to supervise reconstruction. A chain of command was established on each level, creating a complete liaison between each department head, the company's outside adjuster and the insurance adjusters and their experts.

Experts were brought in to determine the amount of damage and loss. The coordination and cooperation between all parties was nearly perfect. When a few problems arose, they were resolved quickly.

While new equipment was ordered, with six to eight months lead time, other equipment was leased or used equipment was purchased to enable the insured to continue business.

Many other factors were involved in using the nearly completed new plant. It had to be converted into a larger facility to house the departments from the destroyed plant. The wiring and other building services were converted to serve 300 vs. the 100 people it was intended for. Bus service to transport workers to the new plant 20 miles away was arranged.

The business interruption loss sustained at the main plant became the business interruption loss sustained at the new plant because it was not being used for its original division. As a result, one entire division had to be moved to another location more than 100 miles away.

It was a classic major loss with every possible adjusting question.

The loss entailed damage to contents and buildings, external power, business interruption, contingent business interruption, extra expense and expediting expenses.

Many interesting questions evolved from the loss: What was the value of the projects destroyed in research and development? What new test equipment and procedures were destroyed? What government regulations, local environmental codes, hazardous wastes and their removal records were lost? Yet, with complete cooperation, this loss was resolved quickly and properly.

Each step in loss procedures must be followed and each major problem must be resolved between adjusters and the representatives of the insurers.

The major problems in adjusting losses are the surprises that pop up at the end. The adjuster begins to adjust the loss and suddenly, large differences in dollar amounts appear. Normally, after working as a team with coordination between all parties, this doesn't happen. The loss and loss adjustment are kept in control and an equitable settlement results.

Risk managers are experts in placing and controlling insurance and all ramifications of coverage. Adjusters are experts in adjusting and helping to recover from losses. Working together they make a great team. ■

LTD benefits pay off in the long run

Continued from previous page

Most LTD plans define total disability as the inability to perform the duties of one's regular occupation for the first two years, and from then on, that you be unable to perform the duties of any gainful occupation that you are reasonably qualified for by training, education or experience.

I have seen several cases where an employee was denied benefits by Social Security under their definition of disability, yet received benefits under the company's LTD plan. In fact, an article in the Jan. 10 issue of The Wall Street Journal points out that only 27% of the 1.6 million applicants for Social Security benefits in 1981 had their disability claims accepted in their initial submission. Even after persisting for reconsideration of their claims, only 12% more received benefits. A 61% rejection rate by Social Security, after being considered twice, shows that there are many instances where disability benefits from this government program would not offset LTD benefit payments.

Another important factor is that a person has to be "fully insured" in order to receive Social Security benefits. Accordingly, if you are over 31 years old, you have to have 10 years of employment coverage and also have five years of coverage in the 10 years prior to the disability. If you are under 31, less restrictive requirements apply. Under a company's LTD plan, however, eligibility normally takes effect within 30 days of the date of hire.

Regarding workers compensation, there are numerous causes of disabilities that are in no way related to one's occupation, so the workers compensation offset becomes academic. Of all the LTD claims I have seen, none of them involved eligibility for workers compensation. Although I have no statistics to support this, the majority of workers compensation payments are made to hourly employees, and in most cases, hourly employees are excluded from LTD eligibility.

As far as the offsets from state disability benefits, currently only California, New York, New Jersey, Rhode Island and Hawaii have state benefits. That leaves 45 states and the District of Columbia where this offset would not apply.

Benefits from a retirement plan obviously only apply if your company's plan has a disability provision. In pension plans that do have disability provisions, the payments may be postponed until LTD payments stop. This used to be at age 65, and still applies for disabilities starting before age 60, although with the advent the Age Discrimination in Employment Act, the age has been upped to 70. Also, most LTD plans will not offset any portion of a pension plan's disability benefit that is attributed to past employee contributions.

Also, most LTD insurers do not offset for disability benefits from a number of other types of "retirement plans." Those retirement plans that often are not considered for offset are defined contribution or profit-sharing plans, thrift plans, savings plans and HR-10 plans.

Benefits from other employer group disability plans provide for the offset of other employer-sponsored benefits programs that make disability benefits available. Many of these other disability features only come into play in limited circumstances. For example, business travel accident disability benefits would only be payable as a result of a business travel-related disability. Also, benefits provided under short-term disability plans normally would not come into play since they address the period of time before the LTD benefits start, the usual six-month waiting period.

Admittedly, there will be times when LTD benefits may not be as substantial as an employee would like them to be, but there are also many more situations where LTD becomes a very valuable benefit. We should stop referring to it as a "phantom" benefit and instead address it as the potential benefit it can be when a disabled person most needs it. ■

Burglary coverage omits theft

legal briefs

MASSACHUSETTS' highest court held that a store owner who had purchased burglary coverage insurance had no reasonable expectation that coverage also extended to theft.

The Markline Co. Inc. was covered under a property, general liability and automobile policy issued by The Travelers Insurance Co. The Travelers required that the company install a burglar alarm. The burglary coverage required "visible marks" of entry or exit before recovery could be sought.

The store was closed and locked at 1 p.m. on June 5, 1974. At 2:03 p.m. the burglar alarm was activated. The police and alarm company personnel arrived at 2:42 p.m. No visible marks of entry or exit were found. A subsequent inventory revealed a loss of $19,000. The insurer denied coverage. Markline sued and won.

On appeal, the company, while acknowledging that there was no coverage on the face of the policy, urged the court to uphold the award because of its "reasonable expectation" of coverage for the type of loss. The court said that such a belief or assumption of coverage might be shown by prior negotiations or inferred from the circumstances, but there was nothing in the evidence that would bring the case into the "reasonable expectation" theory. *Markline Co. Inc. vs. The Travelers Insurance Co.*, Supreme Judicial Court of Massachusetts, July 27, 1981 (*BI*/04/F.-$5).

A copy of the entire decision may be obtained by sending $5 to Cases Unlimited, in care of Business Insurance, 740 N. Rush St., Chicago, Ill. 60611. List the case number.

riskWatch

A tough question that risk managers often must ask

By STACY SHAPIRO

How much is a human life worth?

It's a difficult question that reporters and risk managers have to ask when an airliner crashes, an oil rig sinks or some other catastrophe occurs. It an even more difficult question to answer.

"Your charred body is automatically worth $250,000," a risk manager at a Canadian Risk & Insurance Management Society conference once said concerning aviation liability insurance, but he was wrong. The price of life varies widely, insurers say, and there are many more questions to be asked before we know the answer to a disaster's biggest question:

Were the victims male or female? Executives or homemakers? Young or old, rich or poor? What nationality?

How did they die? In an insured jetliner or in the bathroom at home? In a factory or on a mountaintop? Were the victims taking pills, using tampons, working with asbestos or driving a car? Were their deaths an act of God?

Is a company somehow in some way responsible for the deaths? Can the company be be held liable in some court of law? Can it be sued for damages?

Where is the company located: in New York or Bangladesh, Los Angeles or London, Kansas City or Peking? What are the liability laws governing the company and the death?

Ask aviation underwriters how much an airline will pay out in liability claims after a major U.S. airline crash and they will start in the tens of millions of dollars.

But the underwriters will stipulate, as they did in the American Airlines DC-10 crash in Chicago or the recent Air Florida B-737 crash in Washington, that liability losses will depend on who was in the plane. The cost to the airline will be far greater if the majority of passengers were executives than if most of the victims were mothers and children.



Ms. Shapiro

For example, the liability costs of the 174 lives lost in Yugoslavia when an Inex Adria Airlines DC-9 crashed last year will be quite small, underwriters say.

One of biggest factors in assessing the value of human life, insurers say, is the legal system under which the company and the victims are governed.

If a British woman dies or is maimed because of a drug manufactured in Britain, she or her survivor can sue for damages in British courts. The case will be heard by a judge without a jury, no one will be allowed to sue for punitive damages and the plaintiff's lawyer will not be allowed to receive contingency fees or any part of the award. The largest such award granted in British courts so far is $800,000.

If the drugs were manufactured in the United States, she or her survivors can sue in U.S. courts for millions of dollars in compensatory and punitive damages. The plaintiffs will not have to worry about paying the lawyer: Their counsel will receive a contingency fee, a portion of any judgment or settlement made as a result of the suit.

That's why British women are suing A.H. Robins Co., makers of the Dalkon Shield intrauterine device, in Richmond, Va. That's also why Robins tried unsuccessfully to bring the trial back to Britain.

No one knows how long it will take to settle the litigation for the lives lost in the Las Vegas MGM Grand Hotel fire, the Kansas City Hyatt Regency Hotel skywalk disaster or the sinking of the Ocean Ranger oil rig off the coast of Newfoundland.

But, has anyone heard about litigation arising from 2,500 lives lost last June in an Indian railway crash? Were survivors compensated for the 3,000 people killed in an earthquake in Iran? The loss of life was high in both cases was, but the cost was low.

One Sunday last year, I was drinking my coffee on a beautiful London morning and reading the newspaper: More than 100 lives lost at the Hyatt Regency Hotel in Kansas City. Who insures the owner? Who will be the first lawyer be to file a lawsuit? A good reporter's reactions. A good risk manager's reactions. A couple of questions that will help set the value of the lives lost.

Then I remembered that a friend was visiting Kansas City that weekend and I panicked. I worried until I talked to her later that day and found out she was alive and well.

We all have to ask hard questions and sometimes they seem cold and cruel; we don't realize that until a friend or family member is involved. Then the questions all have but one answer.

No matter where it is, what it does, what passport it carries or what lawyer represents it, a human life is priceless.

Washington changes its job safety rules

WASHINGTON—The Occupational Safety and Health Administration has approved a supplement to the Washington state job safety and health plan.

The supplement provides standards for logging operations other than pulpwood operations and goes into effect immediately after it is published in the Federal Register.

The supplement and the state plan are available at the Office of the OSHA Regional Administrator, Room 6003, Federal Office Building, 909 First Ave., Seattle, Wash. 98174; the Department of Labor and Industries, General Administration Building, Olympia, Wash. 98504; and the Department of Labor's Technical Data Center, Room N2349R, 200 Constitution Ave. N.W., Washington, D.C. 20210.

Washington is one of 23 states and territories authorized by OSHA to draft and enforce workplace safety and health regulations, subject to federal approval and monitoring. ■

Why does the Insurance Profit Center© have a 100% renewal rate?

There are sound reasons why the Insurance Profit Center has a 100% annual renewal rate. *SAVINGS. SERVICE. SECURITY* and *FLEXIBILITY.* For most corporations who pay at least $500,000 in casualty premiums, cost savings with the IPC have been consistently 10% and greater when compared with existing offshore and domestic cash-flow programs.

The Insurance Profit Center is usually structured as an incurred loss retrospectively rated policy. However, with the IPC the investment income on the loss reserves is received by the insured corporation, rather than the insurance company. In addition to the substantial savings other considerations are:

- A full time professional staff supporting the broker and risk manager with timely management and investment reports.
- The IPC program can be designed to meet a corporation's specific insurance financial needs.
- The program has inherent financial safeguards to protect the broker and risk manager.
- The IPC's parent is publicly-held and is not affiliated/owned by one broker or carrier.

Corporations with foreign subsidiaries and owners of closely held companies may take advantage of additional financial benefits.

Any agent/broker can receive an IPC quote by submitting the underwriting information necessary for an incurred loss retro to the carrier of your choice. Contact us today.

We'll give you straight facts on a proven program. Fill out and mail the coupon below or call **(215) 569-1800.**

Come see us at RIMS Conference, Booth 39

ANECOM

Aneco Marketing Company, Limited
1900 Market Street
Philadelphia, PA 19103

I'd like to know more on how to sell or receive a quote on the IPC program.

NAME _____ TITLE _____

COMPANY _____ PHONE _____

ADDRESS _____

CITY _____ STATE _____ ZIP _____



The trials and tribulations of insuring associations.

Trying to find coverage for an association is enough to make your eyeballs spin. You have to look here for this. There for that. Somewhere else for something else.

Unless, of course, you're pointed to the right place in the first place. American Home and National Union.

Through our Programs Division, we insure more kinds of associations than you probably know exist. So we can certainly handle yours.

We even insure business groups that aren't associations. Like trade groups and franchises.

And we're part of AIG. Which enables us to put together practically any kind of insurance program you want.

So if you're tired of looking in circles for the coverage you need, send in the coupon.

Or just talk to one of the many associations that endorse our programs.

They'll point you in the right direction.

For more information about insuring associations, write: BI-3-22-82

American Home and National Union
Dept. A, 70 Pine St., New York, N.Y. 10270.

Name/Title _____

Company _____

Address _____

City _____ State _____ Zip _____

Telephone _____

Member Companies of American International Group.

The AIG Companies.

Let us take the risks.

NATIONWIDE DEFENSE AND LEGAL SERVICES

BY A NETWORK OF OVER 40 PREEMINENT LAW FIRMS COAST TO COAST . . .

who have affiliated to provide you with quality, cost-effective, specialized legal services, wherever needed. They have formed ALFA, American Law Firm Association, a group of established firms with proven trial and civil litigation experience in the fields of insurance and business. ALFA offers an unusually wide range of highly qualified specialists, many with national reputations as trial lawyers as well as in other fields of law, including business law.

One phone call will coordinate and tailor services to fit your special needs and requirements. For information and directory, without obligation, call or write:

James H. Killian, Managing Director

ALFA

American Law Firm Association
120 Broadway, New York, NY 10271

(212) 227-3177

Computers

Financial institutions making ready should data processing systems fail

By STEPHEN TARNOFF

The nation's major financial institutions are putting stock in emergency procedures and disaster recovery plans to protect against computer failures.

Banks, securities firms and stock and commodity exchanges are particularly vulnerable to both natural and man-made disasters, their executives say. As major components of the nation's economy, they are immensely valuable. As users of sophisticated electronic data processing equipment, they are immensely fragile.

To protect their businesses, they have developed backup energy sources in case of a power outage and have duplicated their data and equipment in case a central processing area is damaged or have agreements to share computer equipment if theirs fails.

The risks for financial institutions are greater than for manufacturers, explains Alan Osterholm, senior audit and electronic data processing examination coordinator for the Federal Reserve Board in Washington.

Although business interruption insurance is available, the financial protection cannot cover the loss of trust and good will that a major banking or trading shutdown would cause.

"They have to have the public confidence and safety in mind," Mr. Osterholm notes.

For the major banks, which process billions of dollars daily, the threat of a computer shutdown can leave customers on the losing end of financial transactions if they don't know their financial condition.

And a bank's responsibility for processing checks, moving securities and acting as a central depository hinges on its computer facility.

"Too many days out and we would be out of business," says Mark Steglitz, senior vp responsible for data processing at Bankers Trust Corp. in New York.



Photo: Chicago Board of Trade

Computer failure at the Chicago Board of Trade could cost traders millions.

At the stock and commodity exchanges, the enormous number of transactions traded every day are subject to the whims of the computer.

"All trading on the floor is intimately connected with computers," says Thomas McCallum, a research analyst at the Chicago Board of Trade. "Anything interrupting trading causes losses of millions of dollars to traders."

The risks include natural disasters like floods, tornadoes, earthquakes and fires. But man-made disasters—mistakes, terrorism and fraud—cause additional worries.

"A major disaster need not be a tornado," Mr. McCallum explains. "Just pulling a wrong plug can trigger a chain reaction causing the system to go down."

"Terrorist activities are beginning to infiltrate American businesses," adds consultant Norm Harris, president of HSH National Management Inc. in Worthington,



GET THE AMERICAN ADVANTAGE

American Excess Underwriters, Inc. insures large commercial risks.

1. **Broad Coverages:** Land Worker's Compensation, USLH, Maritime, Comprehensive General Liability and Automobile.
2. **Expert Claims Staff:** Works closely with Agent and Insured.
3. **Loss Fund Control:** Insured countersigns all claims checks we issue from the Loss Fund account.
4. **Monthly Summaries:** Monthly Loss Runs and account balances.
5. **Cash Flow Options:** Insured can be billed monthly for actual losses paid, via a bank Letter of Credit.
6. **Investment Income:** Excess Loss Fund Money may be invested with interest.

AMERICAN EXCESS UNDERWRITERS, INC.
818 Howard Avenue, Suite 205
New Orleans, Louisiana 70113, (504) 524-4141

REINSURANCE

PROPERTY
Excess of Loss & Pro Rata
Treaty and Facultative

CASUALTY
Excess of Loss
Treaty and Facultative

Dominion Insurance Company of America

A strength in the United States market

127 John Street, New York, N.Y. 10038
Telephone: (212) 635-2700 TWX: 710-581-3981

Ohio, and formerly vp and corporate director of information systems for Bank Ohio. "We will see a great deal of it in the 1980s."

To protect against short losses of power, businesses use diesel generators or batteries to keep the current flowing. In case of equipment failure, financial institutions turn to decentralization of computer facilities, mutual aid agreements with other firms and the duplication of data and equipment.

Banks disagree, however, on whether an electronic data processing system should be centralized or spread across the country.

Centrally located processing centers are generally more efficent but can be knocked out by a single disaster. Decentralized systems are seldom paralyzed by a single catastrophe but are more difficult to maintain efficiently.

Some banks with central data centers have built duplicate systems away from corporate headquarters. Others use "recovery sites" or data centers constructed by security firms. Recovery sites contain the data and programs of subscribing corporations, ready for use in case of catastrophe.

However, all these forms of protection are very expensive.

"Most banks are now doing some form of off-site storage of data tapes to keep a record," a vp of security for a major Midwestern bank says. But reserve facilities are often "too expensive to duplicate," he says.

Banks could also change to a manual operations should their computer systems fail, but manual capabilities at major banks are probably no longer available or usable, he adds.

"Certainly, you couldn't do it with the same speed," he explains.

Many firms don't believe that reciprocal agreements with other companies work very well, either.

"There's not enough recourse built into the agreements," says Raymond R. Hipp, president of the Chicago-area security consulting firm, Comdisco Recovery Services Inc.

"They never get tested because there's not enough capacity in the other's data center to interrupt them for anything less than a disaster. If you don't test an agreement, it's a joke.

"They (the agreements) are only a tool to keep auditors off the back of the data processing management," he contends.

Other experts suggest that such agreements should be updated periodically. Changes in equipment, level of use and corporate management can seriously affect a company's approach to computer assistance.

"It (the aid agreement) better be in technical legal terms," the Midwestern bank official says. "I don't know many companies that have a good one."

Although most financial institutions prepare catastrophe plans to protect their own operations and financial interests, they are also responding to pressure from the federal government.

The government has, at times, threatened banks with revoking their charters if they do not institute adequate procedures, banking sources say.

The Federal Financial Institutions Examination Council strongly urges banks to follow recommended guidelines for setting up emergency procedures to protect against disasters, Mr. Osterholm of the Federal Reserve says.

But he questions whether larger banks can salvage all their operations in the event of a disaster.

"In some of the large cases, it is impossible," he says.

Large banks should set up a priority of important operations and salvage them first, he suggests, while smaller banks should prepare to handle transactions manually.

Some bank spokesmen said not enough is being done.

"The bigger banks with the better risk managers are preparing well," says a risk manager at a major Western bank who asked not to be identified. "But the majority of banks in the United States are not preparing for the worst possible exposures."

Because of the financial stakes, the government also requires that all transactions and prices at the Chicago Board of Trade and other commodity markets be recorded, Mr. McCallum says.

All data is taped and stored in a vault. Some transactions are copied twice. The CBOT also has a duplicate computer facility off the premises and an emergency support contract with a computer service firm.

"If the computer machinery itself is destroyed, obviously, we'd be out of business," Mr. McCallum says. "But the factual information would be safe."

Commonwealth Edison, the Chicago electric utility, provides feeders to the CBOT to supply electricity from different substations so not all power is lost in case of a failure.

There have been three power failures in the last six months, most due to breakdowns in the incoming power feeders, Mr. McCallum adds.

The last power outage occurred during the night and lasted two hours. Thirty minutes of trading were lost, he says. ■

PAUL X. McMENAMAN, P.A.
Attorneys to the Insurance Industry

General Casualty Professional Liability Product Liability
Fidelity and Surety Bonds Fee Attorneys
Contract Attorneys Contingent Attorneys

Fees, contract proposals and resumes on request

Contact Main Office: 2307 Railroad Avenue
Spring Lake, N.J. 07762
(201) 449-1600

46 Bayard St.
New Brunswick

1 So. New York Ave.
Atlantic City

Stewart Smith has a World of Solutions to Your Insurance Marketing Problems!

Our connections with an unlimited range of insurance markets everywhere in the world means we achieve the most advantageous coverage for your clients. Our distinction is not being restricted to just a few markets. That, and our personal interest in doing an excellent job, solves a lot of problems.

Internationally, Stewart Smith is part of Stewart Wrightson. Our overseas marketing facilities are 88 offices in Europe, Asia, the Mid and Far East, Africa, Australia and South America.

Domestically, Calvert Insurance Company is our exclusive, providing general and specialty coverages. And, of course, we also work with the many US markets we always have over our 36 years of serving the insurance industry.



- Accidental Death & Dismemberment

AVIATION

CASUALTY
- Environmental Impairment
- Kidnap/Ransom
- Products
- Products Extortion
- Professional E & O
- Railroad Protective
- Umbrella
- Utilities
- Workers' Compensation Excess
- Primary General Liability
- Truck & Transportation

PROPERTY
- Security Guard Industry
- Unemployment Compensation

SPECIAL PROGRAMS
- Board of Education
- Fiduciary/Trustees Protective
- Directors & Officers
- Law Enforcement Officers
- Limited Partnership
- Public Official

Stewart Smith
Member Stewart Wrightson Insurance Group

Atlanta (404) 266-8555
Boston (617) 426-0615
Chicago (312) 236-7333
Dallas (214) 688-1051
Detroit (313) 963-7084
Los Angeles (213) 382-6201
New York (212) 964-2929
Philadelphia (215) 925-0432
Pittsburgh (412) 232-0430
San Francisco (415) 777-9766
Teaneck, NJ (201) 569-5680
Washington, DC (202) 466-3810
Montreal (514) 878-2811
Toronto (416) 366-6561

datebook

MARCH 22. Economic Recovery Tax Act of 1981 seminar in Chicago, sponsored by the International Foundation of Employee Benefit Plans; members, $130; non-members, $155. Also **March 23** in Tarrytown, N.Y., and **March 24** in San Francisco. IFEBP, 18700 W. Bluemound Road, Box 69, Brookfield, Wis. 53005; 414-786-6700.

MARCH 22-23. Safeguards Against White-collar Crime conference, sponsored by the American Society for Industrial Security; members, $240; non-members, $325. ASIS, 2000 K St. N.W., Suite 651, Washington, D.C. 20006; 202-331-7887.

MARCH 22-23. Health Care Costs Containment workshop in Denver, sponsored by the Health Research Institute; $395. Also **April 13-14** in New York. Workshop Coordinator, Health Reseach Institute, 49 Quail Court, Suite 200, Walnut Creek, Calif. 94596; 415-676-2320.

MARCH 22-24. Techniques of Risk Management course in Calgary, Alberta, sponsored by the Risk & Insurance Management Society; RIMS members, $345; $195 for additional participants from the same company; non-members, $445. Rebecca Zimm, Risk & Insurance Management Society, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

MARCH 22-26. Basic Safety Management seminar in Boston, sponsored by the International Safety Academy; $535; for three or more participants from the same company; $485. ISA, 10575 Katy Freeway, Box 19600, Houston, Texas 77024; 713-932-94000.

MARCH 23-24. How to Reduce Your Trucking Insurance Cost seminar in Las Vegas, sponsored by the International Risk Management Institute Inc.; $435; $375 for two or more participants. Also **April 13-14** in Washington. International Risk Management Institute, Suite 208, Building III, 10300 N. Central Expressway, Dallas, Texas 75231; 214-363-9656.

MARCH 24. Cargo Theft Security seminar in New York, co-sponsored by the American Institute of Marine Underwriters and Cargo Security Council of New York & New Jersey; $5. Cargo Security Council, 97-45 Queens Blvd., Suite 1200, Forest Hills, N.Y. 11374.

MARCH 24-26. AIRMIC International Insurance conference in Paris, sponsored by the Assn. of Insurance & Risk Managers in Industry & Commerce; discounts available to risk management association members who write for discount recognition and send checks with registration; 375 pounds (approximately $696). Sue Rowles, Conference Director, Gower Conferences, 20 Endell St., London WC2; 01-240-5931.

MARCH 25. Public Employees briefing in Los Angeles, sponsored by the International Foundation of Employee Benefit Plans; members, $130; non-members, $155. International Foundation of Employee Benefits, 18700 W. Bluemound Road, Box 69, Brookfield, Wis. 53005; 414-786-6700.

MARCH 25. Risk Management and Computers seminar in New York, sponsored by the New York Chapter of the Society of Chartered Property & Casualty Underwriters; $20. Lee A. Willman, American Reinsurance Co., One Liberty Plaza, 91 Liberty St., New York, N.Y. 10006.

MARCH 25. Rocky Mountain Insurance Day meeting in Denver, sponsored by the Denver Underwriting Assn., Insurance Women of Denver and Metropolitan Insurance Women; $35; half-day, $25. Priscilla McCoy, Rocky Mountain Insurance Day, Box 3628, Englewood, Colo. 80112; 303-759-3366.

MARCH 25-26. Workers Compensation seminar in Las Vegas, sponsored by Workers Compensation Monthly; $245; for two or more participants from the same company, $200. Workers Compensation Monthly, Box 820, East Falmouth, Mass. 02536.

MARCH 29-APRIL 2. Practicing Property Conservation seminar in Norwood, Mass., sponsored by Factory Mutual Engineering, opened to insureds only; $525. Also **May 10** in Norwood. Training Resource Center for Loss Control Management, Factory Mutual Engineering, 1151 Boston-Providence Turnpike, Norwood, Mass. 02062; 617-762-4300, ext. 1408.

MARCH 30. Penjerdel Employee Benefits Assn. benefits exhibition in Philadelphia, sponsored by the Penjerdel Employee Benefits Assn., affiliate of the Philadelphia Chamber of Commerce; $5. Connie Simmons, Penjerdel Employee Benefits Assn., Suite 1960, 1617 John F. Kennedy Blvd., Philadelphia, Pa. 19103.

MARCH 30-APRIL 1. Financial Analysis for Risk Management seminar in New York, sponsored by Cozzolino Associates Inc.; $685, plus $50 registration fee. Also **May 4-6** in Chicago. Cozzolino Associates Inc., 12 Chippenham Drive, West Berlin, N.J. 08091; 609-784-7105.

APRIL 1-2. Administering Public Employee Health Plans conference in New Orleans, sponsored by Martin E. Segal Co.; $75. Mary L. Feldman, Conference Coordinator, Martin E. Segal Co., 730 Fifth Ave., New York, N.Y. 10019; 212-586-5660, ext. 434.

APRIL 1-2. Quantitative Techniques for Risk Management seminar in Miami, sponsored by The College of Insurance; $495. Also **April 15-16** in New York; $475. The College of Insurance, 123 William St., New York, N.Y. 10038; 212-962-4111.

APRIL 2-4. Louisiana Surplus Line Assn. annual meeting in Houston, sponsored by the Louisiana Surplus Line Assn.; $350 per couple; $225 per participant. Wayne Forest, c/o Corporate Marketing Services, Box 52193, New Orleans, La. 70152; 504-837-3700.

APRIL 5-7. Safety and Liability Prevention course in San Jose, Calif., sponsored by San Jose State University; $395. The Engineering Institute, San Jose State University, San Jose, Calif. 95192; 408-277-2485.

APRIL 5-9. Basic Safety Management seminar in Houston, sponsored by the International Safety Academy; $535. ISA, 10575 Katy Freeway, Box 19600, Houston, Texas 77024; 713-932-9400.

APRIL 8-9. Human Factors Engineering for Controlling Hazards course in Washington, sponsored by the International Institute of Safety & Health; $245; for three or more participants from the same company, $195. Harold M. Gordon, IISH, 5010A Nicholson Lane, Rockville, Md. 20852; 301-984-8969.

APRIL 12-16. Occupational Respiratory Protection course in Los Angeles, sponsored by the Institute of Safety and Systems Management; $475. University of Southern California, Institute of Safety and Systems Management, Office of Extension and In-Service Programs, Los Angeles, Calif. 90007; 213-743-6523/6524.

APRIL 14-16. Safety for the Oil Field Industry seminar in Houston, sponsored by the International Safety Academy; $375. ISA, 10575 Katy Freeway, Box 19600, Houston, Texas 77024; 713-932-9400.

APRIL 18-21. Food Industry Institute program in Las Vegas, sponsored by the International Foundation of Employee Benefit Plans; members, $390; non-members, $465. IFEBP, 18700 W. Bluemound Road, Box 69, Brookfield, Wis. 53005; 414-786-6700.

APRIL 18-23. 20th Annual Risk Management conference in Washington, sponsored by the Risk & Insurance Management Society; members, $420; non-members, $520. Partial conference, members, $350; non-members, $425. Conference Department, RIMS, 205 E. 42nd St., New York, N.Y. 10017.

APRIL 19-21. Assets Protection course in London, sponsored by the American Society for Industrial Security; members, $595, non-members, $650. ASIS, 2000 K St. N.W., Suite 651, Washington, D.C. 20006; 202-331-7887.

APRIL 19-22. Inspector Training seminar in Houston, sponsored by the International Safety Academy; $490. ISA, 10575 Katy Freeway, Box 19600, Houston, Texas 77024; 713-932-9400.

APRIL 19-23. Accredited Safety Auditors conference in Atlanta, sponsored by the International Loss Control Institute; $625. ILCI, Box 345, Loganville, Ga. 30249; 404-466-2208.

APRIL 19-23. Fundamentals of Industrial Hygiene Monitoring course in Long Grove, Ill., sponsored by National Loss Control Service Corp.; $425. Also **June 14-18** in Long Grove. John N. Garis, Manager, NATLSCO, G-3, Route 22, Long Grove, Ill. 60049.

APRIL 20-21. Product Liability & Tort Law Reform conference in Arlington, Va., sponsored by the National Legal Center for the Public Interest; $285. J.J. Wuerthner Jr., NLCPI conference coordinator, 1101 17th St. N.W., Suite 810, Washington, D.C. 20036; 202-296-1683.

APRIL 20-22. Industrial Fire School course in Marinette, Wis., sponsored by The Ansul Co.; $650. Ansul Fire School, 1 Stanton St., Marinette, Wis. 54143; 715-735-7411.

APRIL 22-23. Product Safety Concepts and Practices course in Washington, sponsored by the International Institute of Safety & Health; $245; for three or more participants from the same company, $195. Harold M. Gordon, IISH, 5010A Nicholson Lane, Rockville, Md. 20852; 301-984-8969.

APRIL 25-28. NAII Annual Workshop in Phoenix, Ariz., sponsored by the National Assn. of Independent Insurers; members, $125; subscribers, $200. NAII Convention Office, 333 N. Michigan Ave., Suite 1632, Chicago, Ill. 60601; 312-782-2958.

APRIL 25-28. Insurance for Non-Insurance Professionals seminars on life/health and property/casualty in Princeton, N.J., sponsored by The College of Insurance; $495. Margaret Wilder, The College of Insurance, 123 William St., New York, N.Y. 10038; 212-962-4111.

APRIL 26-27. Western States Self-Insurance Colloquium symposium in Portland, Ore., sponsored by the WSSIC; members, $200; non-members, $250. WSSIC, Box 60126, Seattle, Wash. 98160; 206-542-1535.

APRIL 26-30. Health Promotion: The Payoff for Business and Industry conference, sponsored by the American Heart Assn., Indiana affiliate; Florida Governor's Council on Physical Fitness & Sports; Southeastern Assn. of Health Systems Agencies; Florida Assn. of Health & Rehabilitative Services and Blue Cross/Blue Shield of Florida Inc.; $465. Health Promotion conference, Sheraton Palm Coast Resort, Box 4000, Palm Coast, Fla. 32037; 219-392-7151.

APRIL 26-30. Industrial Ventilation course in Los Angeles, sponsored by the Institute of Safety & Systems Management; $415. University of Southern California, Institute of Safety & Systems Management, Los Angeles, Calif. 9007; 213-743-6523.

APRIL 27. One-Day Benefit Briefings in Philadelphia, sponsored by the International Foundation of Employee Benefit Plans; members, $130; non-members, $155. Also **April 28** in Akron, Ohio. IFEBP, 18700 W. Bluemound Road, Box 69, Brookfield, Wis. 53005.

APRIL 29-30. Hazard Control Management course in Washington, sponsored by the International Institute of Safety & Health; $245, for three or more participants from the same company, $195. Harold M. Gordon, International Institute of Safety & Health, 5010A Nicholson Lane, Rockville, Md. 20852; 301-984-8969. ■

business insurance

announces

"An Analytical Approach to Risk Management"

The State-of-the-Art in Managing the Risk and Uncertainty of Insurance and Safety Decisions, and the Protection of Corporate Assets presented by Dr. Kenneth R. Oppenheimer

Predicting losses and identifying exposures. Selecting the retention level. Evaluating loss prevention programs.

Every day you are faced with difficult judgments concerning these and other vital issues. Yet all too often, you may have had to rely on your intuition alone or simple rules of thumb to make such critical decisions. No longer.

Now there is a powerfully effective, disciplined approach to help you manage the uncertainty inherent in all risk management decisions. Based on Decision and Risk Analysis concepts and techniques that have been developed, tested, and applied in numerous industries over the past 20 years, it will answer your need for a systematic approach to arriving at and justifying recommendations.

This intensive one-day briefing will help you overall in communicating effectively about uncertainty and risk. More specifically, you will learn how to:

- describe loss exposures using the language of probability
- make explicit your company's attitude toward risk
- improve your ability to forecast losses
- ensure the right questions are asked in identifying exposures
- quantify your company's risk tolerance
- manage your portfolio of risks with a coherent and systematic set of principles
- and much more

Most important, you will break down the barriers that have isolated the risk management function because the concepts you will learn here apply to all areas of corporate management, not to risk management alone.

The "Analytical Approach to Risk Management" provides the language, philosophy, and methodology that will enable you to participate effectively in corporate decisions reaching far beyond the traditional boundaries of insurance purchasing and loss control.

Your judgment plays the critical role. So make your first decision toward better decision-making and call for a brochure detailing the program agenda and registration. Don't delay—attendance is limited to 35 executives in each session.

For more information, call Beth Levine
Business Insurance
220 East 42 Street, New York, NY 10017
(212) 210-0229



About the Speaker

Dr. Kenneth R. Oppenheimer, President of Decision and Risk Analysis, Inc., of Palo Alto, California, specializes in executive education and the application of decision and risk analysis to corporate decisions in the insurance, fire protection, banking, wood and paper products, data processing, cattle feeding, and oil and gas drilling industries. Prior to founding Decision and Risk Analysis, Inc., he spent five years with the Decision Analysis Group at S.R.I. International (formerly Stanford Research Institute). His academic background includes a B.S. in mathematics from Tufts University, and a M.S. and Ph.D. in Engineering-Economic Systems from Stanford University. While at Stanford, he was a member of the Decision Analysis Group at Xerox Corporation.

Seminar Dates

May 17	New York	St. Regis-Sheraton
May 19	Chicago	The Ritz Carlton
May 24	San Francisco	The Fairmont
June 14	New York	St. Regis-Sheraton
June 16	Chicago	The Ritz Carlton
June 21	San Francisco	The Fairmont

Agenda

1. Introduction to decision and risk analysis
2. A risk management decision (case study)
3. Assessing the probabilities of loss
4. Assessing the corporate attitude toward risk
5. Analyzing risk transfer alternatives (case study)
6. Analyzing risk control alternatives (case study)
7. Conclusion

info

• "Questions and Answers About Business Insurance," **a booklet that explains insurance coverages, pricing and legal obligations,** has been published by Harleysville Insurance Cos. A wide variety of basic and complex insurance questions are covered in the booklet, which was developed to familiarize small and medium-sized business owners with the subject of insurance. For a free copy, write Communications Department, Harleysville Insurance Cos., 355 Maple Ave., Harleysville, Pa. 19438.

• InterStudy, a health policy research firm, has published "Evaluating Health Maintenance Organizations: A Guide for Business, Labor and Coalitions." The publication presents **four methods for evaluating HMOs** and offers guidance to companies and labor unions contemplating contracting with them. Health care coalitions interested in establishing effective competition as a cost-containment strategy also can use the publication. The guide costs $25. To order contact the InterStudy Library, Box S, 5715 Christmas Lake Road, Excelsior, Minn. 55331; 612-474-1176.

• A summary of **key provisions and legislative intent of the Risk Retention Act of 1981** is the subject of a newsletter by Bayly, Martin & Fay International Inc. Write Samuel Alcorn, Senior Vp, Bayly, Martin & Fay International Inc., 660 Newport Center Drive, Suite 1000, Newport Beach, Calif. 92660.

• "Managing Your Safety Manager," **a new book designed to help supervisors of safety managers cope in today's fast-changing safety environment,** has been published by the Risk & Insurance Management Society. It covers various topics such as how to know when a full-time safety manager is justified, what to look for when hiring a safety manager and the relationship between safety and company top management. The book is authored by Charles V. Culbertson, vp for loss prevention at the Marriott Corp. Copies of the book are available for $4.95 each. Make checks payable to RIMS. To order write Eugene Mezzetti, Risk & Insurance Management Society, 205 E. 42nd St., New York, New York, 10017.

• The second edition of "Background for Loss of Hearing Claims" is available from the Alliance of American Insurers. The book describes **the factors involved in evaluating workers compensation claims for occupational hearing loss.** Its primary purpose is to provide a reference for insurance company personnel and other individuals who seek information about hearing-loss claims. The book costs $9.50 and is available from the Alliance of American Insurers, Loss Control Department, 20 North Wacker Drive, Chicago, Ill. 60606.

• Justrite Manufacturing Co. has designed **an audiovisual presentation on minimizing the hazards of flammable liquids in industry, business and institutions.** The slide and cassette program reviews potential fire risks, safety procedures and specific safety equipment required in connection with the use of flammable liquids. The program can be used both as a guide for safety engineers, plant managers and loss-control personnel and as a training tool for shop personnel involved with storage and handling of flammable materials. Individual showings of the audiovisual program can be arranged free of charge through Justrite field representatives or directly with the company. The program, including 96 slides and two cassettes, can be purchased for $39.95. For more information write Justrite Manufacturing Co., 2454 Dempster St., Des Plaines, Ill., 60016.

•

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



AGENCY FACILITIES, LTD.

Representing both admitted and non-admitted companies noted for their integrity, stability, flexibility and service. Write, telex or call for 48 hour quotes on:

- Products
- General Liability
- Residual Value Coverage
- Custom Programs
- The Unique
- Property/S.M.P.s
- Primary and Excess Commercial Auto
- Liability/Physical Damage
- Malpractice

103 Cuttermill Road
Great Neck, N.Y. 11021
(516) 482-7022
Telex: 96-0257
Qwip: (516) 482-1401

45 John Street
NYC, N.Y. 10038
(212) 732-3410
Telex: 12-494

With all the attention we pay our clients, it's no wonder they pay less for insurance.

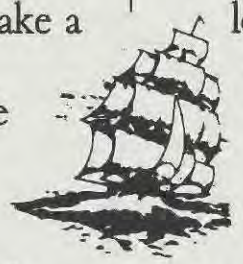
In a service business like insurance, it's not the amount of time you spend with your clients, it's how you spend the time.

At Dale & Company, we know our clients have particular risks that need fast, efficient solutions to reduce their premiums. That's why we're so particular about the people we put to work for you. From account managers and engineers, to the person who will best present your needs to insurance companies, we match the right people to your requirements.

That's because we always make a practice of hiring some of the brightest, most innovative people in the industry. And keeping them. Attention to detail, and dedication to excellence are the mainstays of our firm. There are no half-milers at Dale & Company. We go the distance for you every time.

It is said you can always tell a broker by its client list. One look at ours will tell you we're one of the most diversified: testimony to our multi-talented staff. No problem is too big or too small for them to handle. And you can always rely on our experience. We've been saving insurance dollars since 1851.

So look for us if you're looking to lower your premiums. We've got offices right across Canada you can call. We're Dale & Company. The largest, solely Canadian-owned broker in the business.



Dale & Company Limited
Insurance Brokers

Offices at: *St. John's–Corner Brook–Grand Falls–Halifax–Montreal–Ottawa–Toronto Hamilton–London–Windsor–Winnipeg–Calgary–Edmonton–Vancouver*
Head Office: Box 18, Toronto-Dominion Centre, Toronto, Ontario M5K 1B2.
Telephone: (416) 366-4645

Comp savings 'heavenly' for archdiocese



Photo: Jerry Geisel
Mr. Mahoney

By JERRY GEISEL

BALTIMORE—Self-insuring workers compensation continues to be a blessing for the Archdiocese of Baltimore.

Since the archdiocese began its self-insurance program in 1977, it has racked up annual savings of more than $150,000.

And the savings continue to grow despite increases in state-mandated workers compensation benefits.

For example, during its last fiscal year, the cost of claims and excess insurance, which the archdiocese buys from Employers Re to cover losses of more than $200,000, totaled $115,000.

Had it purchased insurance to cover all its workers compensation exposures, its tab would have been $354,647, or $230,000 more than it paid by self-insuring.

"We've kept the cost of the plan to an absolute minimum because of an aggressive lost-control program and constant soliciting of the markets," says John Mahoney, the archdiocese's director of insurance.

Costs have been cut in other archdiocesan insurance programs too. Property insurance premiums, for example, have been slashed despite an increase in the number of buildings insured.

The archdiocese buys one master policy from Fireman's Fund Insurance Cos. to cover the $450 million total replacement value of its 947 buildings. The policy, which has a $100,000 deductible, costs the archdiocese $150,000. Two years ago, the archdiocese paid a $207,000 premium for a similar policy from Aetna Life & Casualty Co. to cover 915 buildings.

The premium savings from the master policy are passed on to the parishes, which reimburse the archdiocese for their share of the premium and pay a small additional fee to build up a $1.5 million fund to cover losses falling under the deductible.

If the parishes purchased individual property policies, as they did in the 1960s, their property insurance costs would be much higher. For example, one Baltimore County parish would have to pay $16,270 if it purchased property insurance on its own. Under the archdiocesan program, equivalent coverage only costs the parish $12,233, Mr. Mahoney said.

Automobile liability insurance premiums also have been kept under control. This year, the archdiocese paid $113,000 for a $500,000 combined single-limit liability policy with The Hartford to cover its 446 vehicles. Liability premium increases have been held at less than 10% a year for the last three years.

The archdiocese self-insures auto physical damage, charging parishes $100 per vehicle to cover losses. The cost of physical damage insurance purchased from insurers probably would be twice as much, Mr. Mahoney estimates.

The key to holding the lid on auto insurance premiums is a comprehensive safety program. For example, every parish vehicle has its brakes tested every 15,000 miles. Parish officials also receive periodic reminders from Mr. Mahoney that church vehicles only can be driven by authorized people.

With more than 2 million people passing through archdiocesan buildings every week, potential exposures are enormous. Liability insurance protection comes from The Hartford, which supplies a $500,000 comprehensive general liability policy and an excess policy from The St. Paul Cos. with a $15 million limit.

But Mr. Mahoney doesn't rely just on insurance for protection from liability risks. Every week, Mr. Mahoney and inspectors from The Hartford and Fireman's Fund check for loose bannisters, chairs with weak supports, cluttered stairways and other hazards that can lead to claims.

To get the safety message across, Mr. Mahoney publishes a monthly "Safety and Loss Prevention Bulletin," detailing safety tips in bold red ink. For example, Mr. Mahoney reminds parish officials to turn off water at the source when boarding up a building and removing old, forgotten clothes from attics and basements after a priest has been transferred to another parish to prevent a fire risk.

Unlike some risk and insurance managers who are nervous about publicizing claims, Mr. Mahoney periodically updates and publishes the amount of claims that the Baltimore archdiocese has paid.

"I want people to realize how much we are spending on claims," says Mr. Mahoney, who also is vp and treasurer of the Risk & Insurance Management Society's Chesapeake Chapter. Awareness of the cost of claims boosts safety consciousness, he adds.

The archdiocese also is reaping the financial rewards of self-insuring a major chunk of its employee benefits program. For example, the archdiocese self-insures its life insurance program, which gives an employee's family an amount equal to double his salary in the event of an accidental death. The cost of the program is $37,672.

If the archdiocese purchased life insurance from an insurer, equivalent coverage would have cost about $115,000; the savings is $77,000.

The best part of self-insurance is that "we are not locked into one rate," said Mr. Mahoney, who has been with the archdiocese for 11 years.

In the health insurance area, Mr. Mahoney relies on a special "cost-plus" plan available through Blue Cross/Blue Shield of Maryland to "give us the best possible coverage at the lowest possible price" for the $2 million program that covers 3,700 employees.

Under that plan, the archdiocese reimburses BC/BS for all claims incurred, plus a fee of 8%. This saves the archdiocese about 4% or $80,000 on its group health insurance costs.

Mr. Mahoney hopes to use these and other savings to add a prescription drug plan to the archdiocesan benefit program. ■

Put your Annual Report into Business Insurance

and announce the availability of your report or statement of financial condition to policyholders, prospective insureds and the insurance community at large.

This section represents an innovation in marketing insurance, benefits and risk management related services to a carefully selected and *interested* audience. Advertisers in the 198· section received an average of 425 requests for copies of their annual reports—more than 8,000 total requests from readers.

And now, more and more commercially insureds, their brokers and agents need to know the financial condition and performance of their insurers and reinsurers.

The May 3 Annual Report Advertising Section is an opportunity for insurance companies, brokers and firms offering financial services, risk management services and safety/security systems to advertise their annual reports side-by-side, to the exclusion of non-insurance or service related advertising.

This section will go a long way to help the nearly 100,000 influential Business Insurance readers to better understand the industry that serves such a vital role in their corporate activities.

Business Insurance offers the frequency . . . the financial insurance news . . . the exclusive BI insurance stock index . . . and the most responsive audience of decision makers. You can count on high quality inquiries for your annual report or statement of condition.

Closing for this special Annual Report Ad Section is Friday, April 14 for reservations and copy.

For more information and order forms contact Lori Weinstein, Business Insurance, 6404 Wilshire Blvd., Los Angeles, CA 90048 or call 213/651-3710.



a publication of Crain Communications, Inc.
New York:
220 E. 42nd St., N.Y. 10017 (212) 210-0133
Chicago:
740 Rush Street, IL. 60611 (312) 649-5275
Los Angeles:
6404 Wilshire Blvd. CA. 90048 (213) 651-3710

50 million are covered by pension plans

WASHINGTON—More than 50 million people in the United States are covered by retirement plans, an industry group reports.

In addition, 26.1 million people in 1980 participated in private pension plans that are insured by life insurance companies, up from 23.5 million in 1979, according to the American Council of Life Insurance's latest edition of "Pension Facts."

At the same time, however, the number of people covered by state and local government pension plans remained almost the same, climbing to 13.9 million in 1980, compared with 13.7 million in 1979. This slight increase reflects the slowdown in public employment.

However, Social Security, the nation's largest retirement program, continues to expand, according to the ACLI statistics. In 1980, 137 million people had worked long enough to be fully insured, up from 134 million in 1979.

In addition, the fiscally ailing Social Security program paid out far more than it took in. In 1980, employers and employees paid $116.7 billion in FICA payroll taxes (excluding Medicare), while Social Security payments totaled $156.2 million.

Social Security Commissioner John Svahn estimates that Social Security's trust funds are now losing money at the rate of $12,000 a minute (*BI*, Nov. 2, 1981).

At the federal level, the U.S. Civil Service Retirement System in 1980 paid out $19.2 billion in benefits to 1.7 million participants. In 1979, the big civil service plan, whose unfunded liabilities could reach $160 billion by 1984, paid out $12.2 billion to 1.6 million people.

Public plan finances were in better shape. In 1980, public plan assets swelled to $185.2 billion, compared with $161.6 billion in 1979.

Employers and employees contributed $24 billion to state and local retirement plans in 1980, while $12.2 billion in benefits were paid out to 2.4 million retirees, survivors and dependents. In 1979, public plans collected $21.4 billion in contributions and paid $10.8 billion in benefits to 2.3 million people.

One problem, though, with several public retirement systems is that benefit formulas are not coordinated with Social Security.

"Benefits have increased so much that, combined with other retirement benefits, a retired public employee could receive a retirement income above the salary that he or she was earning prior to retirement," according to the ACLI.

•

Free copies of "1981 Pension Facts," are available from the American Council of Life Insurance, Department 507, 1850 K St. N.W., Washington, D.C. 20006.

Harvester wants suit dismissed

CHICAGO—International Harvester Co. has asked the U.S. District Court in Chicago to dismiss a suit by a federal pension agency, which says Harvester fraudulently sold its money-losing steel manufacturing division to avoid paying massive pension liabilities.

The Pension Benefit Guaranty Corp. filed the suit, charging that Harvester engaged in fraud by selling Wisconsin Steel Co. to Environdyne Industries Inc. to avoid paying at least $45 million to the PBGC if Harvester had shut down the steel firm (*BI*, Jan. 11).

In its motion to dismiss the PBGC's fraud claim, Harvester said the agency failed in its complaint to cite the elements of fraud as required by the Federal Rules of Procedure.

The PBGC complaint charged that when Harvester sold Wisconsin Steel in 1977 it knew that Envirodyne would be unable to pay the unfunded vested benefits of the steel company's pension plan if the plan terminated.

According to the PBGC, Harvester estimated that if it shut down Wisconsin Steel, it would incur losses and expenses of $167 million, including an unfunded pension liability of $86.2 million.

As a result, the PBGC charged that the sale may have been an attempt by Harvester to defraud the PBGC, which has the right to collect 30% of a company's net worth if it terminates an underfunded pension plan.

Envirodyne said if the PBGC filed a claim for the Wisconsin Steel pension benefits, it would not face any liabilities because net worth computations would reflect the substantial deficit of its steel manufacturing division that operated Wisconsin Steel until the division filed for bankruptcy.

The PBGC earlier asked the court to declare that Harvester still sponsored the plan on May 16, 1980, the date the PBGC says Wisconsin Steel's pension plan was terminated.

Such a decision would mean that Harvester still is liable for Wisconsin Steel's unfunded vested benefits.

Pension experts say if the PBGC loses the Wisconsin Steel case and must assume the liabilities of the Wisconsin Steel pension plan, other companies might look for new ways to shift their pension liabilities to other firms and, ultimately to the PBGC, the final guarantor of workers' vested pension benefits. ■

NEW!
Now in New York
Insurance Answers on:
PUERTO RICO
& the Caribbean Basin

All Brokers and Cos., for service and solutions, CALL Charles Carr (212) 233-2237 —Your man in the Caribbean, Remember
SOUTH CONTINENTAL OF NEW YORK, INC.
Suite 614, 88 Fulton
NYC, N.Y. 10038



To top off the insurance structure: "one-call" marketing for umbrella liability.

You're carefully designing a complex insurance program for your client and it's almost completed. But there's one hitch: umbrella liability coverage is needed and must be in place, before the week is out. One call to Montgomery & Collins puts you in touch with the insurance markets of the world.

As one of the nation's leading excess and surplus lines brokers, we have the expertise–in each of our local offices–to give you access to competitive quotes for umbrella liability, professional liability, primary and excess casualty and property, as well as excess workers' compensation.

We put years of experience to work for you–on the spot–with direct access to more than 40 domestic and overseas carriers, including the important London market. When the risk calls for an excess/surplus lines placement, one call to Montgomery & Collins does it all.

Montgomery and Collins, Inc.

3807 Wilshire Blvd., Los Angeles, CA 90010 (213) 384-2101. Or contact our nearest branch office: Atlanta, Boston, Buffalo, Charlotte, Chicago, Columbus, Dallas, Denver, Detroit, Hartford, Honolulu, Houston, Indianapolis, Kansas City, Los Angeles, New Orleans, New York City, Philadelphia, Portland, Sacramento, San Francisco, San Jose, Seattle, Tampa.

Don't bark up the wrong tree!

If you need coverage for a woodworking operation, including automated sawmills, you don't have to search any further. We specialize in insuring the forest products industry at competitive rates.

- Property Insurance
- General Liability Insurance
- Equipment Floater Policies
- Group Health and Life Insurance

FORPAC

forest products agency company, inc.

P.O. BOX 426 ● NORWICH, CONNECTICUT 06360

PHONE 203-642-7559

Blue Shield of California tests new cash-incentive health plan

Blue Shield of California, the underwriter of the innovative Mendocino County cash-incentive health plan (*BI*, Dec. 2, 1981), is back at the drawing board to help large employers cut medical claims and put cash into the pockets of healthy employees.

Blue Shield began a new three-year experimental program earlier this month to determine whether organizations with 500 or more employees can use cash incentives to reduce their medical costs, boost morale, cut absenteeism and halt heavy employee turnover.

"We expect people will become healthier and happier," explains Michael Stroud, a Blue Shield project coordinator. "If people are healthier, they cut down hospital visits. If they cut down hospital and doctor visits, absenteeism decreases."

The experiment is partially funded by a $511,726 grant from the John A. Hartford Foundation of New York, a philanthropic group that offers grants to improve the health care payment system.

Blue Shield of California will pay for the cash incentives, which could cost from $150,000 to $400,000 over the three years, depending upon the amount of health plan utilization. The total project is expected to cost about $1 million, say Blue Shield officials.

The experiment will test at least four employers: two manufacturers with at least 500 to 1,000 employees with facilities scattered throughout the state a similar-sized governmental employer and a large service industry employer.

Two employers will be selected for the test group, which will offer employees a health education program and annual cash incentives—$300 for individual coverage, $500 for family coverage—to employees who incur no medical bills.

Employees who must seek medical or hospital care receive the difference between the cash incentive and the total of their bills. Any expenses over the incentive are picked up by the plan.

The other two participating employers, members of the control group, will offer employees their current health insurance plans.

A fifth employer may be selected to offer only the employee education program, which consists of a home health care book telling how to handle most common medical problems, instructions on when to see a physician, literature on dietary practices and the effects of smoking and a monthly newsletter.

The cash incentive program, say John Newman, senior director of research and development at the Blue Cross/Blue Shield Assn. in Chicago, and James Gibbs, the association's director of development, "may function as an alternative to cost sharing."

"It may create the same disincentive for reducing utilization as cost shifting," Mr. Gibbs says.

"We're predicting this program will reduce health care utilization, thus reducing premium costs to the employers," adds Mr. Newman.

But for the program to be effective, Mr. Newman notes, "the reduction must exceed the incentive payments."

Unlike the program initiated by the 165-employee Mendocino County, Calif., Office of Education, which began offering cash incentives to employees in 1979, this experiment will test large employers.

Also, unlike the Mendocino plan, participating employees will receive the incentives at the end of the plan year. The Mendocino plan deposits the money into a retirement account, limiting withdrawal only at retirement or termination of service.

Some 70 to 100 other cash incentive plans are now in place in California. One plan, offered by San Fransisco-based Bank of America, provides free health coverage to employees who do not use the plan during the prior year. Bank of America employees pay for a portion of their health coverage through payroll deductions.

products & services

Group health cover

Unionmutual Corp. is introducing a new group health insurance package that includes wellness, preventive care and cost-containment features.

The program can be tailored to fit an employer's needs through a wide range of medical, dental, life and short-term disability options.

The package includes personal risk and stress profiles to encourage workers to stay well by changing their lifestyles. The survey identifies health risks over which employees have control and teaches them how to cope with stress factors at work and at home.

Another preventive care option covers examinations, immunizations and other early detection procedures based on the insured's age.

Most outpatient procedures are covered by the policy, and the deductible is waved for certain outpatient procedures.

For more information contact Elaine Rosen, Unionmutual Branch Sales Management, Portland, Ore. 04122; 207-780-2100.

IRA program

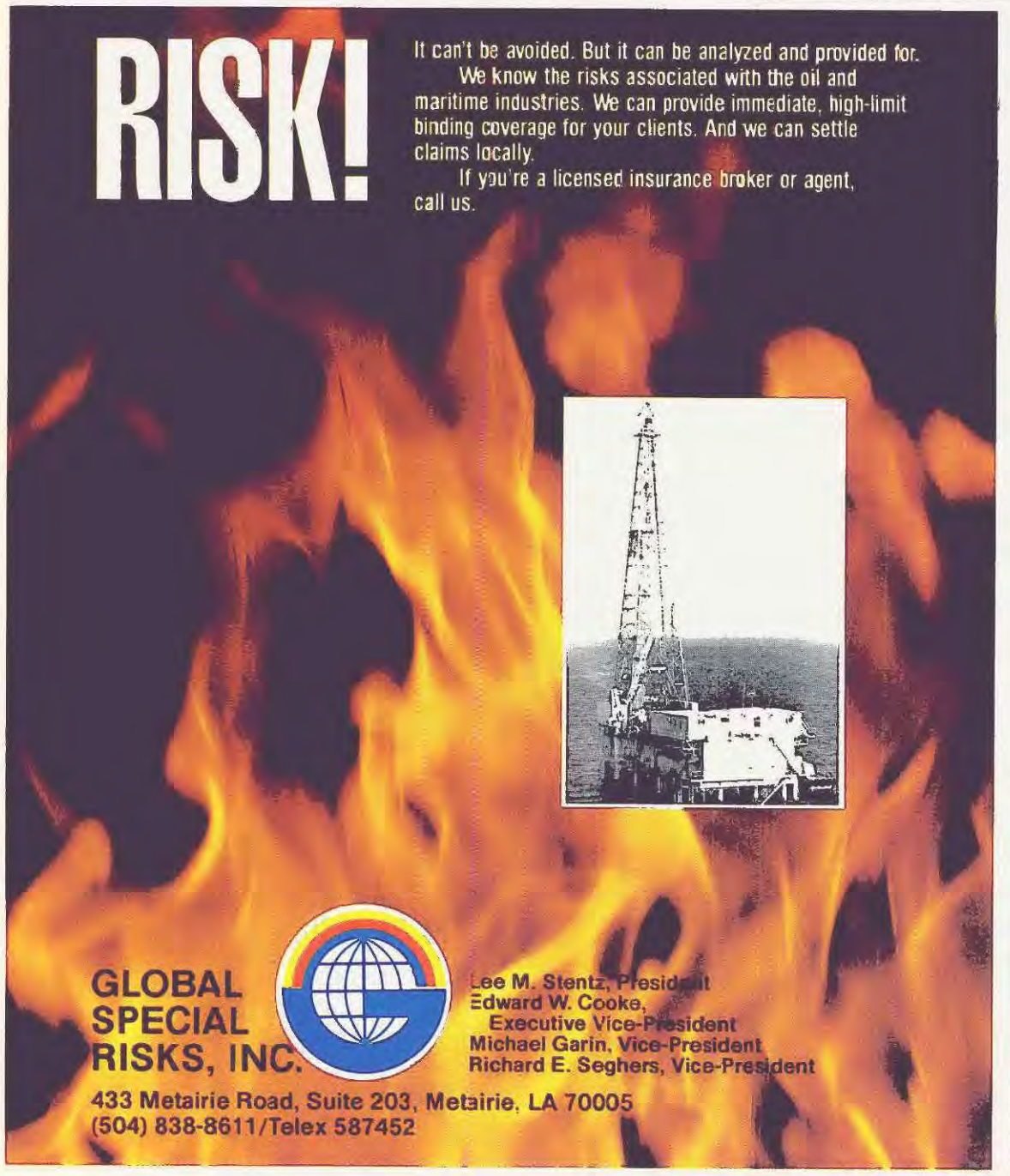
Equitable Life Assurance Society is offering a new investment program that allows employers to help workers set up Individual Retirement Accounts.

Under the Equitable Corporate IRA Plan, employees will be able to make tax-deductible contributions to four different investment vehicles either directly or through payroll deduction.

The investment options currently include a money market fund, a common stock portfolio, a bond portfolio and a balanced fund composed of the three investment alternatives.

Employees may divide funds among the accounts and transfer funds by calling a toll-free number.

For more information on the IRA plan, contact Barbara J. Krumsiek, 212-554-8512. ■





Monroe to head Reed Risk Management

comings & goings: industry

Allen J. Monroe has been named president of Reed Risk Management Inc., a San Francisco-based subsidiary of Reed Stenhouse Cos.

Mr. Monroe has been executive vp of the risk management consulting firm since it was founded in 1977.

Richard L. Whynot elected president of Reliance Risk Management Inc. in Philadelphia. He was executive vp. Mr. Whynot previously was head of his own risk management consulting firm.

Louis Gulfo promoted to vp of American Risk Management Inc. in Fort Lee, N.J. Mr. Gulfo is responsible for servicing U.S. clients. Mr. Gulfo had been an assistant vp.

William M. Mercer Inc. named 17 vps in various consulting functions. They are: **Michael V. Assaf Jr.** and **David M. Benjamin,** Chicago; **Michael N. McShee,** Chicago international office; **Joseph C. Worley,** Columbus, Ohio; **B. Thomas Willison,** Detroit; **David F. Sartin** and **Harry S. Young,** Los Angeles; **Edwin E. Stancik,** Louisville, Ky.; **Gary C. Morrison** and **Gary L. Scharmer,** Minneapolis; **Bob R. Cross,** Nashville, Tenn.; **William F. Mackie** and **Solomon A. Weinberger,** New York; **P. Michael Cassidy,** Orange, Calif.; **Lowell E. Lichtenberg,** Portland, Ore.; and **Robert J. Aliverti** and **Richard E. Johnson,** Seattle.

Jim Hall elected senior vp of Cal-Surance Benefit Plans Inc., a subsidiary of Cal-Surance Group in Torrance, Calif. He is responsible for sales development and benefit coordination. Cal-Surance Benefit Plans provides retirement planning and executive benefit services.

Reinsurers

Robert M. Huggins named president of Sentry Reinsurance Management Inc., a new position. Mr. Huggins will coordinate Sentry's reinsurance activities with the New York and Illinois insurance exchanges. He was executive vp of Excess & Treaty Management Corp.

Pavittar S. Safir appointed senior vp and assistant treasurer of Reinsurance Facilities Corp., RFC Intermediaries Inc. and RFC Management Corp. of Los Angeles. Mr. Safir was most recently vp at Reinsurance Facilities Corp. in Los Angeles.



Mr. Vounas

Ronald R. Vounas joined North American Reinsurance Corp. of New York as senior underwriter for engineered risks. Mr. Vounas previously was a regional manager of engineered risks for Munich-American Reinsurance Co.

Carl R. Pingel named president of Summit Fidelity & Surety Co. in Toledo, Ohio. Mr. Pingel previously was with National Casualty Co.

Steven Cullen appointed executive director of the American Marine Insurance Group division, a subsidiary of Duncanson & Holt Inc. Mr. Cullen had been senior vp.

Insurers

Frank T. Barley joined Hartford Specialty Co., a subsidiary of The Hartford Insurance Group, as vp. Mr. Barley is manager for the errors and omissions line of business for Hartford and heads insurance programs for unique industry groups. Mr. Barley formerly was vp of Union Indemnity Insurance Co. of New York.

Walter E. Farnam named vp of the national accounts department of the commercial insurance division at Aetna Life & Casualty Co. of Hartford, Conn.

Excess/surplus

Gerald W. Horton elected vp of Burns & Wilcox Ltd., managing general agents, headquartered in Southfield, Mich. In addition to his new position, Mr. Horton will continue as underwriting manager.

Edward G. Zarrella elected vp of Victor O. Schinnerer & Co. Inc., a Washington-based underwriting manager and insurance administrator. Mr. Zarrella is also manager of the health care providers' underwriting and production division in the Chicago office.

Also at Schinnerer, **Dennis W. Olsen** was elected vp. He is head of the insurance company marketing and management division in the Chicago office.

Four were promoted at L.W. Biegler Inc., a managing general agency in Chicago. **Patrick C. Castonguay, Frank E. Powell, Edward J. Schmitt** and **Bart M. Westcott** were all named vps. Mr. Castonguay is responsible for special account and self-insured retention programs. Mr. Powell heads company activities in the excess casualty field. Mr. Schmitt manages excess workers compensation, umbrella and general liability lines. Mr. Westcott supervises professional liability lines.

Peggy A. Fowler joined Donald F. Muldoon & Co. Inc. of New York as manager of facultative operations. Ms. Fowler previously was with American Risk Management Inc. in Fort Lee, N.J.

Agents/brokers

Dennis P. Top named vp of Frank B. Hall & Co. of Ohio Inc. in Cleveland. Mr. Top previously was a vp with Marsh & McLennan Inc. in Cleveland.

Frank P. Griscti joined Ulrich Voorhees Warner Associates, a Somerset, N.J., insurance agency, as vp for employee benefits. Mr. Griscti was most recently vp of marketing for Bowers, Schumann & Welch.

David L. Moore joined Emett & Chandler New York Inc., a subsidiary of Pinehurst Corp., as senior vp.

James M. Corroon named chairman of Corroon & Black Co. of New York. He remains chief executive officer.

At the same firm, three others were named to top posts: **Edward A. Sweeney** appointed president; **Richard A. Loughlin** named executive vp responsible for property/casualty and personal lines operations; and **Patrick F. Carton** appointed executive for the production, risk management and employee benefits departments.

Bruce G. Geer, vp and treasurer of Poe & Associates Inc., elected executive vp of the firm's national agency division. ■

He was a good public servant, but he made a little mistake. Now he's being sued.



PENCo's unique occurrence-form errors and omissions program lets you keep him covered, even after he's left public office.

Public servants are human: they make mistakes like everyone else.

Under normal claims-made errors and omissions coverages, the public servant is assured of protection only while in office. When he leaves office, he has no guarantee that the coverage will remain in force. If he is then sued for his mistakes, the cost of defense and possible judgments can be devastating.

Now PENCo has put together a unique errors and omissions program that allows local governments to protect their personnel against such costs.

PENCo's errors and omissions occurrence coverage is one of the only offerings of its kind—extending protection beyond the official's term in office, provided the act occurred during the period of coverage.

PENCo also covers more categories of public workers, including architects, engineers, attorneys, even volunteers, than conventional errors and omissions plans offered to local governments.

PENCo offers occurrence coverage, as well as claims-made errors and omissions coverage, written through an A-rated carrier. Coupled with PENCo's excess program, liability limits up to $11 million are available.

Public servants don't have to be left out in the cold, just because they leave office. For more information on PENCo's errors and omissions plans, contact for Eastern and Central Time Zones, Dan Lee, CPCU, PENCo East, P.O. Box 1280, Nashville, TN 37202, (615) 361-4065; and for Mountain and Pacific Time Zones, Joel Ganze, PENCo West, 3580 Fifth Avenue, San Diego, CA 92103, (714) 297-6825.

PENCO

Opponents of Lloyd's bill haven't given up their fight

london line

By STACY SHAPIRO

LONDON—The fight against the Lloyd's of London self-regulation bill in the House of Commons may have been a rehearsal compared with the onslaught being prepared in the House of Lords (*BI*, March 15).

Altering or defeating the legislation in the House of Lords is the last chance for petitioners who are opposed to some of the bill's provisions, including mandatory divestment of brokers from their underwriting agencies, immunity from Lloyd's members attempting to sue the proposed Council of Lloyd's and limiting the voting powers of the non-working members.

But the petitioners may have a better chance of swaying the House of Lords to their way of thinking, says Ron Comery, a director of Alexander Howden Group Ltd.

The bill will first be considered by a five-member House of Lords committee, which can recommend changes in the legislation. If approved by the full House of Lords, the bill and any amendments will go back to the House of Commons for final approval.

However, Mr. Comery says it is unlikely that the changes made in the House of Lords would be contested in the lower chamber. The House of Commons traditionally does not reverse the Lords' amendments to private legislation like the Lloyd's bill, he explains.

"We knew from the beginning that the best chance we had was in the House of Lords. This has always been our $64 million chance," Mr. Comery says.

Alexander Howden Group Ltd., a subsidiary of Alexander & Alexander Services Inc., began its fight against the bill late in the game, he says. The company spent about 30,000 pounds to petition against the bill only after the divestment clause was added last summer.

"In the Commons, we were 40-love down before we even got there," said Mr. Comery. "We were too late."

Market decline?

The London insurance market will decline in importance in the 1980s, said 52% of the participants in an opinion poll at the "Reinsurance at the Crossroads" conference in London earlier this month.

Some 76% of the 250 conference delegates who participated in the poll said international financial services companies will become more involved in the insurance industry.

Political risk

The "Business Tactics in a Dangerous World" conference, to be held June 2-4 in London, will focus on the political risks around the world that can spell trouble for a multinational company.

The three-day conference, sponsored by Intermatrix Group, will assess political risks in key areas like the Middle East, China and Japan. The conference will then explain the techniques and resources available for evaluating and insuring such risk.

Conference speakers include British Foreign Secretary Lord Carrington and Edward Heath, former British prime minister and a Conservative member of Parliament.

For more information contact Registrar, Management Centre Europe, Avenue des Arts 4, B-1040, Brussels, Belgium. ■

SOME AGENTS CALL US 'THE ARRANGERS'

We're flattered.

But after all, we've been 'arranging' markets for 70 years . . . markets for hard-to-place and capacity risks.

We're ready...
when you are.

To reach The Arranger nearest you, call
312/346-6400

Geo. F. Brown & Sons, Inc.
55 East Monroe St., Chicago, IL 60603

WHERE IS GREENWOOD, INDIANA?

The LEADING Agents and Brokers Know!

WHY? Because it is the home of Brougher Agency, Inc., innovators not imitators in the special risk market.

The Special Risks Division of the Brougher Agency, Inc. Offers a diverse, innovative, competitive and expanding portfolio of products

- Errors & Omissions Coverage for Claims Administrators, Actuaries and Pension Consultants, Labor Unions and Officials
- Substandard Disability TTD Monthly Benefit up to $2,000
- Catastrophic Disability Insurance Lump Sum Payments for PTD Maximum Issue $250,000
- Professional Athletes' Coverage Individual Players Teams
- Personal Accident and Sickness Disability Insurance TTD Monthly Benefits up to $25,000 Lump Sum PTD Benefits up to $1,500,000
- Professional Entertainer's Coverage
- Business Overhead Expense Coverage

FOR INFORMATION CONTACT: TOM FOLDS, VICE PRESIDENT SPECIAL RISKS DIVISION

BROUGHER AGENCY, INC.
Lloyd's London Correspondent
P.O. Box BAI
Greenwood, Indiana 46142
(317) 535-8212/TWX 8102602230

Wickes Cos. Inc. names Fisher director of risk management

comings & goings: buyers

M. Douglas Fisher, 34, has been promoted to director of risk management at Wickes Cos. Inc. in San Diego, where he will direct all property/casualty insurance operations. Mr. Fisher has been with Wickes since 1980 as insurance manager and insurance supervisor. He was also assistant director of risk management for Sambo's Restaurants in Santa Barbara, Calif. He received a bachelor's degree from Ohio University in Athens. Mr. Fisher replaces **James E. Morton,** who retains special responsibilities within the risk management department. Mr. Fisher reports to Richard W. Williams, vp and controller.

* * *

Boyd Croxen, 49, has been promoted to counsel at Republic National Life Insurance and Republic National Life Group Insurance Cos. in Dallas. In addition to handling legal activities, Mr. Croxen also acts as corporate risk manager and buys the company's property/casualty insurance. Mr. Croxen was previously assistant counsel and corporate risk manager. He joined the company in 1975. He has also held administrative positions in the insurance industry, served as counsel to the Illinois Department of Insurance and maintained a private law practice. He received a bachelor's degree in political science from Knox College in Galesburg, Ill., and a law degree from the University of Illinois College of Law. He is a deputy member of the Risk & Insurance Management Society. Mr. Croxen, who fills a new position, reports to Howard L. Korn, president and chief executive officer.

•

We'd like to report on staff changes in your company's risk management or employee benefits department. Just drop a note to Sallie Drury, Editorial Assistant, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611, or call 312-649-5398. We would also like to receive photographs of those receiving promotions.

business insurance

INSURANCE SERVICES GUIDE:

readers looking for services.

turn to page 70

action line

Pregnancy, EEOC rules are available

Action Line: Could you give me information regarding the Pregnancy Discrimination Act and Equal Employment Opportunity Commission guidelines on the 1978 law.

Joie H. Coe
CIS Speciality Lines Underwriters
Coe Insurance Services
Boone, N.C.

Ms. Coe: Free copies of the Pregnancy Discrimination Act, requiring employers to offer equitable pregnancy benefits and the EEOC guidelines implementing the law are available from the EEOC, Office of Public Affairs, 2401 E St. N.W., Room 4202, Washington, D.C. 20506. 202-634-6930.

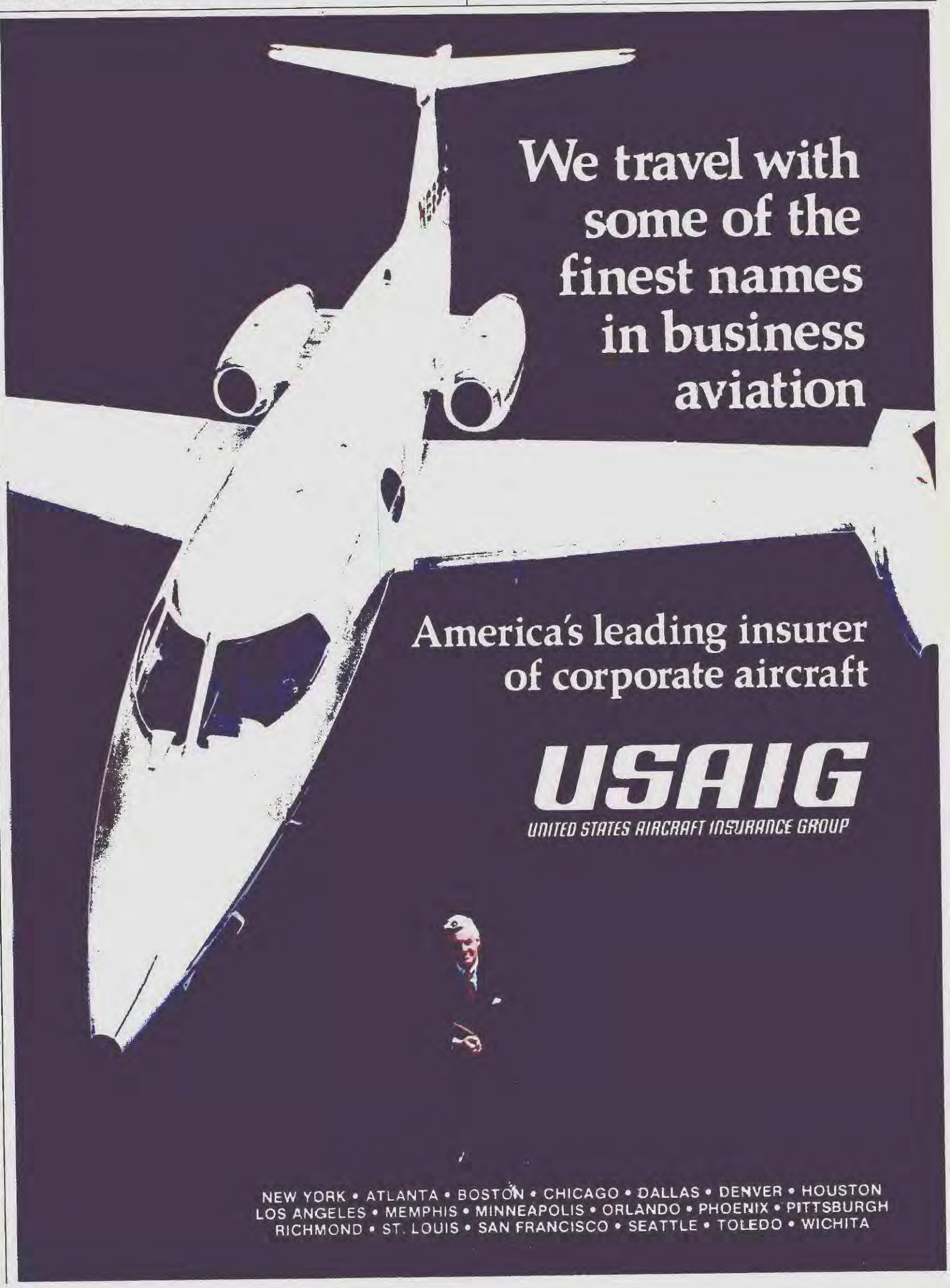
Business Insurance has published many articles on the pregnancy law and the EEOC guidelines.

The most significant articles include: "Congress gives OK to pregnancy benefit" (*BI*, Oct. 30, 1978), explaining the battle behind the legislation; "Guidelines expand pregnancy benefits in dependent plans" (*BI*, March 19, 1979), summarizing the guidelines; and "Court orders equal spouses' benefits" (*BI*, Feb. 1), on the 4th Circuit Court of Appeals decision upholding the EEOC guideline that employers must also offer equitable pregnancy benefits male employees' spouses.

For back issues, write Single Issue Sales, *Business Insurance*, 740 N. Rush St., Chicago, Ill. 60611.

•

Have a question regarding insurance, employee benefits or your profession? Write Action line, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611.



ANECO
RE INSURANCE

AN Emerging CO mpany
in RE insurance.

Telling a dirty joke can prompt a sexual harassment suit: Broker

By STACY SHAPIRO

LONDON—Know a good dirty joke?

You can spare your company the costs of defending a sexual harassment lawsuit by resisting the urge to tell it at the office, says a woman who is promoting sexual harassment defense expense coverage.

"Women have sued successfully just on innuendos," says Gracine Huffnagle of Complete Equity Markets Inc., a Wheeling, Ill., brokerage.

Ms. Huffnagle says there are many ways companies can prevent sexual harassment suits.

Many large corporations, usually hit the hardest by such suits, are sending their supervisory staff to seminars to learn how not to antagonize staff members.

"Women have always been sexually harassed on the job and men are now being harassed, too. But it is not the act itself as much as the power play involved," said Ms. Huffnagle.

The seminar teaches that using sexual harassment as a management supremacy tactic is not a good idea. "The larger the company, the more likely this power play is to happen, and it is more on a supervisory level than in management," she says.

The seminar includes a short movie that explains many common forms of sexual harassment, like a secretary being denied a promotion until he or she has sexual intercourse with the boss. It shows the less-recognized forms of harassment, like telling dirty jokes or making remarks about a low-cut dress.

The film also explains how sexual harassment is defined by the Civil Rights Act of 1964 and how the courts have interpreted the law.

Then the seminar participants are given a fictional harassment case study to analyze. "And that is tough particularly when it is one person's word against another's," Ms. Huffnagle says.

If a company is faced with a sexual harassment complaint, it should "keep it quiet in the company and work it out," she advises. And if the complaint eventually goes to court, the company should seek outside legal advice, Ms. Huffnagle says.

In-house lawyers may create a conflict of interest that could damage a company's defense because they are too close to the internal situation. "In-house counsel creates a bigger mess, and the company has to seek outside advice anyway," she says.

Despite precautions, sexual harassment lawsuits are becoming increasingly common and more expensive to resolve. "We are finding the average cost of defense can be $3,000 or more," Ms. Huffnagle says, not including complaints that are settled in-house before a suit is filed.

A company's comprehensive general liability insurance may cover the damages won in a sexual harassment suit, says Lloyd's of London underwriter Graham Williamson.

And defense costs are covered by the new policy designed Ms. Huffnagle's company. Underwritten at Lloyd's with Mr. Williamson as lead underwriter, the sexual harassment defense coverage pays for 90% of all defense costs up to $50,000 per individual or $150,000 aggregate. Higher limits are negotiable.

Premiums vary depending on the number of employees covered. Companies with fewer than 250 employees are charged $2 per person, while businesses with 5,000 employees are charged 50 cents per worker.

The policy excludes payment for in-house legal costs and defense costs from harassment cases already in the pipeline when the policy is purchased. The coverage also does not cover defense costs arising from criminal prosecution stemming from a sexual harassment incident.

No one has bought the legal defense policy from Complete Equity yet, Ms. Huffnagle says, but the number of companies that have shown interest may prove that risk is big enough to demand the specialized policy. ■

PCM

EXCESS
& UMBRELLA
LIABILITY

UNDERWRITING AUTHORITY*
and BROKERAGE

Leading National Markets

LESLIE I. ROSS
Underwriting Manager

*Admitted Market—Best's rated "A-XV"

PCM EXCESS, LTD.
116 John Street, New York, N.Y. 10038
Tel: 212-227-2227 Telex: 645812

YOUR Independent Insurance AGENT SERVES YOU FIRST
PROFESSIONAL INSURANCE AGENTS PIA

M&M splits Mercer into three companies

William M. Mercer Inc., the nation's largest employee benefit consulting firm, is splitting into three operating companies under one corporate division, according to parent Marsh & McLennan Cos. Inc.

And buyers can expect a slow evolution toward management consulting and a more clear delineation of who sells what, executives say.

The reorganization, announced last week, divides consulting services, insurance sales to trade associations and asset management services among three firms under the auspices of M&M's new Consulting & Financial Services Group.

Among the changes:

- A.J.C. Smith, formerly president and chief executive officer of Mercer, becomes chief executive of the new group division and takes on the title of group vp of Marsh & McLennan Cos.
- John Ireland, formerly executive vp of Mercer, becomes chairman of the new William M. Mercer Inc., which will sell consulting services only. Dijit S. Juneja, president of William M. Mercer Ltd. of Canada, retains that title and also becomes president of William M. Mercer Inc.
- Bernard F. Rogers, formerly Mercer's executive vp of merchandising, becomes president of Marsh & McLennan Group Associates Inc., which will administer group insurance through professional and trade associations.
- Martin M. Hale continues as president of Marsh & McLennan Asset Management Co., which manages the Putnam and Eberstadt mutual funds.

"The split will finally make clear what we felt was internally obvious for several years," explains Mr. Ireland. "Mercer will essentially sell employee benefits advice while M&M Group will sell and administer packaged group plans to associations.

"Though these functions were internally separate at Mercer, the fact that we did both made it appear to the industry and many of our clients that we were playing both ends against the middle—making recommendations and selling what we recommended," he said.

Mercer, however, will continue to market group insurance policies for individual clients as part of overall employee benefits services and will serve as broker-of-record for employee benefit plans if requested by client corporations, according to Mr. Ireland.

If the firm earns commissions from insurance companies, the revenue will be used to offset the client's fees, he says.

Mercer will also expand its consulting activity into related management fields, Mr. Ireland says, but buyers can expect that growth to be slow.

"We will edge slowly into management consulting because we've been less than perfectly successful in areas in which we have already expanded," he explains.

"For example, finally, after three or four years in executive compensation, we are finally doing real, reasonable things with real clients. What we hope to do is identify the additional consulting skills we have in fields like salary administration, so we can perform those services when we are asked to."

Mercer will expand more quickly into the pension management field, in which its actuaries already consult, Mr. Ireland adds.

markets

Managing agent

PLU Inc. of Chicago has been formed as a managing general agent for Pine Top Insurance Co., providing up to $5 million in errors & omissions coverage for various professional classes.

The new E&O market will write coverages for architects, engineers, contractors, surveyors, accountants, attorneys and insurance and real estate agents.

Through Pine Top, PLU writes the E&O coverages on an admitted basis in Illinois and Montana, and on a non-admitted basis in all other states.

PLU also writes excess E&O insurance coverage, again through Pine Top.

"We do some things that to my knowledge no one else does," says William B. Turner, formerly a vp with INAX, the professional liability operation of Insurance Co. of North America, who will manage the new facility.

One example is E&O coverage for contractors that do not have their own in-house design professionals.

PLU also offers a "miscellaneous E&O program," providing flexible coverage for virtually any professional class including barbers and morticians.

The company has even quoted coverage for basketball officials, Mr. Turner says.

PLU does not write medical malpractice since the organization has no staff expertise in this area, he adds.

New brokerage

TMI Insurance Brokers Inc. has been formed in New Orleans by Tanker Management Inc. to provide a broad range of insurance brokerage and consultant services to the maritime and petroleum industries.

The firm will offer insurance and self-insurance services to local and nationwide operations like shipyards, terminal operators and oil field service companies.

Joint venture

Unigard Mutual Insurance Co. and Mattei-Webber Inc. of Seattle have announced a formal relationship to seek, design and underwrite large insurance programs generating more than $100,000 per account.

Called The Underwriters Alliance, the joint effort will give special emphasis to designing coverages and structuring rating plans for major organizations in the Western United States.

The effort will be operated from the Mattei-Webber office.

Canadian operation

American Re-Insurance Co. has expanded its Canadian operation through the addition of a full service treaty department.

Agency formed

Pinnacle Insurance Services Corp. has been formed in Orange, Calif., to specialize in medium to large commercial lines, personal lines and group medical and life insurance.

Officers of the new agency are: David B. Johnson, president; Harry Wasson, executive vp; Thomas A. Brown and Wallace P. Clark, senior vps; and Sherlie B. Weeks, senior vp and secretary.

Metropolitan change

Metropolitan Life Insurance Co. and its subsidiaries have received a new "corporate signature," Metropolitan Insurance Cos., which will be printed on all business cards, stationery and other printed materials. The parent company and its subsidiaries still retain their legal names.

Acquisitions

Ralph C. Blumberg Inc., a Philadelphia-based insurance firm, has been acquired by **Horan, Goldman Cos. Inc.**

Los Angeles-based **Edward Lee Kozberg & Sons** has merged with **Alexander & Alexander Services Inc.**

Olliver/Pilcher Insurance Inc. of Mesa, Ariz., has acquired the **Clay Reed Agency**, also located in Mesa.

Miami-based **Morton D. Weiner & Co.** has acquired the assets of **Sorin Insurance Agency** of Hollywood, Fla., and renamed it **Sorin & Weiner Insurance Inc.**

New offices

Group Insurance Service Center Inc. has opened a branch office in the Porterfield Building, Suite 214, 3191 Maguire Blvd., Orlando, Fla. 32803; 305-894-0691/0692.

Geo. F. Brown & Sons Inc. has moved its Houston office to 16360 Park Ten Place Drive, Suite 220, Houston, Texas 77084; 713-758-7222 and 800-231-2599.

First Risk Management Co. has moved its home office to First Management Buildings, 90 Bustleton Pike, Feasterville, Pa. 19047; 215-322-2400.

Certified Claims Corp. has opened a new office at Ambassador II, 11020 Ambassador Drive, Suite 520, Kansas City, Mo. 64153.

North American Reinsurance Corp. has moved its Chicago branch office to 200 S. Wacker Dr., Chicago, Ill. 60606. ■

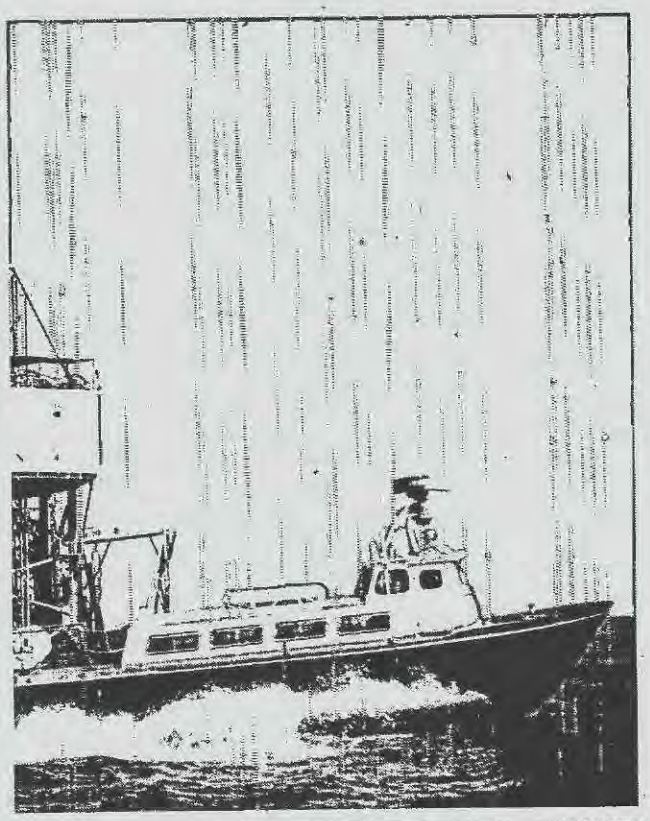
AVIATION:
A Special Risk that Requires Specific Management

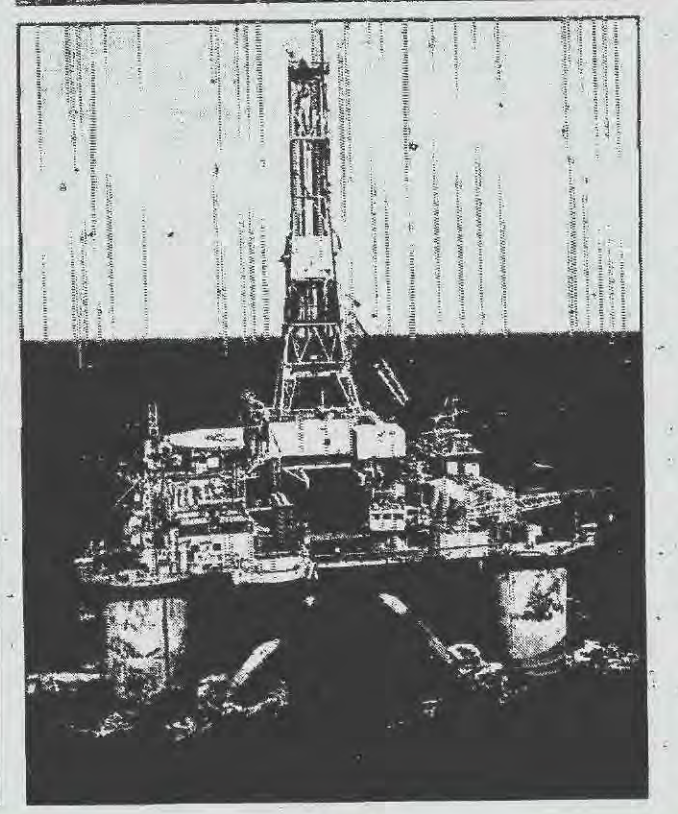
And efficient management dictates comprehensive, cost efficient coverage. Alpha's firmly-rooted aviation background, individually outstanding personnel and prestigious lines give us the edge when designing insurance programs to cover the aviation risk.

Call today for a no-obligation coverage review!

Alpha Aviation Insurance

800 526-0415
In New Jersey — collect 201-288-4831
Airport 17, 377 Route #17
Hasbrouck Heights, New Jersey 07604





We Specialize In
MARINE INSURANCE

And in The Reliable Underwriting of a Wide Variety of Risks. We're not the largest marine insurance company, but big doesn't necessarily mean best. And as the service record shows, our reputation for reliability and innovation is unrivalled. Our clients include small fishing boat operators as well as large multi-national corporations. Whoever they are, whatever their risks, all receive the same personalized attention and share the benefits of fair, competitive rates and comprehensive protection. If you are in a business requiring underwriting of marine related risks, please give us a call. You won't be sorry.

We offer onshore as well as offshore coverage to the oil and natural gas drilling industries for rig physical damage, cost of control, loss of earnings, seepage and pollution, drilling and re-drilling and comprehensive general liability.

Call or write for a copy of our brochure—Continental Underwriters, Ltd., "Who We Are, What We Can Do For You."

Continental Underwriters, Ltd.

419 Decatur St.
New Orleans, LA 70130
Telephone (504) 581-7493
Telex: 58-318 • 266052 CULTD

Correspondents at Lloyds of London

WE PROTECT THE PROTECTORS

WORKERS' COMPENSATION
Safety Dividend Program

PROFESSIONAL LIABILITY

UMBRELLA LIABILITY

FIDELITY BONDING
Insured and Client Coverage



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

Many Chicago firms to offer salary reduction plans: Study

CHICAGO—Tax-sheltered salary reduction plans are popular among Chicago companies.

More than half the companies surveyed by consultant Towers, Perrin, Forster & Crosby say they will set up salary reduction plans for employees by the end of 1983.

Sixteen percent of the companies said they will offer new salary reduction plans, technically known as 401(k) plans, to their employees this year. Another 42% of the companies said they want to put plans into effect by the end of 1983.

In all, 81% of the 54 firms responding to the survey said they eventually will offer a salary reduction plan to employees.

Under proposed Internal Revenue Service guidelines for salary reduction plans, employees can choose to reduce their pretax income by up to 10% and put that amount into a company profit-sharing or savings plan where it accumulates tax-free interest.

Because money is paid into these cash or deferred contribution plans directly by the employer, the funds are not considered taxable employee income (*BI*, March 1).

Final IRS regulations are expected to be issued later this year.

"Companies are favoring salary reduction plans over Individual Retirement Accounts because while both kinds of contributions are tax-deductible for employees, employee contribution limits are higher for salary reduction plans," says Karen Weeder, a TPF&C consultant.

"There's also a more favorable tax treatment available for lump-sum payout at retirement," she says.

According to the survey, 57% of the companies are planning to convert existing employee thrift plans to the salary reduction format. Another 24% said they would set up entirely new plans.

Fifty percent of the respondents said the company would match employee contributions to the salary reduction plan.

And 90% of the companies that are planning to offer the plans said they would retain the current level of benefits for participating employes, even though, in essence, those workers would be taking a 10% pay cut.

"Apparently, a good many Chicago firms are well on the way toward developing programs while keeping tabs on emerging IRS regulations governing them," Ms. Weeder says.

More than 75% of the companies that reported they're planning to offer the plans say they will administer them internally.

Although the companies seem eager to set up salary reduction plans, they also say that problems will likely accompany them.

The biggest potential problem, one mentioned by 58% of the responding companies, was getting employees to understand how the plans work. Half of the respondents said that restrictions on withdrawals also posed obstacles.

Some 40% said that the absence of final IRS rules bothered them. Thirty-four percent of the respondents said they thought monitoring compliance with IRS regulations would be a problem, and a like number said they would be hampered by the inflexibility of their current payroll systems.

Other potential problems mentioned by more than 10% of the companies were acceptance of the plans by employees, the possibility of additional costs, reduced Social Security benefits for lower-paid employees and the effect on other company savings plans. ■

Bache Group Inc.

a wholly-owned subsidiary of

The Prudential Insurance Company of America

has sold Bache Insurance Services, Inc. to

Jardine, Matheson & Co., Limited

The undersigned initiated this transaction and acted as financial advisor to The Prudential Insurance Company of America and Bache Group Inc.

The First Boston Corporation

March 3, 1982

Poll says 13% of firms to alter existing plans

NEW YORK—The Economic Recovery Tax Act has many benefit managers thinking about retirement savings plans.

And an increasing number of those benefit managers, many of them concerned about providing some type of retirement savings plan for their employees, are designing new plans or making changes in their existing profit-sharing or thrift plans to allow for tax-deductible employee contributions, according to a survey by the Human Resource Management Group, a subsidiary of Alexander & Alexander Inc.

Thirteen percent of the 221 companies responding to the survey said they would will permit voluntary deductible contributions to a new or existing qualified company savings plan.

At least 25% of all the employers surveyed said they would permit payroll deductible contributions to Individual Retirement Accounts; however, they said they would not endorse any specific financial company's plans.

Another 29% said they would advise their employees of retirement savings opportunities outside the company.

An employee can deduct a maximum of $2,000 in voluntary deductible contributions to an existing retirement plan.

Unlike an IRA, however, employees cannot deduct an additional $250 contribution to such a plan if they have a non-working spouse.

Thirty-three percent of the Fortune 1,000 companies surveyed said that they either have no plans for new programs or are taking a wait-and-see attitude.

Some of the companies that said they not currently planning to offer new or modify existing retirement savings vehicles said the are awaiting final Internal Revenue Service regulations governing salary reduction plans, expected later this year (see related story). ■

Houston cops considering professional liability cover

By STEVE SHERWOOD

HOUSTON, Texas—Houston police officers are exposed to more than knives and bullets while performing their 24-hour-a-day jobs.

They are also open to professional liability lawsuits and plan to buy insurance through the Houston Police Officers Assn. to protect themselves.

Although the city of Houston is responsible for actual damages awarded to third parties against its police officers, it is not liable for punitive damages. In light of several recent lawsuits, Houston police officers say they need liability insurance to cover these potential damages.

The association's board approved a proposed professional liability policy offered by broker Markel Insurance Services of Richmond, Va., and written by Dairyland Insurance Co. of Wisconsin, based in Scottsdale, Ariz.

The policy, if adopted by a majority of the 2,500 members, will provide $500,000 of liability insurance for premium of $130 a year per officer, says Bill Elkin, president of the Houston Police Officer Assn.

"A lot of members are interested because of suits for civil rights violations in civil court," Mr. Elkin explains.

Following one suit, an officer was ordered to pay $13,000 in punitive damages for incidents involving an arrest he made, Mr. Elkin says. The award is being appealed in the 5th U.S. Circuit Court of Appeals in New Orleans.

"The policy is designed to cover us for anything that occurs in the scope of our duties," Mr. Elkin points out.

"Technically, Houston police officers are deemed on duty 24 hours a day. On- or off-duty, we are mandated to take positive action against violations of the law," he says.

The Houston policy is different from other police professional liability policies on the market in that it is written specifically for the officers themselves, says John Norton, senior account executive for Markel Insurance Services. Most are sold directly to the municipality and are intended to cover city officials as well as police.

Also, the Houston Police Officers Assn. policy covers all risks, while many of the other policies cover named perils only, Mr. Norton explains.

"Apparently, the police officers felt they were in a situation where they never really knew if they were covered," he says. ■

College offers basic courses in insurance

NEW YORK—Two seminars on "Insurance for Non-Insurance Professionals" will be presented concurrently by The College of Insurance next month.

One of the seminars will cover property/casualty coverages and the other will explain life/health insurance.

Both of the seminars will be given April 25-28 at the Nassau Inn in Princeton, N.J.

The seminars are intended as an introduction for individuals like attorneys, accountants, personnel directors, communications specialists, engineers and other professionals who lack experience in dealing with insurance but who often come in contact with various coverages.

Starting with brief overviews of the world of insurance, both the seminars will study such areas as insurance contracts, coverages, benefit plans, financial aspects of company reserving, underwriting, rating and reinsurance.

A session on current issues, regulations and trends will complete the programs.

The tuition fee for either seminar is $495. Hotel expenses are not included.

For enrollment information contact Margaret Wilder, The College of Insurance, 123 William St., New York, N.Y. 10038. Please specify which seminar you would like to attend. ■

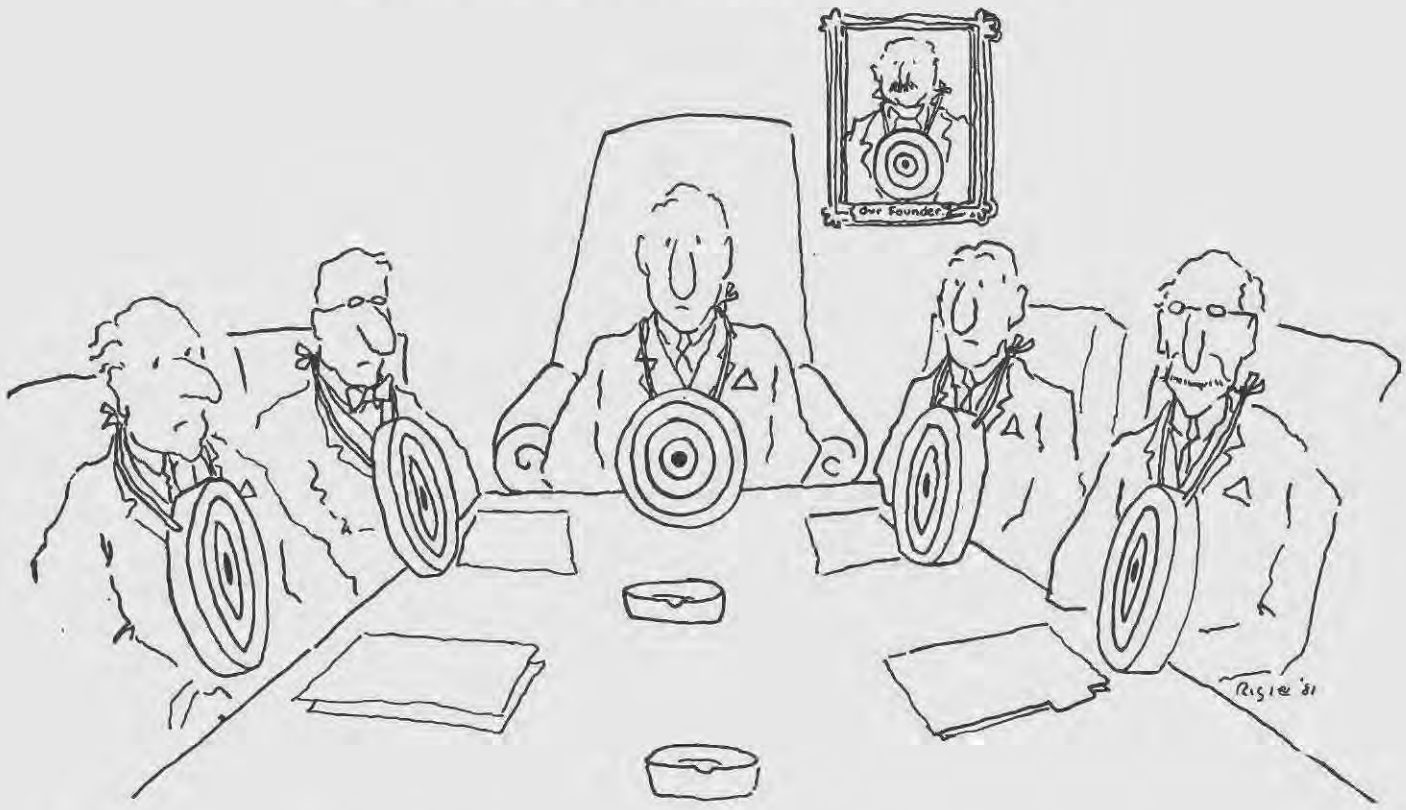
WHO?

....CAN insure the $500,000 a year executive against disability?
....CAN insure the Professional Sports team against Loss of Services of a star?
....CAN provide individual AD&D up to $15,000,000 (stunt men or executives)?
....CAN provide Disability Income for Jockey's and Harness Drivers?
....CAN provide up to $40,000,000 AD&D group aggregates?
....CAN insure against International Terrorism-War Insurrection?
....CAN provide Group Travel Accident or Voluntary AD&D for Accountants to Zinc & Lead Miners?
....CAN insure your clients "off-the-wall" accident and sickness exposures?

US! INTERNATIONAL ACCIDENT FACILITIES, INC.

15 BROAD STREET • BOSTON, MASSACHUSETTS 02109-3887
TELEPHONE (617) 742-6660 TELEX: 94-0241
Branch Office: SUITE 4-H • 3300 NORTHEAST EXPRESSWAY, ATLANTA, GEORGIA 30341-1332 TELEPHONE (404) 452-1311
Branch Office: SUITE 170 • 8204 ELMBROOK DRIVE, DALLAS, TEXAS 75247 TELEPHONE (214) 634-1861

Our D&O policy has covered some of the biggest targets in the business.



MGIC now extends D&O coverage to companies other than financial institutions.

For many years, MGIC's D&O liability policy has covered some of the toughest targets in the business: Financial institutions.

Now we're expanding and offering this same specialized protection to directors and officers in a wide range of businesses—both profit and nonprofit.

We've opened a Special Risk Division in New York to handle submissions for these types of risks. With this new facility, you can provide your executive clients with the sensitivity and service you've come to expect from MGIC.

Our Milwaukee office will continue to serve your financial institution clients.

If you'd like to know more about protecting your executive targets, contact your local MGIC representative. You may also call us directly at 800-221-3629 (in NY, 212-422-0520). Or simply return the coupon.

BI-3222

MGIC Indemnity Corporation
Special Risk Division
One State Street, 16th floor
New York, NY 10004

Send me more information about your corporate and nonprofit D&O protection.

Name/Title _____

Agency _____

Address _____

City _____ State _____ Zip ____

MGIC

Product liability, malpractice cases jump: Study

By STEPHEN TARNOFF

CHICAGO—The number of product liability and malpractice cases and the resulting damage awards increased significantly in the Chicago area over the last two decades, according to a study by a California think tank.

But the study, which examined civil jury trials and awards in Cook County, said plaintiffs in those two areas are still the "least successful" of any in cases that go to trial, winning less than 40% of the time.

Huge awards in a few cases also drive up the amount of the average award, the study says. For example, 15% of the winning plaintiffs took home 75% of the total amount awarded in all cases, it says.

"Most plaintiffs don't get rich trying lawsuits," said Dr. Mark A. Peterson, a lawyer and psychologist and the study's principal researcher.

"The study should give lawyers and litigants more information on what the likely outcome (of going to trial) will be."

The study, conducted by the Institute of Civil Justice, part of The Rand Corp. of Santa Monica, Calif., surveyed all civil jury awards in Cook County from 1960 to 1979.

Its findings both support and shatter myths about jury verdicts and awards in product liability, professional malpractice and worker injury trials, as well as other types of civil cases.

Chicago was chosen as the site of the study because data could easily be extracted from the Cook County Jury Verdict Reporter, a legal periodical.

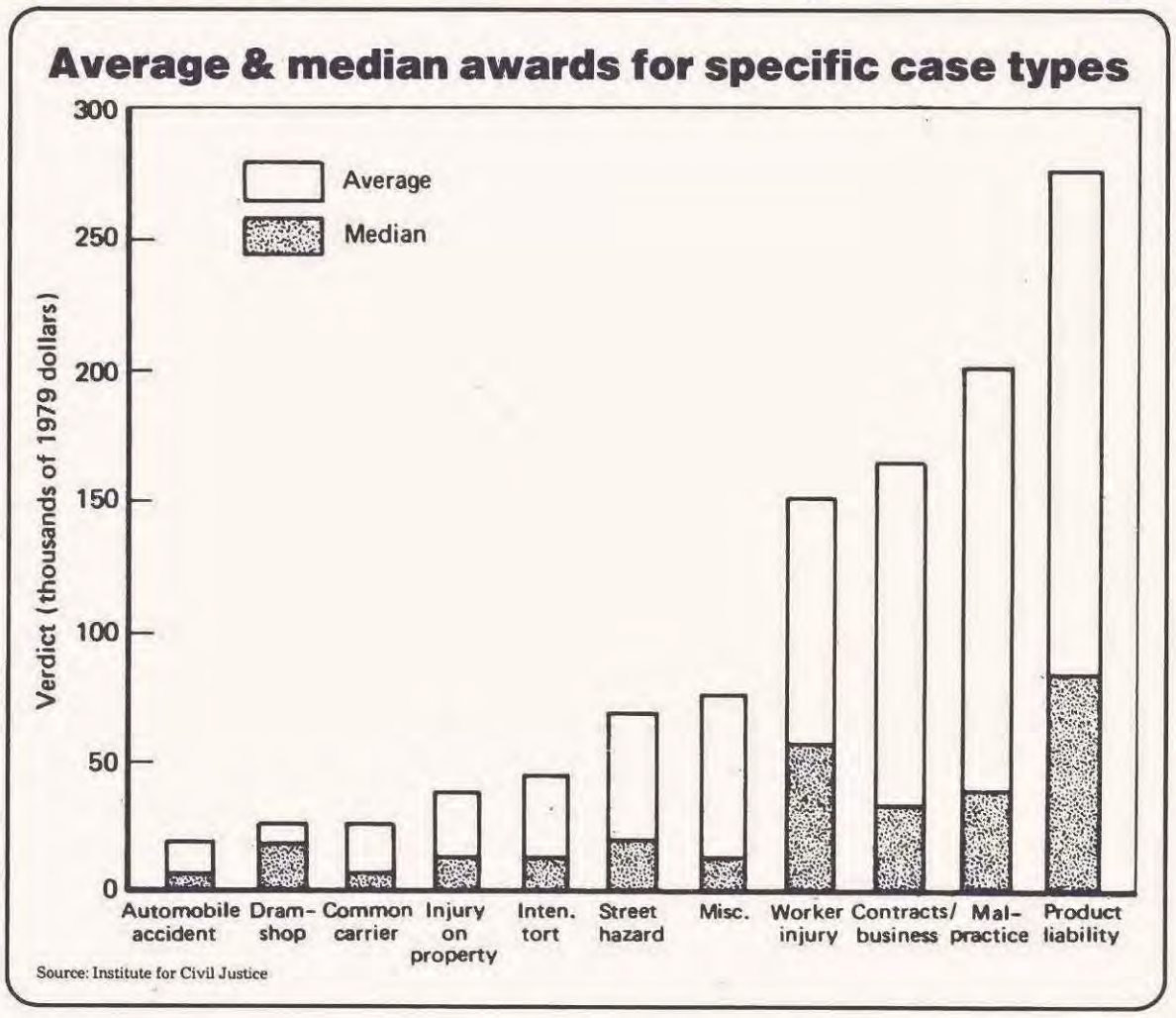
While the insititute says Cook County findings cannot necessarily be used to generalize what has happened in courts around the country, the study "will serve as a model for constructing similar data bases in other parts of the country," says Gustave H. Shubert, the institute's director.

The study surveys more than 9,000 cases, including all product liability and medical malpractice trials during the 20-year period.

According to the study, between 1960 and 1979:

- The number of product liability, malpractice contract and business tort trials increased significantly, even though the total number of civil trials dropped during the 1970s.
- The awards for the comparatively few product liability trials totaled almost as much as traffic accident trials, which made up two-thirds of all trials.
- Professional malpractice awards, 95% of which dealt with medical malpractice cases, increased 700% during the early 1970s before decreasing later in the decade.
- The proportion of trials won by plaintiffs, including those in product liability and malpractice cases, increased over the 20-year period.
- The average jury award doubled in the 1970s after showing almost no change during the 1960s.

While accounting for less than 5% of all jury trials between 1960 and 1964, product liability, medical malpractice, business torts, contract and miscellaneous civil trials made up 17% of the total between 1975 and 1979. Product liability and malpractice cases grew from 3.7% to 9.3% of the total caseload.



At the same time, product liability and malpractice plaintiffs were winning more often but were still among the "least successful" of all plaintiffs, Dr. Peterson said.

While the percentage of winning plaintiffs in such cases rose 11% over the 20-year period, malpractice plaintiffs won only 33% of the trials and product liability plaintiffs won 38% of the trials.

In contrast, plaintiffs in worker injury cases (where companies other than the employer were sued) won 63% of the time, the study says.

To a large extent, the enormous awards handed out to winners in product liability and malpractice cases are the reason the average jury award doubled during the 1970s, according to the study.

But the majority of winning plaintiffs were awarded relatively small judgments. The plaintiffs appearing before state and federal civil court juries won only a little more than 50% of the time and half of them received awards of less than $7,900.

Overall, Dr. Peterson said there was a "remarkable stability" to most of the statistics studied. "When you adjust for inflation, the size of most verdicts remains remarkably constant throughout the 20 years," he said.

"Most people didn't expect to see it. The impression was that the size of awards of most cases had gone up. In fact, that was not the case," he said.

Product liability

Over the two decades studied, the number of product liability cases increased in Cook County, with the proportion of cases won by plaintiffs and the size of judgments also rising.

Total judgments increased from less than $4 million between 1960 and 1964 to $33 million from 1975 to 1979. Product liability judgments comprised 24% of all judgments in the late 1970s, compared with only 6% in the early 1960s.

Half of the judgments in these cases exceeded $82,000 over the entire 20-year period. The average product liability judgment was $377,000 in the 1975-1979 period.

Despite the large verdicts, though, product liability accounted for only 4% of the trials from 1960 to 1979.

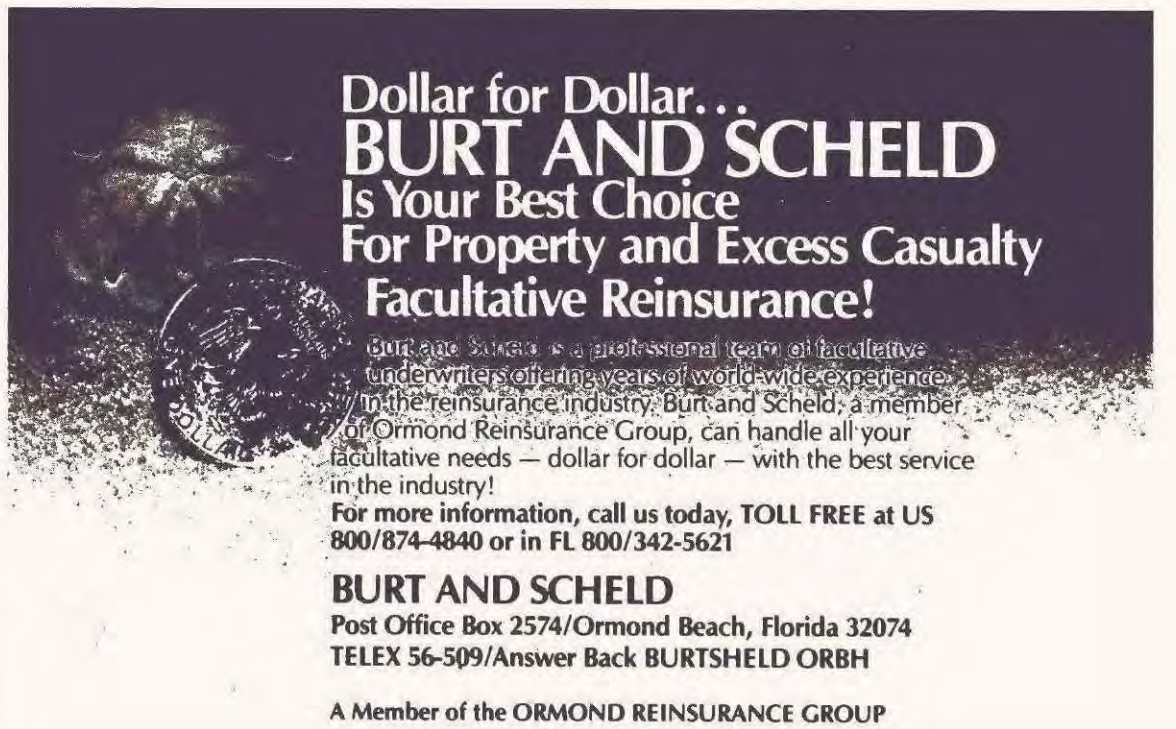
The study dispels the notion that product liability cases are automatic winners for plaintiffs.

"The trial of product liability cases represents a long shot for plaintiffs," the study says. "Most plaintiffs lose, receiving no judgment. However, those who win typically receive substantial judgments."

The study refrains from definitively stating whether strict liability in tort cases, which Illinois adopted in 1965, contributed to the increase in the number of cases, although it hints that the effect was not sub-

ScorRe
the Creative Difference

ScorRe
Dallas (214) 659-5555
Hartford (203) 525-2300
Chicago (312) 346-2189
or call 800 527-5855



stantial.

"Although we have not yet attempted a thorough test of the effects of this legal change, it is not apparent that strict liablity accounted for the major growth in product liablity cases," the study says.

"It seems unlikely that strict liability is responsible for the increase in either case volume or judgment size."

Malpractice

While malpractice cases made up less than 1% of all judgments and consisted mainly of small awards during the early 1960s, the size of the awards grew tremendously in the early 1970s.

Between 1970 and 1974, the average malpractice award was $377,000, 700% greater than the average during the previous five years. In 1974, malpractice awards averaged $845,000, and the eight plaintiffs who won were awarded one-fourth of the total amount of judgments made in Cook County that year.

Following 1974, the average amount of judgments "declined precipitously," the study says, possibly due to a short-lived restrictive law on malpractice awards or publicity about the malpractice crisis. The average judgment declined $160,000 from 1970-74 and 1975-79, the study says, mainly due to a drop in excessively high awards.

Worker injury

Although Illinois prohibits civil suits by employees against employers or fellow workers, suits can be brought by independent contractors or employees against job-site supervisors, general contractors, architects or property owners.

The study reveals that the number of worker injury trials remained constant from 1960 to 1973, followed by a steady decline that continued through the end of the decade.

But the average award increased steadily during the period. Between 1975 and 1979 worker injury judgments averaged $250,000, compared with $172,000 during the previous five years. And a higher percentage of plantiffs—more than 70% during some years—won their cases in the late 1970s.

"Injured workers have the best chances of any plaintiff for recovery and their average awards are among the largest of any type of suit," the study says.

The Rand Corp. study also looked at trials involving automobile accidents, common carriers, property owners, dramshop cases, contracts, street hazard cases and intentional torts.

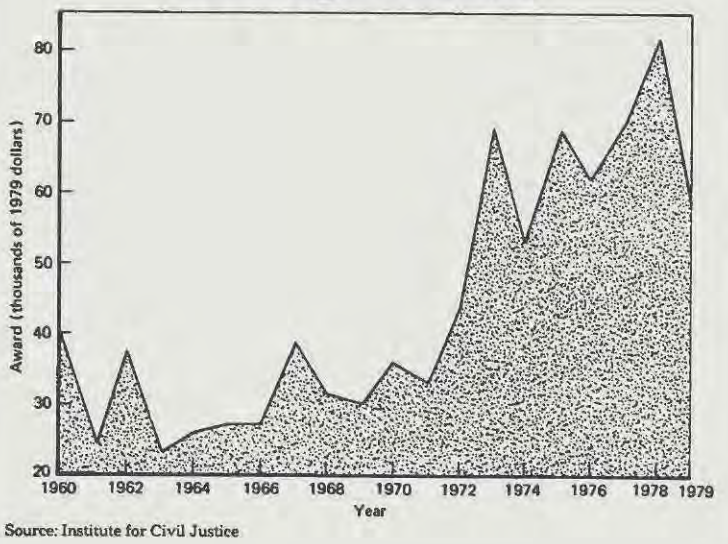
Dr. Peterson explained that while the number of lawsuits filed in Cook County increased during the 1970s, the number of jury trials decreased.

"There are a growing proportion of cases settled without going to trial," he said.

More than 95% of all lawsuits are either settled or dropped before trial, he says.

An average of about 1,200 civil cases were tried annually between 1966-68, but the average dropped to 814 from 1975-79. ■

Average awards



Source: Institute for Civil Justice

Catastrophe losses show little change in '81

LONDON—Property losses from catastrophes in 1981 were about equal to the losses incurred in 1980, but were less than the damage reported in 1979 when Hurricane Frederic slammed into the Southeast and caused $750 million in insured damage, according to Swiss Reinsurance Co. (U.K.) Ltd.'s 1981 catastophe list.

"Like the previous year, 1981 was characterized by a relatively high number of natural catastrophes, the loss amounts of which, however, were not as high as in the preceding years," the Swiss Re report says.

Natural disasters with large losses of life were reported in many countries. For example, 2,500 people were killed by flooding in China, 1,000 perished when a cyclone ripped through Bangladesh and 3,000 Iranians died in an earquake.

However, the insured property loses were small in each of these disasters.

Last year's most costly catastrophes were not natural disasters, according to Swiss Re, which compiled its figures from original documents, press reports, technical journals and the company's own estimates.

Marine insurers will pay out more than $400 million for 72 vessels trapped in the Shatt-al-Arab waterway because of fighting between Iran and Iraq.

The blowout in May of the Sedco 250 drilling rig off the coast of Angola will cost insurers more than $26 million, according to Swiss Re, although other sources say the loss could hit $110 million when well-control losses are tallied.

Although two airline crashes claimed more than 100 deaths each, the largest insured aviation hull loss in 1981 was $35 million for a Pakistan International Airlines DC-10 that caught fire while in a hangar.

Oil refinery fires in Great Britain and Kuwait and the fire at the Las Vegas Hilton Hotel were the three-largest fire losses last year.

The most costly property loss due to weather occurred in Oklahoma, Alabama and Texas, where damages from several tornadoes and hail storms could reach almost $200 million, the report says.

Tornadoes in Kansas and Colorado also caused more than $14 million in insured property losses.

Not all the heavy property damage occurred in the United States last year, according to the Swiss Re report. British snowstorms, which destroyed flocks of sheep and severely damaged greenhouses, caused more than $175 million in damages. ■

Coming Up!
Captives/Offshore

Issue Date: April 19, 1982
Ad Closing: April 6, 1982

New York:
220 East 42nd Street, N.Y. 10017 (212) 210-0133
Chicago:
740 Rush Street, IL 60611 (312) 649-5275
Los Angeles:
6404 Wilshire Blvd., CA 90048 (213) 651-3710

Reporting weekly for corporate risk, employee benefit and financial executives.

business insurance
a publication of Crain Communications Inc.

. . . symbolizing our 70 years in the specialty marketplace.

■

We'll back you . . . all the way.

Interstate National Corporation



Interstate Fire & Casualty Company
Chicago Insurance Company
Interstate Indemnity Company

55 EAST MONROE STREET, CHICAGO, ILLINOIS 60603
PHONE: 312/346-6400

Illinois open rating bill may be revived

CHICAGO—Backers of a competitive rating bill for workers compensation, now pending in the Illinois Legislature, are trying to move it out of the committee in which it stalled last year.

A hearing on S.B. 664, which is sponsored by state Sen. Aldo DeAngelis, R-Chicago Heights, and is still in the Senate Labor and Commerce Committee, was held March 10 in a Chicago suburb.

The intent of the open rating bill is to allow workers compensation insurers to compete for risks rather than file rates en masse as they do under the current prior-approval system.

The bill would:

- Prohibit insurance companies from agreeing to a common price.
- Prohibit agreements to adhere to the same formulas for discounts for adjusting premiums due to previous losses.
- Allow insurance advisory organizations to publish basic loss-experience and loss-prediction information gathered from all insurers to help insurers determine their own price schedules.
- Maintain an assigned risk pool to insure business that cannot otherwise gain coverage, with rates subject to approval by the Insurance Department.

Illinois Insurance Director Philip R. O'Connor testified in favor of the bill, which would be implemented over a three-year period, charging that business is "trapped in an outmoded system of workers compensation rate setting.

"The current law sanctions a system of cartel pricing that runs counter to every principle of economic activity that we try to live by in this country," he said.

The Alliance of American Insurers, however, challenged the assumption that the present workers compensation system is not competitive and argued that competition has been fostered by the present system of approved rating.

"The present system has helped create a balance between price competition through policyholder dividends and experience rating plans and premium discounts on the one hand, and intense competition in the claims, loss prevention and rehabilitation fields on the other," said Steve Millikan director of workers compensation for the Alliance.

Oregon, Minnesota and Michigan have passed competitive rating laws, while Georgia and Arkansas are said to be considering it.

around the states

Looking for insurer

MINEOLA, N.Y.—Nassau County is soliciting direct bids from insurers in hopes of reducing its property insurance costs.

The county, which hopes to buy coverage directly from an insurer, has set a June 11 deadline for proposals from prospective qualified underwriters. It hopes to find an acceptable underwriter before the current property policy expires Aug. 5 expiration date.

According to Stephen J. O'Connell, the county's insurance analyst, a prospective insurer must have an A+ rating from A.M. Best Co., have underwriting representation in Nassau or nearby counties and must be willing to handle some liability coverages.

Nassau County currently self-insures the bulk of its liability coverages, but it does purchase a $1 million liability policy to cover the new Nassau Community College complex. That policy is currently underwritten by Commercial Union Insurance Co.

"We're not bypassing the agency system," explains Mr. O'Donnell. "If an insurer tells us they would like to work through an agent or a broker, we will work through the insurer's agent."

This new approach, he says, "gives the county the opportunity to see the best possible renewal arrangement that can be made. It also allows the county to get a broader spectrum of submissions. Previously, we weren't getting that."

The county is seeking an underwriter for a $100 million blanket property coverage for more than 300 facilities—including the Nassau Coliseum, home of the New York Islanders—with a total estimated value of $864.8 million.

Primary property coverage is now underwritten by American Home Assurance Co., a member of American International Group. A second layer is provided by American Protection Insurance Co., a subsidiary of the Kemper Group.

The current property package costs $415,000 annually. Nassau County pays a $100,000 deductible.

While the county is seeking the same level of coverage it currently has, it may consider a policy with higher coverage limits and possibly a higher deductible, Mr. O'Connell says. The county is happy with its current insurers and would retain them if they submit the best proposal, he adds.

Malpractice suit

NEW YORK—New York Hospital has agreed to pay a structured settlement that could total $5.5 million to a former laboratory employee who went blind after physicians misdiagnosed her glaucoma.

Herbert Horowitz, attorney for Susie Kim, says the medical malpractice settlement is the largest in the state's history.

The hospital agreed to pay Ms. Kim, 45, a lump sum of $900,000 and $120,000 a year for life, plus an additional $1 million to be paid out in monthly intervals over the next 20 years. The first 20 years of payments are guaranteed.

The agreement came earlier this month, six years after Ms. Kim, a former chemical analyst with the hospital, complained of headache and pain in her eyes.

Ms. Kim, according to her attorney, was sent home from work after emergency room physicians diagnosed as the flu what was really an acute case of angle-closure glaucoma.

Mr. Horowitz says the eye disease could have been cured if properly treated within 48 hours.

Angle-closure glaucoma occurs when the iris of an eye becomes completely attached to the cornea, preventing the buildup of aqueous fluid from properly draining from the eye. Its symptoms include sudden blurred vision, followed by excrutiating pain and nausea.

Hoping to regain her sight, Ms. Kim, who worked at the hospital for 18 years, began a series of restorative measures that included 12 eye operations and six laser beam treatments. Restorative and rehabilitation treatment has cost her more than $25,000, Mr. Horowitz says.

Rate cut pending

JEFFERSON CITY, Mo.—State workers compensation insurers have requested state approval for an average 11.1% cut in the rates Missouri businesses pay for the coverage.

The proposed decrease would be applied to policies purchased or renewed on or after April 1. It is based on recent data and insurer experience that justifies a rate cut, according to a spokesman for the National Council on Compensation Insurance, which prepared the filing for the insurers.

The proposal seals an average 14.1% decrease for manufacturers, an average 11% decrease for contractors and an average 9.3% decrease for other businesses.

Insurers fined

TALLAHASSEE, Fla.—State Insurance Commissioner Bill Gunter has fined 11 insurance companies that do business in Florida a total of $33,000.

Among those fined are Integrity Insurance Co. of Paramus, N.J., which will have to pay $9,000 for alleged deviations from the company's filed and approved rate. The company allegedly sold more than 100 bowling alley policies in which it excluded premium charges.

Other companies fined include Glen Falls Insurance Co., Boston Old Colony Insurance Co., Fidelity & Casualty Co., Fireman's Insurance Co., Phoenix Assurance Co. and Niagara Fire Insurance Co., all of New York; International Insurance Co. of Morristown, N.J.; John Deere Insurance Co. of Moline, Ill.; and United States Fire Insurance Co. of Morristown, N.J.

All the judgments were entered following joint settlement stipulations, which do not constitute admissions of guilt.

Comp hike proposed

BIRMINGHAM, Ala.—State workers compensation insurers have requested a 10.2% rate increase due to the high cost of providing benefits to victims of occupational injuries.

The proposed increase would be applied to policies purchased or renewed after Feb. 28.

Seeking rate increase

LITTLE ROCK, Ark.—Workers compensation insurers in Arkansas are asking for a 6.6% rate increase to offset the costs of benefit increases approved by the state Legislature.

The increase, according to the National Council on Compensation Insurance, a ratemaking body, results from a rise in the maximum weekly benefit to $154 from $140, effective March 1.

The proposed increase would apply to policies purchased or renewed on or after March 1. ■

ON TARGET with E & O

When it comes to Errors and Omissions Insurance, J. H. Ferguson & Associates really "hits the mark" for producers! We provide the very best coverage obtainable with the security of a top-rated market. We write E & O on a primary basis using either a claims made or occurrence form. Limits are $1,000,000 each claim/$1,000,000 aggregate, with higher limits available.

We are specialists in "one of a kind" E & O risks and are interested as well in the following types of situations: Abstractors, Testing Laboratories, Appraisers, Associations, Claim Adjusters, Collection Agents, Computer Firms/EDP Software, Consultants, Contests or Lotteries, County Clerks, Court Reporters, Data Processors, Escrow Agents, Home and Insurance Inspection Services, Printers, Process Servers, Repossessions, Tax Services, Answering Services, Employment Services, Travel Agencies and Translators.

J. H. Ferguson & Associates represents an admitted market in California and Illinois. For a competitive quotation and additional information regarding this coverage, please contact your local wholesaler.

J. H. FERGUSON & ASSOCIATES

SURPLUS LINES UNDERWRITING MANAGERS

P.O. Box 3016 • Evanston, Ill. 60204
Telex 206-585

ISI

IDEAS and new concepts

INDEPENDENCE and no conflict of interest

SERVICE and prompt answers

Example: ***Systems Performance*** insurance now available from ISI for third or first party coverages.

Find out what else ISI can mean to you by way of timely, fresh solutions to current Property or Casualty problems. Call us today.

ISI CORPORATION
EXCESS AND SPECIAL RISKS—SURPLUS LINES
676 St. Clair Chicago IL 60611
(312)787-4821 Telex 25-3566

EXECUTIVE & EMPLOYEE BENEFIT PLANS, INC.

Self-Funded Employee Benefit Specialists Since 1959

• ON LINE CLAIMS ADMINISTRATION • EXCESS REINSURANCE
• COMPLETE ADMINISTRATIVE SERVICES • LIFE, L.T.D, DENTAL, MEDICAL

Contact: C. Jeffrey Wintersteller
Vice President · Sales
2025 Riverside Drive, Columbus, Ohio 43221
(614) 481-8393

ATLANTA · BOSTON · CHARLOTTE · CINCINNATI · CLEVELAND · COLUMBUS · HOUSTON · MIAMI · ORLANDO

'Test-tube'

Continued from page 3

it requested information on. She said the claim is being studied but added that Metropolitan does not cover claims for artificial insemination.

"We haven't received a bill (from the Carrs) so we haven't faced the issue," said Richard D. Twomey, manager of the GE account at Blue Cross of Massachusetts (Mr. Carr works at a GE plant in Massachusetts).

But he added, "It (in vitro fertilization) is a big issue; it's not going to go away."

Mr. Twomey noted that some of the diagnostic tests used to select in vitro fertilization candidates can be performed in a doctor's office and, therefore, would not be included in the Blue Cross hospitalization coverage.

A spokeswoman for the Chicago-based Blue Cross & Blue Shield Assns. said she knows of no member plans nationwide offering coverage for IVF.

"We're recommending that it's still investigational," said Arlene Flom. "It's not entirely accepted as a normal procedure."

She said the Blues' medical advisory committee first considered the question about 2½ years ago and reviews its position periodically.

Transamerica-Occidental Life Insurance Co. of Los Angeles said it probably would regard IVF as treating the symptom of infertility rather than the cause. It would deny coverage on the basis that "it does not remedy the source of the illness."

"Our general policy is we will cover all the work done by a physician with regard to discovering the cause of the sterility and the hospital and other charges associated with the delivery of the child. . . .The impregnation itself is not treatment of an illness or injury," explains Richard T. Hedlund, second vp of group policy benefits.

Aetna Life Insurance Co. and John Hancock Mutual Life Insurance Co. said they do not regard infertility as a sickness or disease and, therefore, do not cover treatments for it under standard policy language.

Prudential Insurance Co. of America agrees with The Travelers that infertility qualifies as a sickness, but Prudential says IVF is experimental and not yet reasonable or customary for insurance purposes.

Prudential wrote letters in June 1980 to in vitro fertilization clinics at Norfolk and New Haven, Conn., expressing that view, says Joseph N. Maginnis, a senior claims consultant in the actuarial department.

"If five years down the road this thing becomes as common as bottled beer, who knows where we'll be," he says.

Mr. Maginnis also says requests for coverage from major group medical customers might change the picture.

"If an American Cyanimid or an IBM comes to us and says, 'We want to cover in vitro and we want a rider and we're willing to pay for it,' we'd probably write it," he says.

The Hartford Insurance Group says only that it doesn't currently cover IVF expenses "because it is still experimental and only about 5% successful."

That figure is disputed by Dr. Anne Colston Wentz of the Center for Fertility & Reproductive Research at the Vanderbilt University School of Medicine in Nashville, Tenn. She says the rate of successful impregnations per procedure has risen to 26%, rivaling Mother Nature's rate among fertile couples.

She also argues the procedure has moved beyond the experimental stage and should now be classified as "innovative therapy," similar to some types of cancer-drug therapy or artificial limb implantations covered by insurance.

The Equitable Life Assurance Society in New York, another large group health insurer, says it would pay IVF claims if a major, experience-rated customer requested that it do so.

However, because the incidences of test-tube babies have been so few, it has not taken any steps yet to rerate its policies to offer the coverage, says James T. Glynn, vp of marketing for group insurance. He added smaller plans wouldn't have the option without paying additional premium.

Two other insurers, New York Life Insurance Co. and CNA Financial Corp.'s Continental Insurance Cos., say they will handle claims for IVF coverage on a case-by-case basis.

"It's a very interesting situation," says Malcolm McKay, New York Life's senior vp for external relations.

Connecticut General Insurance Co., the large group health insurer that is about to merge with INA Corp., said it has received no claims and has no policy.

A spokeswoman for Mutual of Omaha Insurance Co. also says that insurer has received no claims and had no policy, but would review the question if asked by a group customer.

Figures on the number of infertile couples who could benefit from IVF are based on a 1977 U.S. Census Bureau study that counted 17.1 million married couples in the nation between the ages of 14 and 44. Of those, estimates Dr. Wentz, 10% to 15% are unable to have children and 450,000 to 850,000 of them might be helped by IVF.

The number of clinics offering the IVF procedure appears to be on the increase.

The pioneering In Vitro Fertilization Clinic at Eastern Virginia Medical School in Norfolk has sucessfully implanted fertilized eggs in about a dozen women.

A similar clinic is run at Los Angeles County Hospital by a physician from the University of Southern California School of Medicine. It has a waiting list of about 300 couples and has performed the procedure on 18 or 20 women with the first woman due to deliver a child in late May or early June.

Officials there say they can recall an instance in which a local Aetna office paid a claim for IVF costs. Aetna's main office says if that happened, it was a mistake.

The clinic in Nashville run by Dr. Wentz has 300 screened patients awaiting the procedure.

More clinics are being developed in Houston and San Antonio, Texas, and at the Yale University Medical School in New Haven, Conn.

Worldwide, 100 test-tube babies are expected to be born this year.

IVF is three-step procedure. First, an egg must be extracted from a woman's ovary. This is done by the use of a laparoscope—a small, periscope-like instrument that enables a physician to peer through a puncture hole in the abdomen wall. Using the laparoscope, the physician guides an even tinier, hollow needle through a second puncture hole to withdraw fluid—hopefully containing the microscopic egg—from the woman's ovary.

In the second step, the egg is placed in a laboratory dish full of fluid and united with a sperm. It is watched carefully over a period of about 48 hours to see if it begins to divide normally. Then, it is reinserted into the woman's uterus through the vagina.

Laparoscopy is considered to be minor surgery and it is used in a variety of other procedures, including removal of ovarian cysts. For this reason, insurers often pay claims for surgery that includes laparoscopy. Dr. Wentz and others argue they also should do so when the purpose is IVF. ■

OUR PAST. FAST!

Business Insurance offers you a new and vital service . . . the BI Editorial Index.

It's ideal for reference and research, a fast, easy-to-use, and thoroughly invaluable tool for corporate risk, employee benefit and financial executives and their corporate libraries.

When you need immediate access to pertinent information with which to make decisions or respond to management's needs, avoid flipping through back copies and turn to the BI Editorial Index. The simple, integrated format by subject, persons quoted and companies mentioned, lists every article, happening, and breakthrough reported in the weekly pages of Business Insurance.

BI covers all the information you need. The BI Editorial Index chronicles that data for you: • risk management news/features • employee benefits news/features • property/casualty topics • legislation • financial news • market trends • losses and claims settlements • and much more.



Send now for this indispensable time saver. The first annual Editorial Index for 1981, in hardcover, is just off the presses. It sells separately for $95.00. Buy the 1982 full subscription, including three quarterly reports plus the cumulative annual for just $75.00. Or save $20.00 with the combined 1981 and 1982 subscription for $150.00. (Foreign postage is additional.)

Here's an important extra. Subscriptions to the Index also include access to the Crain Information Centers in New York and Chicago between publication of quarterly reports. Mail the coupon today. If time is money, you're about to save a bundle.

business insurance

a publication of Crain Communications Inc.

Business Insurance Editorial Index
220 E. 42nd St.
New York, N.Y. 10017

☐ Send me just the 1981 Index
☐ Send me just the 1982 Full Subscription
☐ I want to subscribe to both 1981 and 1982

☐ Bill me ☐ Bill my company

Name_____ Title_____

Company _____

Address _____

City_____ State_____ Zip_____

Phone _____

More firms to self-insure benefits: Poll

Continued from page 3
their employee benefit programs by 1985.

Current plans place heavy emphasis on traditional benefit offerings, with virtually all companies providing life and medical insurance. The percentage of participating employers also offering other benefits include:

- Short-term disability income, 78%.
- Long-term disability income, 76%.
- Dental expenses, 60%.
- Executive life insurance as a separate plan, 35%.
- Vision care, 17%.
- Mortgage assistance, 10%.
- Group auto, 6%.
- Legal services, 3%.
- Group homeowners, 2%.

By 1985, many employers will add several key options to their plans.

The percentage of surveyed employers offering vision care benefits is expected to grow to 47% by 1985. Eighty-seven percent of the employers will be offering dental care by the middle of the decade.

Currently, 6% of the employers said they have a flexible or cafeteria-style benefit program allowing employees to choose their benefits from several different options. However, by 1985, 25% of the employers surveyed expect to have flexible benefit programs.

This trend is especially noticeable among large employers. Of those companies with 3,000 or more employees that do not have cafeteria plans, 28% expect to make the switch by 1985. At the other end of the scale, however, only 9% of those firms with 499 or fewer workers expect to adopt the cafeteria-style approach.

Executive life insurance, currently offered by 35% of the survey participants, is expected to be offered by 50% by 1985.

Not all benefit options will grow at this pace, however. Group auto, for example, will only grow to 15% by 1985. Mortgage assistance will grow to only 13%, legal services to 11% and group homeowners to 6%, according to the survey.

The benefit consultants and advisers surveyed agree with the employers' predictions on which benefits would grow most rapidly.

Many companies also can be expected to make significant moves toward self-insured benefit programs, although the study did not determine whether this trend was in response to rising benefit costs alone.

"The trend toward self-insurance results from a trend of management to review all aspects of their operations, not just an attempt to offset health care costs," notes Mr. Roll.

Some 83% of the survey participants fund their benefit programs through an insurance company, with 70% in a fully insured program.

An additional 21% are in minimum premium plans, an arrangement where the employer pays only a small percentage of his annual premium and then establishes a reserve fund used to pay claims.

About 38% of the participants self-insure their programs, with 23% selecting an insurance company to administer claims, 10% choosing a third-party administrator and 12% self-administering.

These totals include "multiple mentions" by many employers who use both insurance and self-insurance mechanisms in the same plan.

By 1985, some 55% of the participants expect to self-insure either a portion or all of their benefit plans.

Thirty-one percent expect to use an insurance company as the plan administrator, up from 23%; 16% will use a third-party administrator, up from 10%; and 19% will handle their own claims, up from 12%.

Those employers relying on insurers will drop to 64% by 1985. Fully-insured programs will drop drastically to 48% from 70%, while minimum premium plans are expected to increase slightly from 21% to 22%.

However, this movement toward self-insurance varies depending on the size of the company.

While 67% of those companies with 3,000 or more employees expect to self-insure all or a portion of their benefit plans by 1985, only 41% of employers with 499 or fewer workers expect to make a similar move.

The benefit consultants and advisers surveyed agreed that the most growth in self-insurance will be among the larger companies. ■

Bill seeks federal disease fund

Continued from page 2
turers' fears federalization of occupational disease claims could lead to a complete government takeover of the workers compensation system. The group says, though, it will at least examine the bill for possible merits.

The Alliance of American Insurers predicts the legislation could lead to federal regulation of insurance. The insurance industry definitely is not wild about Rep. Miller's bill, said an Alliance spokesperson.

The proposal calls for occupational disease claims to be filed with the Office of Workers' Compensation Programs of the U.S. Department of Labor, a department already established under the Longshoremen's and Harbor Workers' Compensation Act.

The bill creates no federal liability for the payment of benefits. Instead, if the worker's last employer employed him or her for at least two years and exposed that worker to asbestos or uranium ore, that employer is "responsbile" for the payment of benefits.

"Responsible employers" will be able to insure their liability under the bill or qualify as self-insurers, says Rep. Miller.

But, where the last employer is not responsible, the bill eliminates going back in the employment chain to identify an earlier "responsible" employer.

In those cases, liability for the payment of benefits will be assigned to a compensation fund, which will be financed by annual contributions from employers who expose workers to asbestos or uranium ore and asbestos manufacturers or importers.

Liability lawsuits filed against asbestos manufacturers before the effective date of the law could proceed, but damage recoveries in such suits would be reduced by the compensation received by the worker or his survivor under the act.

If the bill becomes law, no new suits would be permitted against asbestos manufacturers who participate in the compensation fund, says Rep. Miller.

The bill also provides an industry-funded program for surveillance of workers who have been exposed to asbestos or uranium ore and a program of medical research to help reduce the exposure.

There are two other occupational disease bills pending in Congress, but both bills have been dormant since their introductions in October and December.

One of those bill's sponsors—Rep. Millicent Fenwick, R-N.J.,—is co-sponsoring Rep. Miller's bill, apparently because his proposal has a better chance of becoming law. Rep. Miller is chairman of the House Labor Standards subcommittee, to which his bill has been assigned.

The bill introduced by Rep. Fenwick would apportion the claims cost associated with asbestos-related diseases between the manufacturers, employers and tobacco companies (*BI*, Jan 4).

Under that bill, H.B. 5224, the government would have no financial responsibility, but the Department of Labor would administer the proposed compensation fund and have authority over adjusting costs between the responsible parties.

Another Health Hazards Compensation Act, introduced in October by Sen. Gary Hart, D-Colo., sets a federal benefit standard for asbestos-related disease claims for each state's workers compensation system to administer. It also mandates that the system be the sole remedy for disabled workers seeking compensation for injuries from asbestos (*BI*, Oct. 26).

There is a feeling among employer representatives that none of the bills introduced to date, including Rep. Miller's, has a good chance of becoming law.

"The U.S. Chamber of Commerce is opposed to a federal benefit program for job injuries or occupational disease," says Eric Oxfeld, the chamber's associate director of employee benefits.

"Miller's bill is a misguided proposal," he said, adding, "I just don't think it even has the support to warrant a fight. If there were a serious threat, the Chamber would mount an all-out attack," he said.

The National Assn. of Manufacturers, which has 12,000 members, is re-evaluating its opposition to legislation that creates a federal compensation program for occpational disease claims, says Dan Vannoy, associate director of product liability for the NAM.

"But, we're still not convinced workers aren't being compensated for occupational disease under each state's workers compensation system," he added.

"We're fearful the bill could be used so that employers down the road could be providing compensation to society on a whole, people who happen to work and become ill," said Mr. Vannoy.

He criticized Rep. Fenwick's and Sen. Hart's bills for being a "piecemeal" approach to resolving the problem of compensation for workplace exposures.

"If anything, Rep. Miller's bill is more of a comprehensive approach to the problem," he said. The NAM membership is slated to discuss the various proposals at its spring conference, he added.

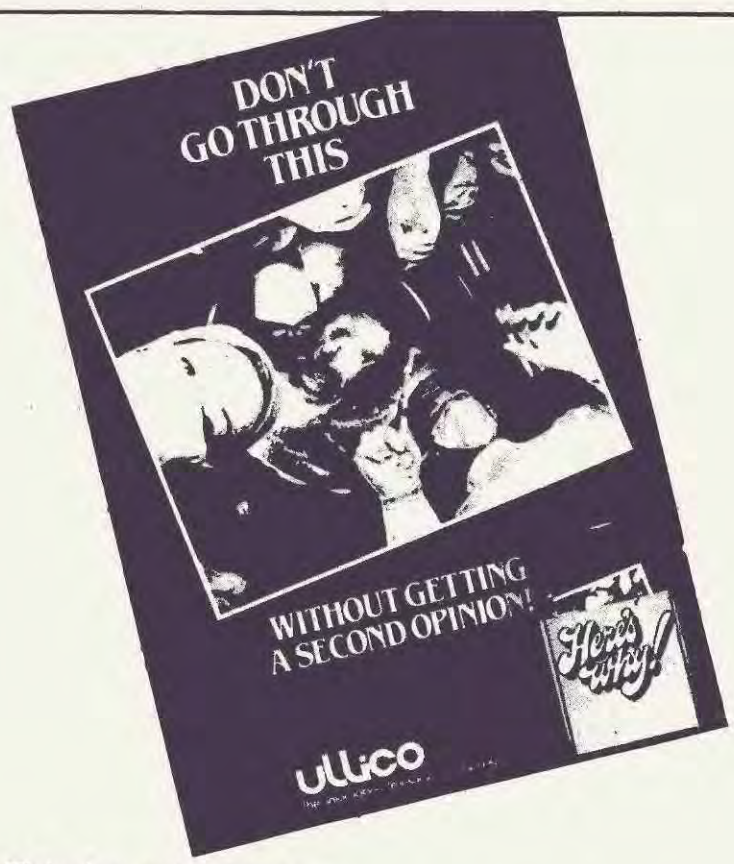
The Alliance of American Insurers doesn't believe Rep. Miller's legislation is needed, says Thomas O'Day, government relations officer for the insurance industry group.

"Occupational disease claims can be filed under every state's workers compensation system," said Mr. O'Day.

Only 11% of the workers with asbestos have filed for workers compensation and 90% of those that file get workers compensation, he said.

But, Dr. Irving J. Selikoff, a leading occupational disease expert at Mt. Sinai Medical Center in New York who testified in favor of Rep. Miller's bill, says he has found differently.

He discovered in a study of 1,000 occupational disease-related deaths that few individuals or survivors of those who suffered asbestos-related disease ever received workers compensation. ■



This dramatic poster—
together with the attached "take-one" leaflets—
present a powerful case for second opinions
when it comes to non-emergency surgery.

Promoting that story to participants in
your Health Insurance Program, helps them—
and helps *you* cut your health insurance costs.

We will be happy to supply quantities of
both poster and leaflets on request.
Without charge or obligation. Simply contact our
Public Relations Department.

ullico
the union labor life insurance company
850 Third Avenue, New York, N.Y. 10022

High health plan deductibles unusual: Study

Continued from page 3

Other key findings include:

- More than eight of 10 companies offer capital accumulation plans including thrift, matched savings or subsidized stock purchase plans.
- Nearly half of the companies include bonuses in computing an employee's pension benefit.
- Almost 90% of the companies base a salaried employee's pension benefit on the highest average pay over a three- or five-year period.
- Dental insurance plans continue to expand, with 78% of employers offering the benefit and 49% paying the entire premium.

The Hewitt survey reveals the enormous growth of capital accumulation plans as employers have tried new ways to beef up retirement income as inflation has nipped away at the value of employee's pension benefits.

A whopping 86% of the large companies offer capital accumulation plans. "They've become the 'go-go' plans because they give employees a chance to save," according to a Hewitt Associates spokeswoman.

The most popular capital accumulation plans include matched savings/thrift plans, which were offered by 58% of employers; profit-sharing plans, 22%; Tax Reduction Act Stock Ownership Plans (TRASOPS), 29%; and subsidized stock ownership plans, 7%.

Some 49% of employers with pension plans include annual bonuses in the formulas they use to compute an employee's pension benefit. "We'll see this percentage rise in the future as employees more and more consider bonuses as part of their pay," she said.

Pension plans have become almost universal among larger firms, with 96% of the companies providing them.

In addition, more companies are overhauling their benefit formulas to give retirees more protection from inflation. For example, 89% based an employee's pension benefit on the highest average salary over a three- or five-year period.

Just 9% of the firms base salaried employees' pensions on their career average salaries. A career average pay formula offers less protection against inflation because the benefit usually is skewed downward to reflect an employee's first years of employment when the salary tends to be much lower.

More than 80% of the companies with pension plans require an employee to work 10 years before earning the right to a benefit, while 15% offered other vesting schedules.

Just 9% of the firms require employee contributions to their pension plans.

However, the percentage of employees actually contributing to pension plans is expected to rise because of the favorable tax treatment voluntary employee pension plan contributions now receive, a Hewitt spokeswoman speculates.

Under the Economic Recovery Tax Act of 1981, employees may deduct up to $2,000 a year from their federal taxes for voluntary contributions to their employers pension plan or to an Individual Retirement Account.

Some 43% of employers require an employee with 30 years of service to wait until age 65 before he or she can retire with a full benefit; 36% of employers offer full retirement benefits at age 62, while 14% offer full pensions to employees when they reach 60.

> "Capital accumulation plans have become the 'go-go' plans because they give employees a chance to save," a Hewitt Associates spokeswoman says.

By contrast, under the federal civil service program, an employee with 30 years of service can retire at age 55 with a full pension. Just 5% of major employers match that provision in their pension plans.

A surprising 56% of the companies surveyed provide life insurance benefits equal to or less than two times an employee's annual salary. This low life insurance level could be because of the rise of single wage earners in the workforce who don't need as much life insurance protection as employees with families.

Sixteen percent of firms provided maximum life insurance benefits of less than $50,000; 7% provided between $50,000 and $99,999; 8% offered between $100,000 and $199,999, while 7% of surveyed firms offered maximum life insurance benefits of between $200,000 and $299,999.

In addition, 34% of companies did not impose dollar maximums on life insurance benefits, a feature that appeals most to corporate chief executive officers who often make more than $200,000 a year.

Of the companies that offer life insurance plans that require employee contributions, 54% charge a flat rate regardless of an employee's age, while 36% base their rates on an employee's age.

Some 51% of employers don't begin to reduce life insurance benefits until an employee reaches 70. However, 24% of employers with non-contributory life insurance plans reduce benefits by a flat percentage at age 65, while 26% use other reduction formulas when an employee reaches 65.

Just 5% of the companies paid the full cost of dependent life insurance, while 28% offered the benefit on a contributory basis. Sixty-seven percent of the companies didn't offer life insurance coverage for employees' dependents.

Most companies with long-term disability plans limit benefits to less than 65% of salary.

Ten percent of the companies with LTD plans limit the monthly maximum monthly benefit to $2,000 or less; 11% limit benefits to between $2,001 and $2,500, while 18% cap monthly LTD benefits at between $2,501 and $3,000.

In addition, 30% of firms with LTD plans don't impose dollar maximums, a provision that benefits the highest-paid employees.

Nearly all—91%—of the major employers surveyed curtail LTD benefits at age 65 for illnesses that occurred before age 60. Less than 1% halt benefits at age 62, while 2% of employers capped LTD benefits at age 70.

In addition, 48% of employers required their employees to pay at least part of the LTD premium, while 52% paid the entire premium.

Some 78% of surveyed employers offer dental insurance plans. More than nine of 10 plans limit the annual maximum dental benefit to $1,000.

In addition, 34% of the plans impose deductibles, while 42% sometimes require deductibles depending on the service performed. For example, some plans waive deductibles for preventive services. Twenty-four percent of the plans don't impose deductibles.

About half of the employers pay the full cost of their dental plans. Another 31% require contributions for employee and dependent coverage, while 20% require employee contributions only if the employee's dependents are covered under the plan.

Employees who've been on the job at least five years usually receive at least three weeks of vacation. Those with 15 years of service often are entitled to at least four weeks of vacation.

Employees with more than 35 years of service are most likely to receive between five and 5.8 weeks of annual vacation.

●

Copies of "Salaried Employee Benefits Provided by U.S. Major Employers" are available from Hewitt Associates, 100 Half Day Road, Lincolnshire, Ill. 60015; 312-295-5000. The cost is $25 per copy.

The Specialists for
Run-off and Loss Portfolio Reinsurance

Pinnacle
Pinnacle Insurance Company Limited

Barclays International Building
Church Street, P.O. Box 1801
Hamilton 5, Bermuda.
Telephone: 809-29 2-8600
Telex: 3572 ASSUR BA

Total assets exceed US $90,000,000

Net assets exceed US $25,000,000

Medical cost hikes creating new duties

Continued from page 1
company's top brass but also to employees. This person also must be able to negotiate wisely with health care providers and get along with other area employers with whom he or she may have to work in coalitions to effect changes.

"The need to contain benefit costs is opening up a whole new scene for employee benefit professionals," said Sarah Gingrich, manager of employee benefits at Levi Strauss & Co. "We're charting new territory."

In addition to her benefit management responsibilities, Ms. Gingrich represents the apparel manufacturer in a coalition of 20 San Francisco companies that are meeting to attack the problems of rapidly increasing health care costs.

At Levi Strauss, one staff member in the benefit department is responsible for researching cost-containment issues and health promotion. The person reports to the manager of health and welfare plans.

"There's a growing recognition on the part of employers that there needs to be a corporate health care strategy," said Willis Goldbeck, executive director of the Washington Business Group on Health.

"Companies need a position that deals with health care issues on a broad basis—not just administering benefits and claims," he continued. "There needs to be someone who can work with health care providers and communicate changes (in benefit plans) to employees."

The creation of health care management positions has resulted in expanded roles for benefit managers and medical directors, according to Joe Rosman, senior consultant and project manager on health care cost containment for A.S. Hansen Inc.

A health care manager works with both benefits and medical departments. "Often it's a matter of getting two groups together that haven't spoken to each other," Mr. Rosman said.

"For benefit managers, it means doing more than coordinating insurance; it's working with health care providers in the community to hold down costs," Mr. Rosman continued. "For medical directors, it's a chance to be involved in health education and coordination of counseling services or wellness programs for employees."

"There's no question that it's an evolution of the benefit responsibility," said Ron Hurst, describing his position as manager of health care planning at Caterpillar Tractor Co. in Peoria, Ill.

"I'm responsible for controlling and containing the cost of our health care program and finding alternatives to the existing health care delivery systems."

Mr. Hurst has been in his position three years; both he and the employee benefit manager report to the manager of compensation at Caterpillar.

Since the company is largely self-insured for health benefits and administers benefit claims itself, "we have maximum flexibility and have been able to make some changes in the process that have saved us money," Mr. Hurst said.

"We've picked out claims that seemed out of line and taken them to local or county medical societies," he said. The medical societies have taken the offending physicians to task, he added.

Caterpillar also contracts with health professionals like surgeons or laboratory technicians who act as consultants in monitoring claims in their area of specialty. "We use them to train our claims processors in professional jargon," Mr. Hurst said.

The manager of health care planning works with the labor relations department on changes in benefit plans. "We don't want to decrease in any way the quality of our benefit program or to blame anybody for the cost increases," he said.

At Owens-Illinois Co. in Toledo, Ill., a glass, corrugated and plastic container manufacturer, Dick Hanley, vp and director of personnel, is on special assignment. His job is to work with the company's benefit manager, Tim Williams, to develop a strategy for containing health costs.

"It's something we've never done before," Mr. Hanley said.

But he thinks it will catch on. "In the future, benefit managers will have a broad view of the picture," he predicts. "They will be thinking cost-effectiveness and prevention whenever a new benefit suggestion comes up." And health care management positions will continue to complement benefits administration.

The Owens-Illinois cost-containment plan was endorsed late last year by the corporate chairman, the presidents of the domestic and international operations and four other high-level corporate officers.

Among the nine objectives of the plan are to curb the company's health care costs, which have increased 71% per employee over the past five years.

"We're going to be educating employees through pamphlets and literature in the mail and meetings at worksites, trying to encourage them to use their benefit plan in a more cost-effective way," Mr. Hanley said. "We're also considering incentives to use outpatient health services."

Other options under consideration include offering fitness classes, aerobic dancing and smoking cessation programs.

Owens-Illinois is part of a business coalition with other Toledo-based corporations, among them Dana Corp., Owens Corning Fiberglas Co. and Libbey-Owens-Ford Co. These companies are working with the medical community to develop a utilization review procedure for area hospitals.

"We believe it's on the local level that you can begin to contain costs," Mr. Hanley said.

At Atlantic Richfield Co. in Los Angeles, Arnold Glassman, manager of benefit communications and programs, is working with a consultant on health care cost containment as a prelude to creating a full-time position with those responsibilities.

"Right now we're working with Aetna Life & Casualty Co., which insures about half our employee benefits program to develop a data base," Mr. Glassman said.

As chairman of the Los Angeles Business Coalition on Health Care Costs, he's encouraging other local employers to share benefit claims data, Mr. Glassman said. "If we get a good data base, we've got clout with the providers.

"We want cooperation, not an adversary relationship with them," he added.

Companies that have already had experience with cost-containment programs are saving money on their health benefits.

John Deere & Co. in Moline, Ill., for example, set up a health care department in 1977 when the cost of health benefits soared to $64 million from $20 million five years earlier.

Working with two Professional Standards Review Organizations (PSROs), the department, now headed by health care manager Richard Van Bell, established utilization review procedures that have cut the number of inpatient days per thousand employees by 25%, from 1,400 to 1,500 five years ago to the current 900 to 1,000.

Describing the utilization review, Mr. Van Bell said that when a Deere employee is admitted to a hospital participating in the program, someone from the PSRO—Deere uses The Iowa Foundation and the Midstate Foundation for Medical Care in Western Illinois—checks the worker's chart and determines when the patient can reasonably expect to be discharged.

This is noted on the chart, which is then signed by a staff doctor and serves as sort of peer review of the admitting physician, Mr. Van Bell explained. If there are extenuating circumstances that require a more lengthy stay, they are also noted on the chart.

The health care department at Deere is separate from the employee benefits department, although they both report to the vp of personnel. "My role is to manage health care, to understand the costs and make sure we're buying high-quality, cost-effective services," Mr. Van Bell said.

The department also has been involved in the funding of health maintenance organizations in Illinois and Iowa and participates in 15 other HMOs in communities throughout the United States where Deere facilities are located. Mr. Van Bell estimated that about 2,500 employees out of a total workforce of 64,000 subscribe to an HMO.

At Rohr Industries Inc. in San Diego, Steve Rosinski, vp of industrial relations, who oversees benefits administration, spends at least 25% of his time implementing and overseeing health care cost-containment plans.

The first step toward containing benefit costs at Rohr occurred in 1978 when the company began self-administering claims.

Provider background useful: Consultant

The best background for a health care manager is found on the provider side, says James McDonald, a consultant with broker Johnson & Higgins who is assisting conglomerate Warner-Lambert Co. in Morris Plains, N.J., in its search for a manager of benefits cost containment.

"The ideal person would have experience in hospital administration, insurance company claims administration and health systems planning and review, such as a Professional Standards Review Organization," Mr. McDonald said.

The person that Warner-Lambert is looking for is someone with five years of experience in employee benefits management "with heavy emphasis in group insurance," according to an ad placed in the executive classified section of The New York Times.

The Warner-Lambert position will be in the human resources benefits department and includes responsibilities similar to those outlined by health care managers in other corporations.

The ability to communicate is a vital qualification, noted Mr. McDonald.

"A company can't just announce it's amending the benefit plan to include a second-opinion feature. There has to be organization. Who the participating doctors are has to be communicated to employees and they have to be encouraged to use the option."

Communication has to extend to health care providers, he adds. "Utilization reviews and audits don't mean anything unless you have the cooperation of hospital administration."

Current.

If you're managing risks and aren't, you're likely assuming more risk than you bargained for.

Knowing *current* value is essential to business decisions which most favorably balance risks and rewards. Yet values are changing constantly, almost always upwards, with additions or deletions, changing market conditions and depreciation schedules, inflation and other factors. Industrial knows current values, and how they can help you form the basis for tax, accounting, insurance and other financial adjustments.

Current values. Knowing them is essential for effective risk management, and they're from Industrial. And they're only one way Industrial is...

Bringing your risks into focus

Industrial Appraisal Company
222 Boulevard of the Allies
Pittsburgh, PA 15222 (412) 471-2566
Offices in principal cities

NZI

The New Zealand Insurance Company Limited

SUITE 280, COMBINED CENTRE
500 SKOKIE BOULEVARD
NORTHBROOK, ILLINOIS 60062
TELEPHONE: (312) 498-2198

We're pleased to announce the appointment of Sayre & Toso, Inc., as a Managing General Agent for Property and Casualty lines, including Excess and Surplus and special risks.

Mr. Rosinski also is founder of the San Diego Coalition on Health Care Cost Containment, the first of nine other business health care coalitions in California cities. The San Diego coalition will begin a utilization review of area hospitals April 1 that Mr. Rosinski predicts "will bring us a 5-1 return on our investment."

The target is the cost of an average hospital stay, in San Diego: a steep $3,000. "We're lower than the national average in percentage of employees admitted to hospitals and in length of stay," Mr. Rosinski said. "What's killing us is the cost per stay."

He said that the utilization review, which will cost $25 per admission, will save an average of at least $125 to $150 per hospital stay.

Cost-effective changes in the Rohr benefit plan include paying for a second opinion for certain types of surgery and paying for ambulatory surgery.

Under the old plan, only surgery requiring hospitalization was paid for completely.

The new measures have been incentives for employees to be more cost-effective in their use of health benefits, according to Mr. Rosinski.

The amount of time that could be spent on cost containment can be threatening to an employee benefits professional who's tackling the job single-handedly, noted Ms. Gingrich at Levi Strauss.

"You have to be careful not to appear to be brushing everything else aside; there are so many other responsibilities," she said. "On the other hand, it's an enhancement to the job to learn new ways to actually control costs.

"For the first time, we're not just reacting to price increases," Ms. Gingrich continued. "We have the opportunity to be creative; we can scale back benefits programs without taking anything away from employees." ■

Utility offers early retirees benefit plans

Continued from page 3

he explained.

Illinois Bell, one of the Bell System's largest employers, last year reported total earnings of $255.8 million on total revenues of $2.714 billion, slightly higher than 1980's earnings of $255.3 million on revenues of $2.409 billion.

Under the company's Management Income Protection Plan, management employees who elect early retirement receive a one-year supplemental salary equal to their last year of pay.

The money, to be paid to retirees over 24 months, is in addition to regular pension benefits.

Non-management employees, under a companion Supplemental Income Protection Plan, would be paid a monthly supplemental salary up to a maximum $375 per month for four years or until they reach age 62.

The program is offered to workers whose age and years of service equal or exceed 75. For example, a 50-year-old employee with 25 years of service would be eligible.

Both management and non-management retirees would be given the same dental and life insurance coverages offered to all other employees, but their health insurance plan would include a $50,000 lifetime major medical maximum. For the early retirees, the first $3,500 in medical claims in any calendar year is excluded from the major medical maximum.

The company's basic health plan or hospitalization plan pays 100% of all hospitalization charges, 95% of surgeon's charges and 90% of anesthesia and other physicians' charges. It has no deductible.

The major medical portion of the self-insured health plan provides for 20% co-payment by the employee for all covered charges after payment of a deductible equal to 1% of the employee's annual salary or $150 per year, whichever is less. The plan is administered by Blue Cross of Chicago.

The dental plan pays 100% of all diagnostic and preventive charges based on a schedule of reasonable and customary fees. It also pays 75% of all restorative work up to an annual maximum of $750, based on a fixed schedule. The dental plan also covers orthodontic work up to a lifetime maximum of $1,000.

The dental plan, underwritten by Metropolitan Life Insurance Co., provider of the life insurance plan, requires a $50 lifetime deductible for restorative services.

Life insurance coverage is equal to the retiree's salary during his last year on the job. ■

If you're not calling us, your competition has an edge on you.

They know we have the answers to
Self Insured Worker Compensation problems.

Correspondent at Lloyd's London
Offices in Boston and London
617-938-9010

Lockwood Dipple & Green
Incorporated
300 Unicorn Park Drive
Woburn, Massachusetts 01801
Telex 921712

52 great issues coming up!

ISSUE NUMBER	ISSUE DATE	AD CLOSING
16. CAPTIVES/OFFSHORE...RIMS	APR 19	APR 6
17. RIMS Conference Report # 1	APR 26	APR 14
18. RIMS Conference Report # 2	MAY 3	APR 21

more to come :

		ISSUE DATE	AD CLOSING
15.	Employee Benefits Board Survey	APR 12	Mar 31
16.	CAPTIVES/OFFSHORE . . . RIMS REVIEW	APR 19	Apr 6
17.	RIMS REPORT #1	APR 26	Apr 14
18.	RIMS REPORT #2 and Annual Report Section	MAY 3	Apr 21
19.		MAY 10	Apr 28
20.	Risk Management Board Survey	MAY 17	May 5
21.	ILLINOIS MARKET REPORT	MAY 24	May 11
22.		MAY 31	May 19
23.	EMPLOYEE BENEFITS: CONFRONTING THE FUTURE	JUN 7	May 25
24.		JUN 14	Jun 2
25.	Employee Benefits Board Survey	JUN 21	Jun 9
26.	AGENT/BROKER PROFILES	JUN 28	Jun 15
27.		JUL 5	Jun 23

Reach the decision makers in the insurance marketplace 52 times a year in the industry's communications leader . . . *Business Insurance*. For your convenience, we have listed all upcoming issues for the next few months along with special editorial information and advertising closing dates. Avoid the rush. Be where the action is this week and *every* week.

business insurance

a publication of Crain Communications Inc.

New York: 220 East 42nd Street, NY 10017 (212) 210-0133 **Chicago:** 740 Rush Street, IL 60611 (312) 649-5275 **Los Angeles:** 6404 Wilshire Blvd., CA 90048 (213) 651-3710

classified advertising

RATES AND CLOSING TIME:

Published every Monday. Copy in written form in Chicago office not later than noon Monday, 7 days preceding publication date. Display classified: takes card rate of $55.00 per column inch with card discounts on size and frequency. Straight classified: $5.00 per line, minimum of 5 lines. Additional $10.00 charge for blind box number. Cash with order. Responses to Business Insurance blind box ads are forwarded daily. Mail ads to Barbara Tosheff, Business Insurance, Classified Advertising Dept., 740 N. Rush St., Chicago, IL 60611. Call (312) 649-5340 for more information. Telex Number: 25-4248. No verbal phone copy accepted. Responses to Business Insurance blind box advertisements must fit into a regular business-size envelope.

SPECIAL ACCOUNTS—GLENN WOOTTON

TREATY UNDERWRITER—Major Reinsurance Co. with a top flight reputation in the industry currently seeks a Comm. Cas. U/W to train in the Treaty Business. This position is in a large dept. in the Home Office of the Co. A minimum of 4 yrs. exp. is required to qualify. $29-37000.

FACULTATIVE CASUALTY U/W— This is a Home Ofc. postion with a large Reinsurer. If you have 5 yrs. solid comm. cas. U/W bkgrnd., with strong W/C, GL & Auto Exp., this may be the step into reinsurance you've been waiting for. My Client will train a standard lines Underwriter & pay a Salary of $27-36000.

PROPERTY TREATY MANAGER—Mid-sized & growing Reinsurer currently seeks a Property Specialist to manage a dept. of 4 people. 8 yrs. minimum required with at least 4 in Treaty. This is a Senior position in the Co. $40-48000.

BROKERS & SPECIAL RISKS—RAY J. CROWLEY

LONG HAUL UNDERWRITING (MGR.-V.P.)— This is a unique oppty. with a Major Broker. If you are presently managing a substantial book of business in the Trucking Industry with a major carrier, this oppty. will offer unlimited visibility as well as mobility. Your career path is an open subject. This position will deal directly with corporate brass. $40's.

EMPLOYEE BENEFITS TECHNICIAN— This is a mngmt. oppty., dealing directly with the resident V.P. in Empl. Benefits. Your exp. should include bkgrnd. in Group, A/H, and Life as well as pensions. My Client realizes that this is a unique combination. If you have one or the other and are willing to learn, you will receive priority. Low $40's. ACHIEVERS WILL BE REWARDED!

CASUALTY MARKETING MANAGER—Major Alphabet Firm in a S.W. location rapidly expanding branch will afford a 5+ yrs. Comm. Cas. professional an exc. career track with excellent exposures to various markets. Any proven ability with Large Risk National Accounts will be favorably considered. $40's.

MID-ATLANTIC PRODUCER— This is an excellent oppty. for an aggressive individual to be involved in a very young branch that is enjoying an excellent reputation in this major city. You must have proven ability in direct production any National Firm exp. would be a plus but not a prerequisite. Salary D.O.E.

PROFESSIONAL LIABILITY MARKETING—Major Alphabet Firm located in one of the major hubs in the Insurance Industries has a position that requires at least 3 yrs. F.O. & D.O. exp. with either a major carrier or broker. The ideal candidate will have good technical skills from an underwriting standpoint as well as the ability to deal with people through marketing efforts. High $30's.

RIVER MARINE UNDERWRITER— This is an exc. oppty. for an aggressive U/W with thorough knowledge of the River Business. You will be involved in servicing & marketing of major River Accts. These Accts generate in some cases, 2+ million dollars in prem. vol. annually. Be a part of this very aggressive National Broker. High $30's. D.O.E.

INTERNATIONAL INSURANCE CONSULTANTS, INCORPORATED
DIVERSIFIED EXECUTIVE SEARCH SERVICES

(800) 327-8228 (305) 771-9910 ALL REPLIES HELD CONFIDENTIAL
EQUAL OPPORTUNITY AGENCY
5301 N. DIXIE HWY.,
FORT LAUDERDALE, FL 33334 **COMPANY FEE PAID**

MARKETING/ UNDERWRITING MANAGER

If you are a take-charge insurance professional seeking a leader in property and casualty insurance, who will give you the latitude you need to build a large account business in New York City, here is that exceptional opportunity.

We are looking for a person with 8 plus years experience who will be responsible for marketing underwriting accounts in excess of $50,000 premium. College degree required, CPCU or MBA desirable. Incumbent must have strong, well seasoned marketing skills, be capable of dealing with national brokers and have a working understanding of complex risk management approaches, including retro, S.I.R. and cash flow plans.

If you have outgrown the potential of your parent position, send a comprehensive resume and salary history to:

The St Paul Property & Liability Insurance

A. Lawrence Miller
ST. PAUL FIRE & MARINE INSURANCE COMPANY
160 Water Street
New York, NY 10038

Equal Opportunity Employer

ASSOCIATE INSURANCE MANAGER

AIRCO, a one billion dollar diversified manufacturer, headquartered in pleasant, suburban Bergen County, has a NEWLY CREATED opportunity for an Associate Insurance Manager. Candidate must have a B.S. degree in Business Administration or Risk Management with 6 to 8 years experience managing corporate insurance affairs for a manufacturing company. Experience must include handling HPR loss prevention recommendations for new and existing facilities and coordinating defense of product liability claims with insurance representatives, attorneys and company technical specialists. General responsibilities will involve administration of all aspects of the corporate property and casualty program.

Candidates must be assertive and energetic, possess strong interpersonal and negotiation skills, and ability to make effective oral and written presentations to management. Must be self-starter with ability to supervise.

Mail complete resume with salary requirements to: PERSONNEL MANAGER

AIRCO
85 Chestnut Ridge Rd.
Montvale, N.J. 07645
An equal opportunity employer

Business Insurance Classifieds assure top quality results!

Insurance

CAN YOU DO THIS JOB?

Fireman's Fund Insurance Companies seeks a fully experienced person to take over the # 2 spot in the preparation of the Fire and Casualty Annual Statement and other insurance-related statutory reports, including Products Liability, Profitability, NCCI Calls, Medical Malpractice, bureau assessments, and related reports. The successful candidate will have at least five years' experience in the Controller's, Actuarial, or Statistical department(s) of a full-line insurance company; a 4-year college degree in mathematics, accounting, or statistics; and a detailed, working knowledge of Annual Statement preparation. Supervisory skills, and writing/communication abilities will enable this analyst to assume a vital, responsible role in our Statistics & Filings Department.

Fireman's fund will relocate its corporate headquarters from San Francisco to San Marin/Novato (30 miles north of the Golden Gate) in late 1982. We will offer the insurance professional unequalled career opportunities in a unique setting... an environment offering perhaps the highest quality of life available in the United States. An attractive benefits package and relocation assistance complete the picture.

DO YOU QUALIFY? ARE YOU INTERESTED? Send resumes in confidence, including salary history/expectations, to:

Katharyn Edwards
Corporate Recruiter
Fireman's Fund Insurance Companies
650-C Las Gallinas Avenue
San Rafael, CA 94903

WE'RE GOING PLACES... JOIN US

FIREMAN'S FUND INSURANCE COMPANIES

An Equal Opportunity Employer M/F/H/V

Business insurance sales leaders:

Join Nationwide's new Anaheim regional office and earn $47,000 your first year, minimum.

If you're an insurance professional with strong business lines experience—particularly in commercial property and casualty—and proven recruiting ability, Nationwide has an exceptional ground-floor opportunity for you as a Business Agent Manager at our new Anaheim, California office. It's opening as part of our expansion of business insurance service in the western states.

You'll be joining a multi-line company with 7 million policies in force—a company whose written premium growth has averaged 17 percent over the past five years. A. M. Best has given Nationwide its highest rating: A + 15.

Two more things you should know: Nationwide pays all your office expenses, and we can document that $47,000 earnings figure. It's only the beginning.

Dave Wilson will be in Anaheim beginning March 15, and he will be able to tell you a lot more in person than we can in this ad. To arrange for an interview, call **714-772-5746** during business hours, Monday through Friday.

NATIONWIDE INSURANCE
Nationwide is on your side

Anaheim Office
520 N. Brookhurst, Suite 120 P.O. Box 4346
Anaheim, California 92803

SAFETY OFFICER
(Loss Control)

Large California School District to fill level management position (Assistant to Director of Risk Management Services).

Incumbent assists in planning, developing, coordinating, and evaluating all phases of loss/safety control programs. Administers OSHA compliance. Serves as district consultant and liaison with public on safety matters.

Requirements: 4 yr. Degree, Bus. Admin., Public Admin., Engineering, exp. in loss control, liability insur. or industrial safety. *Write:* **Personnel Services Office, SACRAMENTO CITY UNIFIED SCHOOL DISTRICT, P.O. Box 2271, Sacramento, CA 95810 (916) 454-8116.**

Risk Management

National Placement

- Corporate
- Insurance Company
- Brokerage

MARTY HODES, ARM
(212) 697-3358

Send for free brochure

"Rewarding Careers In Risk Management"

RTM **IRM Division** *Insurance Risk Management*

Career Guides Agency
415 Lex. Ave., NYC 10017

INCREASE YOUR 1982 PROFITS BY SPECIALIZING!!!

A SUPER Supermarket Program with top commission & prompt quotes for individual stores and chains. All lines, admitted markets, brokerage basis.

INSURANCE ARCHITECTS, INC.
6900 Squibb Rd., Suite 220
Mission, KS 66202
(913) 831-0588

Safety official to monitor satellite

Continued from page 2

The team conducts five hazard reviews during the construction, and the findings of these studies are discussed with others, like the U.S. National Aeronautics and Space Administration and subcontractor McDonnell Douglas Corp. of St. Louis.

The team also directly briefs the shuttle crew about safety considerations because "it is their skin that is on the line if anything goes wrong," Mr. Sibilia said.

"The astronauts have to be trained to manually retract, say, the solar-ray panels that may get stuck, and they must be aware of the hazards involved," he said.

For example, the safety officer will instruct the astronauts about pyrotechnic devices aboard the satellite that generate gas to be released when the probe is in orbit.

"The astronauts do their own review, too, and they quiz and question our safety officers so that they are willing to take the payload," Mr. Sibilia says.

"The shuttle pilot must examine very carefully all the satellite's aspects."

The safety officer's responsibility, however, does not end during the design stage. He follows construction of the satellite until it is turned over to subcontractors like McDonnell Douglas, which will load the satellite aboard the space shuttle.

Once aboard the shuttle and until it is released in space, NASA is responsible for the safety of the satellite. But that responsibility returns to British Aerospace after the satellite reaches orbit and is then transferred to the the satellite owner when the satellite becomes fully operational.

However, Mr. Sibilia said that if a problem with the satellite causes an injury to an astronaut, British Aerospace and the safety officer could be held liable. ■

Aerospace firm looking for right people

LONDON—Looking for a job?

British Aerospace Ltd. is looking for engineers for its seven-member Launch Vehicle Interface Team.

"A qualified engineer is required to carry out safety functions in our satellite programs involving a number of European and U.S. contracts," British Aerospace says.

Candidates for the position must have a university degree and a minimum of three years of experience in system safety management, analysis, research and design, operations and accident investigation.

The salary? It is negotiable, ranging between 9,000 pounds and 13,000 pounds (approximately $15,750 to $22,750).

So far, however, only two applicants have fit the qualifications that Gerry Sibilia, the company's quality manager, has set.

Theft losses set record

LONDON—Thieves reaped an illegal profit of 178.1 million pounds (approximately $311.7 million) last year, a new record, according to the British Insurance Assn.

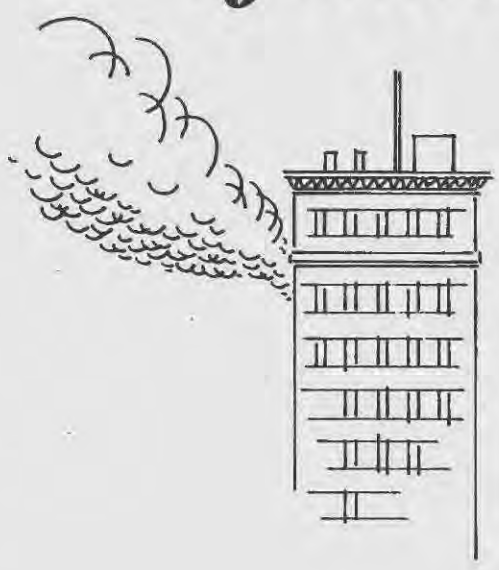
Businessmen alone lost 34.8 million pounds ($60.9 million) of merchandise due to theft, according to the BIA. Homeowners lost more than 105.7 million pounds ($184 million) through burglaries.

"This must be the shadiest of the black economies," said BIA Chairman Peter Dugdale.

But the British Insurance Assn., which respresents more than 335 insurance companies in the United Kingdom, wants to squeeze the profit out of larceny through its "Beat the Burglar" campaign, designed to educate homeowners and businessmen about anti-theft measures.

"Our business perhaps more than any other brings us face-to-face with the distress and injury suffered by our policyholders as a result of burglary," said Mr. Dugdale, "so we intend to make a significant publicity contribution to help with the work being carried out by the Home Office, the police and crime panels all over the country." ■

Our Property Loss Experts know the importance of time.



At Brown Brothers, we respect the clock. By handling a property loss quicker, we save our clients money—not to mention a few grey hairs. So we'll be on the scene of a property loss day and/or night, and in the thick of things throughout settlement negotiations. In fact, for multiple and surplus lines adjusting, self-insurance, and large or special risk claims, Brown Brothers has a way to save time right now: Call us first.

Call the adjusters you can depend on.

BBA

Brown Brothers Adjusters

Home Office: 545 Sansome Street, San Francisco, CA 94111 • (415) 392-2825
TELEX: San Francisco—34-472 • Honolulu—63-4266 • Los Angeles—67-234

License B-137

classified advertising

Business Insurance

Circulation Breakdown*

Commercial Consumers

Administrative Management: owners, presidents, vps, etc	6,823
Financial Management: chief financial officers, vps of finance, secretaries, treasurers, etc	9,385
Insurance Management: vps, directors, managers of insurance risk, benefits, compensation, safety, security, etc	5,791
Government, Associations, Unions, Educational Institutions	1,001
Commercial Consumers Sub-total	**23,000**
Insurance Agents & Brokers	9,741
Insurance Cos.	4,735
Financial Institutions	303
Actuaries, Attorneys, Adjusters, Appraisers & Consultants	2,208
Others allied to the field	776
TOTAL	**40,763**

*Source: Business Occupational breakdown of qualified circulation Nov. 2 1981 issue as submitted to BPA for December 1981 BPA Publisher's Statement

BENEFITS MANAGER

We are a major Chicago headquartered and NYSE listed company. We're growing rapidly and have current need for an individual to be totally responsible for administering a full line of company benefits, developing new benefit programs and designing innovative solutions to benefit program needs.

To qualify you will be degreed, a Master's degree a plus, with 3-5 years experience administering benefits for a small to medium-sized company. Previous experience working closely with external benefit consultants and financial/legal staff is helpful. Working knowledge of ERISA requirements and tax impact on benefit design is essential. Additionally, you will be a good communicator with oral and written skills, plus the proven ability to deal directly with all levels of personnel on a face to face basis.

We provide an excellent starting salary, stimulating environment for career growth plus a total benefit package. Please respond in confidence including education, experience and salary history to:

Box 534, BUSINESS INSURANCE
740 Rush St. Chicago, Ill. 60611

An Equal Opportunity Employer M/F/H

When you're ready to buy, turn to the Insurance Services Guide

A + RATED INSURANCE CARRIER REQUIRED

Newly formed corporation specializing in marine and aviation related risks, seeks managing general agents agreement with A + company for southeast operations. Reply:
Box 535, BUSINESS INSURANCE
740 Rush St. Chicago, Ill. 60611

For a *Concise* and *Logical* Approach to Risk Management Recruiting

LOGIC
Associates, Inc.
170 Broadway
New York, N.Y. 10038
(212) 227-8000

BROKERAGE OPPORTUNITIES

TEXAS ACCOUNT EXECUTIVES
Several opportunities in Dallas, Houston, and South Texas locations with established agency/brokerage for producers, servicing and marketing account executives. Requires 3-5 yrs. experience in the area of $50,000 + commercial insurance accounts. Compensation from a minimum of $35,000 to $50,000 DOE and related agency/brokerage experience. Contact Dallas office.

BOND ACCOUNT EXECUTIVE
This strong S.E. client seeks to "beef up" their bond department and are seeking an experience producer of medium-to-large surety bond accounts. Desired experience will come from within the agency/brokerage environment but direct writing backgrounds will not be excluded. Comfortable starting salary, negotiable, but in the area of $40K. Contact Dallas office for details.

TEXAS COMMERCIAL PROPERTY
Experience required in "jumbo" commercial accounts with premiums in excess of $250K and up. Requires strong brokerage background with solid experience in marketing sometimes difficult to place, commercial property risks. With proper experience at the brokerage level, candidate employed for this opening will be negotiating salary range in excess of $50,000. Contact Dallas for further information.

AGENCY CONTROLLER
Large agency located in Texas town requires insurance accounting experience at the agency level. Tax experience not mandatory but a strong working knowledge of in-house computer languages desirable. Superb growth opportunity within a new management team. Contact Dallas.

INSURANCE RECRUITERS, INC.
• DALLAS — P.O. Box 19597/75219/(214) 528-0090
• CHICAGO — 200 West Monroe, #1607/60606/(312) 346-0268
• DENVER — 650 S. Cherry, #1020/80222/(303) 320-5347

DES firms ask court to invoke Keene ruling

Continued from page 1
the drugmaker's DES-related legal costs and losses, said a spokesman in the company's legal department. There are about 350 cases pending against the company, some with multiple defendants. Plaintiffs are collectively seeking more than $3 billion in compensatory and an undetermined amount in punitive damages from Lilly.

Lilly has won one and lost one of the two cases it has fought in court. It is currently appealing the Bichler decision in New York (*BI*, March 2, 1981). If the drugmaker loses the appeal, it must pay the plaintiff $500,000 in compensatory damages.

"The plaintiffs are not anxious to go to trial—they prefer to settle out-of-court," said the legal department spokesman. He added that Lilly rarely offers out-of-court settlements in DES cases and only to cancer victims.

After battling DES suits for more than eight years, why has Lilly waited until now to bring its declaratory judgment action against its insurers?

"Because it has taken many years before our defense costs exceeded our self-insured retention," said Mr. Taylor. The drugmaker has been negotiating unsuccessfully with insurers for about a year and a half to assume responsibility for defense and claims costs, he said.

Squibb has won all three of its DES lawsuits that have gone to trial, reports Robert Johnston, associate general counsel. But defense costs are mounting and are the major money issue at this time between Squibb and its insurers.

The Squibb suit asks the court for a declaratory judgment forcing American Motorists Insurance Co., a member of the Kemper Group, to respond to DES claims "to the extent provided in Keene Corp. vs. INA." If this claim is denied, Squibb has filed an alternative cause of action within the same suit to force its pre-1968 insurers to pay claims according to the triple-trigger theory.

This is actually the second time Squibb has asked the courts to decide how coverage should respond to DES-related claims.

The U.S. District Court in New York held in 1978 that American Motorists must assume responsibility for Squibb cases in which a claimant's injuries were diagnosed while the insurer's policies were in effect. The ruling was a victory for Squibb, which favored the manifestation theory of liability at the time.

Following that ruling, none of Squibb's insurers including American Motorists will defend claims that allege a manifestation date before 1968 or after 1976, the legal documents point out. In view of the Keene Corp. decision, Squibb argues that American Motorists should be on the risk.

Responsibility for DES claims alleging manifestation of injury after the American Motorists policy period (post-1976) was not an issue in the earlier case, points out Mr. Johnston. Squibb was unable to purchase insurance against DES claims after Jan. 1, 1976.

More than 300 drug companies manufactured or sold DES from 1947 to 1971. The substance was prescribed to pregnant women to prevent possible spontaneous abortion of fetuses.

Some medical researchers allege that women whose mothers took DES have developed cancerous or pre-cancerous lesions of their cervix and vagina and that this condition is a direct result of their mothers' ingestion of DES.

Besides The Home Insurance Co. and Insurance Co. of North America, the following are named as defendants in the lawsuit filed by Eli Lilly & Co.:

Admiral Insurance Co., Aetna Casualty & Surety Co., American Employers' Insurance Co., American Fidelity & Casualty Co. Inc., American Home Assurance Co., American Motorists Insurance Co., American Reinsurance Co., Argonaut Insurance Co., California Union Insurance Co., Central National Insurance Co. of Omaha, Commercial Union Surplus Lines Insurance Co., Continental Casualty Co., Continental Insurance Co., Eagle Star Insurance Co. Ltd., Employers Insurance of Wausau, Federal Insurance Co., Fireman's Fund Insurance Co.

Also, Horace Mann Insurance Co., First State Insurance Co., General Reinsurance Corp., Globe Indemnity Co., Insurance Co. of the State of Pennsylvania, Interstate Fire & Casualty Co., Interstate Indemnity Co., International Surplus Lines Insurance Co., Lexington Insurance Co., Lumbermen's Mutual Casualty Co., Medallion Insurance Co., Midland Insurance Co., Mission Insurance Co., Mutual Fire, Marine & Inland Insurance Co., National Union Fire Insurance Co. of Pittsburgh, Pa., Northeastern Fire Insurance Co. of Pennsylvania, North Star Reinsurance Corp., Pacific Indemnity Co., Riunione Adriatica Di Sicurta (Adriatic Insurance Co.), St. Paul Fire & Marine Insurance Co., The Seven Provinces Insurance Co. Ltd., The Travelers Indemnity Co., Unigard Mutual Insurance Co. and Zurich Insurance Co.

The Lloyd's of London companies also named in the suit are Excess Insurance Co. Ltd., Dominion Insurance Co. and Orion Insurance Co. Ltd.

The suit also names 18 Lloyd's underwriters who allegedly participated in 57 policies provided to Lilly, as well as "certain underwriting members" of Lloyd's Syndicate No. 210 and other unnamed Lloyd's underwriters connected with four policies issued to Lilly. ■

Aetna sues drugmakers over coverage

Continued from page 3
long-latent diseases.

Two theories of coverage have been applied by courts for DES cases.

Under the exposure theory, insurers on the coverage at the time DES was ingested are held liable. Under the manifestation theory, coverage is triggered when the long-latent disease is diagnosed or discovered in the victim.

A 1978 New York state court decision held in favor of the manifestation theory. Two months ago, a Wisconsin state court ruled exposure was the appropriate theory.

However, lawsuits filed this month by two other DES manufacturers in U.S. District Court for the District of Columbia seek application of a third theory that would trigger coverage during exposure, latency and manifestation of the disease (see story, page 1).

John F. Shea Jr., vp and claims counsel at Aetna, said the company brought the suit to avoid litigation of the issue across the country.

"Rather than have a number of suits going on in different parts of the country, we filed suits naming all of the insureds to get a decision," Mr. Shea said.

"All of the insurance contracts were made in Connecticut," Mr. Groark pointed out, explaining that the plaintiff and defendants, therefore, have something in common in the state. This is a prerequisite for establishing jurisdiction.

Many drug manufacturers have been subject to suits brought by victims of diseases allegedly resulting from the ingestion of DES, which was prescribed in the 1950s to prevent miscarriages.

Some medical researchers allege that women whose mothers took DES have developed cancerous or pre-cancerous lesions of the cervix and vagina.

Aetna, which is involved in similar declaratory judgment actions with asbestos manufacturers it has insured, has consistently maintained that the manifestation theory is the appropriate liability theory in long-latent disease cases.

"Aetna continues to believe that the manifestation theory is appropriate," said Mr. Groark, an attorney with the Hartford firm of Day Berry & Howard.

Aetna says it insured the defendant companies only during the following periods: Abbott, 1962-70; Endo, 1961-63 and 1967-73; Johnson & Johnson, 1964-78; Lincoln, 1965 to the present; Parke-Davis, 1962-71; Primo 1948-66; Rorer, 1969-78; Searle, 1965-70; and Upjohn, 1956-77.

"We are saying they have coverage during these periods," Mr. Groark said. "If an injury manifested itself during this period, coverage applies."

The attorney said the manifestation theory does not necessarily favor Aetna in all cases.

Mr. Shea said Aetna's exposure in DES litigation was unclear. "Not many DES cases have been litigated on the issue of liability and damages," he said.

"We don't know what the exposure is."

The defendants named in the suit said they were covered by Aetna for all liability, denied they manufactured or sold DES or refused comment on the litigation.

"It is our view that Aetna is responsible for the liability which may be incurred because they were our carrier during most of the period during which we marketed DES," a spokesman for Abbott Laboratories said.

Abbott was covered by the insurance company during the 1960s. Since then it has been self-insured, he added.

A spokesman for Primo Pharmaceuticals said the company was served with the complaint March 12 but has not yet decided how to proceed.

"Aetna has not provided a defense on behalf of Primo in any of the lawsuits against Primo," the attorney said. "Since the inception of the DES lawsuits, Aetna has been totally uncooperative in defending or assuming liabilities."

He described Primo as "a very small, insignificant company with a minute share of the market."

A spokesman for Warner-Lambert said that the company has been sued in the past for manufacturing DES but has been dismissed from the suits because it did not manufacture or market the drug.

"Searle never manufactured or sold DES and it is a mistake for us to be named in the suit," a Searle spokesman said. "It is a fact we are 100% certain of. We never manufactured or sold DES."

Spokesmen for Upjohn, Johnson & Johnson, Lincoln Laboratories, and Rorer refused to comment, saying the litigation was being reviewed.

A spokesman for Endo Labs said the company was aware of the suit but had not been served as of March 17. ■

A&A Services Inc. names Bogardus as new chairman

NEW YORK—John A. Bogardus, president of Alexander & Alexander Services Inc., parent of the nation's second-largest insurance brokerage, was promoted to chairman late last week as part of the final step in A&A/Alexander Howden Group Ltd. management and board reorganization.

Mr. Bogardus retains the job of chief executive officer and Tinsley H. Irvin, executive vp and chief operating officer of A&A Services, becomes president and chief operating officer.

Mr. Irvin also retains the position of president and chief executive officer of Alexander & Alexander Inc., the insurance brokerage division.

A&A's Services' former chairman, Kenneth W.S. Soubry, steps down to vice chairman but remains chairman of Alexander & Alexander International Inc.

Kenneth V. Grob, chairman of Alexander Howden Group Ltd., and Michael J.A. Glover, deputy chairman and chief executive officer, join the A&A Services board, and A&A's Mr. Bogardus and Senior Vp Richard E. Lynn join the Howden board.

The promotions and board changes complete the integration of A&A and Alexander Howden Group, according to Mr. Irvin.

Alexander & Alexander had been negotiating with the Sedgwick Group of London for nearly two years when plans to combine the operations collapsed. The U.S. company then turned to Alexander Howden Group.

The two companies merged earlier this year and have been developing A&A Services into a joint holding company to unite the firms, Mr. Irvin told *Business Insurance*.

"We are now working together as true partners," Mr. Irvin remarked, even though the A&A domestic brokerage will continue to tap other British and Lloyd's of London brokers as needed.

The restructuring, however, knocks several well-known executives from the boards of both corporations.

Six former A&A executives, including John C. Sienkiewicz, the recently named president of A&A International, lost seats on the A&A Services board and were assigned positions on the boards of operating subsidiaries in their areas of responsibilities.

Henry Bartholomay III, another A&A Services director, requested that his responsibilities be reduced and is not standing for board reelection, according to the company.

At Alexander Howden Group Ltd., Ian Posgate, a member of the Committee of Lloyd's and chairman of Howden's underwriting subsidiary, and two other directors resigned from the board last week. Three other directors will resign by June 1.

The resignations are all amicable, Mr. Glover said. "This is purely due to the logical restructuring of the board following the merger with Alexander & Alexander."

The resigning directors will continue to head their respective Howden divisions, Mr. Glover noted, and Ronald Comrey, who resigned from the Howden board last week, was named deputy chairman of Alexander & Alexander International. ■

Erlenborn wins primary election

CHICAGO—Rep. John Erlenborn, the leading pension expert in Congress, easily outdistanced three opponents last week to win the Illinois Republican primary election for a congressional seat.

Because of redistricting, Mr. Erlenborn, who also has a strong interest in controlling the growth of largely unregulated self-funded multiple employer trusts, faced serious Republican opposition for the first time since he was elected in 1964. ■

insurance services guide

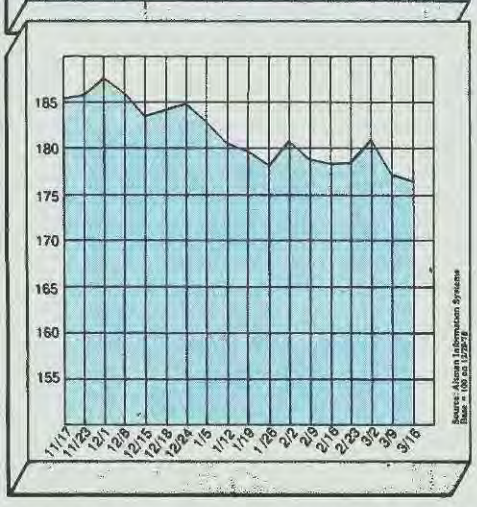
■ Fire Protection Engineering
■ Sprinkler System Design
■ Underwriting Reports
■ Fire and Security Alarm System Design
■ Building and Fire Code Consultation
■ OSHA—Safety Engineering
Schirmer
SCHIRMER ENGINEERING CORPORATION
707 Lake Cook Road • Deerfield, IL 60015 • 312 272-8340

For advertising information in the
Insurance Services Guide
Contact: Barbara Tosheff
740 Rush Street
Chicago, Illinois 60611
Telephone (312) 649-5340

LOSS RESERVE CERTIFICATION
Merger/Acquisition
Total Claim Management & Technical Services
John J. O'Connor, B.A., L.L.B., I.I.A.
J. J. O'Connor & Co.
Watch Hill Road
Watch Hill, RI 02891
(401) 348-8386 24 hour service

ATWOOD & CO.
Consulting Actuaries
Claim Reviews
Reinsurance and Reserve Analysis
for Captives and Self Insurers
5000 Ambrose Ave.
Los Angeles, CA 90027
(213) 661-9260

BI Insurance Index



Insurance industry stocks continued to decline, although not as steeply as the week before, as the *Business Insurance* stock index dropped 0.6 points to 176.5 from 177.1. Nineteen stocks gained, 32 issues declined and 22 were unchanged. The best performances were posted by: Aneco Resinsurance Ltd., 14.3%; Ryan Insurance Group Inc., 10.0%; Gulf United Corp., 9.5%; Poe & Associates Inc., 9.4%; and Optimum Holding Corp., 5.9%. The largest losses were suffered by Chubb Corp., 6.1%; Integrated Resources Inc., 6.1%; E.H. Crump Cos. Inc., 5.6%; General Re Corp., 5.1%; and Equifax Inc., 5.0%. The *BI* index fell 0.3%, which was slighly less than the decline in the Dow Jones 30 Industrials average.

British Issues

16 Mar. Companies	Price pence	P/E	Div. pence	Yield %	1 Week High—Low pence	pence
Comml Union	145	12.1	16.86	11.6	147—	144
Eagle Star	374	10.7	21.43	5.7	383—	374
Genl Accident	324	7.3	23.21	7.2	328—	322
Gdn Royal Exch	312	7.3	23.21	7.4	314—	310
Phoenix	262	8.7	22.43	8.6	264—	258
Royal	366	9.7	36.07	9.9	367—	363
Sun Alliance	874	9.0	53.57	6.1	886—	874
Brokers						
CE Heath	322	9.3	15.71	4.9	322—	310
Hogg Robinson	115	8.8	8.57	7.4	116—	115
JH Minet	168	9.9	6.80	4.0	171—	168
Sedg Grp	151	9.7	7.50	5.0	156—	151
Stenhouse Hldg	114	8.3	7.28	6.4	116—	112
Stew Wrightson	215	9.8	17.14	8.0	217—	215
Willis Faber	412	12.1	17.85	4.3	412—	410

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

Insurance industry must use strategic planning concepts

By MYRON PICOULT

Special to Business Insurance

A DISCUSSION ABOUT the use of strategic management concepts and strategic planning—or the lack of it—in the property/casualty insurance industry would be an appropriate topic to review at this time, as we mentioned in our last column (*BI*, March 1).

The industry is going through a period of transition where old methods of doing business are no longer applicable. The industry's operating environment is changing, affecting the product, corporate profits and the distribution system. Hence, we believe there is a critical need for management teams to upgrade their budgeting processes, implement realistic forecasting methods, attune themselves to thinking about strategic alternatives and, finally, implement a plan of action.



Mr. Picoult

The industry—with few exceptions—apparently has never seen fit to embrace the concept of strategic planning because it always perceived its operating environment to be limited within a set of parameters. Good earnings—traditionally a reflection of a favorable underwriting cycle—in and of themselves brought about bad earnings and vice versa as managements reacted to the short-term influences of the cycle.

The influence of the underwriting cycle on management decisions with respect to pricing, underwriting standards and distribution relationships has been all-pervasive. In short, the industry indulged in crisis management, moving from one precipice to another.

Myron M. Picoult is a vp and senior insurance analyst with Oppenheimer & Co. in New York. He is the past president of the Assn. of Insurance & Financial Analysts and a member of the New York Society of Security Analysts. His column for Business Insurance appears the fourth Monday of every month.

BI ticker

The apparent reluctance of insurance company management teams to embrace any form of strategic planning to pragmatically prepare for the future is related to several factors, including:

- The success of some key underwriters in both commercial and personal lines. Such success can be attributed more to geographic location and the adherence to a specific mode of operation than to strategic planning.
- The fragmentation of the marketplace, which has precluded most insurers from really understanding the needs of their clients. In fact, after the last underwriting debacle, the industry taught its clients how to do without them.
- The perpetuation of inbred operating methodologies that seem to emphasize a "don't-rock-the-boat" attitude.

This time, however, the intensity of competition and the changing environment in the insurance industry seem to call for a more deliberate game plan. The changes include:

- The increasingly commodity-oriented nature of the product, which inhibits the policyholders' ability to differentiate about the "quality of the product" being received. This, in turn, increases the primacy of the price. Hence, the likelihood of "overpricing" is reduced except in those lines where a vacuum develops.
- Segmentation of the marketplace. The market has been split into four parts: retail, retail-commercial, mid-sized commercial and jumbo commercial. In addition, buyers are becoming more sophisticated about the unbundling of products and services and will now pick and choose.
- The "direct writers" gaining an increasing share of the personal lines market because of their cost advantages. They are also beginning to encroach upon the retail-commercial market. To regain momentum, "agency" companies may have to take a closer look at group distribution mechanisms. This is all right if you have such a facility, but a problem if you do not.
- The agglomeration of financial assets with the emphasis on aggressive and flexible investment methodologies, a better matching of the terms of assets and liabilities and an emphasis on return on equity, which is materially changing the investment side of the insurance equation.

It is clearly difficult for most company managements to critically assess their strengths and weaknesses; such is human nature. But, it must be done to realistically assess the ability of a company to enter into a new area and measure the probability of success or failure.

At a recent company meeting, a key management official candidly acknowledged that about 15% of his underwriters in a specific department were superb, another 15% were good and the rest were "still in training." The candor was most refreshing. More of it is needed.

Insurance companies must go beyond their traditional one-year and five-year budget processes. Putting more money into people and systems must be viewed as "investments," not expenses. Resources—namely people, systems and capital—must be more efficiently allocated. And, finally, the nurturing of dissenting views and the willingness of top management to make changes when needed will separate the dinosaurs and the survivors.

All things considered, the time for strategic planning has come for the property/casualty insurance industry. ■

Financial briefs

Crum & Forster

Crum & Forster has declared a quarterly dividend of 41 cents per share on its common stock and a quarterly dividend of 60 cents per share on its Series A convertible preferred stock.

Both the common and preferred stock dividends are payable March 10 to shareholders of record Feb. 25.

Allendale

Allendale Insurance, a member of the Factory Mutual System, has reported record earnings of $38.5 million in 1981, a 131% increase over net income of $16.7 million in 1980.

Despite the earnings increase, written premiums declined to $183.9 million from $218 million in 1980.

The reasons for the increased earnings, according to Chairman and President George R. West, were below-normal losses in each of the company's lines—including no weather-related catastrophe losses—and continued success in reducing certain operating expenses.

Colonial Penn

Colonial Penn Group Inc. has reported a $23.4 million net loss for 1981, compared with net income of $52.6 million in 1980.

The loss is attributed to the company's health insurance line and resulted from a series of non-recurring expenses associated with the termination of the American Assn. of Retired Persons and the National Retired Teachers Assn. group health insurance programs on June 30, 1981.

The termination also resulted in the loss of about $200 million in annualized health insurance premiums.

Colonial Penn's revenues for the year increased to $1.3 billion, compared with $796.6 million in 1980.

For the three months ending Dec. 31, the company reported a net loss of $29.8 million, compared with net income of $12.9 million in the fourth quarter of 1980.

Revenues in the fourth quarter increased to $311 million from $206.6 million in the final quarter of 1980. ■

BI Industry Stock Report

MAR. 16, 1982 3/10/82 THRU 3/16/82

Insurance Cos.		Price	% Chg	P E	$ Div	% Yld	High	Low	Vol (000)
Aetna Life & Cas Co	NYSE	44.50	-3.5	7.3	2.52	5.7	45.25	44.00	595.5
American Bankers Ins Group	OTC	7.13	-1.7	6.0	0.48	6.7	7.25	7.13	36.0
American Gen Ins Co	NYSE	40.88	-0.3	6.2	2.20	5.4	40.88	40.50	65.3
American Indty Finl Corp	OTC	15.25	-2.4	7.3	1.12	7.3	15.63	15.25	3.0
American Intl Group Inc	OTC	62.75	-4.9	10.4	0.40	0.6	66.00	62.75	295.0
American Natl Ins Co	OTC	13.88	0.0	5.0	0.76	5.5	13.88	13.88	16.8
American Sts Life Ins Co	OTC	15.75	0.0	5.0	0.80	5.1	15.75	15.75	1.6
Aneco Reins Ltd	OTC	2.00	14.3	0.0	0.00	0.0	2.00	1.88	8.2
Appalachian Natl Corp	OTC	2.63	0.0	0.1	0.00	0.0	2.63	2.63	0.0
Avemco Corp	AMEX	11.25	0.0	7.4	0.54	4.8	11.38	11.25	7.9
Banks Iowa Inc	OTC	35.00	-2.8	5.4	1.48	4.2	35.00	35.00	0.6
Bitco Corp	OTC	31.00	0.6	4.7	1.92	6.2	32.00	30.40	10.4
Carolina Cas Ins Co	OTC	6.75	0.0	6.3	0.32	4.7	6.75	6.75	1.1
Central Natl Finl Corp	OTC	0.00	0.0	11.5	0.65	1.8	0.00	DID NOT TRADE	
Chubb Corp	OTC	44.13	-6.1	5.2	2.92	6.6	47.00	44.13	241.0
Combined Intl Corp	NYSE	20.25	0.0	5.5	1.80	8.9	20.75	20.13	100.7
Connecticut Gen Ins Corp	NYSE	48.25	-2.3	5.6	2.04	4.2	50.13	48.00	153.7
Continental Corp	NYSE	26.50	3.4	6.6	2.60	9.8	26.50	25.50	230.0
Crawford & Co	OTC	12.25	-3.9	9.6	0.56	4.6	12.50	12.25*	3.9
Crown Life Ins Co	OTC	79.75	-0.3	5.8	3.10	3.9	80.00	79.75	0.0
Crum & Forster	NYSE	32.88	0.8	5.3	1.64	5.0	33.25	32.75	142.1
Employers Cas Co	OTC	27.75	-0.9	6.0	1.20	4.3	28.00	27.75	6.7
Equifax Inc	NYSE	28.50	-5.0	8.2	2.60	9.1	30.00	28.13	40.3
Excelsior Ins Co	OTC	17.50	0.0	12.0	0.70	4.0	17.50	17.50	0.1
Farmers Group Inc	OTC	33.50	-1.5	9.5	1.24	3.7	34.13	33.50	285.6
First Colony Life Ins Co	OTC	63.25	1.6	16.3	1.02	1.6	63.25	62.25	4.1
Foremost Corp Amer	OTC	25.00	2.0	6.9	1.12	4.5	25.00	24.50	19.2
Great West Life Assurn Co	OTC	225.00	-4.3	8.7	10.00	4.4	235.00	225.00	0.0
Hanover Ins Co	OTC	29.75	-7.0	3.7	0.72	2.4	31.25	29.75	12.9
Hartford Steam Boiler Insptn	OTC	39.50	0.0	6.8	2.80	7.1	39.50	39.50	2.6
Jefferson Natl Life Ins Co	OTC	31.50	-1.6	9.7	0.76	2.4	32.50	31.50	1.6
Kemper Corp	OTC	33.25	0.8	5.5	1.80	5.4	33.63	33.13	94.5
Lincoln Natl Corp Ind	NYSE	40.50	-2.7	6.6	3.00	7.4	41.00	40.38	28.2
Mgic Invt Corp	NYSE	51.75	0.0	12.7	1.28	2.5	51.75	51.75	209.2
Mission Ins Group Inc	NYSE	34.00	2.6	8.9	1.00	2.9	34.50	33.50	124.6
Nationwide Corp Ohio	OTC	26.50	0.0	7.7	0.70	2.6	26.50	26.50	1.5
Northwestern Natl Life Ins	OTC	28.75	-2.5	5.1	1.36	5.5	29.38	28.75	58.1
Ohio Cas Corp	OTC	42.50	0.0	6.4	2.36	5.6	43.00	42.50	63.0
Old Rep Intl Corp	OTC	18.38	-0.7	4.4	0.92	5.0	18.50	18.38	46.1
Preferred Risk Life Ins Co	OTC	18.00	2.9	5.3	0.92	5.1	18.00	17.50	7.6
Provident Life & Acc Ins Co	OTC	47.00	0.0	5.8	2.44	5.2	47.00	47.00	19.6
Ryan Ins Group Inc	OTC	19.25	10.0	8.2	0.16	0.8	19.25	17.50	15.2
St Paul Cos Inc	OTC	45.63	-4.5	6.0	2.60	5.7	48.38	45.63	94.2
Safeco Corp	OTC	37.25	-0.3	6.4	2.20	5.9	37.50	37.25	33.6
Sri Corp	OTC	21.75	-3.3	4.4	1.00	4.6	22.50	21.75	33.2
Seibels Bruce Group Inc	OTC	20.75	0.0	10.0	0.80	3.9	21.00	20.75	179.4

MAR. 16, 1982 3/10/82 THRU 3/16/82

		Price	% Chg	P E	$ Div	% Yld	High	Low	Vol (000)
Statesman Group Inc	OTC	5.63	0.0	4.8	0.15	2.7	5.63	5.63	2.4
Tokio Marine & Fire Ins Co	OTC	98.00	-2.6	7.5	1.00	1.1	99.75	98.00*	7.8
Travelers Corp	NYSE	48.00	-0.3	5.7	2.88	6.0	48.88	48.00	226.5
United Fire & Cas Co	OTC	29.50	1.7	7.7	0.88	3.0	29.50	29.00	0.3
United States Fid & Gty Co	NYSE	44.88	0.6	7.5	3.60	8.0	45.13	44.75	148.7
United Svcs Life Ins Co	OTC	14.75	1.7	5.4	1.00	6.8	14.75	14.75	10.8
Uslife Corp	NYSE	19.38	-4.3	3.9	0.84	4.3	19.75	19.13*	161.6
Washington Natl Corp	NYSE	14.38	-3.4	5.2	1.08	7.5	15.13	14.38*	33.1
Zenith Natl Ins Corp	OTC	16.50	0.0	8.3	0.76	4.6	16.50	16.25	6.8
INSURANCE COMPANIES	AVERAGE			5.9		4.5			
Agents/Brokers									
Alexander & Alexander Svcs	OTC	28.38	-1.3	9.5	1.84	6.8	28.75	28.00	198.4
Baldwin & Lyons Inc	OTC	35.00	-1.4	6.3	0.80	2.3	35.50	35.00	0.1
Corroon & Black Corp	NYSE	19.75	0.0	11.1	1.76	8.9	19.88	19.63	89.7
Crump E H Cos Inc	OTC	8.38	-5.6	15.5	0.40	4.8	8.88	8.38*	56.8
Hall Frank B & Co Inc	NYSE	26.00	0.0	9.8	1.70	6.5	26.75	25.88	86.9
Integrated Res Inc	AMEX	13.50	-6.1	5.5	0.00	0.0	14.25	13.50	61.2
James Fred S & Co Inc	NYSE	21.25	1.8	9.9	1.60	7.5	21.25	21.25	31.1
Marsh & Mclennan Cos Inc	NYSE	33.25	1.5	10.2	2.00	6.0	33.50	32.63	144.4
Peoncorp Finel Inc	NYSE	6.00	0.0	4.8	0.16	2.7	6.13	5.88	228.3
Pinehurst Corp	OTC	8.63	0.0	0.0	0.00	0.0	8.63	8.63	11.9
Poe & Assoc Inc	OTC	8.75	9.4	9.9	0.80	9.1	8.75	8.25	0.0
Reed Stenhouse Cos Ltd	OTC	11.25	0.0	9.2	0.60	5.3	11.50	11.25	12.9
Rollins Burdick Hunter Co	OTC	17.75	0.0	11.1	1.32	7.4	17.75	17.75	17.1
AGENTS/BROKERS	AVERAGE			9.1		5.5			
Conglomerates/Holding Cos.									
American Express(Fireman's Fd)	NYSE	43.63	-3.6	7.8	2.20	5.0	46.25	43.50	1,178.6
Anderson Clayton(Ranger/PanAm)	NYSE	28.63	3.2	5.8	1.32	4.6	28.63	27.63	60.4
Armco Inc	NYSE	22.25	3.5	4.5	1.80	8.1	22.50	22.13	330.8
City Investing Co. (Home Ins.)	NYSE	20.50	-3.5	5.9	1.60	7.8	21.38	20.38*	201.5
CNA Finl Corp (CNA)	NYSE	14.88	-3.3	6.1	0.00	0.0	15.63	14.75	22.3
Control Data (Comml. Credit)	NYSE	29.38	-8.2	6.6	0.55	1.9	32.00	29.25*	778.5
General Re Corp	NYSE	76.75	-5.1	9.8	2.16	2.8	80.63	76.00	118.8
Gulf Utd Corp	NYSE	17.25	9.5	5.8	1.32	7.7	17.25	15.50*	157.0
INA Corp (Ins. Co. of NA)	NYSE	43.63	-4.4	5.9	2.40	5.5	45.63	43.63	239.8
ITT (Hartford Group)	NYSE	25.25	-6.0	5.4	2.88	10.6	26.63	25.25	770.0
Optimum Hldg Corp	OTC	9.00	5.9	6.9	0.00	0.0	9.00	8.50	13.3
Sears Roebuck & Co. (Allstate)	NYSE	17.38	-4.1	8.4	1.36	7.8	18.63	17.38	2,189.1
Baldwin Utd Corp	NYSE	57.75	5.5	8.3	1.60	2.8	58.00	56.75	82.9
Teledyne Inc (Argonaut)	NYSE	112.13	-6.4	5.6	0.00	0.0	117.63	111.75*	611.6
Transamerica Corp (Occidental)	NYSE	19.25	-2.5	5.6	1.40	7.3	20.00	19.25	1,231.7
CONGLOMERATES/HOLDING COS.	AVERAGE			6.5		3.8			

*Record high low since Jan. 1, 1981.

System design: Altman Information Systems

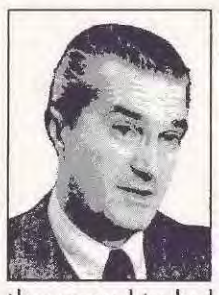
"The Hartford's top-notch underwriters bring special skills to standard commercial lines."

An interview with Tony Lubimir, Senior Vice President, Office of Underwriting, The Hartford.

Q. The Hartford is known for the quality of its underwriters. Why is that?

A. Our whole approach to the market depends upon developing and keeping outstanding underwriters. That's why we give top priority to specialized training and career incentives that make underwriting both challenging and rewarding. For example, we created the position of Executive Underwriter for our most experienced professionals. They have broad underwriting and pricing authority coupled with production responsibility. The position may be unique in the industry.

Q. How do insurance buyers benefit from the specialized training of Hartford underwriters?



A. Their insurance needs are addressed by an underwriting professional with in-depth experience and expert knowledge of the particular type of coverage involved. That high level of underwriting expertise is just what brokers and agents tell us they need to help their clients–especially in the current business environment, where *quality* of protection is as important as price.

Q. How does that underwriting expertise help insurance buyers get high-quality, cost-effective protection?

A. The more underwriters know about available programs, the better they can put together a plan that is truly responsive to a particular situation. This is especially true in complex areas such as Workers' Compensation, where a superficial approach may not produce a program that works in a buyer's best long-term interest.

Q. What happens when insurance buyers need specialized underwriting help on both the Property and Casualty sides?

A. They get it. The Hartford has a well-coordinated team approach that gives brokers and agents unlimited access to specialized underwriting and loss control assistance–in effect, our best corporate underwriting resources–when called for.

Q. Do Hartford underwriters in the field have adequate authority to accept or reject risks without consulting the home office?



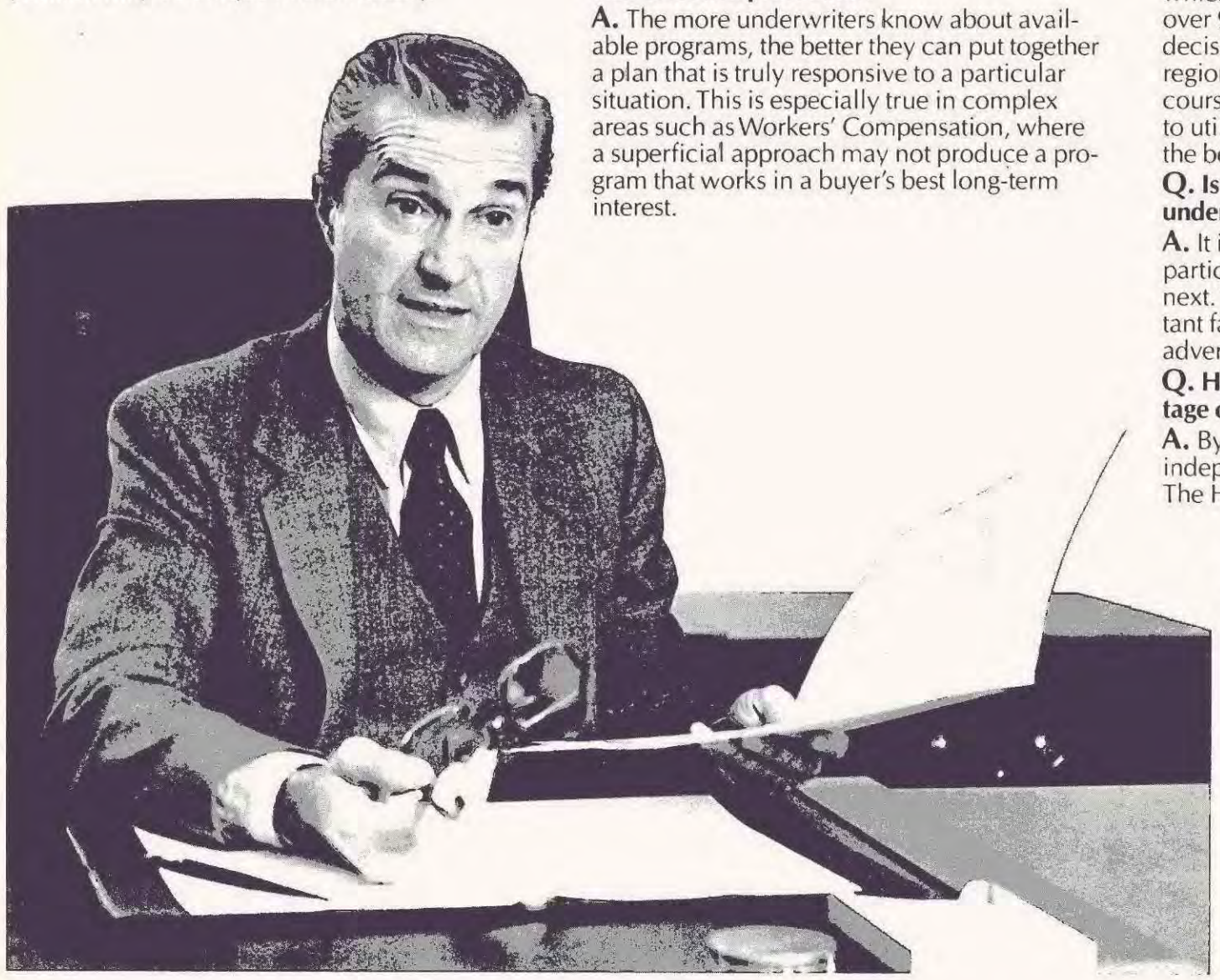
A. Because of the superior training and experience of our underwriters, we're able to give them significant authority within which to operate. In fact, over 95% of underwriting decisions are made in our regional offices. Of course, our field underwriters are encouraged to utilize all corporate resources to develop the best approach to a given situation.

Q. Is The Hartford consistent in its underwriting program?

A. It is our policy to be. We don't cover a particular type of risk one year and drop it the next. This will become an even more important factor as the market starts to respond to adverse underwriting results.

Q. How can insurance buyers take advantage of Hartford underwriting capability?

A. By contacting a broker or independent agent who represents The Hartford.



Don't make a decision on business insurance without a quote from The Hartford.

BUSINESS
HOME
AUTO
LIFE



Let us protect your world. **THE HARTFORD**

The Hartford Insurance Group, Hartford, Connecticut 06115.