Week of March 24, 1980

business insurance

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

Entire contents copyright 1980 by Crain Communications Inc. All rights reserved.

Special report: Specialty risks

Kidnap and ransom insurance, libel insurance for sensational tabloid newspapers and liability insurance on a docked submarine take the risk out of unusual predicaments. A special report focuses on specialty risks: **Pages 11-48.**

Sasse settlement?

Lloyd's of London is considering offering a settlement to Sasse Syndicate members: **Page 50.**

IRS staff plunges into ERISA audit of pension plans

By JERRY GEISEL

WASHINGTON—If you operate a corporate pension, profit or stock bonus plan, your number may be up for an IRS audit.

The Internal Revenue Service has begun its first massive, two-year random audit of 22,500 pension plans—about 6% of the nation's total—to determine what "kind of compliance we are getting" with the Employe Retirement Income Security Act and tax law, an IRS spokesman said.

Companies operating their plans in a discriminatory manner in violation of ERISA and tax law could lose their tax qualification status. This status allows companies to tax deduct their pension plan contributions. The 1978 plan year is under audit.

A small army of 530 employe benefit plan specialists is now combing Form 5500, the annual pension reporting form for plans filed with the government, for possible errors.

The specialists then will personally visit plan sponsors.

The IRS will especially look closely for errors in calculating pension benefits due an employe when he or she retires or leaves the company and for failure to enroll eligible employes in corporate pension plans. Generally, an employe must be enrolled in a corporate plan after one year of service.

Accounting firm Peat, Marwick, Mitchell & Co. is warning employers to correct pension plan mistakes now.

"A thorough review may be worthwhile. Corrections of any errors identified indicates to an examining agent a willingness to operate the plan in strict accord with the plan document and in a nondiscriminatory manner," Peat Marwick says. "The review could save considerable time arguing the case before the IRS and most importantly, the qualified status of the plan."

Aside from finding out who is in compliance with the law, the IRS audit also will help the federal agency determine what kind of resources and manpower it should be devoting to scrutinizing benefit plans, an IRS spokesman said.

"It could be that noncompliance is so great that we should provide more resources to the employe benefit arena, though the reverse could be true as well," he said. ■

Transit benefits roll

By MARY ANN MATLOCK

EMPLOYERS are cranking up benefit plans that will slam the door on individual auto travel to and from work and open the gates for mass transit.

Nationwide, employers' promotion of mass transit ranges from total subsidization of monthly passes to passes paid for through payroll deductions.

As oil supplies tighten, interest grows.

Employers may be even more encouraged to offer mass transit benefits if Congress passes the Commuter Taxpayers Assistance Act. Introduced last week by Rep. Richard A. Gephardt (D-Mo.), the bill would give employers a 5% tax credit on contributions to employes' mass transit passes and would make the benefit nontaxable to workers.

Currently, employers can deduct their subsidies but the employe is taxed on the benefit.

A mass transit push launched only one month ago in the Washington, D.C., area already has two employers subsidizing 25% of their employes' fares. A third is footing the bill for 20% and a fourth—the Department of Transportation—is backing the program but is barred from subsidizing.

At Congressional Quarterly Magazine, 60 of 115 employes are taking advantage of the 25% subsidy program, with participation expected to increase in the summer.

"We're really going to see a difference in the summer. A lot of people have an

Continued on page 73

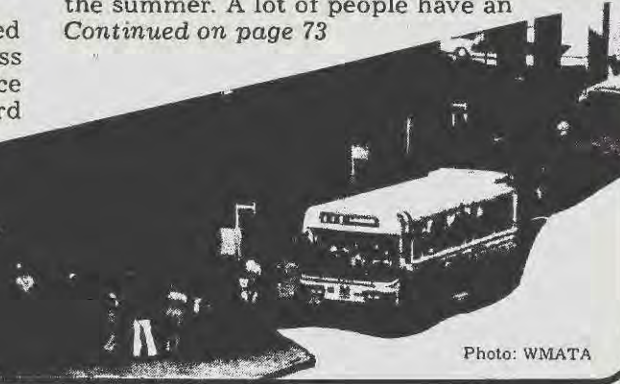


Photo: WMATA

Qualified audits irk Bermuda captives

Captive/Bermuda report

Money managers compete Page 64
Who sells investment advice Page 66
Sybron Corp. skips fronting Page 67
Co-ops are an alternative Page 68
Third-party business risks Page 69

Map: Toby Roberts

By KATHRYN J. McINTYRE

HAMILTON, Bermuda—A clean audit of a captive insurance company here is almost as hard to find this year as one of the notoriously scarce people available to staff the growing Bermuda insurance industry.

Nearly everywhere on the island insurance managers and owners are complaining, or at least acknowledging, that auditors won't accept their reserves as established.

"Auditors are qualifying more audits than they used to because of the intangible beast called the IBNR," says David Vaughan, managing director of Marsh & McLennan (Bermuda) Ltd. Incurred but not reported losses are those the insurer believes have occurred but haven't been reported.

"Most captives are getting qualified audits because they don't have sufficient experience to substantiate their reserves," says Edward F. Bader, a partner with Arthur Andersen & Co. in Hartford.

These qualifications shouldn't cause parent companies any problems with their consolidated financial reports because most captives are so small in comparison with their parents that their results are considered immaterial, accountants say.

A captive's results could be considered material to the parent company when the captive produces as little as 3% of the parent company's net income. But most accountants say 10% of net income or more would make the captive material to the parent's results.

Continued on page 74

N.Y. work comp update

Page 55

Pinto: Risk managers applaud acquittal in Ford trial

By JILL KAPLAN

WINAMAC, Ind.—The innocent verdict won by Ford Motor Co. in the Pinto reckless homicide trial will discourage prosecutors from pressing criminal charges in product liability cases, lawyers say.

Risk managers agree, confident the Pinto trial won't spur similar actions against their companies. Indeed, they dismiss the case as "insignificant."

"It was a foolish case to bring to criminal court," said Thomas Clarke, vp and general counsel at Clark Equipment Co. in Michigan. "I don't understand why criminal law was involved and I'm glad the jury had the sense to slap it down."

"Some wild D.A. thought he had a case of negligent homicide," speculated Berry L. Griffin, president of the Risk & Insurance Management Society.

Legal experts feared a guilty verdict in the Pinto case could propel property liability cases into the realm of criminal prosecution.

Continued on page 76

NEWSPAPER

for your information

Jeweler may recover a third of $7.8 million loss in heists

MIAMI, Fla.—Trendline Jewelry, a wholesale jeweler here, is likely to recover in insurance only about a third of $7.8 million in losses from what adjusters say is the largest precious metals heist in U.S. history.

A $7 million robbery from the Trendline warehouse and an earlier $790,000 theft of a container filled with precious metals scrap were apparently committed by the same group, adjuster Richard Andrews told *BI*. Trendline recently recovered $5,000 of the missing gold, silver and finished jewelry when a local jeweler attempted to sell the firm its own property.

The offering, said Mr. Andrews, contained material from both heists.

A Lloyd's of London jeweler's block policy covers only $1.6 million of the larger robbery committed early this month when Trendline owner Al Weinberg had an unusually large jewelry and precious metals inventory waiting for the approval of a European buyer who was delayed.

Another Lloyd's policy should completely cover the smaller loss of material, stolen in transit from the Trendline warehouse to an Air Canada loading platform. If the stolen scrap container—one of three shipped—had arrived at the platform, Air Canada could be held liable, Mr. Andrews said.

Gunter chairs exchange panel

TALLAHASSEE—Florida insurance commissioner Bill Gunter is the chairman of the interim executive committee that will draft a constitution and bylaws for the Florida insurance exchange.

Mr. Gunter was elected last Wednesday during the initial meeting of the first seven members of the panel appointed last week. Former Florida insurance commissioner Harry G. Landrum was named vice chairman.

Interim committee members include: Malcolm McNeil, president of Frank R. McNeil & Sons of Miami; Warren M. Cason, a Tampa attorney; Allan McCorkle, president of the Fortune Insurance Co. of Jacksonville; Hjalma Johnson, president of the Bank of Pasco County in Dade City, and E. William Crotty, a Daytona Beach attorney.

Of the remaining six members, two will be chosen by the speaker of the Florida house, two by the senate president and one each by the house and senate minority leaders.

The committee's other responsibilities include drawing up an operational plan, an investment prospectus and determining whether start-up funds should come from a legislative appropriation or an executive budget request from Gov. Bob Graham. At the Wednesday session, $25,000 in pledges for seed money donations were made by the Miami and Jacksonville Chambers of Commerce along with an individual member, said Gary Guzzo, an administrative aide to Mr. Gunter.

Insurance officials are hopeful the exchange could begin operations as early as September depending on how quickly the state legislature approves the various organizational steps of the committee.

Kan. group backs model bill

TOPEKA, KAN.—The state's largest business trade group has thrown its support behind the Commerce Department's model product liability bill, which was introduced in the legislature this month.

"The model bill (S.B. 865) is a good compromise proposal that we could live with," said Jack Pearson of the Kansas Assn. of Commerce & Industry. "We support the bill without amendments or modifications."

The bill would, among other things, make it tougher to sue a manufacturer 10 years from the time a product was sold and shield companies from product liability suits if their products were altered or modified.

Mr. Pearson said the model bill has a better than even chance of passing the Kansas legislature this year.

Labor Dept. drops report rule

WASHINGTON—Administrators of insured employe benefit plans no longer will be required to file insurance company financial reports with the Labor Department, except on specific request, under final regulations issued this month.

The rule, effective immediately, is designed to reduce administrative burdens and expenses without affecting plan participants.

Hospital care costs jump 13.4%

WASHINGTON—Hospital service costs jumped an average of 13.4% between October 1978 and October 1979, says the Department of Health, Education and Welfare.

Physician fees moved ahead 9.5%, while dental services climbed 7.7%.

index

Benefit beat....................4
Around the states..........6
Editorial opinions..........8
Letters.........................8
Perspectives.................43
London line..................50
Products & services.......57
Markets.........................58
Info..............................60
Datebook.......................61
BI ticker........................71
Comings & goings: buyers..74

Vol. 14, No. 12—Business Insurance (ISSN 0-007-6864) is published weekly at 740 Rush St., Chicago, Ill. 60611. Application to mail at second-class rates is pending at Chicago, Illinois and at additional mailing offices. Copyright 1980 by Crain Communications Inc.

Letters of credit could capitalize risk co-ops

By JERRY GEISEL

WASHINGTON—With the Risk Retention Act poised for Senate action, the Commerce Department is readying rules to make insurance co-ops set up under the law competitive with offshore and Colorado captives.

Risk retention groups, which will be made up of companies banding together to collectively self-insure their product liability risks, will be allowed to furnish irrevocable letters of credit, instead of cash, to meet government capitalization requirements. Bermuda, Tennessee and Colorado also permit capitalization with letters of credit.

The minimum capitalization requirement has not been determined yet, but "it is hard to see that it would be less than $120,000," Victor Schwartz, chairman of the Commerce Department's Task Force on Product Liability and Accident Compensation, told *Business Insurance*.

The Commerce Department will regulate co-ops set up under the Risk Retention Act.

Emphasizing that no final decisions have been made, Mr. Schwartz said it would be a "matter of common sense" that the minimum capitalization would be between $120,000, the minimum in Bermuda, and $750,000, the minimum capital required to set up a captive in Colorado.

But no standard capitalization will be set because the Commerce Department wants to be as flexible as possible, Mr. Schwartz said. The exact amount at which a group would be capitalized would depend on factors such as the amount of exposure and the loss record of companies in the co-ops.

"If you have a group that is insuring a very small portion of the deductible, the amount of capital they would put in would be less than a group covering a large risk layer," he said.

Similarly, if a group is composed of companies manufacturing, for example, paper cups, their capitalization requirement will be less than a group made up of machine tool builders, he added.

Competitive pools
The Commerce Department will be flexible about capitalization: Victor Schwartz.

The Commerce Department will require each group to have at least 20 different participating companies to satisfy Internal Revenue Service requirements for deductibility of premiums.

Although withholding judgment on each group set up under the law, the Treasury Department has said in a letter to the House Interstate and Foreign Commerce Committee, "It is our view that there is every likelihood that risk retention groups approved, organized and operated in ordinary course in the manner contemplated by H.R. 6152 will, as do commercial casualty insurers, in fact, involve genuine distribution and shifting of risks."

Tests for risk distribution and risk shifting are applied by IRS to risk handling methods to determine whether they are insurance arrangements that qualify for business expense tax deductions.

In order for a risk retention group to gain a federal charter, it must first meet these tests:

- Have adequate management.
- Meet capitalization tests.
- Have adequate loss prevention techniques.

Under current plans, the Commerce Department probably would open a new, small office to manage the product liability groups. The office would be staffed by 15 experts drawn from the ranks of risk management, actuarial science and underwriting, Mr. Schwartz said.

Assuming the Senate passes the risk retention legislation, which cleared the House this month by a 332-17 margin (*BI*, March 17), Mr. Schwartz envisions about 25 groups being set up during the program's first year.

Trade associations might set the lead in setting up the co-ops for their members, Mr. Schwartz said. "You are going to need some kind of entity that is in existence that has contacts with members and has the trust of members. That is why trade associations will be a good vehicle."

A recent *Business Insurance* survey (*BI*, March 10) found small firms are most enamored with the Risk Retention Act because they believe it offers alternatives for risk financing they otherwise wouldn't have available. They also said it will inject more competition into the insurance marketplace.

Many of the firms complained that their premiums had little correlation with their exposures, but their comparatively small annual premiums give them no leverage with insurers.

In addition to allowing firms to jointly establish federally chartered insurance companies for product liability risks, the Risk Retention Act would allow companies to collectively negotiate with insurers to buy insurance as a group to achieve lower premiums and more favorable policy terms.■

2 lawsuits claim injuries from Schweppes bottles

By JOHN MAES

SALT LAKE CITY—Two product liability lawsuits, both naming Schweppes USA Ltd. and several other defendants, claim damages for injuries suffered while handling bottles of carbonated beverage.

A $1.8 million suit filed in Cheyenne, Wyo., by Russell Nate, a Salt Lake City man, contends he suffered permanent eye damage when a bottle cap flew up and hit him while he was trying to open a bottle of Schweppes tonic water in 1979. Besides Schweppes, the action names Harrington Bottling Co. of Butte, Mont., and Hamilton Stores Inc., where the six-pack of tonic water was purchased.

In another action, W.G. Lasrich, also of Salt Lake City, contends he suffered eye injuries in 1977 when a bottle from a six-pack of Schweppes tonic water exploded as he was setting it down, hitting him in the face with flying glass. The suit seeks an unspecified amount of damages under Utah law, the amount to be determined by the court if the suit prevails, said Ross Anderson, attorney for the plaintiff.

The Royal Crown and Seven-Up outlets, bottlers and distributors of the beverage, along with Owens-Illinois Inc., manufacturer of the bottle, and Safeway Stores Inc., where it was purchased, are also named in the suit.

Schweppes USA Ltd., a Stamford, Conn.-based company, has a $1 million comprehensive general liability primary policy with Employer's Insurance of Wausau and $20 million of excess insurance, said Wayne Atkinson,

Schweppes®

corporate manager of tax and insurance. U.S. Fire Insurance Co. and Puritan Insurance Co. each provide a $5 million layer of excess coverage and a final $10 million layer is insured by Fireman's Fund.

Harrington Bottling Co. is insured for liability by St. Paul Fire & Marine Insurance Co. Royal Crown Co. is insured with Crawford & Co. INA insures Seven-Up. Fireman's Fund is liability insurer for Hamilton Stores.

Safeway Stores and Owens-Illinois both report large self-insured retentions for product liability losses. ■

Deregulation bill retains liability

By STACY SHAPIRO

CHICAGO—Shippers toasted the announcement that mandatory motor carrier liability standards will be included in the Senate's truck deregulation bill.

The Senate Commerce Committee voted 13-4 on March 11 to pass the Motor Carrier Reform Act of 1980 with amendments presented by Shippers National Freight Claim Council Inc. SNFCC represents 853 companies across the country.

Cheers resounded at SNFCC's annual convention in Chicago when Robert E. Redding, director of federal affairs, called the vote during lunch. After the applause died down, Mr. Redding said, "Leadership makes things happen. Leadership gets results."

Shippers fear mass confusion and big losses in collecting freight claims if Interstate Commerce Commission liability standards are revoked. Citing deregulated air freight cargo as a chaotic example, claims managers say motor freight deregulation might create a dozen different claim systems for a dozen different trucking companies.

To prevent this havoc, SNFCC began a movement to block liability deregulation through lobbying, testifying and sending telegrams to the sponsors of the bill, Sen. Howard W. Cannon (D-Nev.) and Rep. James J. Howard (D-N.J.). Said one of the telegrams: "We are seeking only one goal: to retain uniform, reasonable regulation of carrier contract terms, such as liability standards."

William J. Augello, executive director and general counsel of SNFCC, presented the Senate committee with the SNFCC amendments.

After SNFCC testimony, the Senate committee decided to delete section 8 of the Act entitled Exempt Transportation by Owner Operators, which might have relieved owner operators from common carrier liability for loss, damage or delay.

SNFCC asked to amend section 11707 entitled Liability of Common Carriers Under Receipts and Bills of Lading by adding a new section. The new section keeps intact the Carmack amendment, which states that a common carrier is liable for the full actual loss of goods in transit and a carrier cannot limit liability without ICC approval.

The other two parts of the new section clarify that carriers must be personally responsible for their actions and should put it in writing. This is to prevent a third party from holding up procedures after the two-year time limit on a claim is up.

Mr. Augello cited a Polaroid loss in which two truckloads of merchandise were hijacked a few years back. The carrier gave the case to its insurance company, which kept it in limbo for more than two years. Because of the time limit, Polaroid could not reclaim its loss.

Mr. Redding and Mr. Augello expect a great floor fight in Congress when the revised act comes to a vote late in April. And with these new amendments, truck deregulation will not be as easy to pass as air deregulation, which passed without discussion in 1977. The bill is targeted to be on the President's desk for signing by June 1.

There was a hint of the ensuing battle at the SNFCC convention when Mr. James M. Blanchet, senior vp of sales & marketing of DSI Transports Inc., announced his support for the deregulation bill. "We are in favor of total economic deregulation in the tank truck industry. We feel we can perform a better job for you in eliminating excess cost. . . ."

"It takes guts to say that here," someone from the audience remarked.

Speaking on legal trends in carrier liability, attorney George C. Pezold warned of rising costs if carrier liability is not kept intact. "If you have no released rates and ICC has no approval, then the carrier can put in his own rates," he said. "You will see most shippers taking out cargo insurance of their own and insurance will cost more" for the shipper.

Hector Weinstein, director of insurance and claims of Imperial Commodities Corp., said if carrier liability is deregulated, "It's going to cost us losses. If you only get seven days or 24 hours to file a claim (under carrier guidelines instead of ICC rules) you don't even know about the damages yet."

But if the Motor Carrier Reform Act of 1980 is passed with SNFCC amendments included, Mr. Augello says, "All of shipper rights regarding liability will have been protected." ■

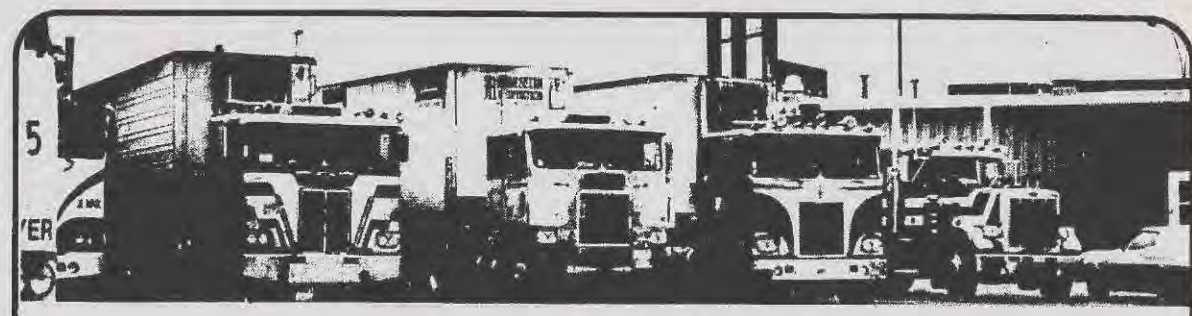


Photo: Len Strazewski

Growing lobby force

Shippers National Freight Claim Council Inc., just six years old, is 853 companies strong.

A growing shipper/receiver movement for equitable freight claim rules, regulations and practices for all modes of carriage has drawn the large membership, SNFCC says.

D.B. Berns, president of SNFCC and manager of claims and administration of Western Auto Supply Co., says SNFCC's forte is educating its members about freight claims liability and organizing one voice to speak in Washington.

Among SNFCC's goals in its 1980 legislative program is restoring Civil Aeronautics Board jurisdiction over rules, tariffs and requiring the publication of equitable air carrier liability and claim rules, charges and practices. SNFCC is lobbying for mandatory cargo insurance coverage for all common carriers in the U.S.

Another legislative goal is requiring all common carriers to compile and report quarterly loss and damage statistics for prompt publication.

Membership for claimants and their representatives is $150 annually. For information, contact Shippers National Freight Claim Council Inc., 120 Main St., Box Z, Huntington, N.Y. 11743; 516-549-8984.

Cost of cover threatens nuclear plants

By STUART EMMRICH

HARRISBURG, Pa.—One year after Three Mile Island, a contradictory legacy remains: Nuclear plants may be safer than ever, but insurance and operating costs may be edging them into obsolescence.

Nuclear plants will be paying up to 63% more in property premiums this year. The increase, which includes a 6% jump because of inflation, will vary from plant to plant because of different renewal dates. This works out to an industry-wide hike of about 36%, but the full 63% increase will be charged all plants in 1981.

Liability rates will go up 10% this year and will increase even further in 1981 when the plants will be rated and charged on engineering and safety programs, as well as location.

Design changes recently mandated by the Nuclear Regulatory Commission are predicted to cost a minimum of $30 million for each reactor.

The cost of a typical reactor is said to have at least doubled in the past seven years.

A bill recently introduced in the House of Representatives would raise a retrospective premium now assessed each reactor to $20 million from $5 million and would boost the liability limits to $5 billion from $560 million.

"If I were the owner of a utility company, I would certainly start to reconsider whether it is worth the cost of building a nuclear plant," says Lou Mariani, vp for engineering of American Nuclear Insurers.

At least one utility already is taking a second look.

Pennsylvania Power & Light, based in nearby Allentown, Pa., is preparing a cost effectiveness study of its nuclear plant being constructed on the Susquehanna River, insurance administrator Donald FioRito said.

The cost of the plant, estimated at $1.7 billion in late 1973, is now pegged at $2.7 billion, Mr. FioRito said. Included in that cost is $165 million worth of regulatory changes mandated in just the past year.

In addition to premiums for property and liability coverage, still to be determined for when the reactors start up in 1982 and 1983, the company will also have to pay an estimated $1.7 million for cost replacement insurance. That policy will pay when the loss of the reactor's power forces the company to substitute other sources of power that are more expensive.

If the bill proposed by Rep. Morris Udall passes, the company's premium to the government will rise from what is now a "negligible" amount to about $2 million, Mr. FioRito said.

"The $2 million alone would not be enough to destroy any cost effectiveness for us. But add that to the $1.7 million for cost replacement insurance and the figure starts to become a substantial one," he said.

Other utility companies are recognizing just that. It has been estimated that approximately one out of five plants now under construction is being scrapped.

Nuclear industry officials and their insurers are trying to combat this skittishness about the future of nuclear power. They are trying to convince utilities and the public that substantial changes in safety and engineering programs have been made in the nation's plants since the accident last March at Three Mile Island. And they are trying to convince the government that the proposed increases in liability would be almost ruinous for the nuclear industry and harmful to the country.

"There is no doubt that nuclear plants are being run more safely since TMI," said ANI's Mr. Mariani. "Because of what we have learned there, there have been substantial changes in the way plants are operated."

Mr. Mariani said short-term changes have included such measures as modifications of control panels that were shown to be confusing in an accident. But more important are changes in the way operators are trained to handle an accident and the assumptions made in dealing with malfunctions at a plant.

Plant operators must now assume that a broad range of things might go wrong at the plant, including some failures of key safety devices, which goes far beyond what earlier training took into account.

It has also become standard practice for new plants to have sophisticated simulator models on hand to train their employes for what they should expect in an emergency.

In Washington earlier this month, insurers of nuclear plants took the offensive against the proposed House bills to raise the liability limits for the plants.

They especially attacked the provision that would raise the liability for each reactor to $20 million from the present $5 million.

"We believe that 75 to 100 utilities, each going into the capital markets at the same time for $20 million, would have a serious, disruptive effect on the economy generally as well as the utility industry itself," argued Richard Schmalz, general counsel of Hartford Accident & Indemnity Co.

The proposal will cause "chaos" in the financial markets, argued ANI president Burt Proom.

The insurance industry officials, while agreeing that some increases in liability limits are not objectionable, said the proposed limits of $5 billion could dry up the insurance markets and make it difficult for plants to find coverage.

Although ANI's Mr. Proom says his group will not counterpropose limits it thinks would be reasonable, papers submitted to the committee suggest that $1.3 billion might be an unacceptable liability figure. ■

Reaction abroad

HARRISBURG, Pa.—Repercussions from last March's accident at Three Mile Island are echoing all across Europe.

Questions over the safety and desirability of nuclear power are causing problems for both nuclear plant operators and their insurers in Europe, says Gunther Schmidt, chairman of the West German Atomic Pool, a group of insurance companies that provides liability and property coverage for that nation's plants.

The German government will soon mandate substantial increases in those insurance limits, Mr. Schmidt predicted recently while in the Harrisburg area to tour the crippled Three Mile Island plant.

"I have no idea how high they will go, but I can promise you that the increase will be enormous," Mr. Schmidt said. The pool now provides the equivalent of about $60 million in property insurance and about $18 million in liability insurance to nuclear plants in West Germany.

Similar measures are being considered in other European countries, especially England, he said. Only France has been free of pressure since TMI.

The dramatic increases from present limits would pose considerable hardship on the German pool, he said, but he doubts the market for nuclear insurance would dry up.

No-smoking plan has hypnotic appeal

benefit beat

EMPLOYES OF Massachusetts Mutual Life Insurance Co. and their dependents can take advantage of a new benefit that may literally hold them spellbound: coverage of expenses for hypnosis to stop smoking.

About 6,300 persons are eligible for the plan, which will reimburse participants up to $100 in expenses for up to two treatments by a licensed clinical psychologist or physician who is certified to provide hypnotic treatment. The first half of the reimbursement is available when the employe is first treated and the second half is paid at the end of six months, provided the employe has been successful in kicking the habit.

The only certification of the employe's success will be his or her signature on a form provided by the company.

The program, initiated about two weeks ago, has prompted about 50 inquiries so far, says Dr. C. Paul Nay, vp and chief medical director at Massachusetts Mutual, but the company will not know the exact number until it begins receiving bills.

"What the company figures is that it will pay for itself over a period of time, in absenteeism, claims expenses and so on, and there will be savings eventually," said Dr. Nay, who himself has successfully given up smoking after hypnosis. "About 90% of the people I've personally referred to hypnosis have been successful."

Mobile information

Leave it to a transportation employer to come up with a mobile benefit communications tool.

With more than 7,500 employes scattered around the metropolitan area, the New York port authority had a problem informing its employes about a new insurance plan they were eligible to join.

It was almost impossible to get the workers at the various tunnels, bridges, bus terminals and airports together in one place to go over the insurance program offered by the employes' credit union. So the port authority decided it would take its selling job on the road.

This "insurmobile" will inform employes of the New York port authority about a new life policy option.

Called "insurmobile," the office-equipped van will travel to the different work locations in the next few months. Inside, workers will find out what the credit union offers them.

The life insurance policy, underwritten by Beneficial National, is available as a reduced-cost supplement to the employer-provided insurance, said Janice Sussman, vp of Plans for Professionals, a mass-marketing firm working with the port authority on the program. Premiums are automatically deducted from the employes' paychecks by the authority credit union.

The van, which will spend about a week at each work location, will be staffed by a sales representative from the insurance company who will explain the program.

So far the van is used to sell only this program, but Ms. Sussman said PFP may recommend it to other clients. Employers could use it to sell new benefits to their employes or explain current benefits.

"The van is a supurb marketing tool," said Sharon Brick, Beneficial National assistant vp. "It makes it possible for us to reach large numbers of potential applicants in a very short time, under highly favorable sales conditions."

Airline pensions

Eastern Airlines flight attendants represented by the Transport Workers Union will receive increased pension benefits under a new three-year contract ratified Feb. 29.

Monthly benefits were raised to $24 a month per year of service from $10. The pension plan was also revised to return all employe contributions made before the plan became fully employer-paid in 1977. All past employers who did not participate in the plan will receive retroactive pension credits.

The new contract also provides for the union's continued participation in the company's variable earnings plan, in which 3.5% of wages are withheld from workers' paychecks. At the end of the year the plan pays employes an amount that varies depending on the airline's profits.

Profit sharing

One hundred and thirty employes of the Commercial-News in Danville, Ill., received profit sharing checks totaling more than $42,000. The checks went to 100 active and 20 retired workers.

Although the company experienced no growth in 1979, employes held the line on expenses, controller Bruce Cannady said. Employes do not have to pay into the plan; the checks are awarded as a bonus.

Commercial News employes have received profit sharing checks for more than 25 years.

•

Benefit beat keeps insurance and employe benefit managers up-to-date on what other companies are doing and informed of current developments in the employe benefit field. We'd like to know if you've made any changes. Write Valerie Berg, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611 or call 312-649-5430.

...to find that with Talbot, Bird you get the professional capabilities that you need for both your personal satisfaction and the service your clients require. As leading marine specialists for more than half a century we have the knowledge, experience and high capacity that makes us known for our ability to provide the most comprehensive and economical coverage available. Our highly specialized organization is readily available, assuring quick communication and a flexible approach to sophisticated situations. Call us and discover the feeling of well-being that in-depth professionalism can provide.

Talbot, Bird & Co., Inc.

Marine underwriters and Managers
156 William Street, New York, N.Y. 10038
Atlanta • Chicago • San Francisco • Los Angeles • Seattle
Tampa • Boston • Dallas • Richmond • Kansas City • Vancouver

You can't have a good insurance partnership without good partners. Case in point.

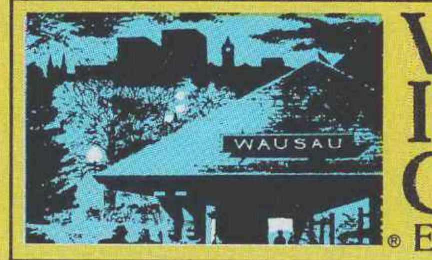
Bucyrus-Erie Company serves world-wide markets and is a leading manufacturer of mining and construction equipment. End-products range in size up to a 30,000,000 pound walking dragline, the largest mobile land machine in the world. With annual sales now exceeding a half-billion dollars, this policyholder has experienced tremendous growth over the past six years.

Director of Risk Management and Insurance for Bucyrus-Erie, C. R. Revie, says, "The dollar we save is just as important as the dollar we earn. Naturally, we regard business insurance as one of our most important risk-management tools. But we want the *claims* feature of insurance to be the tool of last resort. We place a very high priority on loss *avoidance*."

That's the Wausau story, too. We know the best way to keep insurance costs down is to keep losses down. So, our job is to help policyholders control losses and costs. But unless the policyholder is willing to turn good intentions into action, he's settling for wishful thinking instead of effective loss control.

Roger Leto, Wausau Insurance sales representative, says, "The conscientious attitude at Bucyrus-Erie is one part of what makes this insurance partnership work. Understanding the responsibilities and needs of the risk manager and being able to provide the quality services he requests of us — anywhere — is the other part. That's the way good partners can make business insurance work."

Chuck Revie sums it up like this: "We feel that because of Wausau's broad experience in serving a number of companies in our field, they are able to do an overall fine job for us."



WAUSAU INSURANCE COMPANIES
® Employers Insurance of Wausau

WAUSAU WORKS.℠

Doctors get 35% work comp fee hike

around the states

TALLAHASSEE—Approval of a 35% increase in doctor fees for workers compensation cases in Florida may wipe out part of the 15% reduction in workers compensation rates given Florida employers last fall with adoption of a wage-loss law.

A 35% increase in doctor fees for compensation cases, effective July 1, was approved by Baxter Swing, director of the department of labor's division of workers compensation.

The Florida Medical Assn. filed for a 38% increase last fall.

"A prudent person would say that if you're increasing the medical fees, it could result in an increase in premiums. I don't know how much," Mr. Swing said.

The National Council on Compensation Insurance in New York is studying the fee increase and will report on its economic impact in May or June.

Many doctors have been charging their regular rates, which are higher than those listed in the workers compensation schedule, and insurance companies have been paying the bills, Mr. Swing said. The increase will be less than 35% in those cases.

In addition, Mr. Swing imposed a ceiling on payments for consultations with other doctors, which doesn't currently exist.

More self-insurers

TALLAHASSEE—More than 26% of Florida's workers compensation coverage is self-insured, a 230% increase in the past seven years, statistics from the Florida department of labor show.

The biggest move to self-insurance came during the 1975-78 market crunch.

A total of 323 large employers represent 17% of Florida's $925 million in self-insured premiums and 5,424 smaller companies are covered by the state's 20 self-insurance funds with 9% of the premium volume. In 1973 the self-insurance funds accounted for only 3.5% of the total and large companies comprised 6.7%.

Self-insurance funds paid more than $5 million in dividends in 1979 in addition to advance discounts averaging about 14% of premium, the bureau of self-insurance estimates.

The state's largest self-insured group, the 1,300-member, Sarasota-based FCCI Fund, saw advance premium savings of 17% and expects to provide an additional 23% in refunds to members with no losses.

Arbitration suit

ANNAPOLIS—A class-action suit has been filed against Maryland governor Harry Hughes and the director of the state's health claims arbitration office, charging the law establishing the arbitration system is unconstitutional because the state has failed to make the system work properly.

The suit, filed by claimants disgruntled over their inability to gain hearings for medical malpractice charges, asks that the law be thrown out or that the claims office be ordered to speed the hiring of arbitrators.

Only 16 hearings have been conducted since the system began in 1976, while more than 350 claims were filed during the same period, the suit charges. The system is designed to review claims of more than $5,000.

Board abolition

FRANKFORT—A bill (H.B. 603) to abolish the Kentucky insurance regulatory board and return its powers to the state insurance commissioner has been passed by the state house and is now before the senate banking and insurance committee.

One of the board's major powers is to approve insurance rates.

Insurance commissioner Daniel Briscoe has said he favors the bill, although he did not ask that it be introduced.

Mr. Briscoe said the board, created in 1978, has followed the recommendations of the department's staff in about 95% of the cases it has heard.

The board costs the state about $1,000 for each meeting day and creates a lot of paperwork between sessions, he said, and the public holds the commissioner largely responsible for rates anyway. The insurance commissioner is board chairman but can vote only in case of ties.

Malpractice dips

SACRAMENTO—Medical malpractice payments made on behalf of health care facilities in California during 1978 dipped from the previous year, says the state's department of health.

In 1978, $16.5 million was paid to settle 449 cases, compared with the $18.1 million in payments made to close 556 cases in 1977.

Of the 449 cases closed in 1978, 443 were disposed of by settlements, with five by court judgments and one by arbitration.

The figures do not include suits filed against individual physicians.

Aliens not eligible

SANTA FE—The six children of a Mexican national killed in a construction accident in Las Cruces last year are not eligible for workers compensation benefits, the New Mexico supreme court ruled.

In upholding a district court ruling denying benefits to the surviving offspring of Salvador Ontiveros, the high court said that because they are legally residents of Mexico they are not covered by the due process and equal protection clauses of the New Mexico and U.S. Constitutions.

Carmen Pedrassa, the mother of Mr. Ontiveros' children, argued in the appeal that the state's workers compensation law is similar to insurance and is therefore a vested property right.

But Justice H. Vern Payne, who wrote the majority opinion, said, "It is apparent that the New Mexico legislature . . . intended that a property right in a workmen's compensation claims never vest in nonresident, alien dependents."

Justice Payne also said that the equal protection clause of the state and federal constitutions "is to protect persons and groups within the United States jurisdiction from being singled out and subjected to hostile legislation."

EXTORTION KIDNAP RANSOM

Terrorism is on the increase. This tactic has proven so financially rewarding, terrorists are now permeating the unsuspecting corporation everywhere in the world—including your small city or town.

Your extortion coverage—if it exists at all—may be inadequate to the ordeal you might have to face right here at home—or while travelling abroad.

We suggest you call or write for our brochure describing the unique, comparatively inexpensive, broad coverage extortion policy you owe to yourself, your family, your business headquarters and/or your international affiliates.

- Sound underwriting with an innovative approach.
- Worldwide coverage with maximum limits available.
- Quotations, specimen policies and other information are available from PIA to all agents and brokers. Contact Mr. A.J.R. Douglas.

Please send free brochure that offers the extortion coverage my corporate associates and employees need.

Name__________

Title__________

Company__________

Address__________

City_____ State_____ Zip_____

Telephone__________

Professional Indemnity Agency
Special Risk Underwriting Dept.
110 East 59th Street
New York, N.Y. 10022
Tel (212) 688-3320
Dom. Telex 148-435/Inter. Telex 620-129

editorial opinions

Apathy over HMOs

EMPLOYERS HESITATE to swing their support behind HMOs being planned or in the early stages of operation.

They apparently feel it's best to sit on your hands until an HMO has enough experience and savvy to become federally qualified so that it can solicit local employer participation. Only at that point, it seems, do corporations somewhat grudgingly agree to offer the HMO as an alternative option to conventional health and medical insurance programs.

Not all employers are so ambivalent, of course, but it seems to be an accurate picture of the way most companies are dealing with HMOs.

It's ironic so few companies seem to be galvanizing their forces to establish, fund and help manage local HMOs, a development we would have thought would be more common than it currently is.

The contradiction stems from the fact that a recent survey of 85 benefit managers serving on our Employe Benefit Board revealed that by and large, managers believe HMOs offer the finest tool yet discovered to help control the soaring costs of health care delivery. HMOs, they told us, generate almost immediate savings on hospitalization and treatment costs, besides providing some good, healthy competition for local doctors and hospitals.

This leads us to conclude that a great many employers should be doing a whole lot more to get HMOs started in their areas, seeing to it that they are properly capitalized and well-managed and have good backup and administrative systems.

A large number of the HMOs that started in the early 1970s and went under shortly after they were begun weren't well planned. Most lacked good data about the population to be served and the resources needed to cope with demand for services.

Frequently the individuals who set up HMOs did so without much capital, without good administrators and managers and without a clear strategy for marketing their services to the communities they were to serve. The result: Slim employer participation, adverse selection from the start, patient and doctor unhappiness and a bankrupt or financially strapped HMO.

Sure, some shoddy operators out to make a quick buck off the government also got into the HMO business.

All of the foregoing should make it clear that it is certainly in any employer's best interest to get in on the ground floor of a local HMO to see it is well-planned, has broad employer and employe participation so it'll have a good spread of risk, is well capitalized so it'll be able to grow and has good management so respected doctors will work there, keeping patients happy and employers' bills down.

Answer to a prayer

THRIFT PLANS seem to be an answer to a prayer.

Corporations don't have to spend as much money on employe savings plans as they do to improve health and medical benefit plans or to upgrade pensions. Savings and thrift plans are relatively low-cost benefits perceived by employes as the best things since sliced bread, particularly the plans offering matching funds of anywhere from 10 to 80 cents for every dollar the employe saves.

What an outstanding opportunity for employers who want to convey the value of benefits to workers. For one thing, any employer who doesn't have a thrift plan should think about starting one. Beyond that, however, employers can capitalize on the goodwill they create with a thrift plan by using good communications. They can remind workers as often as possible how much is being saved in the companywide plan and how much money the company itself has put in to match employe contributions.

Posters showing bar charts that are updated each month could be posted in visible spots, or paycheck stuffers could carry the monthly message.

As a story in our last issue noted, savings and thrift plans make eminently good sense for employers and workers alike. In an inflation-ridden world, everyone seems to like the idea of making money by saving a dollar. And thrift plans with some kind of employer-matching provision and options on how the money will be invested are a good place to put your money.

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.

Broader view

To the editor: Trust no one was hurt when your March 3 editorial "Giant step for risk execs" fell off the wall. No one, that is, except those who bought its point.

Contrary to your view that ". . . only in recent years have insurance and finance been closely linked in the corporate hierarchy . . . ," my observation has been that they have been so closely tied, having grown together like Topsy, that risk management suffered in its development as a separate discipline. A concomitant effect of locating risk management in the bean-counting departments has been the retardation of many risk executives' careers.

Risk management is and ought to be a much broader discipline than funding losses. It is not just a "fascinating combination of money management and law."

James E. Flynn
Counsel
Vappi & Co. Inc.
Cambridge, Mass.

Joint responsibility

To the editor: Your editorial "Giant step for risk execs," March 3, indicates that the company in Chicago had discovered something new by combining the risk management and cash management functions. I can assure you, this is not a first. I have shared those joint responsibilities at the corporate level, reporting to the vp-finance, since 1969. In addition, I am also responsible for keeping up with all lease activities.

I appreciate that your editorial recognizes this as a good combination because our management has apparently felt it works well for us.

J. David Baird
Manager-financial services
Tracor Inc.
Austin, Tex.

Courageous stand

To the editor: I find it odd that, of those who wrote you, bitterly condemning the Jan. 21 "Abortion inequities" editorial, not a single person was female. It seems easier to have an opinion when one will never have to face the issue.

I applaud the editorial, the author and your courageous stand for justice, for all women.

Gretchen L. Preve
Grand Rapids, Mich.

More on abortion

To the editor: Your editorial entitled "Abortion inequities" (Jan. 21) is a mighty poor attempt at justifying a horrendous crime against the unborn. "It is the law of the land," you declare, and employers are forced to pay for abortions just as for any other pregnancy-related "illness."

How can you be so insensitive as to label the taking of a life of an unborn child just another "illness"? If abortions were per-

Continued on page 76

business insurance

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

G.D. CRAIN JR. *founder (1885-1973)*

MRS. G. D. CRAIN JR. *chairman of the board*
S. R. BERNSTEIN *chairman, executive committee*
RANCE CRAIN *president and editorial director*
KEITH E. CRAIN *secretary-treasurer*
DAVID J. CLEARY JR. *executive vp-general manager*
ALFRED MALECKI *vp-publisher (New York)*

SUSAN ALT, *ARM, CPCU, editor* (312-649-5278)
KATHRYN J. McINTYRE, *managing editor* (312-649-5286)

LEN STRAZEWSKI, *features editor*. JERRY GEISEL, *Washington editor*. VALERIE J. BERG, *copy editor*. *Associates: New York*—STUART EMMRICH, ELLIS SIMON, MARY ANN MATLOCK *(staff reporter)*. *Los Angeles*—RHONDA L. RUNDLE. *Chicago*—DAVE GALANTI, JOHN MAES, JILL KAPLAN *(staff reporter)*, STACY L. SHAPIRO *(asst.)*. MERRILL SALTZMAN, *editorial production chief*. JOE FARACI, *Corporate art director*. *Correspondents: Dallas*—SHARON WATSON (214-234-6496). London—JOHN MILLER (01) 946-4215. *San Francisco*—MARGARET LeROUX (415-525-5082). *Seattle*—WILLIAM CUSHING (206-624-7755). *Editorial Production Assistant:* WILLIAM BIKE. *Proofreader:* DOROTHY PARR SNOWDEN. *Editorial typist:* SHAUN WESTBROOK.

DONALD A. WALSH, *Advertising Director—New York* (212-986-5050, Ext. 15)
ROBERT L. NIESSE, *Midwest Sales Manager—Chicago* (312-649-5276)

Advertising district managers: New York—CHARLES A. HORVATH, JACK FORREST, KEITH T. GALLAGHER. *Chicago*—DON MAHLMEISTER, *Assistant to Advertising Director: Los Angeles*—LORI WEINSTEIN. *New York*—CONNIE MELE. *Production manager: Chicago*—FRAN PRYBYLO. *Promotion manager: New York*—RONNIE I. DRACHMAN. *Assistant to the publisher: Chicago*—CELIA MALOUHOS; *New York*—JOYCE BAIDA. *Classified sales* -BARBARA TOSHEFF.

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

Published weekly at 740 Rush St., Chicago, Ill. 60611 (312-649-5200). Offices: 708 Third Ave., New York, N.Y. 10017 (212-986-5050); Suite 1253 National Press Building, Washington, D.C. 20004 (202-638-5300); 6404 Wilshire Blvd., Los Angeles, Ca. 90048 (213-651-3710). $1.00 a copy. $20.00 a year in U.S. Foreign $5 a year additional. For first class mail add $20.00 U.K. and Canada; add $12.00 for air delivery Europe and Middle East only. WILLIAM STRONG, *vp-circulation*. PAMELA JANOUSEK, *circulation manager;* ROGER DiGREGORIO, *fulfillment director*. Circulation Dept.—Chicago (312-649-5227). Four weeks' notice required for change of address. Send subscription correspondence to Circulation Department, Business Insurance, 740 Rush St., Chicago, Ill. 60611 or phone 312-649-5221. Telex 25-4248; Cable CRAINCOM. Microfilm copies are available from University Microfilms, 300 Zeeb Rd., Ann Arbor, Mich. 48013. Microfiche copies available: Bell & Howell, Micro Photo Division, Old Mansfield Rd., Wooster, Ohio 44691.

Member of Business Publications Audit of Circulation

IT'S THE LEXINGTON'S 10th BIRTHDAY...

...AND WE'VE GOT TEN REASONS WHY YOU'LL WANT A PIECE OF THE CAKE.

1 We're one of the largest, most respected excess and surplus lines insurers in the business. That's only one reason why more and more brokers are coming over to The Lex for a piece of the cake.

2 We've been able to accomplish all this in just ten years, at an average annual written premium growth rate of more than 25%. A pattern unmatched in the insurance industry.

3 We write commercial property, casualty, marine and special accident. Large or small, existing products or ones we can develop. Railroads, mining operations, satellites, amusement parks and much more. And we write the less exotic risks, too.

4 Our comprehensive coverages are built on, added to, filled in, wrapped around and layered over. We give peace of mind to many of the Fortune 1000 accounts, and countless others.

5 Our success is due, in great part, to our service. We look at each risk as an individual risk—regardless of class. And we give quick turnaround time on quotes.

6 We have the capacity and stability to take risks when covering risks. We're respected throughout the industry for our underwriting credentials, as an independent member company of American International Group.

7 There are no fixed rates, because we don't use a rate manual; we can tailor a form to your client's specific needs.

8 We deal exclusively through excess and surplus lines brokers. But *all* agents and brokers are welcome to place business with us through such brokers.

9 We like to say yes to a submission. Flexibility is a basic ingredient in our corporate philosophy. Our record of growth shows that our philosophy works.

10 And we're competitive! For further details, send for our FREE booklet on The Lex. Just fill out this coupon.

The Lexington Insurance Company
Dept. BI, 100 Summer Street, Boston, Mass. 02110
Happy Birthday, Lex! Please send me your FREE booklet about all your coverages and programs.

Name ____ Title ____
Company ____ Phone ____
Address ____
City ____ State ____ Zip ____

J. D. BROWN

How many people are you paying to gather dust?

When people can't work due to an illness or accident, it's our job to help get them back in the job market again. It is a job that calls for thoroughly trained professionals with great sensitivity to the many areas involved in rehabilitation.

We're Crawford Rehabilitation Services, Inc. Established in 1972, we now provide rehabilitation services through our nation-wide network of offices, conveniently located near metropolitan area centers. Each of our offices has highly qualified and experienced personnel whose professional expertise is concentrated in providing: 1. Vocational evaluation and testing; 2. Counseling; 3. Labor market surveys; 4. Selective job placement.

Through such a program we can determine what people can do, despite any disability, and then try to find a way to return them to their original jobs or suggest ways to modify a job to make it less demanding. If that is not feasible, we direct them in securing work with other employers.

Many, many valuable individuals—who otherwise may have been left to gather dust through unemployment—have been returned to healthy productive lives in the labor market through our services. This also has saved a great deal of money for those who were involved in supporting the unemployed individual.

So if you happen to be involved in workers' compensation, long term disability, or other programs involving disability coverages, our services could save you a lot of money. For complete details, just write: Crawford Rehabilitation Services, Inc., P.O. Box 5047, Atlanta, Ga. 30302. **Crawford Rehabilitation Services, Inc.**

specialty risks

Tabloid tales don't scare libel insurers

By LEN STRAZEWSKI

CHICAGO—Amazing psychic predictions and Cheryl Ladd's love life can't scare off libel and slander insurance underwriters. Even newspapers that promise "inside dope" on the stars can afford insurance.

But high limits and a strong legal defense staff make the coverage work.

"We've never had any trouble getting libel coverage," explained Richard Sarazen, executive vp of News America Publishing Inc., publisher of the Star, New York Post and Village Voice, among others. "In fact, we've never had an insured loss."

But News America, owned by Australian newspaper mogul Rupert Murdoch, has fought libel battles not covered under insurance to maintain a strong front against nuisance suits.

"We've been sued several times," Mr. Sarazen explained. "but we fight them, sometimes beyond what is realistic in defense costs, just to avoid being considered patsies."

The Star, a tabloid competitor to the National Enquirer, Midnight Globe and Weekly World News celebrity feature newspapers, began publishing in 1974. Its first insurer was Employers Reinsurance Co., the largest domestic libel and slander insurer. The first policy set per occurrence limits at $5 million.

When News America purchased the New York Post, however, the Murdoch-owned group also bought access to the American Newspaper Publishers Assn. captive, Mutual Insurance Co. in the Bahamas.

Now $5 million of primary insurance from the captive and $5 million of excess coverage from Employers Re cost the group less than $50,000 a year for all publications, including a San

Continued on page 13

Celebrity feature magazines defend their stories.

Liability pool keeps sub high, dry from claims

CHICAGO—When this boat sinks, insurers don't pay off. They expect it to rise again.

That's because the U.S.S. Silversides is a submarine, commissioned on Dec. 7, 1941, and a veteran of 14 World War II patrols. It is now moored in the mouth of the Chicago River and will soon be towed back to permanent moorings on Chicago's Navy Pier, where it draws 30,000 tourists each year.

"We've never had a claim under our liability insurance," noted Wayne Schmidt, president of the Combined Great Lakes Navy Assn., a group of naval aficionados restoring the sub. "But we spent all Christmas Eve and Christmas Day keeping the boat from tearing loose of its moorings. We finally had to tow it to the river where it had better shelter."

A bitter Christmas wind threatened to send the sub drifting into the Navy Pier recreational area or into some of the city's prime lakefront property until Mr. Schmidt, the Coast Guard and other volunteers saved the day.

But the Silversides would've been covered by a $3 million liability policy underwritten by a pool of St. Paul Fire & Marine, Crum & Forster, Fireman's Fund and Talbot, Bird & Co. insurers, according to the broker for the sub account, Thomas Bickel, assistant vp of Fred S. James & Co.

The liability policy, which names the city of Chicago as an additional insured, includes the $300,000 required by the state of Illinois and the $2.7 million required by the city. It costs $2,200 a year.

"Underwriters weren't exactly crying to cover this," Mr. Bickel noted. "That's why we went with the pool. No one wanted to pick up all the liability."

The coverage includes damage done by the Silversides if it were set adrift and liability claims filed by people touring the boat.

Hull insurance for the craft is being reevaluated, Mr. Schmidt said. The U.S. Navy requires the submarine be insured for its scrap steel value of about $150,000. That coverage is available from Lloyd's for less than $8,000 in premiums.

Photo: Mary Cairns

Up periscope

If the Silversides were set adrift and caused damage, the losses would be paid by a $3 million liability insurance policy.

"But it is almost impossible to put a value on the restoration work and time we have put in," Mr. Schmidt explained. The Combined Great Lakes Navy Assn. has invested about $750,000 so far in the restoration effort.

The Silversides was decommissioned in 1969 and scheduled to be scrapped in 1972. After presenting a comprehensive restoration plan to the Navy, the Combined Great Lakes Navy Assn. was given the title to the submarine in 1973.

Kidnap insurance market expands along with risk

By JOHN MAES

CHICAGO— Gauging the chances of a corporate executive falling into the hands of kidnappers while working abroad can be as tricky as trying to forecast this city's notoriously changing weather.

But in an age when politically motivated abductions and acts of terrorism are occurring with alarming frequency, it's a pretty safe guess that multi-national companies that don't already have coverage for kidnap and ransom risks have given it some pretty serious consideration.

"I would say all of the top 1,000 companies in the U.S. either have it, are self-insuring it or have discussed at pretty high levels what they would want to do about the situation if one of their people was kidnapped," said Robert Lynyak, vp with the Chubb Group, a major kidnap and ransom insurer.

Along with Chubb, which has written some 2,000 kidnap and ransom policies, American International Group handles 25% to 30% of the business and Lloyd's of London is also a major market.

Companies with captive insurers often use their captives to underwrite the risk because it ensures the secrecy of the policy.

AIG has been insuring companies against kidnap risks since 1970, said Joseph P. DeAlessandro, president of National Union Fire Insurance Co., an AIG company.

INA is also trying to make its presence felt in the market. Richard Francisco, group secretary, described INA as "the new kids on the block," writing 10% to 20% of the business.

Originally targeting banks as a market in 1978-79, INA began writing K&R for other clients after receiving many inquiries as kidnappings and terrorism grew, Mr. Francisco said.

AIG has been insuring companies against kidnap risks since 1970, says Joseph P. DeAlessandro.

Kidnap and ransom or "K&R" policies, as they are often called, have been on the market since the beginning of the 1970s when kidnappings and terrorism began to increase. One broker estimates that kidnaps have increased over the last nine years by about 300% throughout the world. In Latin America, a particularly hot spot, they have risen by 400%, he said.

The victims have been mostly American business executives and officers of locally owned businesses.

For the most part, the victims are targeted by abductors intent on collecting healthy ransoms to buy weapons for a political revolution. But there is also evidence that the regular criminal element is getting into the act in some countries,

Continued on next page

Kidnap policy market, risks grow

Continued from previous page

realizing the profit potential in kidnapping. In Colombia, for example, would-be marijuana dealers are turning to kidnapping for income as the government fights to clean up the marijuana trade, one broker says.

It's difficult to predict where political upheavals will occur, leading to circumstances ripe for abduction, Mr. Lynyak said. "It's like trying to predict who's going to be president four years from now." But insurance companies keep a watchful eye on South and Latin American nations where turmoil and kidnappings have been taking place most frequently, he said.

'Gamut' of limits

Multinationals with employees in these regions pay the highest rates and have the highest limits, he said. It's not unusual for firms having installations in different areas of the world to buy limits of more than $10 million and pay annual premiums of $50,000.

Mr. DeAlessandro said companies carry a "gamut" of limits, usually $1 million to $2 million for domestic companies not operating abroad and $10 million to $20 million for firms with foreign operations.

Mr. Francisco said INA can provide limits of up to $20 million for clients with substantial foreign exposures. Corporations with few or no personnel abroad usually buy limits of only $1 million to $2 million, he noted.

But rates are not as high as insurers would like, according to Mr. Lynyak. As is the general trend in the industry these days, kidnap and ransom rates have been declining with the four markets competing intensely for the insurance business over about the last two years.

Rating is based on a variety of factors, such as political climate in the nations in which the firm operates, whether or not the firm is controversial or if the people assigned to a given country are themselves

specialty risks

controversial.

Policies indemnify clients by reimbursing for losses paid in ransoms and for "reasonable expenses" such as fees for consultants brought in to negotiate for release of a victim, Mr. Lynyak said.

"It's a low frequency, high severity business," he said. Last year Chubb had only two claims in excess of $1 million, both involving abductions in Latin American nations. Otherwise, insurers are reluctant to go into much detail about claims, saying they prefer to maintain as much secrecy as possible about claims and their clients.

In fact, if a company discloses that it has a kidnap and ransom policy it could lose its insurance, according to standard policy provisions. The reason for the secrecy is that insurers fear such a revelation could be an open invitation for kidnappers to target a certain company. "The existence of the insurance is not something you want your people to wear on their sleeves and say 'I'm insured for kidnap and ransom,'" Mr. DeAlessandro said.

Blanket policies

When the Chubb Group first began writing kidnap and ransom policies in 1973, it covered mostly upper-level management. But today Chubb sells many blanket policies that cover all of a firm's employees, including rank-and-file workers and their families.

AIG companies sell similar coverage, but Mr. DeAlessandro said there is still demand for coverage of designated employes.

Insurers don't require their clients to take special precautions at foreign installations to protect employes in high-risk areas. For the most part, firms sending workers into a trouble spot have their own elaborate security operations to protect workers and counsel them on measures they can take to minimize the risk of abduction.

There is a burgeoning number of security consulting services doing business these days, "and many companies avail themselves of that facility," Mr. DeAlessandro said.

The insurers will, however, conduct an inspection of a foreign facility and make recommendations on security precautions if it is considered a high enough risk. ■

Political upheavals are difficult to predict, says Robert M. Lynyak of Chubb.

HOW TO GET MORE THAN A MILLION DOLLARS IN HEALTH CARE FOR YOUR MILLION DOLLARS.

Libel insurers don't fear tabloid tales

Continued from page 1

Antonio, Tex., daily, New York magazine and its West Coast counterpart, New West. It is brokered by Frank B. Hall & Co.

The publisher's liability coverage, however, does not include legal defense costs, which can increase premiums as much as 50% for newspapers with more than 50,000 in circulation, according to insurers.

News America pays its own bills for fighting suits and relies heavily on its attorney's advance reading of questionable stories. Legal fees, just for story screening, top $100,000 a year, Mr. Sarazen said.

The screening process helps, but doesn't completely stem the tide of libel suits. News America settles many suits out of court, usually for less than $5,000. A recent lawsuit

specialty risks

by singer Helen Reddy, asking $3 million in damages, was settled out of court for $2,500.

The Reddy suit was a little one, Mr. Sarazan said. Most libel suits now ask for at least $5 million. "If you're a big publisher, they expect that you have at least $5 million."

Fact checking

Elaborate fact-checking systems also aid the libel defense effort. The National Enquirer, largest of the tabloids with "the largest circulation of any paper in America," declined to discuss its insurance, but is known to have an accuracy-checking department designed to limit suits.

Industry sources report that the Enquirer has up to $10 million in publisher's liability coverage with the top half underwritten by a domestic insurer.

Most feature publications, however, maintain deductibles over the cost of settling most lawsuits. News America has the common $25,000 deductible. Other deductibles range as high as $100,000, a retention set by Employers Re for one of its former policyholders, Playboy.

The deductibles and premium costs, significantly more than those of traditional weeklies of smaller size and less sensational content, force some smaller feature weeklies to go bare, according to an executive of the Midnight Globe.

"We're totally insured. And the precedent of self-insurance continues with most of my competitors," explained Paul Levy, general counsel and corporate officer of the Globe.

Small settlements

"Fifteen years ago our kind of publication was highly sensationalized, making it impossible for us to get coverage," he explained. "But in the 10 years that I have been representing the Globe, we have never had a legal judgment against us."

Like the Star, the Midnight Globe fights many libel suits to protect a reputation for accuracy, but the publication settles many suits for small amounts.

"We've evolved into a responsible publication and we have settled some cases out of court for what we feel are responsible amounts," Mr. Levy said. Globe copy is also reviewed by its legal staff.

In a recent case, the Midnight Globe is negotiating a settlement to Judith Campbell Exner, alleged lover of John F. Kennedy, for charging her with being a spy. The newspaper fought the case in court and a mistrial was declared last April. Rather than pay for another trial defense, the Globe decided to settle.

Although Mr. Levy said libel coverage would be "prohibitively expensive," at least one insurer said it would probably grant coverage without legal defense to the Globe for reasonable rates.

Employers Re would probably decline coverage, said underwriter Norma Berg, but CNA, a new entrant into the market, was more positive.

"We probably wouldn't mind it, with a deductible of about $100,000," said account executive Richard Duer. "In general, just about any publication can get publishers liability coverage.

"About the only publications we would turn down would be magazines that are sold in bookstores with the painted-out windows, you know, pornography, which wouldn't be covered under the policy anyway," he continued.

Declining coverage

CNA recently turned down New York sex tabloid Screw and "an all-night porno radio talk show in California," Mr. Duer said. "I don't think I could accept for coverage a publication that CNA would be embarrassed to insure."

For more traditional news publications, rates have been stable for the last five years, insurers say, though many premiums have risen with increased advertising volume and circulation. Policies are available from several insurers: Employers Re, CNA, Seaboard Surety, Fireman's Fund and Lloyd's of London.

For small news weeklies, annual premiums average $400 for newspapers of less than 10,000 in circulation in the National Newspaper Assn. plan underwritten by CNA. The CNA plan serves many of the newspapers not insured with the ANPA captive, Mutual Insurance Co. ■

Ruling could breed suits

AUSTIN, Tex.—A $5.45 million libel suit here may breed a herd of anonymous news story suits, say newspaper lawyers watching this precedent-setting case.

The suit, ordered to trial by the state supreme court as it upheld an appeals court ruling that ordered a jury trial, charges a News America Publishing Inc. paper (see related story) with libeling a teacher not named but described in a news story.

The news story in the San Antonio Express-News included a female public school student's charges that a teacher fondled her. It did not name the school.

In filing the suit, the teacher said the story gave sufficient information to identify him to friends, students and school officials.

In reviewing health care coverage, a lot of executives make a false assumption—that health care costs will be the same no matter who the carrier is. After all, the same people will get sick and incur the same costs. The only variable is what the carrier charges for administering the program.

THE EXPENSIVE ASSUMPTION.

That kind of thinking can be very expensive. Because if a carrier simply assumes risk and pays bills, there's no control over the really big part of your cost. The benefit costs.

You see, the cost of health care coverage is actually two costs. The cost of benefits. And the retention costs (everything from administrative costs to reserves). By controlling your major health care expense, the cost of benefits, you can get more for your health care dollar.

90 to 95% OF YOUR HEALTH CARE DOLLAR USUALLY GOES TO BENEFIT COSTS. AND THAT'S WHERE WE CAN MAKE THE BIGGEST DIFFERENCE.

Which is why Blue Cross and Blue Shield Plans are so committed to containing benefit costs.

And we're the only ones whose scope and method of operations are broad enough to deal with the problem effectively.

IT'S ALREADY WORKING.

Blue Cross and Blue Shield Plans often have special arrangements with hospitals and physicians supporting a wide range of cost containment initiatives. This means value added and *lower* benefit costs to enrolled groups.

In fact, over the past decade, programs like out-patient diagnostic and same-day surgery have helped cut the average hospital stay of our subscribers by one full day. And saved $1,250,000,000 last year alone.

So before you make a decision about your group's coverage, contact your Blue Cross and Blue Shield Plan Marketing Representative. Otherwise, trying to save a little money could end up being very expensive.

Write for the free booklet: "The Most Effective Health Care Protection For Your Employees." Blue Cross and Blue Shield Associations, Box 8008, Chicago, IL 60680.

HELPING CONTROL ALL YOUR COSTS.

® Registered Service Marks of the Blue Cross Association
®' Registered Service Marks of the Blue Shield Association

Calif. liquor liability cover flows freely

By RHONDA L. RUNDLE

specialty risks

LOS ANGELES—Liquor liability insurance is flowing freely again in California following the first anniversary of a new state law repealing tavern owners' and social hosts' third-party liability for inebriated guests.

Many bar owners have opted to "go bare" because technically they no longer risk a loss. Others are playing it safe, buying the bargain coverage to protect against a possible supreme court reversal of the law.

In the meantime, the tight market crisis has passed from California to Colorado. (See related story.) A multimillion-dollar lawsuit brewing there threatens to uncork liquor liability court awards, blowing insurance costs skyhigh.

Such suits are typically brought by victims of a serious automobile accident or by surviving family members against the drinking establishment that served the drunk driver.

Half a dozen states have dramshop laws that hold a bar guilty of contributory negligence if it serves a visibly drunk patron, reports the National Licensed Beverage Assn. in Washington, D.C. Elsewhere, bar owners have been socked with big suits despite the absence of specific legislation.

California is the only state to expressly abolish third-party liquor liability, excluding cases involving minors and barroom brawls.

Insurance costs dropped dramatically after the new law went into effect Jan. 1, 1979. "My premiums nose dived by 50%," reports Bob Scura, owner of 17 saloons in four states, including 10 in California. Today he pays 40 cents to 45 cents per $100 of liquor sales, down from about $2.50 only 15 months ago.

Mr. Scura has been hit with six lawsuits since 1973, blaming him for car wrecks involving his customers. One case against Fanny Ann's, a tavern in Sacramento, was settled out of court by his insurance company for more than $1 million. During one rough month, his company forked over 10% of sales for stopgap insurance coverage.

The bigger risks and better dinner houses are continuing to carry liquor liability insurance, notes Louis Bialick, executive director of the Western States Federation of Beverage Licensees, a trade group of about 2,000 members. They are paying 40 to 80 cents per $100 of sales, depending on the limits they purchase.

Many owners of small bars, however, are saying the exposure isn't worth insuring, even at today's reduced rates.

Photo: Mary Cairns

They'll drink to that

For more than a year now, California tavern owners and social hosts have been freed from third-party liability claims.

"On top of a heavy liability premium, the coverage is still costly for Mom-and-Pop operators," points out Maurice Erickson, manager of the Atwood Insurance Agency in Placerville, Calif. All 10 of his tavern-owner clients in town have elected to take their chances, signing waivers written into their general liability insurance policies.

A small pizza parlor that sells beer would pay about $550 for $100,000 coverage, Mr. Erickson estimates. The insurance company, Fremont Indemnity Co., charges $225 for minimum limits of $25,000.

"In today's market there is coverage for virtually any operation that sells liquor," observes Dave Anderson, president of Anderson & Murison insurance agents in Pasadena.

Most liquor liability insurance, however, is sold in package deals to restaurants that primarily sell food.

Topless bars and discos are special risks that generally go into the excess/surplus markets. Worldsurance Co. in San Francisco is a surplus lines broker that writes these risks for Lloyd's of London.

Worldsurance broker Maria Lauzardo says demand is low, since most hard-core bars stopped buying insurance after the bottom dropped out of the market in the mid-'70s. They got along without it then, they reason, so why start up with it again now?

But liquor liability is still a serious exposure, cautions Ray McCullough, assistant legal counsel for the Fremont Indemnity Co. Plaintiffs attorneys are continuing to file suits and a high court challenge to the new law could come at any time.

Fremont has successfully defended several claims with demurs, legalese for a motion to dismiss the proceedings for lack of legal grounds. Two cases currently pending could turn into test cases, Mr. McCullough said.

Will the law stick? Speculation is pretty evenly split among attorneys, Mr. McCullough says, and there is also a question about retroactive liability. If the law is eventually overturned, licensees could be held liable for accidents that occurred under the current statute.

A challenge could come from other quarters as well. State legislator Willie Brown, a powerful force in Sacramento, last year introduced a bill to rescind the law. A recent struggle for leadership in the legislature has effectively brought state business to a halt, but observers believe Mr. Brown has not given up.

The state's trial lawyers also strongly oppose the new statute. Not only does it take business away from attorneys, but also sets a dangerous precedent for erosion of third-party liability that could be applied to other areas of the law, particularly product liability, they fear.

To stave off a constitutional challenge, restaurant and bar trade associations around the state are aggressively urging licensees to refuse to serve liquor to drunk customers. Industry seminars teach owners, managers and bartenders how to spot drunks and how to cut them off.

"We can't afford to go back to the old attitudes," Mr. Scura stresses. Barkeepers do not want to become their brothers' keepers, he says, but they must acknowledge a moral duty to do their best to protect the public from tipsy customers who drink and drive. ■

CALL CMI® FOR

A PROFESSIONAL RESPONSE TO YOUR SPECIALTY NEEDS

When it comes to specialty coverage, if you have the questions, chances are we have the people who have the answers. Even if it's about coverage no one has ever written before.

Among some of the many good reasons to call CMI, are:

- Excess Workers Compensation
- Primary and Excess Products, including
  - Toy Manufacturers
  - Cosmetics
  - Gun Manufacturers
  - Medical Equipment
  - Generic Pharmaceuticals
- Excess Malpractice over SIR or J.U.A.'s other than practitioners
- Primary or Excess on Municipalities
- First or Excess Umbrellas
- Miscellaneous Errors and Omissions
- Special Events

The main thing to remember is, call CMI.

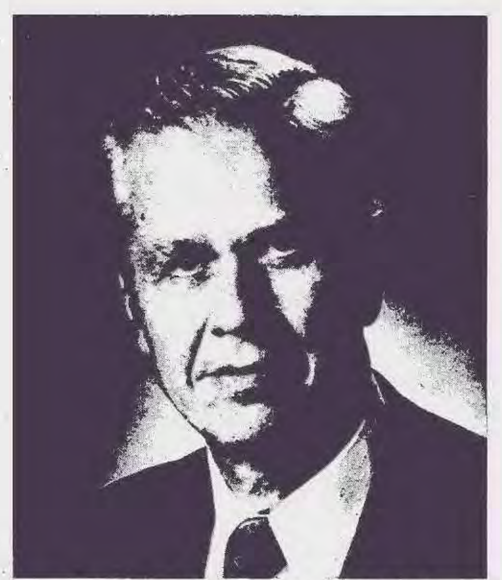
CMI
Capacity Managers International, Inc.
160 Water Street, New York, N.Y. 10038 (212) 344-5300
10 S. Riverside Plaza, Chicago, IL 60606 (312) 641-3377
3345 Wilshire Blvd., Los Angeles, CA. 90010 (213) 380-3770
100 Wood Ave., Iselin, N.J. 08830 (201) 549-4990

Chicago RIMS elects directors

CHICAGO—The Chicago chapter of the Risk & Insurance Management Society has elected three new directors for three-year terms: Hubert G. Willmann, Pittway Corp.; C. Richard Fairfield, Bankers Life & Casualty Co., and Craig L. Ames, Walgreen Co.

Also elected were new officers: president, Hal Johnson, State Farm Insurance; vp, Philip J. Saturnino, Inland Steel Co.; secretary, Ann Auerbach, honorary member, and treasurer, Geoffrey J. Burns, honorary member. ■

An open letter from president Brain to IIAA's company friends.



Donald C. Brain, CPCU
President,
Independent Insurance
Agents of America

The wishful thinking of the 1970's has become a reality in 1980!

Never have the 126,000 members of IIAA had more reason to cheer a new decade than we do today. On March 31, 1980, IIAA is launching on national television a massive campaign to educate American insurance-buyers on the superiority of Independent Agents. Our passivity, lethargy, and lack of unity, in the face of eroding shares of market, are over.

We could not be savoring the joy of today if not for the sympathetic understanding and eager cooperation of our great company friends with whom we work. In large measure they gave us the encouragement, the resources, the inspiration, to say: "That's enough. It's time to fight back."

In the last few weeks, my colleagues and I have had the opportunity to visit some of our cooperating companies. Their reactions were more than positive. The sheer lack of physical time has made it impossible for us to call on all of you. But, accept my assurances, we will. You will be hearing from us shortly. We want to tell you in person what we have been doing, what is happening, and ask your assistance in continuing to make it happen. In the weeks ahead, we will be calling on you.

Donald C Brain

**We treat you like a person.
Not a number.**

Independent Insurance Agents of America, Inc.

85 John Street, New York, N.Y. 10038

IN APRIL, IIAA'S 34,000 AGENCY NETWORK ADDS 3 MORE NETWORKS...

CBS, ABC AND NBC.

Network TV will bring millions of homeowners to *you*.

Network TV will show we mean business in business insurance.

The biggest network TV advertising campaign in IIAA history commences the first week in April! And it will include many of America's most-watched shows. News shows. Sports shows. Comedy shows. Movies. Plus many other prime-time favorites. You name it and we're probably on it! On all 3 networks! Before we're through, millions and millions of your best potential clients will see the advantages of dealing with a Big "I" Independent Insurance Agent.

We treat you like a person. Not a number.

Independent Insurance Agents of America, Inc.

85 John Street, New York, N.Y. 10038

Over 126,000 member agents representing 34,000 agencies. More than 250,000 dedicated employees serving America's insurance needs.

The reaction to our Joint Agency/Company network TV effort has been so overwhelming that we have not had time to contact every company as yet. Please bear with us. We will be contacting you shortly.

IIAA wants its 126,000 members to know that these companies are participants in the 1980 joint Agency/Company $10,000,000+ television project.

Are your companies here?

Independent Insurance Agents of America, Inc.
85 John Street, New York, N.Y. 10038

Over 126,000 member agents representing 34,000 agencies. More than 250,000 dedicated employees serving America's insurance needs.

800-221-7916

Call this 24 hour, toll-free number today • In Alaska, Hawaii, and New York State call 212-285-4283 collect.

In the coming months IIAA will list participating companies with their logos in this space in twelve trade publications on a monthly basis.

CD PC CRAVENS, DARGAN & COMPANY PACIFIC COAST

MARKETS FOR:

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

HOME OFFICE
350 CALIFORNIA STREET, SUITE 1600
SAN FRANCISCO, CA 94104
(415) 622-7500

REGIONAL OFFICES
SAN FRANCISCO
555 California Street, Suite 2900
(415) 622-7500
LOS ANGELES
3580 Wilshire Blvd.
(213) 380-5650

SEATTLE
Peoples Nat'l Bank Bldg., Suite 922
(206) 223-1800
SPOKANE
Washington Trust Building, Suite 1001
W. 717 Sprague Street
(509) 456-8580
PORTLAND
200 Market Building, Suite 700
(503) 248-9616

NEW YORK
90 William Street
(212) 344-5912
ATLANTA
30 Perimeter Center East, NE
(404) 393-0640
CHICAGO
Sears Tower, Suite 5730
233 South Wacker Drive
(312) 876-0262
HONOLULU
1510 Pioneer Plaza
(808) 521-5031

Colo. bar owners await outcome of liability cases

specialty risks

DENVER—The Colorado liquor service industry is keeping its collective eyes peeled on two cases pending in the Denver courts that could shoot liquor liability insurance costs sky-high.

In one suit, surviving family members of an underage youth killed in a motorcycle accident are suing the tavern where the boy had been drinking before the crash.

Potentially more explosive is a case in which the passengers of a car that crashed are suing the lodge where all four closed down the bar shortly before the driver ran them off the winding mountain road, killing one and severely injuring the others.

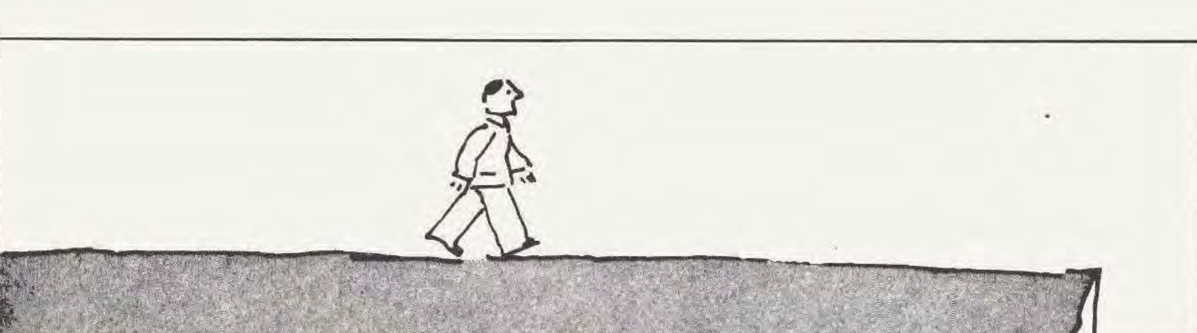
"There have also been legislative efforts to put in a dramshop law, but they haven't gone anywhere," notes Donald Quinn, executive director of the Colorado-Wyoming Restaurant Assn. "We have a vigorous lobbying program under wraps that will be unveiled if the decisions in these court cases go against us."

Although Colorado currently does not have a dramshop law, rates for liquor legal liability insurance have been going up rapidly over the past couple of years. Reports vary, however, as to how much.

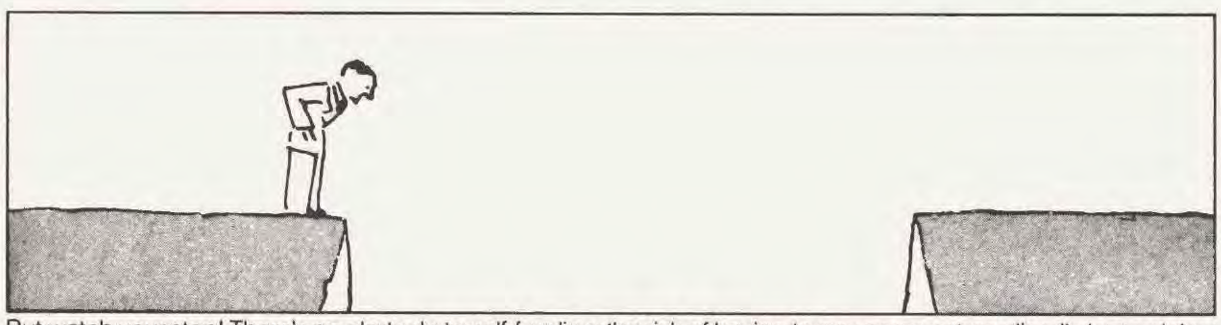
Some operations are paying as much as $2 to $3 per $100 of receipts, says Bob Dalton, senior vp at Fred S. James & Co. in San Francisco. Another broker in Denver said she had recently placed a liquor exposure on a restaurant risk for about $1 per $100 of receipts. But, she adds that CNA, Safeco and other companies writing the coverage are getting itchy.

"We're currently investigating a separate charge for the coverage," confirms Clark Harbourt, casualty underwriting manager for the Safeco Insurance Co. in Denver. Up to now, Safeco included liquor legal liability coverage on its standard form without additional charge.

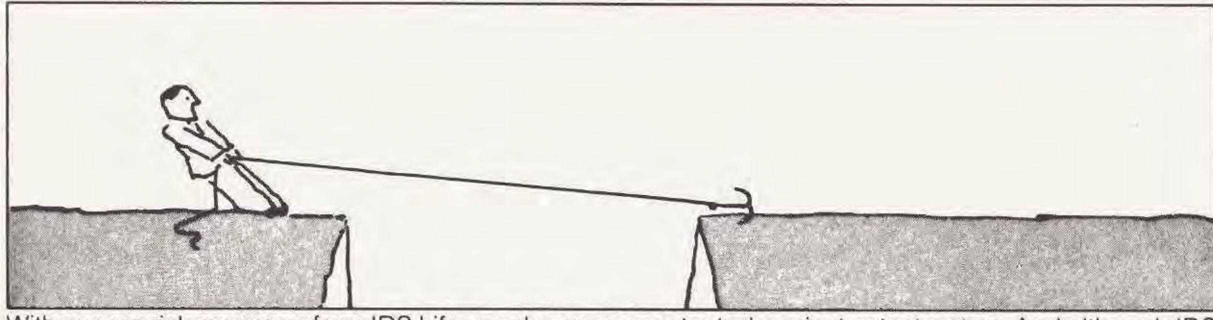
"We've been able to do this because we underwrite very carefully," he adds. ■



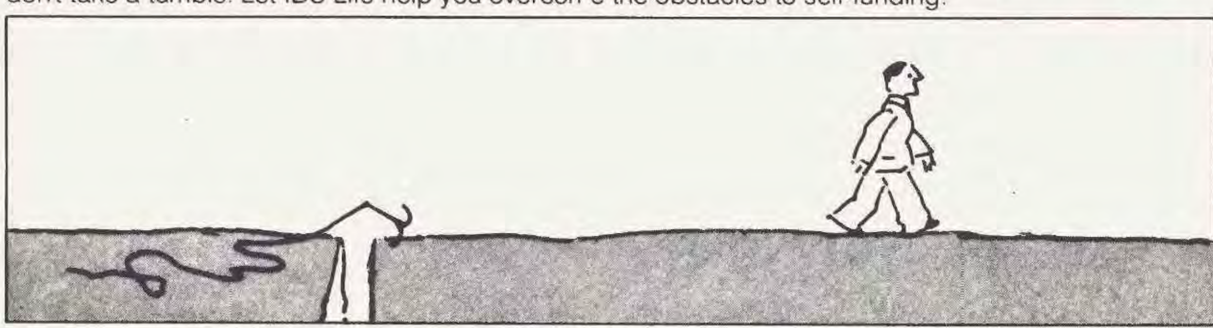
With a self-funded medical program, employers are in control, yet far from the hassles. They don't pay the cost of insurance company reserves. Claim costs may be reduced. Premium taxes may be eliminated.



But watch your step! There's an obstacle to self-funding: the risk of having to pay some extraordinarily large claims. Still, resourceful employers can overcome this obstacle.



With excess risk coverage from IDS Life, employers are protected against catastrophes. And although IDS Life is backed by over $1 billion in assets, we're flexible enough to tailor a program to your specific needs. So don't take a tumble. Let IDS Life help you overcome the obstacles to self-funding.



OVERCOMING THE OBSTACLES.

IDEAS TO HELP PEOPLE MANAGE MONEY

For full details on self-funding, ask your insurance representative, consultant, or broker for our free brochure. Or call (612) 372-3799. IDS Life, Group Marketing Division, 3500 IDS Tower, Minneapolis, MN 55402.

From The Reprint Department Of:
business insurance
The national newsweekly of loss prevention, risk financing and employe benefit management.

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

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

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

Reprint Department
Business Insurance
708 Third Avenue
New York, N.Y. 10017
212/986-5050

*New prices effective 1/15/80

Paul Colony, managing vice president, tells how A&A works from a client's point of view:

"We show clients how to maximize their product liability risk dollar."

"The cost of product liability insurance continues to climb because claims costs continue to increase. The problem is finding the broadest coverage available for each dollar of premium. The first thing we'll do is analyze the exposure and past losses. Our analysis might suggest a self-insured retention or a deductible. Or it could mean looking into the feasibility of a captive insurance company. We're flexible in seeking the right solution for each company's individual needs. From the client's point of view, it's the bottom line that we have to worry about."

Working from a client's point of view is our way. In Los Angeles, where Paul Colony is based. And in over 110 cities here and overseas. That means working as allies, solving business problems together. One of the biggest is the product liability area, and we have the talent and technology to develop programs for the greatest bottom line benefits.

We think our dedication to acting as an ally of the clients we represent is a big reason why A&A has become a worldwide leader in the insurance brokerage and financial services business. We have the facilities, expertise and strength to act as effective allies. We work from the client's point of view, whether the corporation is large or small.

Alexander & Alexander
The Allies

Sperm banks may conceive liabilities

By LEN STRAZEWSKI and MERRILL SALTZMAN

specialty risks

CHICAGO—A tiny human cell may unleash a giant business exposure, say sperm bank operators who are just discovering their insurance needs.

Sperm banks, used by human donors who want to store their sperm against loss from chemotherapy, radiotherapy, vasectomy or other hazards that leave them sterile, are a growing medical industry.

The prospects for test-tube babies and genetic engineering are thrusting these laboratories into the public and legal eye, creating rumors of new risks for operators.

But the exposures, which may be growing along with the industry, are elusive and brokers and sperm bank operators cannot agree on necessary coverage.

Dr. Joseph Feldschuh, president of Idant Laboratories in New York, told *Business Insurance* his sperm bank has no product or third-party liability insurance. Instead, Idant reserves "over $1 million in assets in the event of a suit. Though with Idant's current track record, we should have no trouble in obtaining insurance."

Idant and staff doctors have never been sued, he said.

Potential risks, though, are complex and possibly enormous, Dr. Feldschuh says. That may be why other sperm bank operators were not as confident of the availability of coverage.

"It is very easy to set up a sperm bank and be here today and gone tomorrow," Dr. Feldschuh explained. New York, he said, is more demanding than most states, requiring city and state licensing.

In other states, lax regulation allows a physician-consultant "who only peeks in once in a while," and creates a potential professional liability exposure.

Storage and transportation of sperm create property and cargo exposures. The sperm, frozen by liquid nitrogen, could spoil if someone does not properly control freezing. More sophisticated banks use computerized, staged freezing that can limit mistakes.

If a recipient does not conceive, the irate customer might want to sue. That's why most sperm banks usually request waivers be signed both by the anonymous donor and the recipient and also issue disclaimers against ensuring conception or condition of offspring.

The most frequent guarantee a sperm bank offers is that samples have been properly handled and labeled.

Amid the disclaimers, expectations and untested exposures, no one is sure how to cover the business.

Tyler Medical Clinic in Los Angeles "buys the same malpractice insurance as any gynecologist. There are no special provisions," says co-director Dr. Jaroslav J. Marik.

Elusive exposures

Potential risks of sperm banks are complex and possibly enormous, says Dr. Feldschuh.

Alfred Morris of Cryo Laboratory Facility Ltd. in Chicago has a general liability policy for its lab and injuries that might result there, up to a limit of $600,000. The policy costs $600 a year. Cryo Lab's medical malpractice coverage tops out at $400,000, but, Mr. Morris says, the firm is "currently conferring with an attorney to see if more coverage is needed."

One sperm bank operator is certain more coverage is needed.

Steve Broder, laboratory supervisor at the Southern California Cryobank in Los Angeles, emphasizes the need for "a tailor-made coverage for sperm banks" that can cover "any scenario you can think of, including a malformed child."

His broker, Steve Kessler of Kessler Associates, told *BI* he did not think any professional liability plan could ever cover it all.

Another broker seems to disagree. Despite complaints about "prohibitive premiums," Hull & Co. Inc. brokerage has several sperm bank clients, all paying less than $5,000 a year for liability coverage. The smallest premium charged to a Hull client is $1,800.

A sperm bank general liability policy includes a medical malpractice supplement and errors and omissions coverage, said William Duncan, executive vp of the excess/surplus brokerage in Santa Ana, Calif.

The typical limits would be $200,000 per occurrence and $600,000 aggregate. The highest limits Hull underwrites are $500,000 per occurrence and $1 million aggregate.

If sperm banks start making promises about the quality of offspring, anything could happen, authorities agree. One sperm bank, in an article published in the Mensa association newsletter for high IQ individuals that promoted the sperm of Nobel Prize winner donors, stopped short of saying resulting children will be geniuses.

Who knows who would guarantee that? ■

The industry's only
LOCALNATIONAL
Surplus Line Broker

With our exclusive "Localnational" approach to serving independent agents and brokers, you get all the advantages of quick, local contact and service. Each local office is autonomous. And, a local company Manager calls the shots. He's his own top decision maker. He can give your accounts immediate attention. And, he does.

Today's excess and surplus business requires careful planning and the right markets. Only a firm with national buying power can deliver the markets necessary to do the job. On those occasions when your account requires extra effort to obtain the results you need, there's strong, national cooperative support from the Managers of all locations. You can bet one of them has a solution to your problem.

It's easier to do business with the "Localnational" company. Immediate local response from a top decision maker with substantial national support. When you need us, we respond with solutions, not excuses.

*Ask about H & W Risk Management Services

H & W INSURANCE SERVICES
EXCESS/SURPLUS LINE BROKERS
LOS ANGELES: 16255 Ventura Boulevard • Encino, California 91436
(213) 990-3040

Is Your Claim Overseas Mired In A Mountain?

Settling and paying claims is often called the acid test of insurance. Overseas, especially, it couldn't be truer.

To settle a claim overseas, local customs and regulations must be followed and the information required has to be accurate and detailed. And because getting things done quickly is not always easy outside the major industrial complexes, knowing what's needed, how to get it accomplished, and what to do in the meantime to prevent further loss, becomes vital. That's why overseas claims facilities and services are essential.

And it's why AFIA has more fully staffed offices abroad than any other U.S. foreign underwriter. AFIA's people are on-the-spot all the time. They have the knowledge, experience, and ability to get the job done.

And because AFIA is the largest foreign underwriting specialist, it has the resources and ability to pay claims quickly here or abroad.

Claims are too important to be left to just anyone. Or to be put in just any underwriter's hands. Which is one reason why 90 of the top 100 U.S. companies operating abroad insure with AFIA.

COME TO AFIA. ANYWHERE IN THE WORLD.

WORLDWIDE INSURANCE *World Headquarters:* 1700 Valley Road • Wayne, N.J. 07470
U.S. branch offices: New York • Boston • Chicago • Cleveland • Dallas • Houston • Los Angeles • Miami • San Francisco • Seattle • Wash., D.C.

Salon claim saga: Hair today, gone tomorrow

By STACY SHAPIRO

specialty risks

CHICAGO—You can wash those claims right out of your hair if you wait long enough, most insurers tell beauty salon operators.

Taking enough time between the claims notice and going to court will destroy the evidence, insurers say. Losses from hair loss are slim because the hair grows back.

Allstate's commercial insurance division, one of the underwriters of malpractice (or cosmetology) insurance for hairdressers, contends it doesn't intentionally delay settlements for hair loss, change in hair color or bad permanents. But "if you wait long enough the majority of claims will go away," said an Allstate spokesman.

Either the hair will grow back to its normal sheen or the beauty salon will compensate with another treatment or choice of wigs.

Other insurers and lawyers are not at split ends with this observation.

Says Chicago attorney Peter Solber who represents salon operators, "By the time they go to trial (with their claim) the judge or jury is going to see hair." There may be hospital bills and testimony of pain and suffering, but it basically boils down to the word of the operator versus the customer.

"I have not seen cases of substantial recovery," adds Mr. Solber. The highest claim paid by one of his clients was $1,100 for scalp, facial burns and partial temporary hair loss.

The loss ratio on this insurance is low even though women are complaining of hair loss from the Bo Derek, or corn-rowing, look. Bo Derek's hair stylist Ann Collins says, "There's no way your hair comes out if it's braided. It's not damaging to the hair. It made Bo's hair grow and made other people's grow."

Although braiding isn't generating claims, three other beauty treatments account for 90% of the claims filed, says a spokesman for Commercial Union Assurance Cos., a big underwriter of cosmetology insurance: cold permanent waving, bleaching and hair coloring.

In addition to Commercial Union, CNA, Allstate and Fireman's Fund are big underwriters of insurance for beauty salons. Among group programs are ones underwritten by CNA and Kemper Group.

Still some salon operators may not buy enough insurance, sources say. The larger the beauty salon, the more insurance it buys.

Seligman & Latz, the largest firm leasing hairdressers to department stores in New York, insures each operator to $1 million per occurrence, costing about $141 per operator, says Frank Brady, employe benefits manager. Insured by Commercial Union Assurance Cos., the policy covers ". . .malpractice on our parts, our products and application thereof and personal injury in our salons."

Mr. Brady didn't disclose the number of claims filed but indicated some are expected with 10,000 operators.

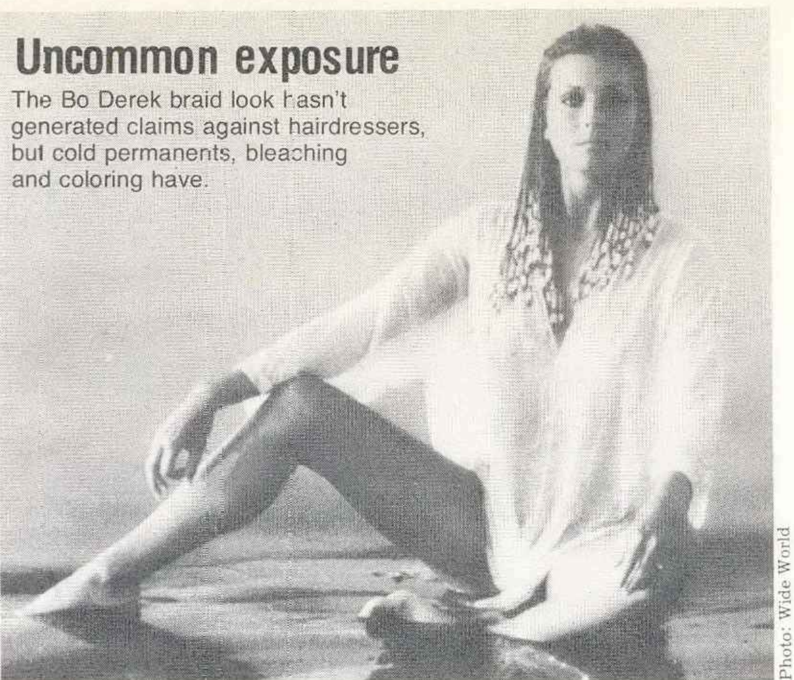
Individual salon operators usually pay for general liability insurance that includes malpractice coverage at a lower premium with a lower limit. Donna Kent, owner of Hair Experience in Highland Park, Ill., says she pays $400 per year for $100,000 of property and liability insurance. Insurance will cover risks from someone falling off a chair to a burned scalp from a permanent or a cut ear.

To cut costs and improve coverage for small salon operators, Bill Roche of Bill Roche & Associates in Park Ridge, Ill., is trying to pool small beauty salon owners together under the National Beauty Salon & Insurance Services. Underwritten by CNA, the plan now has 100 members.

Premiums under the group plan depend on location of the salon, but average $40.04 per operator per year for $100,000 of coverage per occurrence, with part-time operators paying $20.02 and shampooers and manicurists paying $7.14.

No claims for hair loss or malpractice have been filed under the program, Mr. Roche said.

The National Hairdressers & Cosmetologists Assn., based in St. Louis, also offers its 68,000 members general liability insurance brokered through Johnson & Higgins and underwritten by Kemper Insurance. For $68 a year, about 6,000 members buy the $50,000 policy, which includes malpractice. ■



Uncommon exposure
The Bo Derek braid look hasn't generated claims against hairdressers, but cold permanents, bleaching and coloring have.

Photo: Wide World

'Break a leg' invites work comp problems

By MARY ANN MATLOCK

specialty risks

NEW YORK—Encouraging a thespian to "break a leg" can prompt disaster, not success. It raises the curtain on the theater industry's soft spot: workers compensation insurance.

"Our problem is comp and always has been," said Robert A. Boyar, president of R.A. Boyar Inc. in New York, a broker for the theater and dance industry for the past 30 years.

Performers' whirlwind tours and fancy acrobatic acts make them a high risk for an underwriter.

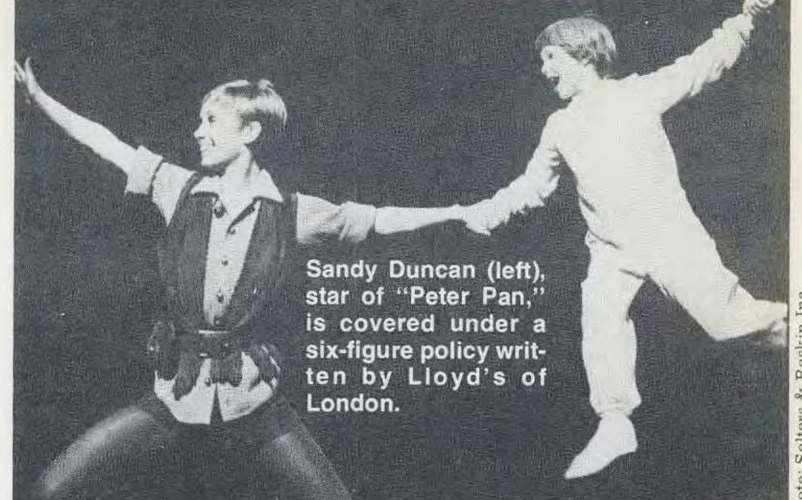
"When you deal with a group of customers who very often travel, sometimes you expose yourself to different workers compensation laws," Mr. Boyar said. "It's not wise to use the state fund or assigned risk pool because you need an all states endorsement."

This endorsement, provided without additional charge by some licensed insurers, leaves no doubt as to whether an employe hired solely for a road trip location is covered under the policy. State workers compensation funds may not guarantee this type of coverage.

Mr. Boyar carefully guards his workers compensation insurance markets and declined to divulge them. He noted, however, that he stuck with premium rates set by the state.

In New York, for example, the rates for performers in a drama is 85 cents per $100 of payroll while for an acrobatic or dance performance it is $5 per $100 of payroll.

This premium is based on a weekly salary ceiling of $1,000, up dramatically from the 1978 ceiling of $300. When the ceiling was raised, premium rates remained constant, adding to the industry's woes, Mr. Boyar said.



Sandy Duncan (left), star of "Peter Pan," is covered under a six-figure policy written by Lloyd's of London.

Photo: Solters & Roskin Inc.

Other types of insurance vital to the performing arts industry, such as business interruption and nonappearance insurance, are not as difficult to buy. The rates equal a few percentage points of a show's budget.

There is a healthy American market for business interruption coverage, while nonappearance insurance is generally underwritten by Chubb Group or Lloyd's of London.

These types of coverages can make or break a show's future.

When a 1978 fire destroyed the sets for "The King of Hearts" and delayed a Boston opening, the $135,000 business interruption claim paid by The Hartford Insurance Group held the play together until new scenery could be built.

Risky act

Whirlwind tours and acrobatic acts make performers a high risk for workers comp insurers.

Business interruption insurance is usually included in the property insurance policy, Mr. Boyar said, with no deductible or just a $100 deductible.

Nonappearance insurance, on the other hand, is necessary in the event that a production is interrupted or abandoned because of a star's missed performance.

These policies are generally tailor-made in conjunction with a star's track record and importance in an individual production.

Recently, Mr. Boyar said, a policy in the high six figures was renewed with Lloyd's for Sandy Duncan, star of "Peter Pan." That policy, Mr. Boyar said, covers profits lost if Ms. Duncan had to abandon the venture because of health reasons. However, because she is young, healthy and has a good track record, the producers did not cover her for missed performances.

For this type of coverage, Mr. Boyar said, "Lloyd's has a great advantage over companies here because the broker can negotiate with the underwriter to arrange satisfactory rates and can then spread the risk around so nobody feels he has enough of the risk to worry too much about."

Mr. Boyar, who also deals with Chubb for nonappearance insurance, noted, "You have to be careful the underwriter is knowledgeable. I try to place insurance where I feel they have a knowledgeable claims service."

This reliance on specialized underwriters has insulated theater risks from general market fluctuations. "We have gone through tremendous crunches without any serious problems," he said. ■

surplus lines coverage we help you provide your clients.

During the past 50 years, we've developed inventive solutions for coverage in the areas of directors' and officers' liability; umbrella liability; course of construction; product liability; and permanent property, among others. This experience enables us to go beyond the basics to create thorough, thoughtful programs that work for today's needs while anticipating future changes.

Business keeps inventing new ways to do business. At Swett & Crawford, we keep inventing new ways to cover their risks.

Swett & Crawford

a subsidiary of The Continental Corporation

4201 Wilshire Boulevard
Los Angeles, California 90010

Houston, Los Angeles, New Orleans, New York, Portland, San Diego, San Francisco, Seattle, Toronto

©1979

Visitors pose most danger, zoos say

By ELLIS SIMON

specialty risks

NEW YORK—As the risk manager sees it, the homo sapiens is the most dangerous species at the zoo.

Absentminded parents who let children wander away from their sight are a greater risk at zoos than lions, tigers and bears.

Public safety is the biggest liability exposure for zoos, says Phil Babcock, director of the Smithsonian Institution's office of grants and risk management. The Smithsonian runs Washington's National Zoo.

Loss prevention at zoos is principally protecting the visitors from themselves, Mr. Babcock adds.

"Accidents occur when people are not looking where they're going. They're running into fixed objects while gazing at some elks," he says.

Zoos must protect the animals from the public, as well, he notes. "People are apt to feed animals anything from pencils to whatever." Vandalism occurs as well, and people have intentionally harmed animals.

Most large zoos have safety officers, Mr. Babcock said. All have qualified zoological staffers who know how to protect people from the animals, and vice versa.

Animals still sometimes take a bite out of a visitor. Often the victim is a child who slips out of his parent's sight and gets past protective barriers, says Richard Binford, controller of the San Diego Zoo. The primate house is where most bites occur, he adds.

Even landscaping that includes plantings of prickly pear and thistle as deterrents fails to prevent all visitors from getting too close to the animals, Mr. Binford says. However, accidental slips and falls are a bigger hazard than animal bites.

At the San Diego Zoo, an ongoing loss prevention program minimizes this exposure. Each week incidents are reviewed at safety meetings to determine potential problems and how to minimize them, Mr. Binford said.

A well-managed staff that looks out for hazards and keeps an eye on visitors reduces liability risks, as well, risk managers agree. The Bronx Zoo employs a conductor just to watch visitors in addition to the driver of tractor trains that shuttle visitors, notes Ron Glensor, a vp at Fred S. James & Co. who handles the New York Zoological Society accounts.

"The Bronx Zoo does a pretty good job of controlling liability, especially in a rough area like New York City," Mr. Glensor said. "Zoos often have skyrides and monorails and some of the same hazards as amusement parks. If they weren't controlled as carefully as they are, they would be rated as amusement parks."

Typically, premiums for transit and people-mover risks are based on fare revenues. But a primary liability policy obtained last year for the St. Louis Zoo, which operates a mini-railroad, does not require reporting of railroad revenues, notes zoo director Richard Schultz, a former corporate insurance buyer.

North-West Insurance Co. of Seattle writes the $1 million primary liability policy at an annual

Photo: Mary Cairns

These beasts of the jungle aren't the biggest risk at the zoo—the humans are.

premium of $18,000. The St. Louis office of Arthur J. Gallagher & Co. brokered the policy, after winning the account in competitive bidding. The premium is $7,000 less than prior coverage.

St. Louis Zoo bids its insurance at every renewal. The competition is keen because "we work like heck on safety and are extremely careful in food handling," Mr. Schultz said.

Absolute sovereign immunity also remained in effect in Missouri until 1979, when it was replaced with a $50,000 ceiling on municipal liability. Because of this, "We haven't had enough liability claims to spit at and no plaintiff's suits at all," Mr. Schultz remarked.

Workers compensation costs are minimized since zoo employes are covered under the city's health plan, which provides coverage for work-related injuries and illnesses. In effect, the zoo's workers compensation policy, written by Insurance Co. of North America, is "almost like an excess policy," he continued.

With 130 employes, the zoo is too small to qualify for retrospective rating programs. But it benefits from a good experience modification factor. The current premium is about $25,000, but losses and reserves for 1978-79 were $9,000, Mr. Schultz said.

The St. Louis Zoo's property coverage is written by Fireman's

Continued on page 28

At Whiting National Services, we're specialists.

We specialize in turning the cash outgo often associated with Worker's Compensation Insurance into a method of generating income for your business or association.

How? Through the expert management of a Worker's Compensation risk retention (self-insurance) program. Such a program may liberate working capital through reduced costs and increased cash flow.

You see, Whiting National works for you. Your Worker's Compensation risk retention program will be tailored to fit your needs. Every aspect of your program will be supervised by Whiting National's professional management staff—people with many years of in-depth experience in insurance administration.

Whiting National's seasoned, dedicated professionals provide you with the full service capability you need in loss prevention, claims control, statistical reporting and re-insurance.

What's more, you will be kept constantly advised on all claims through regular, readable reports—not confusing computer codes.

As a pioneer in the field, Whiting National will perform these services better than other general service firms. We may even do them more economically.

Talk with a Whiting National professional today. Call us directly at 813-223-7521, or mail the attached coupon.

Whiting National Services, Inc.

102 Whiting Street
P.O. Box 2938
Tampa, Florida 33601
Phone: 813-223-7521

BI/1 I would like to know more about Whiting National's approach to risk retention (self-insurance) management.

☐ Please forward information.
☐ Please have a representative contact:

Name: ____
Title: ____
Company/Association: ____
Street Address: ____
City: ____ State: ____ Zip: ____
Telephone: ____ Ext: ____

What is a deductible credit plan?

The Deductible Credit Plan is a new and exclusive feature of the CNA Architects' and Engineers' Professional Liability Program that could save your clients from 10% to 50% of their deductible obligation at the time of a claim. Or your clients can use their deductible credit to lower their premium without having to buy a higher deductible! And, best of all, for qualified insureds, it's a standard feature of our policy—*no extra charge!*

Sound like a good deal? It is.

And it's only available with the CNA Architects' and Engineers' Professional Liability Program.

Call us for details.

Program Administrators & Underwriting Managers

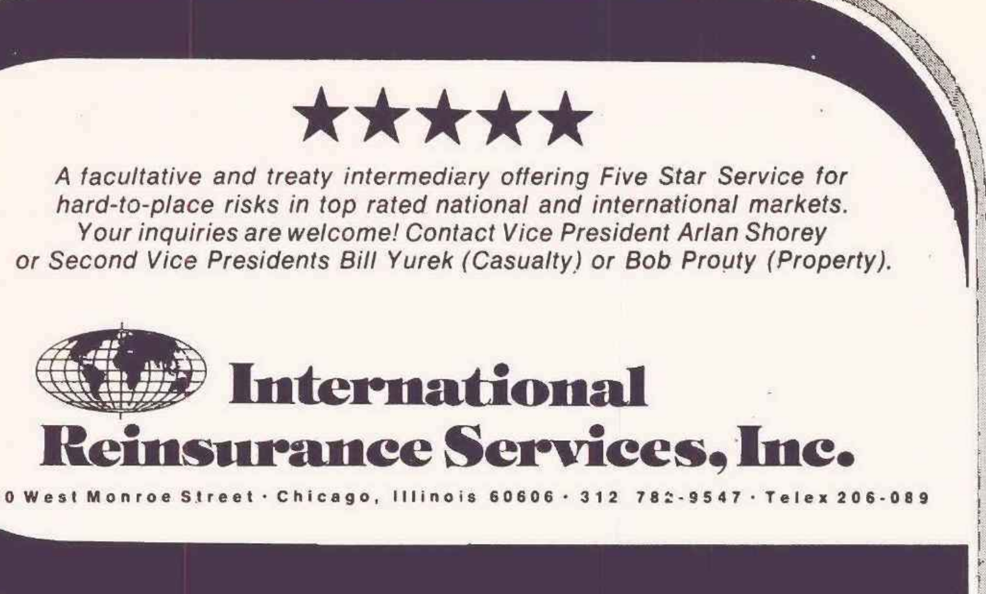
5028 Wisconsin Avenue, N.W.
Washington, D.C. 20016
Phone: (202) 686-2850

40 Wall Street
New York, N.Y. 10005
Phone: (212) 344-1000

55 E. Jackson Boulevard
Chicago, Illinois 60604
Phone: (312) 663-3631

595 Market Street
San Francisco, California 94105
Phone: (415) 495-3444.

The Deductible Credit Plan is subject to approval by state regulatory authorities and may not yet be available in some areas.



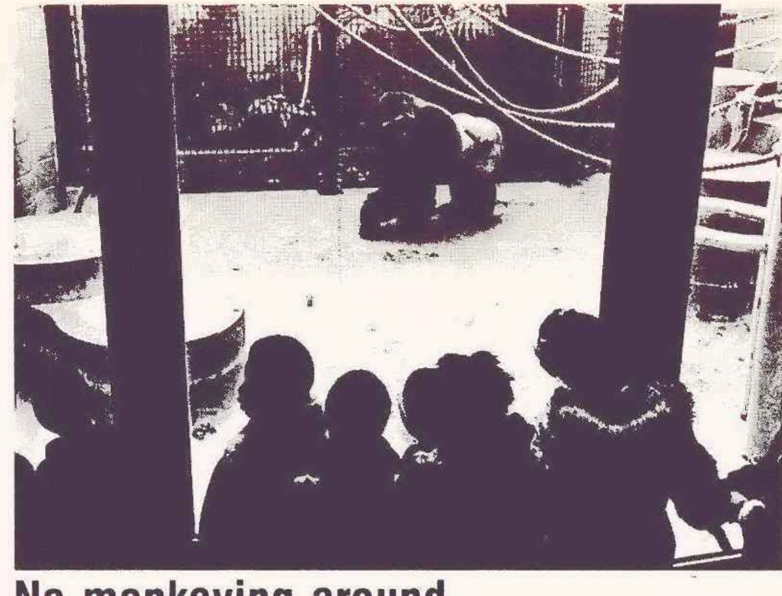


Photo: Mary Cairns

No monkeying around

Spectators at the ape house of the Lincoln Park Zoo in Chicago can't hurt or be hurt by the giant gorilla. Glass separates them.

FREE.
FROM MARKEL.
50 YEARS OF
EXPERIENCE IN
SPECIAL RISKS
TO INCREASE
YOUR PROFITS.

Rarely can a company deliver both innovation and experience. Markel can. With an almost unheard-of 50 years in the specialty insurance business, we offer the facilities of more than 75 insurers and reinsurers for Excess & Surplus Property & Casualty, Commercial Marine, Trucking—in fact, any type of special risk.

This combination of innovation and experience is Markelability. And Markelability can increase your profits in this highly competitive decade. Call our nearest regional office for quick quotes and super service.

Profit From 50 Years of Markelability. 1930-1980

MARKEL SERVICE, INC.

Markel Service, Inc., 5310 Markel Road, Richmond, Virginia 23230. Telephone (804) 282-5423. Telex: 82-7455 WATS line to Richmond: 800-446-6671. Offices in Atlanta, Boston, Calgary, Chicago, Dallas, Montreal, San Francisco, Tampa, Toronto.

Spectators scare zoo operators

Continued from page 26

Fund Insurance Co. with a $100,000 deductible. Unlike most zoo property programs, the animals are included in the $10 million policy.

The high deductible helped get the animal coverage. The policy was purchased in anticipation of a catastrophic loss such as a tornado, like the one in 1959 that came within 100 feet of a building housing one of the zoo's valued exhibits, Mr. Schultz said.

Lawton-Byrne & Bruner of St. Louis brokered the workers compensation and property coverages.

Basic property/casualty coverages for zoos are written by numerous markets. Fred S. James's zoo accounts include the Fleischacker Zoo in San Francisco and Catskill Game Farm as well as the Bronx Zoo, none of them insured by the same company, Mr. Glensor notes.

Puritan Insurance Co. writes primary liability coverage for the Bronx Zoo. Employers of Wausau writes the property insurance and workers compensation is written by the State Insurance Fund "by choice," said New York Zoological Society purchasing agent Peter Nesbitt.

INA writes the San Diego Zoo's property and $1 million primary liability policies. A $9 million excess of $1 million layer is written by Fremont Indemnity Insurance Co. and a $10 million excess of $10 million layer is written by Associated International Insurance Co. Industrial Indemnity Insurance Co. writes the zoo's workers compensation coverages.

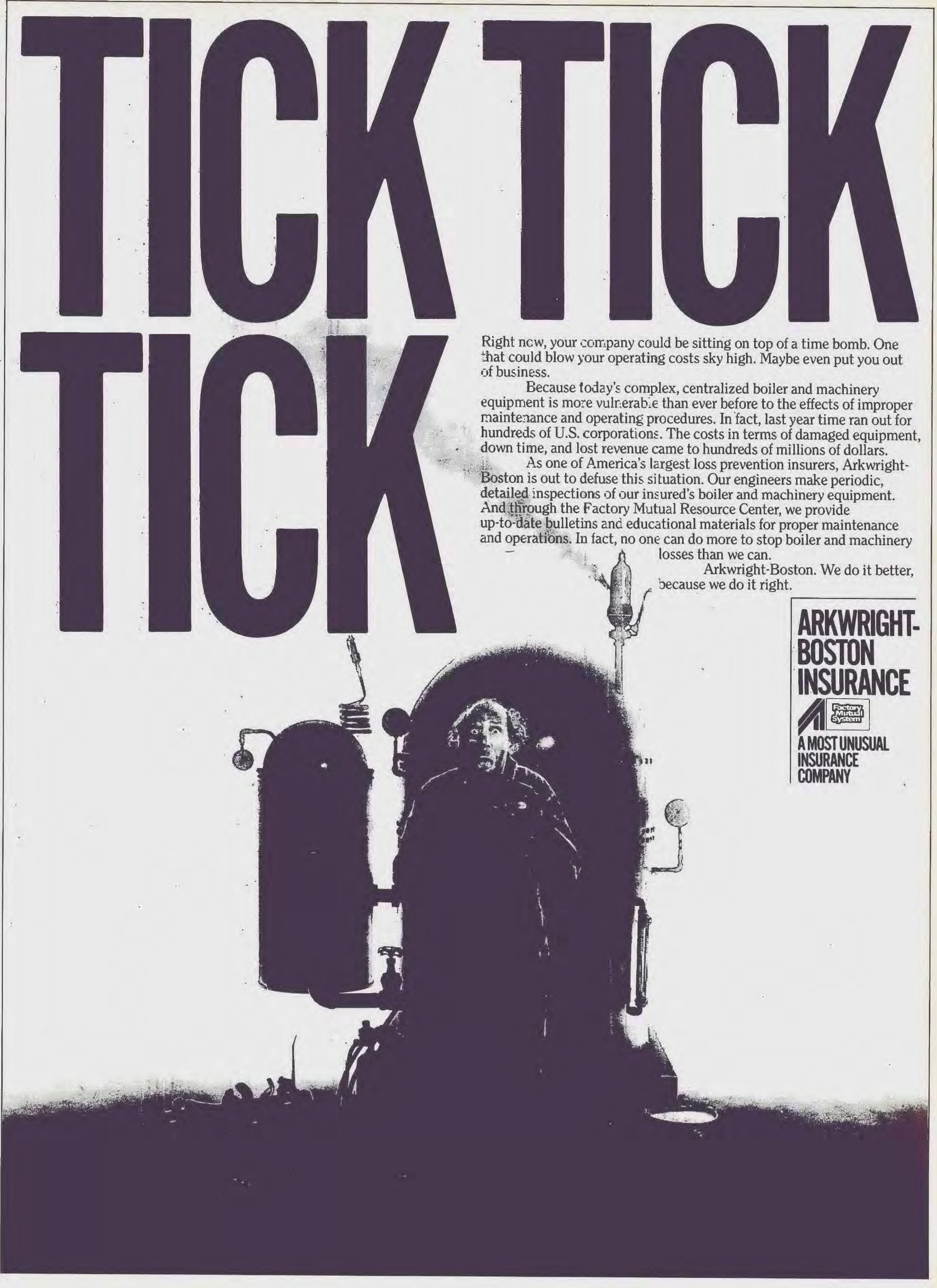
The National Zoo, owned by the federal government, is self-insured (and reinsured by a harried species known as the U.S. taxpayer).

None of the zoos reports purchasing animal life insurance coverages for any of its exotic animals. Even the National Zoo's giant pandas are not insured.

The zoo purchases animal mortality cover, however, when transporting animals from abroad or to and from zoos in this country. The coverage is a specialty line largely written by Lloyd's of London.

The San Diego Zoo buys animal mortality insurance only when several animals with a combined value of $50,000 or more are shipped from overseas.

The policy covers an animal from the time it is captured until it clears quarantine and is delivered to the zoo, he continued. The premium is usually about 10% of the animal's value. ■


TICK TICK TICK
Right now, your company could be sitting on top of a time bomb. One that could blow your operating costs sky high. Maybe even put you out of business.
Because today's complex, centralized boiler and machinery equipment is more vulnerable than ever before to the effects of improper maintenance and operating procedures. In fact, last year time ran out for hundreds of U.S. corporations. The costs in terms of damaged equipment, down time, and lost revenue came to hundreds of millions of dollars.
As one of America's largest loss prevention insurers, Arkwright-Boston is out to defuse this situation. Our engineers make periodic, detailed inspections of our insured's boiler and machinery equipment. And through the Factory Mutual Resource Center, we provide up-to-date bulletins and educational materials for proper maintenance and operations. In fact, no one can do more to stop boiler and machinery losses than we can.
Arkwright-Boston. We do it better, because we do it right.
ARKWRIGHT-BOSTON INSURANCE
Factory Mutual System
A MOST UNUSUAL INSURANCE COMPANY

The Jefferson Insurance Group

Jefferson Insurance Company of New York
Monticello Insurance Company
Delaware

NATIONAL PIONEERS IN SPECIALTY RISKS
Multi-line companies represented by general agents exclusively

ONE PARK AVENUE, NEW YORK CITY 10016
(212) 683-4500 TELEX 12-6908

Art dealer risks become precious insurer business

By JILL KAPLAN

specialty risks

CHICAGO—Commercial art and antique dealers' risks are selling faster than silver teaspoons these days.

Fierce competition among brokers and insurers is driving down or freezing fine arts rates despite the skyrocketing value of art and rapid rise in number of thefts.

Premiums continue to rise, however, with inflation and demand hanging hefty price tags on art and antiques.

Lloyd's dominated the fine arts underwriting market up until about five years ago. Now everyone wants to get into the act, with the Chubb Group and Aetna Insurance Co., a subsidiary of Connecticut General Insurance Co., leading the pack.

"Dealers have made themselves better risks," explained Huntington T. Block, president of Huntington T. Block Insurance, a leading fine arts brokerage firm in Washington, D.C. "They have become more security-conscious and aware of the things underwriters look for."

"Fire protection has improved," added George F. Frenkel, president of Frenkel & Co., another leading fine arts broker in New York. "Underwriters have been making money."

The alarming rise in thefts in recent years has propelled owners to crack down on security. "We have guns, we have alarms. I wouldn't want to be the person to break in here," said Robert Vose III, owner of Vose Galleries in Boston, the nation's oldest gallery.

Photo: Maxwell Galleries, Ltd.

Insurers are rushing to cover works of art as dealers make themselves better risks.

More than $320 million in art is stolen nationwide every year, according to Robert E. Spiel, special agent for the FBI. About $2 million in art is stolen each month from New York City, alone, Mr. Spiel added.

"The theft situation can best be described as phenomenal," said Joseph Chapman, an ex-FBI agent and owner of Joseph M. Chapman Inc., a consulting firm in Connecticut.

"The number has increased extraordinarily to the extent that a number of commercial art and antique dealers have chains and gates and no longer admit the general public, but only those recognized."

Smash-and-grab theft is one of the greatest headaches for art and antique dealers. Browsers distract gallery owners while the thief grabs an item and runs.

"There must be courses that thieves can take," said Harold Sack, president of Israel Sack Inc. gallery in New York. "They're taking better goods. There's an in-

Continued on page 32

You Work for Profit

We Work to Protect It

Bayly, Martin & Fay International, Inc.
Harlan, Inc.

International Insurance Brokers & Risk Management Consultants

Corporate Headquarters • 3200 Wilshire Boulevard • Los Angeles, California 90010 • (213) 736-9600

© Copyright 1979

FIRST STATE

MEANS

action

First State is the largest and oldest domestic company formed to write surplus lines, special-purpose and reinsurance business.

FIRST STATE
INSURANCE COMPANY

A + :Class XIII - A.M. Best Co.

Cameron and Colby Co., Inc., 60 Batterymarch Street, BOSTON 02110 - 617/357-8400 . . . Hartford Plaza Building, CHICAGO 60606 - 312/782-5921 . . . 3340 Peachtree Road, N.E., ATLANTA 30326 - 404/266-1480

Don't confuse activity with results....

If your current wholesaler is not delivering...

Call us for...

- $5 million AD&D on an individual
- $20 million kidnap & ransom
- Pilots and crew members AD&D (students and crop dusters included)
- Hand disablement including loss of use

Lockwood, Dipple & Green Incorporated
131 State Street
Boston, Massachusetts 02109
Telex 921712

Correspondent at Lloyd's London
Offices in Boston and London
617-367-3234

Insurers compete for art, antique risks

Continued from page 30

creased amount of discrimination and taste."

The greatest fear among dealers is that the upsurge in theft will prompt insurers to cancel policies or raise rates to intolerable levels.

"Dealers are entitled to justifiable claims," Mr. Sack said. "The situation is so paralyzing that a lot of dealers are afraid to put in claims. That's intimidation!"

One offsetting compensation for dealers and auction houses is that the escalating theft rate is ushering in a wave of clients hoping to part with their goods.

"With all of the thefts, it's difficult for women to get jewelry insurance," said Steven S. Lash, director of Christy's auction house. "Women are afraid to we[ar] jewels. People are selling out."

Fine art is typically insured by [a] blanket all-risk policy coveri[ng] goods in store and in transit fo[r a] broad range of perils includi[ng] fire, theft, flooding and, usual[ly] breakage.

Mysterious loss, damage by [de]terioration and war are exclud[ed]. Employe dishonesty is a usual e[x]clusion but can be obtained [by] buying a fidelity bond.

Rates for the insurance a[re] based on fire rates. In galleri[es] where fire insurance rates are lo[w] rates might range from 30 to [..] cents per $100 for goods valued [up] to $10 million, broker Mr. Frenk[el] estimated. The rate might decrea[se] to a range of 17.5 to 22.5 cents f[or] goods valued up to $50 million.

Art is usually insured to an anti[c]ipated selling price or to a sellin[g] price minus 10% to 20%. A deal[er] will typically insure 75% to 80% [of] the inventory, Mr. Frenkel said.

Growing in popularity amon[g] dealers and gallery owners are a[s]sociation insurance plans.

"Anything's popular that sav[es] money," said broker Mr. Bloc[k]. "But it's difficult for an unh[o]mogeneous group to say they've g[ot] a program to offer." As many [as] 50% of the members of the five [or] six national art and antique as[so]ciations will eventually buy ins[ur]ance through an associati[on] program, Mr. Block predicted.

The majority of fine arts ins[ur]ance is handled by half a doz[en] specialized brokers. In addition [to] the firms of Mr. Block and M[r.] Frenkel, leading companies i[n]clude Great Northern Brokera[ge] Corp. in New York, Fred S. Jam[es] & Co. Inc. in Los Angeles an[d] Penn General Agency in Ne[w] York.

Art gallery finds value

Newton McKenna knows good value, whether it be a Renoir painting or a fine arts insurance policy.

Mr. McKenna, director of Maxwell Galleries Ltd. in San Francisco, successfully lowered his fine arts premium to $12,000 from $35,000 over the past six years.

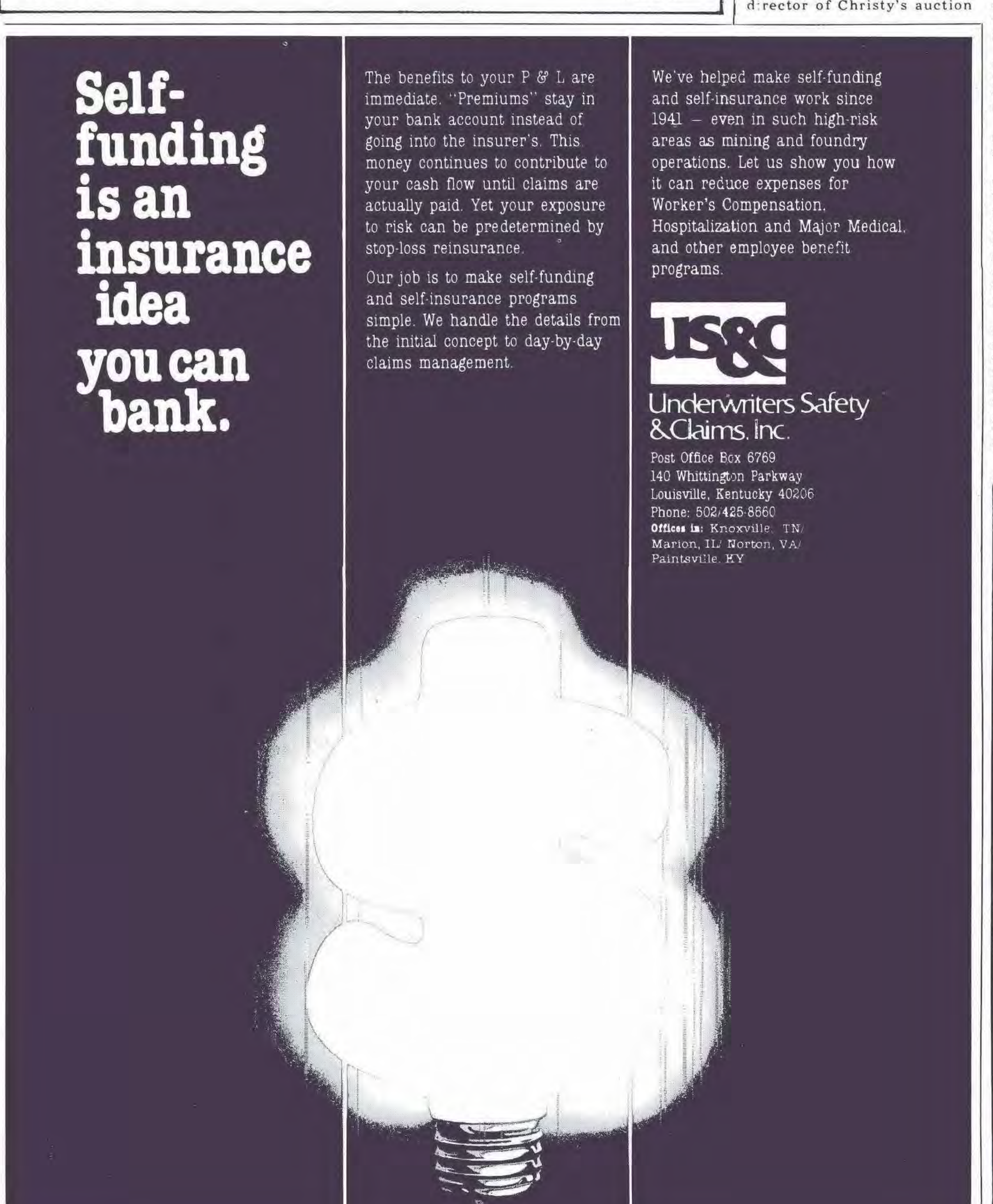
Rates nationwide are on the downswing because of increased competition among insurers.

"I shopped around for a cheaper policy," Mr. McKenna said. "I decided on a certain value to be insured and found an insurer for that value."

Lloyd's insures the art for everything from theft and mysterious losses to breakage. Coverage extends from the time of possession to shipping and 30 days past the time the borrower receives the goods.

"We arbitrarily pick a figure that usually covers all the inventory," said Mr. McKenna, whose gross sales are in the millions.

Works are generally valued at cost, Mr. McKenna said. Once they are sold, pieces are valued at selling price.



Heavy equipment investments and the investment in producing heavy beef on feedlots, such as this one in Amarillo, Tex., make for unpredictable risks and high premiums.

Cattle feedlots breed herd of cover woes

By SHARON WATSON

specialty risks

AMARILLO, Tex.—The weather played one of its dirtiest tricks on Texas, Oklahoma and Kansas cattlemen on Halloween 1979.

Winter announced itself in the Panhandles with winds of 60 to 70 mph, bringing in wet snow and causing temperatures to plummet from the 70s to well below freezing in a matter of hours. Windchill factors pushed the blizzard-like effect to well below zero.

Cattle in pastures and on densely populated feedlots, given no opportunity to acclimate, went into shock. Overnight losses were an estimated $2.5 million on insured cattle and three to five times that on uninsured livestock.

"One group of farmers put 500 head in a wheat pasture on Oct. 30," recalls Amarillo insurance man Joel Goucher, livestock expert for Ordway Saunders agency. "They came back the next day to find only four left alive." The rest had died of shock, freezing, smothering or drowning as the wet snow was inhaled. The farmers hadn't insured this group of cattle.

The Oct. 31 loss on top of a 1978 loss ratio of 200% sent the price of insuring beef cattle skyrocketing.

In March 1980, the rate covering animal mortality on cattle feedlots in the Texas-Oklahoma Panhandles was 4 cents per head per month—up 200% from September 1979. In western Kansas (roughly west of Interstate 35), the rate has gone to 5 cents from 3.5 cents per head per month in late 1979.

The increases were justified even before the Halloween storm, cattlemen and insurance underwriters generally agree. Rates had remained the same since 1972 because of varying factors, including supply and demand within the cattle industry and the relative newness of feedlot risk insurance. Still, insuring is an added cost to the highly volatile business of producing beef. Total premium for livestock and equipment insurance for a large feedlot can run about $350,000 per year, Mr. Goucher said.

Most cattle feedlots are privately held commercial ventures. Although removing cattle from pasture to grain-type feeding is not new, the large-scale operation of lots that buy or contract to feed and fatten beef cattle became a popular venture in the 1960s. A good-sized lot maintains about 30,000 head.

About 90% of all feedlots buy casualty and equipment insurance.

Livestock coverage is named peril casualty insurance, protecting against animal losses from fire, weather, drowning through accidental submersion, attack of dogs or wild animals, collapse of buildings, animal collision and theft.

Additionally, a feedlot owner may insure against losses because of equipment outages, contaminated feed (an extension of product liability insurance) and selling of cattle that, unknown to the feedyard owner, have been stolen or are covered by a mortgage.

Separate and more costly insurance covers cattle in more open pastures. Here the cattle owner is the purchaser. The casualty insurance is costly and seasonal, $2 per head per month during the winter months and $1 in spring and summer. About 20% of cattle in open pastures is insured.

Either risk, feedlot or pasture, is unpredictable at best and actuarially imprecise. Weather conditions hadn't caused dramatic losses until 1978. The past two winters have taught some costly lessons.

Early insurers, likewise, took some tough licks, selling livestock coverage for only some but not all pens in a feedlot. "Some companies were taken for a ride. It seemed that the only cattle which died were in the pens insured," says one observer.

Today, it's all or nothing. "We insure the total feedyard or not at all," he said.

Major underwriters include National Livestock General Agency, Hartford Livestock and Panhandle Insurance Agency. More recently, the St. Paul Co. reentered the market.

Rates follow a geographic formula, based on weather risks rather than the experience of particular feedlots. The limit of coverage is $10 million.

To hold down rates and serve its members, the Texas Cattle Feeders Assn. (TCFA), which has members from more than 150 feedlots in Texas, Oklahoma and New Mexico, sought its own group insurance package.

Called "total," the association's plan also negotiates employe health and life insurance. Response since Jan. 1 has been favorable, says Mr. Goucher, whose agency has put the plan together, using several insurers.

Casualty insurers on the program include: St. Paul Fire & Marine, for which Ordway Saunders is a satellite agent; Argonaut; Hartford Livestock, and National Livestock. The property insurers are Ranger Group and Mission Insurance Group and the employe benefit programs are underwritten by Great Southern Life.

Savings to cattle feeders who have already purchased policies under the program range from 10% to 40%. Mr. Goucher expects the average savings in the first year to be 12% to 18% for the total insurance package of a feedyard operator.

In addition to the package program, TCFA is working on safety standards for the feed industry to reduce losses and lower premiums. ■

THERE'S A MARKET FOR ALMOST ANYTHING!

No matter how special. No matter how unusual, strange or bizarre. There is an insurance market somewhere willing to cover the risk. The hard part is finding the broker that has the experience and professional know-how to locate and package the right market for your specialty risk.

Crump doesn't have one such broker. We have offices in all parts of the country; and, we are a correspondent of Lloyd's of London:

Arkansas Insurance Service
Conway, Arkansas
501/327-6651

Crump-Babcock
Omaha, Nebraska
402/592-2200

Crump-Davis
Dallas, Texas
214/363-7636

Crump-Davis
Denver, Colorado
303/320-5300

Crump-Davis
Houston, Texas
713/893-4801

Crump-Kientz
Columbus, Ohio
614/224-3330

Crump London Underwriters, Inc.
Memphis, Tennessee
901/761-1770

Crump London Underwriters, Inc.
Orlando, Florida
305/834-4445

Crump-Northeast Risk Managers Ltd.
New York, New York
212/425-7788

Crump-Specialty Risk Underwriters
Portland, Oregon
503/620-9060

Crump-Specialty Risk Underwriters
Seattle, Washington
206/827-8702

E. H. Crump of California
Los Angeles, California
213/956-1002

G & M Marine, Inc./
G & M Surplus Lines, a Division
New Orleans, Louisiana
504/588-9044

For more information about Excess/Surplus/Special Lines Insurance Brokerage Services, call the Crump office in your area. Or, contact Earl Lanning:

EHC
E.H.CRUMP COMPANIES, INC.
5350 Poplar • Memphis, Tennessee 38117 • 901/761-1550

MEDIA/PROFESSIONAL

More Than Libel Insurance

Our tailored policies for publishers, broadcasters and advertisers offer your media client the flexibility they need to anticipate the novel claim situations confronting today's communications industries.

In addition to the best features of the traditional libel policy—punitive damages, defense coverage, insured's control of defense—we offer supplemental personal injury coverage, including news gathering, contingent errors and omissions and a multimedia form to insure all special media exposures under one manuscript policy.

Our $10,000,000 capacity is with an admitted A+ XV company, and can be used as primary, excess or in combination with a standard commercial umbrella.

Most importantly, the Media Special Perils Program is backed by knowledgeable underwriting and expert in-house claim counsel.

Write us for a Media-Pac coverage and application kit.

MEDIA / PROFESSIONAL INSURANCE, INC.
3125 Broadway
Kansas City, Missouri 64111
Telephone: (816) 561-9137
Telex: 42-6219 UNDKSC

Sutherland Page & Co. Inc.

10 Post Office Square
Suite 960
Boston, Mass. 02109
(617) 542-5700

Objective, Independent Claims and Underwriting Services for
REINSURERS UNDERWRITING SYNDICATES E & S CARRIERS SELF-INSUREDS BROKERS INSURERS

Domestic and International

Our Services include

RESERVE ADEQUACY SURVEYS | UNDERWRITING REVIEWS | IBNR STUDIES
CLAIM AUDITS | SYSTEMS AND PROCEDURES | PRIMARY/EXCESS PROBLEMS
CLAIM MANAGEMENT | AGGREGATE EXPOSURES | THE *Claims Slip*SM

Contact our experienced staff

Doc's friend
Nearly 18,000 veterinarians are covered by the American Veterinary Medical Assn. trust, one of the oldest professional liability trusts in the U.S.

Vets' liability trust leashes claim data

SCHAUMBURG, Ill.—Most of the country's veterinarians are members of one of the oldest professional liability insurance trusts in existence. Administered b Mack & Parker Inc., the group pc icy covers 80% of the members c the American Veterinary Medica Assn.

"We've been doing all the thing the medical doctors' liability insu ance plans thought they disco ered, only we've been doing ther for 18 years," said Ed Mack Jr chairman of the company.

"We have peer review, a compu terized claim history and for WATS lines that handle questior from veterinarians on an avera of 100 calls a day," Mr. Mack sa

The AVMA insurance pla charges all vets, regardless of th specialty, the same rates, "son

specialty risks

thing I've often thought medi doctor insurance plans ought do," Mr. Mack said.

Rather than charge differe rates for different specialties, th AVMA plan charges more fc higher limits of coverage.

"That way, the doctors whos practice calls for higher limits a the ones who are paying for it, n all the rest of the doctors," M Mack continued.

For a $25,000 primary polic with excess up to $75,000, th AVMA premium is $75; fo $100,000 to $300,000 the premiun is $108, and for $1 million primary $1 million excess the premium $250.

Any member of the AVMA is e gible for insurance under th group plan and about 18,000 vet are currently covered.

"We have a spread of risk unlik any other group I know," Mr. Mack said.

All claims against vets covered under the group plan are reviewe by a claims examiner and t board of trustees. "We don't settl any claims for convenience," M Mack said. "We settle quick when we feel there's cause and w defend a claim when we feel the was no malpractice, even if it cost us more to go to court than would to settle."

Wyo. industry safety records

CHEYENNE, Wyo.—The construction and the oil and gas extraction industries tallied the worst safety records in Wyoming in 1978, the Wyoming employment security commission reports.

Oil and gas extraction companies saw 29.3 occupational injuries and illnesses per 100 workers, followed by construction firms with 24.5. The overall accident rate for all Wyoming industries was 11.2 per 100 workers.

Rates for other industries were manufacturing, 21.2; mining (excluding oil and gas), 14.7; wholesale trade, 10; transportation and public utilities, 9.3; public a ministration, 6; services, 5.7.

"...the only foundation of real business is service."

HENRY FORD
Inventor, Industrialist

At Midland, our prime objective is to provide prompt, efficient insurance and risk management services. We are a company big enough for strength and stability, but organized so our specialists can be responsive to your total needs.

We work especially well with national and regional companies involved in manufacturing, distribution and transportation operations. Without appearing too immodest, we should mention that Agents and Brokers everywhere have nice things to say about us.

Our specialty is providing complete programs with tailored coverages that are custom designed and oriented.

These include SIR and large deductible programs. We also arrange filings and claim administration to complete your program.

We found out a long time ago, that this is a better way to run an insurance company. So if you agree and you're the kind of person who wants things done right, why not contact us. Make us prove that we can do the job—the way you expect it to be done.

Midland is licensed in all 50 states, the District of Columbia, Canada, Puerto Rico and the New York Free Trade Zone.

Midland Insurance Company
The Decisive Specialists
(212) 248-1130
160 Water Street, New York, N.Y. 10038

Barking risks scare off underwriters

By MARGARET LeROUX

specialty risks

BERKELEY, Calif.—If Poopsie the Poodle's owner doesn't like the way her baby looks after a stay in the kennel, the kennel owner and groom may be chased up a tree without insurance coverage.

Kennel operators and animal grooms looking to protect themselves from the risk of lawsuits charging mistreatment of pets, misrepresentation of breeds and other professional malpractice are finding most markets have slipped the cage.

Even for property damage and third-person liability coverage, kennel owners are barking up the wrong tree if they approach most of the major markets. The American Kennel Club in New York, for example, recommends only three underwriters to members who request insurance information: Hartford Livestock Insurance Co.; Standard Fire Insurance Co. in Hartford, Conn., and American Livestock Co. in Geneva, Ill.

Jon Heinson with the Berkeley, Calif., office of Mason McDuffie Co. surveyed almost every kennel in the San Francisco Bay area, he said, concluding, "There is a lot of business out there I wouldn't write, but in general I think the insurance industry considers the risks associated with kennels to be more serious than they are."

Mr. Heinson is especially concerned about the lack of professional liability coverage for grooming operations, a big draw for small to medium-sized kennels.

Poopsie's problem

Professional liability for grooms "is prohibitively expensive," say small kennel owners.

Unlike veterinarians who are covered for professional liability by a reasonably priced group plan (see related story, page 34), kennel owners find the risk individually underwritten and prohibitively expensive.

Mr. Heinson said he's negotiating with Gulf Insurance Co. for a kennel owners professional liability policy to cover grooming, which is excluded from standard liability forms.

Monica Grainger, of Crestline Poodles in Hamilton, Mont., is representative of the owners of hundreds of small but pedigreed operations that board, breed and groom championship poodles.

Professional liability coverage for her two grooms is "out of the question," Ms. Grainger said. "It's prohibitively expensive and if you file a claim the rates just go up."

Rather than pay the rates competitors in the dog grooming business pay—a San Francisco groomer told *BI* he pays $7,000 for professional liability coverage—small kennel owners like Ms. Grainger operate without.

Obedience training or training dogs for protection leaves kennel owners open to the risk of lawsuit if the dog fails to perform, but these risks too are normally excluded from liability policies written for them.

A problem in rating and obtaining sufficient insurance is lack of professionalism among kennel owners, according to Michael Levy, executive director of Pro-Train, an Oakland, Calif., kennel that specializes in protection and obedience training.

"Training and standards vary from the franchise owner who doesn't know anything about training dogs to very qualified, reputable operations," Mr. Levy said.

"Kennel owners can get a rider to cover care, custody and control of the dogs," said Jeff Lowe, a broker with American National General Agencies Inc., San Francisco, "and the additional charge is usually about 10% of the premium."

American National brokers third-party liability coverage and property coverage for kennel owners for Great Southwestern Fire Insurance Co., Guarantee National Insurance Co., California Union Insurance Co. and Lloyd's of London. ■

Insure with The Slip.

Now writing a whole world of offshore risks.

Procuction platforms, drillships, jack-ups, semi-submersibles, pipe laying barges. All American Marine Slip covers them all. And more. The Slip also writes undersea mining equipment, submarines, seismographic vessels, and deep sea dredgers.

The ability to serve such a wide range of risks reflects both The Slip's growing capacity, and its reputation for underwriting expertise.

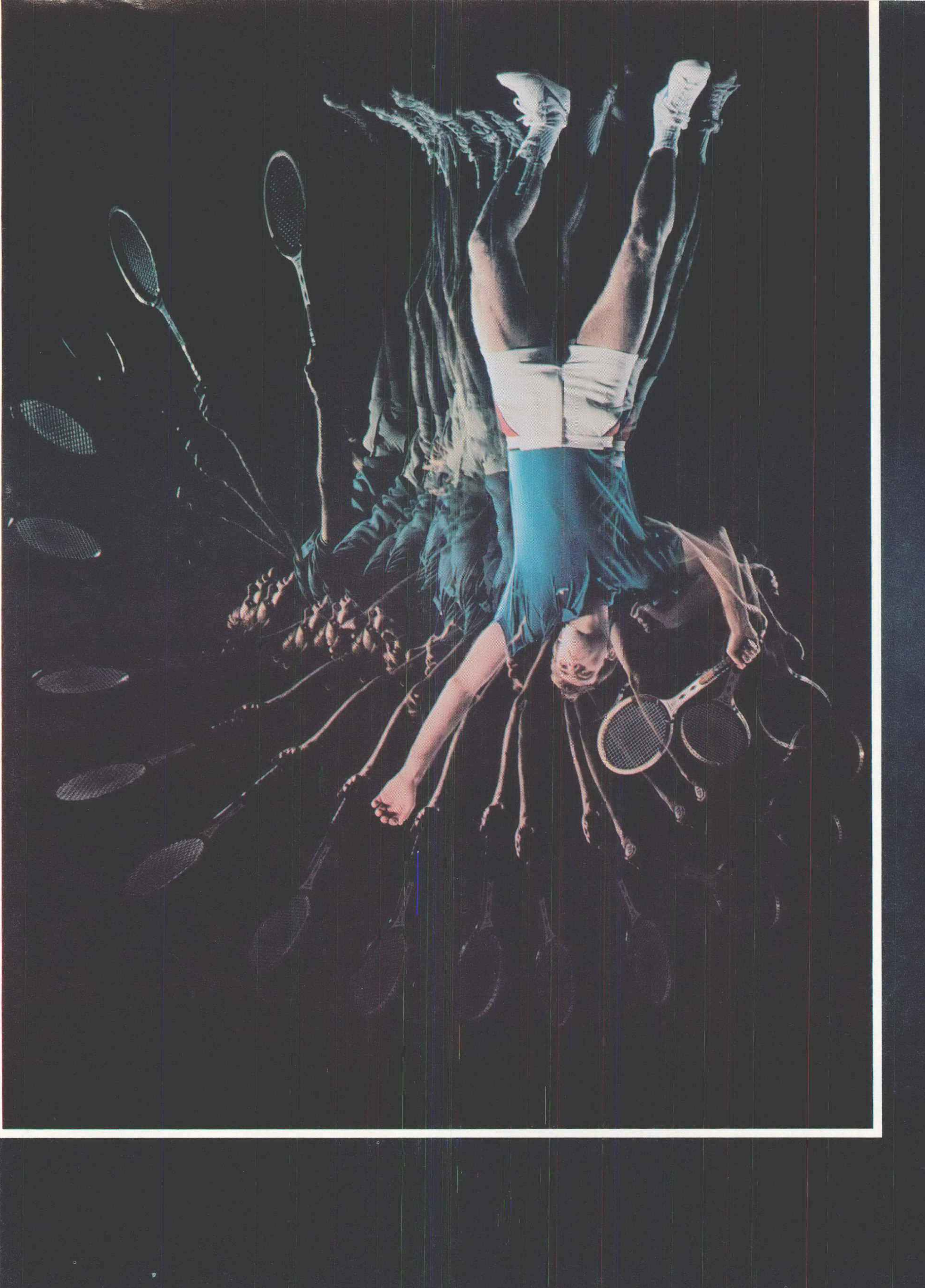
Now in its seventh year of operation, The Slip is a syndicate of 31 insurance companies managed by Marine Office of America Corporation.

If you're seeking coverage for any unusual, high-value marine exposure, consider the All American Marine Slip.

Have your agent or broker contact Robert G. Lowry, President, All American Marine Slip, 99 John Street, Box 313 Peck Slip Station, New York, N.Y. 10038. Phone: (212) 374-2667.

The American alternative

All American Marine Slip



Service.

Essential in a Corporate Protector.

Frank B. Hall, the world's most inventive insurance protector serves impressive corporations, both large and small. 5000 creative, hard-working professionals in 188 global offices protect the assets of the business community. Service is our only product. We've developed a special talent for providing the most comprehensive coverages at economical prices. Every Hall client enjoys dedicated, instant, quality service. It's simply part of our Character.

Contact a convenient Frank B. Hall office today. Or, for more on our capabilities write to Albert J. Tahmoush, Chairman and CEO, 549 Pleasantville Road, Briarcliff Manor, NY 10510. We've shown you our service. Now the ball's in your court.

Display Our Character. Colorful Frank B. Hall Character Posters are available upon request (see address above). They're not *essential.* But lots of fun.

When creative protection is essential

Service for: Revlon, Kodak, ITT, McDonald's, Pan Am, Raytheon, Hercules, AMI, Combustion Engineering, Rockwell International, Textron and many more.

Photo: Las Vegas News Bureau

Joan Rivers tries out a Caesar's Palace rink. Many rink operators find underwriters hesitant to try out roller disco risks.

No track record

Insurers stumble over disco rink liquor risk

specialty risks

By STUART EMMRICH

NEW YORK—Mix adults back on skates for the first time in maybe 10 or 15 years with an alcohol-fueled desire to do some fancy disco steps while speeding around a crowded rink and you have potential liability that is enormous, shudder most insurers.

Once the domain of small-town teenagers out on a Saturday night date and young parents looking for an inexpensive family outing, roller skating rinks are now in the heady world of discos.

But, as rink operators try to cash in on their new-found celebrity—installing flashing lights and elaborate sound systems—insurance problems are rolling ahead of yesterday's biggest worries: keeping kids from trampling over one another or from smoking in the bathrooms.

Underwriters are a bit skittish about insuring entrepreneurs in these relatively new businesses because they rarely have an established safety track record that might allay fears about huge losses.

"The exposure is just horrible. It is almost impossible to find a market," says Raymond Cowan, president of the Los Angeles-based Cardiff General Insurance Agency. Mr. Cowan said he contacted 15 to 20 different insurers in the California area to try to find coverage for a couple of potential clients and came up empty-handed.

"There was some interest from companies in the Bahamas, but none of the firms we contacted around here showed any interest," he said. "I don't believe we ever gave them any quotes and I wouldn't be surprised if they decided not to buy any liability insurance at all."

Liquor is the biggest stumbling block to disco rink operators looking for adequate liability insurance, say those knowledgeable in the field.

Roller discos that don't serve intoxicants are eligible to purchase a standard policy offered by the Roller Skating Rink Operators Assn., a trade group of 2,000 rinks.

Bayly, Martin & Fay for two years has offered the liability insurance program underwritten by Allianz Insurance Co., for roller rinks that don't serve alcohol. Only five or six of the association members serve alcohol, a spokeswoman said.

The coverage is $1 million per occurrence, with deductibles ranging from nothing to about $1,000, according to Whit Payne, vp of Bayly, Martin & Fay in Atlanta. The average yearly premiums range from $3,500 to $7,500.

Hull & Co. of California, an excess and surplus lines broker that places coverage for roller rinks, is considering moving into the roller disco market, said vp Jim Yates, in the Santa Ana office.

A roller disco might get a better bargain on its insurance than an average roller rink, he said.

"We might charge a little less for roller discos and offer them a little higher coverage," Mr. Yates said. Current roller rink rates range from $12 to $15 per $100 of gross receipts for limits of $500,000 per occurrence. Deductibles are usually $500.

"There are not as many little kids around to get in the way at roller discos, and at most of these discos people don't have the chance to really get their speed up as they might on a banked track. Their falls might not be as bad," he said.

But liquor might thwart that offer of coverage, he added. "If they let people go in there and really get smashed on skates, I doubt if they could get anyone to write them."

Lone among the companies that are frequently mentioned as willing to underwrite policies of roller discos where alcohol is served is the Great Southwest Fire Insurance Co. of Scottsdale, Ariz. But even it stays clear of the 15 or so dramshop states where absolute liability is on the owner of the business.

Ken Smith, vp of casualty, said standard rates set for liquor liability policies by the Insurance Services Office are "extremely high." Great Southwest works out some compromise with its clients on premium prices, but most operators can expect steep rates for the policy, which usually includes limits of $300,000 with a deductible of about $250, he said. ■

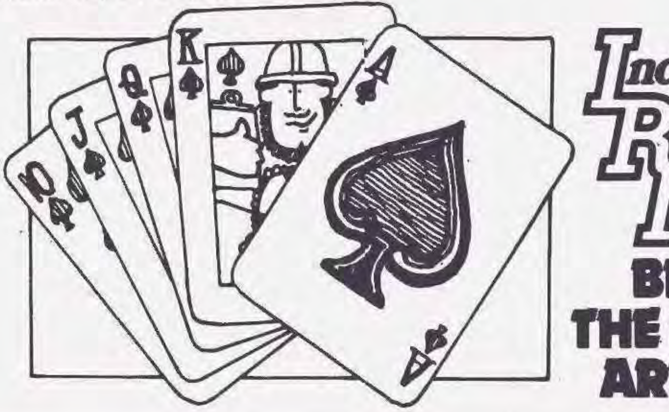
GRAND SLAM.

To take every trick in the deck, you should know every rule in the book. And when the game is loss prevention, you can't afford to miss a point. That's why IRI fil's your hand with the finest engineers in the business.

We're totally committed to loss prevention. Our engineering consultants help develop loss control techniques, pre-emergency planning and fire safety standards that are followed industrywide every day. In fact, in the past year, we devoted more than one million hours to increasing fire safety for IRI insureds around the world.

At IRI, we develop programs to safeguard operational hazards. Show how to handle impairments properly with our RSVP program. Advise on renovation plans and new construction. And offer comprehensive fire safety courses to agents, brokers and company risk managers, as well as our own engineers.

To make a grand slam, you need a powerhouse hand. And Industrial Risk Insurers offers a powerhouse of engineering service from hands-on training to on-site consulting. That's why, in a high stakes game like loss prevention, your best bet always is IRI. Hartford, CT 06102.



Industrial Risk Insurers
BECAUSE THE STAKES ARE HIGH.

ICE's contracts cool equipment leasing risk

specialty risks

By JACK THORNTON

CHICAGO—International Capital Equipment, a division of Chicago-based Heizer Corp., contends it doesn't need to insure itself against the risks of writing "put" options on leased equipment.

ICE's puts, or contracts to buy equipment when the leases expire, take the risk out of lease writing for the other parties. In effect, ICE becomes the lessors' insurer against the loss in value of leased equipment.

But unlike Lloyd's of London, which is suffering huge losses for writing residual value insurance on leased computers, ICE not only could lose but also stands to gain at the end of a lease if the equipment's value has increased.

ICE's puts generally only promise half what it estimates the recovery will be at the end of the lease, said Russell W. Hetz, ICE vp. The puts are so conservatively written that not even bankers find fault with them, he implied.

ICE, which is apparently unique in writing put options on this type of special risk, "goes absolutely naked."

That does not mean vulnerable in the sense of a commodities trader writing "naked options," Mr. Hetz explained. Quite the opposite. ICE maintains reserves of "around 10 to one," he said, "which is about twice what the savings and loan associations maintain."

ICE's risk is in technology, so technology assessment is a key part of Mr. Hetz's job. If technological change unexpectedly sweeps through executive jet aircraft or computers, their values at the end of the lease period could plummet below the options prices.

In that case, the insurer always asks, "Who bleeds first?" Mr. Hetz said. If ICE is willing to take the first half of the loss, "even the banks will take the back end." Not so, however, the other way around.

ICE is too conservatively run to get into that bind. "In five years in business," Mr. Hetz observed, "we have yet to eat an option. We have yet to sell a piece of equipment." Not only does ICE hold its option prices down, it also keeps the time period relatively short.

"For example, ICE holds computer leases up to two and a half to three years, jet aircraft and machine tools up to seven to eight years and railroad cars to 15.

"We don't really need insurance because we avoid the chancy risks," Mr. Hetz added. "We stay away from actuarial methods (of valuing assets) and we stay away from valuation curves developed by professors."

Actuarial methods, mainly used for calculating pension benefits, are not reliable when unpredictable technology is a factor. Mr. Hetz says academic projections of computer equipment values helped lead Itel Corp. into its debacle last year. Itel leased data processing equipment, but misjudged the pace of change, Mr. Hetz said.

Unlike ICE, Itel bought hundreds of millions of dollars in insurance from Lloyd's of London for lease income.

Over the years, Mr. Hetz, a capital goods appraiser until he joined ICE, developed some rules of thumb ICE is applying:

- Back inflation out of all put price calculations. While inflation can turn a put with too high an option into a winner anyway, it's too risky, Mr. Hetz believes.
- Rely on wholesale or dealer prices or whatever seems like the "lowest common denominator." Part of Mr. Hetz's job is to track dealer prices every quarter so decline can be matched against ICE's current option prices.
- Be selective about what is optioned, especially in jets and computers. "We recently declined to write a seven-year option on an executive jet that consumes 900 gallons of fuel an hour," Mr. Hetz commented. He speculated, he said, that new aircraft and engine designs will slash fuel consumption rates during the 1980s, making fuel guzzlers as obsolete in the sky as on the road.

ICE also insists that equipment it options remain operable and be well cared for. It has a schedule of option price "offsets" if the lessee doesn't do his part, Mr. Hetz said. ■

Coming out ahead

ICE's risk is in technology, so technology assessment is a key part of Russell W. Hetz's job.

We travel with some of the finest names in business aviation

America's leading insurer of corporate aircraft

USAIG

UNITED STATES AIRCRAFT INSURANCE GROUP

NEW YORK • ATLANTA • BOSTON • CHICAGO • DALLAS • DENVER • HOUSTON
LOS ANGELES • ORLANDO • PHOENIX • RICHMOND • SAN FRANCISCO • SEATTLE • TOLEDO • WICHITA

Risk Management

Techniques of risk management once considered suitable only for corporate giants are now being successfully used by smaller businesses to cope with expanding liabilities and higher insurance costs.

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

Few companies with annual sales of less than $25 million employ a risk manager. But because of continuing inflation and its effect on insurance costs, many such firms are gradually adopting risk management techniques to attain more cost-efficient financial and insurance programs.

Full-service commercial insurance companies will assist in assessing risk management alternatives to first-dollar risk transfer and in structuring the program which best fits the individual company's needs.

Some of the techniques coming into more widespread use include participating group coverage in property and general liability, self-insurance (with professionally supplied services such as claims handling and loss control) and association captives.

In addition, specialized package policies have been developed to deal with the unique needs of specific types of business. A package policy can help eliminate wasteful overlapping and superfluous coverages, as well as unsuspected – and possibly costly – coverage gaps. Together with a companion workers' compensation policy, they can meet most of the insurance needs of various types of firms – among them druggists, jewelers, appliance dealers, contractors, broadcasters and financial institutions. Package policies are also available for such nonprofit organizations as schools, colleges and churches.

Risk pooling

While package policies can be bought individually, a growing number are purchased through safety group plans. Typically, the initiative comes from an insurance company representative who proposes an industry-tailored policy for the members of a trade association. If the association endorses the policy, it generally recommends it to its members, but members are free to join or not as they see fit. Each member accepted for insurance is issued an individual policy, usually written at standard rates.

The possibility of an annual dividend being paid to the policyholders of a group is the chief attraction of safety groups. While dividends are never guaranteed, they are declared if the group's loss experience is sufficiently favorable. Dividends have ranged from 1% of

for Small Businesses

the premiums paid to over 25%. Adherence to a loss reduction program often accounts for favorable loss records on which dividends can be based.

For example, for 1978, each member of the Northern Ohio Retail Grocers Association safety group received a dividend equal to 16.7% of the premium paid for that year. In 1977 the dividend was 5.7% and in 1976 it was 6.3%.

Self-insurance

As a means of partial self-insurance, higher deductibles are increasingly employed by many smaller companies. Implicit in any high deductible program is a need for some form of risk management to control the company's greater dollar exposures.

As an instance, a California manufacturer of sporting equipment retained a $25,000 per occurrence deductible on product liability, in order to secure insurance coverage above that retention. In this case, the insurance carrier also provided loss control consultation which led to a formal program and the hiring of a safety engineer.

Full retention of a given risk is also coming into greater use as a form of self-insurance. The risks chosen are generally characterized by occurrences of relatively high frequency but low severity.

For example, an Indiana commercial laundry has a fleet of fifteen delivery vans, for which the risk of physical loss or damage is entirely assumed by the company. (Liability insurance for the fleet, however, as well as fire insurance while it is garaged, is covered by commercial policies.) The laundry enforces a loss control program for the fleet which includes numerous preventive measures in both maintenance and operation, thereby improving its loss experience.

Association captives

While most captive insurance companies are wholly owned subsidiaries of large companies, more and more small businesses are making use of the captive concept through association captives. An association captive is usually formed by a trade association for the benefit of those member companies who wish to join it. Over 50 association captives are now in operation, nearly all of them started within the last four years.

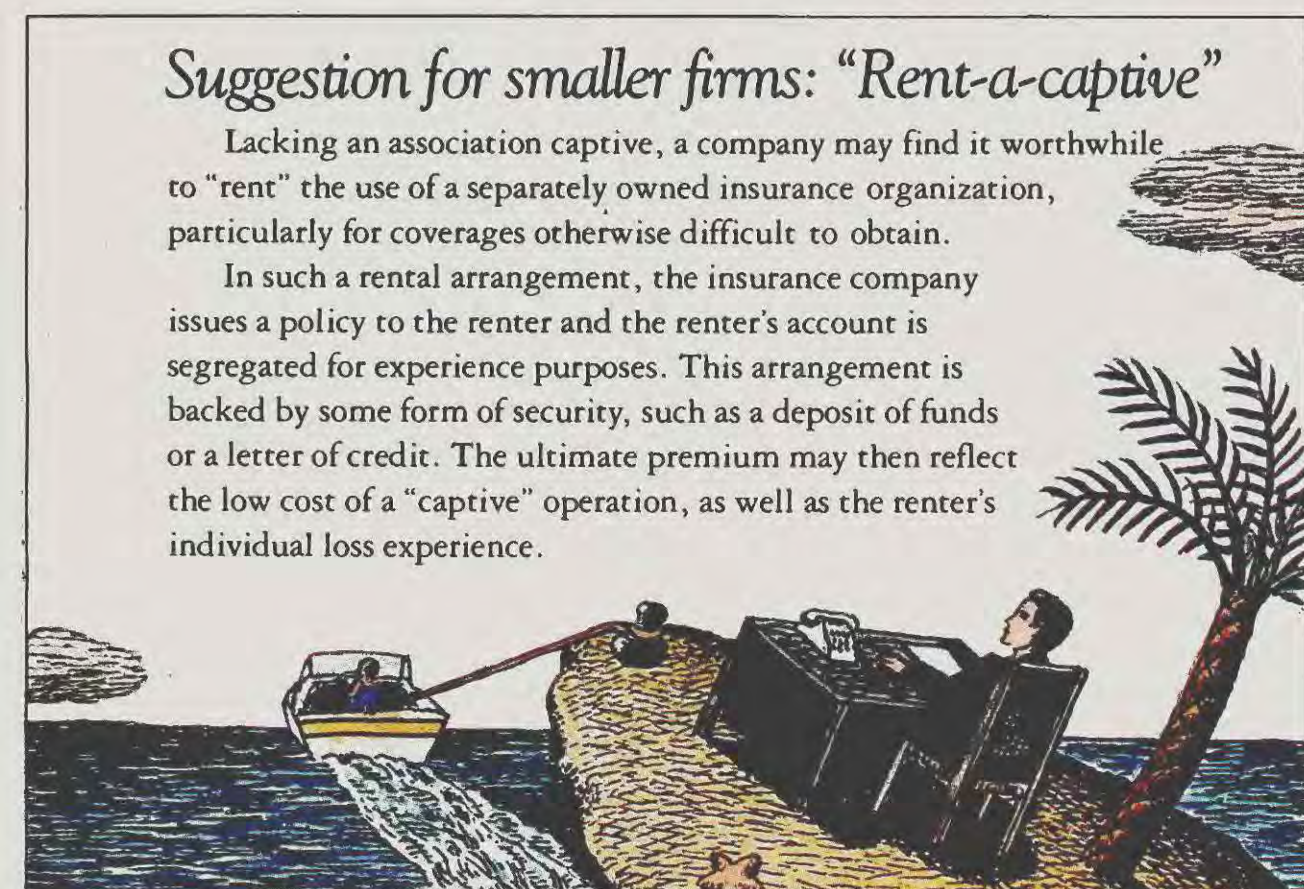
The formation of an association captive can be attended with numerous pitfalls and should not be undertaken without expert legal, financial and insurance advice. If a study suggests that a captive is advisable, insurance brokers and some insurance companies – including INA – can be instrumental in its creation and management.

Comprehensive services for business

Recognizing and meeting complex needs, such as those of small businesses, typifies INA's comprehensive approach to increasingly sophisticated business insurance and risk management problems.

The Insurance Company of North America was founded in 1792 in Independence Hall, Philadelphia. Today it is the largest component of INA Corporation's international network of insurance, financial, and health care interests. In property and casualty insurance and risk management services, life and group insurance, health care management and financial services, INA and its affiliated companies offer a unique combination of products and services to business and industry worldwide.

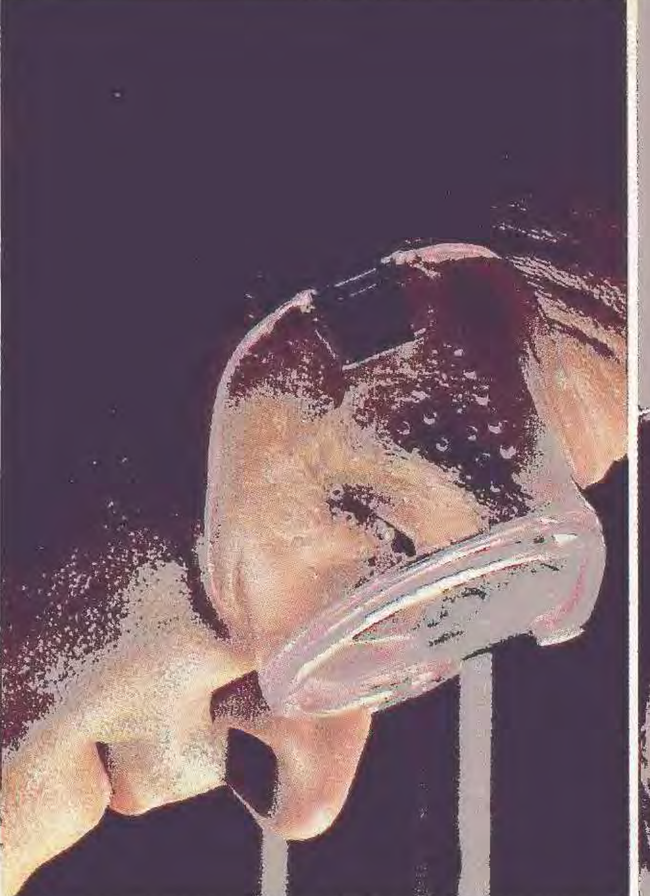
For an informative booklet on risk management for small businesses, write INA, 1600 Arch Street, Philadelphia, PA 19101.



Suggestion for smaller firms: "Rent-a-captive"

Lacking an association captive, a company may find it worthwhile to "rent" the use of a separately owned insurance organization, particularly for coverages otherwise difficult to obtain.

In such a rental arrangement, the insurance company issues a policy to the renter and the renter's account is segregated for experience purposes. This arrangement is backed by some form of security, such as a deposit of funds or a letter of credit. The ultimate premium may then reflect the low cost of a "captive" operation, as well as the renter's individual loss experience.



Guess how many people on this page will work beyond normal retirement.

Your estimate is probably too low. Unless you've seen the recent study, American Attitudes Toward Retirement and Pensions.

This research, commissioned by Johnson & Higgins and conducted by Louis Harris and Associates, reached executives at 212 leading companies as well as 1,699 current employees and retirees.

Our findings call into serious question many currently held assumptions. For instance, many past reports suggest that only 10% to 25% of the work force intends to stay on. Harris finds that 51% intend to stay at work, full or part time.

Furthermore, though executives think guaranteed income and vesting are the most important things in pension plans, employees don't think so.

The wealth of reliable information in this study can help you shape employee pension programs to cope with changing conditions and attitudes.

You are invited to review both the Harris study and two newly developed J&H pension planning analytical tools (BAI and GAIN)*. Simply call any J&H office.

*Benefit Adequacy Index and General Adjustment for Inflation

Johnson & Higgins

The Private Insurance Broker/Benefit Consultant. We answer only to you.

EMPLOYEE BENEFIT AND ACTUARIAL CONSULTING; RISK AND INSURANCE MANAGEMENT SERVICES THROUGHOUT THE WORLD.

perspective

Opting out: Alaska faced complex choice in dropping Social Security

By David L. Hewitt

ALASKA IS NOT a typical state. It is the biggest in area, farthest north, highest in average pay level, lowest in popultaion density and has the youngest workforce. It was the 49th of the 50 to achieve statehood, but on Jan. 1, 1980, was the first to withdraw its employes from Social Security. (Four other states—Maine, Massachusetts, Nevada and Ohio—have never entered their employes in Social Security.)

Employes voted to withdraw from Social Security last September. Although the state government could have withdrawn its employes without such a vote, it chose to resolve this controversial issue on the basis of employe preference. The required two-year notice of intention to withdraw had been filed in 1977, and a law enacted in May last year provided that the withdrawal would become effective if approved by a simple majority of the employes voting.

Slightly less than 25% of state employes voted to withdraw, another 19% voted to stay in, 4% submitted defective ballots and more than 50% did not vote at all. It was probably not anticipated that so few of the employes would determine the outcome.

19% to remain
4% invalid
50% not voting
25% to withdraw
Social Security Vote by Alaskan Employes

Map: Toby Roberts

The enabling act specified that upon withdrawal from Social Security, 12.26% of pay up to the Social Security taxable wage base (6.13% each from the employes and the state) would be applied toward a program allowing individuals to select from the following coverages supplementing the state's own basic employe benefits:

- Health care.
- Lump-sum death benefit.
- Disability Income.
- Survivor income.
- Annuities.

The specifics of the supplemental benefits are now being made final. At the time of the vote, they were outlined only in a general way.

The administrative expenses in operating this cafeteria program, as well as the benefit purchase costs, would come out of the 12.26%. Each employe would be given the right periodically to change the distribution of benefits chosen from among these options.

The 12.26% is fixed. It equals the 1979-1980 tax rate paid by employes and employers together under Social Security, but will be less than the Social Security tax rates scheduled for 1981 and later. The pay levels to which the 12.26% applies will still grow with the Social Security wage base in the future.

The employe half of the cost would be deemed a subtraction from wages, rather than an employe contribution. In this way, Alaska hopes to remove the cost from employe taxable income.

In order to inform employes before they voted, Alaska's retirement and benefits division compressed the issues into a relatively concise and balanced presentation. This was communicated through three letters pointing out the pros and cons of Social Security withdrawal and also acknowledging the many doubts about the future. Among the points specifically raised was the possibility that Social Security may someday be funded in part from general revenues, to which all taxpayers would contribute, even those not covered by Social Security.

One of the letters reminded employes of the irrevocability of a decision to withdraw. It discussed possible factors affecting Social Security in the future and gave general illustrative information on each of the five benefit choices that would be offered if employes voted to withdraw. It included examples showing how the individual effects of Social Security withdrawal would differ depending on age and on whether the employe is single, married with a spouse in covered employment or married with a spouse not in covered employment.

It also displayed a two-column comparative discussion of the Social Security program and the proposed cafeteria program from the point of view of costs; tax treatment of costs; types of benefits; amounts of benefits; cost-of-living adjustments; tax treatment of benefits; forfeitability of benefits; medicare coverage, and continuity of protection when employment terminates. In addition, it enclosed a comprehensive foldout sheet describing Social Security, prepared by a major benefits research and news service.

Here are my impresssions of the bewildering choice employes faced:

- The cafeteria program seemed easier to comprehend than Social Security. The fact that the benefit offerings were not yet definite meant there was less to understand. The possible good features of the cafeteria program could be alluded to without the fine print which, it was pointed out, will come later. The idea of taking 12.26% of pay and buying any mix of coverages one prefers has a simple attraction, compared with inclusion as a "number" in a vast social system.
- Highly paid workers and younger workers get less Social Security benefit per dollar of wage tax than low-paid, older workers. Alaska is an extreme example of a highly paid, young workforce, and it can be assumed that withdrawal from Social Security would be more to their advantage than to most large governmental or nonprofit organizations.
- Also, Alaska probably includes a greater proportion of residents who plan to move elsewhere as they grow older than do other parts of the U.S. Such people can then build up Social Security credits later in their careers even if they withdraw for their remaining period of state employment.

However, the small size of the vote and its closeness belie these as significant issues. Despite the communication effort of the division of retirement and benefits, it is not at all clear that the decision reflected an informed workforce voting in its perceived self-interest.

Paul B. Arnoldt, Alaska's director of retirement and benefits, has pointed out that despite the apathy reflected in the small vote to withdraw, there was "a large group at the other end of the interest scale—those who were very emotional about the issue. I think it's fair to say that most issues involving the intervention of the federal government in the lives of Alaskans bring out strong reactions from our residents. . . .

"Although such emotional responses ignore the state's dependence on the U.S. government, they are a fact of life in Alaska today. So in a very real sense, I suppose you could say that opting out represented a blow against the federal bureaucracy—vote 'yes' and Uncle Sam will stop taking that big chunk of FICA taxes out of your paycheck."

He said it's also fair to say that "some people voted to get out on the basis of various rumors they'd heard about the Social Security Administration pumping money into a sinking ship. The thinking goes: You're not going to see any of that money by the time you get old; you'll have paid in and paid in and you won't have anything to show for it when you need it most. . . .

"Now it may well be that Social Security is capable of meeting their needs and supplying them with an assortment of benefits they don't even know about; but if they don't know or don't understand their Social Security entitlements—if they don't feel that Social Security will meet their needs—then Social Security won't be a viable program for them. A plan of benefits is only as good as it is perceived to be by its recipients, and I feel that a portion of Social Security's problem in Alaska and elsewhere is that the Social Security Administration did not do a thorough job of 'selling' their program—and most recently of 'defending' their program."

Mr. Arnoldt believes an important lesson to learn from the opt out is the need to explain the new benefits "or else employes will be dissatisfied with this program just as they became fed up with Social Security." ■

David L. Hewitt is a partner with benefit consultants Hay Associates, Philadelphia, Pa. His remarks are excerpted from the Hay Huggins Bulletin.

Communications gap?

It is not at all clear that the decision by Alaska state employes to withdraw from Social Security reflected an informed workforce voting in its perceived self-interest, says benefit consultant David L. Hewitt.

perspective

Fire safety

High-rises demand extra care

By Harry Lein

THE "WAVE OF the future" in new buildings has changed the face of our cities. New architectural materials and creative new ways of employing them have made high-rise construction the economical solution to our needs for commercial expansion.

These new methods have their own special problems. A major concern of today's insurance managers is the protection of buildings and their occupants from the multiple hazards of fire.

New construction is not intrinsically as fire-safe as older, lower and more traditional structures. Fortunately, the building manager has a powerful arsenal of protection. His options include advanced concepts for early detection, suppression and prevention of fires.

Unfortunately, modern construction closes off some of the avenues of safety relied on in the past. For example, older buildings were built floor by floor with each level a self-contained unit. They did not have re-circulatory air-conditioning systems. They had fewer shafts running the height of the building, smaller open spaces, more fire-resistant walls and windows that opened.

When a fire started in an older building, it was compartmentalized. Passage to other areas was blocked more effectively by solid floors and fewer vents. Windows could be opened to allow heat to escape. Dividing walls would help localize the fire until it could be brought under control. Older buildings were usually lower, simplifying access by firefighters.

Today, the exterior walls serve as a monolithic sheathing, with floor supports abutting but not penetrating the outer wall; essentially, an open structure within a closed one. Dividing walls are minimal, partial or virtually nonexistent. Miscellaneous openings are scattered throughout building floors for electrical wiring, plumbing and other conveniences.

Utility plenums may run the length and breadth of each floor, under a false ceiling. Should a fire start, smoke and heat spread through the plenum to the center core of the building where they rise—and sometimes sink—throughout the building in elevator, stairwell and air-conditioning shafts. Dynamics of airflow through our well-ventilated, air-conditioned modern buildings increase the spread of fire.

The heat of the fire cannot escape because windows are sealed shut and modern insulation is so effective. As a result, temperatures may climb until structural members distort, allowing heat and smoke to pass from floor to floor through openings around the structure.

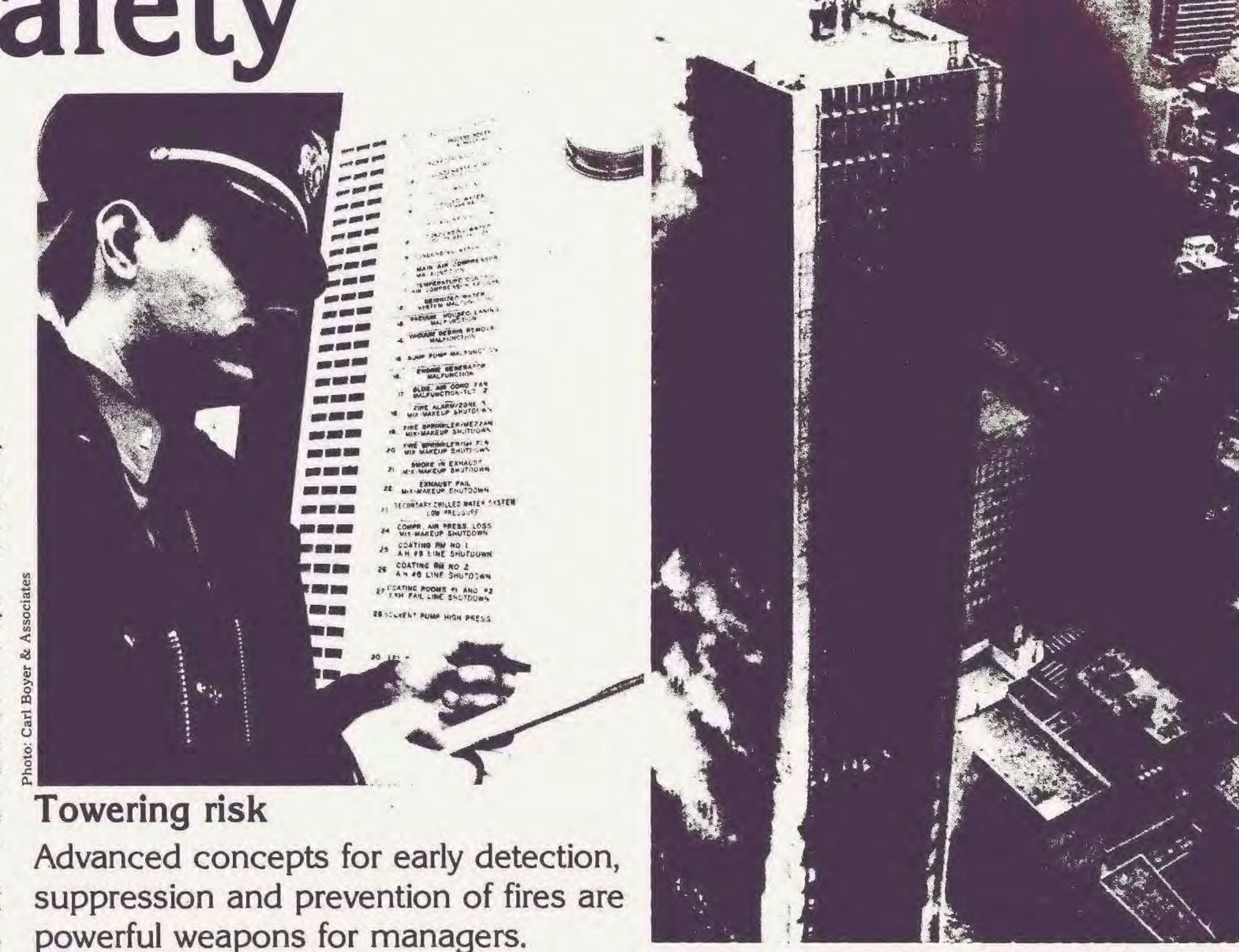


Photo: Carl Boyer & Associates

Towering risk

Advanced concepts for early detection, suppression and prevention of fires are powerful weapons for managers.

The sooner firefighting authorities can be called, the better the chances are that loss of life and property can be considerably reduced. Fire officials are unanimous in their appeal for a fire detection system that will give an alarm in the earliest stages of combustion. Often there are only a few minutes between the beginning of combustion and the development of a truly destructive fire.

Given these few minutes, occupants may be safely moved to an area of refuge, portable equipment may be used to extinguish or control the fire and firefighters may be notified and arrive.

Fire detection need no longer be discrete, but may be considered as part of a total system encompassing structures, property and life safety.

Detection systems may be integrated into the performance of a multitude of safety functions. The most obvious, of course, is the automatic activation of water or gaseous extinguishing systems. A newly important function is "elevator capture," when local controls are overridden, and the elevator is prevented from stopping at any fire-involved floor, returning instead to the ground floor for use by firefighters.

Detection systems may be used to trigger the operation of smoke-barrier doors, control air-conditioning, re-program fans to vent smoke and gases from the building, initiate pressurization of stair towers or activate smoke control and monitoring systems.

Most important, detection systems are used to save lives, initiating alarms that provide for communications or signs to direct occupants to places of safety.

A universal alarm/control system might include a number of sensing units of various types, teamed with arrangements for monitoring water flow and sprinkler system valves, supervising alarm systems, integration of voice control communication, reacting to manual alarms and combining with other security functions.

Sophisticated data-gathering systems are available to relay the status of sensor contacts to the control location, as well as to remote points such as the fire department or police station, a private firefighting facility or a lobby readout panel.

Most fire safety regulations accept complete sprinklering as adequate provision for property safety in the typical modern building. Actually, sprinklers and early warning detection go hand in hand. Sprinklering should be considered the "backup" for early warning detection.

With the proper early warning detection system, sprinklers will not be unnecessarily activated and water damage will be avoided. Most modern businesses maintain computer systems and records, communications and audiovisual equipment easily ruined by water.

Furthermore, water once released may go cascading through the building, deluging areas and equipment far from the site of the fire.

For areas where valuable property, irreplaceable records or costly equipment is stored, another viable alternative is smothering the fire by flooding it with inert gas.

Halon is a hydrogenated gas, much denser than air, that can be liquefied by compression and stored for use. The inert gas chemically interferes with the chain reaction that causes fire, and so the fire goes out.

Halon can be breathed and is considered life-sustaining at concentrations of 7%, but prolonged inhalation is not recommended. Provisions must be made to evacuate all occupants of a halon-flooded area as quickly as possible—usually within 30 to 60 seconds. For this reason, and because it is a relatively expensive fire extinguishing agent, halon protection is more often provided in small rooms with contents of high-value density: computer rooms, record storage areas, telephone and audiovisual rooms.

It is an unfortunate fact of modern existence that malicious acts are responsible for many fires. The forward-looking risk manager can offer his firm one final weapon against fire hazard: controlled access to the building.

This can be as simple as a plastic card containing an invisible identification code, "read" and approved by an access control console. The system prevents unauthorized entrance, a major factor in fire prevention. For more complex needs, it can be teamed with a central processing unit that may also keep track of guard watch tours or command auxiliary functions such as elevator control points. ■

Harry Lein is an executive of Pyrotechnics, a fire protection consulting firm in Cedar Knolls, N.J.

How a lapse in insurance continuity can affect a Board of Directors meeting.

It could bankrupt you.

Here's how it works.

Switching your Directors and Officers coverage suddenly from one insurer to another breaks the continuity of coverage you've built up over the years.

That's because your new insurer will ask you the following question:

"Does any Director or Officer have knowledge or information of any act, error or omission which might give rise to a claim under the proposed policy?"

It's a sticky question. And one you and your Board might prefer not to have to answer. Because if there are any skeletons in your company's closet your new insurer could refuse to cover them, leaving you entirely unprotected against what could turn out to be disastrous losses.

By keeping your D & O coverage with us, American Home/National Union, you'll never have to answer that sticky question again. Because we'll never ask it.

And that's the kind of continuity a Board of Directors would really jump at.

The AIG Companies.

Let us take the risks.

A Member Company of American International Group.

benefit tax slants

Play life benefit for all it's worth

Planning can ward off taxes on executive's estate

By Joseph S. Robinson
Attorney-at-law

Baseball owners have just come through their annual adventure in salary negotiations with players. One of the provisions a number of superstars opt for is a commitment by the team to make continued payments to a player's family if he dies.

Since company executives often spring for an idea that guarantees income to their beneficiary, particularly when there is a tax angle, a blueprint of such a plan might be useful. But first some ground rules.

Stripped down to its essentials, it appears an employe will be able to exclude this benefit from his estate if:

- He enters into an agreement with his employer to pay to a stated beneficiary a certain benefit (usually "x" dollars for "y" years).
- The agreement is signed more than three years before his death.
- The employe retains no rights to change the beneficiary or alter the amount or method of payment, or other rights to exercise control.
- The employer does not provide any other nonqualified deferred compensation benefits.

Let's take this example: Suppose a $1 million life insurance policy is taken out by a company on the life of an officer. The policy is payable to the company and it, in turn, agrees to pay the officer's beneficiary $100,000 a year over a 10-year span if the officer dies while so employed.

Under the arrangement, the company receives the proceeds in a tax-free lump sum. The company's liability for death benefits is spread out over a 10-year period—a substantial economic gain to the corporation.

The spreading of payments over 10 years simply means the company has the opportunity to earn interest over that period on the reduced amount of $1 million. At an after-tax net of 6%, this produces a yield of more than $300,000 in compound interest.

But the story doesn't end here. The gain from the tax leverage is $460,000 (46% corporate tax bracket). Since the company pays out $1 million in deductible payments, its payout cost is only $540,000 and it has a $460,000 profit minus its total premium cost.

Here's the estate tax picture:

There is an estate tax impact when a corporation sets up a typical deferred compensation arrangement combining retirement and death benefits. But if there is no deferred compensation tied to a straight death benefit, the executive can avoid inclusion of benefits in his estate.

Severance pay

Many employment contracts provide for the payment of severance benefits to terminated employes. Under a recent case, however, if the employer maintains a retirement plan, an employe's vested accrued retirement benefits may be used to offset the payments otherwise due to him under the company's severance pay plan (Spitzler, SD N.Y., 476 F. Supp. 386).

Here are the facts: R.S., an assistant managing editor for the New York Post, was discharged after approximately 17 years of service. Under the Post's written severance pay plan, his severance benefit was initially set at $55,000.

However, the plan also provided that each employe's severance benefit be reduced by the value of his accrued vested benefit under the company's pension plan. Since R.S.'s vested interest in the Post's pension plan amounted to about $26,000, he received only $29,000 at the time of his discharge.

R.S. sued the newspaper, contending the reduction of his severance pay amounted, in effect, to a forfeiture of his vested pension benefit—a violation of ERISA. R.S. argued that since offsetting pension benefits by severance benefits would result in an impermissible forfeiture, then offsetting severance benefits by pension benefits should also result in an impermissable forfeiture, because the company should not be allowed to accomplish indirectly what it could not do directly.

The court ruled in favor of the newspaper, holding that R.S.'s pension benefits had not been reduced. The severance payments were merely contractual in nature. Moreover, the offset provision was a valid part of the employment contract to which R.S. had agreed.

The significance of this case is quite apparent. By inserting the offset clause in its severance pay plan, the newspaper company was able to use benefits payable under its retirement plan to reduce the amount otherwise due under its severance pay plan. So if your company has a severance pay plan as well as retirement plan, you might consider whether this type of offset clause should be inserted in your severance pay plan. ■

legal briefs

Group accident policy needs a summary statement: Court

Ala. applies rules to insurance renewals

The Alabama supreme court ruled that a group accident insurance policy is a disability policy subject to the state law requiring an insurance company to furnish a policyholder a summary statement of the essential features of the policy.

This suit arose out of the death of a salesman killed in an automobile accident while traveling within his regularly assigned territory on company business. He was covered under a group accident policy issued by American Home Assurance Co. The policy contained a rider providing that salesmen would be insured only while on business trips outside their regularly assigned territory. No certificate or other evidence of coverage was issued by American Home to the employer or any of its employes.

However, the employer furnished employes with a brochure describing all fringe benefits, including a $150,000 accidental death benefit while "traveling on company business." The salesman's widow sued American Home to recover the accidental death benefit. The trial court ruled in favor of the insurance company.

On appeal, American Home contended it had no duty to furnish the summary because the statutory requirement of notice became effective after the original issuance of the policy. The court disagreed, pointing out that American's policy specifically agreed to issue individual certificates when "required to do so by the law of the state in which the insured person resides when his insurance becomes effective." The court ruled that as the policy was renewed, it became subject to the Alabama law requiring a summary statement. *Moses vs. American Home Assurance Co.*, supreme court of Alabama, Aug. 24, 1979, rehearing denied September 28, 1979 (*BI*/01/A.-$4).

Adopted child

In a case of first impression in Pennsylvania, an appellate court ruled that adoption of a child after a parent's death did not affect that child's right to receive workers compensation benefits.

Two minor children of a deceased employe had been receiving compensation benefits from his employer. Their mother remarried and her new husband adopted the children. The employer petitioned for termination of benefits, contending their status had changed. The lower court upheld the benefits.

On appeal, the employer argued that actual dependence was required for a child to receive benefits and that adoption changed the status of the two as children of their deceased father. The court rejected both arguments. The court said it had consistently been held that actual dependence was not required for a child to receive compensation benefits, and that the children's rights flowing from their decreased father were not severed and transferred to their adoptive father. The court emphasized that adoption did not alter a child's filial status but merely provided that the child shall have all the rights of a child and heir of the adopting parent. *C.P. Wright Construction Co. vs. Workers Compensation Board*, commonwealth court of Pennsylvania, Oct 18, 1979 (*BI*/02/A-$4).

Suicide rebutted

This federal court suit arose out of a group accidental death insurance policy. The court held that under Mississippi law there was rebuttable presumption against suicide.

The policyholder was employed by U.S. Gypsum and was covered under a group insurance issued through Highland Insurance Co. While on company business, the policyholder was involved in a head-on collision with a truck. He had two operations for a fractured hip. He was in good finanacial condition and happily married, but had exhibited depression at times. During his hospitalization, the man was discovered dead in the bathroom of his hospital room, hanging by the cord at the neck of his hospital gown. The gown was looped over the handle of a bedpan washing mechanism that affixed to the bathroom wall. Highlands denied his widow's claim for accidental death benefits. She sued and won in the trial court.

The appellate court said that where death was caused by external and violent means, as here, it is presumed death ensued accidentally. The court said that the widow was, therefore, not required to show by direct evidence that death was due to accident. The physical circumstances attendant to the death here did not, according to the court, preclude a reasonable inference of accident. *Goodman vs. Highlands Insurance Co.*, U.S. Court of Appeals for the Fifth Circuit, Nov. 27, 1979 (*BI*/03/A.-$4). ■

These abstracts were prepared by Cases Unlimited Inc. Copies of the entire decision may be obtained by sending a check for $4 made out to Cases Unlimited, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611. Please list the number for each opinion.

Next Issue in Perspective: The Risk Manager of the 1980s. A BI Round table.

HOW DO YOU KNOW IF YOU HAVE THE RIGHT FIDUCIARY LIABILITY POLICY?

The Insurance Buyer's ERISA quiz.

- [ ] Does your policy provide coverage on a limited claims-reported basis rather than on a true claims-made basis?
- [ ] Does your policy limit coverage to persons defined as fiduciaries?
- [ ] Does your policy limit coverage to wrongful acts of insureds only?
- [ ] Does your policy provide defense costs within limits of liability?
- [ ] Does your policy limit loss to damages by definition, and exclude non-pecuniary claims?
- [ ] Does your policy by definition exclude employee benefits liability losses?
- [ ] Does your policy include outside persons as insured fiduciaries?
- [ ] Does your policy contain a limited retroactive acts exclusion?
- [ ] Does your policy give the insurer the right to settle claims without your consent?
- [ ] Has your policy been purchased without the advice of competent legal counsel who has rendered an opinion in writing as to which contract he felt offered the broadest coverage?

IF the answer to **any** of the above questions is "Yes," the chances are you have probably purchased the wrong policy. And the real problem is that you will probably never know until you have an uninsured loss.

HOW do you know you have the right fiduciary liability policy? There's only one way—to **compare.** Remember—**all policies are not created equal.** While all contracts may appear to be similar, there can be substantial differences in their terms and conditions—differences which can be very significant—and costly. And, unfortunately, it's impossible to compare policies without a thorough understanding of the law. (ERISA)

THE Professional Indemnity Agency, direct Lloyd's correspondents, is one of the very few insurance underwriters qualified to make sound recommendations. Fiduciary liability coverage is our business. We understand this is a difficult business—and we refuse to take the easy way out. Combining a Fiduciary Liability and a Directors and Officers Policy may serve the best interests of the insurance carrier and the broker, but it may **not** serve **your** best interest because it may not give your people the complete protection as provided by the P.I.A. form. The responsibilities of persons covered under each policy are quite different; in fact the law (ERISA) **mandates** this conflict. P.I.A. does not deal directly with insureds, but we will be happy to make our facilities available to your agent or broker.

BEFORE the enactment of ERISA, your sole responsibility was the guarding of corporate assets. But now, because of this law, (ERISA) you are faced with the tremendous additional responsibility of protecting the personal assets of your directors, officers and other employees. You've got to be **sure.** You've got to **compare.** You've got to talk to the experts... NOW!

Professional Indemnity Agency, Inc.
Professional Intermediaries Associates, Inc.
110 East 59th Street
New York, N.Y. 10022
Tel. (212) 421-2033 Telex 14-8435

Disability cover saves contract—but not game

Photo: Chicago Blackhawks

Good save

National Hockey League teams commonly buy an accidental death and disability policy to cover the value of players' contracts.

By JOHN MAES

specialty risks

CHICAGO—Nothing can replace an all-star goalie in a hockey team's playoff bid, but if a slapshot knocks Chicago Blackhawks goaltender Tony Esposito out of the game for good, at least his contract is insured.

Mr. Esposito's contract is fully insured under the accidental death and disability policy purchased from Lloyd's of London by the Blackhawks.

National Hockey League Teams commonly buy this insurance to cover the value of their athletes' multiyear contracts, says William J. Sutton, whose Toronto-based agency handles many such policies.

Hockey teams need this accidental death and disability coverage because of their unique contract structure, Mr. Sutton explained. Players' standard contracts are guaranteed for their duration if they are disabled. Thus, if a player under a five-year, $500,000 pact is injured and must give up the game for good, the team will pay him or his survivor the $100,000 annual salary.

The players association also pays a $100,000 lump-sum benefit plus benefits from other disability and life insurance the player may purchase from the league.

In other sports, athletes don't fare quite as well under their contracts. In football and baseball, contracts are not guaranteed in the event of death or a disability that ends a career. Professional basketball teams normally guarantee pacts only for certain front-line players. But teams in those sports still purchase the coverage, called permanent total disability, or PTD.

The coverage applies to injuries suffered any time while an athlete is under contract: during games, practices, travel, even during the off-season, Mr. Sutton said.

The fact that professional teams don't pay disability benefits beyond the contract or current season may seem cruel, but Mr. Sutton contends few athletes are crippled by their injuries. A notable rare exception is Darryl Stingley, a one-time wide receiver for the New England Patriots who is paralyzed from the neck down as the result of an on-field injury.

When an athlete's career is only interrupted by injury, "he can still write articles, appear on television or sell insurance," Mr. Sutton said.

Also not covered by PTD are cumulative injuries that force early retirement of a good number of players in the hard-hitting game of hockey. "It doesn't provide for normal degeneration, otherwise we'd be paying for every player who decides to retire," he said.

Lloyd's of London is the primary underwriter of sports PTD, but risks are shared 50-50 with American Accident Reinsurance Group of New York.

Three or four hockey players suffer injuries each year that end their careers. But though claims are few, they are also large.

New underwriters try to enter the market from time to time, but quickly pull out, realizing their share of the maximum $5 million to $6 million in total market premiums does not justify the expense.

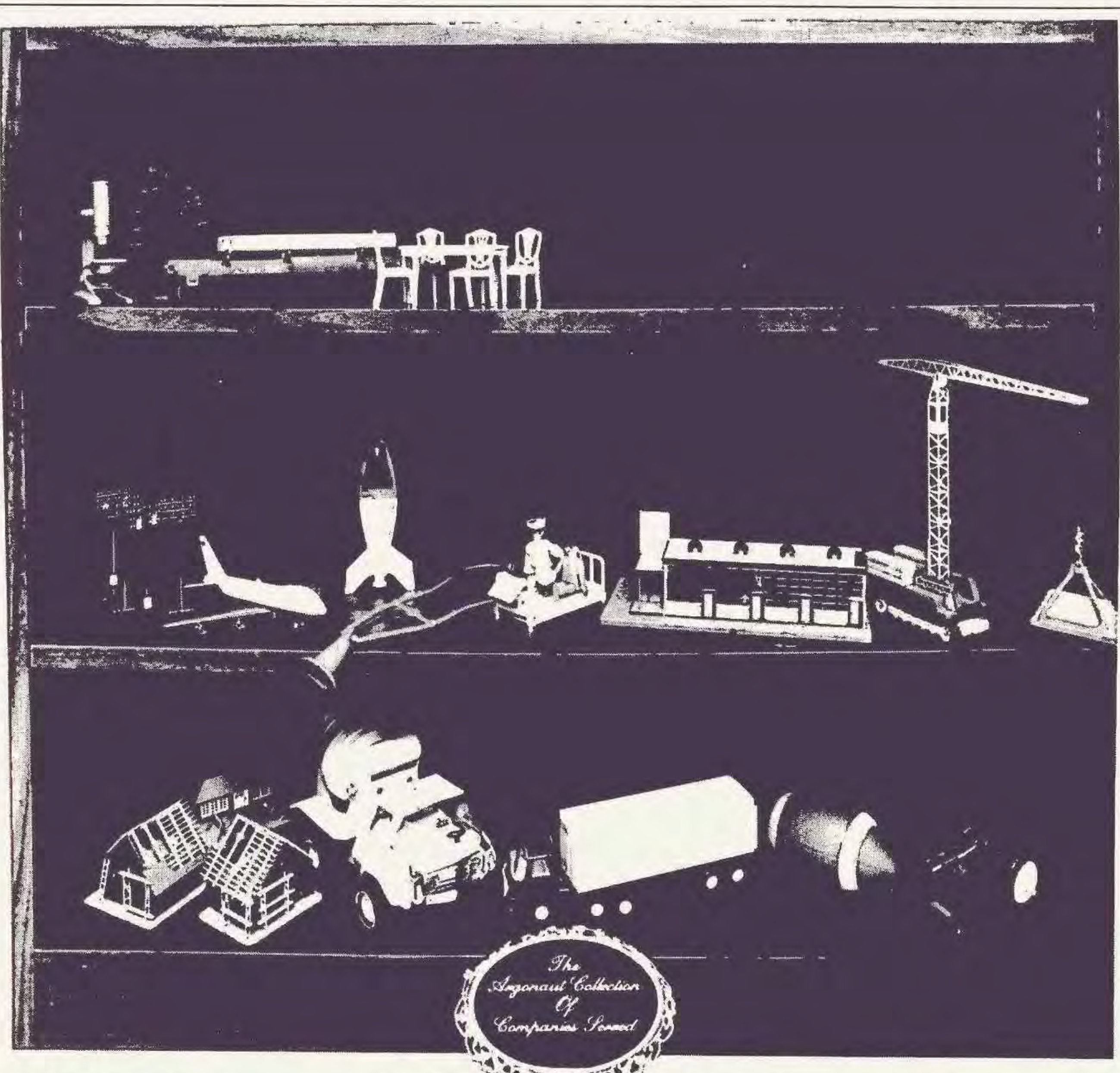
Premiums for PTD coverage are high, especially in football. Baseball teams' rates are lowest and basketball and hockey fall between.

The salary structure of the teams directly affects the premiums. The high-soaring Philadelphia Flyers, for example, a winning team paying its players jumbo salaries, may pay as much as $70,000 to $80,000 a year in premiums. On the other hand, a club like the lowly Winnipeg Jets, with the worst record in the National Hockey League and low-salaried players, will buy less coverage and pay $12,000 to $15,000, Mr. Sutton said.

Athletic PTD is also a difficult risk to evaluate because the coverage has only been written for the last 10 years.

"Just when you think you're getting to know how to evaluate it, something different happens," Mr. Sutton said. The considerations are almost endless and more seem to be cropping up all the time, he added. "You have to look at whether the player is 24 or 29 years old, if he's a defenseman, a center or a forward, or will the knee ligament problem of three years ago come back to haunt him.

"You can't just sit down with a life insurance table and calculate how long a guy's going to live." ■



We're adding all the time.

With risks, big and small, that feel secure about the Workers' Compensation and Hospital Professional Liability coverage they get from Argonaut.

There's safety in our numbers:
Assets of close to $1 billion.
Surplus of $200 million.
Security in a solid 30 years of specialized experience; in the expertise of a vital management team.
In our problem-solving underwriting, our cost-cutting and loss control, our commitment to service.

Is that the kind of professionalism you're looking for? With our kind of strength there's still room to grow. We can double the business we're writing now.
What makes us so sure?
The same thing that makes our policyholders sure.
Security.

Argonaut.
Where people take your business seriously.

National Specialists in Workers' Compensation and Hospital Liability.
250 Middlefield Rd., Menlo Park, CA 94025

Minn. hospitals challenge state in maternity case

ST. PAUL, Minn.—A hospital corporation is suing the state in federal court here to avoid paying disability benefits to a woman employe for a 1974 pregnancy.

United Hospitals Inc. of St. Paul asks the court to issue an order preventing the Minnesota human rights department from ordering the benefits payment to Delores Churchill, a former St. Luke's Hospital employe.

If the human rights department prevails, the hospital could be forced to pay back benefits to 77 other present and former employes of St. Luke's disabled by pregnancy on or after June 2, 1977, the effective date of the human rights department complaint.

More women employed by St. Joseph's Hospital of St. Paul would also receive benefits because they are involved in a separate but similar case, said Carl Warren of the state attorney general's office and staff representative for the human rights unit.

The hospitals contend they are not bound by the state human rights law, passed in 1969, because it is superseded by a clause in ERISA that preempts any law trying to modify an employe welfare benefit plan, said James Dawson, attorney for United Hospitals Inc.

Employers in other states that mandated pregnancy benefits before the amendment to Title VII of the 1964 Civil Rights Act was passed are arguing similarly in other suits. The amendment, which demands pregnancy be covered like other disabilities, went into effect in April 1979.

"We want to point out that we are paying pregnancy benefits and have been since the Title VII amendments went into effect," Mr. Dawson said.

The state, however, doesn't see it that way, Mr. Warren said. The human rights department has investigated the matter and issued a complaint charging the hospitals with violating Minnesota law.

The state has 30 days to respond to the suit. Barring a court order, the department will conduct a hearing to determine whether the hospital must pay back benefits. ▪

Prizes used to prevent claim fraud

WASHINGTON—A chance to win a color television set or a luxury automobile is the bait the Washington Metropolitan Area Transit Authority is offering to stem the rising number of workers compensation claims.

In its 1981 fiscal budget, Metro, which operates the Washington area's public transit system, proposes that $60,000 be spent for lotteries to discourage employes from filing phony claims.

The $60,000 would be used to buy 60 color television sets and two luxury cars for winners of a series of lotteries for those who do not file claims.

Employes with no claims for three months would compete for the television sets, while employes who have a claim-free record for six months would be eligible for the luxury automobile drawing.

A similar program has shaved workers compensation costs for Bi-State Transit in St. Louis, the only other U.S. transit authority that has been able to cut its compensation costs in recent years.

Metro's compensation costs have soared in the last few years. In its 1980 fiscal year that ends June 30, Metro expects to pay out some $9.2 million in workers compensation claims, almost six times more than in 1975.

Metro officials blame the extraordinary increase in claims on the availability of generous workers compensation benefits. A disabled employe can collect up to $426.26 a week in tax-free benefits. ▪

SHORT TERM LIABILITY

Trade Shows
Conventions
Concerts
Shows
Athletic Events
Liquidators

High Limits - Reasonable rates - Domestic Carriers

THE RICHARD - THOMAS AGENCY
1432 Old Northern Blvd.
Roslyn, New York 11576
516 621-0202
Mr. Richard Sklover

52 great issues coming up!

ISSUE NUMBER	ISSUE DATE	AD CLOSING
15. RIMS PREVIEW EXTRA DISTRIBUTION AT ANNUAL CONFERENCE	APR 14	Apr 1
16. RIMS Conference Report #1	APR 21	Apr 9
17. RIMS Conference Report #2	APR 28	Apr 16

more to come:

	ISSUE DATE	AD CLOSING
13.	MAR 31	Mar 19
14.	APR 7	Mar 26
15. R.I.M.S. PREVIEW	APR 14	Apr 1
16. R.I.M.S. Conference Report #1	APR 21	Apr 9
17. R.I.M.S. Conference Report #2	APR 28	Apr 16
18.	MAY 5	Apr 23
19.	MAY 12	Apr 30
20. LOSS PREVENTION — SAFETY/SECURITY	MAY 19	May 6
21.	MAY 26	May 14
22.	JUN 2	May 20
23. Market Report: California	JUN 9	May 28
24.	JUN 16	Jun 4
25. EXCESS/SURPLUS	JUN 23	Jun 10

You can now reach the decision makers in the insurance marketplace 52 times a year in the industry's communications leader ... *Business Insurance*. Listed above are upcoming issues; advertising closing dates and special editorial information for the next few months. Be where the action is this week and *every* week. For a full schedule of 1980 issues write or call us.

business insurance
a publication of Crain Communications Inc.

New York: 708 Third Avenue, NY 10017 (212) 986-5050 Chicago: 740 Rush Street, IL 60611 (312) 649-5275 Los Angeles: 6404 Wilshire Blvd., CA 90048 (213) 651-3710

Lloyd's studies Sasse suit settlement

By JOHN MILLER

london line

LONDON—Lloyd's of London will examine offering a settlement to the Sasse Syndicate members suing Lloyd's.

In announcing the settlement possibility last week, Lloyd's said it is concerned the Sasse litigation is damaging Lloyd's reputation.

Any settlement, however, would require all 46 or 47 litigants—the number is uncertain—to retract their claims and admit their accusations against Lloyd's are groundless (*BI*, Feb. 11).

The Sasse members suing Lloyd's charge Lloyd's failed to properly perform its controlling duties and neglected supervision of the syndicate, allowing it to be burdened with bad risks that have caused it $41 million in losses.

Lloyd's committee chairman Peter Green told *Business Insurance*, "We are very concerned about the ultimate damage which can be done to Lloyd's if suggestions are being made that cast doubt about the security of Lloyd's policies or the unwillingness of members to support such policies.

"Until these proceedings, no underwriter had thought of disputing liability on the grounds of invalid binding authorities and we are satisfied any such authorities issued on behalf of Lloyd's underwriters effectively bind them to the risks they accept.

"All valid claims on Sasse policies will be met and we have taken steps to ensure the present litigation doesn't prejudice any claims."

Mr. Green called the Sasse members' charges that Lloyd's had breached its duty to supervise the syndicate "a misunderstanding of market relationships."

Tradition challenged

The close links between major Lloyd's brokers and their underwriting agents (*BI*, Nov. 26, 1979) have come under fire by a top C.T. Bowring executive.

"It may be in the best interests, as well as for the benefit of its policyholders, if a separation is achieved between brokers and managing agents," Ivor Binney, chairman of the insurance holdings division of C.T. Bowring and a member of the committee of Lloyd's, told the Insurance Institute of London.

"So while brokers may continue to introduce names to Lloyd's through their agencies, they must in some way divorce themselves from control of the managing underwriting agents."

Mr. Binney noted that the "ownership by brokers of underwriting agencies is fairly unique to the London market. On the face of it, such relationships could surely result in the prostitution of underwriting judgment for the benefit of broking profits. I don't think any of us is so naive to believe that in isolated instances it has never happened."

Mr. Binney warned that brokers are getting more and more into underwriting management, particularly when their clients have captives that want to broaden their accounts outside the parent companies.

Nuclear reactor

The U.K. government plans to use a pressurized water reactor, similar to the one involved in the U.S. Three Mile Island accident, in Britain's next nuclear plant.

But Energy Minister David Howell has issued a report saying that this type of reactor can be operated safely, adding that the Harrisburg, Pa., incident did not result from serious inherent weakness in the system.

"What went wrong with the U.S. plant was more to do with the organizational procedures and much less to do with the system's integrity," Mr. Howell told members of Parliament.

"The organizational arrangements for building and operating power reactors in this country are already similar to those recommended in the Kemeny Report in the U.S. Possible need for detailed changes is being considered, but no fundamental revisions are thought necessary.

"Human errors, training and emergency plans all receive attention in the Kemeny Report, and there are lessons to be learned which will certainly be studied by us in the U.K."

Norman Lamont, a junior energy minister, also insists the safety record of Britain's nuclear power industry is outstanding. No accidents causing significant public hazard have occurred in 22 years of commercial operations, he said.

"The annual radiation exposure of the U.K. population resulting from all the activities of the nuclear industry is less than half of 1% of the total radiation exposure from all natural and manmade sources. To the individual it is less than the radiation received from one diagnostic X-ray," Mr. Lamont said.

Shipping casualties

World shipping casualties for 1979 will cost the international insurance markets more than $700 million in claim settlements, predict marine insurers at Lloyd's.

"This has been the worst period we've ever faced in peacetime for

Want to contain insurance costs

. . . without sacrificing policyholder services?

If cash flow conservation is a problem, and you want outstanding service assistance and low retention charges, one of Washington National's Alternative Funding approaches could be the answer:

High Deductible Major Medical Plan has a yearly front-end deductible of at least $500 per insured individual with group policyholder self-insuring all or some of the deductible.

Contingent Discount under which the policyholder takes a monthly premium discount and remits some or all of the discount as a 13th premiums if claims warrant.

Cost-Plus is a Premium Deposit Cost-Plus payment arrangement that provides cash flow advantages by reducing the risk of underwriting losses.

Stop Loss Coverages provide self-insurers aggregate and/or individual protection against unpredictable catastrophic losses in any one year.

Administrative Services Only provide group administrative services without risk to insurer. Available to groups able to self-insure benefit costs, but who are in need of administration and monitoring.

For further information and service you can count on, contact:

Robert P. Schartz
Group Department
(312) 866-3407

Blue Chip Leads!

Do You Sell A Financial Service Or Product?

Every Profitable Prospect In Your Area Is In The New 1980-81

FINANCIAL DIRECTORY OF PENSION FUNDS

(Includes Keogh Holders)
Many new features, including thousands of additional funds! 300,000 telephone numbers and contact names! Bonus marketing analysis reports! Complete national update!

Send For Free Brochure and Price List!

Insurance Research, Inc.
515 National Press Bldg.,
Washington, D.C. 20045
(202) 638-1984

Name ______
Company ______
Address ______
City/State/Zip ______

casualties, and claims are still coming in, so the ultimate figure of insurance losses will be much higher," warns David Burling, who keeps Lloyd's casualty lists.

The lists only cover insured hull losses, which reached $250 million for Lloyd's and other markets in the last quarter of 1979. Ships worth less than $1.1 million and cargo claims are not counted in the statistics.

"Some marine underwriting results are likely to be relatively poor and could well affect 1978-79 profitability," he adds.

Ships with Greek flags of registry have the poorest record, with 38 ships lost, followed by Panama, 26; Liberia, 16, and the U.S., 14.

Storm losses

U.S. storm losses for 1979 may eventually cost insurers as much as $1.7 billion, not including catastrophes covered by the federal flood insurance program, Swiss Reinsurance Co. estimates.

Meanwhile, in Britain, two days of severe storms and floods in the southwest portion in December cost U.K. insurers $55 million in losses, and auto claims will add substantially to that amount.

Overseas losses

Premium rates for foreign political and business risks are likely to be increased this year by the U.K. Export Credits Guarantee Department, which insures firms against any losses on overseas project contracts.

The department paid $300 million in claims last year, $60 million more than its premium income. Debts on Iranian business already total nearly $200 million for the coming year, and U.K. firms may also suffer losses on business with Zambia, the Sudan and Nigeria.

Risk exec survey

An increasing number of U.K. companies are self-insuring, risk managers report in a special survey on corporate attitudes prepared by the Assn. of Risk Managers in Industry & Commerce.

Of the companies sampled, 72.4% have hiked their self-insured retention because of greater use of risk management techniques coupled with claims experience and the benefit of premium savings.

Risk managers are reviewing their programs more regularly than in the past and use brokers less often, although brokers are still needed for access to Lloyd's coverage. A significant number of "in-house" broking subsidiaries have been set up in the past 10 years and captives are also gaining popularity.

The corporate status of U.K. risk managers is improving, the survey shows. Many risk managers have greater control over their company's premium expenditure than they did 10 years ago. Salaries have risen nearly 200% in the last decade and now average $17,000 a year.

The survey, undertaken by AIRMIC's Midlands Region, may be obtained for $27.50 from its secretary, Mary Thatcher, at 31/35 Fenchurch St., London EC3M.

Oil claims

Shell International has issued writs for $56 million against Lloyd's and Frederick Soudan, owner of the supertanker Salem, in the disappearance of the vessel and its crude oil cargo in January (*BI*, Feb. 4).

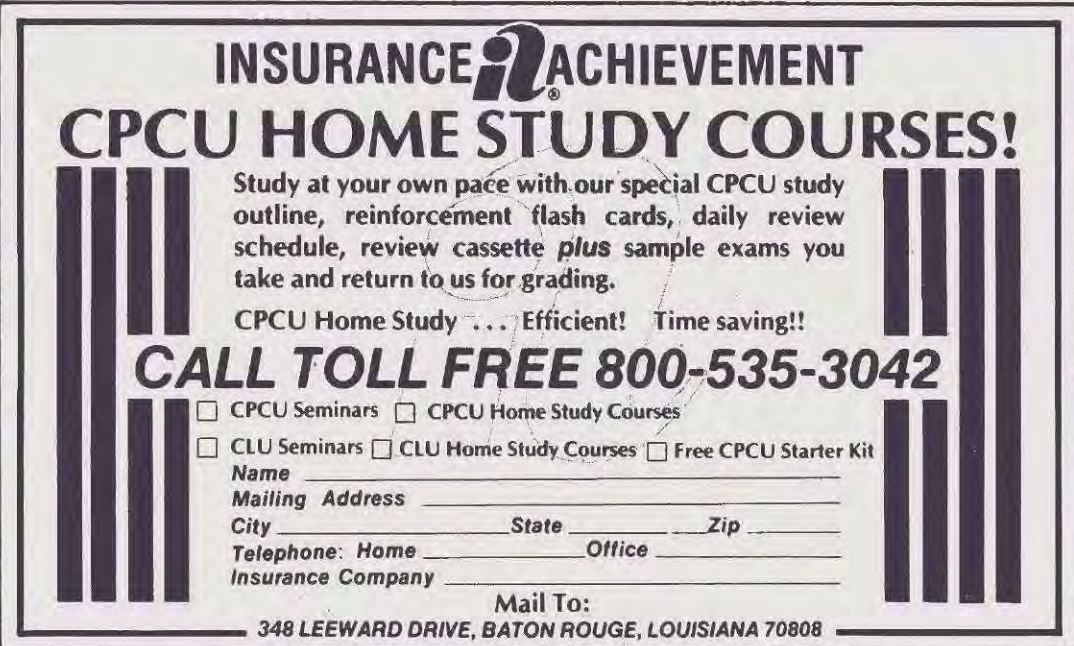
Shell is covered by two Lloyd's policies, one for all its worldwide oil shipments and another originally granted to the Swiss Pontoil organization, which sold the $56 million cargo to Shell before the tanker sank. But because Shell holds a substantial retention layer on its own policies, it hopes to recoup its losses under the Pontoil policy.

Underwriters contend the terms of the Pontoil policy do not apply, and Shell has warned that it will claim the loss under its own policy if there is doubt over the firm's rights.

Meanwhile, fraud squad officers from Scotland Yard have continued their probe into the tanker's mysterious sinking and disappearance of oil, and are on the trail of an international gang believed to have been responsible for several efforts to trick insurers.

Detective chief superintendent Peter Griggs and a team of experienced investigators have visited South America, Liberia, Greece, Italy, Switzerland and Germany.

Mr. Soudan, the ship's owner in Houston, Tex., who put the tanker out to charter for the voyage, has disclaimed any knowledge of fraud. ■



TURNED DOWN FOR D & O INSURANCE?

Many organizations are finding it impossible to buy D&O insurance. That's because the small group of carriers who offer it generally concentrate on the larger accounts with big premiums, and are not very receptive to risks that don't meet their exact standards.

At Wohlreich & Anderson we know that all kinds of organizations need the same type of protection as the established ones. That is why we have developed a D&O facility designed specifically to accommodate the risk that is *too new, too small* or *too unusual* for other carriers.

Our policy provides all the same features that other D&O markets do. But we offer one thing they don't. We're willing to consider just about any kind of risk — not only the conventional corporations. We can also handle accounts and associations where special attention regarding coverages, limits and retentions is required.

So don't have your clients go without Directors & Officers coverage any longer. For a quotation or more information, please contact your nearest Wohlreich & Anderson office listed below.

Wohlreich & Anderson
We're the market others have to beat.

Boston, Mass. (617) 426-9556
Chicago, Ill. (312) 454-0696
Cleveland, Ohio (216) 241-2917
Columbia, Md. (301) 997-1272
Garden City, N.Y. (516) 222-0801
Hartford, Conn. (203) 561-3600
Indianapolis, Ind. (317) 842-5911
King of Prussia, Pa. (215) 688-3532
Livingston, N.J. (201) 994-0896
Los Angeles, Calif. (213) 383-0436
New York, N.Y. (212) 349-3020
Pittsburgh, Pa. (412) 232-3235
Portland, Or. (503) 226-6525
Richmond, Va. (804) 745-9460
St. Louis, Mo. (314) 231-5586
San Francisco, Calif. (415) 981-7190
Seattle, Wash. (206) 624-6080
Southfield, Mich. (313) 569-3188

Home Office: 6 Commerce Drive, Cranford, N.J. 07016—(201) 272-2500

Storm losses

Insured damage has been estimated at $5 million as a result of tornadoes and severe thunderstorms that moved through Florida, the Carolinas and Virginia March 1-2, according to the American Insurance Assn. The Insurance Services Office has assigned the storms Catastrophe No. 49.

CLAIM MANAGEMENT SERVICES
RISK MANAGERS/CAPTIVES/REINSURORS
casualty reserves • major case • audit/review • program analysis • contract adjusting analysis • • self-insured • aggregate covers • experienced in Fortune 500 claim programs
John J. O'Connor
B.A., L.L.B., I.I.A.
Consultant
11 Patrick Lane
Wilton, Connecticut 06897
Phone: (203) 762-9564

New charge against Federal Leasing

Lloyd's fights $23 million claim

By JOHN H. MILLER

LONDON—Lloyd's of London is challenging the right of Federal Leasing Corp. to get an advance $23 million payment on a $623 million computer leasing suit against Lloyd's.

Lloyd's had agreed in March 1978 to advance funds to Federal, but now contends that new information clears Lloyd's of liability for the $23 million in claims.

Federal Leasing of McLean, Va., misrepresented and omitted material facts when securing coverage for some of its leasing operations in 1974, Lloyd's charges in response to Federal Leasing's $623 million suit against it in U.S. District Court in Baltimore, Md. (*BI*, July 23, 1979). Oral arguments were heard March 14.

Lloyd's charges that Federal was able to obtain financing from banks and investors because it assured them it had obtained insurance against contract terminations, but without full regard for the commercial risks that might have been involved.

Lloyd's is asking the court to refuse the advance payment since there hasn't been a jury verdict on whether Federal obtained coverage in some instances by misrepresentation and omissions. Lloyd's argues that the master policies for Federal were so worded that even one false or fraudulent claim voids all claims under the policies.

Federal denies the charges, contending all its transactions were commercially sound. It is suing Lloyd's for $600 million in damages in addition to seeking $23 million for claims payments.

"The business atmosphere was permeated by high front-end profits to Federal Leasing and whopping commissions to its sales force and principals," Lloyd's documents say.

Federal was so successful in getting leasing business that in 1976 it boasted the market was being inundated with third-party leasing companies trying to emulate its own plan to provide equipment financing for government users, Lloyd's contends. Federal openly proclaimed it was able to remain the leader by developing sources of long-term financing at reduced interest rates.

In spring of 1974, Thomas G. Yeager III of Baker, Watts & Co. went to London on Federal's behalf to obtain the first of three "master policies" for computer leasing. They were presented to Lloyd's through Peter Nottage of Adams Brothers Contingency Ltd.

"Federal represented that the deals would be commercially sound transactions which presented financial risks wholly acceptable to its loaners and investors without regard to the existence of any Lloyd's policy," the documents say. But Federal then obtained loans on the basis of the Lloyd's coverage, not necessarily because the transactions were sound, Lloyd's says.

"Profits and commissions for Federal continued from 1976 through 1978 as it declared transactions for insurance cover which it could not possibly have believed were likely to last for the full leasing term," Lloyd's charges. "This occurred in spite of its consistent representations that no transaction would be so declared if it had reason to believe the user would terminate before the lease expired."

New charge

Lloyd's contends Federal obtained loans on the basis of its coverage, not its business.

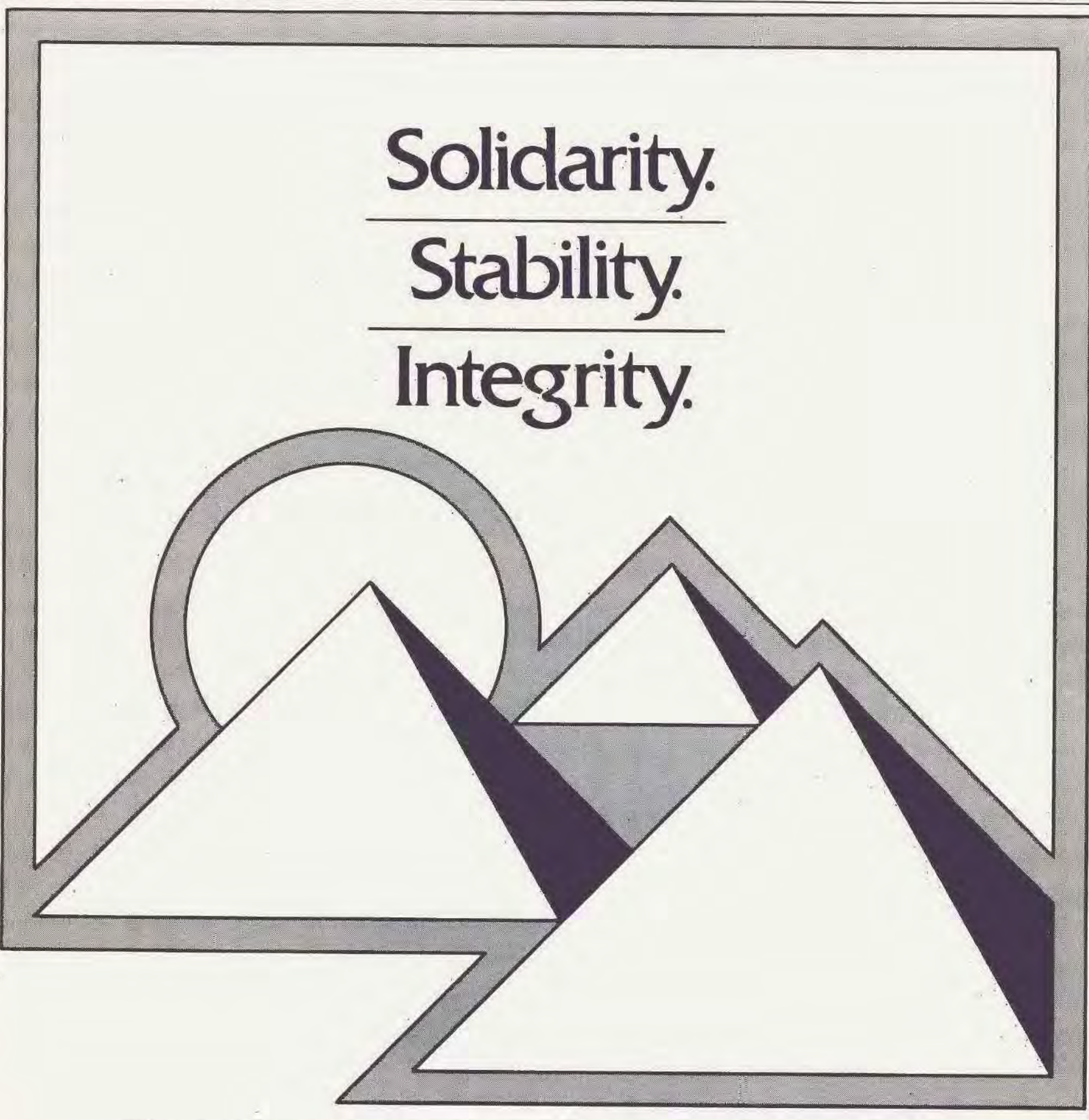
Federal counters that the Lloyd's policy was solely a vehicle needed to comply with state and federal banking laws.

But Lloyd's contends Federal achieved its "resounding business success" by convincing London underwriters that its leasing deals were regarded by investors as acceptable risks even without the presence of insurance cover.

Lloyd's also protests that Federal violated a $3 million maximum coverage limit under the 1975 and 1976 master policies. American Computer Services, according to Lloyd's, integrated the procurement of two IBM 370/168s for Transamerica Information Services for more than $8 million. But when Federal was brought under the Lloyd's policy, the lease was restructured into separate schedules, Lloyd's charges, leading underwriters to believe individual transactions for less than $3 million were involved.

Dallas County Data Services submitted requirements in February 1976 for two mainframe computers to be located at the Dallas county records building. Although they were located in the same room, with a "channel-to-channel adaptor" that permitted the system to be integrated, underwriters were given separate declarations for $1.65 million and $2.21 million respectively, Lloyd's says.

Lloyd's asserts that Federal created unnecessary risks for underwriters in its agreement with government users and "flew in the face" of its due diligence obligations by providing for early termination at the user's convenience and other provisions. ■



Principles That Endure Throughout The Years

Certain timeless principles stand untouched by economic and social change. Solidarity, stability, and integrity are three such principles on which we have built our future in the field of Excess and Surplus Lines insurance.

With the knowledge that a successful business must be firmly committed to unchanging ethics, we will continue to dedicate our insurance services efforts to business practices and standards of the highest quality.

Associated International Insurance Company

Member Stewart Wrightson Insurance Group, London
Excess • Special Risk • Surplus Lines • Liability and Property
Home Office: 3670 Wilshire Blvd., Los Angeles, CA 90010 • (213) 385-2017 Telex 67-3231
Cosmos Management Services Co., an Illinois corporation
Chicago Office: 300 West Washington Blvd., Suite 1405, Chicago, IL 60606 • (312) 346-4560 Telex 20-6311
Business accepted through specifically qualified surplus line brokers

More risk consultants offer services

RISK MANAGEMENT consultants inadvertantly omitted from the directory of consultants published in the Feb. 18 issue of *Business Insurance* are listed here.

The independent consultants are those not affiliated with any broker, insurer or insurance services organization. Affiliated consultants listed in this directory are owned by brokers, insurers or other insurance service organizations.

Independent consultants

Commercial Risk Consultants

P.O. Box 606, Hampton, Va. 23669; 804-723-0254

Commercial Risk Consultants is a one-consultant firm providing personalized risk management service to firms that have no full-time risk manager.

John Newby, president, services eight medium-sized clients ranging from food processing and manufacturing firms to construction and petroleum distribution companies.

Mr. Newby charges an annual retainer fee based on the complexity of the account. Fees range from $2,500 to $12,000, averaging around $6,000.

Corporate Risk Management Inc.

120 E. Ogden Ave., Hinsdale, Ill. 60521; 312-325-2110

Corporate Risk Management Inc. is a two-consultant firm with approximately 10 clients on retainer and another 30 for which the firm provides one-time services. Evaluation of premium structure and coverage and establishment of safety programs are among the services Corporate Risk Management Inc. offers.

Fees range from $70 to $100 per hour with a minimum fee requirement of $6,000. Fees are determined by projected hours of assignment or percentages of premiums.

"We anticipate working for over 50 firms in 1980 with gross revenues between $250,000 and $400,000," said Robert A. Wilson, president. The company specializes in manufacturing firms with sales of $1 million to $75 million.

Fortune & Co. Risk Managers

7933-A State Line Rd., P.O. Box 8643, Kansas City, Mo. 64114; 816-444-6855

Started about 19 months ago, Fortune & Co. provides risk management and insurance consulting services to small and medium-sized business corporations and political subdivisions. Services are directed toward clients that do not have full-time risk management or insurance expertise on staff and are offered on a retainer or special project basis.

Fortune & Co. services about 20 clients, six of which are on retainer status. The firm has two consultants and a back-up staff of two. Principal is David E. Fortune. Fees are charged on an hourly basis and average $50 to $90 per hour with clerical time billed separately at $15 to $20 per hour.

Robert Hughes & Associates

7839 Churchill Way, Suite 130, Dallas, Tex. 75251; 214-980-0088.

Robert Hughes and Robert Shaw teamed up about 13 months ago to offer consulting services ranging from insurance audits to risk funding studies. "While we work for all aspects of private industry, most clients come from the oil industry, financial institutions and manufacturing areas," said Mr. Shaw, executive vp.

The firm services about 50 clients, 75% of which are on a retainer basis; three clients are in the Fortune 1,000 category. Five consultants and a support staff of seven assist Mr. Hughes and Mr. Shaw.

Fees range from $2,500 to $60,000 and are calculated on an hourly basis. The average fee is $10,000. Offices are in Dallas and Calgary, Alberta, Canada.

Industrial Insurance Management Corp.

6000 Monroe Road, P.O. Box 18308, Charlotte, N.C. 28218; 704-535-1123

"We go in and fill the gap between small companies and giant ones," said Glen E. Pehl, president of Industrial Insurance Management Corp. This 13-year-old firm provides all types of property, casualty and employe benefit services for its 152 clients.

A staff of 11 consultants and 11 support personnel provides services for 127 clients on a retainer basis and perform 20 to 25 one-time opinions each year. Charges are on a flat fee basis and range from $1,500 to $16,000, with an average fee of $5,000 to $7,000. New clients must pay a minimum fee of $3,500.

Industrial Insurance Management has yearly revenues of about $750,000. Offices are in Birmingham, Ala., Richmond, Va., and Charlotte, N.C.

Waters Risk Management

7110 Augusta Blvd. N., Seminole, Fla. 33543; 813-397-8665

Allan Waters and two support staff provide consulting services to business and government clients

Continued on next page

Princeton Risk Managers

Excess-Surplus • Risk Management Concepts • Reinsurance
"Correspondents at Lloyds, London"
1101 State Road (Bldg. E), Princeton, New Jersey 08540 Telex 843 300 Phone (201) 297-5300

10 more consultants offer help to buyers

Continued from previous page
throughout Florida. Services of this 21-month-old firm include risk management audits, insurance marketing assistance and self-insurance feasibility studies.

Mr. Waters charges $75 per hour for single projects and $60 per hour for assignments on retainer. Fees average $5,000. Of seven corporate clients, three were on a retainer basis last year. Mr. Waters is anticipating a 50% increase in business in 1980 and estimates revenues will be $25,000 to $30,000.

Affiliated consultants

Continental Special Risk Underwriters

83 Maiden Lane, New York, N.Y. 10038; 212-440-2373

This 14-month-old firm is a facility of Continental Insurance Cos. and services "well in excess of 100 clients," of which at least 20% are in the Fortune 1,000 category, according to Robert Dorgan, vp.

The firm's eight consultants are part of an overall organization of 230 people that provides feasibility and casualty studies, actuarial services, analysis of claims and loss control and engineering programs.

Fees depend on services and are negotiable. Mr. Dorgan declined to release revenues.

ESIS Inc.

4050 Wilshire Blvd., Los Angeles, Calif. 90010; 213-480-4600

ESIS Inc., a subsidiary of INA Corp., celebrated its 25th anniversary in 1980. The firm offers a wide range of services, including: a specialized program in claims management, self-funded employe benefits, loss control, statistical analysis, actuarial evaluations, safety and health education training and rehabilitation.

More than 1,500 clients are served by ESIS, but president Harley K. Dulaney has "no idea" how many are in the Fortune 1,000 category. The largest percentage of clients are on annual retainer.

Fees depend on the services provided and are determined on an individual client basis. ESIS draws upon an INA consulting staff of more than 3,000 throughout the U.S. and the world. Services are marketed through 10 regional offices and agents and brokers. The firm administered claims in excess of $250 million for clients in 1979.

NATLSCO National Loss Control Service Corp.

Long Grove, Ill. 60049; 312-540-3230

NATLSCO is a subsidiary of Kemper Corp. in Long Grove, Ill., and contracts to use Kemper claims facilities and staff. About 125 consultants and support staff of 75 service more than 300 corporate clients, half of which are in the Fortune 1,000 category.

The firm has 80% of the clients on retainer. An additional 400 clients use the industrial hygiene laboratory services once or twice.

Claims management and more than 10 other loss control services are offered at 110 claims offices. Fees range by the level of expertise and type of services.

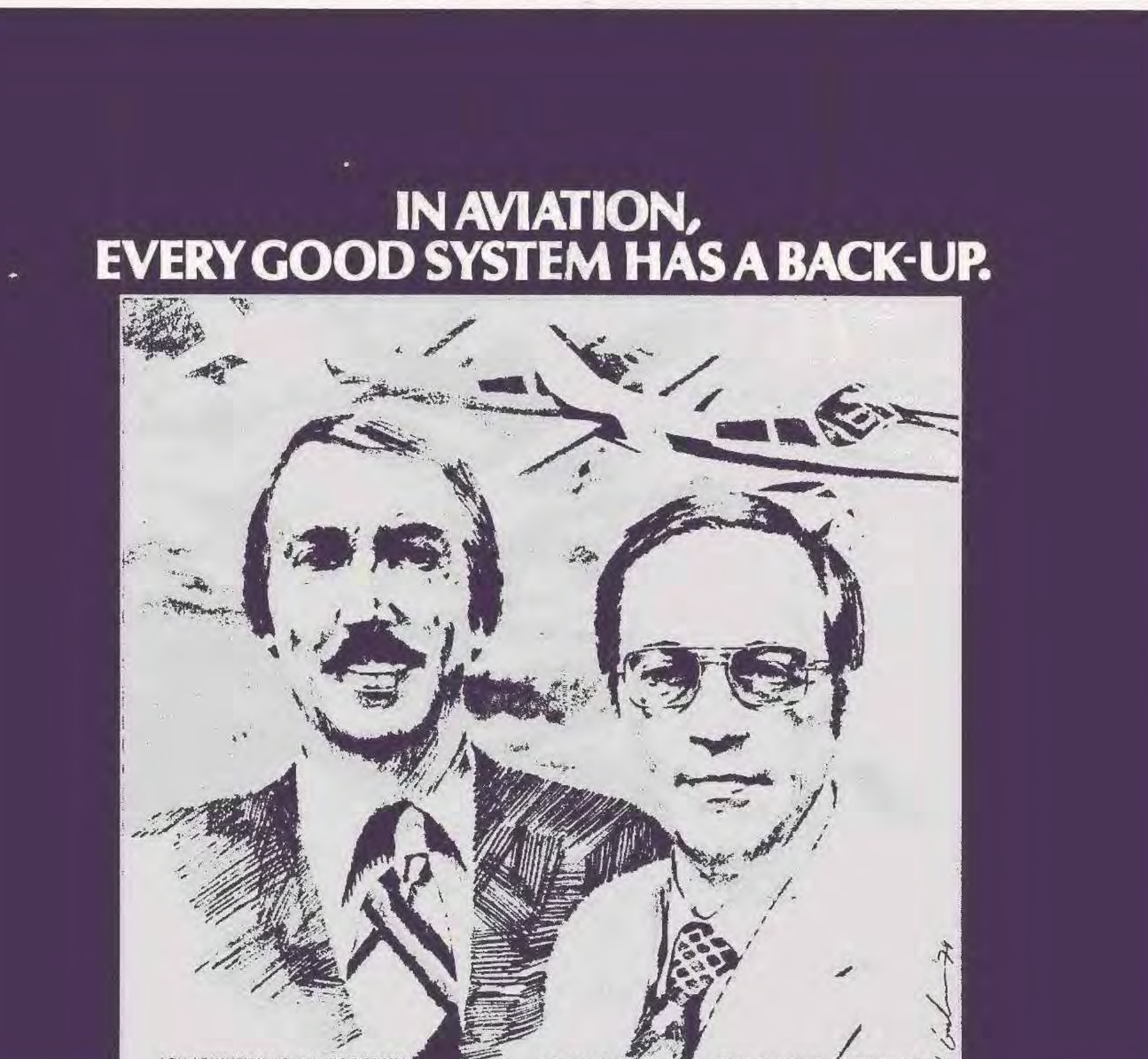
St. Paul Risk Services

424 Hamm Building, St. Paul, Minn. 55102; 612-221-7990

This year-old subsidiary of St. Paul Fire & Marine Insurance Co. specializes in financial feasibility studies and actuarial consulting services for self-insurers. "We're essentially helping businesses make the decision of whether they're qualified to be self-insurers," said Jon Roeder, marketing officer.

St. Paul Risk Services is more of a service organization than a consulting firm and provides claims administration, loss prevention and research services, he said.

Corporate clients number "well in excess of 100" and are serviced by 45 major branch offices and more than 90 satellite offices of St. Paul Fire & Marine. He declined to discuss fees and yearly revenues. ■



N.Y. tightens grip on medical bills, trims comp cost

NEW YORK—Tighter control over medical payments is saving New York City nearly $400,000 on its annual workers compensation bill.

The city saves by fighting improper medical bills and speeding payments to medical care providers to reduce penalties from a high of $200,000 three years ago to less than $10,000 in 1979, said Philip Agree, assistant in charge of the city law department's division of affirmative litigation.

Mr. Agree is in charge of reducing the city's workers compensation costs. A report issued last July by the state controller's office charged New York City with permitting excessive payments to beneficiaries and failing to control costs (*BI*, Oct. 15, 1979).

Better scheduling of medical examinations for injured employes has improved the city's ability to screen improper medical bills and reveal them to the state workers compensation board, Mr. Agree said.

Medical examinations were previously scheduled on a haphazard basis, with exams often taking place two months after an injury occurred. More staff doctors have joined the workers compensation section to accelerate examinations, he added.

New York also now requires prior authorization before a claimant can undergo testing or surgery, Mr. Agree said, but fast examinations mean a claimant rarely has to wait more than a couple of days.

The city also saves by tapping more of the state special disability fund, which provides benefits to workers whose on-the-job injuries are related to prior handicaps. Recoveries from the fund during 1979 were $123,000, up from $49,000 in 1978. The rate of recovery in 1980 has already exceeded that in 1979.

However, Mr. Agree would like to see the city recover more payments equal to what other insurers in the state are able to recover. The city's recovery rate is about 15%, compared with 91% for the state insurance fund.

Although better controls have saved some money for the city, Mr. Agree and his staff must build stronger dams to stem the flood of increasing compensation claims. In fiscal year 1979, the city had 13,000 workers compensation claims, 1,000 more than the previous year.

"The risk management concept has not been applied by the city anywhere near the extent that it should. We expect to be very active in this area in the next few months," Mr. Agree noted. ▪

Adjuster sets reward

NEW YORK—An adjuster working for a syndicate of Belgian insurers is offering a $150,000 reward for information leading to recovery of $2.7 million worth of nonradioactive cobalt stolen from a Port Newark, N.J., warehouse.

An audit revealed 216 drums, each containing 550 pounds of powdered cobalt, were taken Feb. 27 by gun-toting thieves who handcuffed six warehouse employes, loaded the drums onto tractor-trailers and drove off, said E. Raymond Keyes, president of International Adjusters Ltd.

African Metals Corp., a Belgian concern that buys cobalt from mines in Zaire and sells to about 60 customers in the U.S. and Canada, owns the missing shipment. Nonradioactive cobalt is used primarily to harden alloys used in manufacturing aircraft.

Investigators believe the heist was aided by insiders because it was well-planned and the metal has limited market value. Mr. Keyes said the drums can be traced to African Metals because special codes identify their lot number and chemical analyses. ▪

CAPTIVE INSURANCE

The captive insurance company is a mysterious concept. Landmark is actively involved, through offices in Bermuda, the Bahamas and the Cayman Islands, in the management of offshore insurance subsidiaries for major corporation/association clients. Our onshore offices provide captive feasibility analyses for you or your insured. May we tell you more?

MR. WILLIAM E. THOMPSON, PRESIDENT
THE LANDMARK INSURANCE GROUP, INC.
POST OFFICE BOX 676, OKLAHOMA CITY, OK. 73101 TELEPHONE 405/521-9911 TELEX 74-7191

THE WORLD OF THE LANDMARK GROUP

Who brings resourcefulness, along with resources, to excess and special risks?

The crack troop from Baccala & Shoop.

At Baccala & Shoop, we don't try to be all things to all producers. Our only business is total underwriting management of excess and special risk insurance.

The men and women of Baccala & Shoop have a lot to give — and give their all. They don't take pat stands when making risk decisions. To each individual proposal, they apply ingenuity plus solid experience. In fact, their resourcefulness has helped us achieve a primary goal: to produce profits year after year for the companies we represent.

In casualty, we have in-house and supplementary resources to cover potential liability for nearly every kind of third-party risk — via Umbrella Liability, Gap/Buffer Layers and Excess Workers Compensation. In property, we also have the capacity to tailor coverage for your requirements in Primary Quota Share, Excess of Loss, All Risks, D.I.C. and Builders Risk.

Why settle for the ordinary in excess and special risks when you can just as well have a masterly touch. Pick up the phone and call in the crack troop from Baccala & Shoop.

We'll put our reputation for consistency and stability on the line.

Baccala & Shoop

Atlanta • Chicago • Columbus, Ohio • Dallas • Houston • Los Angeles • New York • Philadelphia • Phoenix • San Francisco • Seattle

Captive steers bus group into profits

By RHONDA L. RUNDLE

WASHINGTON—A trade association of private school bus contractors is in the driver's seat of an insurance program that steers members out of the unstable standard markets and into a customized rent-a-captive arrangement.

Underwriting profits and interest are riding piggyback in a separate fund within the rent-a-captive that may be used to capitalize a spin-off captive wholly owned by association members.

"We're keeping our options open," notes Billie Reynolds, executive director of the National School Transportation Assn. here. As capital accumulates, NSTA says it may start up its own captive whose stock would be distributed among the members.

There are other courses open, too, Ms. Reynolds points out. NSTA could distribute dividends to reduce premiums or assume risk in one of the reinsurance layers.

In its first year, which ended in December, the NSTA program generated $3.3 million in premiums. The first $250,000 in coverage is fronted through National Union with the first $25,000 flowing into the rent-a-captive, Centurion Reinsurance Ltd. in the Cayman Islands. Various reinsurance policies underwritten by General Reinsurance Corp., Bermuda insurers Mentor Insurance Co. Ltd. and Walton Insurance Co. Ltd. and Lloyd's of London bring the coverage to $5 million.

Centurion, which provides the vehicle for the program, is owned by a group of private investors through the Bank of Nova Scotia Trust Co.

So far about 170 policies have been written for general and automobile liability and physical damage among the approximately 3,000 members of NSTA. An average fleet numbers 60 buses, but association members run the gamut from the one-bus operator to the transportation behemoth with 2,500 buses.

"We've penetrated about 20% of the target market," observes Webster Sills, senior account executive for Warren & Sommer Inc., brokers for NSTA. Participation is growing rapidly, however, and Mr. Sills hopes to eventually write about $15 million in premium volume in the program.

"There's also much more money inside the public schools," he adds, and the program would be greatly strengthened by their participation.

Ms. Reynolds does not rule out the possibility that the program might be extended to include the public sector, down the road. "We're considering it," she says cautiously. "We don't know as much about their safety performance as we do about our own. Private owners tend to show a better safety record than the public sector. We're also concerned about the kind of leverage we could exert in loss control."

Just over a year ago, insurance prospects for NSTA members looked grim. Markets were hard to find and premiums were high. "There isn't a casualty market in the U.S. we weren't in contact with," Ms. Reynolds recalls.

The trouble started in 1974 when many markets began to abandon the school bus business. The Hartford Insurance Co., underwriting many association risks at the time, withdrew from the market in 1975.

Premiums jumped to $1,200 per bus from $250 in some areas, Ms. Reynolds recalls. Many association members were stuck with three-year operating contracts they couldn't renegotiate. They had to eat higher insurance costs. It didn't help matters any that at about the same time there were some bad accidents and a couple of fatalities, Ms. Reynolds admits.

Although insurance was generally available to the big operators with sizable fleets, other members were out of luck. NSTA, working with then independent insurance counselor Larry Bakken, set out to devise a program that would be stable, tailored specifically to school bus business and able to underwrite diverse-sized risks. Mr. Bakken is now a consultant with Holm & Associates in Minneapolis.

In the past, operators have been obliged to buy insurance packages that didn't really meet their needs, Ms. Reynolds says. In the new program, there is appropriate coverage for field trips as well as regular school session runs. The individual operator is not forced into buying more coverage than he wants or needs.

The association lacked the capital to start a captive insurance company right off the bat. Mr. Bakken, working with Denver brokers Warren & Sommer, brainstormed a painless alternative through a rent-a-captive arrangement that could store capital until funds accrued to clone a captive.

According to regulations in Bermuda and Grand Cayman, $120,000 is required to capitalize a new captive, notes Chuck Hiatt, consulting actuary to the Bank of Nova Scotia Trust Co., which manages Centurion Reinsurance Ltd.

The NSTA insurance committee will meet in April to discuss captive capitalization and a wide range of other matters pertaining to the association's insurance program.

Mr. Hiatt anticipates it would take the program about three years to generate the kind of profitability needed for NSTA to start its own captive insurance company. It also depends on NSTA membership participation and the programs profits. ■

Charting a course

NSTA, working with then independent insurance counselor Larry Bakken, set out to devise a stable program, tailored to school bus business and able to cover diverse-sized risks.

A symbol of success in excess.

Transco Insurance Services provides you with professional underwriting management capability in commercial property, casualty and excess worker's compensation on a direct and assumed facultative reinsurance basis.

We are currently underwriting, on a nationwide basis, excess and surplus line business and assumed facultative reinsurance for eight companies, four of which are Bests' rated "A" or "A+".

We accept business from surplus line brokers, reinsurance brokers and ceding insurance companies.

Our present underwriting capacity is $750,000 on property, $6,000,000 on casualty and $1,000,000 on excess worker's compensation. At Transco we also specialize in S.I.R. programs.

Write or call regarding a brokerage agreement or for additional information.

Transco Insurance Services
Home office: 1610 Oak Street P.O. Box 678 Solvang California 93463
(805) 688-4995/Telex 65-8428/Telecopier 805-688-2668
Peter J. O'Shaughnessy, President
Branch Office: 310 South Michigan Avenue Chicago, Illinois 606604
(312) 346-1027/Telex 20-6331/Telecopier 312-346-7739
Robert Henson, Vice President

Computer simulations

WM&G helps execs choose retention

WARREN, McVEIGH & Griffin has developed a new way for risk managers to choose a self-insured retention level.

The new method uses the usual answers provided by computer simulations: the aggregate annual self-insured loss is portrayed as a probability distribution, allowing the risk manager to determine his or her expected loss, the most likely level of loss, the chance of exceeding a maximum annual amount and the level of funding that is 95% likely to be adequate for the year.

The second part of the approach helps the risk manager associate a dollar value with the uncertainty of his losses as well as with the expected losses. This risk loss can be compared to the premiums (and services, if any) for each level of excess insurance.

A risk manager need not be familiar with computers or computer printouts; the retention calculations are embodied in worksheets, which are being made available along with explanatory material to WM&G clients.

products & services

Safety glasses

Bausch & Lomb has put Priority on its new models of high-fashion safety eyeglasses. The Priority models PR60 and PR70 are available in large S-10 eye sizes and four colors each. More information on the glasses is available at 800-828-1430 or 800-462-4893 in New York state.

Photos: Bausch & Lomb

Bausch & Lomb has put out a new line of high-fashion safety glasses called Priority.

Gas explosion damages plant

EAST RUTHERFORD, N.J.—Less than 15 minutes after a worker in the Meehan-Tooker printing plant here heard a hissing noise coming from a nearby gas pipe—prompting an immediate evacuation—a gas explosion ripped the plant and indefinitely ruptured its operations.

Company officials are now assessing damages to the plant, which may take more than a week, and have yet to come up with a preliminary estimate on losses. But a spokeswoman for John Blair & Co., parent firm of Meehan-Tooker, said the company believes it has "sufficient" insurance to cover both property and business interruption losses. Deductibles for both policies were described as less than $10,000.

There were no injuries in the March 10 explosion. Preliminary investigations have shown that although substantial damage had been done to parts of the plant, the printing presses might have escaped harm.

Product guarantee

Manufacturers can now buy insurance to cover the costs of replacing or repairing defective products through a new policy offered by the American International Group.

The "product guarantee legal liability insurance," marketed through American International Underwriters and American Home Assurance Co., now will provide coverage typically excluded from standard product liability insurance, according to AIG. AIG officials declined to give a range of premiums it would charge customers and what limits would be available.

By covering such things as the bursting of a high-pressure pipe or the bending of a steel girder under stress, for example, the policy allows the manufacturer to guarantee to its clients that it will cover any costs involved in replacing the defective part. Typically, manufacturers who incurred expenses in the past because of malfunctioning products could only count on a tax break to recoup some of their losses. Now the policy will do that for them at a fixed premium that is also tax deductible.

Mineral analysis

Trace mineral analysis of hair can help reduce workers compensation and health care costs by providing early recognition of toxic substances in body tissues, says Bio-Medical Data Inc. of West Chicago, Ill., which offers the procedure to employers. The simple test complements blood and urine tests.

Information regarding the analysis may be obtained from Bob Smith, Bio-Medical Data Inc., P.O. Box 397, West Chicago, Ill. 60185.

Management firm

Corroon & Black Corp., an international insurance brokerage firm, has formed a new company, Corroon & Black (Bermuda) Ltd., to provide management services for C&B's offshore insurance company clients.

The new firm is headquartered in Hamilton, Bermuda, and will provide all insurance, reinsurance, accounting and filing services required by Bermuda-based insurers that do not have in-house staffs. John J. Lorhan, formerly a partner with Coopers & Lybrand in Hamilton, has been named president and chief executive officer of the new firm.

Form pays off.

ROLLINS BURDICK HUNTER

Multinational Insurance Brokers World Headquarters: 10 South Riverside Plaza, Chicago, Illinois 60606

New firm stresses retirement planning

EMPLOYE BENEFIT communications, financial planning and implementation of new retirement benefit programs is the focus of United Enterprise Security Corp., a new firm in Dallas.

UESCO will conduct benefit seminars at corporations, evaluate current benefit plans, assist employes with financial planning and deliver new benefit products, including term life insurance, annuities and mutual funds, offering a higher rate of return than traditional life insurance, said V.F. Martin, president and chief executive officer of UESCO.

"We believe there will be no significant change in the number of people with adequate income at retirement unless the company helps them plan for it," Mr. Martin said. "We feel strongly that the old life insurance programs will no longer suffice," in a time of double-digit inflation.

UESCO's headquarters are at 508 Carillon Tower East, 13601 Preston Road, Dallas, Tex. 75240; 214-387-3901.

markets

Profits paid out

Physicians & Surgeons Insurance Exchange of California has celebrated its third birthday by distributing more than $547,000 of operating profits to its members.

The doctor-owned medical liability insurer, based in Pasadena, has increased its assets in three years to more than $18 million from an original borrowed $575,000, vice-chairman Robert L. Westin said. Policyholders' surplus has climbed to more than $5.3 million from $575,000, and the insurer has paid more than $790,000 in dividends since its inception. Last year members' premiums were reduced by more than $1.5 million in rate reductions.

E/S outreach

American Reinsurance Co. has expanded the outreach of its excess and surplus lines facilities through four new offices in three states.

American Excess Insurance Co., an American Re subsidiary insurer licensed in Delaware, California, Connecticut and New York, opened branch offices in Los Angeles and San Francisco. Am-Re Managers of Texas Inc., an excess/surplus lines agency, has been established with headquarters in Dallas. Am-Re Brokers Inc. opened a branch office in Atlanta.

The firms write umbrella, excess workers compensation, self-insured retention contracts, capacity and umbrella layers and manuscript policies at limits of up to $10 million or more.

Aneco branch

Aneco Group of America Inc., a subsidiary of Aneco Reinsurance Co. Ltd. in Hamilton, Bermuda, has opened a new excess and surplus lines firm, ANEXCO Insurance Agency Inc.

Combined operation

Crosbie & Co. Ltd. and Reed Shaw Stenhouse Ltd. have agreed in principle to form an organization to serve the expanding Newfoundland market. The agreement includes acquisition of a minority interest in Crosbie & Co. by Reed Shaw Stenhouse and a name change to reflect combined operations.

Zurich reinsurer

Zurich Insurance Co. will set up a U.S. reinsurance subsidiary, Zurich Reinsurance Co. of New York, capitalized for $10 million. Operations will be handled by a management corporation that will also manage the business of another reinsurance company set up by Trhyss Hansa of Sweden in coordination with Zurich Insurance.

Reinsurance broker

Schiff Terhune International Inc. and Wigham Poland of London, both international insurance brokers, have formed Eagle Intermediaries, a reinsurance broking house in New York. The president and chief executive officer of Eagle is Keith N. Smaldon.

Rural department

Fireman's Fund Insurance Cos. has established a new department to provide personal and commercial lines services, including those for agribusiness, outside major metropolitan areas.

The new operation, called the rural markets department, will handle all business outside Standard Metropolitan Statistical Areas—counties with population centers of 50,000 or more. The department will also handle farm business within and outside SMSAs.

The nucleus of the rural markets department is Fireman's Fund's farm department and its network of farm specialists in its branch offices. Vp Dwight F. Alverson, a farm underwriter since 1948 and head of the farm department since it was formed in 1972, was named rural markets executive and will direct the new unit. The first branches scheduled to make the transition are Minneapolis, Davenport, Kansas City and Cincinnati.

Acquisitions

Corroon & Black Corp. has reached an agreement in principle to acquire two Detroit insurance brokerage and agency firms, the Puritan Agency and Wm. A. Prew Co. The acquisition of Puritan will be for an undisclosed amount of cash, Corroon & Black officials said. Prew will be acquired for cash and shares of Corroon & Black common stock. The firms will be merged under the name Corroon & Black of Michigan. The new firm will be managed by the present staffs of Puritan & Prew: William Prew as chairman of the board; C.A. Heuer, vice chairman of the board, and John Collins, president.

Fred S. James & Co. has completed the acquisition of Ditzel & Hurst Insurance, a Southern California property/casualty brokerage in Encino. Ditzel will operate as a division of James of Los Angeles. A James spokesman says the acquisition was made to augment James's capability in the creation of large and unusual property insurance programs.

Matson, Driscoll & Damico, a national certified public account-

WHO CARES WHAT HAPPENS . . .

AFTER THE GROUP INSURANCE CONTRACT IS SIGNED?

THESE TOP PROVIDENT PRODUCERS CARE!

The kind of care Mike Oglesby, Dave Kemmerer, Bob Anderson and Don Simon demonstrated during the most recent production year won them top honors as Provident's leading Group Pro's.

Most New Cases
Mike Oglesby
Dallas Group

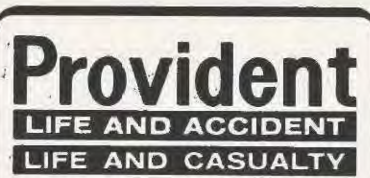
Most Life Volume
Dave Kemmerer
New York Group

Most New Premium
Bob Anderson
Cincinnati Group

Most from Premium Plan Revisions
Don Simon
Chattanooga Group

These men are hard to beat—ask any of our other Group Pro's—They'll tell you.

Who cares? We care!



GROUP DEPARTMENT
CHATTANOOGA, TN 37402

ing firm that concentrates on loss valuations for insurers, has acquired Johnson, Atwater & Co., another CPA firm in the same practice. The acquisition creates a New York office for MD&D, of which Peter J. Kahn is resident managing partner and Gerald W. Warshaw is resident partner.

John Hancock Mutual Life Insurance Co. has completed its acquisition of Dikewood Industries Inc., an Albuquerque data processing and analysis firm serving the health care industry. The new subsidiary is called Hancock/Dikewood Services Inc.

William M. Mercer Inc. has entered into an agreement to sell Western Travelers Life Insurance Co. to Orange State Life Insurance Co. for an undisclosed sum.

LFC Insurance has merged with the California subsidiary of Schiff Terhune Inc.

Fred S. James & Co. Inc. has acquired Morris-Hopson Insurance Agency Inc. of El Reno, Okla.

Parkington Associates Ltd., a New York excess/surplus brokerage firm, acquired Patton/PBL Brokerage Ltd., another New York excess/surplus broker, effective Feb. 1. Patton/PBL, a one-year-old firm, had a premium volume of less than $1 million, said Parkington president Gerard J. Nolan.

Armco Inc. of Middletown, Ohio, and American Druggists Insurance Co. of Cincinnati have reached an agreement in principle allowing Armco to acquire American Druggists through a merger of the latter firm with a subsidiary of Bellefonte Financial Corp.

New name

J. Frank Holt & Co., a wholly owned subsidiary of Arthur J. Gallagher & Co. of Rolling Meadows, Ill., has been renamed Arthur J. Gallagher & Co.-Dallas. J. Frank Holt will serve as area chairman and James M. Higbee will be area president.

New offices

Sayre & Toso Inc.'s Boston office has moved to new quarters at 1 Boston Place, 23rd floor, Boston, Mass. 02108; 617-973-4660, telex 921-748.

Fitzpatrick Self-Insurance Administrators has opened a new administrative office for workers compensation programs at 600 N. Mountain Ave., Upland, Calif. 91786; 714-946-3833.

Pine Top Insurance Group of Cos. has opened a new underwriting office in London. It is at Fountain House, 130 Fenchurch St., London, EC3M, 5PT.

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

Talbot, Bird & Co. Inc., New York-based marine underwriter and manager, has opened a branch office at 10950 Grandview, Overland Park, Kan. 66210. The office will be managed by Jerry Elliott.

Zurich-American Insurance Cos. has begun relocating its new corporate headquarters from Chicago to 231 N. Martingale Road, Schaumburg, Ill. 60196; 312-842-6000.

Fred S. James & Co. has relocated its Seattle operations. The office is now at 1700 Fourth and Blanchard Building, Seattle, Wash. 98121; 206-623-5900.

Stewart Smith organization has opened a new Detroit office, Stewart Smith Michigan Inc., that will operate as a wholly owned subsidiary of Stewart Smith Mid America in Chicago. The new office is at Suite 1066, City National Bank Building, Detroit, Mich. 48226; 313-963-7084.

Hales & Associates Inc. has opened a branch office in Menlo Park, Calif. The management consulting firm is at 540 Santa Cruz Ave., Menlo Park, Calif. 94025; 415-326-0722.

Fred S. James & Co. of Florida has opened a full-service insurance brokerage office in Jacksonville, Fla. The new office will provide brokering, risk management and related property and casualty services, says Thomas J. Walker, president of the Florida subsidiary of Fred S. James & Co. Inc.

Edward A. Prater has been appointed vp and manager of the new office. Bruce E. Carr joins Mr. Prater as assistant vp and marketing manager.

The office is in the Atlantic Bank Building, Suite 1310, 200 West Forsyth, Jacksonville, Fla. 32202. ■

One Call Gets Results!

For all your Excess & Surplus needs, call the "can do" people from DVUA

Philadelphia (215) 572-3800
Pittsburgh (412) 281-3920
New Jersey (201) 731-3033
Ohio (216) 449-0351
New York (212) 227-8606

DELAWARE VALLEY UNDERWRITING AGENCY, INC.

Philadelphia (Wyncote): Corp. Hdqtrs.
125 Greenwood Ave., Wyncote, Pa. 19095

Now insuring the World of Trade ...from the World Trade Center

WM. H. McGEE & CO., INC. MARINE UNDERWRITERS 1887

For worldwide coverage...

WM. H. McGEE & CO., INC.

Four World Trade Center, New York, N.Y. 10048
212-775-1300

Atlanta • Baltimore • Boston • Chicago • Columbus • Dallas • Detroit • Hamilton, Bermuda
Houston • Los Angeles • Montreal • Newark • New Orleans • New York Regional
Philadelphia • Pittsburgh • San Francisco • Seattle • Syracuse • Toronto • Vancouver

Established 1887 • Correspondents throughout the World

info

• **John Eastern Co. Inc.**, insurance adjusters, has available a 24-page promotional brochure describing its services. For a free copy write Don Johns, president, John Eastern Co. Inc., P.O. Box 4175, Sarasota, Fla. 33578.

• How do the Social Security amendments of 1977 affect **pension plans?** Kwasha Lipton is offering its newsletter on the subject to aid corporate benefit managers in understanding the issues. For a free copy write Dept. M, Kwasha Lipton, 429 Sylvan Ave., Englewood Cliffs, N.J. 07632.

• Better Ideas, Better Ways, Better Skills is the title of a brochure giving detailed information about the **employe benefit** institutes, seminars, conferences and workshops being offered by the International Foundation of Employe Benefit Plans in 1979. For a free copy write International Foundation of Employe Benefit Plans, P.O. Box 69, Brookfield, Wisc. 53005.

• **A Comparison of Pension Plans** is a four-page brochure from David Langer Co. Inc. that contrasts a prior plan and an amended plan. Factors considered are number of covered employes, total salary, annual pension benefits, insurance volume, pension contributions and insurance premiums. For a free copy write David Langer Co., 60 E. 42nd St., New York, N.Y. 10017.

• Industrial managers, architects and contractors are offered **Recommended Good Practice for Protection of Buildings Under Construction** by Industrial Risk Insurers. For a free copy write Robert F. Quagliaroli, publications department, Industrial Risk Insurers, 85 Woodland St., Hartford, Conn. 06102.

• **Plant Shutdowns**—Accounting for Unfunded Pension Liabilities is discussed in a Kwasha Lipton newsletter. For a free copy write Dept. M, Kwasha Lipton, 429 Sylvan Ave., Englewood Cliffs, N.J. 07632.

• Have you considered limited **Self-Funding** for your employe health benefits? If so, Leader Administrators Inc. is offering a pamphlet explaining the self-funding concept and outlining limited self-funding. For a free copy write William A. Leader, Leader Administrators Inc., 1009 W. Ninth Ave., King of Prussia, Pa. 19406.

• Bayly, Martin & Fay International Inc. has prepared a **captive insurance company** report dealing with motivations for captives, including a detailed comparison of statutory regulations governing captives in Colorado and Bermuda. For a free copy, write Samuel Alcorn, senior vp, Bayly, Martin & Fay International Inc., 3200 Wilshire Blvd., Los Angeles, Calif. 90010.

• Northwestern National Life Insurance Co. has published a primer on **self-funding of employe benefits** that covers everything from concept and development to legal considerations and the market today. For a free copy write Virginia Charboneau, Northwestern National Life Insurance Co., 20 Washington Ave. S., Minneapolis, Minn. 55440.

• Learn about ERISA and private and public pension and retirement plans in the U.S. in **Pension Facts 1978-1979**, published by the American Council of Life Insurance. The report includes a glossary of pension terms and bibliography of literature in the field. For a single free copy, write American Council of Life Insurance, Dept. 507, 1850 K St. N.W., Washington, D.C. 20006.

• A promotional brochure describing **risk management services and loss funding alternatives** is available free from Allovio Corp. Write Allovio Corp., Long Grove Executive House, P.O. Box 214B, Long Grove, Ill. 60047.

• Your employes' children can scratch, sniff, color and learn about **fire safety** with this one. It's a Scratch 'n' Sniff Fire Safety Coloring Book produced by the Home Safety Equipment Co. Inc. There's a handy box you can fill in with your company's name to let them know it's from you. For a free copy write Home Safety Equipment Co. Inc., P.O. Box 691, New Albany, Ind. 47150.

• Could you identify the hazards and stresses created by your company's work environment? Could you control them? Employe Benefits Insurance Co. has an illustrated brochure to help you and to outline its services in the field of **occupational health.** For a free copy write Harry Gordon, vp and California division manager, EBI Cos., 234 Gish Road, San Jose, Calif. 95112.

• **Is Self-Insurance Answer to Rising Costs?** is the title of an article reprinted from Health Care Week. The author, Ralph Carnesecchi, a senior consultant with EBASCO Risk Management Consultants Inc., discusses establishing a self-insurance program, pre-funding, the excess market and the advantages of commercial insurers and self-insurance. For a free reprint write B.H. Suter, EBASCO Risk Management Consultants Inc., 100 Church St., New York, N.Y. 10007.

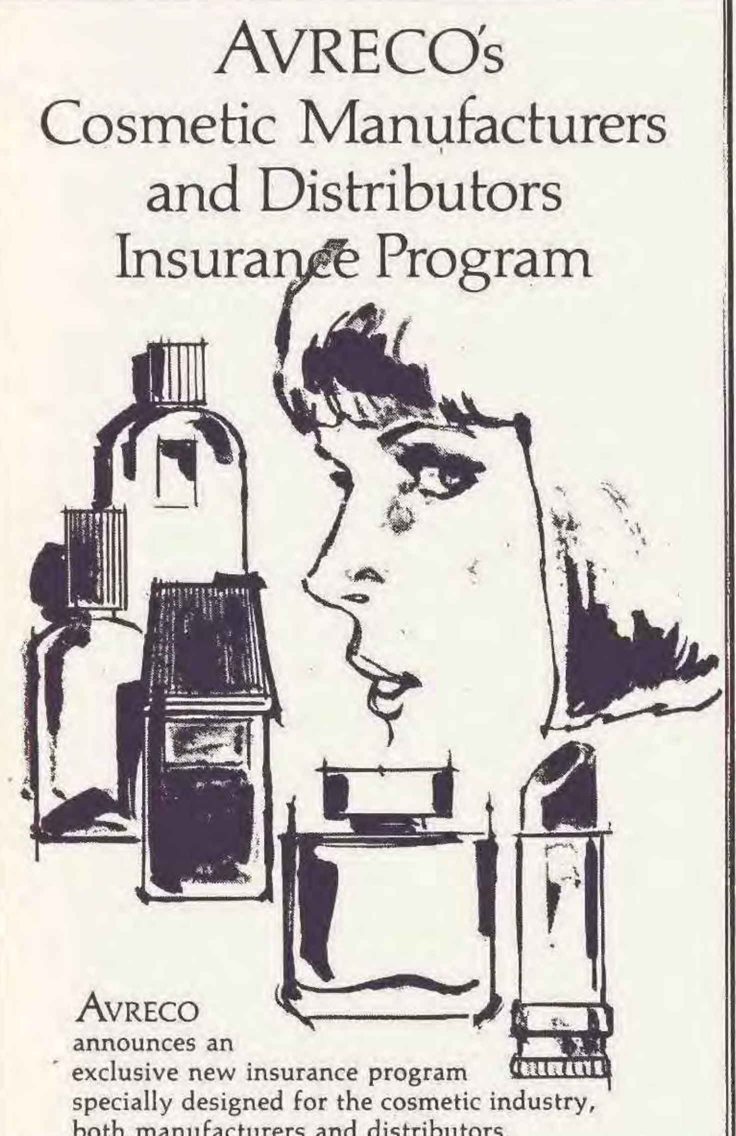
• **INSURNET**, a division of American Information Development, offers a free promotional brochure describing how its on-line computerized risk management system can produce reports and manage claims payments. For a free copy write INSURNET, American Information Development, P. O. Box 99343, San Francisco, Calif. 94109.

• The 1980 **Guidelines for Improving Practice,** a loss prevention series for architects and engineers published by Victor O. Shinnerer & Co. Inc., is available free to professionals through the firm and available to others for an annual subscription fee of $50. Contact Victor O. Shinnerer & Co. Inc., attn. Guidelines for Improving Practice, 5028 Wisconsin Ave. N.W., Washington, D.C. 20016.

• The International Foundation of Employe Benefit Plans has published a book entitled **Fundamentals of Second Opinion Programs for Elective Surgery.** Members may purchase the book for $12, $11 for five or more copies. The book is $16 for nonmembers, $15 for five or more copies. Contact the International Foundation of Employe Benefit Plans, P.O. Box 69, Brookfield, Wis. 53005.

• Risk transfer by contract and its effect on the business insurance program is the topic of a new **contractual liability report** by James E. Mooney & Co. Inc. Copies are available for $10 each by writing Risk Management News, P.O. Box 50, 262 Mountain Ave., Springfield, N.J. 07081.

• The Wyatt Co. is offering an **Analysis of Fiduciary Liability Insurance** that describes the insurance and outlines differences in policies. Copies are complimentary to Wyatt clients, $15 to others. Write Warren G. Brockmeier, The Wyatt Co., Suite 5600, Sears Tower, 233 S. Wacker Dr., Chicago, Ill. 60606. ▪



AVRECO announces an exclusive new insurance program specially designed for the cosmetic industry, both manufacturers and distributors.

Limits are available to $5,000,000 on a broad form comprehensive basis at competitive terms. Coverage is written on an occurrence form with a claims made "buy-back" option. Various deductible or self-insured retention programs are available.

For application and information contact:

GEORGE TANTY

Avreco INC.

PROFESSIONALS IN SPECIAL RISK MARKETING

200 West Monroe Street • Chicago, Illinois 60606
312/663-1500 • Telex 25-3553

We'll take the risk

We just might be able to turn your "liabilities" into "assets". Don't give up. Let us place that difficult risk. Through our facilities and capabilities, we can become an important extension of your underwriting organization. We're specialists in the insurance specialty market.

Liability-Property Insurance

- Fire
- Package Policies
- First Loss
- O. L. & T.
- M. & C. Products
- Special Events
- Primary
- Excess
- Buffer Layers
- Liability
- Product
- Excess Liability
- S. M. P.
- Marine

Admitted and Surplus Facilities

IETM

International Excess and Treaty Managers, Inc.

Insurance and Re-Insurance

56 PINE STREET. PROVIDENCE. RHODE ISLAND 02903 TEL. (401) 272-5198

TELEX 952022 • BOSTON (617) 482-6526 • NEW YORK (516) 938-5566

datebook

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

APRIL 20-24. London Seminar 1980, sponsored by International Risk Management Institute Inc.; $595. William S. McIntyre, International Risk Management Institute, Building V, Suite 350, 10300 N. Central Expressway, Dallas, Tex. 75231; 800-527-6806.

APRIL 21-24. ERISA Today Course in San Diego, sponsored by Pepperdine University School of Law; $625 or $650 if registration is within two weeks of the session. Also **May 19-22** in Washington, D.C. ERISA Today Course, seminar division office, Suite 500, 1725 K St., N.W., Washington, D.C., 20006; 202-337-7000.

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

APRIL 28-29. Hazardous Chemicals Waste Disposal Conference in Austin, Tex., sponsored by the American Society of Safety Engineers; $130. Harry Mandt, UT System, 201 W. Seventh St., Austin, Tex. 78701; 512-471-4211.

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

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

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

MAY 1-2. Arson Seminar in New Haven, sponsored by the University of New Haven; $75. Fred Mercilliott, director of fire science, University of New Haven, West Haven, Conn. 06516; 203-934-6321.

MAY 1-2. Hazardous Chemical Safety Seminar in San Francisco, sponsored by J.T. Baker Chemical Co.; $265. Also **May 5-6** in Minneapolis, **May 8-9** in Chicago and **May 12-13** in Halifax, Nova Scotia. Ms. Anne Logan, J.T. Baker Chemical Co., 222 Red School Lane, Phillipsburg, N.J. 08865; 201-454-2500.

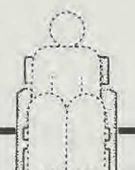
MAY 1-2. Management and Disposal of Hazardous and Chemical Wastes Course in Pittsburgh, sponsored by Advanced Environment Technology Corp. and J.T. Baker Chemical Co.; $345. Also **May 5-6** in San Diego, **May 8-9** in Seattle and **May 12-13** in Tampa. Anne Logan, J.T. Baker Chemical Co., 222 Red School Lane, Phillipsburg, N.J. 08865; 201-454-2500.

MAY 1-2. Liability of Corporate Officers and Directors Seminar in Chicago, sponsored by the Practising Law Institute; $225. Also **May 29-30** in New York. Practising Law Institute, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700.

MAY 1-2. Society of Insurance Research spring seminar in Chicago; $75 for members, $90 for nonmembers. Jack Ward, PR chairman, County Cos., P.O. Box 2020, Bloomington, Ill., 61701; 309-557-2636.

MAY 1-2. Risk Management Accounting Seminar in Chicago, sponsored by Corporate Systems; $345. Connie Oak, Corporate Systems, P.O. Box 31780, Amarillo, Tex. 79120; 806-376-4223.

MAY 1-4. Midyear Conference of the National Assn. of Professional Surplus Lines Offices Ltd. in Sun Valley, Idaho. NAPSLO, 3300 Northeast Expressway N.E., Suite 1-0, Atlanta, Ga. 30341; 404-952-8591. ■



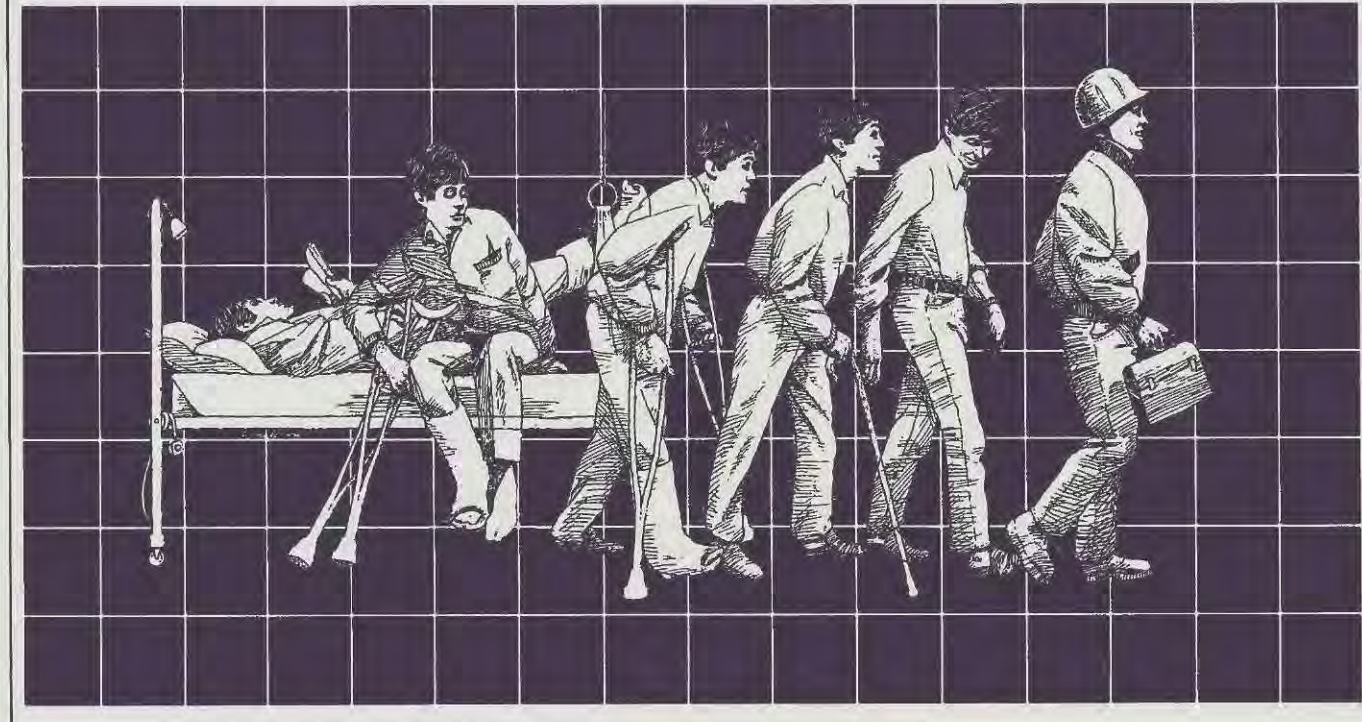
INDISPENSABLE READY REFERENCE:
1980 Edition
Analysis of workers' compensation laws

Vital information for small business owners, personnel directors, general counsels, insurance managers, and employee benefit directors, right at your fingertips in this one-of-a-kind publication. Prepared annually for up-to-date accuracy, more than 40 pages of charts enable quick comparisons and analyses of current laws in all 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, and the Canadian provinces. Invaluable resource on what's happening with benefits, coverage, insurance, and state requirements in the various jurisdictions. Order your copies today!

Chamber of Commerce of the United States
P.O. Box 114, Kensington, Maryland 20795
Please send Analysis of Workers' Compensation Laws—1980 Edition, #6174
No. wanted
___ Single copy, $6.00 ___ 2-9 copies @ $5.00 ea. ___ 10-99 copies @ $3.50 ea.
(Additional discounts on 100 or more copies)
Total $____
☐ Bill me. ☐ Check enclosed (Make payable to Chamber of Commerce of the U.S. Add appropriate sales tax for deliveries in California and the District of Columbia.)
Name
Phone ( )
Organization
Address
City/State Zip
BI 3.24

HOW IRA SAVES YOU CLAIMS DOLLARS:

HELPING THE INJURED WORKER GET BACK ON THE JOB.



At International Rehabilitation Associates (IRA), we've learned from our experience with over 700 companies that injured workers usually want to return to work. It's our task to make that road to recovery as smooth as possible for the worker, the worker's family and the employer.

IRA statistics show that for every dollar spent on effective rehabilitation, a *ten-fold* savings in claims can be realized. IRA's "whole person" approach to worker rehabilitation has been employed successfully in over 60,000 cases to date. As a consequence, the potential impact of disability payments over the long term has been reduced or eliminated for the companies involved.

IRA's "whole person" approach involves the consideration not only of medical requirements, but motivational, vocational and financial needs as well. The goal is to take every practical step in helping restore the worker to productive employment.

In the vital area of job placement, we always try to return workers to their original jobs. When that is not possible, an IRA job analysis can reveal ways in which job conditions may be altered to suit the injured worker. In still other cases, we can help find a new job that makes full use of what an injured worker can do.

A NEW BEGINNING

IRA's "whole person" approach to rehabilitation has often proven successful in saving claims dollars by bringing a new perspective to cases assumed to involve permanent total disability. The case of Marvin S., unable to return to work for an extended period of time due to a disabling injury, is typical.

The IRA Rehabilitation Specialist assigned to the case found that Marvin S. wanted to work, but that the nature of his disability had forced him to rule out the types of jobs he'd held in the past. After determining the extent of his capabilities through medical and vocational testing, IRA was able to help Marvin redefine his employment objectives and find a new, full-time job that exceeded both his occupational and financial expectations.

Now in its tenth year of operation, IRA has been providing rehabilitation services to self-insureds – as well as to insurers – longer than any other company; and with 50 offices across the country, we are able to offer rehabilitation services nationwide.

For more information, write: George Welch, President, International Rehabilitation Associates, 985 Old Eagle School Road, Wayne, PA 19087. Tel: (215) 687-9450.

international rehabilitation associates, inc.
In Canada: rehabilitation services of canada

Narrow view of First Amendment

Rulings prompt rise in libel premiums

By JERRY GEISEL

WASHINGTON—Broadcasters are protected against libel suits by the First Amendment's guarantee of free speech, but narrow interpretation in some states of the protection is costing broadcasters a bundle in insurance premiums.

Libel insurance policies cost 50% to 100% more in at least eight states than elsewhere because of the refusal of some state courts to honor Supreme Court decisions upholding First Amendment rights.

The National Assn. of Broadcasters, in surveying its 5,100 members, found premiums were especially high in South Carolina, Alabama, Oklahoma and Hawaii. Premium prices in California, Florida, Vermont and New Hampshire were higher than average.

In California, premiums are being pushed up because judges are erratic in their interpretation of libel laws, according to the survey. Very high legal defense costs also are reported in California.

In Oklahoma, the NAB survey found "hostility of judges and juries to First Amendment rights of news media." Judges and juries refuse to recognize even Supreme Court decisions favorable to news media, the study says.

In Vermont and New Hampshire, plaintiffs can sue up to six years after an allegedly defamatory broadcast. "The six-year statute of limitations tends to invite hard-to-defend suits while records and witnesses disappear," the study said.

In virtually every one of these eight states, defense costs tend to run much higher than elsewhere. "If a trial court, for example, will not permit a quick summary judgment in a case where the plaintiff has made a weak case, you may not have been able to vindicate yourself until thousands of dollars have been spent on an appeal to the state's highest court or beyond," according to the survey.

Footing the bills

Without libel insurance, stations "might be unduly vulnerable to the whims of those who hope to inhibit or suppress information . . . by filing potentially expensive-to-defend suits," says NAB.

The seven major underwriters of libel insurance—Chubb, CNA, Employers Reinsurance, Fireman's Fund, Lloyd's of London, Mutual Insurance Co. and Seaboard Surety—also differ in their sensitivity to First Amendment rights.

CNA, for example, says hasty settlement of libel cases, which could provide a short-term financial gain, only encourages decisions that cost more money in the future by setting bad precedents.

Fireman's Fund requires policyholders to issue a retraction if it thinks the broadcaster made a public statement discovered to be incorrect, the survey said.

Employers Reinsurance may require a retraction if it is convinced the statement for which a broadcaster is sued resulted from "error, mistake or untruth."

Other surveyed insurers do not require retractions.

The survey found that 60% of the money paid out by broadcasters' liability insurers goes to meet the legal expenses of successful defenses, leading the NAB to conclude that the "cost of defending a suit can be intimidating, if not crushing."

Without libel insurance to foot these enormous legal bills, stations "might be unduly vulnerable to the whims of those who hope to inhibit or suppress information . . . by filing potentially expensive-to-defend suits," the survey said.

Every libel insurance policy, except one, covers legal costs associated with defending a claim. Employers Reinsurance frequently sells legal defense coverage as an option.

Deductibles for libel policies start at $1,000, but per incident coverage generally begins at $100,000. The survey notes that "those experienced with the current pattern of court-ordered judgments recommended minimum aggregate coverage of $600,000 to $1 million."

Fifty-seven percent of NAB's membership provides some type of briefing for on-air staff, writers and producers about the dangers of libel, slander, invasion of privacy and copyright infringement.

•

Copies of "How and Why to Buy Defamation Insurance" can be obtained by writing the National Assn. of Broadcasters, 1771 N St. N.W., Washington, D.C. 20036; 202-293-3570.

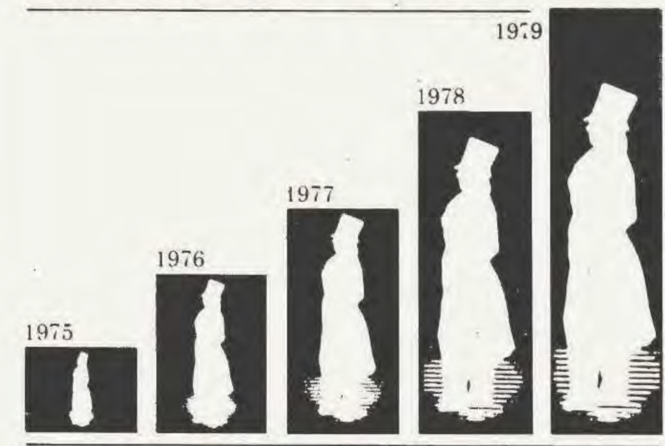
rare commodity

Personal, responsible, concerned service. As one of the largest privately held insurance brokerage firms, we offer the latest most innovative and complete insurance programs. Serivce with the extra degree of caring that comes when you deal with principals.

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

BI 3-80-2

Go with the best. Grow with Ambassador.



Ambassador's ratings by A.M. Best for 1979 are Policyholders': A+ Excellent Financial: XI

In the last five years, our surplus has grown from $3.7 million to in excess of $19 million — a 415% gain. Our total assets now exceed $92 million — a 563% increase over the same period. With solid advances like that — why not go with the best and grow with Ambassador!

Write or call for more information.

Ambassador Insurance Company
8400 River Road • North Bergen, NJ 07047
Tel: 201 861-0400 or 212 736-1246

“ ”

We'll let your
insurance agent or broker tell you,
in his own words,
why we're different.

CHUBB
Group of Insurance Companies
100 William Street, New York, N.Y. 10038

Chubb is proud to play a part in bringing you the Dick Cavett Show. Watch for it on your local PBS Station.

Captive/Bermuda report

Money managers vie for captive funds

By SUSAN ALT

CHICAGO—A score of money managers, investment advisers and securities dealers has suddenly been born again, baptized into a small but fast-growing fraternity of professionals hungrily eyeing the pools of funds amassed by corporations operating captive insurance companies in this country and offshore.

Before this article is completed, more firms looking to make money investing dollars or giving advice on where to put them will have come out of the woodwork, taking time out from their interest in other pools of institutional funds to chase after captive insurance companies.

"Bermuda is just crawling with bankers and money managers," moans Charles L.F.G. Hansard, vp of Hambrose Bank Ltd., the U.S. division of London's Hambrose Bank. "You go down there and see two people having lunch together and one of them will be the guy you had lunch with yesterday." The other, he implies, is a competing money manager also wooing the prospective client.

Typically, there are 15 or 20 potential managers knocking on a captive's door now when the account is up for bid, agrees Michael Dobson, assistant director of Morgan Grenfell & Co., New York.

"Competition is absolutely ruthless. In fact, it's suicidal," adds Mr. Hansard, a relative newcomer to the business of sparring for captive funds.

They're emerging at the rate of nearly one a month, estimating that the kitty is already sizable but will be enormous in a few more years, given the trend toward formation of group captives by companies with similar exposures wanting to share their risks. The pot of gold is roughly estimated at $3 billion available for management and growing at a rate of 25% to 30% a year.

Companies already in the ring or on the verge of making the move include the likes of Morgan Stanley & Co., Brown Brothers Harriman, Bank of America, Capitol Research, Citibank, Continental Illinois National Bank, Loomis Sayles & Co., A.H. Foster & Co., S.G. Warburg, Hambrose Bank, Fiduciary Trust Co. and Baring's Bank of London, to name a few.

Together with earlier entrants—Morgan Grenfell & Co., J. Henry Schroder Wagg, Kidder Peabody, Credit Suisse First Boston, Morgan Guaranty and Merrill Lynch (White Weld)—they are tripping over each other to get a foot in the door with corporate financial executives.

To shore up their package of services in the face of this onslaught by outside money managers, some firms managing U.S. and offshore captives for corporate clients are hiring in-house money managers themselves. One such manager is Richard S. Thompson, managing director of Altamid Management Co. Ltd. in Hamilton, Bermuda, who administers seven captives owned by single corporations as well as CIRCL, an insurer established by a group of large U.S. companies wanting to divide and share risks.

Joining Altamid July 1 to manage its pool of $50 million is a woman who formerly worked for Chemical Bank for five years in the investment department. Because she still must obtain a work permit to live in Bermuda and work there, Mr. Thompson wouldn't reveal the new employe's name.

In-house management advisory capability offers Altamid clients substantial cost savings in addition to better control over cash flow.

"I had a proposal from Manufacturers Hanover that they would charge .32% of $5 million under management, which comes out to about $16,000. For $10 million it would have cost us $30,000 a year for management services. So you can see what the potential savings are to have our own employe doing this," Mr. Thompson says.

In the past, he's personally managed all the funds generated by the captives, placing them largely in short-term money instruments and certificates of deposit.

Mr. Thompson's reason for hiring an in-house adviser gives a hint of why money managers are

Oil, Ocean Marine & Inland Marine Insurance On A World Wide Basis.

Oil-World Wide

Virtually any coverages required by the Oil Industry, including Land and Offshore Drilling Rigs; Drilling Barges; Control of Well, Pollution, Redrilling Expense; Confiscation, Expropriation, Naturalization and Deprivation, worldwide.

Mike Miller (713) 525-6141

Ocean Marine

Serving the Maritime Industry with quality coverages including Hull and Protection and Indemnity on Tug (offshore), Crewboats, Supply Boats, & Utility Vessels; Hull Builders Risk, Legal Liability—Ship Repairers & Stevedore's; Pleasure Craft (outboard); and Marinas.

Paul Williamson (713) 525-6188

Inland Marine

Specializing in all unregulated Inland Marine including CATV Property and Guarantees; Contractors Equipment; Mining Equipment; Motor Truck Cargo; Oil and Gas Lease Properties; Air Cargo; Bailee Customers; Installation Risks; and Transportation.

Dan H. Barr, Jr. (713) 525-6189

CRAVENS, DARGAN & COMPANY SPECIAL RISKS

1903 Hermann Dr. / P.O Box 1660 / Houston, Texas 77001 / (713) 525-6100

Where is Greenwood, Indiana?

The *leading* Benefit Consultants and Administrators know!

- Stop Loss for Partially Self Funded Groups Down to 10 Lives
- Stop Loss for Self Insured Benefit Plans
  - Aggregate
  - Specific
  - Catastrophic Coverages
- Mangement Services for Self Funded Benefit Plans
- Stop Loss for Self Funded LTD
- E & O Coverages for
  - Claims Administrators
  - Data Processors
  - Attorneys
  - Actuaries & Pension Consultants
- Ransom and Kidnap Coverage
- Professional Athletes' Coverage
- Blanket Bonds for Banks and Other Financial Institutions
- Group Life & AD&D
- Lump Sum Disability

BROUGHER AGENCY, INC.

Lloyd's, London Correspondents

10 Downing Street
P.O. Box 485
Greenwood, Indiana 46142
(317) 888-3531 / TWX 8102602230

so interested in this booming market for services. More than ever, with pools of funds growing quickly, sophisticated investments are being recognized as one of the best keys to success for companies operating captives. Reserves should reflect the best current investment returns in order to keep pace with inflating hazards and to help the parent corporation finance future insured losses more effectively.

3M Co. only recently decided to choose outside money managers for the funds resting in its Bermuda-based captive insurance subsidiary.

"There were two reasons we wanted outside managers," says Howard Weber, director of insurance for 3M in St. Paul. "As we got into more long-term underwriting with long-term needs, we wanted more medium- to long-term investments. Secondary to that was that as the funds increased, the involvement of our own in-house people was increasing to the point where it became economically better to use outside services."

Although he's intimately involved in the captive's operations, Mr. Weber didn't help choose the two outside money managers destined to split about $35 million; that was left up to 3M's full-time expert in money management, the person in charge of cash management under the corporate treasurer, who also uses outside pension fund managers and oversees those investments.

Morgan Guaranty Trust and Morgan Grenfell Investment Ltd. won the account. 3M specifically wanted London-based investment management firms because the captive insurer's investments will all be in foreign securities, largely Eurobonds.

Also vying for 3M's business were Merrill Lynch Pierce Fenner & Smith (with its prominent White Weld & Co. division that is well-established in the captive fund investment business), Kidder Peabody, Hambrose Bank, Continental Illinois National Bank and Fiduciary Trust Co.

Competition is most intense, however, when the handful of huge pools of funds in Bermuda is at stake. Take, for example, Oil Insurance Ltd.'s search last fall for two new money managers who would split $50 million in reserves. OIL's George Yaneff won't allow any one manager to handle more than $50 million, figuring that's the largest amount any one manager can efficiently keep track of. But he does allow a manager to hang onto investment returns that push the kitty over $50 million.

Mr. Yaneff, who already deploys a stable of four investment managers controlling investments of about $300 million in reserves for OIL, in concert with OIL's investment committee chose two new managers, N.M. Rothschild & Co., a London merchant bank, and Lombard Odier of Switzerland. OIL's previous managers include Morgan Grenfell & Co., Credit Suisse First Boston, J. Henry Schroder Wagg and Morgan Guaranty. OIL, sources said, is considering choosing one more manager later this year.

Although there are more than 1,000 captive insurance companies in operation here and offshore, most aren't big enough yet to catch the money managers' and securities dealers' eye. For the most part, the new professionals compete for the funds of about 100 captives, small enough that they can't afford in-house management (as, for example, Gulf's Insco, Ford's Ancon, ITT's Abbey or Armco's Bellefonte can and do) but with $5 million to $10 million in reserves, the point where a corporate financial officer begins to pay attention to investment strategy.

Though there may be only 100 or so captives with enough reserves to go after, that number is probably up from only 50 captives a year or two ago, says Werner Geneiser, a Euromarket specialist at the investment banking and brokerage firm of First Boston Corp. in New York and an early adviser on investing funds for captives.

A few undiscovered firms still exist, too, managers believe, mainly in captives whose parent corporations haven't learned what they can make in the Eurodollar markets.

"In one case, we had a guy with over $200 million in time deposits," says one leading investment adviser who works with captives. "Now, somebody like that needs a money manager."

Of the single-owner captives without professional money managers or investment advisers telling them where to put funds, reserves of an estimated 45% or so are handled by corporate risk managers who set them up; the rest have a corporate cash manager or pension fund manager doing the job.

"My best guess is that there will be up to $300 million in captive money available for managers this year," speculates Morgan Grenfell's Mr. Dobson. This new money will be largely from captives not presently having outside money managers, he thinks.

"The average size of the new captive we take on tends to be about $8 million," Mr. Dobson says. The average size of all 21 offshore captives for which Morgan Grenfell now manages funds is about $15 million. For this year, Mr. Dobson is targeting 15 captives whose money he'd like to win.

Association captives like OIL, however, with many corporate participants, attract the really big plays. AEGIS, the gas utility industry's insurer in Bermuda, only a few months ago needed a second money manager to join First Boston at the investment helm. AEGIS followed OIL's philosophy of limiting to $50 million the funds one manager can control, choosing Morgan Stanley & Co. to manage about $10 million in additional funds. Brown Brothers Harriman and Chase Manhattan Bank also competed. ▪

Fees falling fast

As the number of players in the captive money management game multiplies monthly, fees are being pushed down to levels characterized as "ridiculous" by just about everyone.

Everyone, that is, except the corporations whose captive insurance companies are paying the bills.

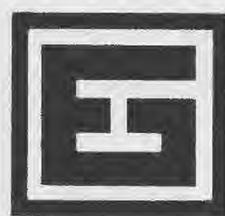
Fees charged a little more than a year ago of typically .75% to 1% of invested funds are now .1%, and may soon drop even lower.

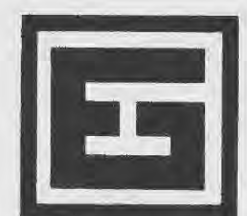
Competition among banks for extending letters of credit to clients is even more intense than competition for captive insurance funds. "The competition in letters of credit is so intense," says one leading banker, "that I've seen rates as low as 1/32nd or 1/64th of 1% being charged, even for small letters of credit. That's absurd."

Who's Who in Captive Money Management

London's Merchant Banks:	
Morgan Grenfell & Co.	New York/London
S.G. Warburg & Co.	London
Hambrose Bank Ltd.	New York
J. Henry Schroder Wagg	London
N.M. Rothschild & Sons	London
Credit Suisse First Boston	London
Baring's	London
U.S. Commercial Banks:	
Morgan Guaranty Trust Co.	New York/London
Citibank	New York/London
Continental Illinois National	Chicago/London
Bank of America	San Francisco/New York
Chase Manhattan Bank	New York
Fiduciary Trust Co.	New York
Manufacturers Hanover	New York

Investment Banking Firms & Securities Brokerages:	
Kidder Peabody & Co.	New York
First Boston Corp.	New York
Brown Brothers Harriman	New York
Merrill Lynch	New York
Ivory & Sime Ltd.	Edinburgh
Portfolio Managers:	
Loomis Sayles & Co.	Boston
Scudder Stevens & Clark	New York
Wellington Management Co.	Philadelphia
Capitol Research & Mgt.	New York
A.H. Foster & Co.	Ann Arbor, Mich.
Altamid Management Co.	Hamilton, Bermuda
Mead Financial Advisors Inc.	Hamilton, Bermuda/Dayton, Ohio





...A NAME TO KNOW
AND REMEMBER

Insurance Brokerage (US and Worldwide)

Risk Consulting

Captive Management

Self-Insurance Administration

Reinsurance Intermediary

"At Financial Guardian, we find ways to serve."

OFFICES IN PRINCIPAL CITIES.

CORPORATE HEADQUARTERS:
FINANCIAL GUARDIAN INSURANCE AGENCY, INC.
3100 BROADWAY, KANSAS CITY, Mo. 64111
PHONE 816/561-8630 · TELEX 424148

4 types of companies sell investment advice

CHICAGO—Some firms competing to manage or invest captive insurance company funds charge a flat fee upfront for investment or advisory services.

Others, particularly those willing to pare fees to the bone, make money on bond and securities trading. They buy bonds and other money instruments in the Euromarket and "sell" them to their captive insurer customers at a slightly higher price, generating a profit on the so-called "spread." In addition, they commonly earn commissions on the trades as well.

And there's a lot of finger-pointing by investment bankers, merchant banks and commercial banks eager to accuse their competitors of having built-in conflicts of interest as dealers.

Firms that are, as Werner Geneiser of First Boston Corp. puts it, "beating the drums" to sell investment services to captives can be broken down into four basic categories:

- London merchant banks such as Morgan Grenfell & Co., J. Henry Schroder Wagg, S.G. Warburg and Hambrose Bank, which as a group lead the pack of managers vying for business.
- U.S. commercial banks with London branch operations, with a two-pronged thrust. Trust departments are vying for business alongside but separate from the investment dealer operations.
- Brokerage houses and investment bankers such as First Boston, Morgan Stanley and Kidder Peabody.
- Independent investment advisers providing portfolio management advice and services but not buying and selling securities.

Although U.S. commercial banks make money on their dealer activities, buying international currency instruments on the open market and selling them to clients at a markup, bank trust departments can be hired as portfolio managers on a fee basis.

The big commercial banks are mostly Johnnies-come-lately to the captive insurer field, except for Morgan Guaranty Trust. New York's Citibank has recently launched a massive advertising campaign to sell itself as a one-stop shopping center for captive insurance company services.

Morgan Grenfell and Morgan Guaranty Trust Co., both well-established leaders in the field, are in a particularly interesting position. Morgan Grenfell, one-third owned by Morgan Guaranty, is competing fiercely against it in the world of international investments.

Morgan Grenfell started investing funds for captives about five years ago and now handles more than $300 million for 21 captive insurers in Bermuda and other offshore domiciles, as well as four multiple-owner mutuals and a couple of marine P&I clubs, says Michael Dobson, assistant director of Morgan Grenfell's New York operation.

Also competing with each other internationally are First Boston Corp. and its London-based international investment arm, Credit Suisse First Boston. Werner Geneiser of First Boston describes competition between the two as tough but friendly.

Mr. Geneiser won't disclose how much money he invests for offshore captives or the number of captives for which he handles investments. But he steadfastly insists First Boston has one of the largest pools of captive insurance company funds under management, "either larger than or within a few million" of leaders Morgan Grenfell, Morgan Guaranty, J. Henry Schroder Wagg and S.G. Warburg.

Kidder Peabody recently lost its leading international assets manager, Ed Toledano, to Schroder Wagg and is left with a bond salesman, assistant vp Robert M. Kowit. He can sell captives on the idea of using his firm for Eurobond investments and can give investment advice, but he's not an experienced trader. Everyone is watching Kidder to see if it will maintain its status as broker for an estimated half-dozen Bermuda captives. Mr. Toledano had joined Kidder from White Weld several years ago.

Brown Brothers Harriman began specializing in investing offshore insurers' money in the early 1970s and now works with about a dozen captives with "substantially in excess of $100 million," said Michael Kraynak Jr., general partner and chairman of the international portfolio group.

"This business has grown comparatively quickly for us, at a rate of about 10% to 15% a year but slightly faster than that in the last two years. In the last year, we've picked up four or five accounts, on the heels of picking up a number of accounts at the end of 1978," Mr. Kraynak says.

Chase Manhattan Bank began testing the water two years ago, jumping into the captive insurance company investment pond aggressively 18 months ago. Chase has discretionary control over the funds of two Bermuda-based captive insurers with about $15 million. But the bank is in the process of opening an international branch office to handle Eurobond investments, which should enable Chase's captive business to grow quickly, expects Ed Arbaugh, vp of the international department.

Fiduciary Trust Co. manages funds for three Bermuda captives with about $75 million invested, and also invests money for a U.S.-based malpractice mutual for physicians, says Peter Haight, vp of new business development.

The largest of Citibank's three Bermuda captive accounts has been using Citibank as its dealer for two and a half years; the two newest accounts were won during the last six months, says Jim Quirk, vp in charge of international investments. The largest captive for which Citibank buys and sells securities has $1 billion in investable funds, while the other two accounts add another $750 million in investable funds to the pot.

Alan Foster, a former vp of finance for American Motors Corp. who now has his own investment advisory firm in Ann Arbor, Mich., is ready to jump into the business of deploying captives' assets.

Boston-based Loomis Sayles & Co., an institutional money manager with about $5 billion under management, is just getting started in the business of competing for captive insurance companies' money, though it already manages about $60 million for two domestic captives, says vp Thomas D. Walsh. One is a Colorado captive; the other is domiciled in Florida. Mr. Walsh is trying hard for some Bermuda business.

Like other independent investment advisers who manage portfolios but don't trade securities, Loomis Sayles is emphasizing its distance from the traders. "The feeling we get is that some captive managers are glad to see someone come to the island who isn't a banker or a broker, someone with no ax to grind," Mr. Walsh says. ■

Young competitor

Mead Financial Advisors Inc., the two-year-old money manager that grew out of Mead Corp.'s captive insurance operation in Bermuda, is competing successfully with some of the biggest names in the investment banking and securities business.

Staffed with four people, including two investment specialists, MFA manages a total of $55 million, including funds of Mead Reinsurance Corp., "several friends" and one reinsurance pool for which it provides both underwriting and investment management services.

"We're really not out hustling" the money management business, contends Mr. Kahlert, who would really rather provide "a package of services" to any interested clients, including underwriting management.

Would You Go To A Specialist For Open Heart Surgery?

If you're like most people the answer is yes; because you realize it is a life and death decision.

Placing your corporation's property insurance could be a life and death decision as well. That's why, when you're deciding where to place your company's property coverage, you should choose the large line property specialist — IRM.

For almost sixty years IRM has provided creative underwriting, risk improvement programs and personal claim service, exclusively for large properties.

The next time you're placing property coverage for your corporation, and want it to receive the attention it deserves, go to the specialist — IRM.

Contact a member company for the IRM facility.

IRM INSURANCE
IMPROVED RISK MUTUALS

15 NORTH BROADWAY
WHITE PLAINS, NEW YORK 10601
ATLANTA • CHICAGO • DALLAS • DETROIT
GREENSBORO • LOS ANGELES • NEW ENGLAND
SAN FRANCISCO

Inter-Cas expands its limits on Excess Limits and Excess Products Liability!

Inter-Cas is now offering up to $700,000 in excess of $300,000 for all your Liability Special Risks, including Products.

Expertise and expanded coverage: two reasons why Inter-Cas Ltd. is uniquely qualified to handle your special risks.

We offer excess limits on Pharmaceuticals, Chemicals, Metal Goods, Cosmetics, Restaurants,

INTER-CAS LTD.

Toys, Clothing Manufacturers, Hamburger Stands, Machinery, Imports ... as well as many, many more.

Contact Inter-Cas Ltd. today. We've expanded our limits on Excess Limits and Excess Products Liability.

98 Cutter Mill Road ■ P.O. Box 442 ■ Great Neck, New York 11022 ■ (516) 466-5060 ■ Telex 142344

Sybron captive avoids fronting plan

By KATHRYN J. McINTYRE

HAMILTON, Bermuda—Sybron Corp.'s experience is refuting the adage that a company using a captive needs a fronting insurer to keep the customers satisfied.

When Sybron of Rochester, N.Y., started insuring the first $200,000 per occurrence and a $2.3 million annual aggregate of product liability in its Bermuda captive in 1978, insurance manager Frank McCafferty decided against using a fronting insurer.

"Not too many captives write direct, but our self-insurance program was working—our accounting and bookkeeping was working—and we wanted to eliminate the fronting costs," he said.

Insurers charge fees ranging from 4% to 10% of premium to issue insurance policies for risks that are then reinsured with the policyholder's captive insurance company. Applicable premium taxes and residual market assessments increase that percentage.

Concerned with what customers would say when they saw an insurance certificate that said it started after the first $200,000 of a loss, Mr. McCafferty had hold harmless agreements prepared. He intended to send the agreement to customers who asked about the first $200,000, but he hasn't sent a single one out. No one has asked about it.

Sybron's captive also underwrites $100,000 per occurrence/$400,000 annual aggregate for automobile and general liability insurance—deductibles on primary policies—and a foreign exposure of $50,000 per occurrence combined property and business interruption.

A domestic insurer handles claims covered by the captive on a fee basis, Mr. McCafferty noted.

Mr. McCafferty and Richard F. Denning, vp of Anistics, the Alexander & Alexander subsidiary that helped establish Sybron's captive, described the formation and development of the captive, Genesee Assurance Ltd., for attendees of the 4th International Captive Insurance Company Conference sponsored here March 3-5 by Risk Planning Group.

The diversified manufacturer of lab, dental and specialty chemical products investigated forming a captive in 1976 after feeling the pinch of a tight insurance market. Sybron received only two bids for its domestic insurance program in 1975, both of which showed "costs going through the roof" and increased deductibles, said Mr. McCafferty.

From no deductibles in 1972, Sybron was forced to take a $100,000 per occurrence/$1 million aggregate deductible on product liability in 1976, he said.

Anistics was chosen to do the feasibility study because Sybron wanted a company that could help implement the captive if it were recommended. A&A was also Sybron's major international broker and Sybron was eyeing international risks for its captive.

Anistics' feasibility study projected a 13.5% premium savings over the 1977 program if Sybron formed a captive, which Genesee has produced, Mr. Denning said. Casualty risks with a long payout period were recommended to be insured in the captive.

Rejected as either generating too much paper work, not enough premium or creating regulatory problems if insured in a captive were foreign exchange risks, foreign pension plans, domestic auto collision, export marine, domestic life and safety bonds.

Genesee began underwriting Sybron's product liability and auto and general liability risks in January 1978 for a $1.6 million premium. The premium was set by taking expected losses calculated by Sybron's primary insurer and adding 6% for a pretax profit and expenses. The loss estimate is also verified by Fred S. James & Co.

Foreign property risks were added to the captive in May 1979: a $7,000 premium for the first $50,000 of one loss, combined property and business interruption.

Looking to diversify Genesee's portfolio last year, Sybron investigated pooling arrangements and chose participation in the primary program of Corporate Insurance & Reinsurance Co. Ltd., a group-owned risk pooling captive.

Sybron tapped Genesee's capital of $400,000 to buy into CIRCL late last year and reinsured its 1978 and 1979 risks with CIRCL in addition to its 1980 risks.

Sybron's difference in conditions risk was also added to Genesee's business in January. The program is rated by a major international insurer and ceded to Genesee, which retains the risk.

Genesee ended 1979 with $4.1 million in assets, $2.7 million in loss reserves and $813,000 in retained earnings along with $400,000 in capital, Mr. McCafferty said. That reflects 1979 premiums of $1.7 million, underwriting income of $136,000 and investment income of $374,000, but doesn't reflect participation in CIRCL.

Mr. McCafferty doesn't foresee Genesee expanding into "a large-scale operation, but we are looking at other risks and other retentions." He does expect to be "in a much better position" the next time the insurance market tightens, thanks to the captive, than Sybron was in during the 1976 and 1977 capacity crunch.

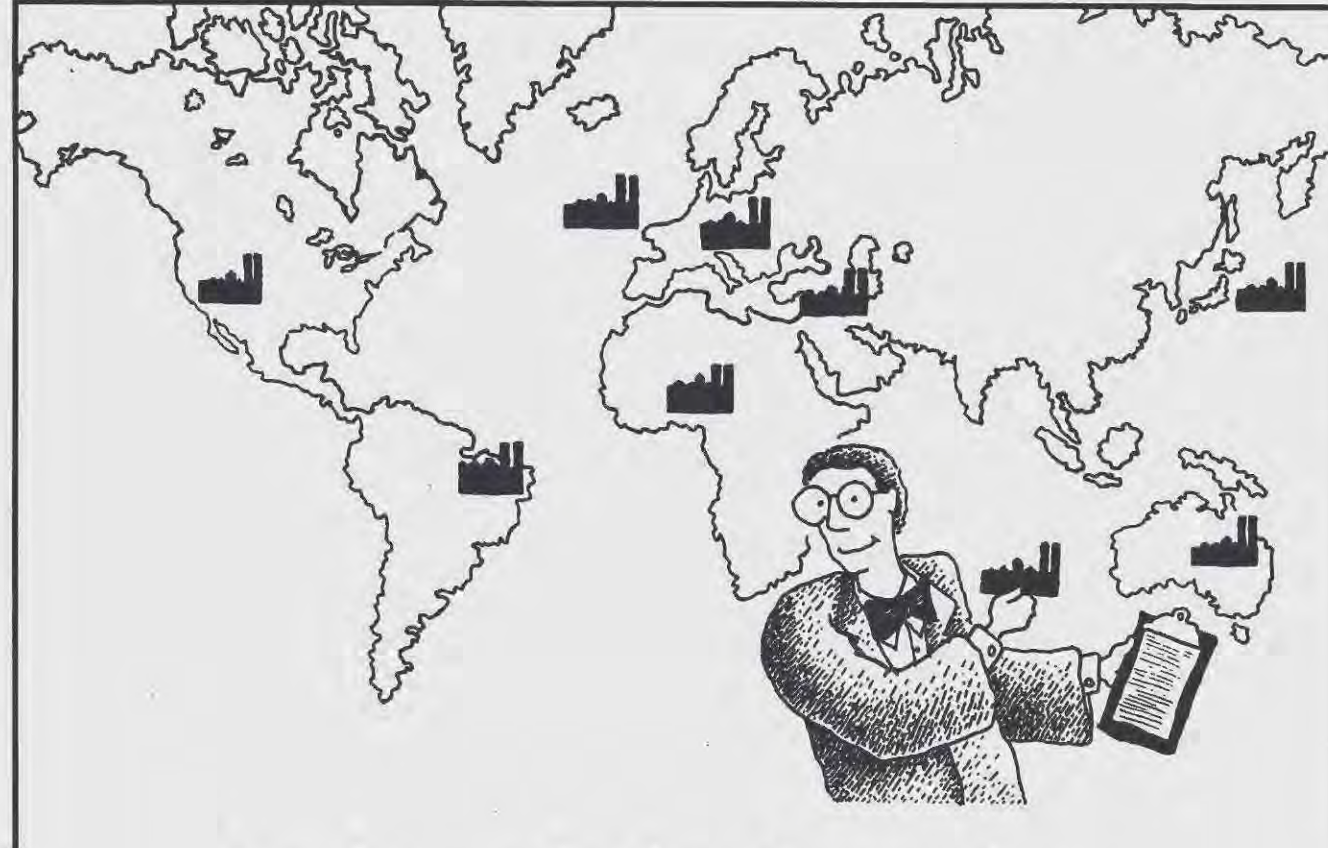
Still, offered a "fantastic" deal by a commercial insurer, with great emphasis on what constitutes fantastic, Mr. McCafferty said Sybron would choose the fantastic commercial deal over the captive.

No one has offered such a deal yet. ■

Photo: Kathryn J. McIntyre

Bucking the trend

"Not too many captives write direct, but our self-insurance program was working," says Frank McCafferty.



It takes professional expertise to provide E&S coverage on risks as diverse as worldwide manufacturing plants . . . and neighborhood dance studios.

Montgomery and Collins has had over 40 years' experience in supplying excess and surplus coverages on a highly diverse, and highly challenging, group of risks. We can be of service whenever and wherever the needs arise – through a group of 21 regional offices spanning the country. In each office, you'll find that M&C applies its skill in solving your problems even under the tightest deadlines.

We can "deliver" for two principal reasons: our people and our excess and surplus carriers. The brokers at M&C all have strong underwriting and brokerage experience. And, over the years, we have developed productive relationships with the leading U.S. E&S companies – and Lloyds. Result: your local M&C representative can quickly select the carriers whose products or specialists best suit your clients' needs.

For complete details, write directly to Joseph J. Graham, President, Montgomery and Collins, Inc.

Montgomery and Collins, Inc.

3807 Wilshire Blvd., Los Angeles, CA 90010 (213) 386-2991. Or contact our nearest regional office: Atlanta, Boston, Buffalo, Charlotte, Chicago, Dallas, Denver, Hartford, Honolulu, Houston, Indianapolis, Kansas City, Los Angeles, New Orleans, New York City, Philadelphia, Portland, Sacramento, San Francisco, San Jose, Seattle.

Tax attorney predicts flood of risk co-ops

Tax boon

The Treasury Department's stance on risk retention co-ops will make them attractive, says James Cameron.

HAMILTON, Bermuda—One hundred risk retention groups will be formed in the first month if the Risk Retention Act is enacted, predicts James R. Cameron, a respected authority on tax issues relating to captive insurance companies.

The risk retention co-ops that could be formed under the law now pending before the Senate Commerce Committee will be very attractive to companies, says Mr. Cameron, whose clients include association captives.

Particularly encouraging is the prospect of no Internal Revenue Service challenges against tax deductions taken for premiums paid to a co-op, since the Ccmmerce Department-proposed bill appears to have the approval of the Treasury Department, Mr. Cameron said.

The Treasury Department has recently said the co-ops, as envisioned, would seem to offer members a business expense deduction (see story, p. 2).

Mr. Cameron, an attorney with Baker & McKenzie in New York, mentioned the alternative risk handling approach offered by the Risk Retention Act in a speech to the 4th International Captive Insurance Companies Conference here.

While enthusiastic about the potential of the Risk Retention Act to offer another alternative to corporations considering use of a captive insurer, Mr. Cameron appeared skeptical about the use of trusts for funding property and casualty risks.

A Winnetka, Ill., broker is recommending that companies establish irrevocable trusts for funding property and casualty risks and advising them that the payments to the trust are tax deductible (*BI*, Jan. 21).

Although he stopped short of advising companies against using such a trust, Mr. Cameron suggested there are several unanswered issues regarding them.

He listed for *Business Insurance* the following questions that a corporation should answer to its satisfaction before establishing a trust, adding his own comments:

- Is the trust an insurance company and should it be treated like one? Does it have corporate powers? Mr. Cameron questions if a trust can be an insurer.
- Is insurance what the trust is providing? Will the corporation get a tax deduction for money paid to the trust? The Internal Revenue Service recognizes only insurance as a tax deductible risk funding expense, not self-insurance or banking plans, Mr. Cameron noted.

Insurance, under IRS definition, entails risk shifting and risk distribution. How can a corporation shift its risk to a trust when the amount of money a trust has depends on the corporation's contributions to the trust? he asks. "The IRS requires that the company assuming the risk have the wherewithall to pay a loss." Risk distribution in a trust would be no better than in a wholly owned captive insurance company, Mr. Cameron noted, which the IRS argues is not sufficient to constitute insurance.

- What happens to the money in the trust is another important question, Mr. Cameron said. If the losses are less than the amount paid to the trust and the excess funds are used to reduce next year's premium or are refunded, the trust becomes the same as a banking plan, Mr. Cameron suggests. If there isn't enough money in the trust to pay losses in a given year and the corporation has to put more money into the trust, how does the trust differ from the arrangement Steere Tank Lines had with an insurance company? he asks. The IRS challenged that arrangement and won in the courts that it didn't constitute insurance for tax purposes (*BI*, Nov. 13, 1978).

These questions all deal with the tax deductibility of money paid to the trust as a business expense. But Mr. Cameron says there is another tax issue raised by using a trust: Who is taxed on the income of the trust?

If the owner of the trust is found to have control of the trust, the owner will be taxed, Mr. Cameron says. If the trust is irrevocable—to bolster one's argument for tax deductibility of contributions to the trust and to keep the trust's income out of the owner's tax return—a company is relinquishing all control over its money.

"Do you want to give up that kind of control?" Mr. Cameron asks.

Companies using captive insurers are in limbo regarding the tax consequences. The ruling case disallowing tax deductions to pure captives, Carnation vs. Internal Revenue Service, was won by the IRS but is on appeal to the 9th Circuit Court (*BI*, Jan. 7). It's expected to be at least two or three years before the court takes up the case.

Other cases involving pure or single-owned captives aren't offering guidance either.

Ocean Drilling & Exploration Co., *Business Insurance* learned, has settled tax issues on its returns through 1975 and the captive issue has been pushed forward to years after 1975. Now ODECO is a major insurance company in Bermuda.

Ingram Corp., which was in litigation with the IRS over the use of a pure captive, also settled. The settlement involved so many issues that it doesn't provide any guidance, says Ingram tax attorney Robert D. Adams. Years in which Universal was writing 30% outside business are now under audit.

Mr. Cameron advocates that companies seeking to minimize their vulnerability to an IRS challenge operate their captives to underwrite 50% non-related insurance. ■

When they're worth knowing, it's worth knowing IAC.

Industrial Appraisal Company
222 Boulevard of the Allies
Pittsburgh, PA 15222
(412) 471-2566
Offices nationwide in major cities

If you insure aircraft, we'd like to make this claim.

Your clients are probably constantly in the market for flight control surfaces and air frame parts.

Well, we've got them. An incredible inventory of wing and tail parts—flaps, rudders, trim tabs, panels (in every shape and size) and elevators. All available on an exchange basis, too.

That's why we can make this claim.

Whatever your clients' requirements, Aviation Sales can cut their costs (and yours) time and again. You'll find that we'll invariably offer a competitive bid, and that our service is unsurpassed in the industry. Particularly on the Boeing 707-720-727.

If you're an insurance company specializing in the aviation industry, we're a company you ought to get to know.

We support over 90 airlines in 50 countries around the world. And we'd like nothing more than to support you, too.

PROOF OF LOSS

Aviation Sales Company, Inc. We'd like to support you.

P.O. Box 522914 Miami, Florida 33152. Telephone: (305) 592-4055. Telex 51-5547.

Expert advice

Controls are needed on third-party underwriting, says Norris Hayes, left, while Robert Lee cites the risks of underwriting pools.

Captives can minimize third-party risk losses

HAMILTON, Bermuda—What's the best way to take a captive insurer into third-party underwriting to secure tax deductions for premiums paid by the parent company?

Don't do it for tax reasons, says George Kahlert, president of Mead Reinsurance Corp. "Underwriting losses could be greater than your tax savings," he warns.

The only way to break into the insurance business is to take quota share risks from underwriting pools, but be prepared for losses, says Robert Lee, president of Bellefonte Insurance Cos. "Participation in pools is almost a requirement to get started, but the experience won't be anything to write home about," he laments.

If you're determined to get into third-party risks to protect a tax deduction for parent company premiums, use your corporate buying clout to get good business out of U.S. insurers, counsels William G. Clark, senior vp of General Reinsurance Co. "Treat the IRS requirement for third-party business as the problem that it is and find safe ways to accomplish it."

However you get into the third-party business, put enough controls on the underwriting and the captive so that the venture more resembles letting a convict out on parole than letting him escape, admonishes Norris Hayes, director of Mentor Insurance Co. "A captive has to be conducted to the outside, not turned loose on society."

These four experts outlined their advice on captives entering the insurance business for attendees of the 4th International Captive Insurance Company Conference sponsored in Bermuda March 3-5 by Risk Planning Group.

Mr. Kahlert, who as risk manager convinced Mead Corp. management in Dayton, Ohio, to fund a captive insurer in 1971 with $120,000, is now president of a reinsurance corporation with $36 million in assets. Mead Re's insurance business is now 87% outside risks and targeted to be a profit-making venture for Mead Corp.

Mead's Bermuda captive, Westbury Enterprises Ltd., at first underwrote only Mead's property risk. After joining pools, including International Risk Management's Hopewell in 1973 and Universal Insurance Co. in 1976, Westbury Enterprises started seeking reinsurance business on its own.

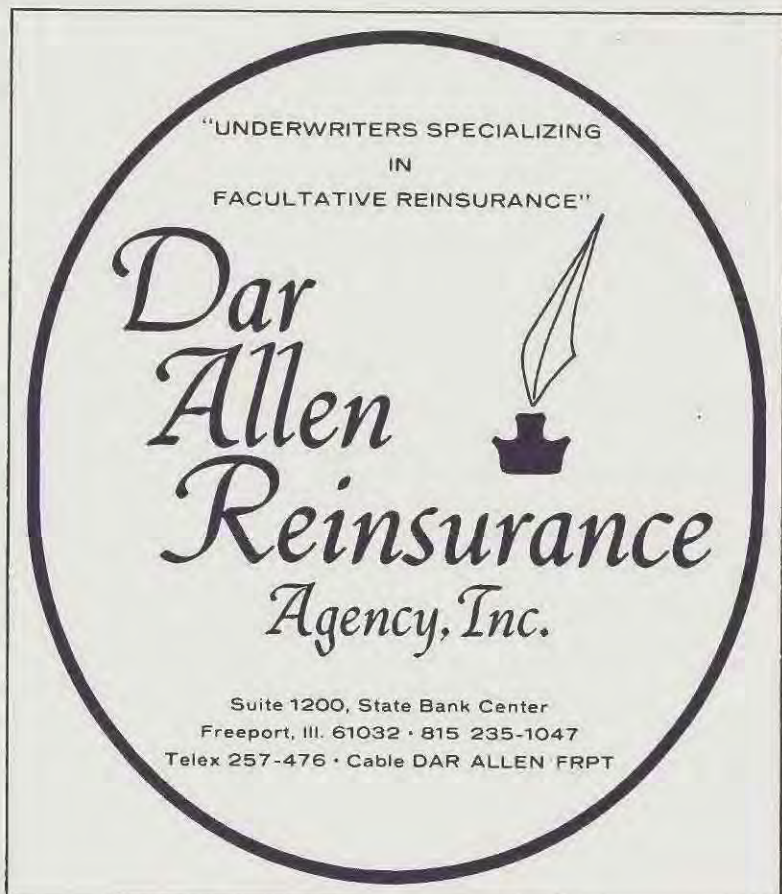
Rocketing Mead into the reinsurance business was the 1978 acquisition of Midstates Insurance Co. from CNA, which was renamed Mead Re and capitalized at $10 million. Mead Re is licensed in 37 states and brought in $30 million in new reinsurance business in 1979 for gross premiums of $44 million. Much of that business is reinsured with Westbury in Bermuda, the original Mead captive.

Mr. Kahlert contends even though Mead Re is growing at a 60-odd-percent compounded rate each year, control over the sources of its business is keeping a lid on future loss development problems. Mead Re accepts only 6% of the facultative risks and 17% of the treaty risks it sees from a select group of producers, Mr. Kahlert said.

Mead Re is also developing an in-house audit system to track its business, he noted.

Establishing a good data base is essential to successful third-party underwriting, stressed Mr. Lee of Bellefonte, the Armco Inc. subsidiary. That pioneer captive-turned-insurer has paid with severe underwriting losses for lacking the data it needed to see how badly its

Continued on next page



REINSURANCE

PROPERTY
Excess of Loss & Pro Rata
Treaty and Facultative

CASUALTY
Excess of Loss
Treaty and Facultative

Dominion Insurance Company of America

A strength in the United States market

127 John Street, New York, N.Y. 10038
Telephone: (212) 635-2700 TWX: 710-581-3981

FIRE SPRINKLER CONTRACTORS

ELEVATOR CONTRACTORS

DEMOLITION & EXCAVATION CONTRACTORS

In depth knowledge of both product and market conditions; prompt and intelligent responses; in-house authority; adequate limits of liability; a realistic approach to pricing; continuity of marketplace ..... all qualities for which CoverX has come to be known.

Find out what's made CoverX Corporation one of the fastest growing Excess, Surplus and Specialty Underwriting Managers in the United States by calling or writing us today for further information.

COVERX CORPORATION

30161 Southfield Road, Southfield, Michigan 48076
Telephone: (313) 644-3200 — Telex: 23-5635

Old Republic International Corporation

has acquired

RMIC Corporation

The undersigned acted as financial advisor to
Old Republic International Corporation in this transaction.

Lehman Brothers Kuhn Loeb
Incorporated

NEW YORK · ATLANTA · BOSTON · CHICAGO · DALLAS
HOUSTON · LOS ANGELES · SAN FRANCISCO · LONDON · TOKYO

February 27, 1980

Old Republic International Corporation

has acquired

Oceanic Financial Corporation

The undersigned acted as financial advisor to
Old Republic International Corporation in this transaction.

Lehman Brothers Kuhn Loeb
Incorporated

NEW YORK · ATLANTA · BOSTON · CHICAGO · DALLAS
HOUSTON · LOS ANGELES · SAN FRANCISCO · LONDON · TOKYO

February 27, 1980

Losses follow new risks

Continued from previous page
underwriting experience was developing (BI, Oct. 15, 1979).

"Our losses were akin to the 1974-75 industry results, but our data didn't tell us then we had losses," Mr. Lee said.

Assuming that a captive wouldn't be prepared at the outset to hire a staff of underwriters to get outside risks, Mr. Lee suggested that companies can get off the ground by taking risks from underwriting pools. "But hire someone trained in insurance and look at the pool's track record. How credible is it? Is it taking any risk?"

Even if the managers/owners of the pool are taking a risk in the business, a captive should check if the manager/owner is getting an override. Such additional income for running the pool gives the manager greater capacity than the participant to sustain losses without losing money.

Whatever the precautions, a captive owner has to expect the business from pools not to be as good as what the captive could individually underwrite, Mr. Lee said, citing Bellefonte's experience.

A knowledgeable insurance accountant and a knowledgeable insurance underwriter are essential to going into the insurance business for outside risks, Mr. Lee said. And still, a captive new to third-party underwriting can expect to suffer worse losses than the industry because it lacks the expertise, seasoned staff and reputation to secure the best business, he said.

But Mr. Clark of General Reinsurance contended that captives out to beat an IRS challenge "can find business you can be comfortable with. It's ridiculous to say you know you will get kicked in the chops."

He recommends that a parent company use its buying power to secure good third-party risks for its captive. A company that wields a large group insurance account can surely negotiate quota share reinsurance on personal lines business out of its group insurer, Mr. Clark maintains. "You won't make money on it, but it won't get you in trouble either," he said.

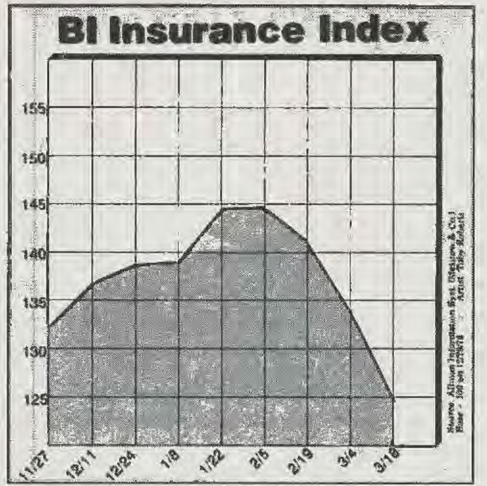
Mr. Hayes of Mentor admitted that the Bermuda company is a little bit of both parollee and escapee in his analogy comparing a captive underwriting third-party business to a convict loose in the world.

Mentor exclusively underwrote rig insurance for its parent company, Ocean Drilling & Exploration Co., from 1968 until 1974. When Bermuda was discovered in 1974 as a source of capacity for buffer layers (insurance policies that fill the gap between primary insurance policies and excess insurance policies), Mentor got into the business.

Now Mentor's $41 million in net earned premiums is 92% outside business, which in 1979 generated a 1% underwriting profit.

Mr. Hayes, a 20-year veteran of The Hartford Insurance Co., stressed the importance of hiring experienced insurance professionals to establish the books for a captive underwriting third-party business. "It will be more expensive to do it later and as difficult as unscrambling an omelette."

Cash controls for collecting premiums, which will come in at 20% a year instead of upfront like parent company premiums, are essential, Mr. Hayes said. ■



Insurance industry stock prices continued to slide in the latest two weeks, with all but seven of the 74 stocks listed in the *BI* Industry Index dropping in value. The index on March 18 was 124.4, down 7.4% from two weeks ago. The base of 100 for the index was at year-end 1978. The insurance industry faired better than the New York Stock Exchange (down 8.2%) and Standard & Poor's 500 (down 7.7%). The Dow Jones Industrials fell 6.4%. The only big gainer on the *BI* Index was Standard Life Insurance Co. of Indiana, up 22% to $22.88. Biggest losers were Pinehurst Corp., down 25.8% to $6.13, Integrated Resources Inc., down 20% to $11.38, Zenith National Insurance Corp., down 20% to $13, Jefferson Life Insurance Co., down 19.7% to $24.50 and Integon Corp., down 19.1% to $20.63.

British Issues

3/18 Companies	Price pence	P/E	Div. pence	Yield %	2 Week High—Low pence pence
Comml Union	132	6.0	14.00	10.6	137—132
Eagle Star	158	6.9	12.00	7.6	168—158
Genl Accident	228	6.3	17.14	7.5	240—228
Gdn Royal Exch	228	7.1	18.57	8.1	242—228
Phoenix	216	6.5	18.57	8.6	234—216
Royal	323	6.6	30.71	9.5	337—323
Sun Alliance	556	9.4	39.29	7.1	570—556
Brokers:					
CT Bowring	127	9.8	5.45	4.3	137—127
CE Heath	195	7.8	11.83	6.1	200—195
Hogg Robinson	104	9.4	7.48	7.2	108—104
Alex Howden	104	8.8	10.00	9.6	107—104
JH Minet	98	9.1	5.95	6.1	100— 96
Sedg Fb Bl Pn	98	8.6	7.14	7.3	98— 93
Stenhouse Hldg	69	6.6	6.46	9.4	75— 69
Stew Wrightson	187	8.0	16.15	8.6	193—187
Willis Faber	242	12.1	14.77	6.1	247—240

Source: Kitcat & Aitken, London

Analysts cool to brokers; market, M&M cloud picture

By STUART EMMRICH

INVESTORS ARE LESS than bullish on insurance brokers these days.

Although no one denies the brokerage industry has an enviable track record of profits and stock market performance, events of the past few months have prompted at least a few analysts to caution clients considering dabbling in this market.

Besides the detrimental effect on brokers' revenues that a continuing downslide in the property and casualty insurance operations will probably have over the next year, the uncertainty over the outcome of Marsh & McLennan's takeover bid for C.T. Bowring is also apparently putting a bit of a cloud over both M&M and its top competitors, analysts say.

Stock prices for the larger publicly held companies—M&M, Alexander & Alexander, Frank B. Hall & Co., Fred S. James & Co. and Corroon & Black—have been inching downward since January.

The latest BI Ticker Index shows M&M stock selling at $58.25, a 2% drop from two weeks ago and an 11-point drop since early January. A&A has gone to $27.25 from $28.75 in the two-week period, down from $31 since January. Fred S. James & Co. has gone down to $20.38 from $25.87 at the beginning of the year, while Carroon & Black has dropped to $22.75 from $26.37 during the same period. Frank B. Hall & Co. rebounded a bit in the last two weeks—$22.88 from $21.75—but that is still a drop of three points since January.

That trend probably won't reverse itself in the near future, analysts predict.

Fourth-quarter results were considered inconsistent by some analysts and indicative that the immediate future of the industry is uncertain. James had the strongest gain of the group, an 18% rise in revenues, followed by Hall and A&A, with M&M showing the smallest increases.

"These data are significant, for they portend more of the same, we believe, as the property/casualty primary and reinsurance sectors to which the brokers assert themselves enter more deeply a downward underwriting margin slope and slower growth of premium phase," predicts Herbert Goodfriend, a Bache Halsey Stuart Shields analyst. "The net of these phenomena is that caution should be the continuing guiding tenet of an investment approach to new positions in the group over the near term."

BI ticker

For investors, Mr. Goodfriend likes James, Corroon & Black, Hall, A&A and M&M, in that order.

First Manhattan analyst Leonard Wilson, also responding to fourth-quarter results of the brokers, has issued a follow-up report on Corroon & Black in which he says he has become "more cautious about the interim outlook" for the company.

The impact of premium rate competition in commercial lines seems to have intensified in recent months and the company's efforts to restrain expenses "have not yet succeeded in stemming the erosion of profit margins," he says.

Although Mr. Wilson said Corroon & Black should do well in "an environment of rising premium rates," he added that it might be a while before the shares become an attractive buy.

The company got high marks, however, for its cost containment efforts. Employment costs rose just 11% in the last quarter of the year, which Mr. Wilson said suggested that these efforts are working to some degree. But, he said, other operating expenses increased 23%, "a rate of increase that is untenable in the present circumstances of less vigorous revenue gains."

Lower insurance rates may hold increases in commissions and fees, which registered 6% gains in the last quarter of 1979, to under 10% through the first half of 1980.

Still, Mr. Wilson expects second-half earnings to improve.

Both Mr. Wilson and Mr. Goodfriend are also carefully watching M&M as it tries to resolve its now "unfriendly" takeover of Bowring.

If the merger goes through, it will immediately dilute the price of M&M stock, both agree. But they are less certain about the long-term impact.

"Will M&M's bid to take over Bowring, if successful, prove to be a Pyrrhic victory?" asks Mr. Goodfriend, suggesting there is a danger that the takeover process might speed resignations from Bowring and cause the American company some loss of prestige in the Lloyd's community.

The key, Mr. Goodfriend says, is trying to keep together as much of the present Bowring staff as possible. If so, then M&M's offer of $553 million "may well prove a discount bid and very rewarding in future years."

The uncertainty in the meantime not only causes investor uncertainty about M&M, but also seems to have put a temporary hold on A&A's formal linking with Sedgwick Forbes/Bland Payne, a move that has been long slated, Mr. Goodfriend said.

Mr. Wilson agrees it seems likely that the short-term effects of the Bowring purchase by M&M will be negative but he is a little more optimistic of long-term impact.

Traditional links by American brokers with Lloyd's have either been based on picking the best London broker for placing individual pieces of business or funneling all that business through one broker on a long-standing commitment, Mr. Wilson says. M&M is right to want to change those traditional methods by virtue of its being Lloyd's largest client.

"We believe that the merger with Bowring could strengthen M&M in the competition for insurance brokerage business of U.S. multinational corporations," Mr. Wilson said. "Some industry observers maintain that corporate insurance is becoming more centralized. If so, an insurance broker having comprehensive technical skills, an international network of offices and formidable clout with worldwide insurance markets could better service multinational corporations than a less advantageously positioned competitor."

But even if the Bowring takeover falls through and M&M misses out on this chance to take a preeminent position in the international field, Mr. Wilson said the company would not be overly damaged.

"Some concern has been expressed about where M&M would be left in the event of a failure to bring off the Bowring merger," he said, acknowledging that "some goodwill" might be lost.

"But M&M is so important to Bowring and to Lloyd's, that some form of compromise would undoubtedly be formulated," he said.

AIG

American International Group's earnings and net income increased 20% in 1979, a growth rate equalizing the standard established over the past couple of years by president Maurice R. Greenberg.

Net income increased to $231 million from $190.5 million in 1978, while operating income jumped to $321 million from $266 million. Net premiums increased 11% to $1.6 billion.

"Adjusted underwriting profits of $87.3 million, compared with $86.5 million in 1978, were quite satisfactory in spite of increased competition and a greater number of catastrophe losses, including two major hurricanes," Mr. Greenberg said.

Agency operations continued to be a growing part of AIG's business in 1979, Mr. Greenberg said, with operating income increasing 9% to $7.6 million.

The combined loss and expense ratio for the company increased to 94.29% from 93.38% during 1979.

Penn General

Penn General Agencies is no longer a part of the *BI* Insurance Index, having been recently reacquired by its parent firm, Pennsylvania Life Co. Pennsylvania Life already owned 90% of the California-based broker before taking complete control. ▪

BI Industry Stock Report

Insurance Cos.

		March 18, 1980					3-5-80—3-18-80		
		Price	% Chg.	P/E	$ Div.	% Yld.	High	Low	Vol. (000)
Aetna Life & Cas Co	NYSE	30.87	-5.4	4.5	2.12	6.9	31.50	30.00*	982.4
American Bankers Ins.Co Fla	OTC	7.62	-14.1	5.2	0.44	5.8	8.63	7.63*	129.5
American Finl Corp Ohio	OTC	26.00	-14.8	2.8	0.04	0.2	30.50	25.50	206.4
American Gen Ins Co	NYSE	26.88	-14.0	4.1	1.00	3.7	30.25	26.75*	210.3
American Indty Finl Corp	OTC	13.37	-15.1	4.0	1.12	8.4	15.00	12.75*	57.0
American Intl Group Inc	OTC	53.00	-7.0	8.6	0.42	0.8	55.00	52.75*	493.5
American Natl Ins Co	OTC	12.38	-7.5	5.0	0.62	5.0	12.88	11.88*	264.6
American Sts Life Ins Co	OTC	18.00	-5.3	7.5	0.64	3.6	19.50	18.00*	6.6
Aneco Reins Ltd	OTC	6.00	-4.0	0.0	0.00	0.0	6.38	6.00*	116.3
Appalachian Natl Corp	OTC	2.25	-12.2	6.4	0.16	7.1	2.56	2.25*	2.5
Avemco Corp	AMEX	9.62	-12.5	7.2	0.50	5.2	10.75	9.38*	39.6
Banks Iowa Inc	OTC	24.50	-6.7	5.1	1.32	5.4	25.50	24.50*	3.5
Bitco Corp	OTC	25.00	-14.4	4.0	1.68	6.7	29.20	25.00	17.3
Carolina Cas Ins Co	OTC	6.87	-11.3	4.0	0.32	4.7	7.75	6.88	4.1
Central Natl Finl Corp	OTC	7.25	-3.3	3.7	0.35	4.8	7.50	7.25	3.5
Chubb Corp	OTC	31.50	-4.5	4.0	2.40	7.6	32.50	30.88*	193.8
Combined Ins Co Amer	OTC	16.88	-9.4	5.0	1.40	8.3	18.38	16.88*	353.8
Connecticut Gen Ins Corp	NYSE	31.00	-3.5	4.7	1.52	4.9	31.00	29.63*	616.9
Continental Corp	NYSE	23.75	-5.9	4.4	2.20	9.3	24.75	23.25*	822.4
Crawford & Co	OTC	13.00	-7.1	11.1	0.48	3.7	14.00	13.00*	16.9
Crown Life Ins Co	OTC	63.25	-0.4	45.8	2.40	3.8	64.00	63.25	2.8
Crum & Forster	NYSE	44.25	-9.2	4.1	2.52	5.7	48.25	43.75*	179.5
Employers Cas Co	OTC	29.00	-17.1	5.2	1.20	4.1	35.00	28.00*	26.2
Erc Corp	OTC	54.25	-10.7	6.2	1.40	2.6	59.50	53.25*	174.8
Equifax Inc	NYSE	18.00	-2.7	5.8	2.20	12.2	18.63	17.88*	18.9
Farmers Group Inc	OTC	24.50	-2.0	8.2	1.00	4.1	25.13	23.50*	374.0
First Colony Life Ins Co	OTC	28.50	7.5	12.0	0.76	2.7	28.50	26.00	14.8
Foremost Corp Amer	OTC	14.75	-9.2	6.3	0.60	4.1	16.00	14.75*	108.0
General Reins Corp Del	OTC	77.00	-1.3	6.3	2.80	3.6	78.50	75.00*	229.6
Globe Life & Acc Ins Co	OTC	27.75	-2.2	10.2	0.40	1.4	28.38	27.75*	108.7
Great West Life Assurn Co	OTC	150.00	0.0	6.8	8.00	5.3	150.00	150.00	1.8
Hanover Ins Co	OTC	31.50	-1.6	3.5	0.52	1.7	32.00	30.50*	46.4
Hartford Steam Boiler Insptn	OTC	28.50	-3.4	5.7	2.20	7.7	29.50	28.50*	5.1
Integon Corp	NYSE	20.63	-19.1	7.9	0.48	2.3	24.63	20.63*	143.9
Jefferson Natl Life Ins Co	OTC	24.50	-19.7	6.2	0.64	2.6	29.50	24.50*	29.8
Kemper Corp	OTC	22.25	-16.0	3.3	1.40	6.3	26.13	22.25*	94.3
Lincoln Natl Corp Ind	NYSE	36.38	-3.6	5.3	2.80	7.7	38.00	36.38*	107.8
Mgic Invt Corp	NYSE	18.75	-17.1	5.6	1.12	6.0	21.88	18.50*	1,330.3
Mission Ins Group Inc	NYSE	24.75	-7.9	6.0	0.80	3.2	26.63	24.75*	60.9
Nationwide Corp Ohio	OTC	17.37	-1.4	5.0	0.66	3.8	17.63	17.38	12.0
Nn Corp	OTC	31.00	-6.8	6.7	2.00	6.5	32.50	28.75*	159.0
Northwestern Natl Life Ins	OTC	26.13	-1.4	5.3	1.25	4.8	26.13	24.38*	116.0
Ohio Cas Corp	OTC	30.13	-9.4	4.2	1.76	5.8	32.25	29.88*	248.0
Old Rep Intl Corp	OTC	14.00	-9.7	3.2	0.92	6.6	14.75	13.75*	203.1
Pinehurst Corp	OTC	6.13	-25.8	6.4	0.00	0.0	8.13	6.13*	70.7
Preferred Risk Life Ins Co	OTC	17.50	-5.4	6.2	0.64	3.7	18.50	17.50*	15.0
Provident Life & Acc Ins Co	OTC	38.00	0.0	5.1	1.88	4.9	38.50	35.50*	28.6
Republic Natl Life Ins Co	OTC	17.13	-14.9	9.0	0.70	4.1	20.63	16.00*	684.9
Ryan Ins Group Inc	OTC	17.00	-10.5	4.2	0.16	0.9	19.00	17.00*	12.4
St Paul Cos Inc	OTC	32.88	-0.4	4.5	2.00	6.1	32.88	31.00*	308.0
Safeco Corp	OTC	33.38	-2.6	4.8	1.80	5.4	33.75	31.50*	247.4
Sri Corp	OTC	15.00	-17.8	3.0	1.00	6.7	17.00	15.00*	157.1
Seibels Bruce Group Inc	OTC	13.50	-6.9	5.4	0.80	5.9	14.50	11.75*	66.9
Southwestern Life Corp	OTC	36.62	-12.8	13.2	1.00	2.7	41.25	35.75*	775.1
Standard Life Ins Co Ind	OTC	22.88	22.0	14.1	0.44	1.9	23.00*	22.00	57.2
Statesman Group Inc	OTC	4.00	-15.8	3.3	0.15	3.8	4.38	4.00*	21.6
Tokio Marine & Fire Ins Co	OTC	118.00	-2.1	12.5	2.49	2.1	119.25	112.00*	12.1
Travelers Corp	NYSE	37.12	-2.3	4.1	2.48	6.7	37.13	35.75	592.4
United Fire & Cas Co	OTC	25.75	0.0	7.9	0.90	3.5	25.75	25.75	7.0
United States Fid & Gty Co	NYSE	35.50	0.4	4.3	2.80	7.9	35.88	34.50*	265.9
United Svcs Life Ins Co	OTC	13.50	-1.8	5.0	0.80	5.9	13.75	13.25	55.8
Uslife Corp	NYSE	20.38	48.2	5.2	0.68	3.3	21.50	19.50	754.6
Washington Natl Corp	NYSE	20.75	-7.8	4.4	1.50	7.2	22.38	20.75*	23.9
Zenith Natl Ins Corp	OTC	13.00	-20.0	8.6	0.40	3.1	15.75	13.00*	38.6
INSURANCE COMPANIES	AVERAGE			5.8		4.6			

Agents/Brokers

		Price	% Chg.	P/E	$ Div.	% Yld.	High	Low	Vol. (000)
Alexander & Alexander Svcs	OTC	27.25	-5.2	9.5	1.64	6.0	28.00	27.25*	427.6
Baldwin & Lyons Inc	OTC	23.38	-4.1	4.4	0.70	3.0	24.38	23.38*	22.3
Corroon & Black Corp	NYSE	22.75	-6.2	8.4	1.72	7.6	24.00	22.50*	34.6
Crump E H Cos Inc	OTC	8.75	-15.7	8.5	0.32	3.7	10.25	8.75*	27.1
Hall Frank B & Co Inc	NYSE	22.88	5.2	7.9	1.44	6.3	24.00	20.75*	188.9
Integrated Res Inc	AMEX	11.38	-22.9	7.6	0.00	0.0	14.13	11.38*	86.4
James Fred S & Co Inc	NYSE	20.38	-7.9	7.7	1.40	6.9	22.00	20.00*	144.5
Marsh & Mclennan Cos Inc	NYSE	58.25	-2.1	9.9	3.60	6.2	61.00	58.25*	250.0
Penn General Agencies Inc	OTC	1.37	0.0	10.6	DID NOT TRADE				
Reed Stenhouse Cos Ltd	OTC	8.12	-3.0	6.3	0.48	5.9	8.63	8.00*	133.4
Rollins Burdick Hunter Co	OTC	19.25	-7.2	8.6	1.24	6.4	20.75	19.25*	15.1
AGENTS/BROKERS	AVERAGE			7.8		5.6			

Conglomerates/Holding Cos.

		Price	% Chg.	P/E	$ Div.	% Yld.	High	Low	Vol. (000)
American Express (Fireman's Fd)	NYSE	26.25	-7.1	5.4	1.47	5.6	27.88	25.50*	1,083.0
Anderson Clayton (Ranger/PanAm)	NYSE	20.25	-12.9	5.1	1.12	5.5	22.50	20.25*	93.6
City Investing Co. (Home Ins.)	NYSE	15.25	-5.4	3.0	1.20	7.9	15.63	14.75*	547.7
CNA Finl Corp (CNA)	NYSE	14.00	-17.0	3.0	0.00	0.0	16.75	14.00*	124.8
Control Data (Comml. Credit)	NYSE	49.00	-9.5	7.1	0.60	1.2	51.63	48.13*	1,012.7
INA Corp (Ins. Co. of NA)	NYSE	28.50	-2.6	4.5	2.20	7.7	29.13	27.50*	385.9
ITT (Hartford Group)	NYSE	24.12	-7.2	9.1	2.40	9.9	25.50	24.13*	2,250.6
Reliance Group Inc	NYSE	60.75	-4.0	2.6	2.00	3.3	63.25	58.50	134.4
Sears Roebuck & Co. (Allstate)	NYSE	15.50	-3.9	6.1	1.36	8.8	15.88	15.13*	3,095.0
S & H Co. (Bayly Martin & Fay)	NYSE	13.00	-14.0	4.3	1.00	7.7	15.50	13.00*	42.8
Teledyne Inc (Argonaut)	NYSE	135.25	-6.4	4.9	10.00	7.4	144.00	134.13	445.4
Transamerica Corp (Occidental)	NYSE	15.12	-4.0	4.1	1.12	7.4	15.50	14.75*	604.1
CONGLOMERATES/HOLDING COS.	AVERAGE			4.4		5.9			

System design: Altman Information Systems (Mesirow & Co.)

Flying high

Exec moves up at McDonnell Douglas

comings & goings: buyers

Ronald D. Edgar, 36, has been promoted to director of corporate insurance from manager of general insurance at McDonnell Douglas Corp. in St. Louis. He replaces **John L. Dewey,** who resigned. Mr. Edgar has an M.B.A. degree from the University of Missouri at St. Louis. Before joining McDonnell Douglas in 1973, he was employed by Fireman's Fund. He reports to Jerry Brown, vp and treasurer.

* * *

Allan Krasner, 31, has been named corporate risk manager at MSL Industries in Lincolnwood, Ill. He replaces **Eric Larson,** who left the company. Mr. Krasner was previously insurance analyst at Interlake Industries in Oak Brook, Ill., a position to be filled the end of this month. He has a B.A. degree from Monmouth College and is pursuing his CPCU. Mr. Krasner reports to Wallace Scott Jr., president and chief executive officer of the firm.

* * *

Sue Schreckengast, 25, has been named to the newly created position of risk analyst at Cooper Laboratories in Palo Alto, Calif. She formerly was an account coordinator with Dinner Levison, a brokerage firm in San Francisco. Ms. Schreckengast has a B.B.A. degree in risk management and insurance from the University of Georgia and an ARM designation. She reports to George W. Sexton, director of risk management.

* * *

Robert M. Cone is retiring April 1 from General Motors Corp., where he has spent nearly 25 years as director of the insurance and pension section. Mr. Cone joined GM Jan. 1, 1956, and one year later was named to his current post. He had come in on special assignment. Back in 1956, the insurance and pension section had about 60 people, and has since grown to more than 100 people. His position has not yet been filled.

* * *

Bernard Wolfeiler, 50, has been named risk manager at Culbro Corp. in New York. He replaces **Richard Berman,** who left Culbro to join Citizens Utilities Co., as reported. Mr. Wolfeiler previously was controller of Bachman Foods, a division of Culbro. He has a bachelor's degree in industrial relations and a master's in production management from Columbia University. He reports to Henry Whitehill, vp and secretary.

* * *

Anthony Black, 30, has been named manager of property insurance at McGraw-Edison Co. in Elgin, Ill., a position created when McGraw-Edison merged with Studebaker-Worthington late last year. Mr. Black was formerly a financial analyst with Bunker Ramo Corp. in Oak Brook, Ill. He has a B.S. degree in finance from Illinois State University and an M.B.A. in finance from Northern Illinois University. He reports to Norm Kenney, director of insurance.

* * *

Robert R. Dibble

Robert R. Dibble has joined American Invsco Corp. in Chicago as director of risk management. His duties include handling insurance coverage for the real estate development corporation and its affiliated companies in property management. Before joining American Invsco Corp., Mr. Dibble most recently was director of risk management for CNA Financial Corp. He was also risk manager for Keebler Co. and for Playboy Enterprises, and was casualty supervisor for Standard Oil of Indiana. He holds a B.A. degree from Roosevelt University, a master's in industrial relations from Loyola University and an ARM designation from the Insurance Institute of America. Mr. Dibble is an associate member of the Risk & Insurance Management Society.

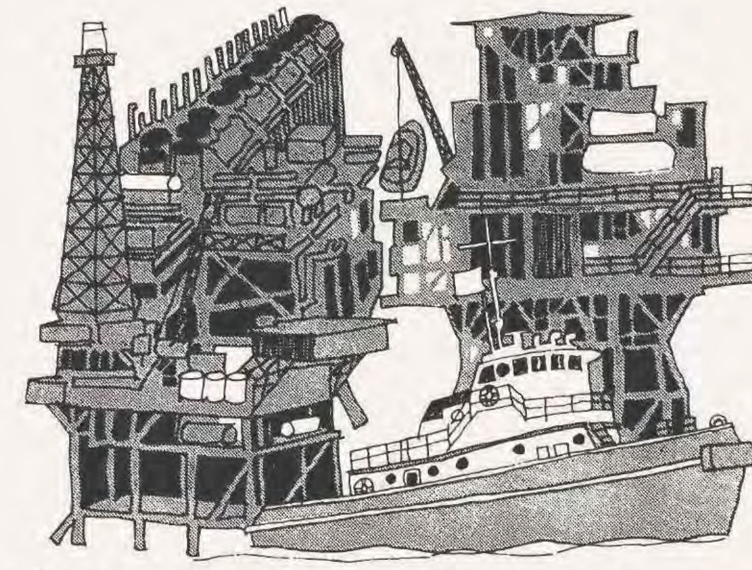
•

We'd like to report on staff changes in your risk management or employe benefits department. Just drop a note to Mary Ann Matlock, Business Insurance, 708 Third Ave., N.Y., N.Y., 10017 or call 212-986-5050. We'd also like to receive pictures of the people.

Sayre & Toso, Inc.

Special Risk Underwriters For Over 70 Years.

MEMBER, MISSION INSURANCE GROUP INC.



Innovative Insurance Needed for Land or Offshore?

The ever advancing technology of the oil and gas industry demands special attention to properly protect the substantial investments required in developing unique new concepts.

Whenever or wherever a fresh insurance approach is required, Underwriters Special Risks, Inc. and their special team of correspondents are responding to the innovative needs of the energy industry worldwide.

Our experience in arranging energy industry insurances assures sound coverage, economical cost and efficient claims service the world over.

For the help you need with your next unique situation, Underwriters Special Risks, Inc. could be the solution you are seeking. Ask your agent or broker to try us.

(Underwriters Special Risks, Inc.)
600 Jefferson, Houston, Texas 77002
Telex 762314 Cable U.S. Risk
A HALLIBURTON Company
Dealing through agents and brokers

Social Security role increases: Report

WASHINGTON—The number of Americans covered by private pension plans administered by U.S. legal reserve life insurance companies grew in 1978, but the long-range forecast predicts an increasing role for the Social Security system, the American Council of Life Insurance here reports.

Overall, nearly one-half of all workers in commerce and industry and three-fourths of all government civilian personnel—a total of more than 51 million—were enrolled in retirement plans other than Social Security in 1978, including profit sharing plans that provide retirement income, according to the ACLI's Pension Facts 1978-79 booklet. About 21.6 million were covered by insured pension plans, an increase of 2.4 million from 1977.

But the "senior boom" anticipated to begin in the early 21st century will have a significant effect on pension plans, as fewer active workers support an increasing number of retirees. Retirees will comprise a potential 20% of the population by 1990, increasing to 30.6% to 39% by 2040, predicts the President's Commission on Pension Policy.

The expansion of Social Security through the 1977 amendments will decrease the proportion of security expenditures made to the private sector and increase the flow of expenditures to the government, the Life Insurance Marketing & Research Assn. found. Income from private pensions provided a decreasing share of total retirement benefits in the early 1970s, even before Social Security benefits became automatically adjusted to the cost of living in 1975.

Another measure of the increasing role of Social Security is the percentage of preretirement income the public system replaces. Between 1967 and 1977, the Social Security replacement rate rose to 44.7% from 28.9% for a 65-year-old male retiree earning the median wage.

The ACLI also found that:

- In 1978, 76,700 group annuities paid out $3.55 billion in benefits; 4,200 terminal funding group plans paid out $200 million; 191,740 individual policy pension trusts paid $145 million; Keogh plans paid $25 million; tax-sheltered annuities paid $55 million; individual retirement accounts paid $10 million, and other plans paid $95 million
- In 1975, the latest year figures are available, private pension plans not insured with life insurers paid $12.3 billion to 5.4 million persons. Employers contributed $19.8 billion and employes contributed $1.6 billion to such plans.
- Employers paid $43.2 billion in Social Security taxes in 1978; employes paid $42.9 billion and self-employed persons paid $3.8 billion. Social Security benefits paid out totaled $117.8 billion, including Medicare.

Federal civilian retirement plans provided $10.7 billion in benefits to 1.6 million retired workers, survivors and dependents in 1978. Employer and employe contributions totaled about $14.2 billion the same year. The Railroad Retirement System covered 533,000 workers and paid $2.4 billion to 459,000 age, service and disability annuitants and $1.7 billion to 568,000 dependents and survivors.

State and local government pension plans paid $9.6 billion to more than 2.2 million retired workers, survivors and dependents. Contributions totaled $19.3 billion, with employers paying 70.5%. About 72% of all state and local employes have Social Security. Public employes receiving Social Security coverage as well as other retirement benefits often receive a retirement income above the salary they earned before retirement ■

Firms support transit

Continued from page 1

incentive," said controller John Angier. The company will pay a maximum of $1 per day per employe using mass transit passes, up to 25% of the employe's mass transportation bill.

Congressional Quarterly joined the program to fulfill an obligation to fight the energy crisis, promote the use of the Metro system and help reduce the employes' costs of commuting, Mr. Angier said.

American Public Transit Assn., a Washington-based trade group, is also offering the 25% subsidy program to its 60 employes in the Washington area, 95% to 98% of whom participate.

"It's an idea whose time has come," said Judi McCormally, managing editor of the company's publication, Passenger Transit. "As soon as it became an option, we participated."

About $6,000 is budgeted for the program's first year.

Big gas price increases last year, which prompted development of employer pass plans in some areas, also increased participation in established plans.

In Seattle, 77 employers now subsidize at least $2 of a worker's monthly transit pass, up from four employers a year ago. And in November, Seattle First National Bank became the area's first major employer to fully subsidize mass transit passes for its 7,500 workers.

About 3,000 employers are taking advantage of the subsidy, which averages about $170 a year per person.

A neighboring employer—the University of Washington at Seattle—said transit plan use was up 146% in 1979 from 1978.

The university subsidized 19,151 passes for faculty, staff and students last fall to encourage more mass transit use, said transportation officer Jerri McCray.

Mass transit plans are growing in Houston, too, where 8,200 transit passes were sold through employers last month, up from 4,900 during the same month in 1979.

Texas Medical Center Inc. in Houston does not subsidize employes' passes, but obtains a 32% discount for them on monthly fares by purchasing passes in bulk.

"We're the largest outlet for discounted monthly bus passes in the city," said transit director Richard Sommerville. "We had to offer incentives to introduce people to alternate modes of travel and keep them there."

About 1,200 monthly passes were sold this month, up from 300 in July 1978 when the program started. The hospital has 40,000 workers. ■

Put your Annual Report into Business Insurance.

A new advertising section will appear in the May 5, 1980 issue of Business Insurance to help you announce the availability of your annual report or statement of financial condition to policyholders, prospective insureds and the insurance community at large.

This section represents an innovation in marketing insurance/benefits/risk management related services to a carefully selected and *interested* audience.

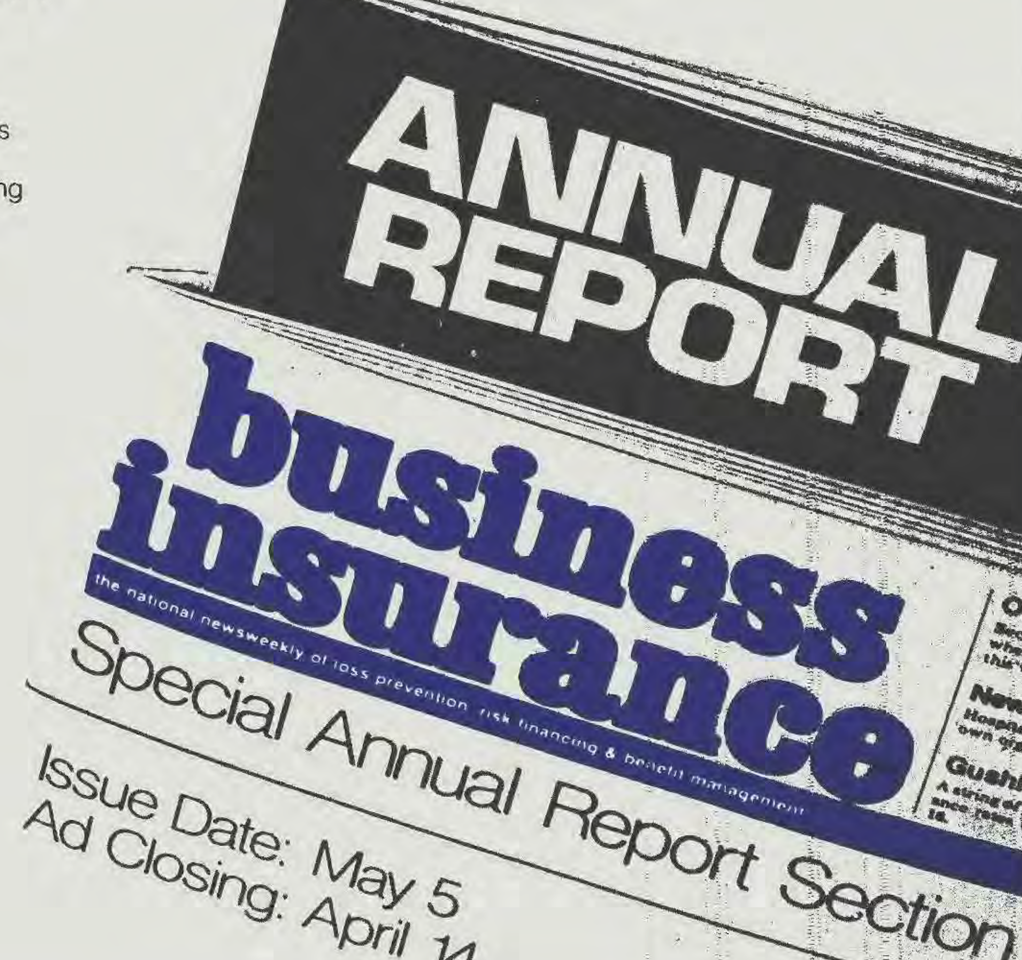
Here, insurance companies, insurance brokers, financial/risk management services companies and safety/security systems corporations may advertise their annual reports, side-by-side, to the exclusion of other non-insurance or service related advertising.

More and more, commercially insureds and their brokers/agents are interested in the financial condition and performance of their insurers and reinsurers. This new advertising section should go a long way to help Business Insurance readers — almost 100,000 influentials — to better understand the industry that serves such a vital role in their corporate activities.

With the new, weekly frequency of Business Insurance, the addition of financial insurance news in twice-monthly columns, the exclusive BI insurance stock index and its general financial orientation, you should count on high quality inquiries for your annual report or statement of condition.

It's simple. All we need is a front cover of the report plus a short summary of your operating results. We'll prepare the ad and will forward mailing labels for fulfillment. The cost: only $405.00 — per report advertisement, including labels for fulfillment.

This special Annual Report advertising section in the May 5 issue closes on Monday, April 14 for reservations and copy. Make your reservations now! For more information and order forms contact Don Walsh, Advertising Sales Director, Business Insurance, 708 Third Avenue, New York, N.Y. 10017 or call (212) 986-5050.



a publication of Crain Communications, Inc.

NEW YORK:
708 Third Avenue, N.Y. 10017 (212) 986-5050
CHICAGO:
740 Rush Street, IL. 60611 (312) 649-5275
LOS ANGELES:
6404 Wilshire Blvd., CA. 90048 (213) 651-3710

IBNR losses result in qualified audits

Continued from page 1

Still, no one likes a qualified audit. "It's like a black eye," Mr. Bader says.

Bermuda insurance industry members also dislike the qualified audits. Some will concede the qualifications may be one inescapable fallout of the growth of Bermuda insurers, now estimated to be writing anywhere from a low of $2 billion annually in gross premiums to a high of $5 billion.

"Most captives are less than five years old," Mr. Bader notes. "They lack claims experience, so they are picking a percentage of premiums paid and establishing loss reserves. But the auditor has to be able to satisfy himself that the losses have occurred and that they will add up to the percentage reserved." The infusion of third-party risks into captives is also said to be drawing auditors' closer attention.

Captives with sufficient claims experience are getting clean audits, among them Mentor Insurance Ltd., the 12-year-old Ocean Drilling & Exploration Co. captive that is underwriting 92% outside business.

But two-year-old Corporate Insurance & Reinsurance Co. Ltd. is still haggling with its auditors to secure a clean audit, president Richard S. Thompson confirmed. The group-owned reinsurance pooling company hasn't yet paid a loss that has penetrated its excess insurance program of $250,000 to $5 million.

Modeling techniques

Without any loss experience, CIRCL hired Conning & Co. of Hartford to set its reserves. Using modeling techniques and insurance industry data, Conning & Co. set CIRCL's reserves for its excess layer risks at levels that approximate 80% of premiums paid.

But CIRCL's auditors, Price Waterhouse, won't accept industry date as the sole basis for the reserves, representative of what auditors are telling other captives.

CIRCL members are now submitting additional loss information to convince the auditors that their experience justifies the reserves set.

Of the 25 companies managed by Armco Insurance Management Ltd., only one has received a qualified audit, says managing director Clive Himsworth. "The parent company isn't happy, but it has to realize this is possible with outside business," he says.

The new burden on auditors under the Bermuda Insurance Act to certify their audits of captives to the registrar of companies may be fueling the number of qualified audits. "This is a critical time for auditors," observes Mr. Thompson of CIRCL. "They are deciding how they will audit under the new law."

One-year exemption

The 840 insurers active in 1979 that were granted the one-year exemption from the act won't be subject to its regulation until closing their 1981 books.

Mr. Bader of Arthur Andersen, however, contends the increased number of qualified audits this year reflects the growing sophistication of auditors in Bermuda. They are more consistently applying the same audit standard in Bermuda as is applied to U.S. insurers, including the tests of Financial Accounting Standard Board standard No. 5.

That accounting standard requires that to reserve for a loss it must be probable that the loss has occurred and that the amount of the loss can be reasonably estimated.

"We can't operate on someone's best guess," says Mr. Bader, who works closely with Arthur Andersen's office in Bermuda on captive audits. "We say, 'Show us where the losses add up to that or show us past experience to prove that.'"

Mr. Bader contends auditors can't accept reserves set exclusively by projections based on industry data, such as by Conning & Co., because "when an auditor certifies a company, it's that com-

classified advertising

RATES AND CLOSING TIME:

$3.50 per line, minimum charge $17.50. Cash with order. Figure all cap lines (maximum-two) 26 letters and spaces per line; upper and lower case 34 per line. Add two lines for box number. Replies are forwarded daily. Closing deadline: Copy in written form in Chicago office not later than noon, Monday, 7 days preceding publication date. Published every Monday. Display classified takes card rate of $41.00 per column inch, and card discounts on size and frequency. Mail ads to Barbara Tosheff, Business Insurance, classified advertising dept., 740 N. Rush St., Chicago, Illinois 60611. Call (312) 649-5340 for more information. No verbal phone copy accepted.

POSITIONS WANTED

CAPTIVE MANAGEMENT
Mature professional experienced in all phases of captive operations seeks captive management opportunity. Good contacts in Bermuda former resident), the Caymans and London Market. Reply to Box 316, Business Insurance, 740 N. Rush Street, Chicago, Illinois 60611.

P&C REPRESENTATIVE

National employee benefit consulting firm needs a person to develop a commercial property and casualty division in Houston. Needs experience in underwriting, administration and sales. Send resume to:
R. Hillyer
Galbraith & Green
12400 North Freeway, Suite 210
Houston, Texas 77060

ACCT. EXEC. — NEW JERSEY

Nat'l broker needs professional P & C person to sell & service accts. Salary plus bonus plus car. Call or write F. W. Dauphinee, Jr., James S. Kemper & Company, 374 Millburn Avenue, Millburn New Jersey 07041 — Tele = (201) 376-8850.

Consulting/Executive Search
To the Insurance Industry
Paul E. Runkle Associates, Inc.
Scarsdale, New York 10583
One Chase Road
(914) 725-0773

RISK MANAGER — Construction industry leader	$35-45K
INSURANCE MANAGER — International energy client, marine experience needed	$30-35K
INSURANCE ANALYST — Premiere West coast client	$25-30K
GROUP INSURANCE MANAGER — Diversifield Texas firm.	$25-35K

Risk & Benefit Recruiters — Donald Delaney (214) 559-3820
3131 Turtle Creek • Suite 222 • Dallas, Texas 75219

ACCOUNT EXECUTIVES

We are the world's largest commercial broker and we're still growing!

To continue our growth, we need Account Executives who have the expert knowledge necessary to advise our clients. We're looking for people with proven backgrounds in sales and service to work in our Houston office.

If you're looking for the opportunity to put your experience to work, Marsh and McLennan can offer you the rewards and recognition deserved.

For information, please send your resume to Charles Sebesta, 1100 Milam, Suite 4500, Houston, Texas 77002.

Marsh & McLennan — an equal opportunity employer m/f

PROFESSIONAL POSITIONS AVAIL.

RM pension mgr, strong pension, lite fire & cas exp 40M
RM, Minneapolis, fire & cas 35M
CO, CEO, new reinsurer 75M
CO, sr treaty und/bkr 60M
CO, HPR manager 25-30M
BKGE unit head, prop, top bkge ....40M+

JOHN HUTTNER
(212) 732-3110
david j. hollinger assoc., inc.
150 Broadway, New York, N.Y. 10038

CALL (312) 649-5340 TO GET YOUR AD HERE!

INSURANCE RECRUITERS, INC.

3707 Rawlins, Suite 416,
Dallas, Texas 75219
1-800-527-5428

Insurance Recruiters, Inc. is pleased to announce the opening of its facilities in

DENVER

to better serve the needs of the Rocky Mtn. area clients and candidates. LINDA MAYER, manager, has over 12 years experience in insurance and welcomes your inquiries. Write or call:

Linda Mayer
INSURANCE RECRUITERS, INC.
650 S. Cherry, #510
Denver, Co. 80222
(303) 320-5347

REPRESENTATIVE ROCKY MOUNTAIN LISTINGS

ACCOUNT EXECUTIVE
Established agency seeks candidate with dual responsibilities of servicing an existing book of commercial accounts plus experience in the production of medium to large commercially oriented business. Salary plus bonus incentives.

INTERNATIONAL ACCOUNT EXECUTIVE
Solid (and growing) agency seeks candidate with international account experience, preferrable, energy related, i.e. oil and gas, etc. Will be responsible for account handling to include marketing and servicing. Highly negotiable starting compensation depending on related experience.

EXCESS AND SURPLUS
Ground floor opportunity for candidates who possess either commercial casualty or property underwriting backgrounds. Excess and Surplus backgrounds desirable but not mandatory. Multiple listing. Superb vertical growth opportunites. Salary from low to mid $20Ks.

Contact: Jim Gilbert
ALL FEES EMPLOYER PAID

FIDELIFACTS INC.

FINANCIAL & CREDIT REPORTS ON
Individuals & Corporations
Pre-Employment
Insurance & Pre-Employment Investigations
U.C.C. & Court Records
25 Broad St. N.Y., N.Y. 10004 — (212) 425-1520

MANAGER SAFETY AND LOSS CONTROL

Diversified marine construction firm offers a challenging opportunity for an innovative and experienced safety professional. Responsibilities include the establishment and promotion of measures to prevent and reduce bodily injury and property damage accidents. Candidate must be a self-motivated individual with five or more years of marine safety experience. College degree or equivalent required. We offer an attractive salary and benefit package. Applicant must be willing to relocate and travel. Send resume with recent salary in confidence to:

Personnel,
P.O. Box 728,
Muskegon, MI 49443.
An Equal Opportunity Employer

INSURANCE PROGRAM SUPERVISOR

Leading public agency requires experienced insurance specialist to supervise staff responsible for Property and Casualty Insurance Programs and Workers' Compensation claims. Candidate must have Bachelor's Degree and several years related experience. This is a career position with excellent benefits.

Send resume including salary history and requirements to:

Box 315, BUSINESS INSURANCE
740 Rush St., Chicago, Ill. 60611
Equal Opportunity Employer M/F

Account Executives - Producers
Commercial Underwriters
Safety Engineers

We specialize in Agency & Brokerage personnel recruitment and placement nationwide. Numerous openings exist. Please write or call us for further information about opportunities. Your name would not be released to clients without your approval. All our fees are paid by client companies. Contact:

BOB KRECHTING
1155 Hammond Dr.
Suite 5250
Atlanta, GA 30328
404-396-7500

LOGIC

SAFETY ADVISOR

Major chemical corporation seeks experienced Safety Professional with 5-7 years industrial background in Safety Engineering & Industrial Hygiene. Previous chemical process experience or Chem. Eng. degree strongly preferred. Call or send resume in confidence to:

Richard Meyers/Bill Perry
(212) 227-8000

PERSONNEL ASSOCIATES, INC
170 Broadway • New York, N.Y. 10038

PROFESSIONAL SERVICE FOR RISK MANAGEMENT EXECUTIVES

MARTY HODES, ARM
Will Be At
The Conference (RIMS)
Atlanta, April 13 thru 18.

Please call for details and to arrange a meal-time chat.

(212) 267-2600
WALL ASSOCIATES, INC.
170 Broadway
New York, N.Y. 10038

BENNETT & BENNETT SUBROGATION ATTORNEYS

Inland and Ocean Marine
Auto Fire Product Liability
Investigation and Adjustment
World Wide Associates
Cable-Subro
769 Northfield Avenue
West Orange, New Jersey 07052
(201) 325-0033

PROPERTY AND CASUALTY CLAIMS

Fortune 200 company has a position available in Princeton, New Jersey area for a professional involved with property conservation management. Applicant should have HPR, non-HPR engineering experience. Position involves property and casualty claims responsibility. Prefer three to five years' experience. College degree required: MBA preferred. Salary range 25-30 thousand dollars.
Resume with salary history should be mailed to:
Box 317, BUSINESS INSURANCE
740 Rush St. Chicago, Ill. 60611

AUDIT MANAGER

Position of unusual challenge awaits the results—oriented manager, who possesses a minimum of 2-5 years experience in supervising an audit staff of approximately 6 people. Reports to the Director of Internal Audit. Must have Accounting Degree and preferably some insurance industry experience (Life and A & H). MBA/CPA preferred but not required. We offer competitive salary and an excellent benefits package. Please submit resume with salary history and requirements for the confidentia consideration of:
Director of Internal Audit
Beneficial National Life
Insurance Company
2 Park Avenue
New York, N.Y. 10016

RISK MANAGER

To continue the implementation and coordination of a large municipality's risk management program. Requires a highly innovative and motivated person with a degree in business and a minimum of five years experience in commercial insurance programs. An MBA in risk management will be considered in lieu of a portion of the experience requirement. Experience as a Risk Manager for a large, diverse organization is desirable and will be considered along with other combinations of related education and experience. Excellent fringe benefits complement an attractive salary. If interested, send resume or call no later than March 31, 1980.

CITY OF MILWAUKEE
Personnel Department
Room 706, City Hall
Milwaukee, WI 53202
(414) 278-3372

pany, not the industry. The captive won't necessarily have the same results as the industry."

Not all concerned

"The captives feel they are in good healthy condition and they are put out by the qualifications," observes Robert Brian of Conning & Co. "They've put a lot of work into their reserves and then they are getting 'subject to. . .' audits."

Not everyone, however, is that concerned about the qualified audits. "I don't see how any of these soft qualifications are a problem," said Brewster Righter, vp of International Telephone & Telegraph's subsidiary Abbey Overseas Group, which got a qualified audit from Ernst & Whinney this year.

"The soft qualifications are a function of auditors being ultra-conservative these days."

Abbey, which writes a broad book of risks on a retrospectively rated basis taking into account investment income, reports $140 million in premiums in 1979, 24% of which was for ITT business.

The auditors qualified Abbey's audit because they did not examine the records of affiliated companies or other evidence to support the premiums, losses, commissions and allowance, provision for losses and premium adjustments. Their opinion, therefore, is "subject to" adjustments that might have been made if the records had been examined.

Abbey maintains the facts are available but the impact of a qualified opinion isn't worth the work needed to gather the facts to convince the auditors.

But it's not only IBNR reserves that can raise an auditor's eyebrow and drop a qualified audit on a captive. The insurance written by the captives must also pass the test of risk transfer to qualify as insurance for accounting purposes, Mr. Bader notes.

Many of the insurance policies written by Bermuda companies are retrospectively rated, reducing the risk. If an auditor determines the insurance contract lacks sufficient risk transfer to constitute insurance, he will suggest the money accounted for as premiums be accounted for as deposits. If the captive refuses, the auditor will qualify his opinion.

As auditors become more sophisticated in analyzing insurance contracts, more audits could be qualified on these grounds, accountants agree.

But while auditors tell captives experience doesn't support the size of their reserves, U.S. insurance industry executives express concern that the reserves won't be adequate to pay losses.

"Their reserves are green and it's too early to evaluate the quality of outside business," Alexander & Alexander president John C. Bogardus told a recent gathering here on captives. "Mature insurers and reinsurers were on the brink of disaster in the '70s market crunch."

Bermuda insurer executives counter that their companies are secure.

The average gross line taken by Bermuda insurers writing outside risks is $750,000 this year, up from $250,000 last year. Bermuda companies usually are offered shares of risks of $1 million to $2 million led by U.S. companies. Capacity of $5 million to $10 million is available for very good risks, as are the giant facilities of General Reinsurance Corp. and Zurich International.

Risks underwritten and circulated on the island to fill out the coverage are normally led by Gulf's Insco, General Reinsurance Corp. or the new Trenwick Reinsurance Co. Those three leads will attract most other captives on the island to take a share of the business, sources agree.

More growth

But the number of third-party underwriters in Bermuda is still small, estimated at 150 or 10% to 15% of the 900 active captives. Many are taking risks from underwriting pools, not accepting facultative risks on a daily basis.

New capacity and services continue to move into Bermuda. Crum & Forster, parent company of J.H. Blades, is planning to start a new company, Crum & Forster Bermuda Ltd., to underwrite from the island.

U.S. insurers without an underwriting or management presence on the island are looking around, including St. Paul Fire & Marine and Commercial Union.

All this growth continues to strain the office and people resources on the island. But Bermuda is coping.

New office buildings to be completed this summer will give M&M, Bellefonte and C.E. Heath new, larger offices, freeing up their current offices.

The Bermuda Insurance Institute has just hired a director of insurance studies/training officer to help develop more skilled staff on the island. Beginning April 1, Kenneth Oakley from London will survey member companies to analyze their training needs and will set up the needed programs.

In addition, the Bermuda College is planning to establish an insurance curriculum. ■

The regulated will help regulate the Bermuda insurance industry under a new system, says Bala Nadarajah.

Captives choose Bermuda despite new regulations

HAMILTON, Bermuda—New captives are setting up in Bermuda, apparently undaunted by new insurance regulation.

The 35 companies applying for registration since Jan. 1 are immediately subject to the Bermuda Insurance Act of 1978 and regulations finalized last month.

Of 960 insurers active on the island at year-end 1979, 840 applied for the one-year exemption granted under the new law. The other 120 were either dormant or are ready to be regulated, said Bala Nadarajah, legal counsel to the insurance division of the Registrar of Companies Office.

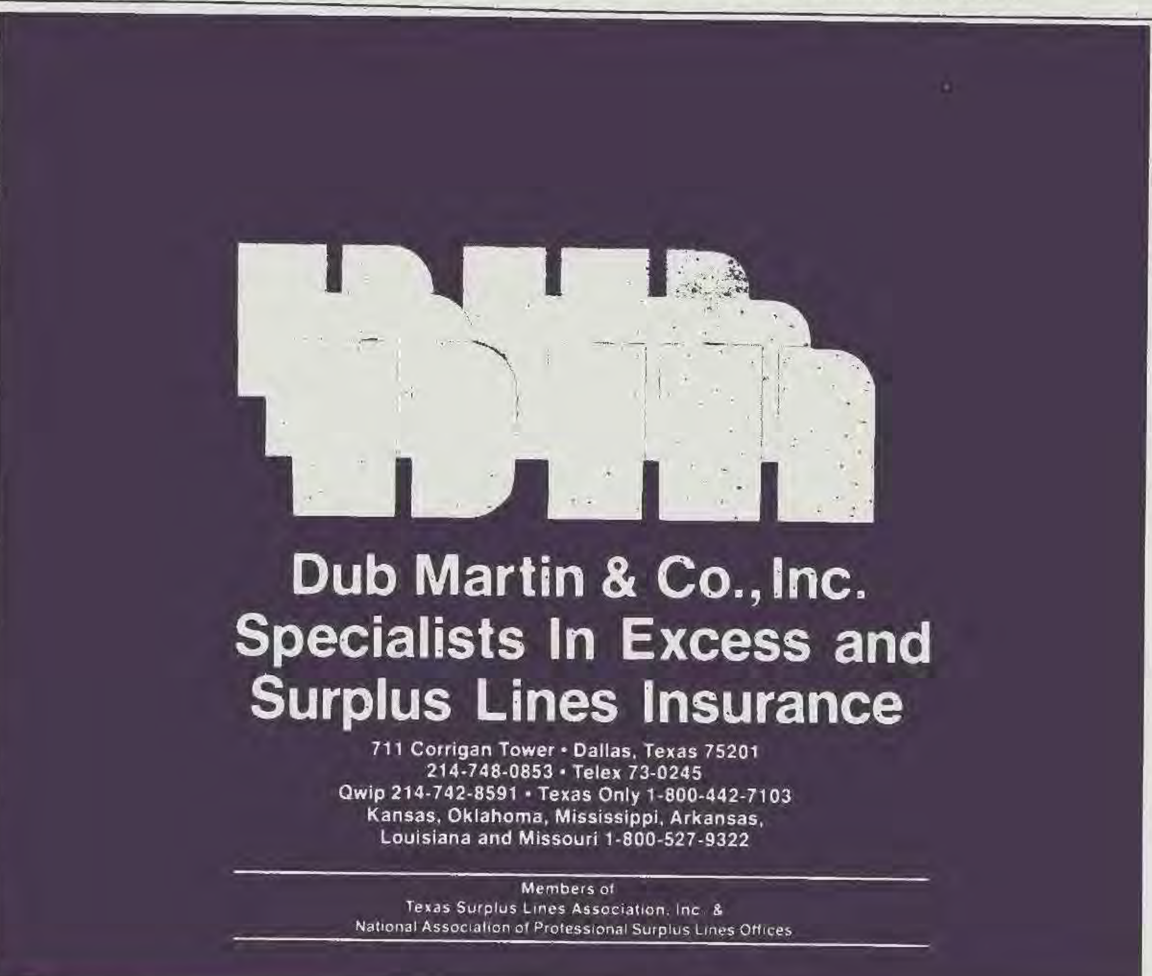
It had been speculated that the new regulations would encourage companies to choose other domiciles for their captive insurers, but no one sees any evidence of that happening yet.

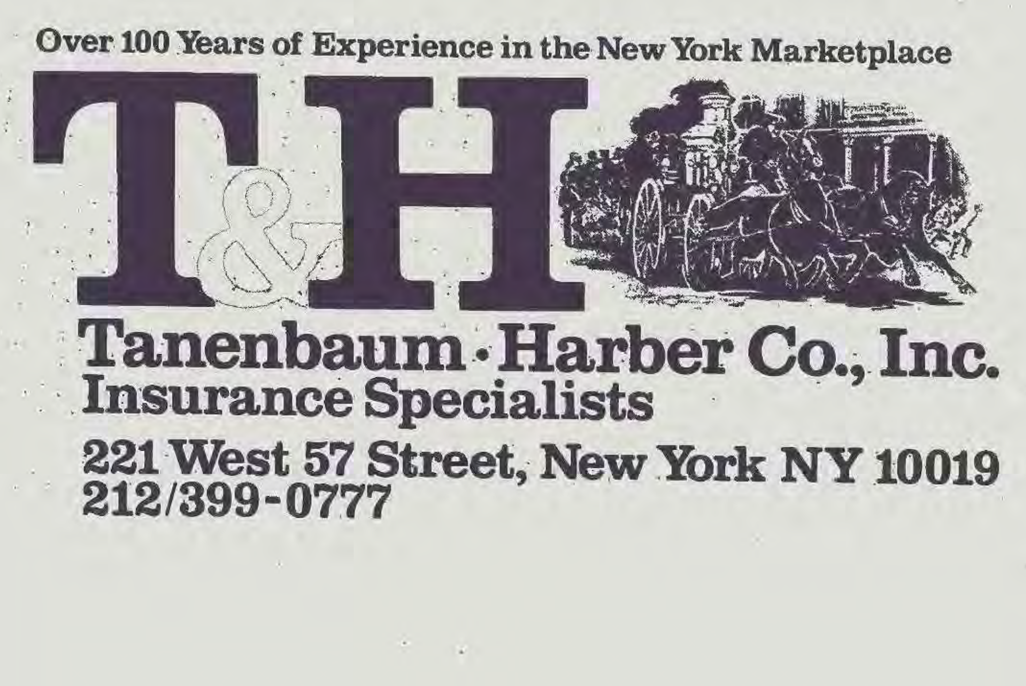
The law and regulations, designed to ensure the solvency of Bermuda-based insurers, set stricter capitalization requirements and require annual reports of solvency and audit reports be filed with the registrar. Other provisions also target solvency.

To help implement the new regulation, the government is creating a regulatory structure incorporating industry representatives organized into special subcommittees. The committees will make recommendations that will be filtered up to the minister of finance through an advisory board chaired by Shelton Burgess, registrar of companies.

Mr. Burgess envisions that someday this structure will allow Bermuda to turn over regulation of the insurance industry here to the industry, as England has with Lloyd's of London.

One captive manager on the island contends that the new committees make the industry self-regulating now. "If the government didn't want something we felt strongly about, we could all resign en masse. That gives us power," he said.





Risk managers praise Ford's acquittal

Jurors' judgments

After 25 hours of grueling deliberation, the Pinto jury of seven men and five women reached a decision: innocent.

Jurors voiced their opinions on the case following the verdict's announcement.

"I felt the Pinto was a reckless automobile but that Ford did everything in its power to recall it," said one juror.

"I don't think any car is safe," agreed a fellow juror. "There's an inherent danger in any of them. I don't like a small car but I drive one because I need the mileage."

The jury foreman said he was asked during deliberations if he would drive a Pinto. "I wouldn't buy one but I would drive one if someone gave me one," he said.

Many jurors faulted the state for failure to present its case.

"I kept waiting for the state to stop wasting my time," commented one woman juror. "I came in here thinking Ford was not guilty and the state would have to prove to me that they are. They didn't do it."

"The state never presented enough evidence to us that they (Ford) didn't notify the people," said another. "We felt they did notify the people as quickly as possible."

The prosecution did not offer an explanation of why the girls were headed away from their announced destination at the time of the wreck. Ford contended the Pinto gas cap had fallen from the car after a self-service gas stop and the girls made a U-turn to retrieve it. They stopped, opened the passenger's door and were hit, Ford testimony said.

Said a juror: "We had our first chance to figure out why the girls turned around. I think the state should have told us. I think there was a little negligence on the state's part."

Continued from page 1

Ford reportedly dropped $1 million for its defense against criminal charges of reckless homicide in the deaths of three teenage girls in a fiery Pinto crash in 1978.

Anything short of a Ford acquittal would have spelled disaster for the company's civil cases involving Pintos, said James Neal, Ford's chief outside counsel

No restrictions

Mr. Neal stressed, however, that civil cases pending or underway had no effect on the way he conducted the case.

"We let it all hang out. We played this case like any other case. There were no restrictions put on it by any other case," Mr. Neal told *Business Insurance*.

Failure of the case to reach landmark significance lies with the prosecution, many critics contend.

"The judge leaned over backwards to force the prosecution to make a strong presentation of the evidence," said Thomas J. Houser, general counsel at the National Assn. of Manufacturers. "No judge likes to be overruled by a higher court," he said, explaining why the judge pressed evidence rules so hard. "The prosecution simply did not make a case."

"Prosecutors may be competent to prosecute poor people for stealing a loaf of bread or somebody for smoking marijuana, but certainly not to take on the Ford Co.," contended Harry Thilo, president-elect of the Assn. of Trial Lawyers of America.

Product liability litigation must be left to sophisticated tort lawyers who have "100 times the competence" of prosecutors, Mr. Thilo argued. Prosecutors have neither the training, time, money nor taxpayers' consent to engage in that kind of litigation, he said.

"Criminal law will never bring about safer products," Mr. Thilo added. Only civil law is capable of setting a sufficient fine to make it too expensive for the manufacturer to deal in an unsafe way, he said.

Adverse publicity

Bruce Berner, a member of the team that prosecuted Ford, disagrees. "We've seen 10 to 20 years of product liability action without any noticeable effect on the way products are manufactured," he complained.

"We may not have the wherewithal in terms of economics—we're not out chasing dollars as is the plaintiff. But I don't feel we have any trouble understanding the case. Like in anything else, we make ourselves experts."

Mr. Berner argues that damage to a company's image from adverse publicity out of a criminal trial will have a greater impact on a firm than an expensive fine for a civil award.

"Sure the charges have hurt our image and reputation," admitted a Ford spokesman. But publicity from the trial has made little dent in Pinto sales. In fact, the Winamac Ford dealer couldn't keep enough Pintos in stock to meet demand during the trial, according to the spokesman. But some risk managers consider the importance of the case overblown.

Sensationalized case

"The U.S. public loves to see these horror stories," said Russell A. Drake Jr., corporate risk management director of Borden Inc. "The whole issue has been blown out of proportion and sensationalized by the press. Among seasoned risk managers the Ford case isn't going to have any impact."

Besides discouraging more criminal charges in product design, "I don't see how there can be any more product liability suits," added Mr. Griffin, corporate risk and benefit manager at Baker International Group in California. "There are hundreds of thousands of lawsuits filed now. Can there be any more?"

"What does the Pinto case have to do with it?" Mr. Griffin asked. "There have been multimillion-dollar verdicts for years and years. The case is not very earth-shattering."

But at least one risk manager is taking notice of the case.

"Risk managers are definitely becoming more cognizant in the area of loss prevention and relaying this down the line to quality control people," said Coe Hankinson, Shakespeare Co. corporate secretary.

"I am viewing the situation with cautious optimism," added Ms. Coe. "I fear that we may be seeing more action in the criminal area, but hoping that it won't be the result." ■

IF YOU DON'T HAVE IAF'S PROPOSAL FOR YOUR SPECIAL RISK BENEFIT PLAN
..... HOW WILL YOU EVER REALLY KNOW?

INTERNATIONAL—We underwrite through both U.S. and Canadian Brokers and Agents
ACCIDENT —All AD & D Covers—For the Common and Un-Common Hazards.
FACILITIES —For Group and Individual Special Risks

A FEW WHO FOUND AN ANSWER THROUGH IAF

Large Convenience Store Chain: AD & D Specifically for Felonious Assualt
On Shore Oil Drilling Firm: Voluntary AD & D for all Employees and Families.
High Salaried Executives: High Limit, Lump Sum Accident/Sickness PTD . . . an Answer to inadequet LTD.
Professional Athletic Team: Lump Sum Accident/Sickness PTD . . . (Loss of Services to Team Owners)

Regardless of the Accident Hazard . . Call or write the Specialists.

INTERNATIONAL ACCIDENT FACILITIES, INC.

Home Office: 15 Street, Boston, MA 02109 Tel. (617) 742-6660 Telex: 94-2041
Branch Offices
Suite 503-Buckeye Towers, 3300 Buckeye Road, Atlanta, Georgia 30341 Tel. (404) 454-1311
Suite 122, 1165 Empire Central Place, Dallas, Texas 75247 Tel. (214) 643-1861

PCM is the place to find MARKET SOURCES *
for these Special Liability Coverages...

PROFESSIONAL
(NON-MEDICAL) LIABILITY

for Architects, Engineers, Lawyers, Police Departments, Law Enforcement Agencies of a political subdivision.

PLUS EXCESS ON THESE AND OTHER PROFESSIONAL LIABILITY CLASSES.

*NOT IN ALL STATES.

Richard C. Marx • Alfred J. Amend
Anthony F. Martini

PCM Intermediaries, Ltd.
90 William Street, New York 10038 · TEL. 212-344-8200

letters

Continued from page 8

formed only where the life of the mother was at stake they would be extremely few in number.

You state that neither Catholics nor anyone else have to believe in abortions, yet you argue that they must be paid for regardless of belief. Also you convict Catholics of being the guilty parties in the fight for the rights of the unborn. How about all the other thousands of people who fight the same battle but who are not Catholics?

Not only does your article portray a poor sense of morality—it's woefully inconsistent. Many of your editorials are well written. This one lacked good judgment.

John L. Moore
Portland, Oregon

Dissenting voice

To the editor: I disagree with the next to last paragraph in Henry Salfeld's article on the loading exclusion in the business auto policy (Feb. 25, "Loading exclusion puts gaps in policy").

A comprehensive general liability policy does exclude loading or unloading of automobiles and airplanes, but forklifts and cranes are not automobiles—they are considered mobile equipment. The loading or unloading of mobile equipment is excluded if it is used in any prearranged or organized racing, speed contest, etc.

Further, effective July 1978, an amendatory endorsement for attachment to the GL policy was issued which states that loading or unloading does not include the movement of property by means of a mechanical device not attached to the auto. We feel there is coverage under the GL policy if loading or unloading is accomplished by a land vehicle which fits in the mobile equipment definition.

Mary J. Postel
Assistant casualty manager
The Maryland Casualty Co.
Milwaukee, Wis.

Coverage provided

To the editor: In the Feb. 25 issue, Henry Salfeld writes on the loading exclusion on the CGL contract. Mr. Salfeld states that as respects "property loaded or unloaded by a forklift or crane, not attached to a truck or similar equipment," that coverage is not provided under either the business auto policy or comprehensive general liability policy.

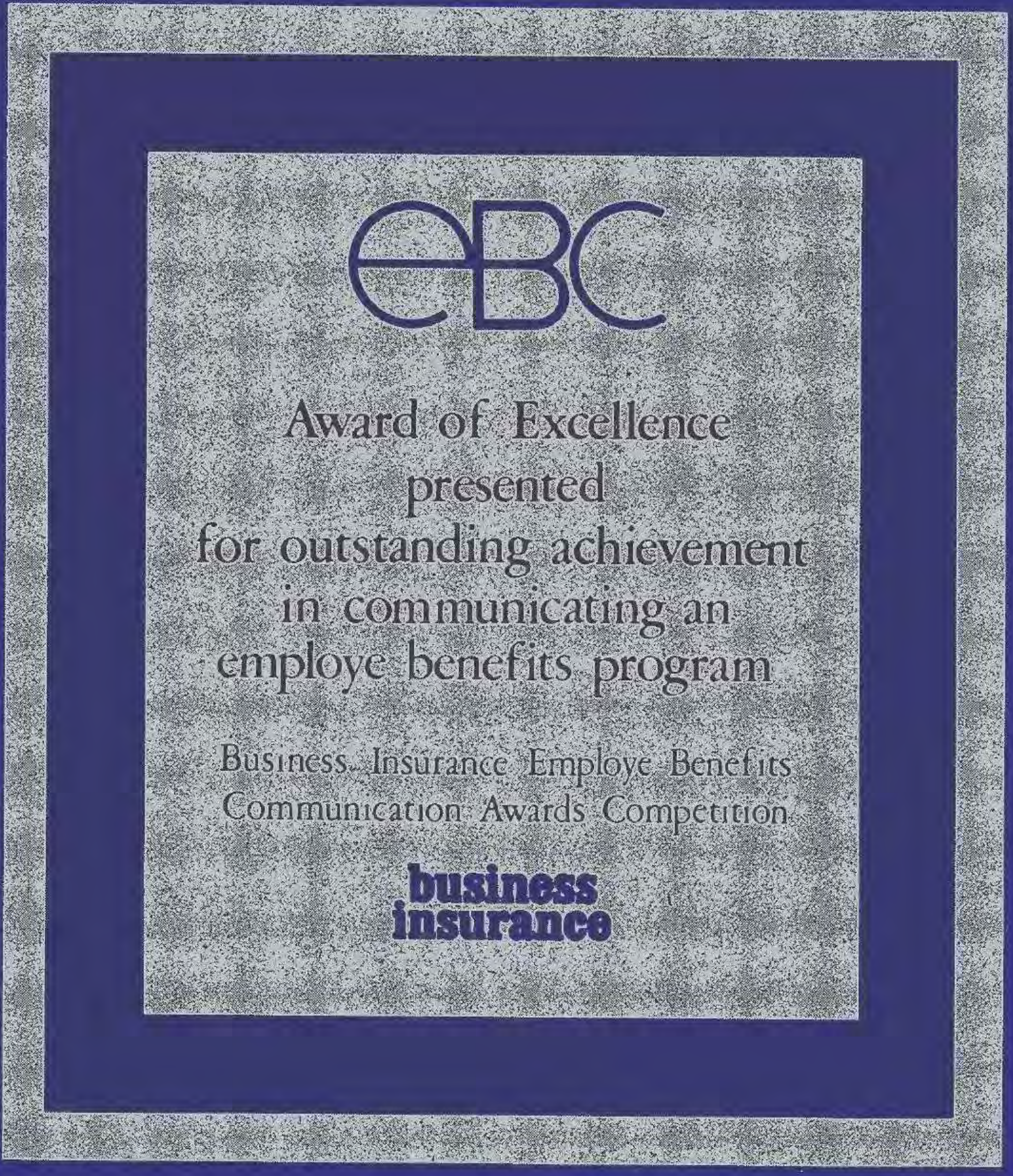
The comprehensive general liability policy excludes loading or unloading, but the definition of unloading or loading does not include the movement of property by means of a mechanical device (other than a hand truck) not attached to automobile. Therefore, coverage is provided.

John T. Warren
Associate account executive
Walter Kay Associates Inc.
New York, N.Y.

Broker's study

To the editor: The Jan. 28 article on the city of Eugene's new self-insured workers compensation program states that Eugene "retained a San Francisco risk management consulting firm, Clifton & Co. . . ." Although Jerome Aparton of that firm does risk management studies, the firm is a brokerage.

Erin A. Oberly,
CPCU, Branch manager
Warren, McVeigh & Griffin
San Francisco, Calif.



The 1980 Business Insurance awards presentation for outstanding achievement in communicating employe benefit programs will be made at a banquet during the annual Business Insurance Employe Benefits Communication Conference. Place and date: Continental Plaza, Chicago, October 28, 1980.

A panel of employe benefits managers and communicators, selected by Business Insurance, will judge programs in the following categories: Booklets... Personalized Correspondence... Audio-Visuals... Special Projects... Total Communication Programs.

Entries will be accepted for the eighth annual competition beginning April 1. Entries will be accepted no later than May 30. The competition is open to all companies in the U.S. and Canada and has no restrictions as to the size of the company.

For more information, to obtain rules and entry forms and to submit your programs, call Ronnie Drachman, Awards Coordinator, 212/986-5050 or clip the coupon and send it to us as soon as possible.

Employe Benefits Communication Awards Competition

Mail to: Benefits Communications Awards · Business Insurance · 708 Third Avenue · New York, N.Y. 10017

Yes, I am interested in entering our communications program(s). Please send me ________ entry blank(s) and the competition rules.

Name, title ________________________________

Company ________________________________

Address ________________________________

City ________________ State ________________ Zip ________________

Telephone ________________

BI 3/24/80

business insurance

DANGER!

Help The Hartford make America a safer place to work.

Enter your safety ideas in the $75,000 Loss Prevention Awards Competition.

The records show that working conditions in America can be hazardous to your health. Last year alone, a worker was injured every 14 seconds. The total time lost to industry because of work injuries was 245,000,000 days. Work accident costs amounted to $23 billion!

To help make America a safer place to work, The Hartford is sponsoring a Loss Prevention Awards Competition. Its purpose is to stimulate new and creative thinking in the area of Loss Prevention and Safety in American business and industry—such as employee safety, fleet protection, fire prevention, etc.

The Competition is administered by the National Safety Council. Its Judging Committee Chairman is the Honorable Abe Ribicoff, U.S. Senator from Connecticut.

While there will be numerous cash awards, totaling $75,000, this is one Competition in which the best prize of all is preventing injuries. And saving lives.

So don't be left out. Do what over 4,000 safety-conscious people have done already. Use the coupon and enter our Competition.

Your safety idea could help America's workers become nearly accident-free ...instead of accident victims.

The best protection is prevention.

National Safety Council
444 North Michigan Avenue
Chicago, IL 60611

GREEN CROSS FOR SAFETY ®

Please send me full details and an official entry blank for The Hartford Loss Prevention Awards Competition. I want to help make America a safer place to work.

NAME: ____________________

TITLE: ____________________

COMPANY: ____________________

STREET: __________ CITY: __________

STATE: __________ ZIP: __________

Open to all residents of the 50 United States & District of Columbia; except employees, directors, insurance agents and advertising agencies of The Hartford Insurance Group, or of the National Safety Council, or of ITT and its subsidiaries. Void where prohibited by law. The Hartford Insurance Group, Hartford, Conn. 06115.