

business insurance

the national newsweekly of loss prevention, risk financing & benefit management/\$1 a copy; \$30 a year

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update: Prudential acquires Bache Group Inc.

NEW YORK—The Prudential Insurance Co. of America and the Bache Group Inc., investment brokers, have reached tentative agreement for purchase of Bache by the insurer for an estimated \$385 million.

Bache owns two insurance brokerage operations, Ter Bush & Powell of
Continued on next page

IRS rule limits trade trusts

By JERRY GEISEL

WASHINGTON—Internal Revenue Service regulations on tax-exempt 501(c)(9) trusts threaten to wipe out trusts sponsored by national trade associations.

Under the final regulation, the trusts can be offered to employees who work for one company or by a trade group in which employees of members work in the same geographic area.

This provision rules out trust sponsorship by national associations whose members usually are scattered throughout the country.

"This regulation will destroy what we have built up over the years," says Jeremiah Hurley, insurance manager of the Water Quality Assn. Employees Benefit

Trust. It is sponsored by the Water Quality Assn., a trade group in Lombard, Ill.

It is unclear how many trade associations sponsor 501(c)(9) trusts, named for the IRS statute that governs them. Mr. Hurley estimates that 50 trade groups offer the trusts with tens of thousands of employees participating.

Although more than three months have passed since the IRS published final regulations governing the use of the trusts (BI, Jan. 19), many trade groups only now are beginning to realize the danger. Some business groups are beginning to organize to take their fight against the regulation to Washington.

The American Society of Assn. Executives, an influential trade

Rule on 501(c)(9) trusts

'This regulation will destroy what we have built up over the years,' says Jeremiah Hurley, insurance manager of one trade group trust.

group whose 11,000 members represent the nation's leading associations, is urging affected members to lobby the IRS to get the controversial regulation repealed or amended.

Mr. Hurley estimates that the benefit costs of the 600 companies

in his association-sponsored trust will jump an average of 50% if the trust closes and the members are forced to purchase health, life and disability coverages individually. The average member has five employees.

"Our trust has been able to offer


its employee participants benefits equal to those offered by firms with considerably more resources than the average member of our association," Mr. Hurley says.

The trusts, because of their size, have clout in their insurance market and can offer benefits at a much lower cost than individual members of the trade association could get on their own.

The IRS, though, views national trade association sponsorship of the trusts as a tax dodge. "To allow trade associations to provide insurance benefits through a trust... would simply facilitate circumvention of the unrelated trade or business income tax otherwise applicable to such organizations," the IRS says.

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How employers handle ballooning health costs



	Absorb Costs	Cancel Additional Benefits	Institute Cost Containment Plan	Planning/Considering Cost Containment Plan
Insured	84%	26%	42%	52%
Self-Insured	76%	7%	30%	46%

Reducing plans trim bulky health care costs

By EILEEN NORRIS

CHICAGO—Employers are eating up the higher cost of health insurance for their employees, but not without a hefty helping of cost containment measures.

Of the 45 employee benefit managers replying to a *Business Insurance* Employee Benefit Board survey, 36 said they picked up the tab for the rate increase, regardless of whether the company was self-funded or insured.

Only two of the insured firms shifted the rate increase to their employees, while only one of the self-insured companies passed the increase on to their workers, according to respondents, whose companies range in annual sales from \$2 million to \$30 billion.

Of the 19 insured respondents, eight have implemented cost containment measures in the last six months, with three of those employers using coordination of benefits and claims control.

Other firms have come up with health care education programs, hospital utilization reviews and the option of a second surgical opinion for their employees, according to survey results.

Six insured employers have plans in the works for controlling costs and four more are considering cost containment measures. Only three respondents said they did not plan steps to cut costs.

Of the 26 self-insured employers, eight said higher health care costs prompted them to enact cost containment measures in the last 6 months.

Another dozen say they are seriously considering cost containment measures. Utilization review

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Resolving asbestos claims

Are settlements the best route?

By ELLIS SIMON

NEWARK—Out-of-court settlement of consolidated asbestos claims cuts off litigation, but will it open a floodgate of new lawsuits?

On March 13, a federal judge here announced a negotiated settlement of a reported \$10 million to \$20 million for 680 Raybestos-Manhattan Inc. employees who said they were injured by exposure to asbestos.

But asbestos firms, insurers and lawyers disagree on the effect of the pact. (See story on page 26 for details of the arrangement.)

Some say the out-of-court path is the route to travel to save legal fees and alleviate court congestion and delay. But others fear the negotiated settlement will tell claimants that the asbestos firms are willing to pay up, encouraging more lawsuits.

The Raybestos case is not the largest out-of-court settlement involving asbestos claims. Some 440 asbestos workers at a Pittsburg-Corning plant in Tyler, Texas, settled in 1976 for more than \$20 million, says Michael Mealy of the Asbestos Litigation Reporter.

In both cases the details were sealed by the court, limiting their effect on future cases, says Wash-

ington attorney Victor Schwartz of Crowell & Moring. Mr. Schwartz, the former Commerce Department product liability expert, is defending several asbestos firms.

Massive litigation becomes un-
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Tax queries withdrawn

NEW YORK—Three revenue ruling requests pertaining to the tax statutes of insurance exchange syndicates have been withdrawn to avoid negative rulings from the IRS, *Business Insurance* learned.

The rulings were sought to determine whether private investor-owned syndicates could be taxed as partnerships rather than corporations and whether such syndicates could deduct their loss reserves under statutory accounting principles. Although attorneys in-

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Prudential buys Bache Group

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Schenectady, N.Y., and San Francisco-based Albert M. Bender Co. Inc. Observers say the deal may advance the concept of one-stop financial services where a company provides its clients with insurance, banking and investment.

Prudential also is attempting to enter the Chicago-area HMO market. Its subsidiary, Prudential Health Care Plan Inc., is trying to acquire North Communities Health Plan Inc. (Northcare), which has 30,000 members.

Pepsico sued over pensions

NEW YORK—Pepsico Inc. is being sued for \$6.7 million allegedly owed to a pension plan of a brewing subsidiary it sold in 1974.

That sum, which equals pension plan accrued liabilities at the time of the sale, was to be paid when the plan was approved by the IRS, contends the complaint, filed in U.S. District Court here by the Rheingold Breweries Inc. salaried employees pension plan.

The suit contends Pepsico failed to transfer funds to the Rheingold pension plan after it was approved by the IRS in 1976 and again after the agreement was modified in 1978.

A Pepsico spokesman called the suit "utterly without merit" and said the plan participants are protected through an insurance annuity contract purchased several years ago.

Pensions figure in coal woes

WASHINGTON—A strike over pensions and other issues looms likely this week as the United Mine Workers of America and the coal mining industry broke off contract negotiations last week.

The pension issue had slowed negotiations earlier this month, but union spokesmen said it was only one of several issues.

The industry, faced with mine shutdowns, wants the 16,000-member union to replace the current multiemployer pension plan with a system of retirement plans set up by individual companies.

Mine closings have left coal companies with a deficit of nearly \$4 billion in unfunded liabilities in the multiemployer plan and the operation, according to the industry (BI, March 16).

The proposal is unacceptable to the union, however, because it claims workers would find it more difficult to change jobs within the industry without losing benefits.

Reserve Insurance sued

CHICAGO—The Illinois Department of Insurance is seeking up to \$500 million in damages from the defunct Reserve Insurance Co., its directors and officers, and three accounting firms.

The suit, filed in federal court by Illinois Insurance Director Philip R. O'Connor, charges that the firms covered up the weak financial condition of the insurer. It seeks \$100 million in actual damages from the American Reserve Corp, the insurer's parent corporation, and another \$200 million in punitive damages from American Reserve officers, subsidiaries and the three accounting firms which acted as its outside auditors.

The \$100 million request could be tripled if the state proves the defendants violated the Racketeer Influence and Corrupt Organization Act.

The three accounting firms named defendants include Arthur Andersen & Co., Coopers & Lybrand and Alexander Grant & Co. Also named are Reserve's two Bermuda captives, American Reserve Guaranty Reinsurance Co. and Reserve Insurance Managers Ltd., along with Societe Commerciale de Reassurance, a French reinsurer and its U.S. subsidiary, Dallas-based Scor Reinsurance.

The suit charges the auditors knew Reserve Insurance had become insolvent as early as 1974 but, in concert with firm officers, hid the fact until 1979.

Reserve went into receivership of Illinois insurance officials in May 1979.

Although a major source of its trouble was staggering losses in the early 1970 from commercial excess and surplus lines, only about 38% of its 1978 premium volume was commercial.

If the suit were successful, monetary awards would be returned to policyholders and creditors.

The three accounting firms said they are insured for professional liability but declined to discuss details.

Competiton bill passed

OLYMPIA—The Washington House has passed legislation (H.B. 31) that allows private insurers to underwrite workers compensation insurance. The state now has a monopolistic system.

The measure, which passed on a 55-41 vote, would establish a wage-loss system similar to Florida's. Under wage loss, compensation is based on loss of earnings instead of injury.

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O'Connor proposes corralling high rates

By JOHN MAES

CHICAGO—Illinois Insurance Director Phillip J. O'Connor wants state lawmakers to adopt legislation to prevent excessive rates in noncompetitive insurance markets.

Mr. O'Connor, testifying before an insurance law study commis-



O'Connor

sion composed of state legislators, said such a law is needed to protect the buyer from the pricing whims of insurers where competition does not exist.

Illinois, in lines other than workers compensation, has no way to control excessive price increases other than antitrust laws. But these only solve problems of price-fixing and monopolies and do not attack excessive rates, he said.

"The antitrust laws really don't offer as much comfort as they should," he pointed out.

In workers compensation, rates are subject to the prior approval of the insurance department.

The new law would have the greatest impact in malpractice and professional liability lines where one insurer has the market. Mr. O'Connor proposed setting up a system that would allow him to review new insurance rates and order a hearing to determine if the increase is fair. If the rate hike is found to be excessive and it is determined that no competition exists, the increase could be denied.

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Photo: Wide World

Benefits a strike issue

Philadelphia-area commuters sidestep picketing transit system workers in the city's mass transit strike that includes benefit issues. In addition to wage and job security, employees of the Southeastern Pennsylvania Transit Authority (SEPTA) are looking for a reduction in the amount of time new employees must wait to be eligible for health

benefits. Currently, new employees must wait 30 months to receive prescription drugs, dental and vision care. After the waiting period, SEPTA pays 100% of the costs. The 4,900-member union has struck Philadelphia's bus, trolley car and subway lines—forcing 400,000 commuters to find alternative methods to and from work.

'Megabroker' service sells European risk executives

By STACY SHAPIRO

LONDON—Retroactive insurance cover is just one way U.S. brokers can warm the hearts of British and European risk managers, according to Terry Sharpe, group insurance manager for BL Ltd. here.

The precedent-setting \$170 million in liability insurance placed by Frank B. Hall and its Lloyd's counterpart Leslie & Godwin for MGM Grand Hotels is a comforting bit of technique, Mr. Sharpe told the Assn. of Insurance and Risk Managers in Industry and Commerce.

"The risk manager sleeps well in the knowledge that the retroactive insurance will be available if his calculations on indemnity limits and sums insured are proved wrong by a catastrophe loss," said Mr. Sharpe.

But the megabroker, a U.S.-U.K. conglomerate, could become a megalith—a huge prehistoric stone—if he can't provide the complete service a risk manager needs, he says.

"Size alone is not criteria (because) a broker will only succeed and retain an account on the standard of service he provides," said Mr. Sharpe.

European risk managers are looking at the services these megabrokers provide as the American brokerages buy up Lloyd's bro-

kers here and expand into the world communities.

"You'll find us expanding around the world," said Peter Pruitt, chairman of Frank B. Hall Consulting Co. "We'll have the greater capability to help clients," he said.

Retroactive insurance is not the only way to solve risk management problems, however, says Mr. Pruitt. It's good for chemical companies who have liability claims coming in from 40 or 50 years ago.

"But the MGM type of thing is

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Clippers score on Walton

LOS ANGELES—Three insurers, including Lloyd's of London, have paid a \$1.25 million claim to the San Diego Clippers of the National Basketball Assn. for the loss of star center Bill Walton, whose pro career has prematurely ended due to a severe foot injury.

Lloyd's and the Home Insurance Co., have each paid \$375,000 to the Clippers while the remaining \$500,000 has been paid by Unat, a Belgian insurer based in Brussels, said Alan G. Miller, a Boston attorney for Lloyd's.

The claim, which stirred controversy and led to a lawsuit, was paid on the March 12 due date, said Mr. Miller.

The Clippers had filed a suit seeking \$12.5 million from the insurers alleging denial of the claim, fraud, breach of contract and misrepresentation (BI, Nov. 10, 1980).

Attorneys for the basketball team had said the claim was denied under a policy exclusion for ankle injuries. Mr. Miller countered, at the time, however, the claim had not been denied but that the insurers were waiting for more medical information about Mr. Walton's condition.

Payment of the claim terminates the lawsuit.



Bill Walton

Lilly seeks federal product liability bill

By JERRY GEISEL

INDIANAPOLIS—Stung by unfavorable court decisions, Eli Lilly & Co., the nation's largest manufacturer of the drug DES, now favors a federal product liability law.

"There is a need for a federal tort law so we can have more certainty and uniformity," says Walter Taylor, Eli Lilly's assistant general counsel.

Traditionally, the tort law has been fair to both sides, Mr. Taylor says. But now, because of "revolutionary" court decisions, the law no longer is fair to defendants, the corporate attorney says.

Other manufacturers also are leaning to a federal solution to DES litigation.

"You are going to need a federal law to deal with cases of latent injuries where the potential damages can wipe out an entire industry," says L.R.

Lee, secretary and general counsel for Abbott Laboratories in Chicago.

"The problem can be more easily addressed by one congressional committee than by 50 states," adds E.W. Rebollo, vp of regulatory affairs for Philadelphia-based Richlyn Laboratories.

In one year, DES manufacturers have been hit with three major

court decisions casting new shadows on their corporate exposures.

DES, or diethylstilbestrol, is a synthetic estrogen taken by pregnant women to avoid miscarriages. Daughters of some women who took the drug have developed cancer and other abnormalities of the vagina and cervix. The Food and Drug Administration removed DES from the market in 1971.

Last March, the California Supreme Court in a landmark decision said when a product causing injury is made by many different manufacturers and the specific manufacturer cannot be identified, liability must be divided among the makers based on their share of the market for the product (BI, March 31, 1980).

That decision, which rocked the insurance community, turned upside down traditional legal practice that holds that the plaintiff must prove a specific manufacturer produced a defective product to prove liability.

In February, however, the New Jersey appellate court rejected industrywide liability for DES manufacturers.

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Alabama city cuts Blues to trim costs

By MARY ANN MATLOCK

BIRMINGHAM, Ala.—This city wants the home court advantage in fighting runaway health care costs for its 4,300 workers, their dependents and retirees.

By administering its own self-insured program beginning May 1, Birmingham expects to cut processing costs from 7.47% of paid claims to only 3% in five years.

Blue Cross/Blue Shield of Alabama is losing its administrative contract for the plan which pays out about \$4 million annually. Benefits will be unchanged under the self-insured program that began in January 1980.

"The city wants to become an active purchaser of health care as opposed to a passive payer of bills," explained chief personnel officer Gordon Graham.

Containing costs, by whatever means, is becoming critical to the finances of the city, he said. Health care costs have risen 18.6% a year the last five years and now account for 6.1% of payroll, he explained.

Costs are growing faster than city revenues and expenses in other areas, but may be curbed by short- and long-term provisions of the in-house program. Self-administration has been planned for more than a year.

"It's hard to say how much will be saved," Mr. Graham admitted, "but the potential for containing the rate of increase and reduced costs is there."

Immediate savings are expected in claims administration costs. They are projected to drop to 5% of paid claims in the first year despite the costs of adding five new persons to handle the workload.

However, the brunt of the program's projected success lies

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Digging into heavy losses

By STEVE SHERWOOD

GEORGETOWN, Texas—When Don Parker discovered thieves had driven off with \$200,000 worth of his construction company's heavy equipment, he refused to sit back and let them cross the Mexican border without a fight.

"We've had people tell us once a machine is in Mexico you're better off taking the insurance on it—it's that difficult to get back," says Mr. Parker, vp of Parker-Davis Construction Co. here. "We didn't want to do that."

So, after phoning local police and the Texas Department of Public Safety with descriptions and serial numbers of the stolen truck, trailer and hauler-loader, he and his partner took to the air.

"We figured rather than just sitting here we'd

rent a plane and fly the highways on the chance we could spot them," he says. "We flew down to the Falcon Dam near Zapata without any luck, then landed at McAllen, six miles from the Mexican border."

While his partner continued the air search, Mr. Parker rented a car and drove to the border, informing customs agents of the theft. He also visited shipyards, truck stops and roadside motels to spread the word.

Apparently, his efforts paid off. The equipment became too hot to handle. Two fishermen found the abandoned rig 40 miles north of Eagle Pass, near the border.

Parker-Davis operates about 30 pieces of equipment worth \$1 million. At the time of the theft, the

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Health tactics slow rate hikes

By RHONDA L. RUNDLE

FOUNTAIN VALLEY, Calif.—A small health insurance company here is proving there is profit in group plans that combat surging hospital charges with potent cost containment strategies.

While major health insurers are hitting policyholders with renewal increases averaging 30% and ranging up to 60%, Health Maintenance

Life Insurance Co. reports typical increases of 20%.

And while major health insurers are scrambling to hold business, especially in pricey Southern California, HML talks about limiting growth to what it can handle.

The seven-year-old subsidiary of Family Health Plan expects to write \$12 million in annualized premium this year, up from \$4 million in 1978.

HML credits its success to an efficient medical review system designed to eliminate unnecessary hospitalization and surgery. The patient's doctor must have his diagnosis, treatment plan and the anticipated length of hospitalization approved by HML's medical director before treatment.

Last year, HML says it recorded a hospitalization rate nearly 50% below the national insurance in-

dustry average through this mandatory prior authorization program. HML averaged 409 hospital bed-days per 1,000 members, compared to an 802 bed-day average compiled by the health insurance industry, he says.

"While Reagan and Carter were slugging it out during the campaign, voluntary price controls went flying out the window," says

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Workers comp:

Trust workers, but jump on phony injuries: Exec

By EILEEN NORRIS

CHICAGO—The first commandment of employee relations: Trust your employees. The second commandment: Crack down hard when employees lie or fake injuries.

That advice was delivered to Illinois Chamber of Commerce members who participated in a day-long seminar last week on "Workers Compensation: The Basics" by a man who should know. He's Robert Lippincott, regional benefit administrator for Western Electric Co. in Chicago.

All too often, says Mr. Lippincott, employees are regarded as malingers when in reality less than 3% will actually try to cheat the employer.

"It's too easy to think the employee is taking

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A county's tale of woe: It just gets no respect

CHICAGO—This is a story about a huge public bureaucracy that claims to get no respect.

Cook County, a self-insured employer of 18,000, spent more than \$3.4¢ million in workers compensation claims last year alone on 1,753 reported injuries.

The county isn't out of the deep yet. It has 1,500 active cases pending before the Illinois Industrial Commission—the public body charged with settling disputed claims between employers and workers.

Some of the claims border on the unbelievable, says Steven Klem, administrative assistant with the county's department of personnel. Mr. Klem spoke before 200 persons last week at an Illinois Chamber of Commerce seminar, "Workers Compensation: The Basics." He gave a sampling

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If a dispute arises over a work comp claim in Illinois, the case ends up at the very busy Industrial Commission.

Photo: Mary Cairns

Alabama county drops self-insured plan

SHELBY COUNTY in Alabama has dropped a year-old self-insurance plan for its 250 employees and switched to Blue Cross/Blue Shield for health coverage.

County employees, however, will not have to share in the premium increase, said county chairman Thomas Snowden.

The increase will be picked up by the county, which also paid the tab when the county was self-insured under a Marketing Management Inc. management.

The new insurance policy will cost at least \$80,000 a year more.

The composite cost for individual employees and families is \$146.26 per month under Blue Cross for hospital, surgery, major medical, dental and disability coverage.

But keeping the self-insurance

benefit beat

plan with MMI would have cost even more, Mr. Snowden said. MMI said it could not meet Blue Cross/Blue Shield hospital rates.

The county's employees will face slightly higher deductible hospital expenses, \$50 under the Blue Cross plan from \$35.

As of March 1, employees for Shelby County will also have to pay a \$25 dental care deductible.

Improved benefits

Workers at the Amax Zinc Co. in Sauget, Ill., have won a new dental plan and pension improvements under a three-year contract with the Oil, Chemical & Atomic

Workers Local 7-347.

The dental plan covers 350 employees and is underwritten by Metropolitan Life Insurance Co. It will pay all of the cost of exams, cleanings, X-rays and fluorides, 75% of costs for fillings and oral surgery and 50% of costs for crowns, bridges, dentures and orthodontic services up to a \$750 year maximum per person and a lifetime maximum of \$5,000.

Employees will pay a \$25 deductible for basic restorative services.

Pension benefits will be raised to \$12.50 per month per year of service in the first year of the pact, \$13.50 the second year and \$14.50

the third year. Previous benefits paid \$11.50 per month for each year of service.

The contract also calls for accidental death and dismemberment benefits to jump to \$12,000 from \$9,000.

Short term disability cover will increase to \$170 from \$130 per week over the three years.

Special dental

Bradley Hospital in East Providence, R.I., has added fully paid coverage for endodontics, inlays, crowns, space maintainers, oral surgery and periodontics to its dental plan.

The added benefits are the second part of a two-stage dental program underwritten by Delta Dental that the hospital added last

April. Employees are not charged premiums and benefits are 100% covered to a maximum of \$1,000 per person yearly, the hospital said.

Basic benefits for exams, fillings and X-rays carry a \$500 per person yearly maximum.

Profit sharing

General Motors Corp. chairman Roger B. Smith has said GM would offer United Auto Worker members a profit sharing plan in return for wage concessions.

Mr. Smith, speaking on the CBS-TV news program "Face the Nation," said the current negotiations with Chrysler Corp. over wage cuts will set the pattern for bargaining with GM and Ford.

Talks between the two automakers and the UAW will begin once bargaining with Chrysler is concluded, he said.

Both GM and Ford said last month they would discuss profit-sharing plans if the union agreed to open negotiations on wage cutbacks (BI, Feb. 16).

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

Insurers stalk phony claims

By JOHN MAES

CHICAGO—Inflated property losses, phony health insurance claims and arson-for-profit schemes are still the major commercial insurance frauds, says Richard Baldwin, regional manager for the Insurance Crime Prevention Institute.

Though commercial offenses are just a small portion of insurance-related crime, corporations still need to beware of the accident swindles, auto theft rings and phony auto insurance claims that make up the bulk of cases the agency investigates.

Major corporations may feel little direct pain from insurance crime, Mr. Baldwin told Business Insurance during an Insurance Information Day conference sponsored by Aetna Life & Casualty Co., but fraudulent claims have cost insurers millions of dollars in recent years.

This expense has been passed on to the policyholders as higher premiums.

Tough investigation, however, may be turning the tide.

"Before, there seemed to be a lot of pressure on insurers to settle claims, but now they're conducting reasonable investigations," said Mr. Baldwin. "They're having their own people determine cause and origin of the fire because fire departments can't keep up with all the cases."

Inflated property loss claims also make up a portion of the institute's 1,000 current active investigations. Such claims usually are filed by storeowners and manufacturing firms when the company is in "financial straits," he said.

Arson-for-profit losses, the most notorious of insurance fraud, is declining nationwide because insurers are getting tougher in claims investigation (BI, March 16), Mr. Baldwin said.

The institute does not investigate workers compensation fraud unless it dovetails into a casualty claim. In some cases, a worker will file a claim with his or her auto insurer for an injury actually received on the job.

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editorial opinions

Avoid knee jerks . . .

BEWARE OF knee-jerk reactions to the court of appeals decision in the Carnation captive insurance company case.

The worst reaction we can imagine is blind entry into the underwriting business just to defend the captive against attacks from the Internal Revenue Service.

The path is fraught with more danger than the traditional first mistake of forming a captive just for tax reasons.

No one should be surprised at the court's decision upholding the tax court finding that the Carnation captive arrangement didn't constitute insurance for tax purposes.

■ Insurance and tax experts have said for years that the Carnation case would be lost. And they have questioned the company's wisdom in fighting the IRS challenge of what they considered a blatant tax-motivated captive arrangement.

But now that Carnation has lost the first case testing the IRS position on captives, we can foresee another rush to bring unrelated risks into captive insurers.

The rationale is that bringing unrelated

risks into the captive makes it a bonafide insurer that can't be attacked by the IRS. No one is sure what percentage of business would have to be unrelated risks to accomplish this.

■ Anyone considering the bold move of entering the insurance business with the corporate captive should reread our Oct. 15, 1979, article on Armco Corp.'s experience with Bellefonte Insurance Co. Armco is now building a successful insurance division, but it required a major corporate commitment of money and management.

Pooling risks with other companies can be a beneficial way to spread risk that appears less risky than becoming an underwriter of general reinsurance. But pools can lose money, too.

If the prospect of treating captive transactions as though you were a self-insurer motivates you to get into the insurance business, we suggest you get out of the captive business.

The experts haven't been kidding when they have advised that tax reasons do not justify forming a captive insurer.

. . . confusion enough

WE ALWAYS appreciated the professed tradition of our judiciary to limit their comments in decisions to the bare bones necessary to support their findings.

Too bad Judge Wright of the 9th Circuit didn't uphold that tradition when he delivered his opinion on the Carnation captive case.

Although not needed to justify the decision, tacked onto the end of the decision is an almost offhand response to one of arguments in the Carnation Captive tax case.

Carnation, and many other tax experts,

argued that the Internal Revenue Service's economic family theory behind Revenue Ruling 77-316 completely ignores the separate status of individual but related corporations.

Judge Wright said the appeals court rejects that argument.

Now we face more confusion over what the appeals court meant.

The only ones who will benefit will be the tax lawyers who will get more business from clients looking for interpretations of that comment—and new ways to defend their captives against IRS attacks.

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letters

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

More than just buyers

To the editor: I've hesitated to write you, since the matter is not of major concern, but there is one feature of *Business Insurance* which constantly irritates me (and I imagine some others). It is the name of the regular column entitled "Comings and goings: buyers." To refer to risk managers and benefit managers as "buyers" is to ignore the change in the function, responsibility and status of this job in the last 25 years. Why don't you change the name and thereby indi-

cate support of broader movement to upgrade these functions?

H. Wayne Snider

Professor of insurance and risk
Temple University
Philadelphia, Pa.

■ *BI* welcomes suggestions from its readers for a new flag for our column. In the meantime, we assure you that we know sophisticated benefit and risk managers do far more than buy insurance products and related services.

Adding to Fireman's Fund

To the editor: For the record's sake, I hope you can point out that Fireman's Fund Insurance Cos. recorded a 13% gain in operating income in 1980 to \$210 million and not 10% as was reported in *Business Insurance* March 2 ("80 earnings decline 2%").

Results like that should have earned Fireman's Fund a "winner's" place in your page 1 graphics ahead of Bitco Corp's 12% gain to \$16.6 million.

Dan Brigham

News director

Fireman's Fund Insurance Cos.

Who's on first for brokers?

To the editor: In the *BI* Ticker article "M&M Leads in Earnings" (*BI*, Feb. 16), I believe the first paragraph is somewhat misleading.

Normally, earnings per share would be considered the principal indicator for earnings comparisons. On this basis, I believe you will find that Alexander & Alexan-

der and not Marsh & McLennan had the best results in 1980.

John A. Bogardus Jr.

President and chief executive
officer

Alexander & Alexander

■ The *BI* Ticker story compared net incomes, which showed M&M in the lead.

Pools may leak savings

To the editor: Re: "Municipal pool hopes to cut premiums 25%" (*BI*, Feb. 9).

I continue to read with interest of the structuring of insurance pools. At a time when property and casualty insurance companies can pay up to 70 cents of every insurance dollar in losses and still make a profit, it seems unusual that pools can only find 55 cents for the payment of such losses after the expenses are paid. This is all the more unusual when substantial deductibles such as those described in your article are also assumed by the individual members.

It would seem that to be viable, pools would have to concentrate on cutting the expense dollar rather than the dollar available for the payment of loss.

At a time when the entire property and casualty industry has paid out \$1.04 in losses for each \$1 taken in, one might question the rationale of cutting premiums to be paid to the pool by 25% and cutting the money available to pay losses by 31%.

If a pool so structured can do no better or worse than the property and casualty insurance business as a whole, it would appear that they would be paying out \$1.38 for every dollar taken in. It would take substantial investment income to offset such a huge deficit.

Why aren't these pools structured to save expenses and leave the loss dollar intact for the protection of pool members?

Charles A. McAlear

McAlear Associates Inc.
Grand Rapids, Mich.

Which limits apply?

To the editor: Re: "Hospital liability rates will rise" (*BI*, Jan. 5). What limits of liability are applicable to your 1980 rates by insurers? Those rates listed have little credence if Michigan Hospital Assn. Mutual limits are \$10 million and North Carolina Hospital Assn. Trust limits are \$100,000.

If this information is not available, please advise if the Modern

Healthcare survey is available.

Gary J. Joyal

Assistant vp

Anexco

Boston, Mass.

■ The premium-per-bed figures were calculated by *Modern Healthcare* by dividing premiums by number of beds covered. Limits of insurance were not identified in the survey.

Consultant omission

To the editor: Your issue highlighting risk management consulting (*BI*, Feb 16) organizations was good reading, but lacked completeness: It omitted Trenwick Underwriting & Management Services, which provides specialized reinsurance services to both captive and domestic underwriters.

These services include underwriting advice, management and

audits, claims valuation, loss reserve/IBNR analysis and implementation strategy for captives and reinsurers.

We operate our management consulting service with a staff of 10 (six professionals) out of Westport, Conn.

Mark W. Hinkley

Senior vp

Trenwick, Inc.

Westport, Conn.



Why our founding fathers went into the insurance business.

100 years ago, our founding fathers went looking for insurance.

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Commerce & Industry Insurance Co.

The AIG Companies.

Let us take the risks.

Georgia hotels must post safety signs

ATLANTA—Georgia hotel and motel operators and apartment landlords will be required to post signs listing building safety features and lifesaving precautions.

State Fire Safety Commissioner Johnnie Caldwell has ordered

around the states

signs be posted in hotel and motel rooms, dormitories and apartment buildings three stories or taller in-

dicating whether the building has automatic sprinklers, smoke detectors, fire extinguishers, evacua-

tion plans, fire-safe staircases, emergency lighting and fire-resistant draperies and bedding.

The placard also must list 18 instructions on minimizing injury during a fire.

Fire rating system

LANSING—The Department of Licensing and Regulation of the Michigan Insurance Bureau will conduct a hearing March 31 on a new fire suppression rating system proposed by the Insurance Services Office.

The system would define levels of fire suppression capabilities in commercial buildings for rating purposes.

Such a system would have significant impact on fire insurance rates throughout Michigan, ISO said.

Rates to drop

NASHVILLE—Nationwide Mutual Insurance Co. has been given the green light by Tennessee Insurance Commissioner John C. Neff to reduce rates by as much as 25% on several classes of commercial vehicle insurance.

The largest reductions will be for light local services, private passenger and retail business vehicles.

Other classes include commercial automobiles used for transporting property, light local retail vehicles making household pickups and deliveries and light local service trucks or vans in which carpenters and plumbers drive to and from a job with their tools.

Private passenger vehicles owned by businesses are also slated for rate reductions.

AFIA fined \$3,500

ALBANY—The American Foreign Insurance Association has been fined \$3,500 by the New York State Insurance Department for violating disclosure requirements on assets, liabilities and reserves.

The violations occurred when AFIA placed advertisements in various publications without the financial information required by the state insurance code, the commissioner said.

AFIA, in paying the fine, told the insurance department the omission was unintentional.

Judges' pensions

ANNAPOLIS—Maryland's Court of Appeals has opened the way for former judges who earn income as lawyers to receive state pensions too.

The appellate court tossed out as unconstitutional a 1962 statute that says a judge who "retires and accepts (a pension) may not engage in the practice of law for compensation."

Judge J. Dudley Digges said the statute violates the separation of powers principle because the law passed by the legislature infringes on the right of the judiciary to regulate the practice of law.

Under the ruling, as many as 16 former judges might qualify for immediate pensions at a cost of more than \$500,000 to the state, the state Department of Personnel estimates.

North River fined

TALLAHASSEE—An Ohio insurance firm has been fined \$2,500 for failure to file rates and a Jacksonville dockworker has been arrested in connection with phony workers compensation claims in unrelated cases, according to the Florida Insurance Department.

The fine was assessed against the North River Insurance Co. for

failing to file rates with the insurance department on 56 liability policies issued in the state.

Florida law requires that liability rates be filed with the insurance department for prior approval. After being notified of the violation, the insurer submitted the required information, Mr. Gunter's office said.

Meanwhile, a Jacksonville dockworker has been arrested in connection with phony workers compensation claims.

Henry D. Ross, 30, of Jacksonville was arrested earlier this month for allegedly filing some \$9,000 in bogus workers compensation claims, according to the insurance department.

Mr. Ross is charged with filing two fraudulent claims since March of 1979 and receiving about \$9,000 in benefits. He is the second person to be arrested in a month for suspected work comp fraud, the insurance department said.

Insurance Commissioner Bill Gunter also announced formation of a new unit to coordinate investigations of agents, adjusters and insurance companies.

Illness covered

NASHVILLE—A Tennessee governor's task force on mental health and retardation has determined that an illness called "pre-eclampsia," a high blood pressure condition among pregnant women, should be covered as a pregnancy benefit under employee hospitalization plans.

The condition was previously listed under pregnancy benefits not covered under the Tennessee Insurance Department rules but the condition has been shown to occur commonly among pregnant women and is dangerous, possibly fatal, to the health of mother and child if left untreated.

State Insurance Commissioner John C. Neff has approved the change in the insurance department rule to allow coverage.

Court to rule

AUSTIN—The Texas Supreme Court will decide whether a defunct elevator company is liable for paralyzing injuries suffered by a maintenance man in 1975 while working on an elevator installed by the firm 15 years before.

The plaintiff, Theodore Olin Moeller, filed a \$2.3 million suit against numerous defendants after an elevator fell on him in a Fort Worth building while he was working on it in 1975.

Included were majority stockholders of the Hunter-Hayes Elevator Co., which installed the elevator in 1960 but sold out to another firm in 1963.

A Fort Worth judge dismissed Mr. Moeller's original action because of a three-year statute of limitations on suits against dissolved companies.

A court of appeals later overturned that decision, however, saying that dissolved companies should purchase liability coverage for past accidents resulting in lawsuits later on.

Hearing set

NEW YORK—The New York State Health and Insurance Departments have scheduled a hearing March 26 to consider a 14% rate hike request submitted by Community Health Plan of Suffolk County Inc., a staff model Health Maintenance Organization.

The HMO is required by state law to obtain approval before instituting a rate increase.

The HMO hopes to make the new rate effective May 1.

Charles R. Hall,

Executive Vice President
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in San Francisco.

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in the Financial Guardian
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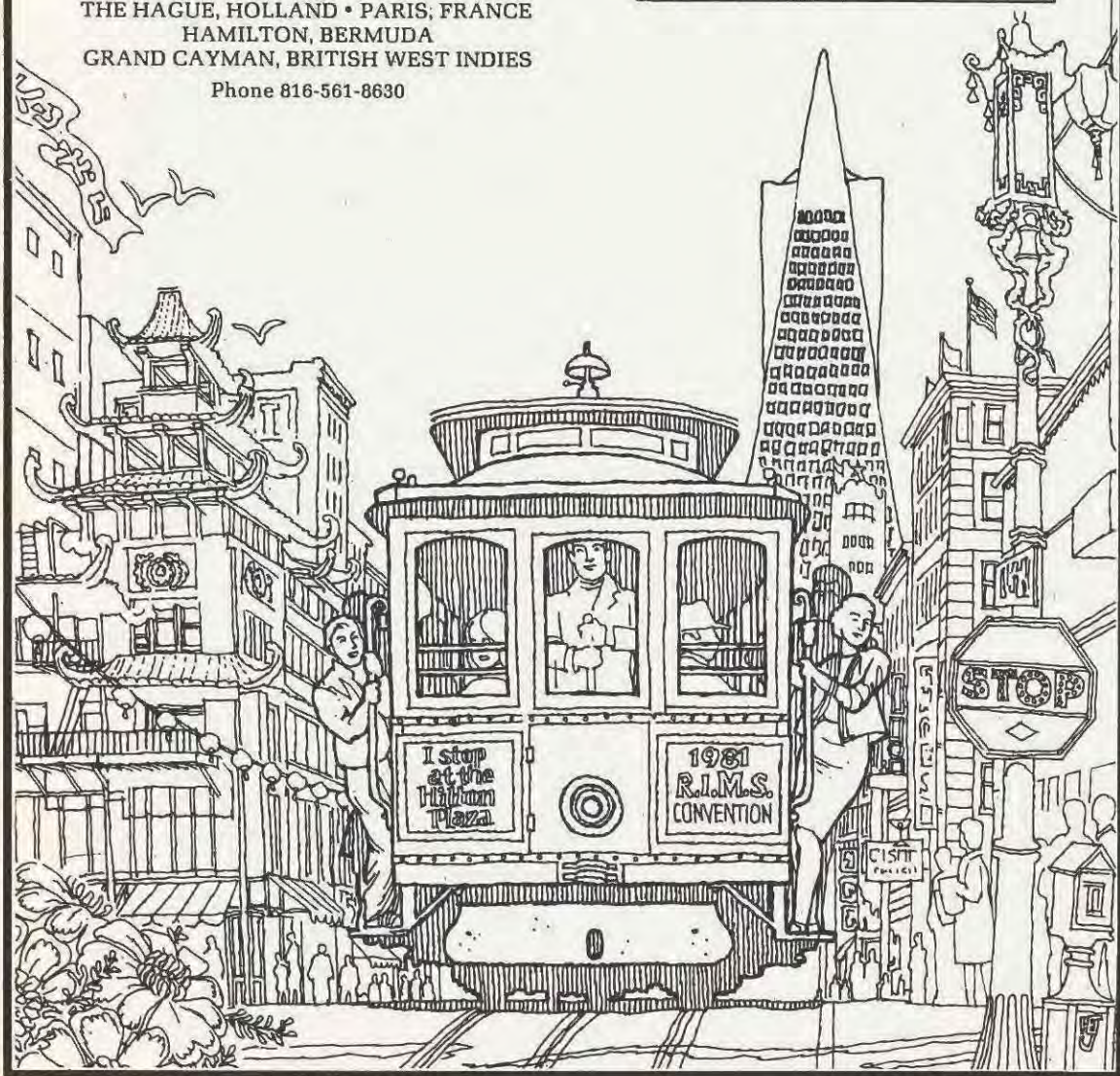


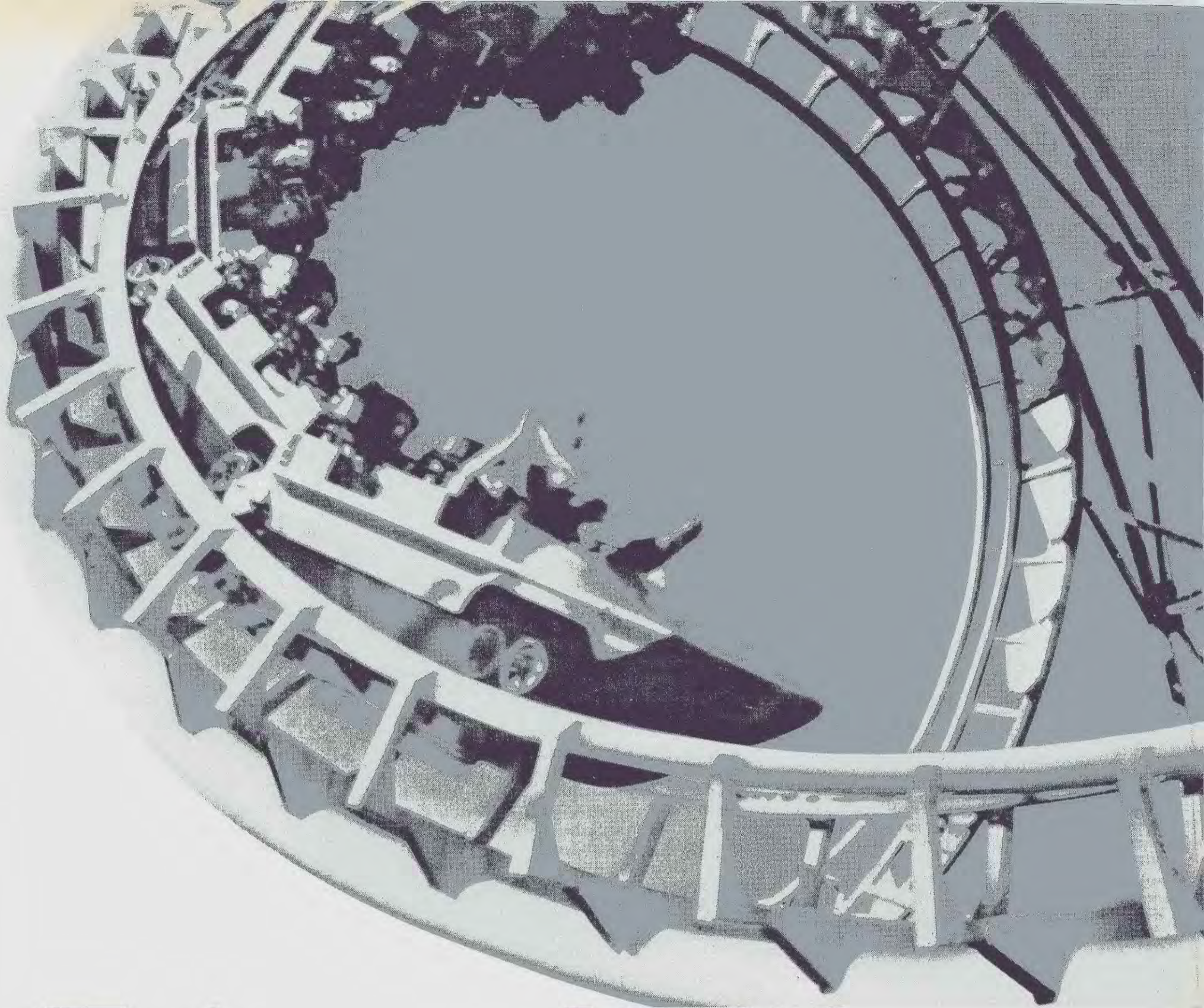
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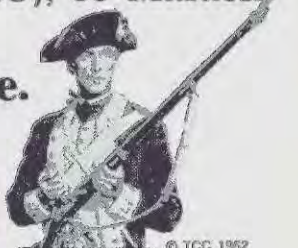
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At last, here is an informative handbook for making benefit communications more effective!

Successful step-by-step techniques are revealed to increase employee interest, understanding, appreciation and prudent use of benefits.

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OSHA postpones lead regulation

washington

WASHINGTON—The Occupational Safety and Health Administration has delayed until April 1 its controversial rule to remove workers from their jobs if they are exposed to certain levels of lead.

The final rule was to go into effect March 1, but OSHA agreed to reconsider employer complaints.

Under the rule, employers must lay off with pay workers whose blood lead level equals or exceeds 60 micrograms of lead per 100 grams of whole blood. These employees could return to their jobs when their blood lead level drops to 40 micrograms.

The laid-off workers must continue to be paid, the OSHA rule says.

Employers say layoffs resulting from the rule would impair plant operation and production. Business groups want a one-year delay on the rule.

Retirement report

The Employee Benefit Research Institute has published a new report on the affordability of proposed changes in the U.S. retirement system.

The report discusses public and private alternatives for additional retirement income, the experience of private and public systems in foreign nations and providing retirement income through advanced-funded systems similar to Social Security.

Copies of "Retirement Income & the Economy: Increasing Income for the Aged" are available for \$10 each from the EBRI Education & Research Fund, Publications Division, 1920 N St. NW, Suite 520, Washington, D.C. 20036 or phone 202-659-0670.

Benefit indexing

Senate Budget Committee chairman Pete Domenici (R-N.M.) says the committee will look at alternatives to the automatic indexing of federal benefit programs, such as Social Security, to Consumer Price Index increases.

One alternative to be considered is linking federal benefit increases to national average wage increases when wage increases are lower than the rise in the CPI.

The Reagan administration, however, favors automatic indexing of Social Security benefits to the CPI. The administration will oppose anything less than 100% compensation of Social Security beneficiaries for living-cost increases, says David Stockman, director of the Office of Management and Budget.

Support withheld

Sen. Harrison Williams (D-N.J.) says he can't support the President's Commission on Pension Policy recommendation for a minimum mandatory pension system.

Sen. Williams, who led the passage of the landmark Employee Retirement Income Security Act of 1974, said the commission did not make a convincing case to support a mandatory system.

The commission recommendation would require employer contributions of 3% of payroll to provide immediately vested benefits to workers over age 25 with at least one year of service.

Sen. Williams, however, urged President Reagan and Congress to consider the final report, noting that it "brings to lawmakers and public alike a better understanding of our present situation and our prospects for the future."

Maritime hearings

The Senate Labor and Human Resources Committee will conduct hearings May 12-13 on the federal Longshore and Harbor Workers' Compensation Act.

The act covers more than 1 million maritime workers. Employers say the program's high benefits and jurisdictional uncertainty have made the cost of longshore insurance prohibitive.

The hearings will begin at 9:30 a.m. in Room 4232 in the Dirksen Senate Office Building.

What makes John Hancock's International Group Program the best in the world? Ask Derek Chilvers.

Derek Chilvers, Vice President International Group Department, is one of the key people responsible for the formation and development of IGP.

WHAT SETS IGP APART FROM THE COMPETITION?

The first thing you'll notice is our staff organization. For example, in the Sales and Service Division, we use an approach that's quite unique in the business. Our staff of account executives, research and support personnel is organized into teams. This offers the clients served by each team more resources to draw from as well as continuity of service.

This arrangement also allows us to rotate travel schedules so there's always a team member in the field to help clients deal with local problems.

YOU MENTION PROBLEMS. HOW INVOLVED DO YOU GET WITH YOUR CLIENTS' PROBLEMS?

We feel that one of our primary responsibilities is to help our clients and their advisers work together with our Associate Insurers to maintain an effective program. Although problems don't arise often, when they do we get as involved as necessary to bring about a quick and satisfactory solution.

Which brings me to another point that separates us from the rest: *flexibility*. If a client asks for something, our people know that they're to do everything possible to get

it done. Even if it's never been done before. And if it's a problem on the local level, we go as far up the ladder as necessary with our Associate Insurer to work it out. It's understood. We do it automatically every day, no question.

So, as far as our clients are concerned, they'd say what really sets us apart is our people and how they work.

BESIDES THIS FLEXIBILITY IS YOUR STAFF REALLY ANY DIFFERENT?

Definitely. First, we have more people than anyone else, which translates into better, more comprehensive service. But more important, there isn't another international network that compares with our staff in experience and overall competence.

WHERE DO YOU GET PEOPLE WITH THIS KIND OF EXPERIENCE?

Through our own training program. It allows future account executives to spend two or three years working with one of our teams before they assume responsibility for a client. It's been a very successful program.

Particularly in the field of international networks we feel experience is important. Because while our clients are very sophisticated people, the international concept is still relatively young. So they depend on

experienced account executives to guide them through the intricacies of this new business. Not just to service them.

HOW CAN YOU RUN AN ORGANIZATION LIKE THIS AT A COMPETITIVE COST?

Well, we're not always the cheapest, if that's what you mean. But at year end, when you add up all the money you save by eliminating the hidden costs inherent in a less efficient program, we feel we've got everyone beat. Most of the biggest multinationals—and many smaller ones—agree. If they didn't, we wouldn't be handling their business.

Actually, it's the classic difference between getting the lowest price and getting the most for your money.

HOW WOULD YOU SUMMARIZE THE ADVANTAGES OF IGP?

In two words: our people. Their experience. Their flexibility. And their ability to develop and maintain competitive, effective programs. But to see how true this really is, you should talk to them. Just call (617) 421-2548. Then you'll see what makes IGP the best in the world.

John Hancock Mutual Life Insurance Company
Boston, Massachusetts



"We have 37 people with a lot of experience, the largest staff in the international employee benefits field. Naturally, we can offer better and more comprehensive services. We play a whole different kind of ball game."



"Unfortunately, many multinationals just consider up front costs. They don't see the hidden costs of a less efficient program. In the end, they could spend as much or more. And get much less."



"People perceive insurance companies, and I think rightfully so in many cases, as a bunch of people who simply go by the book. If it says 'XYZ', you say 'XYZ'. We don't operate that way at all."

Lloyd's sees higher limits for offshore drilling platforms

HOUSTON—The most expensive offshore oil drilling platform now insured by Lloyd's of London has a policy limit of \$1 billion, but Lloyd's chairman Peter Green says \$2 billion limits may not be far away.

"We recently provided \$1 billion of coverage on a Norwegian oil platform towed into the North Sea," Mr. Green told reporters March 10 in Houston during the final press conference of his American Tour.

"It was the biggest insurance policy ever placed."

While in Houston, however, the chairman learned of plans by an unnamed American oil company to build a rig worth a record \$2 billion.

"Whether that much insurance capacity is available, I don't know," he said. "I can only say that Lloyd's has never failed to find the needed amount of coverage, provided the price is right."

Insurance is available on a risk-to-risk basis, depending on an item's susceptibility to damage, who owns it and the amount of the premium, he said. "Prices are something the underwriters decided on. You might as well ask what the price of apples will be in next year's market."

The point may be reached at which there is no more insurance capacity, Mr. Green said. However, Lloyd's capacity for a single risk has grown in the past five years to \$1 billion from \$300 million, he pointed out.

"You can never guarantee in a free market whether one can get anything," he said. "But there is nothing like confidence—thinking you are on to a good risk—to get underwriters to dig more deeply into their pockets."

Mr. Green said his American journey, which lasted three weeks and took him to New York, Washington, D.C., Chicago, San Francisco, Los Angeles, New Orleans and finally Houston, was a successful goodwill tour.

"We met a great many people and exchanged ideas with them about where the economy is headed in the United States and where Mrs. Thatcher (Prime Minister Margaret Thatcher) is headed at home," he said.

"It was a very good exchange of information."

He hopes interest in Lloyd's was raised in America, but said he was not seeking new clients.

"It was not my objective to come and talk to buyers to find out if they want business interruption or hail insurance," the chairman said. "I was here on a much more general mission."

Lower profits

London insurers and brokers continue to report reduced profits in 1980.

The deterioration of U.S. commercial lines contributed to Royal Insurance Co.'s 9 million pound loss in pre-tax profit from a 1979 profit of 131.5 million pounds.

"The property business suffered from an unusual number of large claims and increased claims frequency," the insurance group announced. "Both liability and workers compensation business made losses."

Underwriting losses totalled 40.4 million pounds in 1980 compared to losses of 16.5 million pounds in 1979.

Royal earned 146.7 million pounds in investment income, up from 133 million pounds earned in 1979.

The Segdwick Group Ltd.

london line

showed a 12% reduction in profits to 41.6 million pounds from 47.5 million pounds in 1979. Sedgwick also attributes the drop to "ad-

verse claims experience of underwriters," strong sterling over a weak dollar and the soft market with low insurance rates. ■



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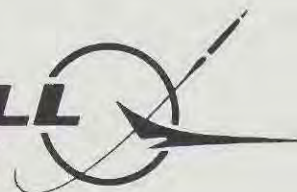


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Former California counsel joins law firm

ANGELE KHACHADOUR has joined the law firm of Miller & Daar as attorney in charge of the firm's San Francisco office. Ms. Khachadour resigned her position as chief counsel of the California Department of Insurance last December. She has a bachelor of arts degree from the University of California at Berkeley and obtained her law degree from the University of California Hastings Law School.

Other insurer changes:

Howard L. Clark Jr. elected executive vp of Fireman's Fund Insurance Co. in San Francisco.

Jon E. Fulkerson, former assistant general manager of The Hart-

ford Insurance Group, named general manager of the San Diego regional office, succeeding **B.M. Shephard**, who died recently.

Jack E. Hulburd, former executive vp, named president and chief operating officer of Unigard Mutual Insurance Co.

James N. Reichgelt named vp of Fremont Indemnity Co.'s special risks and services division in Los Angeles.

Charles H. Roche elected vp-group contracts in the group insur-

comings & goings: industry

ance department of Prudential Insurance Co. in Newark: **Samuel H. Havens** elected vp.

William M. Berry appointed executive vp of Armco Financial Services Corp. in Milwaukee.

Stephen J. Zierak and **Richard T. Elwell** named assistant vp and resident secretary, respectively, of New Hampshire Insurance Group in Manchester.

Steven D. McCullough named assistant vp-claims and legal at the Merchants Insurance Group in Buffalo; **Thomas Ashman** appointed assistant vp of the company's Western regional operations, which include Ohio and all of New York State except Long Island.



Berry



Devere

Marsh & McLennan Inc.'s Wisconsin operations, including offices in Milwaukee and Appleton.

Kennen B. Staley named head of the San Bernardino, Calif., office of Marsh & McLennan Inc.

Edward C. Shumaker named president of the newly incorporated Bayly, Martin & Fay office in Orange County, Calif.; **Erick Dahlberg** named vp-finance.

Nick A. Mascitelli named president and chief operating officer at HL Insurance Services; **William M. Cody** appointed executive vp. HL Insurance Services is based in Sacramento, Calif.

Debbie Devere appointed vp of Saylor & Hill Co. in Oakland, Calif.

Ian McGregor named supervisor of the newly formed self-insurance department of Corroon & Black/Sanders & Sullivan in San Jose.

Jamie W. Zimmerman named manager of the life and pension department of Richard N. Goldman & Co. in San Francisco.

Richard L. Whynot joins Reliance Risk Management Inc. as executive vp.

Henry Y. Cassel named president of Insurance Management of Washington Inc., a member of the IM family of companies based in Chevy Chase, Md.



Cassel

Excess/surplus

Lisa Garn Madnick named a vp of Rhulen Insurance Managers Ltd., a Canadian affiliate of the Rhulen Agency Inc. in Monticello, N.Y.

William D. Piazza joined Swett & Crawford/Leslie H. Cook Inc.'s Chicago office as manager of property business.

Valarie A. Campagna joined Valle Excess Inc. in Springfield, N.J., as vp.

Ronald G. Hihn promoted to vp of Doran Excess Underwriters Inc., headquartered in Mechanicsburg, Pa. **Elizabeth A. Doran** promoted to manager of Dorax Data Services, a subsidiary.

Reinsurers

Robert Henry Brandon named senior vp in charge of the Marine Department at Thomas A. Greene & Co., a subsidiary of Alexander & Alexander. Mr. Brandon currently is a director of C.T. Bowring & Co. and a Lloyd's member.

Gordon Peryam joined Allstate Insurance Co.'s reinsurance division as manager of the new Dallas branch office, scheduled to open mid-year. **Robert Cass** and **Robert Faber** have joined the casualty treaty department in the Northbrook, Ill., home office. Mr. Cass will assume the post of reinsurance underwriting manager and Mr. Faber will be assistant reinsurance underwriting manager.

Other suppliers

Michael A. Carey appointed assistant vp of Underwriter's Salvage Co.'s St. Louis operation and **Don McGrath** named manager of its Boston operations.

Roger C. Bransford promoted to senior vp and manager of the Southern division of Meidinger Inc., based in Atlanta.

James M. Boylan appointed Northwest regional vp of Spencer Douglass Insurance Associates, a San Diego-based surety bonding firm.

Vp **Edward G. Troy** named national sales director of ESIS Inc., a subsidiary of INA Corp. that provides risk management services for self-insureds.

datebook

APRIL 2-3. Occupational Safety & Health Law Course in New York City, sponsored by the Practising Law Institute; \$265. Practising Law Institute, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700, ext. 271.

APRIL 5-10. 19th Annual Conference in San Francisco, sponsored by the Risk & Insurance Management Society; \$395 for full week, \$325 for partial week. RIMS, 205 E. 42nd St., New York, N.Y. 10017; 212-557-3221.

APRIL 6-7. Employee Health Benefits and Insurance Plans Directions for the 80s Conference in San Diego, sponsored by the National Health Lawyers Assn.; \$300 for members, \$375 for nonmembers. National Health Lawyers Assn., 522 21st St. N.W., Suite 120, Washington, D.C. 20006; 202-393-3050.

APRIL 7-8. How to Improve Your Insurance Coverage and Reduce Costs Using the Risk Management Process Seminar in Las Vegas, sponsored by International Risk Management Institute; \$435 per person or \$375 per person in two-person team. Also **April 21-22** in Chicago, **May 5-6** in Philadelphia and **May 19-20** in New Orleans. International Risk Management Institute Inc., 10300 N. Central Expressway, Dallas, Tex. 75231; 214-263-9656.

APRIL 8-9. Wellness in the Workplace: Linking Employee Health and Health Care Costs Conference in Tuscaloosa, Ala., sponsored by the University of Alabama; \$80. Continuing Education in Human Services, Box 2967, University of Alabama 35486; 205-348-6222.

APRIL 9-10. Eleventh Annual Employee Benefits Institute in New York City, sponsored by the Practising Law Institute; \$275. Practising Law Institute, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700, ext. 271.

APRIL 10-11. Anatomy of a Personal Injury Trial in New York City, sponsored by the Practising Law Institute; \$250. Practising Law Institute, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700, ext. 271.

APRIL 21-24. Third ASIS Telephone Security Training Course in New Orleans, sponsored by American Society for Industrial Security; \$415 for members, \$490 for nonmembers. Edu-

cation and Seminar Programs Department, ASIS, 2000 K St. N.W., Suite 651, Washington, D.C. 20006; 202-331-7887.

APRIL 23-24. Risk Management Seminar in Los Angeles, sponsored by The College of Insurance; \$357. Also **April 30-May 1** in New York City. The College of Insurance, 123 William St., New York, N.Y. 10038; 212-962-4111.

APRIL 25. Aviation Law Seminar in Newark, Del., sponsored by the University of Delaware; \$25. Candice Dalrymple, Division of Continuing Education, University of Delaware, Newark, Del. 19711; 302-738-1171.

APRIL 28. Employee Communications, Compensation and Benefits Issues in the 80s Seminar in Chicago, sponsored by The Wyatt Co.; \$175. Robert Ellis, The Wyatt Co., Suite 5600, Sears Tower, Chicago, Ill. 60606; 312-876-1616.

APRIL 30-MAY 1. Libel Litigation in New York City, sponsored by the Practising Law Institute; \$265. PLI, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700, ext. 271.

MAY 6-8. Aviation Risk Management Course in London, sponsored by Risk Research Group Ltd., \$680. Caroline Atkinson, Risk Research Group Ltd., Bridge House, 181 Queen Victoria St., London EC4V 4DD; 01-26-2175.

MAY 7-8. First International Political Risk Management Conference in Washington, D.C., sponsored by The Wharton School of the University of Pennsylvania; \$695 plus \$85 registration, company discounts available. Registrar, University Conference Center, 360 Lexington Ave., N.Y., N.Y. 10017; 212-953-9022.

MAY 17-20. Offshore Oil Drilling and Insurance Seminar in McAfee, N.J., sponsored by The College of Insurance; \$285 for sponsoring members, \$330 for others. The College of Insurance, 123 William St., N.Y., N.Y. 10038; 212-962-4111.

JUNE 15. The New Outlook for Hazardous Waste Management in Washington, D.C., sponsored by Booz, Allen & Hamilton; \$750. Karen Smolens, Center for Management Research (Briefing Coordinators), 850 Boylston St., Chestnut Hill, Mass. 02167; 617-738-5020.

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Baker promotes 2 at headquarters

BAKER INTERNATIONAL Corp., in moving its corporate insurance offices from Orange, Calif., to Houston, Texas, has named **James E. Goode** director of corporate insurance and **James H. Perry** corporate insurance manager. Mr. Goode, previously asst. treasurer at Baker, will report to vp and chief financial officer James T. Dresher. Before joining Baker, he worked in the treasury department of Reed Tool, which merged with Baker in 1975, and has worked in the treasury/banking department of Tenneco Inc. He has a bachelor's degree in business from Texas A&M.

Mr. Perry comes to Baker from Aetna Casualty & Surety Co. where he was an underwriter for five years. He is a graduate of Arizona State University and reports to Mr. Goode. The firm's insurance department was moved to Texas because most of Baker's 28 subsidiaries and divisions are in the Gulf Coast area, Mr. Goode said. The firm's former risk manager—**B. Griffin**—is working as a consultant to Baker in the California office. Mr. Perry's new position may lead to the risk manager post, Mr. Goode said.

Amax Corp. in Greenwich, Conn., has named **Michael A. Sweeney** to the newly created position of project supervisor in the benefits administration department. Mr. Sweeney, who reports to manager of personnel and accounting Ernest Dworschak, previously worked in the systems/claims department at Manhattan Life Insurance Co. At Amax, he will be responsible for accounting and administration of benefit plans through computers. He has a bachelor's degree from the College of Insurance in New York.

Mobil Oil Corp. in New York has named **Richard W. Holmes** safety adviser to replace **Bill Enderle**, who was promoted to safety manager of Mobil's U.S. marketing division in Chicago. Mr. Holmes, who was director of safety and workers compensation at TWA in Kansas City, Mo., will report to Mobil's manager of safety and fire protection Richard Petrucco. Mr. Holmes has a bachelor's degree in aerospace engineering from the University of Kansas and a master's in business administration from the University of Missouri.

Michael P. Kirwan has been promoted from director of insurance to corporate controller at Delaware North Cos. Inc. in Buffalo, N.Y. He reports to Richard Stephens, group vp of finance. Mr. Kirwan is responsible for accounting, personnel, tax and insurance administration. Before joining Delaware North in 1979 he was manager of corporate insurance at

comings & goings: buyers

Quaker Oats Co. in Chicago. Mr. Kirwan has a bachelor's degree in business administration from Canisius College in Buffalo and is enrolled in graduate studies.

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Former RIMS president dies

C. Paul Kipp, 60, manager of insurance for United States Gypsum Co. and former president of the Risk and Insurance Management Society, died March 2 after a long illness.

Mr. Kipp had been employed at United Gypsum in the insurance department since 1949.

He was RIMS president in 1978-79 and also was president of the Chicago RIMS chapter in 1961-62.

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Bringing our overseas coverage back home.

-Kellogg's
Stanley King

Until recently, each of the Kellogg Company's overseas plants obtained property coverage from their local insurance markets.

"This left us at the mercy of widely fluctuating rates over which we had no control," says Stanley King, Kellogg's risk manager. "We determined that self-insuring through a captive could cut our foreign insurance costs by as much as 25%."

King also decided that the captive operation would require the cooperation of a commercial insurer with strong loss control expertise. "Our 29 foreign plants produce over 750 million pounds of food each year," he notes, "so the loss of even one facility can have a broad impact on distribution and sales."

After reviewing the self-insurance plan with several carriers, Kellogg selected INA. King explains: "INA has exceptional facilities in every country where we have plants. And they helped us design a self-insurance program that doesn't jeopardize our earnings-per-share performance."

Under the plan, INA reinsures the foreign property coverage back through Kellogg's captive, and provides excess protection for catastrophic losses which might occur.

"The INA loss control people work closely with our own engineers to prevent costly shutdowns," says King. "And the cost-efficiency of the captive program has improved our financial performance without reducing the extent of our coverage."

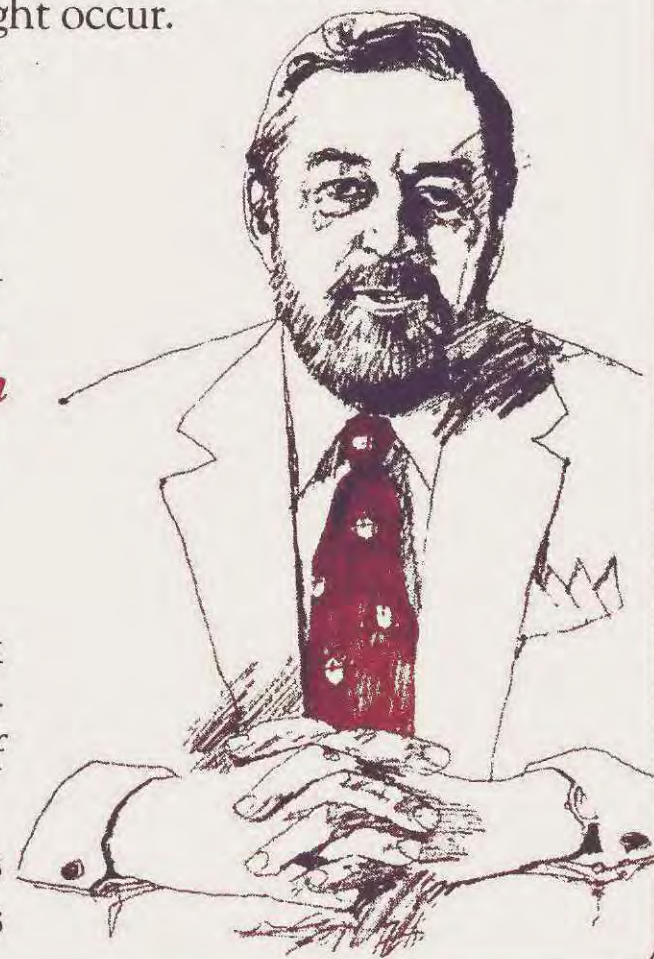
Each year, thousands of U.S. citizens are sent abroad by the federal government on cultural or scientific assignments. By statute, these individuals are subject to a federally-mandated workers' compensation program that is very broad in its provisions.

"The Defense Base Act (DBA) requires around-the-clock comp protection, and the claim limits—where they exist at all—are very high," explains Frank Wright, chairman and CEO of Wright & Company, a Washington, D.C.-based broker.

Obtaining this insurance on a project-by-project basis became a major expense for one government agency: premiums

Stopping the dollar-drain on overseas comp.

-Wright & Co's
Frank Wright



often ran as high as 20% of a worker's total annual remuneration.

In an effort to bring these costs down, the government agency invited bids from insurance carriers willing to underwrite all DBA compensation policies. INA International was awarded the contract, with Wright acting as broker. "In the three years since INA took on the program," reports Wright, "premiums have been reduced by 40%." Total savings have amounted to several million dollars.

Wright attributes this dramatic reduction to INA's international capabilities and administrative expertise. "We've seen enormous amounts of tax dollars saved," says Wright, "and we hope to make the INA program a prototype for other government agencies."

Insuring workers' compensation exposures was once very costly for Sea-Land Service, Inc., the nation's largest container ship operator.

"Each of our four largest marine terminals employs over 400 people," explains Harold C. Krulder, director of safety engineering for Sea-Land Industries, the parent company. "They're involved in vehicle maintenance, warehousing, and longshoring operations—all of which are classified as high-risk activities by OSHA."

In order to bring compensation costs down, Sea-Land launched a self-insurance program three years ago. But this move meant that Sea-Land would have to conduct its own safety inspections, or find an outside company to do so.

"We felt we needed outside inspectors to give us the same level of objective expertise our commercial carrier had provided," recalls Krulder. Bids were requested from several safety inspection firms.

The contract was ultimately awarded to ESIS, an INA Corporation subsidiary. ESIS' safety engineers conduct exhaustive quarterly inspections of Sea-Land's primary terminals and file their recommendations directly with the terminal and Krulder's office.

"Besides helping us meet our own safety standards," he says, "the ESIS people have proved extremely adept at spotting potential OSHA violations. Together, we've brought about a steady reduction in employee accidents." This fact, coupled with the cash-flow advantages of self-insuring, has generated substantial economic savings for Sea-Land.

Comments Krulder: "ESIS provides me with an extra set of 'eyes' in the field. And the quality of their observations has played a large part in the success of our self-insurance program."

***An outside
perspective
on in-house
risks.***

-Sea-Land's
Harold Krulder



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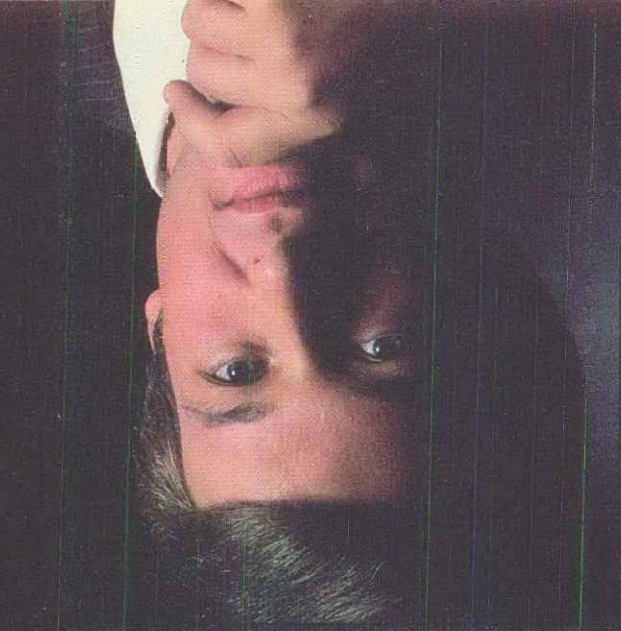
For an insurer, in a broader sense, it is the ultimate necessity.

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For the record:

OSHA regulation places the burden on physicians

By John S. Bransford

TODAY, THE family physician is regularly practicing part-time occupational medicine. A recent appraisal made by a national family practice medical society indicates 80% of its members are offering medical services to local industries.

In late May 1980, OSHA announced its long-awaited recordkeeping standard. On Aug. 21, the standard became permanent and binding on all industry.

This means there are now at least 437 toxic or hazardous substances which, by law, require monitoring, tracking, medical surveillance and recordkeeping. Since much of the material involves medical reactions and examinations, a local family practitioner is called upon to oversee and become "medical custodian."

It is not difficult to see that with the vastly increased and varied parts to the standard, compliance becomes a complicated matter for the doctor. It is a simple fact that as workers age, they become vulnerable to more diseases, and physicians are more likely to be held accountable for their work.

The liability is proportionate to the severity of the problems and it multiplies with time.

Consider the unclear picture when a doctor living in one state cares for the employees of a division of a large corporation domiciled in another state. The local physician may have been asked to act as custodian for a plant site by a national corporate medical director. However, this does not change the fact that the local physician is accountable and responsible for each patient. At best, the national medical director is a policysetter for his company. The legal obligations and responsibility belong to the local physician.

The recordkeeping standard survived two early court encounters. The Louisiana Chemical Manufacturers Assn. first challenged the standard in the U.S. District Court of Western Louisiana, but lost. An appeal to the 5th Circuit Court of Appeals was also turned down and the law went into effect in mid-September. Some of the more interesting provisions:

- All records pertaining to medical exposure and history must be retained for at least five years. In certain cases of toxic substance exposure, they must be kept for 40 years past the employee's termination date.

- The physician is responsible for all medical records including the obvious omissions or negligence exposures. The doctor is the agent of the employer, but only the doctor can be licensed by the healing arts board of the state. No company may diagnose or treat a person. In at least one state, an appeals court has held the physician is a free-standing target for suit separate from the employer.

- Only laboratories licensed by the Center for Disease Control may render medical test results under some of the standards.

- The physician and the employer are each responsible for knowing the health effects of the 437 substances and the prescribed medical tests for these substances. In some standards, there are strict prohibitions against previously accepted methods of practice and treatment.

- Both the employer and the physician must be aware of the specifically prescribed protective masks, clothing and gloves provided for the employee.

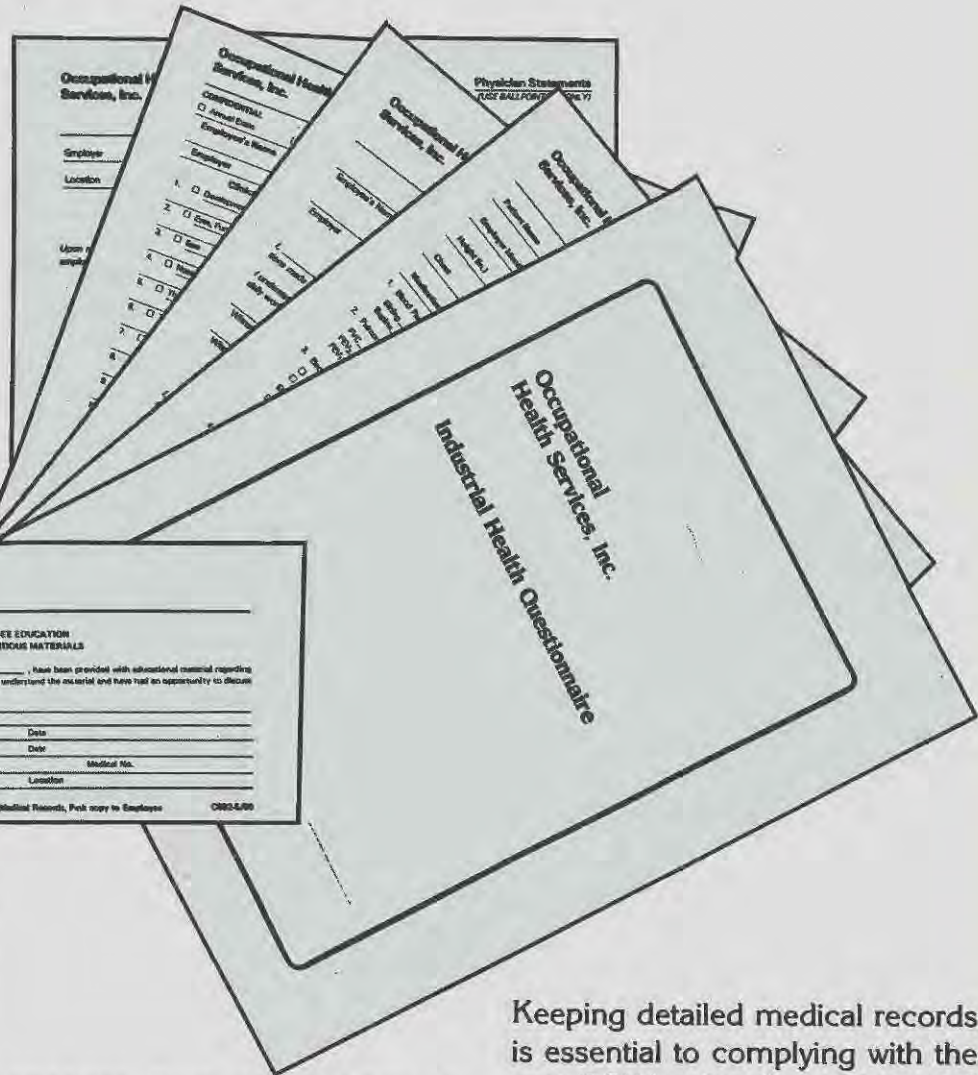
- The physician must diagnose or make a health status classification before the employee can continue to work at a specific job as it relates to present health and the exposures.

- The physician must have access to the measured exposure monitoring of any controlled toxic substance to which the employee is exposed.

The physician must furnish the management with specific data, but management should never be provided with any data relating to an employee's personal health or habits unless the doctor considers the employee's health to be in danger.

The data management needs includes certification of ability to drive a truck, forklift or crane to satisfy the requirements of the U.S. Department of Transportation. Likewise, if the worker must wear a protective respirator, management must be convinced that wearing the respirator will not induce lung or heart stress. Further, the type and NIOSH-approved model must be recorded for the brand of respirator.

- The physician and management must remember certain formulas contained in any given standard. An example: If the exposure to substance "X" exceeds "Y" micrograms per cubic meter and the whole blood level of substance "X" in the exposed employees exceeds "Z," a series of medical exams must be initiated that can involve up to three physician opinions. This can result in a paid 18-month furlough for the



employee. Even after that time the matter can end up in arbitration.

- Both physician and management are responsible to the employee for full disclosure concerning teratogens, mutagens and particular hazards of the substances to which the employee is exposed. Obviously, the possibility always exists that a child with birth defect can be born to an exposed male or female. The spectrum of this liability is nearly unlimited. It is certain the records must contain all the data necessary to prove the employer and his agent physician exercised all due diligence.

The list could go on at great length, but the general idea is clear. The fact that health standards have come about over the past few years is now accented sharply by the addition of the recordkeeping standard. In terms of measurable liability with the new standard, the absence of a record is damning and the unskilled creation of a record may prove worse. Compounding the problem is the lack of family physician training on the subject of occupational diseases.

The Department of Labor's "Interim Report to Congress on Occupational Diseases" states: "The limited availability of medical evidence on work-related diseases impedes the development of health standards. Since physicians are not generally trained to diagnose occupational diseases, regulators must rely largely on epidemiologic research...."

Another problem is local plant management reluctance to inform the local physician of the extent of risks, because finding another doctor may

Keeping detailed medical records is essential to complying with the new OSHA ruling for treatment of industrial patients.

prove impossible.

Most readers are at least somewhat familiar with past handling of occupational disease claims. They were a predictable scenario with management assembling its expert medical witnesses and the claimant gathering other medical witnesses of an opposite opinion. The results were often quite puzzling to a judge or jury and, in compromise, low awards were made.

But whether a suit is brought through state workers compensation remedies or whether the suit is filed in court, there can be a strain on corporate financial health. The reason is that the standards that exist provide a clear measurement of the extent to which the company adhered to the laws. The health effects are black-and-white and not subject to serious challenge from a team of freshly assembled expert medical witnesses holding contrary opinions.

The government makes the point that in the past, occupational disease claims in workers compensation hearings were rare and difficult to prove. They further point out that most victims have chosen the easier, more lucrative route of obtaining Social Security disability. However, in recent months this pattern has shown signs of changing to negligence suits.

A recent example can be seen in the action of the California Supreme Court. They removed the "exclusive remedy" impediment to some 70,000

Continued on page 19



John S. Bransford is a Nashville, Tenn., consultant to government and industry on record systems for occupational medicine.

perspective

Permanent life insurance: Inhibits the nibbling on retirement plans

By George Mandel

NINETY-SIX percent of all Internal Revenue Service-approved retirement plans could benefit from permanent life insurance funding. Inflation inhibits adequate personally owned coverage, and small plans should take advantage of this need.

These small plans have fewer than 100 employees while 92% of all qualified plans have fewer than 25 participants.

There are many excellent reasons for including permanent life insurance in a qualified retirement plan. I have selected 10 that I believe are the most important:

- Premiums are tax deductible. The premium paid by a qualified plan trust is deductible by the sponsoring corporate employer.

- Conversely, insurance purchased by an individual with after-tax dollars is more costly. For example, a policy requiring a \$2,000 premium from a non-participating individual in the 50% tax bracket requires earnings of \$4,000 to pay for it. This same individual, as a participant in a qualified plan, could request either \$2,000 be allocated to his account to pay for similar coverage or purchase twice as much coverage for \$4,000.

- Proceeds are exempt from estate taxes. Generally, life insurance proceeds are included in the estate of a decedent whether they are payable to the executor or beneficiary. However, life insurance proceeds paid to a beneficiary from a qualified pension trust are exempt from estate taxation under Section 2039(c) of the Internal Revenue Code. The life insurance proceeds may be paid in a lump sum. The estate tax exemption may be preserved if a beneficiary does not use the 10-year forward averaging according to the Revenue Act of 1978. Thus, it is possible to shelter substantial sums of life proceeds from estate and income taxes on a long-term basis.

- Proceeds are income tax-free. Pure death proceeds from life insurance in a qualified plan are income tax-free when received. Pure death proceeds, the face amount in excess of the cash value, are most often the major portion of the policy, especially in the early years.

Because death benefits are being paid, an economic return is being provided. This income is imputed to the insured plan participant. The pension industry refers to this returned income as PS-58. The name is derived from an early IRS table published in 1955 (Revenue Ruling 55-747).



George Mandel, CPA, is a tax partner with Seidman & Seidman, certified public accountants of White Plains, N.Y.



While the cash value is taxable income to the beneficiary, the returned PS-58 deduction will offset the tax.

For example, a participant, age 45, has a \$100,000 trust-owned life insurance policy and, in 10 years, has imputed income totaling \$8,300. Upon death at age 55, the policy has an estimated cash value of \$20,900 and death benefit of \$79,100, \$100,000 minus the cash value of \$20,900. The \$79,100 is tax-free income and the \$20,900 cash value is taxable income offset by the \$8,300 PS-58 accumulation.

Where permanent whole life insurance is used, only the pure term cost of the death benefit is imputed income.

For example, in one insurance company the total premium is \$2,000 for a 40-year-old with a \$100,000 death benefit, but the pure term cost for that individual is only \$442. However, the cumulative PS-58s are deducted from the benefit withdrawn from the qualified plan by the retiree, the disabled employee or in the case of a participant's death, his beneficiary. This deduction is available only when the policy includes cash value from a permanent life insurance policy. Thus, term insurance premiums are imputed income in qualified plans that is never recaptured.

But beware: Policy death benefits paid to the pension trust before distribution to a beneficiary may lose the income tax exemption found in pure life insurance proceeds.

- The policy is portable. The individual contract is portable because ownership can change from trustee to individual and subsequently, to spouse, business, a family trust or another pension trust. At retirement, a policy can

be distributed to the retiree for continuance until old age and death. Another caution: Transfer of a policy out of a pension trust may have income and gift taxes.

- The policies are less expensive.

Qualified plan policies permit the insurer to invest reserves on a tax-exempt basis. They are also less expensive than group policies for long-term employees. These factors make qualified plans a bargain. A similar policy purchased outside the qualified plan generally will cost more over the life expectancy period. The tax-free earnings afforded to insurers, with current high yields compounded without tax depletion, lead to a substantial cost reduction to the policyholder, especially with a mutual life insurance company, because there are no stockholders to reap the benefits. For example, a 45-year-old man acquiring a \$50,000 policy outside a qualified plan could accumulate dividends of \$11,392, including 7% interest, by age 65.

The same policy, in a qualified plan, projects a dividend accumulation of \$12,839, including interest. Dividends from life insurance companies are not taxable, so tax considerations are not a factor in this example. However, the employee will be taxed when the policy is transferred to him on termination or retirement.

- The arrangement bypasses double estates. For many people, one of the most important objectives in estate planning is for heirs to receive the inherited property intact without settlement costs, forced sale losses and taxes. A qualified plan is an excellent device when large blocks of life insurance are payable to a revocable trust.

This trust becomes irrevocable upon

the death of the insured participant, with the spouse as an income beneficiary and the children or grandchildren the ultimate beneficiaries. Assuming the death proceeds of the pension plan are \$1 million—not uncommon in a well-designed plan—this arrangement bypasses both a husband's and wife's estate and arrives intact, estate tax-exempt, to the children and grandchildren.

- Premium rate is guaranteed. Participants in a plan with individual contracts are assured of a guaranteed inception-age rate, if they decide to continue coverage after retirement. Group insurance rates are not guaranteed and increase annually.

- The policy is affordable into retirement. Because of inflation, increasing standards of living and costly estate taxes, few individuals want to surrender their life insurance in later years. A policy acquired at age 35 would be relatively easy to afford. Where dividends are used to pay premiums, there may be no additional cost.

One insurer shows the premium for a 35-year-old man would be \$15.86 per \$1,000 annually, but the annual projected dividend at age 65 would be \$22.62 per \$1,000, creating a non-taxable gain. Of course, not all companies guarantee dividends. Yet it is worth repeating that there may be no additional costs to continue the life insurance. On the other hand, a term or group policy converted to a permanent policy at age 65 will cost about \$70 per \$1,000.

- Personal insurance savings are reinvested. Those who are sufficiently covered by qualified permanent life insurance may discontinue personal coverage and reinvest the premiums saved in the tax-deferred voluntary account within the trust. However, this would not be recommended if the trust provided only term insurance.

- There is an additional conversion option. A permanent life insurance policy contains an annuity rate guarantee protecting the sponsoring corporation from underfunding. This guaranteed rate is also offered to the investment funds or the non-insurance portion of the split-funded plan. However, because of high interest rates offsetting the advantage of the lengthening life expectancy, the annuity rate would decline.



Getting complete medical information for the record is vital.

Computers monitor physicians' records

Continued from page 17

pending cases, which permitted direct suit of the employer by employees. The reasoning of the court was that the asbestos producers had known of the dangers long before the workers were so informed.

Industrial expansion in recent years has moved to the suburbs and rural areas. Medical specialists do not live there, as a rule. More often than not, the plant site medical custodian is a family doctor assuming the responsibility of recordkeeping, workplace toxic substance monitoring, employee education and occupational disease examinations. He is not equipped to perform these tasks without additional help, and the risks to the corporations can be enormous.

There are several new and simplified computer-guided systems that enable the family practitioner to produce excellent records at his own clinic. These kits provide immediate built-in audit and guidance that are based upon the specific exposures each worker has encountered. The frequency of exams,

the monitoring data, content of test protocols and group summaries are all produced by computer.

The single most important tool offered to both companies and their physician is information incorporating all of the known health effects of a toxic substance in brief form according to the actual symptoms exhibited by the worker.

It is impractical for employers to expect family doctors to return to school to learn the new occupational skills required.

Lacking the required education or a computerized kit, many such doctors have reluctantly resigned from occupational medicine for industry.

Increasingly, malpractice underwriters have voiced disapproval of the dual practice.

Many of the larger petrochemical firms have adopted in-house records guidance systems for their own employee physician to use.

Rollins, Burdick, Hunter has been working on a recordkeeping system that may soon be offered for risk managers.

Inciting mob action

By Peter Downes

I HAVE ALWAYS known there is something cathartic about outrage. Whenever somebody does something peculiarly witless and the outcome affects me, the adrenalin starts flowing, spates of invective spurt through the miasmal atmosphere and everyone within earshot is subjected to a diatribe concerning the iniquities and idiocies of the perpetrators of the act.

And when the moment has passed, I feel gloriously relaxed; purged, as it were, of the weight on my mind. Of course, nothing really changed at all. One day, however, it occurred to me that inciting outrage in others might actually be constructive. One could, perhaps, make somebody mad enough to do, out of sheer spite, what one wished to accomplish.

It was not too long before an opportunity arose. An employee went to work on a press one morning and within 10 minutes, had chopped off some of her fingers. The accident was reported routinely. In other words, the usual waffle happened where nobody was quite sure how the accident occurred, but everybody was quite certain it was nobody's fault. Needless to say, I ignored all this and conducted my own investigation.

War was declared. Local management seethed and various bodies sent scathing letters to hordes of people, in fact, to just about everybody except me. My boss got quite upset about the whole thing and wondered what I had done now. I suggested he not concern himself, it was just an amphigory. He wished I would not use language like that. I felt obliged to explain that there had been a lot of shouting, but nobody had actually said anything.

The immediate outcome of all this was that I was invited to the plant in question to train some managers and foremen. I was given the whole day to do the job, but later this was reduced to three hours and finally 45 minutes.

After that training, a curious thing happened. For the next nine months not a single accident was reported at that plant—not even a finger scratch. Now this plant had never been a model of virtue, and customarily reported five or six accidents each month.

Armed with this result, I blandly imagined I would be permitted to do a similar job for the rest of the corporation with the wholehearted approval of management. I was told, however, it was sheer coincidence. There was no way my talk could have had an effect on events, they continued, so stop wasting everybody's time.

I was mildly irritated by this attitude, as it appeared to me that talking to them had gotten results indeed. Nevertheless, if I did it again, there was always the possibility of adverse side effects, like me getting fired, for example. It seemed to me, however, there was no need to go to extremes. All one had to do was to make local management outraged.

At that time, there was an area of the corporation with employees scattered in a number of locations, that habitually produced claims costs ranging \$50,000 to \$150,000 annually. It would have been naive to suppose that one could make all accidents disappear for good, but surely one could make compensable accidents the exception.

So a couple of us got together, in the teeth of some rather formidable opposition, and put on mini-seminars that got people good and mad at bone-headed management, conniving employees, rotten bureaucrats, lousy politicians and everybody else we could think of. Oddly enough, all this was directed toward programs promoting sound safety management. We believe it had its effect since the accidents in the first year alone were less than 5% of the average for the previous 10 years.

Management was unimpressed. We were bound to have a good year sooner or later, I was told, and this must have been it.

The hell it was, I retorted, you have not had a good year since you started business, and that was a long time ago. In fact, I found myself getting increasingly angry as I realized that some two-faced, nitwitted twerp was trying to get results from me in the same way I hoped to get them from others.



Peter Downes is manager of insurance for American Trading & Production Corp. in Baltimore. His satire appears regularly.

Policy ambiguity nixes subrogation rights

A FEDERAL APPELLATE court held that an ambiguity existed in a builders risk policy and interpreted it in favor of the policyholder, precluding the insurer's subrogation rights.

This case arose out of an accident during construction of the Riverfront Coliseum in Cincinnati, Ohio. The Coliseum Corp. contracted with Paper, Calmenson & Co. for the structural steel fabrication and erection. The Coliseum Corp. was obligated to obtain property insurance on behalf of itself as well as the contractor, subcontractors and sub-subcontractors.

legal briefs

The Coliseum Corp. acquired a builders risk policy from American Insurance Co. Subsequently, Paper contracted with the L.H. Sowles Co. for some of the construction work. During construction, a crane operated by a Sowles employee slipped from its moorings and damaged the partially completed coliseum.

American paid for the necessary repairs to the work of several contractors and subcontractors. In return, it re-

ceived a subrogation against any person or corporation liable for the loss. American sued Sowles to recover all but Sowles' own damages. The trial court ruled against American.

Sowles contended, on appeal, that its status as a policyholder under the policy precluded American from proceeding against it by subrogation. American argued, however, that Sowles' protection under the policy was limited to damage to its own property. The court

said the policy was subject to two interpretations, and agreed the one most favorable to the policyholder, Sowles, should be adopted. *American Insurance Co. vs. L.H. Sowles Co.*, U.S. Court of Appeals for the 6th Circuit, Aug. 21, 1980 (BI/02/A-\$5).

This abstract was prepared by Cases Unlimited Inc. Copies of the entire decision may be obtained by sending a check for \$5 made out to Cases Unlimited, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611. Please list the number for the opinion.

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write Roy C. Van Orden, S.E., director, Group 10 Systems, Union Bank Square, 445 S. Figueroa St., Los Angeles, Calif. 90071.

• A booklet summarizing **presentations by insurance industry leaders at Price Waterhouse's annual insurance seminar** focuses on challenges and issues the industry will face in the 1980s. To obtain a copy, write John L. McDonough, chairman, Insurance Industry Services Group, Price Waterhouse & Co., 1 Financial Plaza, Hartford, Conn. 06103.

• How important is the insurance industry to the Texas economy? A new publication, **Insurance in the Texas Economy**, contains facts and figures on the industry's economic role in the state. According to its publisher, the Insurance Information Insti-

tute, the industry's contributions are significant. The 24-page booklet also has basic information on property, liability, life and health insurance in Texas. For a free copy, write the Texas Insurance Information Center of the Insurance Information Institute, 1011 Congress, Suite 501, Austin, Tex. 78701.

• For the first time, Floridians can **compare current prices for 37 common hospital services around the state** in a publication by the State of Florida Hospital Costs Containment Board. For a free copy, write Hospital Cost Containment Board, Larson Building, Tallahassee, Fla. 32301.

• **For Better Benefits Management** is the title of the International Foundation of Employee Benefit Plans's 28-page booklet describing the foundation, its membership, structure and services. For a free copy, write International Foundation of Employee Benefit Plans, 18700 W. Bluemound Road, Box 69, Brookfield, Wis. 53005.

• A booklet on **better health and better physical condition** has been published by Blue Cross and Blue Shield Assns. with the help of six experts in medicine, health and physical fitness from private organizations, universities and the federal government. The 32-page motivational booklet, which never uses the word "exercise," debunks the belief that a regular job that keeps people on their feet most of the time or pleasant activities like golf, tennis or bowling fulfill all needs for exercise. For a free copy, write Blue Cross & Blue Shield Assns., 676 St. Clair, Chicago, Ill. 60611.

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• **The 1981 National Electrical Code Handbook** is in its second printing. It contains color-coded explanations and commentary. The cloth-covered edition costs \$19.50; the booklet edition is \$8.25. Write National Fire Protection Assn., Publication Sales Division, Batterymarch Park, Quincy, Mass. 02269.

riskWatch

Watch your wallets, scream and shout, crooks are all about

By LEN STRAZEWSKI

Willie Sutton, a public-spirited bank robber once told reporters he chose banks as the object of his career because "that's where the money is."

If he ever comes out of retirement (or earns a parole), forget the banks. He is bound to choose insurance for his comeback. Times seem to be changing for the insurance business, one of the last strongholds of gentlemanly behavior. Cases of criminal, ethical and moral misconduct are making the business look like an elderly gent ripe for mugging.

More and more often, tales of white collar crime, phantom policies, bogus brokers and other frauds make their way to *Business Insurance*. The "scandal" beat threatens to become a permanent assignment.

Stories about reinsurance from firms that may not exist, policies sold without authority and underwriting done without insurers' approval all seem to say that insurance is becoming a dirty business not fit for gentlemen. And old-fashioned pride of the industry seems to get in the way of cleaning it up.

Peter Green, chairman of Lloyd's of London and the dean of insurance gentlemen, disagrees. But he can't help but acknowledge that the insurance industry is attracting con men and others looking for a fast, but not clean, profit.

"If you work in an area in which there is a lot of money flowing back and forth, there is always the temptation for someone to try to steal," he told me during his recent tour of the U.S.

"Wherever there is a lot of money, there is always an opportunity for the determined crook," he remarked. "If people are misbehaving, you have to tell them to stop."

New Lloyd's rules regarding underwriting authority and syndicate disclosure may even clean up the "misbehaving," he said. "If you are in a position to tell people to stop, it will all happen less."

In light of multimillion dollar losses from underwriting authority confusion over the Sasse syndicate and others at Lloyd's, the official response seems a little weak. The insurance industry, as epitomized by Lloyd's, is reknowned for the way it takes horrible news with a grim smile. You could chalk it all up to old-fashioned British reserve, too.

But the Sasse loss, which has generated a flood of lawsuits charging all varieties of misconduct, hardly seems like small change. Though no criminal charges have ever been filed, \$51 million, the latest Sasse loss estimates, may be a lot of misbehaving.

Recent charges filed in both New York and Los Angeles courts over unauthorized reinsurance policies issued in the names of Switzerland General Insurance Co. of New York, Winterthur Insurance Co. of New York and Northern Assurance Co. also seem rather extraordinary.

No one knows exactly how many risks may have had holes in the reinsurance and no one knows how much reinsurance premium was paid. But it wasn't small, sources say.

Calling that "misbehaving" is like saying that they were all good boys and never meant no harm.

"I'm certain that many of those things (misrepresentation and phony policies) are against the law," Mr. Green remarked. "Still that doesn't seem to stop them from happening."

Admirable as the calm industry attitude seems, the stiff upper lip may be hurting rather than helping. An investigator probing recent reinsurance deals for the U.S. attorney's office called it "frustrating and just plain stupid."

"Even if you assume that the business has an old-fashioned style—50 years out of date—this is not the kind of thing you can take on yourself. Fraud and white collar robberies are criminal investigations. It's not a job for businessmen," he said.

When an exposure gets big, insurance experts always advise getting professional help. When a whole industry is a target for crime, it's time to call the cops.

Take the advice of an old bank robber. Look for crime in the insurance industry "because that's where the money is." Then don't be too proud to ask for help.



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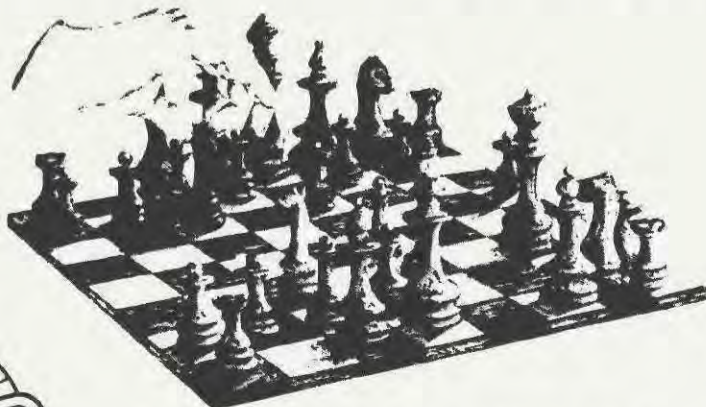
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DES maker seeks federal product law

Continued from page 3

Industrywide liability "would result in the taking of the property of all the named defendants to pay for harm which may have been caused by only one of the defendants, or even by one who is not a party to the lawsuit," the New Jersey appeals court ruled (BI, Feb. 16).

Then one month later a New York appellate court stunned DES manufacturers in unanimously ruling that victims of the cancer-linked drug can sue drugmakers who acted in concert to market the product even though the specific manufacturer cannot be identified (BI, March 2).

Legal experts see no end to varying court decisions on DES manufacturers' liability. "The problem is only going to get worse," said Victor Schwartz of law firm Crowell & Moring. Mr. Schwartz was recently hired by Eli Lilly to develop a fresh litigation strategy on DES and other liability issues.

Drug manufacturers, such as Lilly, traditionally have sought tort reform at the state level. In response to business lobbying, more than 20 states in the last four years have passed laws limiting manufacturers' exposure to product liability suits.

But Lilly's Mr. Taylor says unless all the states pass the same tort reform law—an unlikely possibility—manufacturers still will face enormous uncertainties in the courtroom.

Lilly doesn't endorse the Commerce Department's model product liability bill (BI, Oct. 15, 1979). However, Mr. Taylor says the proposal, which was introduced in the last session of Congress by Rep. John LaFalce (D-N.Y.), is a good starting point.

A key element of any federal product liability bill must be a provision that the plaintiff must prove

that a manufacturer made or sold a product in order for a manufacturer to be sued, Mr. Taylor says.

He hopes Congress will consider a bill this year, as problems mount.

Robert Dickson, national litigation coordinator for E.R. Squibb, questions the constitutionality of a federal product law. In any case, a bill would not provide retroactive relief to the 200 suits.

Meanwhile, DES manufacturers' legal bills are soaring. E.R. Squibb, for example, spent \$250,000 recently in successfully defending one DES case filed in Philadelphia, he says.

And Squibb alone faces 194 other DES cases. With legal costs soaring, "no one can buy insurance anymore," Mr. Dickson said. ■

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IRS ruling limits trade trust funds

Continued from page 1

One expert says he could understand the IRS's objection if the trusts were set up to provide benefits only to officers of member companies. "But the benefits go to the employees. The objections just don't make sense," he says.

The IRS's position that trusts can be offered by a national trade association only if participating employees work in the same geographic area is a toughening of earlier proposed IRS regulations.

In 1969, IRS proposed that a trade association could sponsor a trust as long as the employees worked in the same industry. Employees did not have to work in the same locale.

The 1969 regulation, however, was later withdrawn. To now require employees to work in the same area as a condition of trade association sponsorship of 501 (c) (9) trusts "is tantamount to the Internal Revenue Service enacting tax legislation," Mr. Hurley says.

Experts say trade association sponsorship of the trusts was expected to soar before the IRS regulation. "It is an area of potentially large growth," says Michael Vaughn, corporate counsel at Corroon & Black Benefits Inc. in Nashville.

It was booming because of the cost savings.

A trust purchases group health, life and disability coverages from an insurer to cover employees. ■

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Trust your workers but stop phonies

Continued from page 3
you to the cleaners," he says. "Everyone is responsible for a safe work place."

He criticized employers who have productivity contests among

employees and said more rewards should be developed for the boss or worker who contributes to safety in the workplace.

"In a lot of places, safety takes a backseat to productivity," he said.

"But we found that when we reward workers and management for developing a safe work environment, a climate of reduced accidents follows."

At Western Electric, managers meet once a week to share experiences and talk about accidents that occurred in their area of the plant. The reward system starts right there, says Mr. Lippincott.

"The penalties are shared by management."

"The company's position is that accidents will not be accepted at the expense of or cutting corners," he added.

Of utmost importance at Western Electric, he said, is that the employee's account of the injury or accident is accepted and that the worker believes that the company is concerned about his or her

welfare.

"Our ten commandments of employee benefit policy begins with believing in the worker," Mr. Lippincott said. The company does that by having the employee write down his or her account of the incident as soon as they are able.

"If we have reason to believe the person might be embellishing the account of the injury, we investigate and if we find the person lied or faked the injuries, we crack down hard," he said.

Western Electric had a case involving a worker who was home on disability when the company got word that the person wasn't all that racked up, Mr. Lippincott said.

"The worker had a garage sale so we had a male and female team of

investigators make a visit. The woman investigator bought an old stove from the guy and asked him to help her get it in the trunk of her car. Her husband (the other investigator) pretended to have a bad back himself.

"Well, the worker picked up the stove and moved it four times in and out of the trunk while the movie camera was grinding away across the street."

Western Electric has had good success with its tough but fair handling of employees, adds Mr. Lippincott. Only four employees went to the Illinois Industrial Commission in 1980 rather than settle with the employer.

"Our employees know they'll get a fair shake with us when they're really hurt, and they know we'll reward them for safety," he said. ■

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County 'gets no respect'

Continued from page 3
of some of the county's more infamous claims:

- A sheriff's deputy assigned to the county jail was assaulted and injured by a prisoner. The deputy's post-concussion syndrome resulted in a sexual dysfunction that the employer, by state law, was bound to "relieve or cure," says Mr. Klem. "The bills on that case were inter-

esting. Under the work comp act, we were required to make him sexually functional again," he said.

- A chief deputy assessor in the county died of a heart attack while attending a White Sox ballgame over a weekend. "He died of excitement and we had to pay \$320,000," says Mr. Klem. (The commission awarded death benefits to the worker's widow after she alleged her husband's attack was brought on by stress on the job.)

- An employee on temporary total disability, thought to be in a body cast, was paid a surprise visit by a team of investigators and caught jacking up his car to drain the radiator, says Mr. Klem. "His award from the commission was reduced, but he still got money."

The Industrial Commission becomes involved in a claim only when the injured files for an adjustment of the workers compensation award received from his or her employer. If a case is not settled out of court by the two parties, it goes to trial before the commission.

With 150 work locations throughout Chicago, Cook County decided some time ago that it needed a tight rein on safety and the reporting of accidents, says Mr. Klem. The county selected certain emergency facilities and staffed selected physicians with whom they already had a good working relationship, he says.

"This way we can call and find out the extent of the injury at the time the worker is admitted to the hospital," said Mr. Klem. "There is a loss of control when an employee

goes to his or her own physician. There's a tendency to be overcautious. A worker with a simple sprain might be told to stay home two weeks."

Cook County also has a safety coordinator at each of its working sites, says Mr. Klem. "That way we get immediate information on what happened when an accident occurs," he said.

Another avenue open to employers, whether they are self-insured or not, is outside private investigators, says Mr. Klem. If an injury looks suspicious, everyone is aided by an investigation, he says.

"If the case gets to the industrial commission, or 'the zoo' as we call it, the employee will give a description of the accident that bears no resemblance to the actual event," he said.

Even if an employer is insured by a reliable carrier, they should not rely on that insurer to keep track of accidents claims, he added.

"Your premium will go up to the ceiling if you allow the insurance company to handle the case," he warns. "You've got to remember that the insurance carrier is in business to make money and can't possibly give your claim the attention it deserves."

Another way to control workers compensation costs, advises Mr. Klem, is to keep close tabs on employees' medical bills and coordination of benefits.

"If you pay blindly, you're crazy," he said. "We refuse to pay excessive costs. We all know how doctors are famous for running up those charges."

Buyers need rate rules

Continued from page 2

Mr. O'Connor urged the state to adopt a model bill drawn up by the National Association of Insurance Commissioners.

Major points of that legislation are:

- A prohibition against unfairly discriminatory rates.

- A flat prohibition against price-fixing, agreements to adhere to prices and the development of recommended retail insurance rates by industry trade associations.

- Filing of personal lines rates with the insurance department no more than 15 days after their effective date.

Commercial rates would be exempt from the filing requirement, but Mr. O'Connor said he would learn of unfair rates in noncompetitive areas through buyer complaints.

"You're going to hear about it if the market tightens up," he said.

"You're going to get phone calls."

- Authority for the insurance department to disapprove excessive rates only if a formal hearing determines competition to be non-existent in the market segment.

In response to questions from panel members, Mr. O'Connor said such a law would not amount to prior approval of rates for all lines of insurance because an increase could be denied only after a hearing determines that competition does not exist "for a particular market during a particular time."

In fact, the director said he opposes prior approval. Even in workers compensation, insurers could compete on price and rates would remain reasonable, he said.

"We can find absolutely no obstacle to competition in workers compensation," he told legislators. "And there is no reason that insurers should not have to compete on price the same way the businesses they insure have to."

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INSURANCE COMPANY OF THE WEST

Health tactics slow hikes

Continued from page 3
 Burke Gumbiner, HML vp-marketing. Hospitals in Southern California increased charges 40% in a seven-month period through January, he says.

Hospital rates had been increasing 18% a year, reports Mr. Gumbiner. HML's parent corporation, a health maintenance organization, tracks California hospital bills and calculates a retail daily rate.

This enormous inflationary increase in hospital charges is causing many insurance companies to increase rates 50% in Southern California, says Mr. Gumbiner. Hospitalization costs account for about half of the total health insurance claims dollar, he says.

By reducing the number of hospital bed-days per policyholder, HML kept its premium increases well below those of other insurers, according to Mr. Gumbiner.

Although many insurers urge patients to seek a second opinion before surgery, HML offers strong monetary incentives to do so. Pre-authorized admissions are 100% covered under an HML policy, but unauthorized stays are only 80% paid. Nine out of 10 patients request prior authorization to avoid that costly 20% copayment.

If the HML medical director rejects a surgery and hospitalization plan, HML pays for a second physician to review the case. If the second physician agrees the surgery is needed, it is immediately approved.

If the second opinion concurs with the judgment of HML's medical director but the patient still wants the surgery, the case is referred to a three-physician panel.

The decision of this panel, which includes the patient's doctor, HML's medical director and a third physician acceptable to both sides, is binding.

"The medical panel only has been used once that I can remember," added Mr. Gumbiner.

The chief reservation of employers considering HML's program is the prior approval mechanism itself, admits Mr. Gumbiner. HML requires the patient's doctor to submit a plan five days before elective surgeries and within 48 hours after an emergency admittal.

"We have a 24-hour answering service where messages can be left in case of emergency," notes Mr. Gumbiner. "These messages count as prior authorization."

HML's biggest stumbling block has been policyholders who have not permitted it to conduct user training sessions, says Mr. Gumbiner. Employees at those companies don't understand how the prior authorization system works.

"We like to have a half-hour for our presentation and a half-hour for questions and answers," explains Mr. Gumbiner. "The key to the success of these meetings is that they have to be held on the employer's time—not the employees'." Every participant is given a prior authorization kit, ID cards and instructions on how to use the plan.

Rapid growth and an aggressive advertising campaign should help overcome another HML obstacle—lack of recognition among business buyers. "Some people tell us they want to go with a 'brand-name' company," says Mr. Gumbiner. "They say they've never heard of HML."

Over the past three years, HML has doubled the size of its claims department and added a second medical director. By the end of 1981, the insurer hopes to inaugurate a new automated claims system that will speed claims response time.

HML specializes in small and

medium-sized groups in California. Most of its policyholders have 25 to 125 participants. HML will not write coverage on groups of 500 or more employees.

The basic HML plan covers hospitalization at 100% with prior authorization and 80% without prior authorization up to a \$1 million lifetime maximum. Basic benefits with no deductible include one physician exam per year, well baby care, family counseling and rehabilitation therapy.

The major medical portion of the basic plan is subject to a \$100 deductible and pays 80% of physician and outpatient care. Full coverage is extended after each insured individual pays a maximum of \$400 per year. Up to 50 outpatient mental health visits also are covered. Inpatient mental health

care is limited to a maximum of \$10,000 in the most common plan.

Typically, this basic plan would cost \$40 to \$50 a month for an individual employee and \$100 to \$150 for a family. The actual cost depends upon the loss experience of the employment group.

Additional benefits and higher limits also are available, points out Mr. Gumbiner. This year, HML also initiated 100% payment of all outpatient surgery claims without prior authorization. This is to encourage patients to obtain outpatient treatment whenever possible.

HML plans are marketed through independent agents and brokers. "With rates rising so rapidly, brokers are under the gun to find price-attractive health care alternatives for their clients, or face losing business to their competitors," notes Mr. Gumbiner.

New pension service begun

Hicks Franchise Corp. of Fresno, Calif., has begun franchising a pension administration service firm nationally. Hicks Pension Services has already been awarded to 22 franchisees in 15 states stretching from Maine to Hawaii. Donald L. Jans, president, ex-

pects to add one franchise per year to a maximum of 350 franchises nationwide.

Hicks offices currently handle more than 1,500 different pension plans for more than 1,200 companies and is planning to add an additional 1,200 plans during 1981.



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Reducing plans trim bulky health costs

Continued from page 1

programs, pre-admission testing, second surgical opinion, ambulatory surgery and home health care are being considered by several of the self-insured employers, the survey shows.

Only seven of the firms said they are not considering cost containment measures.

The overall survey results verified earlier reports that health care rates would soar this year (BI, Jan. 26).

All but one of the 26 self-funded firms experienced a health insurance claims cost increase at their last annual review, and all but two of the 19 companies that buy their health insurance from an insurer or Blue Cross/Blue Shield saw a sizable rise in their rates.

Most reported that rates went up Jan. 1, but some self-insured firms changed their rate structure as far back as July 1980.

Self-funded companies, ranging in employee size from 520 to 50,770, reported hefty increases in rates, with the average hike about 20% over last year.

An insurance department supervisor of a public utility with 4,500 employees said that company experienced a 19% increase in its monthly health care cost for individual employees, with the cost rising to \$37.96 this year from \$31.90 in 1980.

The family plan cost for the self-funded utility, which has been self-insured for more than 10 years, also rose about 19%. The cost of the increase was split 70/30 between the employer and worker, respectively.

One self-insured petroleum refinery saw its health care bill increase dramatically this year for individual employees. The cost rose \$85.28 a month from \$59.46 a

month in 1980, a 42% increase. The same employer, who has been self-funding group health benefits for about six years, increased family rates by about 18%.

For the five self-funded firms that said they shared the cost of this year's rate increase with employees, the usual split was an 80/20 employer/employee ratio. A few employers said they paid more than that, depending on the length of a workers service with the firm.

Companies that insure their health care weren't hit any less, however. Seventeen of the 19 firms surveyed reported average rate increases of 26% to 39%.

The smallest employer in the survey, a publishing firm with 520 workers, had its rates increased to \$40.85 from \$35.82 for an individual employee and to \$129.23 from \$112.17 for a family plan. The employer picked up the increases in both categories.

One employer, a consumer products firm with 5,000 workers, said its insurance company did not raise rates for the current year.

And a communications firm with 700 employees also reported no increases in group rates from its insurer.

An overwhelming majority of those surveyed said they didn't plan to revise their benefit plan to reduce costs or to lower quoted rates increases.

Only one self-insured employer said it would reduce employee benefits and only one firm planned to increase the workers share of the deductible. Of the 19 insured companies surveyed, 17 stated they would not revise their benefit plan in attempts to get lower quotes on insurer rates.

But, five insured companies admitted the increase in rates pre-

cluded them from adding planned new benefits to their packages. Some of those perks left out included dental and vision care, a savings plan improvement, well baby care and a physical exam program.

One \$800 million manufacturing firm is toying with a complete re-vamping of its health insurance package. A machine tool manufacturer said it was planning to

change its group contract to a modified premium, but no target date for the switch has been set.

The majority of self-funded companies responding to the survey said the increase or threat of an increase in health plan costs did not prevent them from adding any new planned benefit changes.

However, one trucking firm with 2,000 employees said a life insurance improvement for its workers

has been deferred indefinitely.

Another truck leasing employer of 20,000 responded that the nation's financial woes would prevent it from offering retiree life insurance, and sick pay and vacation policy improvements.

Many employers say they continue to be in a holding pattern when it comes to benefit changes because of the tenuous economic climate in the country. ■

New consulting firm opens

markets

Barbara Akk is founding a management consulting business, **Barbara Akk & Associates**, in Oakland, Calif. She will specialize in teaching client relations, product development and communications skills to insurance buyers and vendors. Ms. Akk, 35, formerly a staff consultant at EASCO Risk Management Consultants Inc. in Newport Beach, will continue there as an independent contractor on selected projects.

New consultant

E. W. Blanch Co. has formed a new subsidiary, **Commercial Risk Services Inc.** Blanch says the new subsidiary will provide one-stop shopping for corporations, associations and large groups that require assistance in planning and implementing a risk protection plan. Offices are located at Northwestern Financial Center, 7900 Xerxes Avenue South, Minneapolis, Minn.

New offices

Armco Underwriters Agency Inc., underwriting manager for the Armco Insurance Group, has

opened a regional office in Dallas. The new office will provide specialized coverages to insurance agents and brokers in five states: Texas, Louisiana, Arkansas, Oklahoma and New Mexico. Russell D. Hendrickson has been named Southwest regional vp.

The office insures commercial property and inland marine, com-

mercial umbrella and excess liability and long haul trucking risks through independent insurance agents and brokers. The office address is 1221 River Bend Drive, Dallas, Tex. 75247; 214-689-8333.

Specialty Underwriters of Texas Inc. has opened a Dallas office at 2730 Stemmons Freeway, #1005 Tower West.

Alabama city cuts blues

Continued from page 3

with long-term plans to increase employee awareness of costs, offer alternatives to in-hospital care, track utilization patterns and influence providers.

About 65 cents of each health care dollar now goes to hospital care.

"When you have one budget item increasing far in excess of others, you want to take a closer look at utilization and have employees handle bills so they feel like they're spending their own money," said Mr. Graham.

A city computer system, which will provide the backbone of the project, is being programmed to aid claims handling and tracking. Coverage for out-of-hospital care, now unavailable, will be added.

"We want to effectively and cost efficiently use the delivery system without a loss of quality of care," explained Mr. Graham. "Dealing directly with providers and employees has long-term potential."

The transition from Blues administration to self-administration is being directed by broker Johnson & Higgins, Mr. Graham said. ■

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Contractors dig in to cut equipment theft

Continued from page 3
company was insured for all risks by The Travelers Insurance Co. at a premium rate of 98 cents per \$100 value. The policy covered market value rather than replacement costs, which are often higher due to inflation.

"Even if we'd gotten face value, it still would have cost us another \$25,000 to \$50,000 over insurance to replace the stolen pieces," Mr. Parker says. "We would not have come out well."

Not all contractors make out as well as Parker-Davis. And Texas has earned a reputation as a funnel for stolen bulldozers, loaders and backhoes bound for the oil boom regions of Mexico, South America and the Middle East.

In a growing number of cases, the hot goods slip out of the country through the port of Houston or over the 600-mile Texas-Mexico border.

The state Department of Public Safety recorded 537 thefts in 1980 with total estimated losses of \$3 million to \$11 million. The Construction Crime Prevention Service received reports of 728 thefts from members of the Associated General Contractors of America with losses amounting to nearly \$3 million.

The Associated General Contractors says nearly \$500 million was lost nationwide last year to heavy equipment thieves. But of all the states, Texas is the biggest loser and of all the cities, Houston has the highest incidence rate, an AGC spokesman said. One insurer has restricted underwriting in Houston.

The reaction of the Texas building contractors to the thefts varies. One said the theft problem is only an annoyance, adding his company has had no major losses in years. But another reluctantly confirmed his company lost two bulldozers valued at \$100,000 each last year.

But most have taken steps to cut risk by insuring, tightening security and joining crime prevention

programs run by the Associated General Contractors and other groups.

"Theft is not a problem of any great magnitude for us," says Sam Stone, risk manager for Henry C. Beck Co., a Dallas-based construction concern. "But freak things are going to happen. At the beginning of a project in Houston, we rented a welding machine and left it chained to a trailer along a well lighted, well traveled highway and that little gem disappeared."

His company is using more than \$10 million worth of equipment on projects across the Sunbelt, Mr. Stone says. To protect it, Beck carries an all-risk marine floater policy for owned and rented machines, and in special cases will put around-the-clock security on a job site.

The Beck policy is with Employers of Wausau and costs between 40 cents and \$1 per \$100 of value, he said. "The deductible is quite reasonable and for the premiums we pay, in comparison to the risk, we consider it a bargain."

Houston theft

Houston has been a hotbed of heavy equipment theft for four or five years, Mr. Stone says. "We weren't that active there until the last two years. Since then, the company has had an increase in theft losses. This has not affected our rates."

Dan Tovar, in charge of crime prevention for J.D. Abrams Co. of El Paso, says his company limits theft risks on the \$5 million to \$25 million worth of leased equipment it operates through an AGC crime stoppers program.

"The biggest thing stolen since November 1979, when I got here, was a flatbed trailer," Mr. Tovar says. "It was found and returned to us. There have been only three other thefts since—a pickup, a welder and an air compressor."

A computer identification number is stamped on all their equipment and a decal is applied listing

a telephone number to call in case of theft. In Texas, 171 of the 265 AGC members participate in the crime prevention program.

Whenever possible, Abrams also puts bars on shop and tool trailer windows and special locks on the doors, Mr. Tovar says.

"When we are awarded a project and set up a yard, we pick the best location from a security standpoint, put up a fence and lights and figure out who has keys to the gate." If there is a concentration of valuable equipment, guards are provided.

"It has worked for us," he says. "One of our people was staying overnight in a motel and parked his rig out front. The local police ran a make on its license plate and found it did not match the serial numbers. They called us, using our identification number and were told we had changed the plates. It was good to know they could find us through the system."

Abrams does not insure its equipment, Mr. Tovar says. The leasing company does.

Tidewater Construction Co. of Norfolk, Va., insures its heavy equipment under an all-risk floater policy with St. Paul Fire and Marine, says risk manager Bill Hemingway. It covers about \$6 million of land equipment for a premium rate of 50 cents to 60 cents per \$100, with a \$2,500 deductible.

"It's a good rate because we have had good experience," Mr. Hemingway says. "Fortunately, we have not had a great deal stolen. We lost a couple of compressors, but got one back. Others I hear about have had dozers or cherry pickers walk away."

Tidewater does heavy marine and nonmarine construction, he says. It also protects equipment through security.

"Normally, if we have a concentration of equipment, we'll have a watchman on," Mr. Hemingway says. "But that's not really the answer because you can't pay someone enough to lay his life on the

line, and we don't want to give him a gun."

Ray Partain, risk manager for Korf Industries of Charlotte, N.C., and former risk manager with Austin Industries of Dallas, says he has more theft problems now than when he was in Texas.

"Austin didn't have a significant problem with theft," he says. "In the four years I was there, not one major piece came up missing."

Organized effort

In North Carolina, however, a rented bulldozer was stolen when men posing as rental company representatives loaded it up and drove away, he says. No one stopped them because the rental company was supposed to pick it up that day.

"It's quite an organized effort," Mr. Partain says of equipment theft. "What we found is it's not something that goes on in the middle of the night. It's an inside job. You need to guard against equipment theft when machines are left out in the middle of nowhere, but you also have to get involved in stopping inside activity by knowing whom you're dealing with."

Mr. Partain would not go into detail about his company's insurance or the amount of equipment it operates. However, he says insurance is good for a very small company that pools risk, but a heavily experienced company of any size might be better off self-insuring.

Risk manager Dewey Bowers can't remember when Fruin-Colnon Corp. of St. Louis had a major equipment theft, and he has been with the company since 1971.

"We have a pretty good rate of non-theft," Mr. Bowers says. "Depending on where the job is, it may be completely fenced with grid patterns of sensor lights installed in office trailers and hooked up with the police. Guards have been used and, when buildings are totally enclosed, police dogs may be left to patrol."

Fruin-Colnon carries an all-risk

policy for its \$7 million to \$8 million worth of heavy equipment with Marine Office of America Corp. paying a premium rate of 40 cents per \$100.

Robert Sands of Royal Globe Insurance Co. in Dallas says insurance for heavy equipment comes under inland marine, a non-file, judgment-rated market.

"There are no set rates," he says. "They will vary depending on the value of equipment, where the contractor works and what his loss experience has been."

Normally, all-risk coverage runs from 40 cents to \$2 per \$100 value, with deductibles ranging from \$250 to \$5,000, Mr. Sands says.

Brooks Patrick of Alexander & Alexander in Dallas says the price range is widespread—from 40 cents to \$1 per \$100. Someone with \$3 million worth of equipment probably would pay \$12,000 to \$30,000 a year in premiums, with deductibles from \$100 to \$50,000.

An underwriter for a large insurance company in Houston says providing coverage for heavy equipment is becoming less and less lucrative and is his company's loss leader.

"We're really getting squeezed," he says. "Competition is a factor and loss experience really bounces around. But you have to keep writing it if you're going to stay in."

He said his company has restricted underwriting in Houston because of the heavy losses there. However, it writes fairly freely in other parts of Texas.

Rates range from \$1 to \$2 per \$100 value on an all-risk policy, he says. "We have seen rates increase in the last two years. The people paying higher premiums are the smaller contractors—those who have less security and get ripped off more often."

His company has been turning down more risks lately, he says. "If we have a contractor come in with a single item of high theft-loss potential that is left out on the job site with little or no security, we may just pass it up."

'Megabroker' service sells

Continued from page 2
unique," he says.

The megabroker, by definition, has offices around the world, each specializing in the insurance climate and law of their respective countries, says Mr. Pruitt. Thus, international companies can key into one broker and have his insurance placed for his risks around the world.

"We moved on a correspondent relationship (with American multinational industry)," said Mr. Pruitt. "Risk management has put greater emphasis on expanding throughout the world."

Thus the megabroker will have an important role in the future European insurance market, Mr. Sharpe predicts.

"He will be super-efficient, use ultra-modern methods and provide a complete insurance risk management service with probably an impersonal touch," Mr. Sharpe said.

The brokers must provide a broader spectrum of services than already is available, he added, including loss prevention techniques.

"When the mega reports on the buyers' insurance and recommends maximum risk retention and limiting purchased insurance to a minimum for catastrophes to comply with legislation, the reaction is likely to be favourable," Mr. Sharpe explained.

A reliable claims service is also a good way to attract the European

risk manager in these days of delayed and disputed claims payments. A big, international broker may have the international clout and expertise to wield quicker claims payments, says Mr. Sharpe. "If the answer is yes, the mega has

another client."

The megabrokers should also be an extension of risk management rather than an insurance buyer, he added. He should be paid for services by fee rather than commission.

Insure financial risks

By STACY SHAPIRO

LONDON—Risk managers whose companies fear financial losses must buy insurance before spending money on loss prevention, says a British risk manager.

"We know it's hard times," said Tony Benson, group risk manager for Arthur Guinness Co. Ltd. "Our key job is to protect the corporation from a crippling economic loss."

"It's our job to strike the economic balances." The biggest problem a risk manager faces is a cash loss to his company, added Mr. Benson. He must insure against that, a step his American counterpart might not take, if the loss is predictable, he stressed at this month's Assn. of Insurance and Risk Managers in Industry Commerce Conference here. Mr. Benson is the chairman of the group.

American risk managers depend heavily on statistics to tell them about loss frequency, said Mr. Benson. Then they try to control a

loss before it happens.

"British are less numerant as risk managers, and I'm not sure it's such a bad thing," he said. "Sometimes there's a fallacy in big number statistics."

British risk managers, therefore, rely more on insuring a loss. They also have a closer rapport with their insurers than Americans do.

"We've developed more highly a face-to-face intimacy with our risk bearers," he said.

British risk managers also are buying insurance now to stock up policies for the future, says Mr. Benson. "In this soft insurance market, we're buying for the future as well as for the present," he said. When the market hardens, risk managers can go back to their insurers and point out how loyal they were in competitive times.

In this competitive insurance market, buying inexpensive policies can simply be cheaper than promoting risk improvement here, said Mr. Benson, and companies approve of the cheapest method of covering financial loss.

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Here's the background on Raybestos case

NEWARK—Almost 700 Raybestos-Manhattan Inc. workers will be compensated from a \$10 million to \$20 million fund for their asbestos-related injuries.

The out-of-court settlement was announced March 13 by U.S. District Court Judge Clarkson S. Fisher against asbestos maker Johns-Manville Corp., Asbestos Corp. of America, Asbestos Corp. of Canada, Bell Asbestos Co. of Canada Inc., Cassiar Asbestos Ltd. of Canada and the Metropolitan Life Insurance Co.

Metropolitan Life was a defendant in the suits because it performed medical studies on asbestos workers during the 1930's, the results of which, plaintiffs say were withheld from them.

Details of the settlement were sealed by the court, but the amount is believed to be between \$10 million and \$20 million. The figure is based on newspaper reports and interviews with persons involved in the cases, which were filed in 1975.

Federal judges Fisher, Harold Ackerman, H. Curtis Meanor and Lawrence Whipple led the efforts to achieve the settlement. The first of the asbestos suits was to have come to trial Jan. 5.

The settlement calls for two court-appointed special masters to make awards to individual plaintiffs and report their determinations back to the court by mid-July. Until then, the money for the settlement will be held in interest-bearing accounts.

One of the special masters, retired Bergen County Superior Court Judge James I. Toscano said he was not told the settlement figure so it would not influence his determinations.

The sum of the individual awards could exceed or be less than the settlement figure, said attorneys involved with the case. If that problem arises, it will be resolved after the masters report.

All defendants contributed to the settlement. The contributions are sealed and are different for each contributor. In most past asbestos settlements, Johns-Manville, the largest asbestos supplier in the country, has contributed the largest amount. However, sources would not confirm if that practice applied in this case.

Plaintiffs include 680 employees of Raybestos' brake lining factory in Patterson. Most were asbestosis victims and a few had lung cancer. No mesothelioma victims were involved.

Asbestosis is a disease that impairs breathing ability. Mesothelioma is a cancer of the lining of the chest cavity that is usually fatal.

Few Raybestos claims allege wrongful death. Plaintiffs seek recovery for bodily injury, but the majority are not seriously functionally disabled, one attorney said.

Plaintiffs worked at the plant with raw asbestos fibers.

Will negotiating save?

Continued from page 1

manageable, but if the details of the Raybestos settlement were known, they could set a precedent for future settlements, Mr. Schwartz said.

Negotiated settlements relieve the court congestion and the delay that would result if each case had to be tried one by one, says William Murphy of Reid, Ochsenschlager, Murphy & Hupp, an Aurora, Ill., law firm representing 48 Insulations Inc., an asbestos manufacturer.

"There's no way these cases could be settled on a one-by-one basis," he says.

Settlements like the Raybestos case could be the only answer to cutting through the bulk of pending litigation if a legislative solution to the asbestos problem is not found, he adds.

Sen. Gary Hart (D-Colo.) and Rep. Millicent Fenwick (R-N.J.) have proposed legislative remedies, but Mr. Murphy does not believe the Reagan administration will respond.

Widespread settlements will be more common, predicts Floyd Knowlton, second vp at The Travelers Insurance Co. "Anything the courts can do to relieve the backlog of cases are things other courts will pick up on."

Robert E. Sweeney a Cleveland plaintiffs' attorney who advocates resolving asbestos cases through arbitration, praised the settlement. Insurance companies have been paying more for defense of asbestos suits than in actual indemnification to plaintiffs, he contends.

But William Bailey, senior vp at Commercial Union Insurance Cos., believes quick settlement of

asbestos suits could do more harm than good for insurers and defendants.

"Insurers face grave problems if they attempt to jam asbestos problems into class actions," he says. Settlements encourage more persons to file lawsuits, he contends.

If insurers "buy our way out of lawsuits cheaply in the 1980s, we will buy our way into a deep hole. There are not enough dollars in the insurance industry to pay the ultimate pricetag."

Mr. Bailey recalled a statement by former Health, Education and Welfare Secretary Joseph Califano that as many as 4½ million people might have been exposed to asbestos during World War II. The cost of resolving 1 million claims could run \$190 billion, compared to the property/casualty industry's total assets of \$35 billion, he points out.

"We couldn't generate enough profit to pick up the cost of asbestos," he said.

Those who have contributed to asbestos-related health problems—the tobacco industry and federal government—should join the defense of asbestos lawsuits, advocates Mr. Bailey. At least two Commercial Union policyholders are suing the tobacco industry (BI, Sept. 29, 1980 and March 2).

"The more we negotiate, the more we encourage the plaintiffs' attorneys," says Frederick Schauder, vp and chief financial officer of Raybestos-Manhattan of Trumbull, Conn. Raybestos was not named in the suits filed by its employees, but is a major defendant in other asbestos cases.

Mr. Schauder is "glad" the suits brought by his firm's employees are being settled but says, "I don't think doing a lot of negotiating is the right answer for the long term."

Insurers and asbestos defendants have not found the solution, he says.

The same day the asbestos settlement was revealed, Raybestos-Manhattan announced that its 1978, 1979 and 1980 financial statements are being qualified by auditors Alexander Grant & Co. The uncertainty over the firm's ultimate asbestos liability and whether insurance coverage would be based on when employees were exposed to asbestos or when the injury manifested itself

cause the qualified audit.

Asbestos firms will be increasingly subject to qualified financial statements as auditing firms move to protect themselves from liability, predicts Raybestos-Manhattan risk manager Don Brodasky.

Johns-Manville's 1979 and 1980 financial statements previously were qualified (BI, March 9).

A spokesman there confirmed that its primary insurance coverage with The Travelers is nearly exhausted. The Travelers provided limits of \$500,000 per year between 1942 and 1976.

Johns-Manville is currently suing Home Indemnity Co. and 26 other excess insurers to determine if its coverage is based on exposure or manifestation (BI, April 7, 1980).

Raybestos has a similar suit pending in Illinois against its primary insurer, Zurich A.G., to enforce coverage under the exposure theory.

Although Raybestos originally believed it had adequate coverage under the manifestation theory, Mr. Schauder says if the courts uphold the manifestation theory the company could not obtain additional insurance.

Raybestos can trace its insurance coverage back to 1945, but most of its coverage is through policies issued after 1962. The company's aggregate limits run to the "hundreds of millions of dollars," he believes.

No rehearing in asbestos case

CINCINNATI—The U.S. Sixth Circuit Court of Appeals has refused to rehear the INA vs. 48 Insulations Inc. case.

In November, the federal appeals court ruled that insurance policies in force when workers handled asbestos are the only sources of funds to pay current claims for recently discovered diseases (BI, Nov. 3, 1980).

This is the highest court decision so far on the issue of exposure versus manifestation theories for indemnification for long latent diseases.

INA, which prefers the manifestation theory instead of the exposure theory favored by the court, has until June 3 to appeal to the Supreme Court.

Tax queries withdrawn

Continued from page 1

involved with the requests say they are likely to be resubmitted, the failure to obtain a favorable ruling on the partnership issue means the exchanges probably will attract little private investment now.

The promoters of the U.S. insurance exchanges in New York, Illinois and Florida want partnership treatment, which subjects an investor to less taxation.

The three rulings were sought by the New York Insurance Exchange, KCC Syndicate Managers Inc. and Pan Atlantic Group Inc. All revenue ruling requests were withdrawn during the first two weeks of this month, said Irving Salem of Kaplan & Drysdale, a Washington Law firm representing KCC.

Other revenue ruling requests were being prepared by backers of the Illinois Insurance Exchange and Insurance Exchange of the Americas, which is based in Miami.

"By withdrawing (the requests), we can try again and proceed with a new administration to get our full day in court," Mr. Salem said. "We still have a reasonable shot at obtaining some relief."

The first of the requests for revenue rulings was made more than a year ago, and attorneys have had numerous discussions with the IRS since then.

But by the time talks reached IRS's highest management, the Carter administration appointees were out of office, Mr. Salem explained.

"We believe, at this point in the process, that the position of the service (IRS) is not altogether favorable," said Phillip Adams of Skadden, Arps, Slate, Meagher & Flom, a New York law firm representing one of the interests seeking a revenue ruling.

IRS aides were debating among themselves whether the passthrough of income would be available to the insurance syndicate, said Mr. Adams.

Some aides interpreted the statutory language to deny passthrough of income to organizations engaged in the insurance business, he explained. They contended organizations engaged in insurance business must be taxed as corporations.

It will be at least several months before the IRS would be able to consider a new revenue ruling request, Mr. Salem said.

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P/C stocks attracting more investor interest

By MYRON PICOULT
Special to Business Insurance

BI ticker

DURING the past three weeks, property/casualty stocks have come to life and out-performed the market.

This levity is the result of improved investor perceptions about inflation. Greater investor acceptance of the group can be expected if a turnaround of inflation materializes. However, the stocks will be affected throughout 1981 according to how the inflation pendulum swings.

In my last column, I noted that fears of a stretched-out underwriting cycle could keep many "professional investors" on the sidelines, offering an open invitation to the "merchant bankers." They understand the dynamics of the business (i.e., earnings leverage and dividend growth prospects) and thrive on picking off undervalued situations.

The price appreciation in many property/casualty issues over the past few weeks indicates that both "professional investors" and "merchant bankers" have been playing the stocks. At this point a chorus of "How Vulnerable I Am" would appear to be appropriate.

Based on current prices, the 16 property/casualty and multiline stocks in our screen, which include most of the companies normally monitored by analysts, have a total market value of about \$20.5 billion. Excluding the multiline companies—Aetna, American General, Connecticut General



Picoult

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.

and The Travelers,—the market valuation is about \$12.5 billion. None of these numbers is particularly large when compared with the market values of Exxon, Standard of Ohio and Mobil, which equal \$31 billion, \$19 billion and \$14 billion, respectively.

Final data on 1980 for the companies in our universe shows premium volume in the 1980 fourth quarter edged up a paltry 2.5%, with half of the companies in our screen above the average and half below. Several major underwriters posted declines in commercial premiums during the fourth quarter. This reflects a combination of rate cuts, loss of new business and loss of renewals.

The combined ratio (after policyholder dividends) averaged 106.1% for the quarter compared with 99.6% for the same period in 1979. Only American International Group, Chubb and Ohio Casualty posted ratios below the break-even mark.

While the bulk of the swing in the combined ratio came from deterioration in the loss ratio, the expense side of the equation also is rising. This reflects absolute cost pressures and the impact on the expense ratio of sluggish premium growth. When looking at the companies that posted a superior underwriting ratio for the year, personal lines still dominate the ranks while the liability companies have the below-average performances.

Investment income results remain remarkably strong for the year and were up 20.7% in the quarter. The gains are clearly tied to the expansion of short-term liquid instruments and the rise in short-term interest rates.

Cash flows are beginning to be squeezed and the previous air of complacency is beginning to give way to unease—a necessary prerequisite to a bottoming out of the underwriting cycle.

The decline in cash flows can be attributed partly to the slowdown in premium volume and a rise in paid claims. This escalation in paid losses during 1980 is a combination of economic inflation and an ap-

parent speed-up on claim payments where possible to lessen the impact of inflation on claim reserves.

We continue to believe that there are signs of indigestion developing. It will be interesting to see the industry justify its \$6 billion underwriting loss. This malady is sure to get worse before it gets better.

The worse is yet to come, and the first and second quarter comparisons for 1981 will confirm this. To the extent that these results help to bring about a bottoming of the underwriting cycle sooner rather than later, bad may be good.

Financial briefs

AIG

American International Group Inc. has purchased 1,895,000 shares of U.S. Life Insurance Co., or 8.53% of the outstanding common stock, according to the securities and Exchange Commission.

The move touched off rumors on Wall Street of a possible fight for control of U.S. Life between AIG and Houston-based American General Cos., which owns 6.5% of U.S. Life common stock.

AIG says its purchase is for investment only and it does not intend to seek representation of U.S. Life's board of directors.

Although U.S. Life has outperformed other life insurers, AIG would be hard-pressed to bring the life insurer's return on equity up to AIG's own level, if it acquires U.S. Life, a securities analyst said.

An AIG acquisition of a life insurance company would also run counter to trends. Life insurance companies are generally expanding their activities in the property/casualty industry, which currently offers higher returns on equity, the analyst adds.

In 1979, AIG made an unsuccessful bid to acquire Los Angeles-based Mission Insurance Group. Meanwhile the board of directors of American International Group Inc. declared a 50% common stock dividend payable May 27 to shareholders of record May 15. The board also set a 10 cents per share quarterly dividend rate on the new shares, effectively increasing the quarterly cash dividend by 20%. The increased cash dividend is payable on June 19.

In each of the past six years, AIG's board has increased cash payouts to shareholders through stock dividends or higher cash dividends. The total effective increase in the cash dividend during that period exceeds 212%, according to AIG president M.R. Greenberg.

Prudential Re

Prudential Reinsurance Co. reported the greatest annual earnings in its eight-year history with net income rising 20.4% to \$41.3 million in 1980 from \$34.3 million in 1979. Gross written premium rose 11.6% to \$377.7 million from \$338.3 million during the same period.

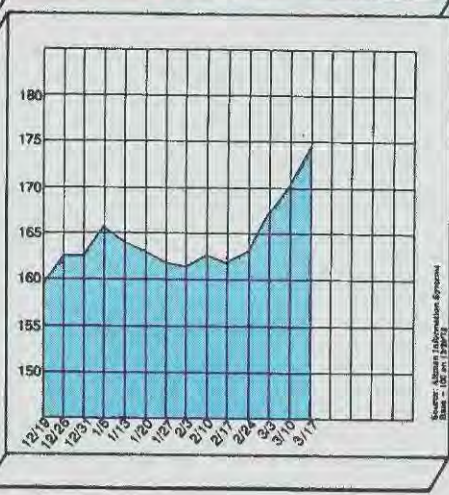
The company's combined ratio, which compares premium to loss and operating expenses, was 97%, due to favorable experience with two big reinsurance treaties. Without the two treaties, the combined ratio would have been 105.2%.

Treaty reinsurance accounted for \$266.1 million or 70.5% of the firm's 1980 volume. The facultative reinsurance department wrote \$58.3 million or 15.4% of total volume and the international department contributed \$34.5 million premium or 9.1% of total volume.

Dryden & Co. Inc. and Gibraltar Casualty Co., the firm's excess and surplus lines subsidiaries, wrote \$15.1 million gross premium during 1980. The firm's three syndicate members on the New York Insurance Exchange wrote \$3.2 million gross premium.

Prudential Reinsurance is a subsidiary of Newark-based The Prudential Insurance Co. of America.

BI Insurance Index



The Business Insurance industry stock index made its strongest showing in months with a rise of 4.6 points to 174.8 from 170.2. Fifty-five stocks rose, only seven declined and 10 remained unchanged. Largest increases were: U.S. Life Corp., 13%; United Fire & Casualty Co., 12.3%; MGIC Investment Corp., 12%; PennCorp Financial Inc., 8.3%, and Crum & Forster, 7.7%. American Bankers Insurance Group, down 3.6%, and Chubb Corp., down 1.7% were the largest declines. The BI index rise of 2.71% outpaced the Standard & Poor's index, up 2.7%, and the Dow Jones Industrials rise of 2%. But it fell behind the New York Stock Exchange, which was up 2.8%.

British Issues

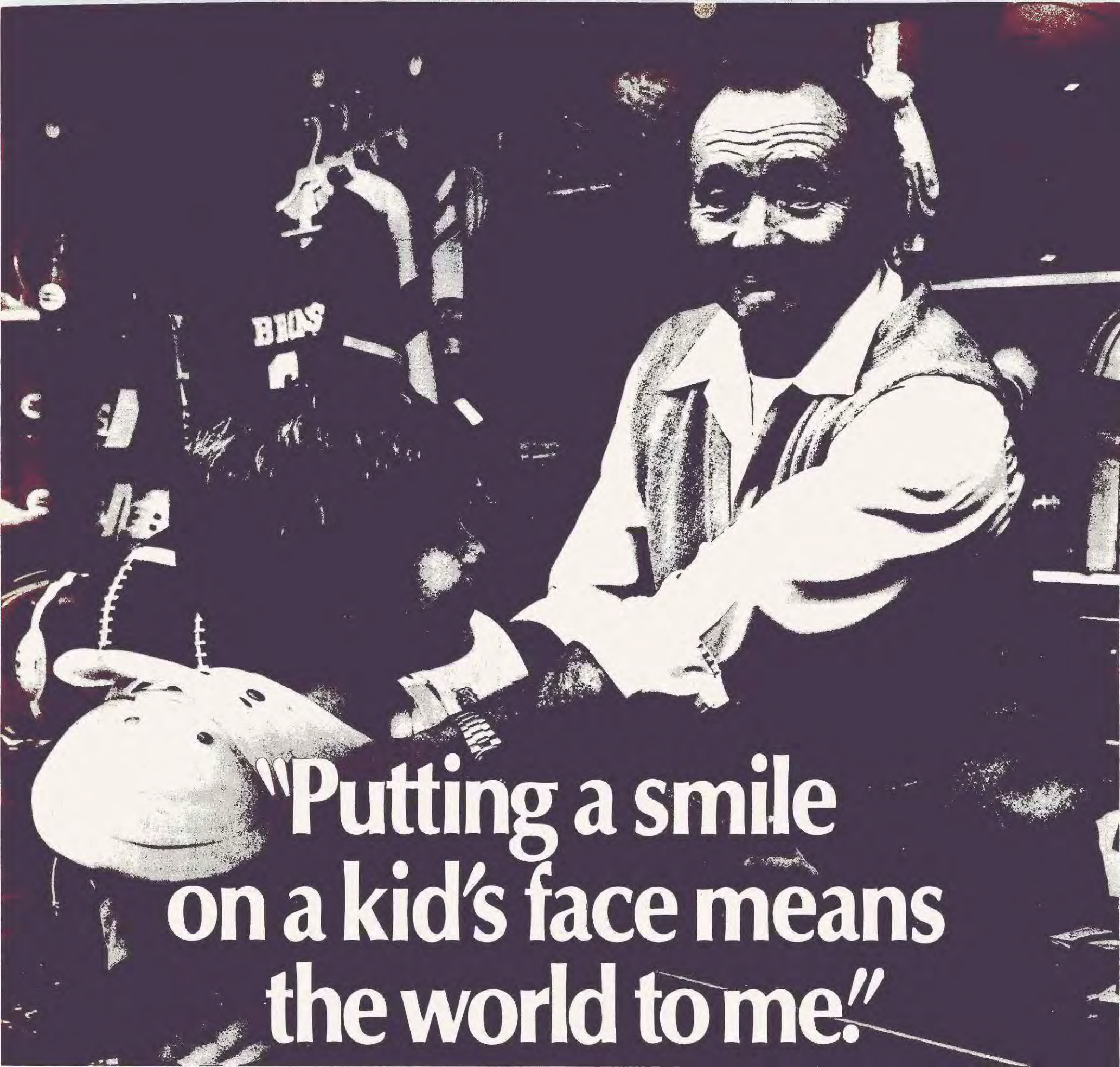
Companies	Price	P/E	Div.	Yield	1 Week High-Low
	pence		pence	pence	
Commi Union	161	8.5	15.45	9.6	161-154
Eagle Star	257	8.9	15.71	5.6	257-243
Genl Accident	324	8.1	19.29	6.0	324-312
Gdn Royal Exch	340	8.9	21.43	6.1	340-332
Phoenix	276	8.6	21.43	7.2	276-266
Royal	382	8.3	34.29	9.0	382-368
Sun Alliance	808	10.9	45.00	5.2	810-788

Brokers	Price	P/E	Div.	Yield	1 Week High-Low
	pence		pence	pence	
CE Heath	225	11.0	13.87	6.2	225-215
Hogg Robinson	101	8.1	8.14	8.1	102-100
Alex Howden	112	9.3	10.00	8.9	112-110
JH Minet	98	12.2	6.45	6.6	98-97
Sedg Grp	119	11.8	7.14	6.0	121-118
Stenhouse Hldg	80	7.6	6.64	8.3	81-79
Stew Wrightson	215	10.5	17.14	8.0	215-212
Willis Faber	302	13.4	16.14	5.4	302-297

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

BI Industry Stock Report

Insurance Cos.	MAR. 17, 1981					3/11/81 THRU 3/17/81					Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol. (000)	
	Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol. (000)											
Aetna Life & Cas Co	NYSE	36.75	5.4	5.8	2.32	6.3	36.75	34.38	1,097.3										
American Bankers Ins Group	OTC	6.75	-3.6	4.5	0.22	3.3	7.00	6.75	60.6										
American Finl Corp Ohio	OTC	27.75	1.8	5.7	0.50	1.8	27.88	27.50	21.8										
American Gen Ins Co	NYSE	40.75	1.2	6.2	2.00	4.9	41.00*	39.25	210.1										
American Indty Finl Corp	OTC	17.38	-0.7	6.7	1.12	6.4	17.50	17.38	4.9										
American Intl Group Inc	OTC	83.25	0.9	11.1	0.50	0.6	83.50*	80.75	280.8										
American Natl Ins Co	OTC	13.50	1.9	6.1	0.68	5.0	13.50	13.13	97.9										
American Sts Life Ins Co	OTC	17.00	0.0	5.8	0.72	4.2	17.00	17.00	0.3										
Aneco Reins Ltd	OTC	4.50	0.0	0.0	0.00	0.0	4.50	4.50	58.3										
Appalachian Natl Corp	OTC	2.13	0.0	6.1	0.05	2.4	2.13	2.13	1.3										
Avenco Corp	AMEX	9.13	1.4	7.9	0.50	5.5	9.13	8.88	7.2										
Banks Iowa Inc	OTC	27.50	5.8	4.6	1.44	5.2	27.50*	27.00	10.0										
Bitco Corp	OTC	37.00	1.4	5.3	2.16	5.8	37.00	37.00	5.0										
Carolina Cas Ins Co	OTC	9.25	2.8	5.9	0.32	3.5	9.50*	9.00	5.2										
Central Natl Finl Corp	OTC	10.38	1.2	3.8	0.50	4.8	10.38	10.25	0.4										
Chubb Corp	OTC	43.75	-1.7	5.1	2.68	6.1	45.13	43.75	155.8										
Combined Intl Corp	NYSE	19.63	6.1	5.6	1.60	8.2	19.63	18.38	166.1										
Connecticut Gen Ins Corp	NYSE	52.75	1.0	6.9	1.76	3.3	52.75*	52.25	382.2										
Continental Corp	NYSE	26.25	5.5	7.0	2.40	9.1	26.25	24.50	379.1										
Crawford & Co	OTC	19.25	0.0	14.7	0.52	2.7	19.25	19.25	14.3										
Crown Life Ins Co	OTC	95.50	-0.5	8.0	2.80	2.9	96.00	93.75	0.8										
Crum & Forster	NYSE	29.63	7.7	5.5	1.44	4.9	29.63	27.50	334.0										
Employers Cas Co	OTC	32.50	0.0	5.3	1.20	3.7	32.50	32.50	9.0										
Equifax Inc	NYSE	21.38	4.3	6.8	2.40	11.2	21.38	20.75	11.2										
Farmers Group Inc	OTC	32.13	4.9	10.2	1.12	3.5	32.25*	31.13	868.9										
First Colony Life Ins Co	OTC	42.00	6.3	14.4	0.80	1.9	42.00	38.50	8.4										
Foremost Corp Amer	OTC	22.38	4.1	7.4	0.80	3.6	22.38*	22.00	27.0										
Great West Life Assurn Co	OTC	250.00	0.0	10.3	10.00	4.0	250.00	250.00	0.0										
Hanover Ins Co	OTC	45.50	1.1	4.2	0.72	1.6	45.75	44.75	31.0										
Hartford Steam Boiler Insprtr	OTC	37.00	2.8	7.4	2.40	6.5	37.00	36.00	15.4										
Integon Corp	NYSE	34.25	0.0	11.8	0.52	1.5	0.00	0.00	0.0										
Jefferson Natl Life Ins Co	OTC	43.00	0.0	20.1	0.64	1.5	43.00	43.00	3.3										
Keener Corp	OTC	32.00	0.8	4.9	1.60	5.0	32.13	31.88	40.5										
Lincoln Natl Corp Ind	NYSE	42.75	4.6	5.9	3.00	7.0	43.25	40.75	130.7										
Mgic Invst Corp	NYSE	35.00	12.0	9.6	1.28	3.7	35.00*	32.63	747.6										
Mission Ins Group Inc	NYSE	42.38	3.4	8.3	1.00	2.4	42.38*	41.50	42.0										
Nationwide Corp Ohio	OTC	22.38	1.7	6.4	0.70	3.1	22.38*	22.00	13.1										
Northwestern Natl Life Ins	OTC	27.88	-1.3	6.2	1.25	4.5	28.00	27.88	20.8										
Ohio Cas Corp	OTC	37.13	0.3	6.2	2.04	5.5	37.13	36.88	39.0										
Old Rep Intl Corp	OTC	16.75	5.5	4.6	0.92	5.5	17.00	16.13	161.7										
Pinehurst Corp	OTC	6.63	1.9	12.3	0.00	0.0	6.63	6.50	17.1										
Preferred Risk Life Ins Co	OTC	18.63	1.4	6.3	0.64	3.4	18.63	18.38	0.5										
Provident Life & Acc Ins Co	OTC	45.00	4.7	6.6	2.20	4.9	45.00	43.00	7.5										
Republic Natl Life Ins Co	OTC	24.75	4.2	14.9	0.70	2.8	24.75	23.75	25.8										
Ryan Ins Group Inc	OTC	23.50	2.2	9.3	0.09	0.4	23.50*	23.00	10.8										
St Paul Cos Inc	OTC	43.00	5.8	8.2	2.32	5.4	43.00*	40.50	309.1										
Safeco Corp	OTC	36.88	0.3	6.6	2.00	5.4	37.00	36.38	72.6										
Sri Corp	OTC	30.00	2.6	5.0	1.20	4.0	30.25*	29.50	20.1										



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