WEEK OF MARCH 2, 1981

business insurance®

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update:

Bahamas will invite new captive business

NASSAU, Bahamas—The cradle of the captive insurance company business wants a piece of the industry that has grown up elsewhere.

The government here is inviting insurance industry executives from the United States, United Kingdom, Bermuda and Bahamas to a seminar March

Continued on next page

Hines

Ryan to rise into top 10 with Kemper

By KATHRYN J. McINTYRE

CHICAGO—A new top 10 insurance broker is on the horizon, hailing from Chicago and harnessed by the former president of the largest U.S. broker.

The intended acquisition of James S. Kemper & Co. by Ryan Insurance Group Inc. announced Feb. 25 catapults the combined Chicago-based companies into the ranks of the top 10 national insurance brokers.

"We expect to be a significant force in the national insurance brokerage business," said Harold H. Hines, president and chief operating officer of Ryan. Mr. Hines moved to Ryan last fall from Marsh & McLennan where he had been president and finally vice-chairman.

"We think this is an excellent fit," said Bernard J. Sullivan, president and chief exec-

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Sullivan

DES firms acted in concert: Court

By RHONDA L. RUNDLE

NEW YORK—Victims of the cancer-linked drug DES can sue drugmakers who acted in concert to market the product even though the specific manufacturer cannot be identified, a New York appellate court has ruled.

The 4-0 ruling Feb. 24 in the Bichler vs. Eli Lilly & Co. case is the only standing appellate level decision against a DES manufacturer, attorneys for both sides told *Business Insurance*.

Eli Lilly & Co. will petition New York's highest court to review the decision, said Walter Taylor, assistant general counsel for the Indianapolis-based drug company. "We are shocked by it (the ruling)," he said. "We think it is wrong and totally unjustified."

A lower court found that it was not Lilly's DES that caused the injury, he stressed, even though it held Lilly liable because it said the entire DES industry acted in concert.

"Nor do we believe that it is established that DES is a cause of cancer," he added.

"The case will shortly be the leading DES decision in the country," said Alfred Julien, a New York attorney with the firm of Julien, Schlesinger and Pinz representing plaintiff Joyce Bichler. The lower court jury verdict that has been upheld directs Lilly to pay $500,000 to Ms. Bichler who suffers from a rare form of vaginal cancer.

Mr. Taylor concedes the appellate decision is a major blow to DES manufacturers because it is the first to apply a concert of action theory. However, he does not believe it is as big a threat as the Sindell decision, which is based on the theory of market share of liability, because "I don't think many courts will find on the facts that there was a concert of action."

Plaintiff attorney Thomas Bleakley who represents many DES cancer victims in the Detroit area disagrees with that assessment. He contends that Sindell went off on a tangent. "The concert of action theory is all that any court in the country has ever needed to demonstrate produet liability in DES liti-

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Railway clerks pushing to uncouple health plan

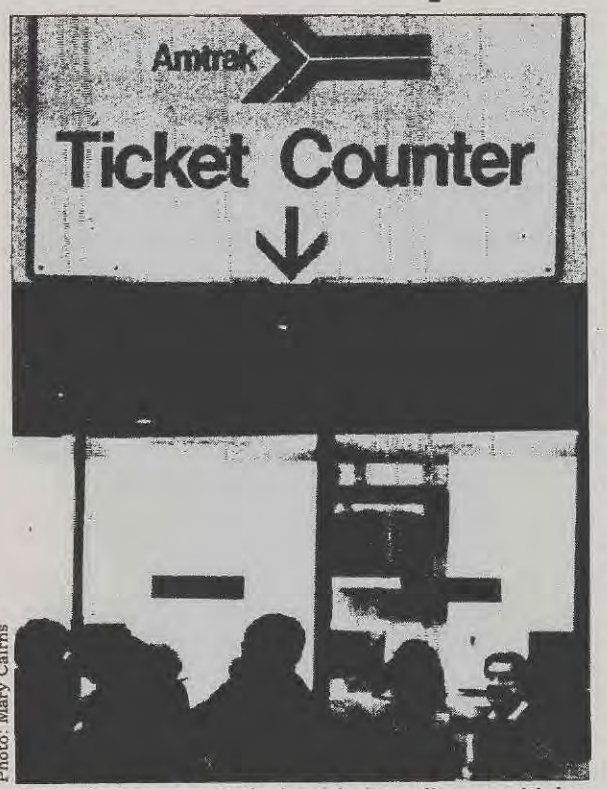

Photo: Mary Cairns

Rail clerks say their health benefits would be cheaper if they bargain as a separate unit.

By JOHN MAES and STEVE SHERWOOD

CHICAGO—The Brotherhood of Railway, Airline & Steamship Clerks will break with 13 other unions to forge its own deal for employee health insurance with the railroad industry, union officials say.

The union, representing 115,000 of the railroad industry's 485,000 workers, says it can win lower health insurance premiums for its members by negotiating separately than it can as part of a plan with other unions, whose members are generally older and work in more hazardous jobs.

"We're a better group to insure in health and welfare," noted a union official. "We're not as bad a risk considering on-duty injuries and we have a higher female component, a plus when considering life insurance."

The union includes clerks, office workers and other nonoperators of railroad equipment.

Jerry Myford, director of employee benefits for the National Railway Labor Conference, which aids the National Carriers Conference Committee in negotiations with railway employees, said it has not been proven that the break would cut premium costs or improve benefits. He says premiums would rise.

The NRLC and NCCC represent about 160 railways in labor negotiations on a national basis.

Mr. Myford said railway companies in general feel it would be to their detriment if BRAC pulled out of the multiemployer benefit plan.

"They (the railways) don't support it," he said. "To break from the National Rail Health & Welfare

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Winners

Reliance	+17%	to	$ 78.6 million
Conn. General	+17%	to	$316.7 million
General Re	+15%	to	$154.3 million
INA	+14%	to	$278.6 million
Bitco Corp.	+12%	to	$ 16.6 million

'80 earnings decline 2%

By STUART EMMRICH

CONTINUED RATECUTTING in the early months of 1981 is hard to believe after looking at the year-end 1980 results of 23 of the nation's top commercial insurance companies.

Brokers and risk managers report policy renewals are still posting rate reductions, even though 1980 was a dismal year for insurers. Earnings were down, underwriting profits were scarce and combined ratios continued to climb to record heights.

Operating income for 23 insurers reviewed by *Business*

Continued on page 33

Percentage figures represent the change in operating income between year-end 1980 and year-end 1979.

Losers

Am. Family	−39%	to	$ 17.3 million
Continental	−33%	to	$192.0 million
Avemco	−21%	to	$ 2.9 million
Am. Indemnity	−17%	to	$ 3.5 million
SAFECO	−12%	to	$107.4 million

NEWSPAPER

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Court limits cover of asbestos maker
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New rules could cut costs for black lung
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update:

Bahamas seeks captives

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12 to convince the industry that the Bahamas is a good domicile for captives.

Government officials in exclusive interviews with *Business Insurance* expressed their desire to tell insurance company executives and U.S. corporations that captive business is welcomed in the Bahamas.

The March 12 meeting, which may be attended by Prime Minister Lynden O. Pindling as well as other top government leaders, is designed to "acquaint those interested in captives with the advantage of the Bahamas as a center," said Deputy Prime Minister Arthur D. Hanna, who is also the minister of finance.

Many of the first captives were based in the Bahamas, but moved to Bermuda after the Insurance Act of 1969 was passed, requiring the publishing of a summary of an annual audited balance sheet. That requirement doesn't apply to captives under a 1978 regulatory change in the law.

About 20 companies are registered as nonresident insurers in the Bahamas, about half of which are subsidiaries of U.S. companies.

Nuclear accident settlement

HARRISBURG, Pa.—Residents and businesses within a 25-mile radius of Three Mile Island will share in a $25 million settlement agreed to by the owners and builders of the ill-fated nuclear power plant.

The settlement, which provides $20 million to compensate for economic losses and $5 million to establish a public health fund, was given preliminary approval Feb. 20 by Federal Judge Sylvia H. Rambo.

One of the reactors at Three Mile Island suffered a partial meltdown March 28, 1979, leaking radiation that forced an evacuation.

Judge Rambo, who will supervise distribution of the funds, will hold a public hearing on the adequacy of the settlement before granting final approval. No date has been set.

Still pending and unaffected by this settlement are lawsuits filed by residents charging bodily injury and lawsuits filed by local governments in the area.

American Nuclear Insurers and Atomic Energy Liability Underwriters will pay for the settlement on behalf of General Public Utilities Corp., Metropolitan Edison Co., Jersey Central Power & Light Co., Pennsylvania Electric Co., Babcock & Wilcox Co., J. Ray McDermott & Co. and Catalytic Inc.

Exchange names CEO

MIAMI—Alan Teale, director of the British Insurance Brokers Assn., will become the chief executive officer of the Insurance Exchange of the Americas here June 1.

Mr. Teale, who worked in Lloyd's of London's central office and was chief executive of the Lloyd's Insurance Brokers Assn., was chosen for his administrative abilities and experience in legislative affairs, said W. Dana Roehrig, chairman of the exchange's interim board of governors. "He's not an underwriter," Mr. Roehrig added.

The insurance exchange is expected to begin operations in mid-1982. Until then, Mr. Teale will work on syndicate formation with investors, he added.

Car crash award upheld

WASHINGTON—The Supreme Court last week upheld a $2.4 million award against Chrysler Corp. involving a 1974 car crash that paralyzed one person.

Chrysler argued that the car, a Dodge Monaco, met federal auto safety standards and, therefore, the firm could not be held liable.

A lower court said compliance with the federal Motor Vehicle Safety Act does not protect automakers from liability under state laws.

The accident involved New Jersey policeman Richard Dawson, who lost control on his Chrysler patrol car during a high-speed chase on a slippery road. The car spun off the road and crashed into a steel pole, leaving Mr. Dawson paralyzed. He charged his injuries would not have been so severe if the car had a solid frame.

Reagan kills Iran lawsuits

WASHINGTON—President Reagan last week issued executive orders suspending all lawsuits and attachments by U.S. companies against Iranian bank accounts and assets.

The legality of Mr. Reagan's action, however, is expected to be challenged in court by some of the companies and individuals that have filed an estimated 3,000 claims against Iran in U.S. courts.

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Court limits cover of asbestos maker

By ELLIS SIMON

WASHINGTON—A federal court ruling here adds to the troubles of Keene Corp., which can't find proof of some insurance policies to cover asbestos injuries.

The ruling Jan. 30 by Judge June L. Green leaves Keene uninsured for a major period of time during which claimants say they were exposed to asbestos.

The Court of Appeals for the District of Columbia Circuit last week granted Keene an expedited hearing of Judge Green's ruling that asbestos injury occurs when a plaintiff is exposed to the substance and an insurer's obligation to defend and pay claims is limited to policies in force during that period of exposure.

Using the "exposure theory" established by the 6th Circuit Court of Appeals in INA vs. 48 Insulations (*BI*, Nov. 3 1980), Judge Green said insurers' obligations are prorated according to the number of years they insured a particular risk and policyholders must contribute to the cost of defense for the years no coverage was in force.

The case further establishes the courts' preference for the exposure theory over the manifestation theory when deciding which insurers are liable for claims from long-latent diseases.

In an accompanying opinion, Judge Green dismissed liability against Pennsylvania Manufacturers Assn. Insurance Co., which wrote liability coverage for Ehret Magnesia Co., a predecessor to Keene, from 1948 to 1959. The PMA policies did not provide product liability coverage, she ruled. (Keene is filing a separate appeal on the ruling.)

As a result, Keene has no insurance for the period when many of the 6,000-plus plaintiffs suing the

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BI opens new office in Dallas

DALLAS—Beginning this week, *Business Insurance* has a full-time staff reporter in Dallas to cover the growing business community there and throughout the Southwest, announced *BI* editor Kathryn J. McIntyre.

Steve Sherwood, a former reporter for the Riverton Ranger, a daily newspaper in Riverton, Wyo., will have offices at 5327 N. Central Expressway.

Sherwood

Mr. Sherwood, 25, worked 2½ years at the Ranger as a reporter, editor and columnist, winning several writing and reporting awards.

A graduate of the University of Colorado, he has a bachelor's degree in journalism. This past fall, Mr. Sherwood completed a 2½-month bike tour across Great Britain with his wife. They returned to Dallas.

In another staff change, Joanne Wojcik O'Hare is the new editorial production assistant, taking over the position previously held by Bill Bike who has left the magazine.

Ms. O'Hare, who joined *BI* in July 1980, had been an editorial assistant. ■

Beauty wins this contest

Kimberli Jayne Pring, Miss Wyoming 1978-79, didn't win the Miss America contest title, but her lawyer, Gerald Spence, did win a $26.5 million award for her in a libel lawsuit against Penthouse magazine.

Photo: Wide World

Penthouse insurance scanty

By STEVE SHERWOOD

NEW YORK—Unless a $26.5 million libel judgment against Penthouse magazine here is reversed or reduced on appeal, Penthouse may be digging into profits to pay damages.

The $26.5 million, awarded to 1978-79 Miss Wyoming, Kimberli Jayne Pring, by a U.S. District Court jury in Cheyenne, Wyo., Feb. 20, is more than the coverage provided by the magazine's libel insurance policy, Penthouse trial attorney Paul D. Cooper said.

"It is well over their insurance, needless to say," Mr. Cooper said.

Irwin Billman, Penthouse executive vp who purchases insurance for the magazine, said "We have a substantial libel policy. I don't think it covers quite that high, but it is layered and some of the damages might fall into various catagories like liability."

Mr. Billman believes Penthouse will win in the appeal. "My experience is that judgments are usually substantially reduced. The bulk of the $26.5 million is punitive and punitive damages are usually cut." He does not believe the jury's decision was right

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California insurance chief reaches out to regulated

By RHONDA L. RUNDLE

SAN FRANCISCO—Vowing to "read everything I am sent" and "question what I don't understand," new California Insurance Commissioner Robert C. Quinn says he wants to forge links with all "stakeholders" in the state's insurance industry.

This not only includes insurers, agents and brokers, but also business and general consumers, trial attorneys and others who have a stake in insurance regulation, Mr. Quinn explained at an informal press briefing Feb. 20 in state offices here.

Mr. Quinn gave few hints of his plans as commissioner, stressing he is still studying a number of "extraordinarily complex issues." But "the time for decision is not far off," he said, pointing out that 22 months does not allow indefinite time for planning.

The new commissioner, appointed by Gov. Jerry Brown, is expected to serve through the present gubernatorial term which ends in January 1983. He is to appear before the state Senate Rules Committee March 18 before full Senate confirmation vote.

Mr. Quinn would not identify his "highest No. 1 priority," saying workers compensation, territorial rating of automobile insurance and consumer perception of unfairness in rating all merit top priority.

The state's chief insurance regulator said the department's lag behind the insurance industry in technology raises serious questions about its ability to do its job effectively. The department has the expertise to document this problem, which it must do before it requests state funds to computerize some operations.

One of the department's key functions will be to reduce the cost of consumer information about insurance, Mr. Quinn said. "Consumers don't shop as much as they should," he said. "RIMS does a good job of informing the corporate buyer, but there is no RIMS for the average consumer."

High on Mr. Quinn's list of priorities are crucial personnel decisions within his department. He is seeking a replacement for chief counsel Angele Khachadour, who resigned last December. He also must name a chief assistant and advise Gov. Brown on the appoint-

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Does smoking cloud liability?

By ELLIS SIMON

NEW YORK—Asbestos, coal and textile interests face an uphill struggle to convince the tobacco industry to assume liability for occupational lung diseases.

However, those industries are not giving up the fight against the powerful tobacco companies.

In recent months, a second asbestos firm has sued the tobacco industry to force it to contribute to the defense of product liability claims against the firm. In other cases, asbestos and textile firms are successfully denying some smokers' claims of occupational disease.

Medical evidence links smoking cigarettes to lung cancer among persons exposed to asbestos, to black lung disease among coal miners and to byssinosis among textile workers. The disease annually costs those industries hundreds of millions of dollars in workers compensation payments and product liability awards.

On the other hand, the tobacco industry has never lost a product liability lawsuit. Its successful defense has been assumption of risk—smokers voluntarily use their products and should be aware of the inherent dangers in smoking cigarettes.

"Assumption of risk is so powerful a defense that no one can recover damages when it is applied," said University of Chicago law professor Richard Epstein.

But a 1975 California decision, Lei vs. Yellow Cab, eliminates the assumption of risk defense in that state, contends Los Angeles attorney John T. LaFollette.

Mr. LaFollette represents Standard Asbestos Co. of Kansas City in cross-complaints against six cigarette manufacturers and their parent firms filed last September in Los Angeles and San Francisco (*BI*, Sept. 29, 1980).

Another asbestos defendant, SEPCO Corp. of Birmingham, Ala., sued the tobacco manufacturers Jan. 19 in Los Angeles Superior Court. SEPCO filed complaints against the tobacco makers in all 126 asbestos suits it now defends and will file additional actions as new suits arise, says Neil Selman of Randolph, Selman & Levanas, which is representing SEPCO.

Both Standard Asbestos and SEPCO are insured with Commercial Union Insurance Cos. The language in their complaints is nearly identical.

CU senior vp William Bailey says California's recent Sindell decision involving DES gives asbestos firms an avenue to get to the tobacco industry. In that case, the court ruled that all manufacturers will share liability for a product's defects in proportion to their share of the market when the responsible firm cannot be identified.

"There's no question the tobacco industry will be brought in when Sindell comes into play," Mr. Bailey said. It is unlikely that a cigarette smoker could prove one particular brand harmed him.

A spokesman for the Tobacco Institute declined to comment on the Standard Asbestos and SEPCO suits. However, Mr. Bailey says the tobacco industry's attorneys privately admit they are concerned by the cases. Others say cigarette makers have settled some product liability cases outside of court.

"They're hiring prestigious defense counsel and are not treating these cases with the disdain they had for past suits," Mr. Bailey said.

"There's nothing new about the assertions made," said a spokesman for Reynolds Tobacco Inc. in Winston-Salem, N.C. "The simple fact is there has never been a causal link scientifically established between smoking and human disease.

"Until the questions are answered, it's unfair to base conclusions on statistical assumptions that have been

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Photo: Wide World

United Mine Workers members protest proposed reform of the black lung benefit program.

Reagan's black lung rules may cut coal mine costs

By ELLIS SIMON

WASHINGTON—Tighter eligibility standards for black lung benefits proposed by President Reagan as part of his federal spending cuts also would mean pay dirt for mining companies through reduced workers compensation costs.

The savings will depend on how much the eligibility standards are tightened and if the stricter standards apply to all claimants, issues administration officials are still pondering.

The United Mine Workers is threatening to strike in opposition to any benefit eligibility changes.

If strict medical standards are applied to determine eligibility for black lung benefits, only 5% to 10% of all miners would be eligible for benefits compared with 40% to 50% today, says actuarial consultant Clyde Beers of Towers, Perrin, Forster & Crosby in Philadelphia (*BI*, Oct. 13, 1980).

The president proposes stricter eligibility standards for granting black lung benefits to make the deficit-ridden Black Lung Disabil-

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N.Y. exchange doesn't scare Lloyd's boss

By STUART EMMRICH

Green

NEW YORK—Peter Green, Lloyd's of London chairman, isn't cowering from competition offered by the year-old New York Insurance Exchange.

The market of the fledgling exchange is needed "like a hole in the head," Mr. Green told reporters here.

But Mr. Green tempered his comments by saying the exchange might prove a powerful influence in the world insurance market—in time.

The exchange has the organization and the purpose to succeed, but needs buyers. "You can bring a horse to water, but you can't make it drink," he said of the exchange.

"You have to get the brokers to see you," he noted. "How much business (the exchange) will attract, I don't know. Time will tell."

But the capacity offered by the exchange is important right now.

"Our business doesn't want any more capacity anymore than it does a hole in the head," he said of the exchange.

Though Lloyd's officially seems to ignore the exchange, Mr. Green acknowledged Lloyd's members are participating on business written at the young market.

Lloyd's members, however, can only participate if they do not jeopardize required financial commitments to Lloyd's.

"We wouldn't want Lloyd's syndicates to participate as members as such," Mr. Green said.

The Lloyd's chairman, on the first stop of his first official U.S. visit (*BI*, Feb. 26), also discussed the settlement of computer leasing claims, new rules under the Fisher Report recommendations and Lloyd's expectations for a profitable year when final results from 1978 are tallied.

Settlement of claims from controversial computer leasing

Continued on page 32

Insurers to woo comp despite losses

By EILEEN NORRIS

NEW YORK—Employers attracted to self-insuring workers compensation risks will be wooed by insurers offering attractive dividend and cash-flow plans, a new survey suggests.

Insurance companies, slugging it out for business in the competitive insurance markets, predict they could lose more premium volume to self-insurers in the coming two years.

They plan to keep that premium loss to less than an average of 1.3% of their premium volume in 1981 with attractive insurance products that add vocational rehabilitation programs and safety services to cash-flow benefits, according to a survey of 10 insurers conducted by the National Council on Compensation Insurance.

But the surveyed insurers foresee continued underwriting losses on workers compensation insurance, with their results bolstered only by growing investment income gains. Increasing competition, small rate increases and the economic recession will hurt underwriting results, they say.

Contributing to increased underwriting losses in 1981 and 1982 will be a steady increase in the frequency and severity of claims, the insurers say. The insurers' predictions for increasing loss costs, which could apply equally to self-insured programs, include:

- Claim frequency will increase as much as 8% in 1981 and by another 10.2% in 1982, but the average increase could be as low as 2% in 1981 and 2.3% in 1982.
- Loss costs could jump as much as 14.2% in 1981 and another 15.6% in 1982. Even the average predicted increase in claims severity is 7.4% in both 1981 and 1982.
- Wage inflation is expected to contribute to rising workers compensation costs, increasing by a high of 9.4% in 1981 and another 10.6% the following year. On the average, insurers expect wages to increase at least 8.3% during 1981 and another 9.3% in 1982.
- The time a worker is disabled is also expected to cause an increase in workers compensation costs, with insurers estimating a 3.5% increase in disability periods for 1981 and an additional 3% increase in 1982 as highs.
- Medical costs are forecast to increase as much as 12.1% in 1981, with an additional 15.2% increase estimated in 1982. Insurers predict an average increase in medical costs of 11.1% for 1981 and 13.2% in 1982.

With workers compensation pre-

Continued on page 31

Predicted increases for work comp costs

	1981			1982		
	High	Low	Aver.	High	Low	Aver.
Chain frequency	8.0%	0.0%	2.0%	10.2%	−1.0%	2.3%
Severity	14.2	7.4	11.5	15.6	7.4	12.8
Wage inflation	9.4	6.0	8.3	10.6	6.0	9.3
Duration of disability	3.5	0.0	2.0	3.0	0.0	2.0
Medical cost inflation	12.1	10.0	11.1	15.2	10.0	13.2

Ryan rises into the top 10 broker rank

Continued from page 1
utive officer of James S. Kemper & Co. Mr. Sullivan will continue in that position for Kemper, which also will retain its corporate identity.

"They have the self-insurance services we need, and we have the network they need," added Mr. Sullivan. Ryan owns Self Insured Services Inc., a self-insurance services firm.

The $32.4 million combined 1979 gross revenues of the firms attributable to insurance brokerage business rockets them to number nine on the *Business Insurance* list of the top 20 U.S. commercial insurance brokers based on 1979 results. The spot was held by Rolling Meadows, Ill.-based Arthur J. Gallagher & Co.

The intended acquisition creates the most dramatic shift in the lineup of major commercial U.S. brokers since Alexander & Alexander acquired R. B. Jones in 1979.

Ryan's brokerage revenues in 1979 generated by four agency subsidiaries totaled $17.3 million, ranking it 16 on the *BI* list. Kemper's revenues of $15.2 million earned it the number 18 spot.

Including the revenues of subsidiaries underwriting property/casualty and life/health insurance, Ryan's 1979 gross revenues topped $206 million.

The acquisition, expected to be completed within the next 30 days, is for an undisclosed amount of cash. Using the industry average of 1.25 times commissions for a price, the Kemper price tag could be as much as $18.5 million, but it is believed by sources to be less than that but more than $15 million. James S. Kemper, who founded the agency 70 years ago, is the principal shareholder.

Ryan and Kemper executives hammered out the acquisition plans over the last few months.

Kemper adds 26 offices around the country to the regionalized and specialized brokerage functions of Ryan. To date, Ryan has concentrated its brokerage efforts in the 100-square-mile area of Chicago, except for its A. Yarchin & Co. agency based in Boston that services New England and a few small service offices elsewhere.

The two Chicago-based companies intend to capitalize on their Midwest roots and expand their market shares in the Chicago area, but are also targeting New England, where both companies are represented, and the Sunbelt of the Southeast, Texas and California.

Brokerage results for the 1980 year of the two firms are not yet available, but should show growth from the 1979 combined results. Mr. Hines reports growth in 1980 at Ryan's brokerage operations. Mr. Sullivan boasts of significant new business at Kemper in 1980, but admits that reduced commissions on lower premiums for renewal business resulted in flat growth in 1980.

Both Ryan and Kemper now have a substantial bank of national accounts, according to Mr. Hines. But Kemper's business has been primarily in medium-sized accounts and Ryan has specialized in brokering financial services risks, especially bankers blanket bonds handled by Chicago-based Scarborough & Co.

The work force of the newly expanded Ryan brokerage business is about 675, with the companies reporting 1979 staffs of 300 at Ryan and 375 at Kemper. No staff reduction is planned.

Integrating the marketing network of Kemper with the self-insurance services of Ryan does not mean the companies will follow one path in the future—at least not to the London insurance market.

Ryan maintains a joint venture with Lloyd's broker R.K. Harrison in Ryan Group London and Kemper traditionally uses J.H. Minet to place business with London underwriters. No change is planned in those relationships, Mr. Sullivan and Mr. Hines agree. ■

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Blue Cross will treat alcoholism

Inpatient treatment for alcoholism, drug abuse, psychiatric conditions and chronic pain syndrome is now covered by Blue Cross of Idaho.

The new plan, offered to the 250,000 group and nongroup subscribers, covers eight days in an acute care facility for persons with emergency alcoholism, drug or psychiatric problems, and 21 days in a rehabilitation facility for treatment of those problems plus chronic pain syndrome.

Coverage is only available when treatment is provided by facilities that have contracted with Blue Cross.

There is no additional premium charge for the new benefits. "We hope that by defining and having some control over the level of care, we'll be cutting some costs," she said.

In addition, the benefit for outpatient psychiatric care under the Blue Cross major medical plan has been raised to $750 from $500.

Pensions raised

In an agreement that parallels those in the steel and aluminum industries last year, 20,000 United Steelworkers members at Continental Group Inc., American Can Co., Crown Cork & Seal Co. and National Can Corp. won increased pensions and medical benefits.

The pension formula for future retirees will rise $4 over the three years of the pact, to $17.50 to $21.50 a month per year of service from the current $13.50 to $17.50 a month. Current retirees will receive pension increases of 8% to 70%, $35 to $45 more than their current monthly benefit, depending on their retirement date.

Sickness and accident pay will be increased $59 to $71 a week.

Medical deductibles were liberalized in cases when both spouses work for the same company. One spouse will be considered a dependent, giving the couple a break on out-of-pocket payments.

Other health care provisions include coverage for voluntary second surgical opinions; increased benefits for psychiatric treatment, psychological testing, dialysis and diagnostic tests; improvement in vision care benefits, and an increase in the maximum dental coverage to $1,000 by the end of the contract. ■

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HARTFORD STEAM BOILER INSPECTION & INSURANCE

editorial opinions

Keep HMOs alive

NOW MORE THAN ever, employee benefit managers must objectively, rationally and thoroughly investigate the cost-saving potential of health maintenance organizations.

The federal government is pulling up the roots of the money tree that has sustained the development of HMOs under the HMO Act of 1973. It's now up to private industry to support good HMOs and to raise funds for new HMOs.

Without private industry support, HMOs will wither and a chance to control the rising cost of health care will die on the vine.

President Reagan, as reported last week, wants to cut off all new federal loans to HMOs. This breaks a tradition since 1974 of providing loans to HMOs so they could break into the indemnity plan-dominated health care delivery system.

We're not particularly sorry at this point to see an end to federal involvement in HMOs. We agreed in the past that the loans were needed, but we support Mr. Reagan's efforts to cut federal spending.

The HMO loan program has served its purpose to get HMOs blossoming. There are enough HMOs—235 at the end of 1980 with 9 million members—to set the stage for development of new ones as the word of good, lower-cost care spreads.

The preventive care benefits of HMOs can keep people healthy and the emphasis on outpatient care cuts the length of hospital stays for HMO members compared with non-HMO members. These characteristics make HMOs the single most effective weapon in the battle to control the increasing costs of medical care.

Granted, HMOs have not succeeded yet in reducing the cost of health care delivered to their members so much that their prices are less than those of traditional indemnification plans. This hoped-for development has occurred in only isolated plans around the country competing with indemnification plans at certain companies.

Nor have HMOs captured a huge share of the health care delivery market, which includes about 126 million workers and dependents who receive benefits through employers, unions or management funds.

The reason is clear for this slow growth: Employers have not promoted the HMO concept well enough to their employees. A recent Lou Harris & Associates poll shows only 18% of employers offering HMOs promote them.

Federal loans won't increase the market share of HMOs just by helping more develop. It takes the support of employers that spend time promoting the HMO idea to employees. Another Harris survey proved this: Most members of HMOs heard about them through their employer and most nonmembers never heard of HMOs at work.

We're not suggesting you railroad employees into HMOs. We are advising that you investigate HMOs in your area. If you find they have a reputation for delivering quality care and are financially stable, you should make an all-out effort to objectively explain the HMO concept to employees. You must stress the cost-saving potential of HMOs.

This is not the time to give up on the cost-saving potential of HMOs. A new surge in health care claim costs is driving premiums to new highs, with increases of 30% to 60% for plans nationwide.

Employers must pursue every possibility for holding down health care cost increases. Don't take President Reagan's funding cuts for HMOs as a signal to write them off. Instead, respond to the move as an opportunity to be part of a private industry backing of HMOs. At least completely educate employees about HMOs. If you don't have an HMO in your area, you can bring businesses together to investigate starting one—with private money.

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letters

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

Does article show BI consultant bias?

To the editor: Is Susan Alt's bias showing? In a Feb. 16 Perspective article she says, "There are two basic types of consultants. . . . One kind is the so-called 'pure' consultant, unaffiliated with any broker. . . ." These consultants don't sell insurance. Members of IRMC are all independent consultants who don't sell insurance." Now come on, Susan, you know members of the Insurance Consultants Society are also independent and don't sell insurance. Why, you have even been at our meetings, as our guest.

Or is *Business Insurance's* bias showing? Just as a matter of curiosity, I counted the references to "consultants" in that issue. If I missed anyone, it was unintentional, but I tallied six references to insurer or broker-owned consultants, 10 references to independents, eight to IRMC—and none at all to ICS members. Seems strange, when more consulting firms are members of ICS than IRMC.

In all fairness, this should be brought to the attention of your readers.

Stan Brock
The Lukes-Brock Co.
Milwaukee, Wis.

▪ *Our listing of consultants noted whether consultants are members of either consultants' group and which one, to identify for our readers which consultants have banded together to identify themselves as independent of insurance companies and sellers of insurance-related services as well as for professional development.*

The difference is semantic

To the editor: A potentially misleading inference by omission was made in Susan Alt's otherwise well-written Perspective section article "Use good sense in seeking help" (*BI*, Feb 16).

She said: "There are two basic types of consultants who can provide risk management and insurance advice. One kind is the so-called 'pure' consultant, unaffiliated with any broker, agent or insurer. These consultants don't sell insurance. Members of IRMC are all independent consultants who don't sell insurance."

The following comment about brokerages and insurers who have established risk management consulting services divisions with no further mention of consultants who are members of Insurance Consultants Society implies that ICS members are not as "pure" as the members of IRMC.

A condition of membership in ICS is that no member may directly or indirectly be affiliated with any insurance agent or agency, broker or brokerage company or insurer. Members are expected to sign an annual affirmation statement to this effect.

The last time Ms. Alt's somewhat modified article appeared in a different national publication, we were inundated with membership information requests from broker consultants, which leads us to conclude that others have been misled.

Once and for all, the basic difference between ICS and IRMC is really one of semantics, and not of ideology.

Mary Lou Kirk
President of ICS
Crain, Langner & Co.
Rocky River, Ohio

Judgment, not size, counts

To the editor: A Perspective section article by Susan Alt in your February 16 issue ("Use good sense in seeking help") says a one-person consulting firm "may be unable to handle the work required by a very large city operating hospitals, power projects and huge fleets of vehicles and having thousands of employees, complex exposures and insurance programs."

The implication is that it takes a lot of people to do this. That's true, if you need specialists such as fire protection engineers, fleet safety experts, etc., to provide special input data.

But that doesn't rule out the one-man firm. He can choose among the best available rather than use those who happen to be employed by the consulting firm.

But no matter who does the job — large company or small — one person makes the final judgments.

It is this person who needs the background and experience to analyze and fit together the many specialist reports.

There are good and poor persons for this job in both large and small firms. It therefore makes no difference whether the consultant you pick is with a large company or on his own.

Consider the time when General Motors wanted a consultant. They didn't choose Booz-Allen or McKinsey; they chose Peter Drucker, a one-man shop.

David Warren
Risk management consultant
Orinda, Calif.

More on Alaska suit

To the editor: Re: The lawsuit by Michael P. Hillary against Rollins Burdick Hunter of Alaska, et al ("Former RBH exec claims alcoholism lost him his job," *BI*, Jan. 26).

We appreciate your interest in the suit. This is a very serious matter for Mr. Hillary and one that he is looking forward to resolve.

However, we would like to correct one error in the article for the record.

James Valentine and I did not participate in the retention of the public relations firm mentioned in the article, nor is that firm acting on our behalf.

We have been retained by Mr. Hillary solely to represent him in his lawsuit against RBH and to provide legal advice in that connection.

Joseph R. Igelmund
Attorney
San Francisco, Calif.

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Illinois refuses Blues increase

SPRINGFIELD—Illinois Insurance Director Philip O'Connor has denied an average 46% increase in health insurance premiums for about 319,000 subscribers of the Illinois Blue Cross and Blue Shield Plan, including 21,000 persons in small group plans.

The rejection is not a final decision, but leaves the way open for a public hearing on the request.

Monthly family premiums for the Series A plan would increase to $189 a month from $123 for subscribers in the Chicago area and to $138 from $90 for those downstate.

around the states

Arson reward

SPRINGFIELD—The Illinois Department of Law Enforcement has established the Illinois Arson Award program to reward persons who help in the arrest and conviction of arsonists.

An initial $10,000 has been contributed to the award fund by the Illinois FAIR Plan. The amount of individual rewards will be determined by the Governor's Arson Advisory Board.

A toll-free number has been established for persons reporting information on arson: 800-252-2947.

Regulator resigns

ALBANY—Gerald Zipper, deputy superintendent of the New York Insurance Department, is resigning March 3 to become board chairman of Dealer Service Network Inc., a warranty management and development company for dealers and retailers.

He will also be a special product development and marketing consultant to several financial groups and government entities.

Mr. Zipper played a significant role in developing and promoting the Free Trade Zone and New York Insurance Exchange. He also led the department's task force on the Regulation 41 amendment to streamline the rules governing state excess surplus lines.

Malpractice suits

TRENTON—The New Jersey statute of limitations for filing medical malpractice suits doesn't begin to run until a patient knows or should know there is cause for a suit, the New Jersey Supreme Court has ruled. The statute of limitations is two years.

The court added that a patient's dissatisfaction with his or her treatment does not mean he or she suspects the physician is guilty of malpractice. Consulting another doctor for a second opinion doesn't indicate the patient has knowledge of the first doctor's malpractice, the court ruled.

Increase denied

TALLAHASSEE—About 3,700 subscribers to small group contracts in Florida have been spared a $9.6 million rate increase requested by Blue Cross & Blue Shield of Florida.

State Insurance Commissioner Bill Gunter denied the 29.1% rate hike, saying the Blues did not propose any benefit improvements along with the higher rates.

Among the reasons Mr. Gunther cited in denying the filing was that it failed to recognize investment income and did not provide sufficient data to justify increases.

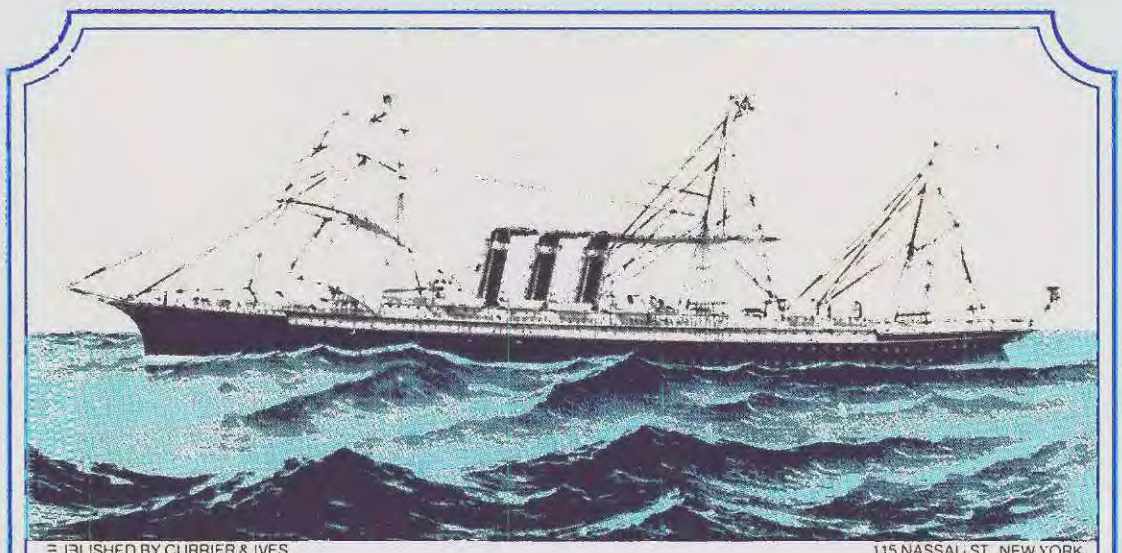
Brown lung panel

RICHMOND—The Virginia legislature has agreed to set up a special legislative subcommittee to examine the workers compensation problems of textile workers who contract brown lung.

During earlier hearings, textile workers complained that Virginia's workers compensation law, which requires claims to be filed within five years of retirement, creates hardship because it often takes longer to diagnose.

The six-member special joint subcommittee will report to the General Assembly. ■

1887: a year for successful beginnings



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School program expects savings

MADISON, Wis.—School boards do more than discuss why Johnny can't read, write or do arithmetic.

In Wisconsin, they're banding together to purchase property/casualty insurance through the Wisconsin Assn. of School Boards, hoping to slash premiums at least 10% and improve risk management.

Fifty-six of the state's 431 association members have signed up for the program, which began in October 1980, and applications are pending for 30 more, says program consultant Dennis Tweedale.

To join, school districts must be accepted by the insurer—Employers of Wausau—and purchase workers compensation coverage. Then the members can obtain other coverages including general and automobile liability, umbrella liability, errors and omissions, boiler, fidelity and property.

Each school board determines its own coverage. Dividend sharing is based on premium, Mr. Tweedale explained.

"We're very excited about the program because members (through an agreement signed upon entry with the program's trust) have ownership of reserves and have a contractual agreement with Employers of Wausau for expenses," he said. "What's not an expense or loss will be returned to the trust."

Savings in the form of dividends are expected because of this agreement, and initial premiums charged by Wausau are averaging 10% less than the competition, Mr. Tweedale said.

"They'll definitely save," he said, "but we have no idea what the actual dividend will be. But even if the premium is excessive, it will be returned."

Program members are also expected to benefit from the insurer's loss-prevention facilities and school board/insurer committees formed to study risk management and claims experience.

"I think our program is going to be a model," Mr. Tweedale said. "Too often the insurance company has control. Here in our contract we spell out what Wausau will and will not do. The (insurance) companies are eager to get in because it reduces their cost of selling."

While the program was being developed over the past two years, seven underwriters were interested in the program, but the final choice came down to Insurance Co. of North America or Employers of Wausau, he said.

Over the next two years, he expects the program to win the support of half of the state's school districts. They account for $20 million to $25 million in total annual premium volume. ■

Premium tax hike sought

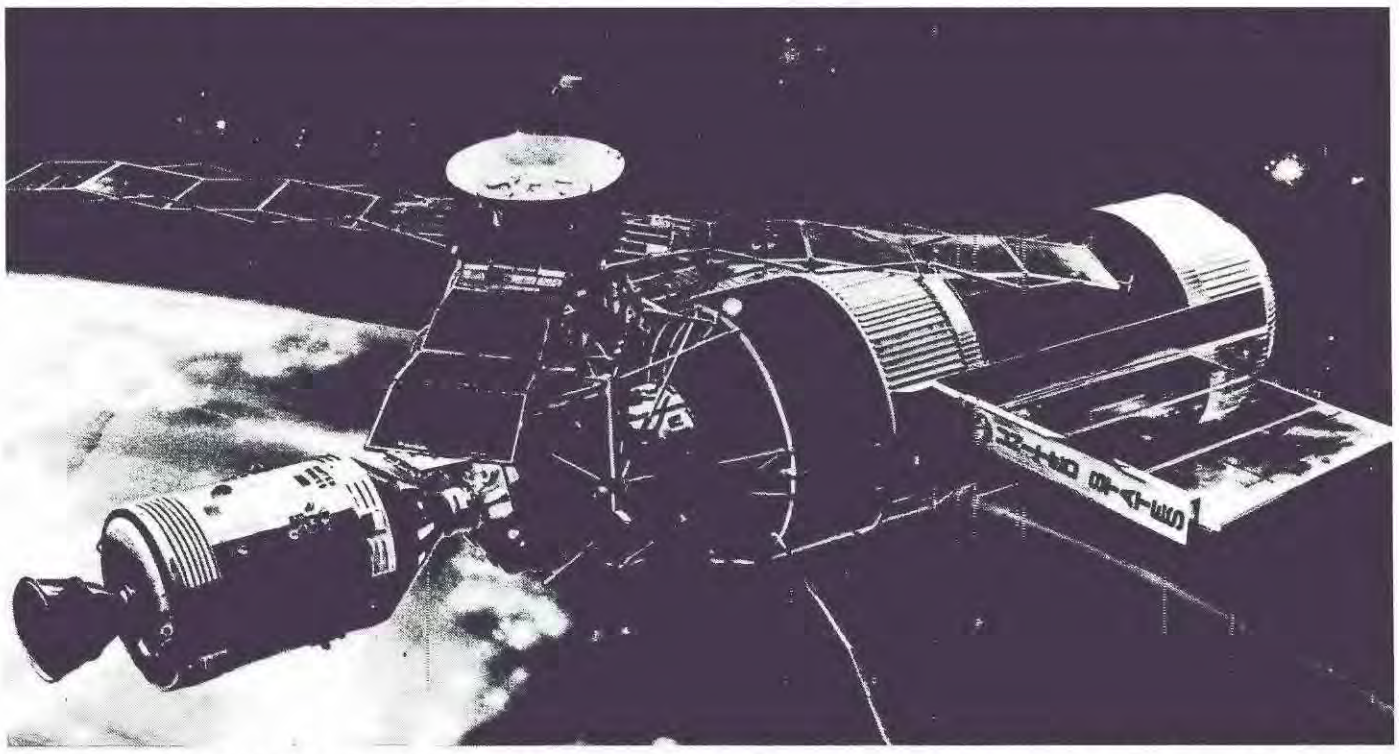
SALEM—Insurance buyers in Oregon could face higher premiums if a proposed increase in the state insurance premium tax is passed by the legislature.

Gov. Victor Atiyeh has proposed to raise the tax to 3% from 2.25%, a move that would raise $23.4 million in the next two years, says Charles Nicoloff, a tax analyst in the Insurance Department.

In addition, the governor has proposed a 0.75% premium tax on Oregon-based insurers in lieu of the current state excise tax. The new tax structure would bring in about $9.4 million in the next two years.

Whether the tax would be passed on to buyers would be up to the individual companies, Mr. Nicoloff said. "Some companies may be able to recoup with better premium volume and claims experience," he said. ■

Self-Sufficient



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Stockman targets OSHA noise rule

washington

By JERRY GEISEL

WASHINGTON—The Occupational Safety and Health Administration's final rule on noise reduction is on the regulatory hit list of David Stockman, director of the Office of Management and Budget.

Mr. Stockman says the administration is considering revising or deferring the OSHA noise standard. Labor Secretary Raymond Donovan earlier said the noise standard will be "closely scrutinized."

The OSHA noise standard, which is scheduled to be phased in over three years beginning April 15, requires employers to offer earmuffs or earplugs to about 2.9 million workers who are exposed to noise levels exceeding 85 decibels daily.

Employers also must offer periodic hearing testing to workers exposed to more than 85 decibles daily.

OSHA puts the cost of compliance at $254 million, but some business groups, such as the U.S. Chamber of Commerce, think the cost to industry would be much higher.

In order to revise the noise regulation, the Reagan administration would have to propose a new standard and give the public at least 30 days to comment.

Pool support

The American Insurance Assn. no longer will lobby against the Risk Retention Act (S. 69).

The AIA, a trade group representing 150 property/casualty insurers, was an outspoken opponent of the product liability pooling legislation during the last session of Congress.

But AIA now says it can live with the bill. "It has been a long trip down a sometimes bumpy road leading to the resolution of this conflict," said T. Lawrence Jones, AIA president.

"Nevertheless, the AIA recognizes that the proponents of the Risk Retention Act feel it addresses certain of their needs and we are . . . removing opposition to the bill."

Under the Risk Retention Act, group-owned companies that underwrite only owners' product liability risks and receive an insurance company charter in any state, Bermuda or the Cayman Islands would be permitted to service members in all states.

The proposal limits these groups to underwriting product liability and completed operations insurance for member-owners. Policyholders must be owners of the pool or members of the association owning the pool.

The act would pre-empt state capital and surplus requirements and the need for the groups to be licensed in each state or use a fronting insurer.

The Risk Retention Act cleared the House during the last Congress but was held up in the Senate when it was linked up with a tourism bill.

Injuries drop

The number of injuries decreased sharply last year at 57 non-coal mines and mills participating in an accident-reduction program sponsored by the federal Mine Safety and Health Administration.

In fiscal 1980, accidents at participating operations resulted in 1,985 lost workday injuries, 32% less than the 2,920 lost workday injuries in fiscal 1979.

Under the program, which began in 1976, MSHA assigns inspectors to mines and mills that have unusually high accident rates. The federal inspectors work with management and unions to improve safety. ■

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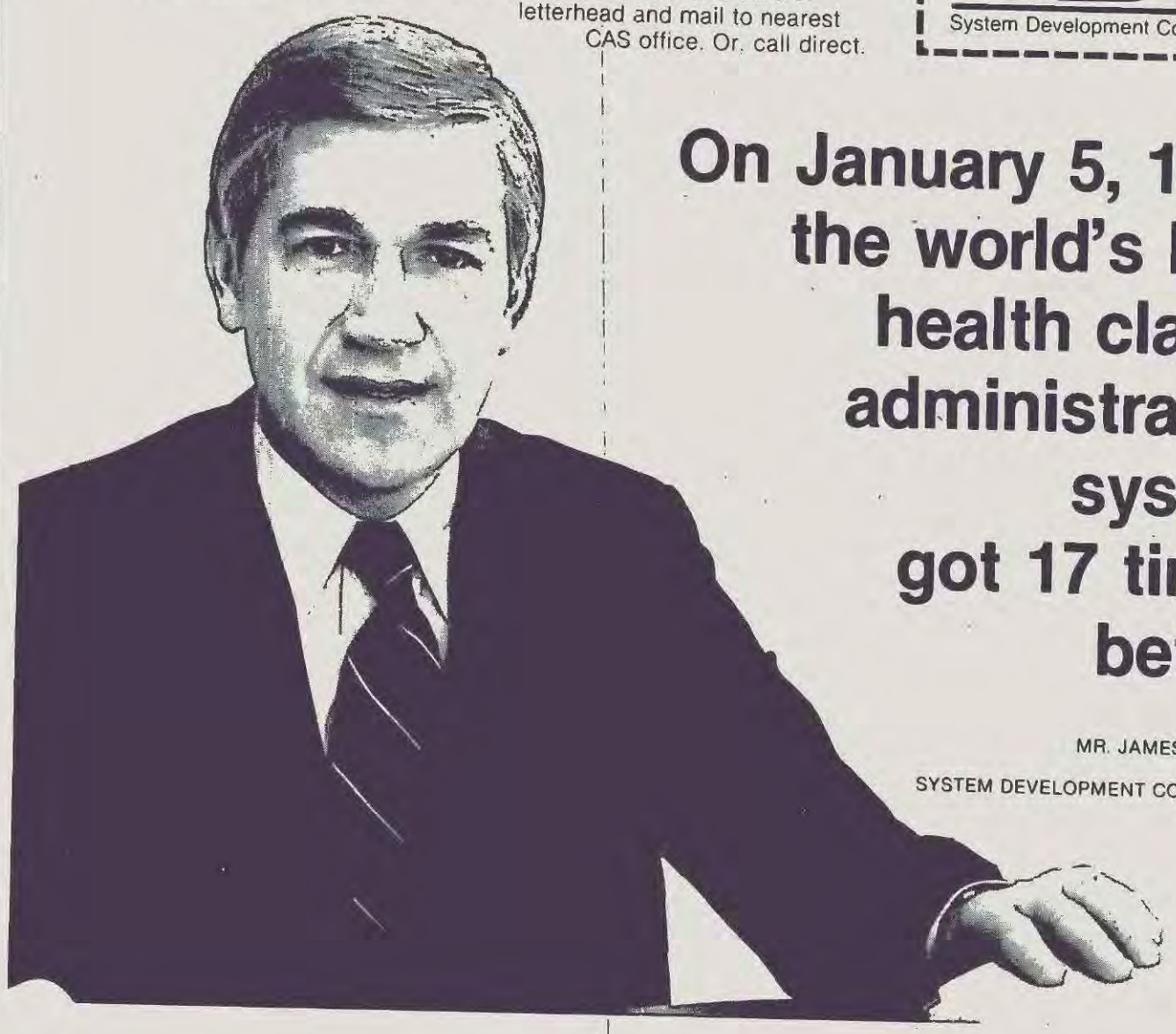

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Ounce of prevention eases back pain

Photo: Coakley Heagerty Cos. Ltd.

Paramedics are vulnerable to painful back injuries because many do not pay attention to proper lifting techniques.

By CAROL BLITZER

SAN JOSE, Calif.—If workers compensation claims for back injuries plague your firm, take a lesson from the paramedics here who are learning to avoid their own back-wrenching problems.

A painful back injury can sideline a paramedic for more than a week, but in one hour, a group of the medical technicians can be trained to prevent trouble, says Joseph Walls, loss-control expert for Employee Benefits Insurance Co., a specialist in workers compensation.

Ninety-three million work days are lost annually because of back problems, Mr. Walls says, and Americans spend $5 billion a year for tests and treatment by back specialists. The problem is especially acute among paramedics.

"Our personnel are working in a high-stress environment where their own personal safety is the furthest thing from their minds," explained Chuck Dovey, vp of Medevac, a San Diego-based paramedic service company. "Until recently, most paramedic schools concentrated on medical procedures and fire suppression. Little attention was paid to proper lifting techniques."

Almost 40% of Medevac's workers compensation claims are for back injuries, Mr. Dovey reports.

Positive action was needed, so Medevac asked insurer EBI to devise an injury-prevention training program. Injury prevention will be incorporated into Medevac's fitness program.

EBI's back strain prevention techniques program includes 67 slides on biomechanics of the spine, types of back injuries, posture, exercise, lifestyle and patient handling. An instructor fields questions and demonstrates proper techniques.

Mr. Walls is collecting statistics on back injuries to monitor the effectiveness of the program.

"The popularity of the program is its simplicity," he said. "It's short, to the point, and creates awareness. Anything could be dealt with in this manner. Back strain was selected because it is the most damaging, the most severe, the most expensive."

The program is being used at three paramedic training institutions: the University of California at San Diego, Butte Community College in Chico and Daniel Freeman Hospital in Inglewood. Scripps Memorial Hospital, Glendale College and the U.S. Navy's Amphibious Group in San Diego are also trying the technique.

Leonard Inch, director of Butte's paramedic program, stresses the slide show needs to be supplemented. For example, students need to practice lifting properly.

Though designed for health care experts, the training program has something for every business, EBI says.

"There is no industry that does not have a large number of back injuries," Mr. Walls noted, but the first step for EBI is the health care industry.

EBI is developing similar slide programs for dietary, nursing, X-ray, lab and emergency departments. The slide presentation can be used for any industry by substituting slides that show examples from that work situation, he adds.

The health care industry is a good starting point because it has a high number of back-related injuries.

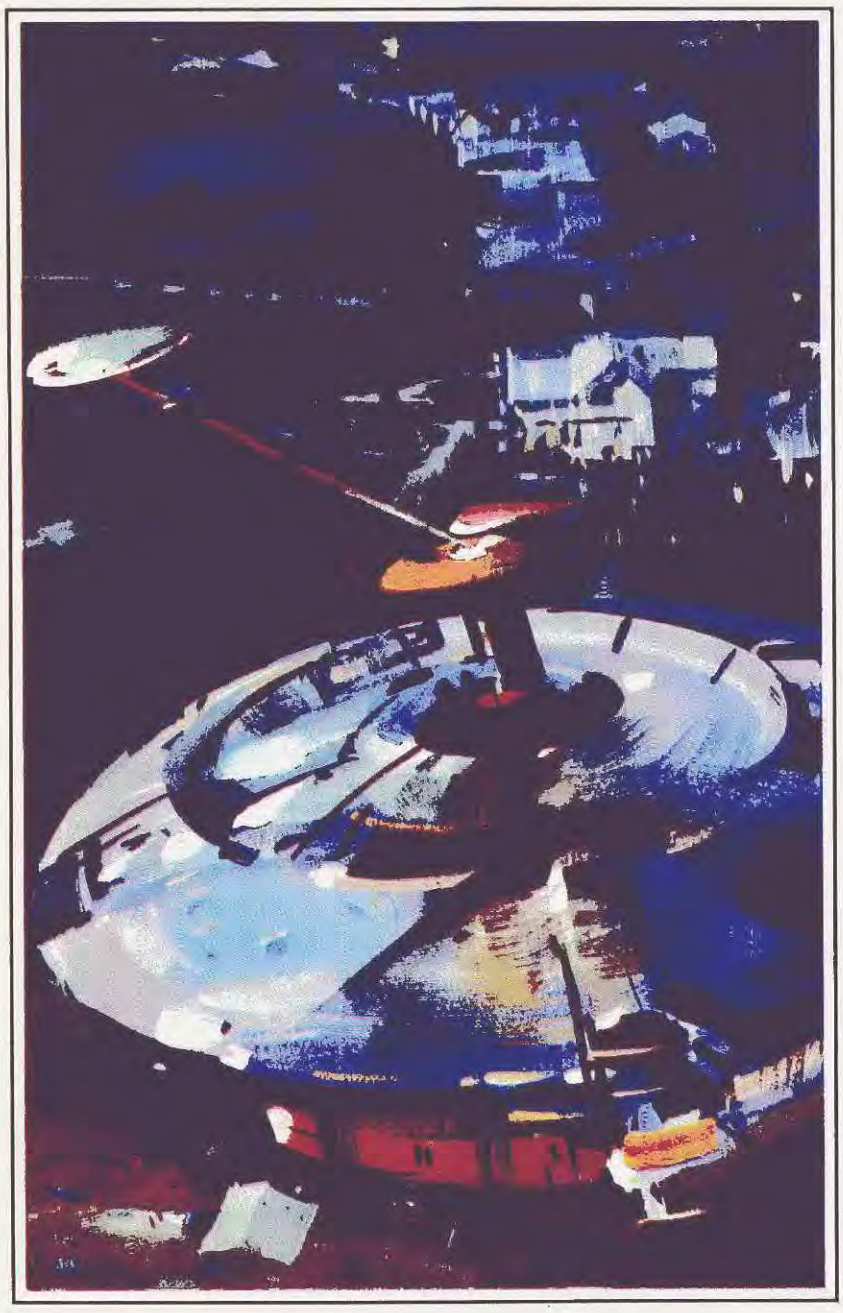
"Convalescent homes probably have twice as many back injury claims as your traditional acute care hospital facility. You have patients that are more degenerated and a lot of young, unskilled personnel with high turnover," he said.

He has reviewed 15 hospital orientation programs and found them lacking. "They might show how to lift but they don't touch on why."

Mr. Walls has a special interest in health-related fields. He started his career as a respiratory therapist, where he saw many examples of industrial-related disease and accidents and later earned a degree in health sciences and safety at San Diego State University.

Recently he was asked to head the new Southern California division of the Professional Health Care Safety Assn., an organization of hospital safety personnel.

Equal to the task.



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the Crowther People

Western unit picks officers

SAN DIEGO, Calif.—The Western Risk & Insurance Assn. has elected new officers at its meeting here: president, Frank W. Taylor, University of California at Fullerton; vp and 1982 program chairman, Jerry D. Todd, University of Texas; treasurer, Norma Larsen, University of Southern California; secretary, Charles R. Smith, University of California at Fresno; special member, Edmond L. Escoe, University of Wyoming, and editor of the Journal of Insurance Issues and Practices, Fikry S. Gahin, University of Utah. ■

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Developer's plan wraps up savings

By JOHN MAES

ITASCA, Ill.—A wrap-up insurance program has saved a property development firm about $165,000 in insurance premiums on a $250 million office park development here.

It would have cost nearly $740,000 in contractor's overhead to insure the Hamilton Lakes project here without a wrap-up program.

The wrap-up, or owner-controlled plan, brokered by Alexander & Alexander and underwritten by several companies, is costing only about $575,000, said Ronald C. Lunt, general manager and partner with Trammell Crow Co.

Trammell Crow requested bids from all contractors minus insurance costs and then purchased the necessary coverages for on-site contractors.

In most cases, contractors make their own insurance arrangements and raise bids accordingly.

The wrap-up included the same property, liability and workers compensation coverages as the contractors would have purchased themselves, Mr. Lunt said. "It's an apples-for-apples comparison," he said.

The program insures the massive Hamilton Lakes office hotel complex northwest of Chicago. The project ultimately will consist of 25 office buildings and a hotel totaling 4.5 million square feet on 275 acres. A 14-story office tower and the 420-room hotel make up the first phase of the project.

The program also simplifies claims handling and eliminates the possibility of lawsuits and other legal problems between the contractors and/or the developers, Mr. Lunt said.

But the monetary savings is the prime advantage. In a previous Trammell Crow project in Texas, $160,000 in premiums were saved under a wrap-up program, he said.

The developer also could collect as much as 15% to 20% in premium dividends if the project sustains an accident-free or low-accident record.

However, Trammell Crow is not expecting a dividend on the Hamilton Lakes project because a roofer was seriously injured, Mr. Lunt said. "We may not get anything back on it," he said.

The firm may collect some dividend from the Texas project, but Mr. Lunt is unsure how much it will be because an injury claim is pending.

Usually contractors prefer to buy their own insurance through private agents to guarantee they will receive the dividend for a good accident record. But Mr. Lunt said the wrap-up plan works now for developers because construction companies are reluctant to pass up business in this sagging economy.

"Contractors would prefer to bid insurance, but if they know they're going to get their profit, they'll bid the job," he said.

The most important element in setting up a wrap-up program is starting early in the project so contractors don't have to resubmit bids minus insurance costs.

"You have to work with your underwriter and you need to get all the parties concerned to agree with it," he said. ■

Most premium for work comp

CHICAGO—Workers compensation made up the biggest chunk of the $2.9 billion in commercial insurance premiums paid in Illinois during 1979, the Insurance Information Institute says.

Illinois businesses paid $901 million of direct written premiums for workers compensation, followed by $594 million for general liability, $430 million for multiperil and $365 million for auto insurance.

Insurers, meanwhile, paid $98 million in taxes to the state in 1979. The operating costs of the Illinois Insurance Department were $5.4 million, leaving the state with $92.6 million profit from its regulation of the industry, the Institute says. ■

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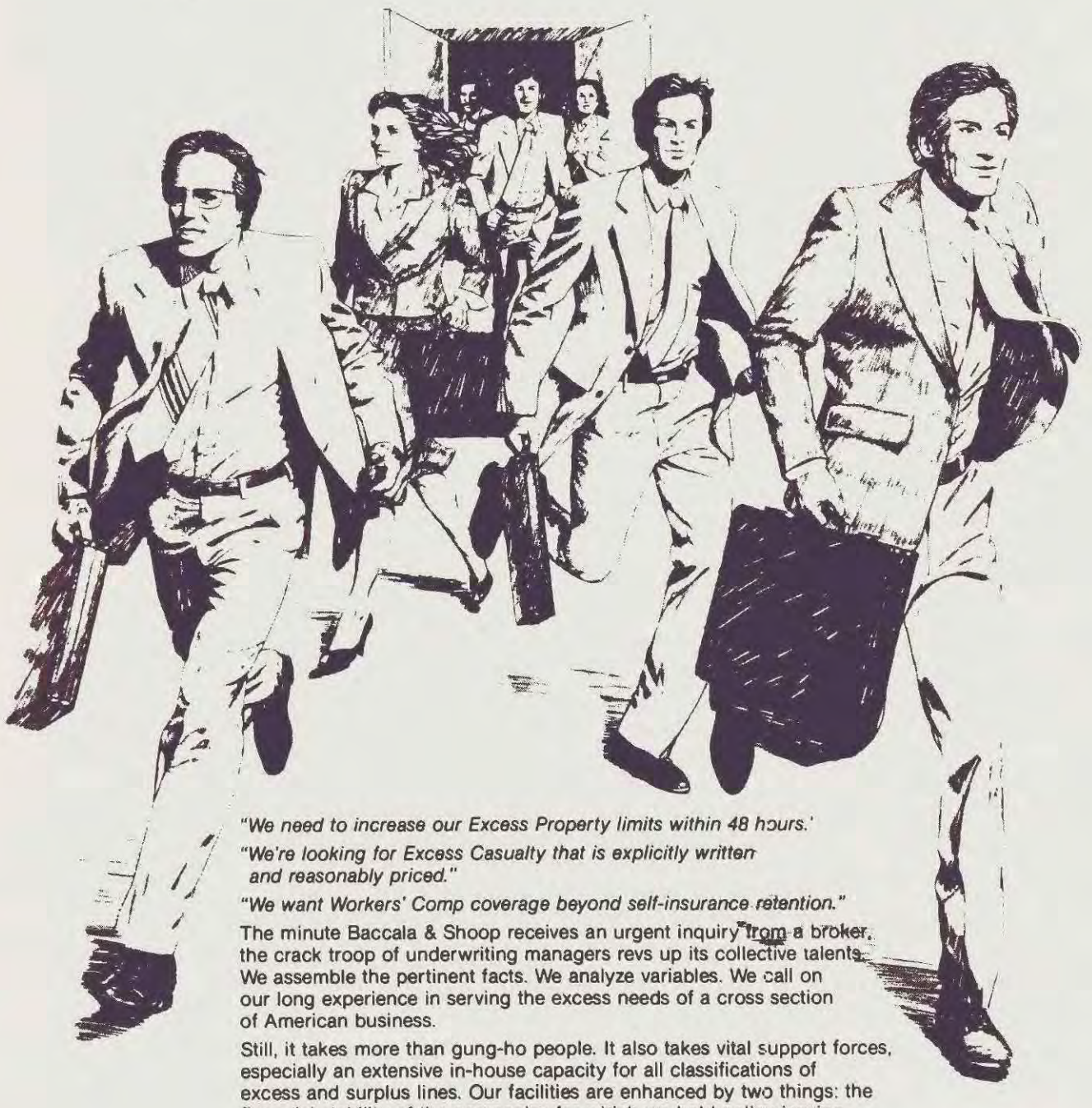

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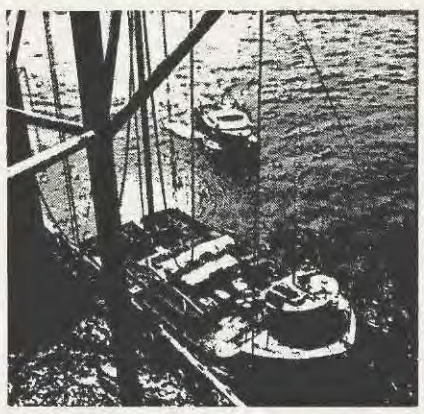

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Correspondents at Lloyds of London

Conboy to direct risk management

comings & goings: buyers

THOMAS J. CONBOY has been named to the newly created position of director of corporate risk management with Kaneb Services Inc. in Houston. Mr. Conboy formerly was manager of risk and insurance with Cessna Aircraft Co. in Wichita, Kan. In his new post, he is responsible for coordinating risk management services to protect the physical assets and business activities of Kaneb and its subsidiaries throughout the United States and overseas. He reports to Carroll Selby, senior vp-finance and administration. Mr. Conboy did undergraduate work at the University of Cincinnati and earned a master's degree in business administration from the University of Michigan. He is a member of the Risk & Insurance Management Society Inc.

Conboy

* * *

William L. Monroe, 39, has been appointed corporate director of benefits at W.R. Grace & Co. in New York, replacing **Charles Boylan.** Mr. Monroe, who reports to Jack Dudley, vp of corporate administration group, is responsible for retirement, profit-sharing and insurance. Before joining Grace, Mr. Monroe was manager of retirement, savings and unemployment benefit plans at Chrysler Corp. He has bachelor's and master's degrees in economics from Western Michigan University.

* * *

Thomas Harrington, 37, has been named risk manager at the New York Times, replacing **Linda Rice,** who left the company. In his new position, Mr. Harrington will coordinate loss prevention and negotiate the purchase of property/casualty and employee benefit insurance. He reports to treasurer Denise Fletcher. Before joining the Times, Mr. Harrington had been insurance manager with Westvaco Corp. in New York. He has a bachelor's degree in economics from Boston College and a master's in business administration from Pace University in New York.

* * *

Leonard H. Bois, 43, is the new risk manager for the city of Seattle, charged with initiating a formal risk management program for the city. He leaves responsibilities as risk management coordinator for the Los Angeles County schools. Mr. Bois holds a bachelor's degree from the University of Maryland and an ARM designation.

* * *

Anne Nation has been promoted to group health manager for Hudson Foods Inc. in Rogers, Ark. Ms. Nation will be responsible for administering Hudson's self-funded group health program and for the in-house processing of group health claims. She reports to Kent Doss, director of risk management and employee services. Before joining Hudson Foods, Ms. Nation was training supervisor for Risk Management Council Inc. in Bentonville, Ark. Ms. Nation studied media education and library science at Illinois Central College in East Peoria and worked five years for The Travelers Insurance Co. in Peoria, Ill.

Nation

* * *

Roger B. Plotkin has been named the new risk manager at Everest & Jennings Inc., manufacturer of wheelchairs and related medical equipment in Los Angeles. In this newly created position, Mr. Plotkin will be responsible for the company's risk management and insurance placement programs. Before joining Everest & Jennings, Mr. Plotkin was an underwriting account executive in the special accounts insurance department of the Hartford Insurance Group's Los Angeles office. He has a bachelor's degree in engineering from the University of Oregon and is a CPCU candidate.

* * *

Joseph R. Narvaez, assistant treasurer of Sav-A-Stop Inc. in Jacksonville, Fla., has been given responsibility for the company's benefit programs. Mr. Narvaez also is responsible for the firm's risk management program, budgets and projections and management reporting. He reports to Ronald J. Wareham, chief financial officer. Mr. Narvaez has a bachelor's degree in accounting from the University of Florida and is a member of the Jacksonville chapter of the Risk & Insurance Management Society.

•

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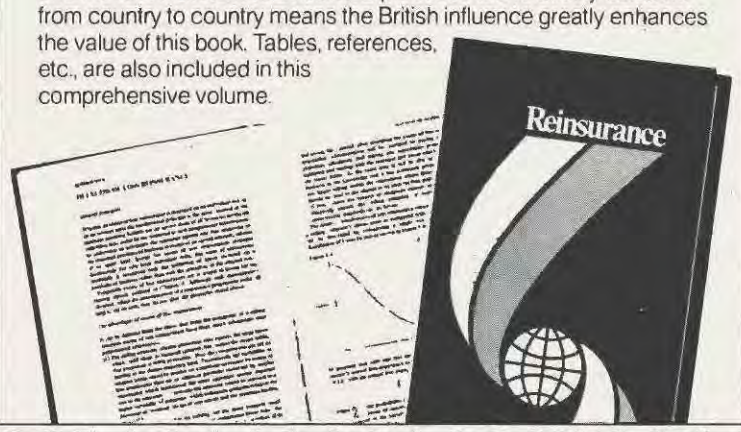

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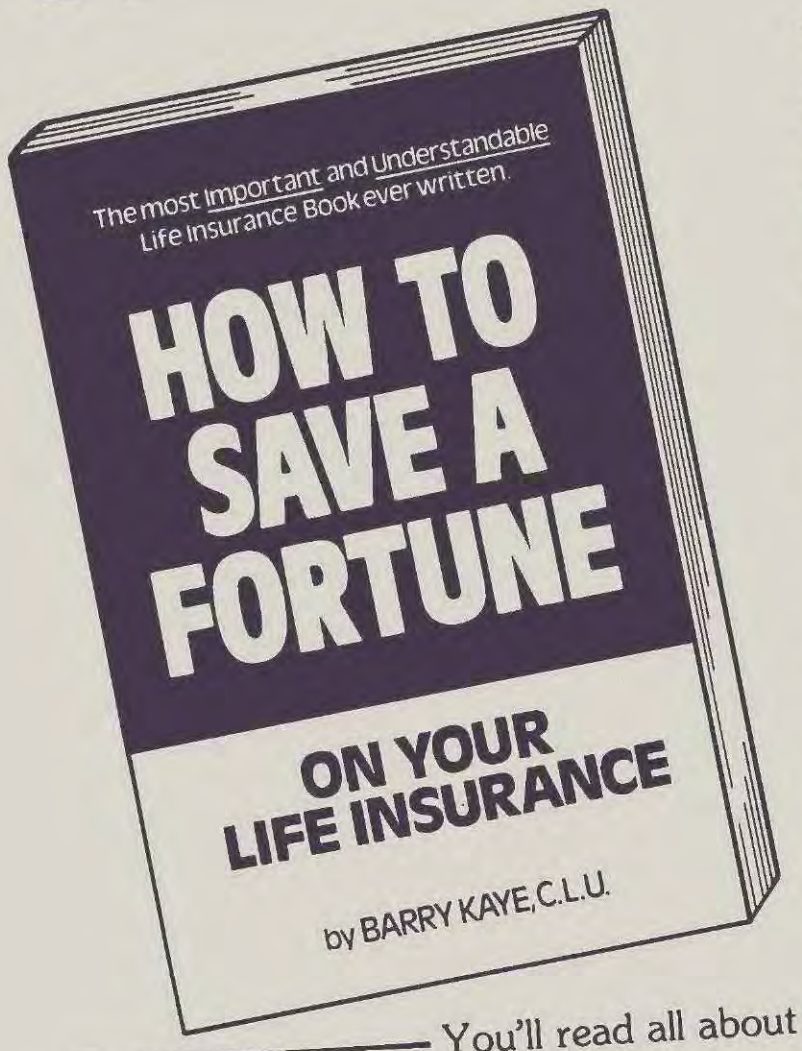

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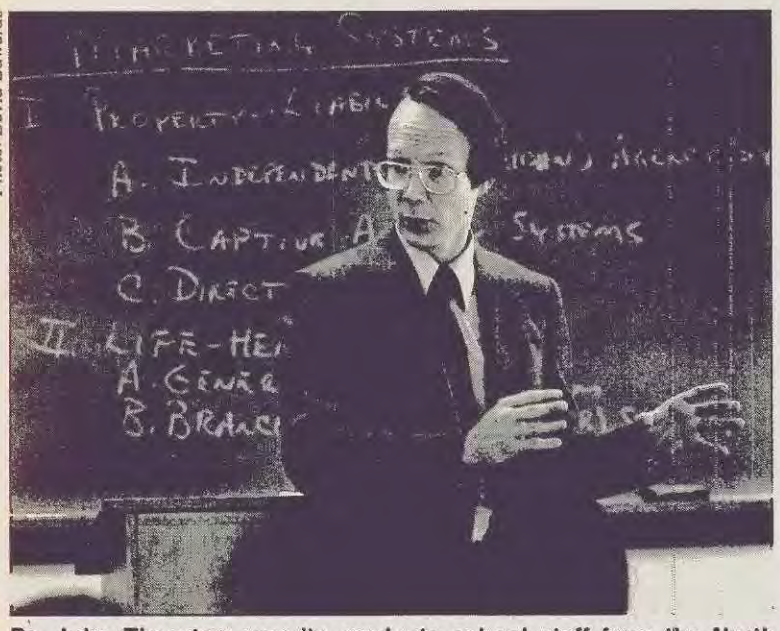

Dr. John Thornton recruits graduate school staff from the North Texas area and brings in risk managers as guest speakers.

North Texas State issues 'passport into business'

insurance education

By SHARON WATSON

DENTON, Tex.—Dr. John Thornton likes to think of his insurance program at North Texas State University as a passport into the business world, not a "tower degree."

A dynamic mix of teaching talent and students from other business fields combine to give the undergraduate and graduate insurance major a taste of his or her future in the industry.

The insurance program at NTSU is associated with the departments of finance, insurance, real estate and law of the College of Business Administration. While the number of insurance majors is few—fewer than 100 out of a total business enrollment of 4,200—insurance and risk management education permeates the business curriculum.

From 500 to 600 students take the beginning-level insurance principles course each year. Although the course is optional for most students, it is very popular because of its practical applications for the consumer.

At the undergraduate level, NTSU offers 18 hours of insurance-related courses, including life/health and property/liability courses.

A senior-level course on risk management is a must for both the insurance major and the corporate finance major so that each is exposed to the other's viewpoint. The final exam is a take-home problem.

"Suddenly, they are a risk manager for a firm that has never had a program," Dr. Thornton said. "They have to establish goals and solve the companies' risk management needs."

Working with the North Texas community, which includes the greater Dallas/Fort Worth area, Dr.

worldwide

Chilean firms to shift cost of benefits

SANTIAGO—Corporations in Chile will be shifting the cost of employee benefit plans to employees, under changes brought by the Chilean government.

Beginning in 1984, management contributions for benefits will be scaled down to as low as 1% of their workers' salaries, compared with 26% to 29% before the new law. Employees will have to contribute 17% to 26% of their salaries, compared with the current 7% to 12%. All employees will be given a one-time pay raise of 18% to help them meet the higher costs.

Growing concern over high corporate contributions and increased government subsidies for retirement and other benefits fueled the government's action, which will affect all newly hired employees at the end of 1982, and beginning five years from May, allow other workers to choose which system they want to adopt for their contributions.

The arrangement is mandatory for all employees. Workers will be allowed to remain in their existing pension plans if they wish, but they will have strong inducements to switch because higher contributions will apply either way.

The method of financing retirement, widows and disability benefits will be changed, says Callund & Co., a U.K.-based firm of international employee benefit consultants that advised the Chilean government and private employers on the changeover.

"Inflation has totally discredited the old system, and the number of different employee benefit systems available has also led to poor administration and delays in the payment of claims," explained Robin L. Arnold, an executive director of Callund's.

"The old system was felt to be socially divisive, with some population groups getting more generous benefits than others because of their political power. There was also anxiety about the impact of high corporate employer contributions on the already substantial unemployment rate because of the cost this meant to many firms.

"The benefits emerging will no longer be related to final pay, but rather to the relationship between investment returns and the increase in individual salaries. Local projections have been based on what may turn out to be rather optimistic long-term assumptions," Mr. Arnold said. ■

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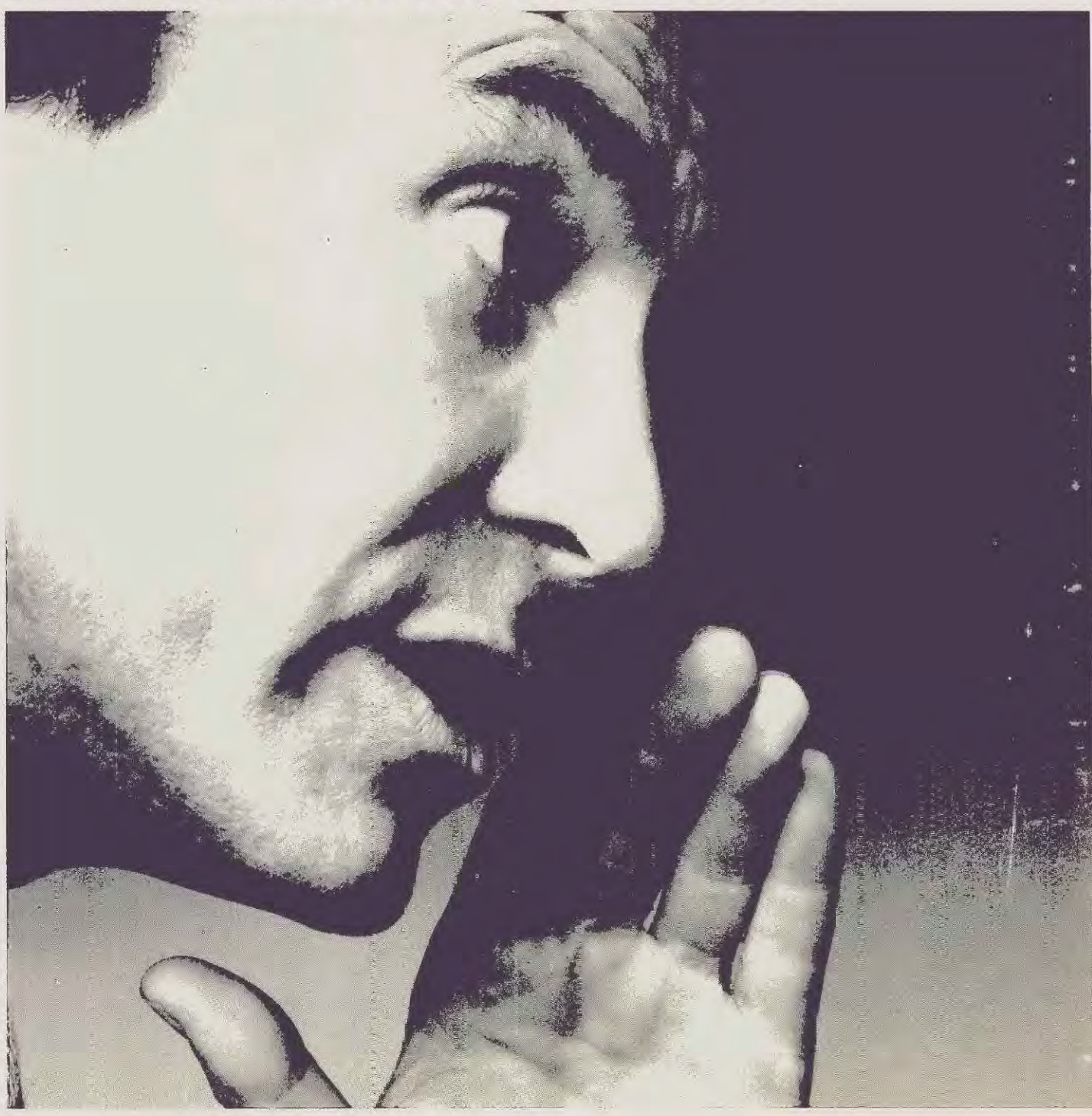

Thornton brings in risk managers as guest speakers. Corporations also provide opportunities for internships, worth three credit hours.

At the senior level, an estate planning course is offered to insurance and accounting majors, taught by Dr. Glen Taylor, a graduate of the Wharton School of Business of the University of Pennsylvania.

Personnel management, accounting and insurance majors also are exposed to an employee benefits course. "So many of our risk managers are getting involved in employee benefits," Dr. Thornton explained.

Because the typical NTSU graduate student in insurance has had on-the-job experience, the MBA program is more customized. "We may waive some requirements if a person has a strong background," Dr. Thornton said.

Graduate courses include higher-level risk management problems, tools and devices, "telescoped" courses in life/health and property/liability and insurance law. Professors include Dr. John Carrell, who formerly practiced insurance law in a Dallas firm, and Dr. Marcia Staff.

Although the insurance undergraduate program has been offered since the 1940s, the graduate program did not begin until the mid-1970s, in response to increased demands from the corporate community.

Dr. Thornton recruits graduate school staff from the community. Staff members include the officers of large insurance companies and independent agents, all of whom hold MBA degrees and professional designations.

While bachelor of business administration graduates generally take entry-level positions in underwriting or sales, the North Texas MBA graduates are heavily recruited, says Dr. Thornton.

Dr. Thornton is confident that despite NTSU being a small state university, it is gaining recognition outside the region because of its graduates. The faculty has just been expanded and the future is top-rated, he says.

•

Degrees offered: BBA, MBA, with insurance major.

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The caliber of its graduates has gained North Texas State University recognition.

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MARCH 20-21. Medical and Legal Aspects of Workers Compensation Defense Seminar in San Francisco, sponsored by the Defense Research Institute; $190 for members, $210 for nonmembers. Anthony Karpowitz, Defense Research Institute, 1100 W. Wells St., Milwaukee, Wis. 53233; 414-272-5995.

MARCH 26. Fire Protection Seminar in New York, sponsored by the New York metropolitan and New Jersey chapters of the Society of Fire Protection Engineers; $15. SFPE, Richard E. Levine, Capitol Fire Sprinkler Co. Inc., 270 Bocrum St., Brooklyn, N.Y. 11206; 212-581-8100.

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

APRIL 8-11. Corporate Benefit Management Conference in Miami Beach, sponsored by the International Foundation of Employee Benefit Plans; $440 for members, $515 for nonmembers. Also **June 28-July 1** in St. Charles, Ill., and **Oct. 25-28** in San Francisco. IFEBP, 18700 W. Bluemound Rd., P.O. Box 69, Brookfield, Wis. 53005. 414-786-6700.

APRIL 29-30. Complying with International Chemical Regulations Seminar in Washington, D.C., sponsored by the International Affairs Group; $150. Mary A. Corbin, Chemical Manufacturers Assn., 2501 M St. N.W., Washington, D.C. 20037; 202-887-1339.

APRIL 30-MAY 1. Eastern Regional Safety Congress and Exposition in Philadelphia, sponsored by the National Safety Council, the Philadelphia chapter of the National Safety Council and the Philadelphia Chamber of Commerce; $45 (conditional). Congress Planning Department, National Safety Council, 444 N. Michigan Ave., Chicago, Ill. 60611; 312-527-4800, ext. 510.

MAY 7-8. International Political Risk Management Conference in Washington, D.C., sponsored by the Wharton School of the University of Pennsylvania; $695 tuition plus $85 registration fee. Registrar, 14th Floor, University Conference Center, 360 Lexington Ave., New York, N.Y. 10017; 212-953-9022. •

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Employers National Insurance Co.
Employers Casualty Co.
Employers National Life Insurance Co.

INA names Ross chairman of new unit

comings & goings: industry

PHILADELPHIA—James B. Ross has been appointed senior executive vp of Insurance Co. of North America and chairman of the newly formed international and special risk division. The division will write INA's North American and overseas services for multinational corporations.

Ross

Mr. Ross previously was president of INA International Corp.

Also named senior executive vps are Guy K. Patterson and Robert McLean. Mr. Patterson will direct INA's reinsurance operations worldwide and Mr. McLean will head the operations division, with responsibility for processing and delivery systems for INA's domestic and international operations.

Within the international and special risk division, John A. Morrison has been named an executive vp of INA and president of the division. Eugene U. Ricci has been named executive vp of INA and chief staff officer of the division.

Other insurer changes:

John L. Stewart, vp and ocean marine executive of Fireman s Fund Insurance Cos. in San Francisco retired after nearly 40 years in the business. He joined the company in 1938 and since 1974 has been responsible for worldwice ocean marine operations.

James Leslie elected vp for group sales at American United Life Insurance Co. of Indianapolis.

Agents/brokers

James C. Sanders, promoted to chairman of Corroon & Black/ Sanders & Sanders in San Jose, Calif. **Jan W. Passmore** succeeds Mr. Sanders as president and chief operating officer. Mr. Sanders will continue as chief executive officer. Also, **Frank E. Weingart** designated a vp and **Barbara Adachi** heads a new benefits division.

Sanders

Excess/surplus

Debbie L. Reddeg named assistant vp and property/casualty manager of Beach Street Insurance Services in San Diego.

Bob Raymo named vp at E&S Midwest, an Eden Prairie, Mass., broker. He was marketing manager of Mid-Continent Agencies.

Reinsurers

Philip C. Cawley joined Willcox, Baringer & Co. Inc. in New York as assistant secretary. He was assistant secretary at Constitution Reinsurance Corp. **John C. McCarthy** joined as senior account executive, leaving Royal Insurance.

Gaetano DeMartino elected vp of New York-based Transatlantic Reinsurance Co.'s property operations. **Frank Robbins** and **Findley Middleton** named assistant vps for casualty and claims department operations, respectively.

Other suppliers

Thomas E. Reynolds joined Ryan Insurance Group in Chicago as vp of its employee benefits consulting group, Self-Insurers Services Inc. He directed the Chicago office of William M. Mercer Inc.

Martin C. Paulsen named manager of the Marquette, Mich., office of GAB Business Services. ■

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AN ERRORS and omissions policy for oil and gas managers is available through broker J.H. Blades & Co.

After two years of research, the policy is being offered to general partners, managers and sponsors of oil and gas limited partnerships as protection against alleged or substantial charges of inadvertent nondisclosure and general mismanagement of programs.

Included within the covered areas are the substantial liabilities under federal securities statutes and state Blue Sky laws, the broker says. Coverage for normal management and operational liabilities is also included.

"While the standard contract is quite broad, it is already anticipated that policy coverages will be flexible enough to accommodate many individual program characteristics," said vp James Donahue. He also said no premium schedule has been set.

Proposal forms and more information are available through J. H. Blades, Financial Service Department, 2640 Fountain View Drive, Suite 400, Houston, Tex. 77057.

Demolition comp

CoverX Corp. is offering a new group workers compensation program for the demolition and excavation contractors industry. Highlights of the program include stock company premium discounts, monthly interest-free payments and net retention provision, the company says.

For more information, contact the company at 30161 Southfield Road, Southfield, Mich. 48076.

Fitness periodical

A new periodical called "Your Health & Fitness" is being offered to companies interested in beginning a health promotion program for their employees.

The 32-page magazine, to be published six times a year by Curriculum Innovations Inc., will print health information for employees and their families. Subscription costs start at $2.10 per year per employee.

For a free copy and prospectus, write Gary Ford, Curriculum Innovations Inc., 3500 Western Ave., Highland Park, Ill. 60035. ■

Captive management firm focuses on trade groups

ABBOTT & WILLOUGHBY Associates Inc., a captive formation and management firm, has been set up in McLean, Va.

The company will specialize in trade association insurance programs, captive formation and management, self-insurance and loss control.

LeRoy Abbott, president of the new firm, most recently was president of IM of America, a Chevy Chase, Md., broker and management company, where he helped set up several trade group programs including a highly successful Bermuda captive for elevator contractors (*BI*, Jan. 7, 1980).

Mr. Abbott also will head the new McLean office of Parkington Associates Ltd., an excess/surplus lines brokerage. The firm is a subsidiary of Parkington Associates Ltd. of New York.

Abbott & Willoughby and Parkington Associates are at 6845 Elm St., Suite 515, McLean, Va. 22101; 703-734-3830.

Investors' bonds

General Financial Insurance Corp., a newly formed Illinois insurer, is offering surety bonds that clearing commodity brokers can offer their customers as protection.

The bond, to be offered through clearing members of the Chicago Board of Trade and Chicago Mercantile Exchange with a maximum limit of $50,000, would protect commodity investors against losses resulting from the commingling of their funds with their brokers' funds.

A clearing commodity broker transacts business on behalf of his clients and other commodity brokers.

Called segregated fund bonds, the surety bonds would reimburse an investor if his broker violates customer segregation rules, is unable to refund a customer's segregated funds and is subsequently found bankrupt.

Segregated funds, which are kept separate from a commodity broker's general fund, are used to secure a commodities investor's contracts.

Through reinsurance treaties, General Financial can provide up to $20 million coverage on behalf of each commodity broker offering the surety bond to its customers. Participating reinsurers include Kemper Re, Allstate Re, CNA, Prudential Re and Commercial Union Re.

General Financial hopes to eventually offer the bond to customers of clearing members of other commodity exchanges, non-clearing members of the commodity exchange and, ultimately, non-clearing brokers who are not affiliated with any exchange.

For additional information, contact General Financial Insurance Corp., 141 W. Jackson Blvd., Chicago, Ill. 60604; 312-987-1100.

New name

H&W Risk Management Services in Irvine, Calif., has changed its name to The Risk Management Center Inc.

The new name reflects the company's change in relationship with The Continental Group, its parent organization. The center has been a division of H&W Insurance Services Inc., but will now report directly to The Continental Financial Services division of the Continental Group.

A Bermuda subsidiary of the center has also changed its name from H&W Risk Management (Bermuda) Ltd. to The Risk Management Center (Bermuda) Ltd.

markets

Acquisitions

ERC Corp. of Overland Park, Kan., says it has entered into an agreement to acquire **Toplis & Harding Inc.**, a privately held independent adjuster based in Chicago. ERC officials would not disclose the amount of the transaction.

New offices

Hallmark Insurance Co. has opened an Illinois branch underwriting office at 323 N. Michigan Ave., Chicago, Ill. 60601. ■

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perspective

Energy efficiency

Business cooperative pulls plug on power waste, potential risks

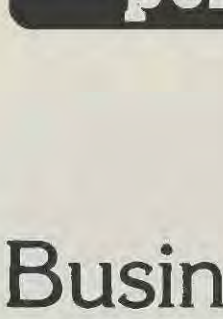
By Stephen D. Gavin

WHY SHOULD the insurance industry be concerned about energy conservation? Because our industry has learned to manage risks, calculate liabilities and promote preventive measures relative to life and health maintenance. By applying risk management principles to energy maintenance on our property, our industry can provide an example of managing energy consumption, reducing energy costs and implementing preventive alternatives.

Pacific Mutual Life Insurance Co. has participated in an experimental energy conservation program for the past two years, refining its energy efficiency. Membership in the Orange County Energy Conservation Assn. has taught us a great deal about energy management. At the same time, our voluntary participation has enhanced our image in the community as a concerned corporate citizen.

The Newport Beach-based Pacific Mutual joined three other major Orange County businesses to form an energy cooperative to conserve electricity. Coordinated by the local utility, Southern California Edison, and a computer-based energy information center, the four companies cut their power consumption when SCE's system operates at peak load levels.

Representing a total of 4.5 million square feet over a 10-square-mile area, the OCECA network places a demand of 17 million watts on SCE. When Engineering Supervision Co., a private energy consultant, suggested the grouping together of companies to achieve greater energy efficiency, the plan was enthusiastically adopted. SCE was so supportive of the concept that it contributed $250,000 to the cooperative experiment.



Stephen D. Gavin is vp and corporate relations officer for Pacific Mutual Life Insurance Co.

So far, the OCECA has conducted six exercises in which energy consumption was reduced by "shedding load"—an SCE term for shifting electricity demand between customers when power requirements push the utility's system close to maximum generating capacity. The system goes into action when an SCE dispatcher informs the co-op through the central computer that the utility wants the co-op members' combined power use to drop to 14 milowatts within one hour.

Each building has a hierarchy of electrical priorities that are controlled by its property engineers who individually decide how to cut their energy consumption. The lowest priority loads, such as fountains, escalators, auxiliary elevators and decorative lighting are shut down first. Occupants experience only slight temporary discomfort and primary building operations are not reduced.

Enough electricity is then saved to be redirected to some 3,000 homes. The four companies collectively saved $100,000 in electric bills, since the utility company pays the group for the opportunity to buy back an ensured amount of power.

Perhaps OCECA's biggest impact has been the customized instructions given to the members to achieve greater energy efficiency. As a prelude to the network's formation, each member underwent an energy audit. Operations were analyzed in the partcipating buildings. Wasteful practices were eliminated, engineering suggestions were made, computer software was connected and significant operating costs were cut.

At Pacific Mutual, our real savings have come from better management of heating and cooling systems. Also, our internal awareness of energy problems will minimize potential energy risks on our property.

Negotiations are underway on a permanent contract between SCE and the OCECA for incentive billing reductions. Furthermore, the program recently inspired the U.S. Department of Energy to recruit utility firms and industries to duplicate the Orange County effort. Three more cooperatives are being established in Washington, D.C.; Jacksonville, Fla, and San Francisco this spring.

Photo: Mary Cairns

One-day workshops between major users and respective utilities are being hosted by DOE to market the conservation effort within the private sector.

An estimated 50% of new peaking capacity presently planned for 1990 could be deferred if as few as 65 community co-ops selling back 60 megawatts each could be established throughout the United States. By reducing facilities expansion for energy transmission plants, oil is conserved, money is saved and liabilities are avoided. ■

Control change before it controls you

By Kenneth P. Shapiro

management

MANAGERS BEWARE: Unless you learn to manage change in your organization, change will manage you. In today's business world, changes come more rapidly and have greater impact; consequently, they affect your job more directly.

One way to recognize the need for change and then to control and develop it is by adapting the principles of organizational development to your own situation. OD has been defined by Warren Bennis as: "A response to change, a complex educational strategy intended to change the beliefs, attitudes, values and structure of organizations so that they can better adapt to new technologies, markets and challenges, and the dizzying rate of change itself."

Kenneth P. Shapiro is a vp for Hay Huggins & Co. and a partner of Hay Associates in Philadelphia. His column on management appears monthly in BI.

Because OD is still a new and emerging management technique, it varies among different organizations. But the principles of most OD programs are fundamentally the same. Here is a brief outline of the basic steps:

- Awareness. First, managers must perceive that some form of change is needed. Typical signs of a need for change include high employee turnover, a drop-off in market share or the imminent impact of new legislation. Managers with good perceptions will anticipate these factors and be ready to act on them even before they happen.
- Change agent. To facilitate change, management must introduce a "change agent"—someone either from inside or outside the organization who will direct the problem-solving effort. This role can be filled by a task force leader, a consultant or the manager.
- Interpersonal relationship. Here, the "client"—the group that will be most affected by organizational development—and the change agent enter into a psychological contract. They clearly develop and define the objectives of the OD exercise.
- Information collection. Client and change agent gather all data that can help identify and clarify the perceived problem areas that precipitated the need for change.
- Diagnosis. After examining the relevant data, the change agent objectively diagnoses the client's various perceptions of the problem, comparing them to his or her own observations. It is critical that the client fully accept the agent's delineation of the problem.
- Implementation. Once the real problems needing attention are uncovered, the change agent can select the appropriate approach for change from the body of existing OD and management techniques and then formulate an overall action plan.
- Monitoring. After implementing the action plan, client and change agent monitor it to see that desired changes do occur. Then the changes are stabilized to make sure the organization does not revert to previous behavioral patterns.
- Termination. The final step is the removal of the change agent. This usually works best when done gradually.

Because the OD process is also a good problem-solving model, it not only will help managers implement specific changes within their organizations, but also serve as a tool to train them in adapting to a continually changing environment. ■

perspective

Multinationals

Set uniform deductible

By Joel Hecht

MANY CURRENT developments in insurance have as their basis the widespread acceptance of risk retention as a financial management technique. High deductibles, captives and self-insurance programs are being used effectively to protect assets and offer alternatives to traditional insurance expenditures.

Despite the use of these more sophisticated risk management techniques, a variety of situations that occur abroad inhibit the use of risk retention methods. A common one the U.S. risk manager encounters when dealing with foreign subsidiaries is the difficulty of having the overseas plant manager accept deductibles. His perception of insurance requirements is different, and it is not uncommon for the overseas plant manager to resist the assumption of new risks or the changing of coverages or procedures with which he is familiar.

As the manager of a profit center, he also is concerned with the effect of the changes and the degree of flexibility and control he will have. Gaining his cooperation is essential and risk managers normally spend an inordinate amount of time on this alone. If the risk manager's goal could be achieved and the plant manager's concerns satisfied easily, financial management would take another step forward.

Joel Hecht is secretary of AFIA Worldwide Insurance.

Another difficulty may exist in some parts of the world where, by local regulation or custom, deductibles are not usually available. In the past, risk managers have seen this as a fact of life to be endured and have moved their attention to other areas where they could do the most good. Like most broad policy, the concept is often difficult to apply in every situation.

Recognizing both the desire of risk managers to gain more control over their worldwide programs and their inability to achieve the risk retention levels sought everywhere, a deductible funding plan is an alternative for the corporation that wants to overcome the difficulty of local acceptance of deductibles and to arrange for deductibles where they were not possible before. This program can be incorporated in a worldwide property or casualty master program that combines a difference in conditions with locally available coverage.

The heart of a deductible funding plan is the agreement of the risk manager, broker and insurer on a uniform deductible worldwide and a corresponding deductible credit expressed as a percentage of the premium.

Once this has been established, the insurer issues admitted local policies at market rates and reinsures whenever permissible. The agreed-upon deductible credit is applied to all of the exportable premium received by the central office. This credit is set aside to accumulate in the deductible funding insurance plan.

Losses up to the deductible are charged against this fund. The amount by which the total income to the fund exceeds the total debits for those losses and loss expenses will be remitted to the policyholder at an agreed-upon date subsequent to the program's expiration.

Essentially, this program allows the local plant manager to maintain either full insurance or a smaller deductible of his choice with the parent corporation obtaining a credit based on a uniform deductible. The plan allows the U.S. risk manager to implement a multinational program in step with advanced risk management techniques without disturbing the local coverage of foreign subsidiaries. ■

Check equipment exclusion for fire loss

A FEDERAL court ruled an exclusion in an insurance policy covering equipment and machinery did not require that each piece of equipment be damaged by fire, but only that fire ensued.

A rural electric cooperative insured its equipment against loss or damage from accident. The policy excluded fire following an accident. An endorsement contained an additional exclusion for loss resulting from electrical current artifically generated, provided that fire ensued.

In 1975, an electric fault occurred in the cooperative's No. 2 switchgear. Sensing devices detected the fault and caused circuit breakers to open to remove the switch from the system. Automatically, switchgear No. 1 was then fed into the circuits originally supplied by No. 2.

legal briefs

Further detecting devices, however, failed to operate, causing an excess of power for about seven minutes. Intense heat was generated, which started a fire and did considerable damage to the plant and equipment. The insurer denied coverage.

The court rejected the cooperative's contention that the exclusion precluded liability for damage by electrical current to an individual piece of equipment only if that piece of equipment also was damaged by fire. The court concluded that this interpretation was contrary to the plain language of the policy and ruled the exclusion precluded liability. *Associated Electric vs. Mutual Boiler & Machinery,* U.S. District Court for the Western District of Missouri, June 30, 1980 (*BI*/05/F.-$5).

Post-mortem award

Dependents of an employee who suffers serious bodily disfigurement because of an accident covered by workers compensation, but who dies from an unrelated cause, are entitled to a post-mortem award for serious bodily disfigurement, a North Carolina appellate court ruled.

Robert J. Bridges was injured in a work-related accident causing disfigurement of his face, hands and neck from severe burns. The insurer and employer admitted liability and paid him compensation benefits for his period of temporary total disability. Mr. Bridges later died from causes other than the accident. His dependents filed for compensation for permanent partial disability and disfigurement. In addition to a disability award, the dependents were awarded $7,500 for the disfigurement. The insurer appealed.

The court said that if an injured employee dies before stabilization has taken place, the degree of impairment should not be taken as that in effect at the moment of death. The proper procedure, the court observed, is to make the best possible medical estimate of the probable residual disability that would have remained if the employee had lived to complete his healing. *Bridges vs. McCrary Stone Services Inc.,* North Carolina Court of Appeals, Aug. 4, 1980 (*BI*/02/M.-$5).

Exclusive remedy

The California Supreme Court ruled a hospital employee who had received workers compensation benefits was not precluded from suing the hospital-employer for damages for allegedly negligent treatment of her disease.

The employee contracted a disease while working at a county hospital. She was treated by hospital physicians. She received a workers compensation award including compensation for the disability that resulted from the aggravation of the disease by the allegedly negligent treatment. She later filed suit against the county seeking damages for the aggravation of her disease. The trial court dismissed her suit.

The Supreme Court said the hospital did not act in its capacity as employer but as a hospital, and since it assumed the obligations of a hospital, it should be liable in that capacity for aggravation of her injury rather than as an employer. *D'Angona vs. Los Angeles County,* California Supreme Court, July 10, 1980 (*BI*/04/M.-$5). ■

riskWatch

Increased focus on pensions is the reward

By JERRY GEISEL

During the first few months of his administration, former President Carter became concerned that the nation's retirement system would one day be unable to meet the retirement income needs of the elderly.

His approach—not an uncommon one here—was to establish a commission to study the problem.

Under an executive order, the President's Commission on Pension Policy was established. Its mandate: Develop a national retirement income policy. The commission was given $2 million and two years to develop such a policy.

Geisel

Last week, the 10-member commission delivered its recommendations to President Reagan, Congress and Mr. Carter. The proposals are sweeping: mandatory pensions, a higher Social Security retirement age, cutbacks in federal pensions, tax deductions and tax credits for employee pension contributions.

But some members of the pension community question whether the commission will have a major impact on policymakers or if many of its recommendations will be enacted into law.

The commission's immediate impact will be minimal because not enough research was done to back up the recommendations in its final report, says Dallas Salisbury, executive director of the Employee Benefit Research Institute.

For example, the commission recommended that tax credits be offered for firms starting new, mandated plans to cushion the cost impact.

But such tax credits wouldn't be much help to fledgling firms just starting out and not earning profits, a point not considered by the commission, Mr. Salisbury says.

Mr. Salisbury also says some of the commission's recommendations were based on misleading information. For example, in calling for a mandatory pension system, the commission noted that only about 45% of the working population is covered by pension plans. Without a mandate, coverage won't significantly increase, commission members argue.

But the 45% coverage rate is misleading, Mr. Salisbury says. The population on which it is based includes minors and people who may be with a firm for less than a year. Most plans require one year of service for participation.

If the working population is defined as those over age 25 and under 65 with one year of service—the usual requirements for pension eligibility—the coverage rate moves up to 74% of the population, weakening the case for a mandatory system.

In fairness to the commission, Mr. Salisbury says it didn't have time to conduct enough research to support all its recommendations.

Some proposals, may be sound, but a jealous Congress probably will prevent their enactment. Most experts agree that too many congressional committees have jurisdiction over pension issues, inhibiting sound policy.

Congressional committees guard their turfs carefully and would resist moves to transfer pension jurisdiction to one committee, says Jeff Hart, executive director of the Assn. of Private Pension & Welfare Plans.

Experts do agree, however, the commission was well worth the money. "They have given us a lot more facts and figures than we had before and that will aid policymakers," said Karen Ferguson, director of the Pension Rights Center.

And even the commission's most outspoken critics agree the panel has increased public awareness of the nation's pension ailments.

The commission stimulated a plethora of newspaper and magazine articles on retirement issues and focused more attention on the need to revamp the financially troubled Social Security System.

Increasing public awareness of pension and retirement problems and discussion of these issues may be the commission's most important long-term impact.

New limits for tender offer policies

SANTA MONICA, Calif.—Two new limits for tender offer defense expense insurance have been set by NAS Insurance Services.

The new limits of $250,000 and $500,000 have been arranged at the request of small and medium-size corporations to provide premiums for reasonable defense protection in line with their ability to pay, NAS says. The previous limits of $1 million to $5 million remain for medium- and large-size publicly held corporations.

NAS also announced a new series of deductibles. Besides the minimum $50,000 deductible, corporations may arrange for deductibles of $250,000, $500,000, $1 million and up to $5 million in million-dollar increments.

The coverage, underwritten by Lloyd's of London, where it is brokered by Hogg Robinson & Gardner Mountain Ltd., is available to most corporations whose stock is listed on an exchange or sold over the counter and those whose stock is registered under Section 12 of the Securities Exchange Act.

The insurance provides for indemnification of outside legal, investment banker, accounting and public and financial relations expenses involved in defending against an unwanted tender offer. It only pays when there is a takeover.

For more information, contact NAS Insurance Services, 225 Santa Monica Blvd., Santa Monica, Calif. 90401. NAS is a division of NAS Ltd., a Chicago-based excess and surplus lines company. ■

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• National Loss Control Service Corp.'s new 12-page brochure lists the **10 Most Significant Flaws** that can affect the survival of any loss-control program. It addresses commitments, responsibilities, objectives, training and numerous other subjects. For a free copy of the brochure, write NATLSCO, G-3, Department 10, Long Grove, Ill. 60049.

• An updated and expanded version of **Retrospective Rating by John R. Stafford** teaches the fundamentals of retroactive rating, provides 16 illustrated retro plan D calculations and explains the National Council on Compensation Insurance's major retro expensing revisions. The cost is $10.50 prepaid, otherwise $11.50. Write J&M Publications, P.O. Box 338, Palatine, Ill. 60067.

• The Occupational Safety and Health Administration is offering to loan three documentary films on job safety and health. First-hand accounts and actual workplace examples are used in **OSHA,** an introduction to the agency and a discussion of solutions to safety and health problems; **Worker to Worker,** a film on employee rights under OSHA, and **Can't Take No More,** a history of occupational safety and health in the United States. The 30-minute films are available at all OSHA regional and area offices or can be rented or purchased from Association Films Inc., 600 Grand Ave., Ridgefield, New Jersey 07657.

• The Working Party on Pollution and Insurance of the International Assn. for Insurance Law has published the third issue of **AIDA Pollution Insurance Bulletin.** The bulletin is a collection of pollution exclusion clauses, two environmental liability policies and pollution developments abroad. Copies of all three issues are $2 each and can be obtained by writing Werner Pfennigstorf, American Bar Foundation, 1155 E. 60th St., Chicago, Ill. 60637.

• A new edition of **Insurance for Contractors,** written by Walter T. Derk and published by Fred. S. James & Co., has been updated with a coverage checklist and changes in policy forms. Designed for general contractors, construction managers, architects and engineers, the book covers everything from self-insurance by contractors to lawsuits. Copies are available for $7.50 from Fred. S. James, 230 W. Monroe St., Chicago, Ill. 60606.

• The Financial Times **World Insurance Year Book 1981** has been expanded and revised to give information on the structure of insurance companies and their interrelationships, financial details and company analysis. Copies are available for $35 each. Contact Christine Walsh, Longman Group Ltd., Longman Houst, Burnt Mill, Harlow, Essex CM20 2JE.

• The Machinery and Allied Products Institute has published **Workers Compensation—A System in Need of Reform.** The book is available to MAPI members for $12 and to all other purchasers for $20. Contact MAPI, 1200 18th St. N.W., Washington, D.C. 20036; 202-331-8430.

• **An Insurance Buyer's Checklist for Well-Servicing Contractors** is available from the International Risk Management Institute for $10 each. Inquiries should be sent to IRMI, 10300 North Central Expressway, Suite 350, Dallas, Tex. 75231.

• A checklist for investigating and preparing product liability litigation; defense problems in design defect cases, and the "marketing defect" in strict liability are the four major topics of **Products Liability: Duty to Warn and Other Current Issues,** published by the Defense Research Institute. Send $7.50 per copy to Defense Research Institute, Suite 702, 1100 W. Wells St., Milwaukee, Wis. 53233. ■

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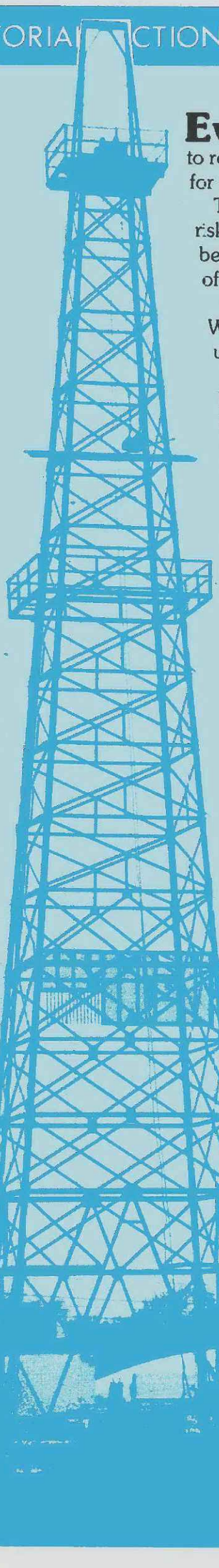
agent/broker topics

A REGULAR EDITORIAL SECTION EXCLUSIVELY FOR AGENTS AND BROKERS

OKLAHOMA



Even while Oklahoma brokers continue to reap big profits from oil and energy firms, many are looking over their shoulders for signs of trouble in paradise.

There isn't a broker here who wouldn't like more of the high-premium energy risks to fatten his book of business, but brokers in Tulsa and Oklahoma City have been in the energy boom business before. They have learned the risks of putting all of one's eggs in one highly volatile basket.

Oklahoma City, in particular, has seen the ebb and flow of the oil business. When the great Oklahoma land rush settled the area in 1889, those first residents unknowingly settled on rich oil deposits.

The history of the oil business since has had ups and downs. Today some brokers are concerned that even with the nation's energy crisis, oil may not bring Oklahoma brokers an everlasting trip to the bank. Even as wells bring out oil from underneath the state capitol building here, brokers feel the business may be changing.

Continued on page 26K

Tulsa gushes with black gold . . .

TULSA, Okla.—This city may no longer be the "Oil Capital of the World," but black gold and its related industries are still on top of the heap.

Although the headquarters of many major petroleum firms have moved to Houston and New Orleans, the search for energy has created a renewed interest in drilling and exploration. The new boom potential brings smiles to many agents and brokers here as they go after big and small oil risks.

Tulsa is a broker town, with Marsh & McLennan and Alexander & Alexander dating back long before the acquisition surge of the 1970s. Most of the national houses are here, leaving a scarcity of large independents. Tulsa is a big business town, and that fits nicely into the big brokers' plans.

"The bread and butter of this town is oil," says Jim M. Burdett, vp of the Marsh & McLennan office here. "Usually the big risks aren't controlled here, but there are some substantial ones. And all the small risks are controlled here, so business in this area is strong for us."

Oil risks, of course, don't only include drilling contractors. The industry includes

Continued on page 26D

. . . as Oklahoma City ups image

OKLAHOMA CITY—"Ever been to Oklahoma City?" asks one Tulsa broker. "Wait until you get there: I think you'll be surprised at the lack of sophistication."

That about sums up the relationship between Oklahoma's two major cities. Tulsa and Oklahoma City residents agree on only one thing: The two cities are about as much alike as night and day.

To Tulsa residents, Oklahoma City is a big, unsophisticated cow town that happens to be the seat of state government. To Oklahoma City residents, Tulsa is a snob center that spends more time on its operas and ballets than the joys of cowboy hats and barbecues.

Those stereotypes reflect the insurance climate. With the big corporations and big brokers centered in Tulsa, that city is the sophisticated market. Oklahoma City, although larger in population, doesn't have the big risks. Independents dominate the market and carry a "less professional" stigma.

That's beginning to change, but slowly.

"I think the difference between the two

Continued on page 26G

Photo: Dave Galanti

Faith in God and in himself has made George Tedford's agency a three-year-old success that "simply isn't natural," he says.

Biblical management rules help agency work 'miracle'

A/BT local leader

TULSA, Okla.—George Tedford says his success "simply isn't natural."

Tedford & Associates Inc. has grown from a $5,000 investment in 1978 to a six-person, $1.5 million premium agency. The firm has just moved into its third set of offices, and Mr. Tedford says the firm is ready to fly.

"The future is where you play the big boys," he says. "The day of the small agent is over."

Mr. Tedford plans to specialize, growing geographically. His firm can handle the type of accounts that are plentiful throughout his part of the Sun Belt, he says.

"We are trying to center on the $5,000 to $50,000 commercial account. Those are the accounts we can service," he says. "We have oil risks, construction accounts, lumber and Main Street risks. We specialize in X-ray contractors (used in pipeline work), logging operations and the pulp wood business."

The story of Tedford & Associates is more complex than that, however. Besides his knowledge of some special insurance areas, Mr. Tedford is banking his future on the philosophy that the right business techniques will take him as far as he wants to go.

"Before I started this firm, I used to work for Employers of Wausau," he says. "I was a success there, but I really wasn't happy with what I was doing. One day I came to the realization that if I put faith in myself and God, I would not fail if I struck out on my own, so that's what I did."

Leaving his insurance company career behind, Mr. Tedford took a producer job at Rich & Cartmill, a Tulsa agency that allows producers to own their book of business. Instead of taking a salary or borrowing money from the firm as most novice producers do, Mr. Tedford decided he had to make it on his own. One year later, he left Rich & Cartmill on good terms and began his own firm.

"I never took a dollar from Rich & Cartmill," he says. "When I decided I wanted to go on my own, I didn't owe them anything and in fact had made some money for them. We parted friends, and that was that.

"Initially, I decided that we needed five markets to do business. All five accepted us," Mr. Tedford says. "It was a miracle because those were hard times. We also started with very little money. My wife and I sat down and figured how much money we would need to live on month by month, and fortunately we've always been able to reach those goals.

"I would have to give God the credit because it is just not normal to go into business with $5,000, not borrow any money and then to always turn a profit. But we have," he adds. "Our profits have been up substantially even though we brought in a producer who didn't know the business, moved from office to office and were just starting out. It's really a miracle."

Mr. Tedford says he believes in the Bible because of the management techniques it teaches. Augmented by a degree in sales management and experience at Employers of Wausau, the Bible has given Mr. Tedford ideas about management not always shared by his contemporaries.

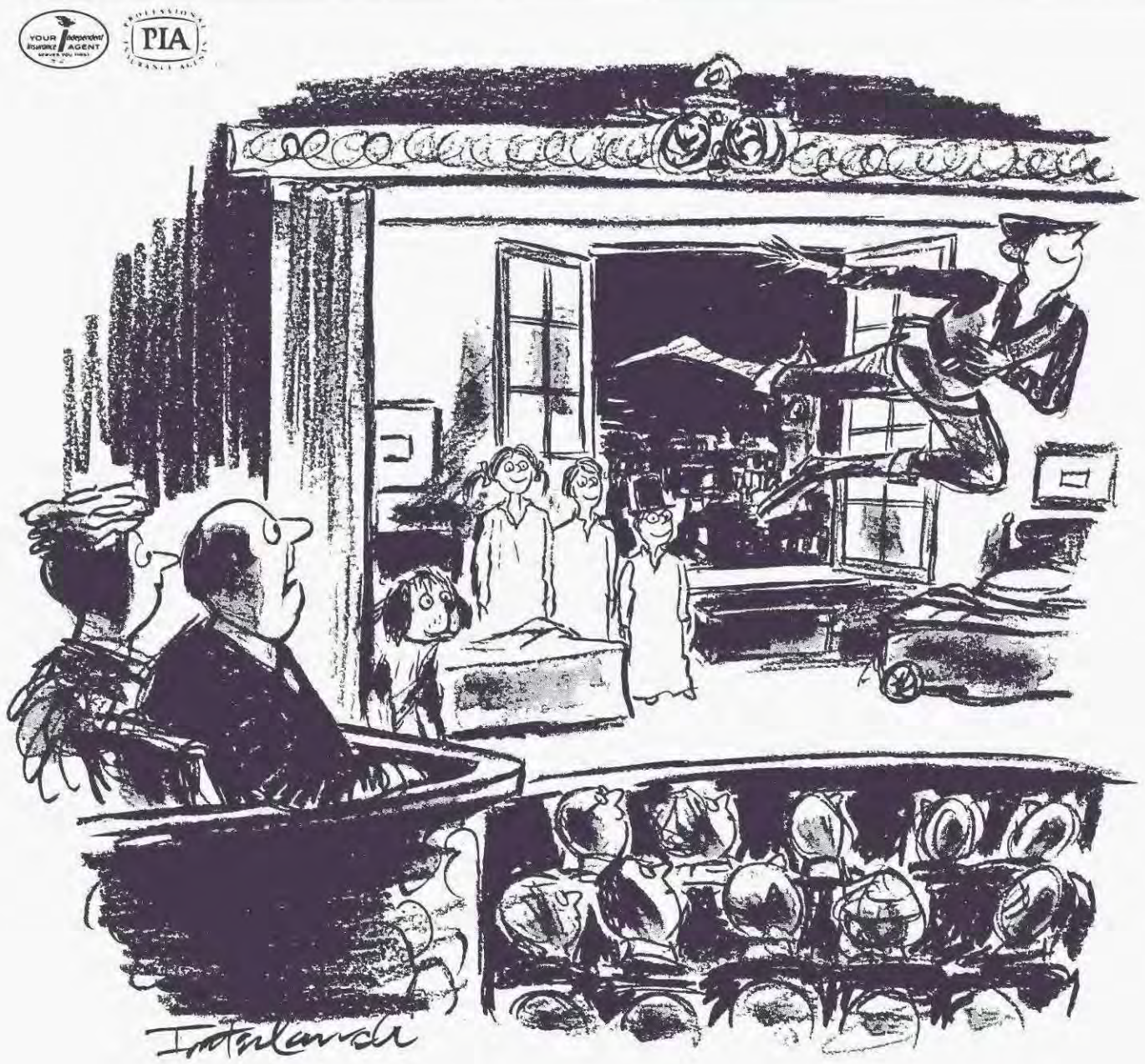
"We operate on a different philosophy than Rich & Cartmill," he says. "There, everyone works on his own book of business. That has limitations. I stress teamwork. Both systems work, but I operate best under mine.

"The key to our success here is to develop an organization," Mr. Tedford adds. "To bring in a producer who doesn't know insurance is risky even for large firms. But I took a chance and brought in a producer who has been a comptroller for many years. He knows business and can relate to it, so I felt he could learn insurance. Besides, who knows when we may need that experience here with our firm? We'll have it without going out and hiring someone."

Mr. Tedford strongly believes that if he follows the principles of teamwork, product knowledge and an unyielding faith in himself, his firm and the future, he will continue to succeed.

And most likely, that future will consist of several small offices in many cities throughout the Sun Belt. He recently added a third producer—this one with experience—but will look outside Tulsa for further growth.

"We want to take a few areas where we think we can compete with anybody, then go after those risks in a wide geographic area. My role will be to work on the difficult risks and market them." ■



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Photos: Dave Galanti

Tulsa is a big business town, and a big broker town as well. Brokers say the booming oil industry stresses expertise over price.

"You have to keep learning," agrees BMF's D. Elwood Allen.

Tulsa will surge

Continued from page 26A

oil field supply companies, pipeline firms and support businesses. There are also some coal-related industries in town, Mr. Burdett says. A major Tulsa broker could devote 50% to 70% of his book of business to energy-related risks.

Marsh & McLennan has been in Tulsa for more than 50 years. Alexander & Alexander is also a veteran here, with roots under the A&A logo back to 1919. The Tulsa office was the third opened by A&A, says senior vp David Banks.

Oil was the attraction for A&A then, as it is now.

"That's the reason they opened this office," Mr. Banks says. "We still specialize in it. Of our book of business, about 20% to 25% is in a special long-haul physical damage trucking program. Of the rest, about 75% is in oil or oil-related business."

Brokers can't help but specialize, he says.

"I don't see the energy business declining in my lifetime," Mr. Banks adds. "There may be other types of energy developed, but oil will continue to be important.

"I don't see anyone not going after the energy risks to stress other business," he says. "In the brokerage business you have to go after what you can. Oil is what is here."

And oil is booming, brokers agree.

"With the price of oil, people are drilling in areas of greater risk where the outcome will be worth the effort," Mr. Banks says.

Bruce T. Schutte, who owns the Broken Arrow Insurance Agency in Tulsa suburb Broken Arrow, puts it more strongly.

"Everybody's ready to make a deal," Mr. Schutte says. "You just wouldn't believe the attitude around here. Everyone's ready to invest. We're pretty diversified, but I took a course to learn the lingo of the business so I could go after that stuff. You pretty much have to know it if you do business around here."

People in the oil business are particular about the broker they pick. Brokers have to know the oil language. In many cases, brokers also have to be prepared to go out to the fields to do business. One broker put it this way: "It's a different job. You're dealing in large part with businessmen in blue jeans and a dirty cap out in the field someplace. But there's no mistaking the roll of bills that comes out of his pocket."

"People in the oil business want to talk to someone who knows the business very well," says D. Elwood Allen, president of Bayly, Martin & Fay of Tulsa. "You have to keep learning. I have been to the International Assn. of Drilling Contractors School. So have two or three others from this office. It's intended to give outsiders a feeling for their problems and it helps."

Oil risks are hard to market, Mr. Allen says. The risks have certain needs that only a few markets can provide. That doesn't mean people don't try to innovate, however.

"Everybody's trying to build a better mousetrap," he says. "Some programs have tried to write all drilling contractors and such. I've seen many programs come and go.

"This business is much better handled on a one-on-one basis," Mr. Allen adds.

"I don't think the energy field lends itself to group business," agrees A&A's Mr. Banks. "Group business is usually aimed at a bunch of smaller risks, and oil risks that we go after here are generally of a size that warrants individual attention."

Price isn't as important as expertise to these buyers, the producers say.

"Yes, they take a long look at price, but not as much as other industries," Mr. Banks says. "But we brokers have to watch that, because it's a competitive town and there is seldom an account where there isn't someone else looking at it, too."

BMF's Mr. Allen agrees drillers aren't as price conscious as others. But service must back up price, he cautions. When these firms have a claim, they want their broker there right away.

The complete competitive lineup is slippery. Alexander & Alexander and Marsh & McLennan lead the pack in revenues, but then the picture clouds.

"I don't see any dominant force in Tulsa," Mr. Allen says.

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with black gold

"Strangely enough, it is not all that often that we run into Marsh & McLennan or Alexander & Alexander. I'm not sure why, but we don't run into any one broker consistently.

"A lot of business here is referred to you," he adds. "You don't really compete on dollar coverage. When you are referred by another account you have a strong leg up in the competitive race."

"Anyone who knows what they are doing can go out and get their share," says Ford Bell of Joe West Insurance. Mr. Bell adds, however, that he prefers a different tack.

"I'd rather get only a few," he says. "I like to play the role of risk manager. I feel I am ignoring that role when I'm out after someone else's business.

"I've found that business doesn't get lost by brokers here, it gets sold out under them," Mr. Bell adds. "So you go to the top of the cliff with a firm, the firm gets bought out, and then you're forced over the edge with nothing left. It happens a lot around here and that is the major problem the small guy faces. Gulf Oil isn't going to buy insurance at Joe West."

He's growing now with firms he knows he will lose someday. But Mr. Bell says that's part of the game.

"I enjoy doing what I do," he says. "I wish we could save many of those bought-out accounts. It would be nice if people would believe that a 'nickle-and-dime' agency like ours here can do as good a job as an M&M or A&A for them. But that idea just doesn't fly among the big boys."

Tulsa independents have adjusted to life among the majors by carving out niches for themselves. Like independents elsewhere, they stress personal service over size.

"I feel if I go out and get an account, they deserve to deal with me, not a service department," Mr. Bell says. "I feel I have to be in their office two times a month, or I'm not doing my job."

Rich & Cartmill also takes the personal approach. The firm operates under a system in which all producers own their own book of business and pool part of the profits to pay for a shared support staff and overhead. Today the firm includes six partners, six more property/casualty producers and one life producer.

"We're like a clinic. Everybody has his own clients," says partner Richard D. Teubner. "If a guy works hard, he makes a profit. If he doesn't, then he doesn't drag down the rest of us."

Each producer pays for his own entertainment and car, as well as his own expenses. Forty percent of his commissions are funneled into the general account to pay corporate expenses. The firm is organized so new producers can be supported until they are ready to stand alone. Older producers can be bought out.

"Our strengths are individual in nature," Mr. Teubner says. "Different guys have different strengths. I don't know anything about contractors, but Jack Madeville (another partner) does.

"Among us, we have a number of strengths," he adds. "One producer has a multistate fast-food franchise business. I've handled many schools around here for a number of years. I've also administered some workers compensation self-insurance programs."

The producers share information just as they would if they didn't own their own book, he adds.

"We talk at lunch all the time, and we help each other out," he says. "I had a drilling rig to work on the other day and I hadn't done one for a while. But Jack just had and knew the current markets. It saved me a lot of time."

Although Mr. Teubner admits his firm can't go after the jumbo risks because of its individualistic organization, he says he likes medium-sized risks.

"The medium-sized risks don't move around much," he says. "Agents here use good companies in general and know how to do a good job. We feel that if we went into the risks served by our competitors and saw what they are doing, we'd probably end up doing it the same way.

"In any event, we don't have to steal business," he adds. "Tulsa

Continued on next page

Tulsa agent Ford Bell likes to play the role of risk manager.

Energy industry risks need individual attention from a broker, says David Banks, senior vp of Alexander & Alexander-Tulsa.

Photos: Dave Gilani

"From right here in Boston, I'm handling risks in Chile, Nigeria and Saudi Arabia."

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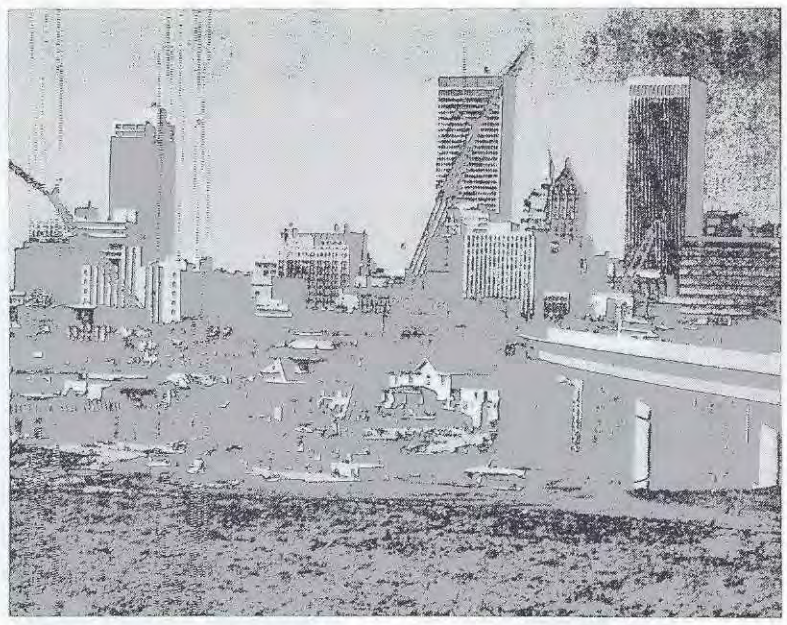
Partners Jack Mandeville (left) and Richard Teubner own their books of business and pool profits at Rich & Cartmill agency.

Andrew Fink finds Fred S. James competes with agents.



The oil industry has kept Tulsa growing and generating enough business to spread among both independent agents and brokers.

Tulsa rides crest of oil fortunes

Continued from previous page
has never stopped growing to the extent that we've had to worry about taking business away from our competitors."

Even with the general bad times for brokers, most Tulsa brokers aim at a 20% growth rate per year. Most of this is expected to come from new business, but some brokers believe there is room for acquisitions, too.

"Most often, we find ourselves competing with the staunch independents like Rich & Cartmill," says Andrew J. Fink III, president of Fred S. James & Co. of Oklahoma. "But there are a lot of one-, two- or three-man shops that control good business and do a good job here.

"Those are the people to look toward for acquisitions," he adds. "They may not add a big burst of premium to your operation, but they will be good people additions. That's what we feel we can use to help our operation."

Although several brokers have employee benefits operations in Tulsa, Mr. Fink says he feels brokers could do more in that area.

"I don't think too much has been done," he says. "So we have a specialist developing a department."

When the chips fall, however, energy will make or break most local producers.

"I wouldn't want to stay away from the energy field altogether because that is the only field that has grown spectacularly in the last two years," Mr. Fink says. "Sure, I'd be concerned if it were 90% of our business, but I don't see the growth slowing any."

"Look, if you handle a firm with only five rigs, you have a pretty nice premium," says BMF's Mr. Allen. "Probably about $400,000. It doesn't take too long for that kind of premium to add up.

"In the last couple of weeks I have added firms that have one rig now, but will have four by the end of 1982," Mr. Allen continues. "And that's only one person's production. There must be 20 to 25 more firms just like that out there if I can find them. And I'm looking, believe me.

"Other areas will grow for us," he concludes. "But I don't think there is any area that is capable of growing as fast as energy. It is a magnet for money. Everyone wants a piece of the action. Eventually that mania will have ramifications of some sort. But for now, it's where it is." ■

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CU Chairman & Chief Executive Officer

Photo: Dave Galanti

Oklahoma City isn't into the large oil and energy business as much as Tulsa is, and until recently, it had fewer national brokers.

"I think our competition is inertia," says Bud Ledbetter.

Oklahoma City changes its image

Continued from page 26A

areas is beginning to narrow," says D. Elwood Allen, president of Bayly, Martin & Fay of Tulsa. "Until the last couple of years, the national brokers seemed to all be in Tulsa. Now they're moving to Oklahoma City, too. I think they're going to change the manner of business there."

Mr. Allen calls the differences a "friendly rivalry," similar to that waged between residents of Los Angeles and San Francisco. Oklahoma City brokers argue strongly against the thought that they are less than equal to their Tulsa counterparts.

"We're very different from Tulsa," says C. Courtney Wood, vp of Marsh & McLennan in Oklahoma City. "But that is due more to history than anything else. The oil industry seemed to center around Tulsa, and those bigger companies introduced risk managers faster than here. For instance, there has been a Risk and Insurance Management Society group there for years. Here we got our first chapter Oct. 1.

"I've worked in both cities and historically business here has been placed more on long-standing relationships than in Tulsa. But you can't emphasize those points too much today, for things are changing rapidly."

Oklahoma City is not blessed with an abundance of big risks, and many of the larger risks in town are not based in Oklahoma City. That doesn't distress most Oklahoma City brokers, however.

"Two-thirds of the state looks to Oklahoma City as its main market," Mr. Wood says. "And even though there may not be big physical plants, they're out there drilling in that ground. That's big business. Industry is going strong elsewhere as well. Oklahoma City has full employment and no depression. We live and breathe the energy business, and I'm glad to be here."

So is Gene McCrory, president of North American Insurance Agency.

"Tulsa is a heavy oil and energy town, but it is a national market town," Mr. McCrory says. "Oklahoma City isn't, so we can operate a bit differently."

"We believe we should act like a CPA or law firm—be a part of the buyer's staff. We like to stress that aspect of our service."

North American operates a bit differently than the other independents in Oklahoma City in that it operates in Tulsa, Denver, Wichita, Dallas and New Orleans as well as Oklahoma City. The firm has grown from scratch in 1959 to 84 employees today. Its goal is to operate throughout the Sun Belt.

Only about 20% of the firm's book of business is in energy, Mr. McCrory adds. His firm prefers to use relationships gained through the years to produce a diversified package.

"I haven't always lived here, but you have to come to know the decision makers and who they are. Personal relationships always count," he says. "We have gained a lot of good relationships. We've lost few accounts over the years."

In Oklahoma City, even big brokers push loyalty.

"I find here that both clients and companies don't tend to play the guessing game," says Coy Hollingshead, president of Rollins Burdick Hunter of Oklahoma. "I've handled business in other areas where the buyers hedge a lot and hop around.

"Here, my clients tell me that I'm the first and last person on the account," Mr. Hollingshead says. "That puts a big responsibility on me, but I think people around here tend to want to put that responsibility on you."

Mr. Hollingshead says his office emphasizes the medium-sized risks. Does that conflict with RBH's image as a big-account broker?

"I don't think it makes that much difference," he says. "It all comes down to the bottom line. As long as you can hit that and be professional, there's no problem. We chose RBH not for its accounts, but because I like their principles

Continued on next page

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Photo: Dave Galanti

Gene McCrory of North American Insurance Agency says his agents should act as though they are part of the buyer's staff.

City alters its image

Continued from previous page
of autonomy and cost control. They have not tied our hands."

In general, the line between independents and national brokerages is more blurred in Oklahoma City than in other cities.

"A big problem for brokers here has been name recognition," says Gene L. Weaver, executive vp of Fred S. James & Co. in Oklahoma City. "There has always been a loyalty to the independent agent here. We've had some difficulty in getting people to deal with a national broker."

M&M's C. Courtney Wood has another view.

"Our name gets us calls," he says. "But there are some extremely strong local agencies here. I don't think being associated with a national brokerage gives you a dominant place. Maybe that's because the large accounts aren't based here.

"Almost all the brokers here today came in with purchases over the past five years," Mr. Wood adds. "I don't think so far there has been a need among the strong independents to sell out. I don't think you're going to see it in the future, either, unless a knowledge gap begins to develop."

Agents and brokers get along well in town, he adds. That may be because insurance is sold differently in Oklahoma City than elsewhere.

"It's a more casual atmosphere," Mr. Wood says. "When I put on my three-piece suit, people around here kid me that I've put on my 'selling suit.'

"Seriously, we don't find ourself in conflict with independent agents in this market. I'm president of the local independent agents association, and we work in the same direction on many things."

"I think our biggest competition is our inertia," says Bud Ledbetter of Ledbetter Insurance & Risk Management Inc., a longtime Oklahoma City independent. "We can't do business like we did 20 years ago and wait for business to come through the door. We have to go out more.

"We're getting more involved with self-insurance and unbundled services," Mr. Ledbetter adds. "We also have to plan for what business is here.

"As far as Tulsa is concerned, they are good at what they do. But we are good at what we do," he adds. "It takes some background and ability to be good in either market. The level of expertise is the same, it just takes a slightly different form." ■

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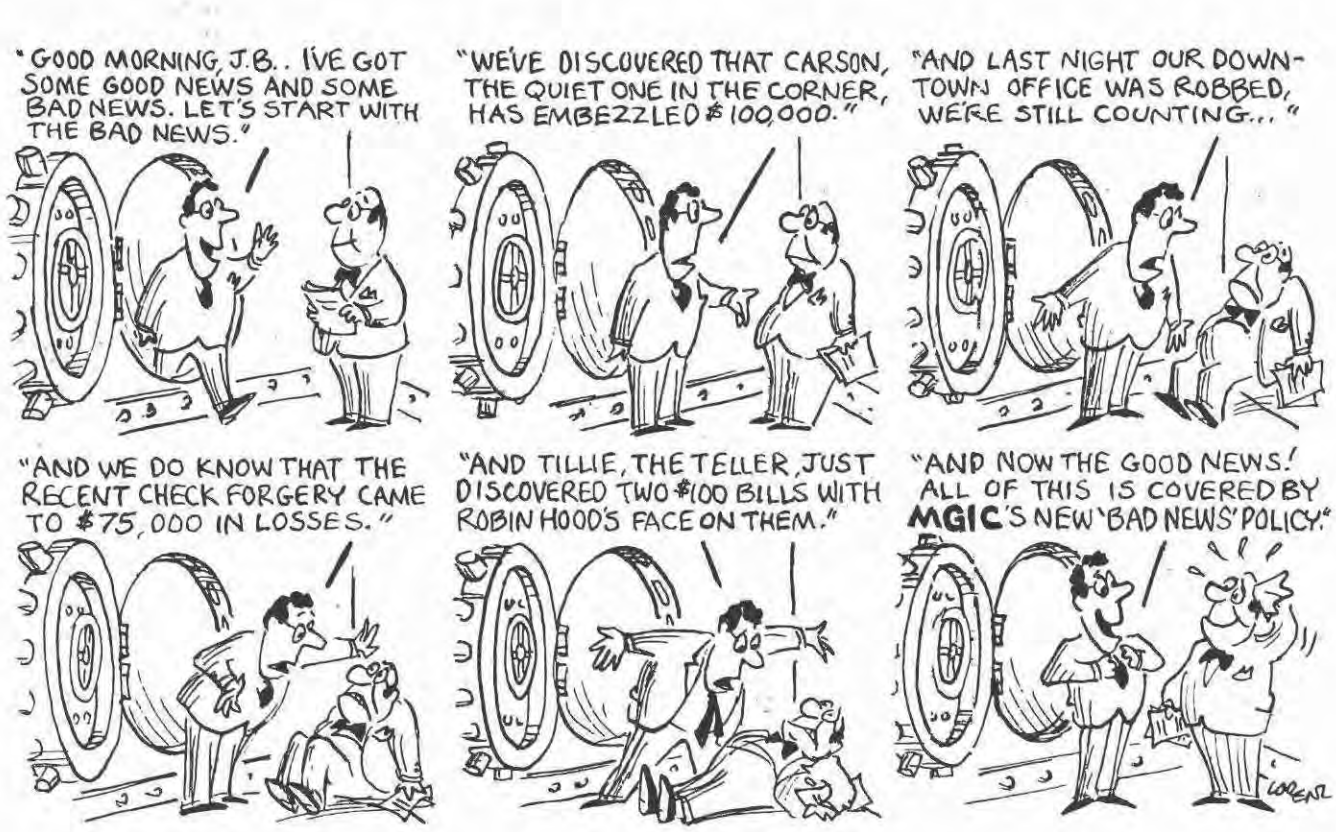

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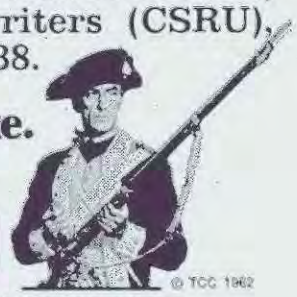

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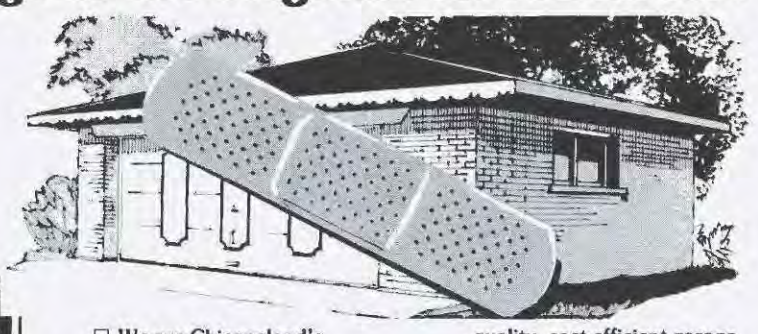

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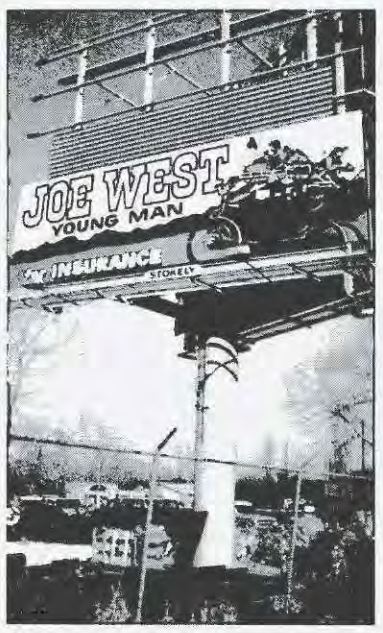

Photos: Dave Galanti

Oklahoma brokers and agents have more billboard space for advertising thanks to a statewide ban on liquor advertisements.

Billboards leave ads high, dry

TULSA—For all the trouble agents and brokers might have getting an alcoholic drink here in public, the general absence of Jack Daniels, Johnny Walker Red and Demon Rum outside of a private club may have one advantage.

It's given the agents and brokers in Tulsa a lot more space to do their billboard advertising.

The link may not be statistical, but with Oklahoma's ban on alcohol advertising, agencies and brokerages in town seem to use more billboard advertising than in other cities.

Billboard advertising isn't new to brokers by any means. Many use them on an isolated basis. It's unusual, however, for a town to be blanketed by them.

Go south on the Broken Arrow expressway and see the sign that the Joe West Co. hopes will make you go "Joe West, Young Man, For Insurance." Stretch your neck a little and view the efforts of the local Bayly, Martin & Fay office, squaring off against Joe West in the opposite direction.

It doesn't stop there. Drive into downtown from the south and you see that the old Thornton & Johnson agency is now Johnson & Higgins.

Fred S. James' local effort isn't on the highway, but president Andy Fink says his location is only temporary. It will move next to a new north-south expressway when it is completed later this year.

One would think there were no Yellow Pages.

"As for me, I would just like to get some name recognition out of it," says James' Mr. Fink. "We do a lot of work with the arts and that kind of thing in town, but those usually involve only the big money people.

"Our producers are not only out talking to those, they're talking to the medium-sized risk as well. They're looking for help in gaining name recognition in that area. So we decided to use the billboard," he says.

Most other Tulsa brokers agree, but Alexander & Alexander says it will sit this one out.

"Some brokers in town are going after name recognition, I guess," says A&A senior vp David Banks. "But the big accounts know who we are. With the smaller accounts, we have to explain it to them. But we don't rely on advertising to do it." ■

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Write here:

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John Hancock Mutual Life Insurance Company

Boston, Massachusetts

City changes image

Continued from page 26A

"We're not very heavy into energy-related business, although like everyone else we have an expertise in it and write a substantial amount," says Bud Ledbetter, president of Ledbetter Insurance & Risk Management Inc.

"Our plan here is to grow in many areas, and energy is one of those areas," Mr. Ledbetter adds. "Still, it isn't as easy a thing as you might suspect. One never knows what may happen tomorrow."

The trick, Mr. Ledbetter says, is to use the past to monitor the future. Oil business is more than Exxon; it is smaller drilling contractors, private investors and equipment manufacturers.

"The state has been in the oil business for many years, and people here have seen the patterns repeat themselves many times," he says. "You have to realize that the energy business is made up of several parts.

"Last year, for instance, you couldn't get hold of a drilling rig for anything," he says. "The result was that last year and a few years before that a lot of production of rigs went on. This year, you can get one if you want to.

"What if, however, drilling slows a bit. Then next year there will be a surplus of that equipment and drilling contractors won't be in as good a shape. Two years from now, the market for that equipment could fall off entirely and then you have contractors renting rigs at a loss just to keep it working. That's the kind of thing that can happen to segments of this industry."

The North American Insurance Agency here foresees the same future, says president Gene McCrory.

"The energy field will change," he says. "It will not in the next few years be the industry it is today. It won't fall apart, but things tend to flow in this business.

"Oklahoma has a lot of rigs in operation today, but that could change," he adds. "The emphasis on this business may go more to Wyoming, Texas or Colorado as new fields open there. So the smart agents concentrate on what's going to be left.

"We know that oil wells in Oklahoma tend to be pretty long-lasting," he says. "If that continues to be true, the emphasis may change from drilling operations to maintenance. It's a drilling boom today, but eventually the business is going to get more seasoned."

Agents will continue to go after all segments of the oil industry despite having a wary eye, Mr. McCrory admits.

"Right now, our education efforts in this area are the same as many others. We're teaching our employees the lingo of the drilling contractors," he says.

"But we look to the future. Two or three years from now we'll probably start emphasizing some of the more seasoned aspects of the business and build from there." ■

A/BT **letters**

Franchising questioned

To the editor: The first issue of our subscription to *Business Insurance* was put on my desk this morning and I must write to compliment you on your publication.

I especially enjoyed the article by David Hales (A/BT, Feb. 2) on "Need for franchise may be nonexistent," the first article I have read about the franchise scene that asks the question, "What for?"

Mr. Hales put into words what many of us are thinking about. I agree we are in the midst of a GAFF (Great Agency Franchise Fight) and that due to the fact these franchise organizations are merely duplicating services available elsewhere, one or two of the better-financed ones will end up serving a comparatively small segment of the total agency force.

After all, we as independent agents are already franchisees in a large sense of the word. Adding another layer to the insurance marketing function reminds me more of government bureaucracy than competitive enterprise.

S. J. Davidian
President
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Lack of planning courts agency disaster

By JOHN CALTABIANO

A recent article in Insurance Advocate addressed the issue of the woeful lack of strategic planning in the brokerage/agency industry. The article focuses on the fact that of the 500 leading U.S. agencies that participated in 12 seminars completed by the American Institute for Property and Liability Underwriters, 80% had done "little or nothing" about taking a hard look at where they were and where they were going in the marketplace.

The four key concepts that make agencies successful, as evolved from these seminars, are strategic planning, management, marketing and automation. Only 20% of the firms represented had any type of formal plans in progress, according to the article.

It has recently become evident that some of the large brokers find earnings and growth harder to achieve. The problem is not new. Major corporations have addressed this issue since the 1960s when the concepts of "long-range" and "short-range" planning evolved.

The question is, what should 80% of American agencies be doing about the problem? In order to approach it logically, one must first close the door to one's office, fix oneself a strong drink (if at hand), rear back in their chair and say, "OK, I'm ready to be objectively critical about my business."

Fine, you've taken the first positive step. Next, list your company's strengths and weaknesses on a sheet of paper and address these questions:

- Has the volume of my business increased in production to compensate for and overcome inflation factors?
- Have I made any studies to determine if I can expand my product line?
- Have I ever developed a business plan, formally or informally?
- Have I periodically analyzed my financial statements and cash-flow projections not to see where I am, but to determine any trends that tell me where I am (or should be) going?
- What have I done about management depth?
- Have I approached an outside consultant to look at my business?

If you can honestly admit that your answer is no to any of these questions, it's time to start planning for your survival.

It has been said that except in comparatively few businesses, a company that does not have some sort of formal strategic planning system is courting eventual disaster! Strategic planning should be interwoven into the fabric of management; it is not separate from the process.

McKinsey & Co., a well-known worldwide management consulting firm, summarized the 14 elements for a management system.

They are, as mentioned in George A. Steiner's book "Strategic Planning—What Every Manager Must Know":

- Setting objectives.
- Establishing goals.
- Planning strategy.
- Developing a company philosophy.
- Establishing policies.
- Planning the organizational structures.
- Providing personnel.
- Establishing procedures.
- Providing facilities.
- Providing capital.
- Setting standards.
- Establishing management programs and operational plans.
- Providing control information.
- Activating people.

Of course, there have been many successful men who have managed by "gut" and intuition rather than formal strategic planning.

However, if you are one of us in the other 99% of the population who require structure, philosophy, due process and a sense of future impact of current decisions, you should be engaging someone who can help you create your needed structure.

To do this you should start by gathering the data available and arranging it in a systematic manner so it can be reviewed and analyzed. The information or analysis should include:

- Historic revenues.
- Historic profits.
- Your return on investment.
- Your market share.
- A review of the productivity of your employees.
- Your public relations and product development capabilities.

Next you should pull current data on:

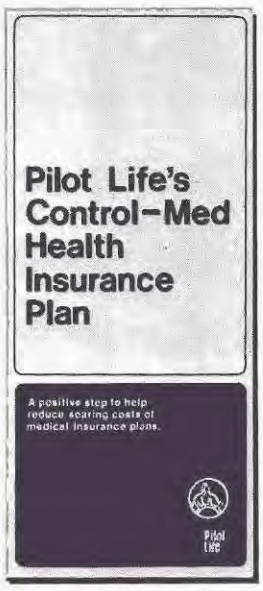
- Your agency standing.
- Management depth and employee skills.
- What your competition is doing.
- The desired profile for your corporate image and social demands on your company.
- The specific interests of your major clients.

Lastly, this material must be compared with data on:

- Forecasts of market growth and sales.
- Economic trends.
- Competition.
- Other technological, political and environmental developments.

With the raw data, you are ready to determine where you could—and should—be going and develop a strategy to get there. ■

John J. Caltabiano is president of Calco Management Consultants Inc., in Staten Island, N.Y.



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Penthouse will fight big libel judgment

Continued from page 2
and said Penthouse will not settle out of court.

Neither he, Mr. Cooper nor other magazine officials would reveal Penthouse's exact libel insurance limits or the insurer.

Industry sources, however, indicate the most likely libel insurance limit is $10 million and the most likely underwriter is Employers Reinsurance Co. of Overland Park, Kan. Another possible insurer is Media Professional Insurance of Kansas City. Both companies deal extensively in libel insurance for all media. Neither would confirm or deny they insure Penthouse.

Penthouse could have additional coverage under an umbrella liability policy.

In any case, Penthouse has instructed Mr. Cooper not to settle out of court, he said. He is confident the Wyoming decision will be reversed when it is heard by the 10th Circuit Court of Appeals in Denver, Colo.

Miss Pring charges in the suit that she was libeled by a fictitious story published in the August 1979 issue about a make-believe Miss Wyoming. She contended the story, "Miss Wyoming Saves The World . . .," by freelancer Philip Cioffari, libeled her, invaded her privacy and constituted outrageous conduct.

The story involved a prim, proper Miss America Pageant and an imaginary Miss Wyoming who discovered she had unusual sexual powers, Mr. Cooper said. He maintains that no one at Penthouse or the author knew the details of Miss Pring's life or that she existed.

Penthouse's principal attorney, Jeff Daitchman, agreed. "No one on our side knew her or of her. The story was not merely fictional, but the character was so fantastic that no reasonable person could believe it was based on reality."

But Miss Pring said she shared at least 15 similarities with the fictitious Miss Wyoming. Her attorney, Gerald Spence of Jackson Hole, Wyo., noted during the trial that both beauty contestants were Miss Wyomings, both performed with batons at the Miss America Pageant, both wore blue warm-up suits and blue chiffon dresses during the contest and both had lived in Laramie, Wyo.

Following two weeks of testimony, the three-man, three-woman jury awarded Miss Pring $25 million in punitive damages and $1.5 million in compensatory damages from Penthouse. Author Mr. Cioffari was ordered to pay $35,000 in punitive and compensatory damages.

Mr. Cooper, a Denver-based attorney with the law firm Cooper & Kelly, said the verdict did not surprise him because the case was tried in Wyoming and the story was critical of that state.

"But $1.5 million in compensatory damages is outrageous," he said. "Under the law, they apply only to actual injuries suffered by the plaintiff. Miss Pring was awarded the money based on two trips to a psychiatrist. Her attorney claimed she'd been mentally raped 25 million times—everytime someone read the story."

Punitive damages were based on Penthouse's profits, Mr. Cooper said. Miss Pring's attorney first asked for $100 million, but this was lowered to $25 million.

"Profits in evidence were shown to be $14 million for one year," Mr. Cooper said.

"Apparently they were trying for two years' profits. They have no idea how much $26.5 million really is. It is so big you can't relate to it," he said.

He contends the jury was hostile and that significant errors of law were made.

Mr. Daitchman went a step further. "The way it was tried, it appealed to the emotions and passions of the jury," he said. "Penthouse was represented as all that is evil and bad in the world vs. Wyoming, and the judge allowed it. The result was purely emotional."

Miss Pring's attorney Mr. Spence could not be reached for comment, but he is reported to have told the jury, "You take the money of that corporation, its life and love and they will hear you. You've been given by the law enough power to stop it; somebody's got to."

Mr. Spence said the size of the judgment would make "those kinds of people realize they have to be responsible."

Both Mr. Cooper and Mr. Daitchman are confident the verdict will be overturned in the appeals court. Some insurance people agree.

"Chances for the defendant to be successful in an appeal are excellent," said Bill Bauer, executive vp of Media Professional, which underwrites libel policies. "You often find that juries and judges don't understand libel laws and constitutional protections. There is a very high rate of reversals."

Unless a number of large judgments are upheld by appellate courts, an award the size of that given Miss Pring probably would not have a drastic effect on libel policy prices over the long run, he said.

Still, companies insuring the media should have as much libel insurance as they can afford at a fair price, Mr. Bauer said. "How much to buy is a management decision and varies greatly among firms, but the capacity is available for publishers and broadcasters to buy as much as they want at reasonable prices."

Media Professional writes libel policies for $10 million or more and covers a broad range of the news and entertainment media, he said.

An underwriter for Employers Reinsurance described the type of policy a magazine like Penthouse might have.

"We currently write a $5 million limit for libel, but will go to $10 million for special cases." For more than $10 million of coverage, the buyer would have to have excess insurance policies.

For a nationwide publication of controversial nature with a large circulation, the underwriter would recommend a $5 million or $10 million basic policy.

Another industry source said libel policies vary widely depending on how many people read or listen to the publication or broadcast, the type of audience it goes to and how often it is published or broadcast.

"You can buy as little as $100,000 of coverage, and I know of one with an upper limit of $50 million," the source said. "We see a lot more publications buying policies for $5 million or $10 million that used to have $1 million coverage."

Premiums for libel insurance have dropped in the last five years, allowing more coverage for the money, he added. ■

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DES judgment upheld in N.Y.

Continued from page 1
gation."

Proving such agreement among DES manufacturers has been the primary weakness of plaintiff actions, he acknowledges. But he argues there is ample evidence to show that such a concert of action took place. "This evidence is unique to DES litigation," he notes.

The court agreed, writing in its opinion that "original cooperation by 12 manufacturers in the pooling of information, agreement of the same basic chemical formula and adoption of Lilly's literature as a model for package inserts with joint submission to the FDA in 1941 can rationally be construed as an express agreement for purposes of finding concerted action."

The application of concerted action to this case stretches the legal concept far beyond anything ever held before, says Mr. Taylor. The court has not even said who Lilly acted in agreement with, he noted.

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

The New York appellate decision opens the door to plaintiffs to sue any individual DES manufacturer without regard for its share of market. In the Sindell actions, DES makers have been sued as an industry.

"The injured party does not have to face down a whole industry but may select one of the substantial entities in the market," said Ms. Bichler's attorney. "Then that company is at liberty to pursue other manufacturers who might have been in the market."

"It is the plaintiff's option to proceed against any joint tort-feasor," the court said. ' Lilly may in turn pursue other manufacturers, which it determines may be liable."

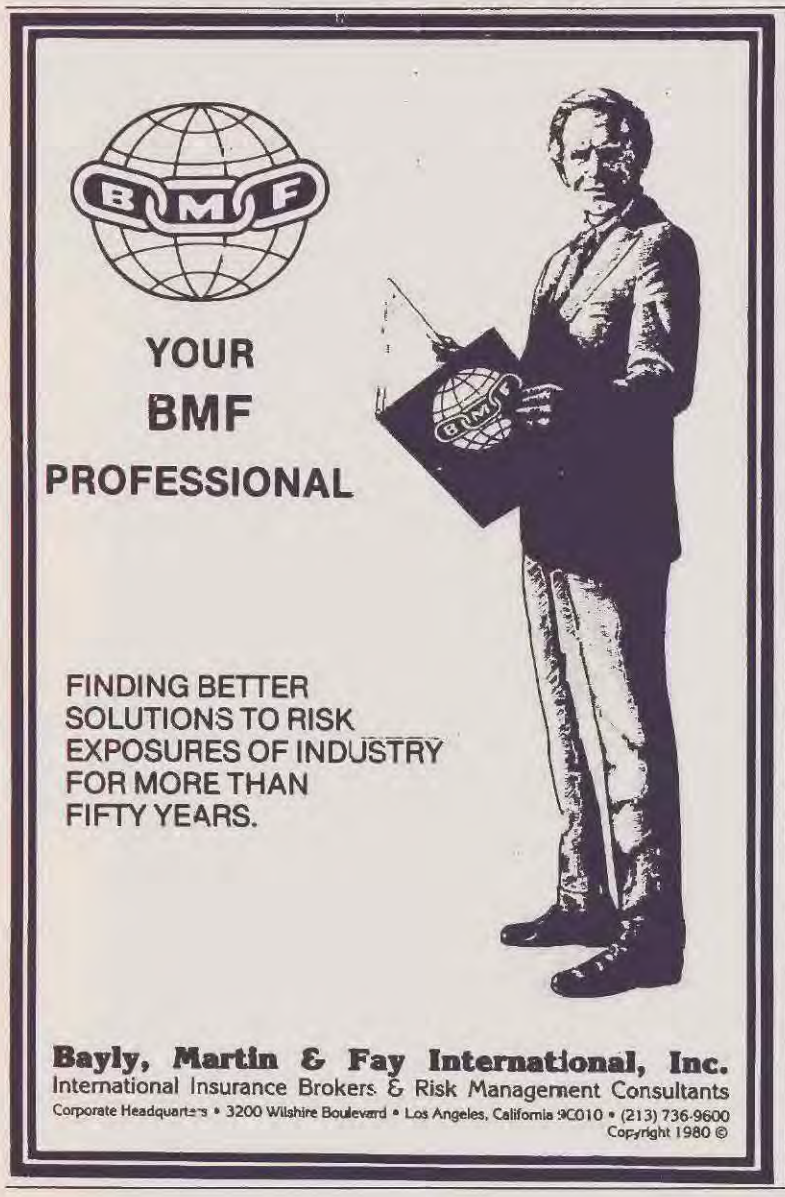
Evidence introduced by Ms. Bichler's attorneys at the jury trial in 1979 indicated that Eli Lilly had about 45% of the market for DES in Bronx County, New York, in the late 1950s. The drugmaker's own sales figures showed their share was much smaller, said Mr. Taylor.

The unfavorable decision for Eli Lilly follows on the heels of good news last month. A New Jersey appellate court rejected the concept of industrywide liability established in California and subsequently upheld by the U.S. Supreme Court (*BI*, Feb. 16, 1981).

"The more of these suits we see, the more the courts seem to be spinning a roulette wheel," said attorney Victor Schwartz with Crowell & Moring in Washington, D.C. "Until we have some stabilization in the products liability area so we know what the risks are, companies will continue to pay large litigation costs.'

' It is quite unfair to hold anyone liable for an alleged injury that could not have been foreseen at the time a drug was manufactured and sold," argued Mr. Taylor.

Diethylstilbestrol (DES) is a synthetic estrogen taken by pregnant women until 1971 to avoid miscarriages. ■



Quinn says he'll reach out

Continued from page 2
ment of a chief deputy.

The status of cash-flow plans to insure workers compensation is under study, Mr. Quinn said. He acknowledged that some insurers have asked the department to enforce its ban on plans that do not meet rules outlined in bulletins 80-7 and 80-7A (*BI*, May 5, 1980; Jan. 19, 1981).

A number of insurance companies are rumored to be offering the controversial plans, which defer premium payment until losses are paid and thereby create cash-flow advantages for policyholders. Such plans are illegal in California if premium notes do not bear the current money market interest rate.

Mr. Quinn said he talked to some insurers about the plans, but has not received any specific complaints identifying illegal policies.

He is worried about the loss of business from the insurance industry that may occur if consumers' needs are not met, he said. But "it is not my intention to see insurance given away."

Mr. Quinn said he hopes to develop close relations with the legislature and eventually participate in shaping new laws. He would not hesitate to seek additional authority for his department should it become necessary to stop industry abuses, he said.

But he also believes a part of successful regulation is an ongoing examination of the need for it.

Mr. Quinn, 43, was sworn in as insurance commissioner Jan. 8. He had recently served as a lecturer on business law at Ohio State University's College of Administrative Sciences.

From 1966 to 1980, Mr. Quinn was associate counsel for Nationwide Insurance Co. of Columbus, Ohio. During that tenure, he served in various capacities including automobile insurance reform coordinator, legislative affairs officer in Washington, D.C. projects officer and research officer. Before joining Nationwide, he was an attorney in private practice.

He is the author of several articles concerning automobile insurance and general liability. He also has written a book-length manuscript on legislative decisions in tort reform.

Mr. Quinn has a bachelor's degree in philosophy from Ohio Wesleyan and law and master's degree in business administration degrees from Ohio State University.

Clerks want own plan

Continued from page 1
would have a disturbing effect on overall premium structure. Taking 115,000 employees out will increase premiums, it is indicated."

NRLC does not keep separate experience records on each union and, therefore, cannot say what the precise impact on premiums and benefits would be if BRAC withdraws from the plan, Myford said.

Dealing separately, the clerks could not only ward off an anticipated 20% premium increase, but also actually save employers about 10%, the union official said. The industry could then channel the savings into improving benefit plans by increasing life insurance and reducing employee copayments for hospitalization coverage. Premiums are now fully employer paid.

The union wants to put the program out for bids for the first time in 26 years, under supervision of a joint labor-management committee, the official said.

The clerks won a health insurance package in 1955 that was later transferred to the group policy contract of the 13 other unions in 1969 underwritten by The Travelers Insurance Co. The Travelers still writes the policy.

A dental plan, added in 1976, first fueled talk of a split to negotiate benefits because union officials were dissatisfied with the plan, the union spokesman said.

The union is prepared to sue to be released from bargaining ties with related labor organizations and the other unions and major railways have been served with notice of the clerks' intent to bargain alone on benefits, the spokesman said..

The split is likely to cause opposition from both labor and management. Other unions are worried that their insurance premiums will increase because their members are older workers in more hazardous jobs. ■

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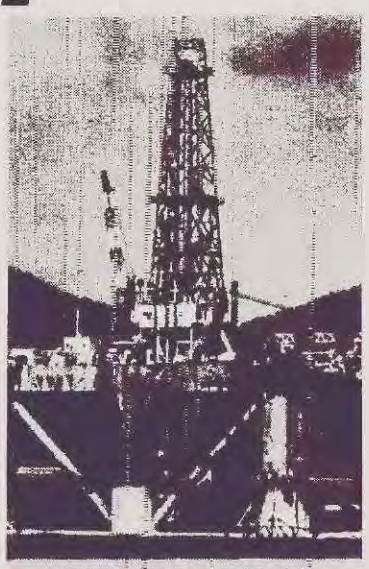
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Reagan black lung rules

Continued from page 3

ity Trust Fund self-sustaining. That fund pays black lung benefits to miners and survivors of miners who last worked before 1970.

Tighter standards for granting benefits from the trust fund presumably would be applied by the Labor Department to claims filed by miners who last worked since 1970 and are claiming benefits from their employers. The Labor Department determines miners eligibility for black lung benefits.

Uniform tighter standards reducing the number of claims approved would reduce the benefit bills of not only the trust fund, but also of mines that pay the benefits directly or under insurance plans.

The president proposed tighter standards as part of his program to slash federal spending by $41 million *(BI*, Feb. 23).

It's unclear if congressional approval would be needed to tighten the eligibility standards or if the Labor Department has the regulatory authority to do so.

The United Mine Workers opposes changing the standards, contending many of its members would unfairly be deprived of benefits. UMW president Sam Church picketed the White House the day after President Reagan's economic plan was released, threatening an industrywide strike if revisions are carried out.

"If there is any attempt to gut the essential and hard-won black lung program by Mr. Reagan and his administration, I will ask every coal miner—union and non-union alike—to lay down their tools and leave the mines," UMW president Sam Church said in a statement issued Feb. 19.

The administration is working on the specifics of a proposal to tighten eligibility standards but has not targeted a time for completion, Don Moran, assistant director of the Office of Management and Budget for human services, veterans and labor, told *Business Insurance*.

Tightening eligibility for benefits and increased revenues from possible higher taxes on increased coal production, should make the Black Lung Disability Trust Fund self-sustaining, Mr. Moran says.

Coal producers now pay 50 cents per ton on underground mined coal and 25 cents per ton on surface mined coal to support the trust fund. Carter administration officials had said the tax should be increased to a flat 2% of sales *(BI*, Jan. 26), a proposal the Reagan administration has not rejected.

The National Coal Assn. supports tighter eligibility standards. The industry group does not want eligible persons to go without benefits, but wants the federal black lung program "returned to a disability program instead of pension program," said Gary Kizner, NCA legislative counsel.

Stricter eligibility standards for black lung benefits would make it easier for coal mine operators to maintain the funding and financing of these benefits, says Duane Allen, assistant treasurer of Cleveland-based Hanna Mining Co.

The savings produced likely would be reflected in the price of coal, making it a more competitive energy source, he adds.

If eligibility rules are tightened, Mr. Allen does not expect a flood of claims before the deadline for filing under existing rules. A flood occurred when standards were liberalized in 1977, he says.

"The insurance industry would probably favor tightening of eligibility standards, but it is hard to comment further on the Reagan proposal without knowing the specifics," said Michael Camilleri, assistant to the general counsel of the National Council on Compensation Insurance.

The changes could concentrate on rules of evidence, procedural rules or a wide range of other concerns, he noted. How the changes are put into practice will influence their impact upon insurers and mine operators, he added.

The United Mine Workers contends the black lung trust fund's financial problems stem from coal mine operators challenging more than 90% of the claims made by miners, a spokesman says.

The union disagrees with administration and coal industry contentions that the black lung program has become "an automatic pension.' The UMW spokesman labeled as "ridiculous" the findings of a General Accounting Office study cited by the Reagan administration that 88% of claimants certified as eligible were not disabled. ■

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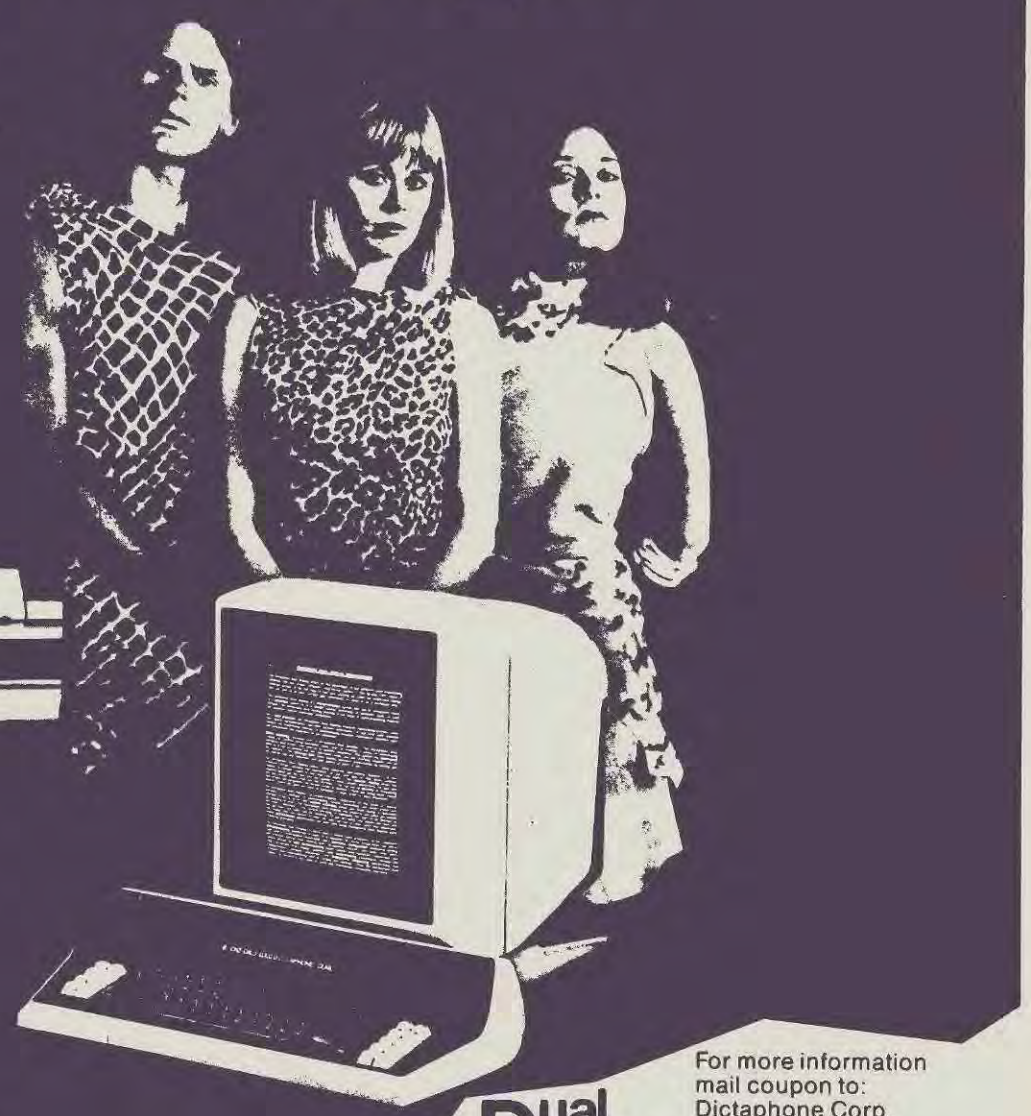

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Court limits coverage

Continued from page 2

manufacturer were first exposed to asbestos.

However, Keene is still substantially insured against liability for asbestos suits, says Charles A. Foster, Keene director of risk management in New York. The firm's combined limits exceed $300 million, he notes. However, the ruling dismissing PMA will affect the firm's financial planning for defending the suits, he adds.

The company recently offered a $10,000 reward for certificates of insurance for product liability coverage issued to Baldwin Hill Co. or Baldwin-Ehret-Hill between 1935 and 1962 (*BI*, Dec. 29, 1980).

Through an acquisition, Keene inherited the claims but not proof of all insurance written for the products. Keene thinks Baldwin-Hill and Baldwin-Ehret-Hill had policies during that period ranging from $100,000 to perhaps $1 million in limits. A certificate of insurance would be proof because the underwriter is named.

To date, the reward offer has not yielded results, says Keene.

The court said these insurers must defend Keene:

- Insurance Co. of North America, which insured Baldwin-Ehret-Hill from Dec. 31, 1961, through Aug. 23, 1968.
- Aetna Casualty & Surety Co., which insured Keene from Aug. 23, 1968, through Oct. 1, 1971.
- Liberty Mutual Insurance Co., which insured Keene from Aug. 23, 1967, through Aug. 23, 1968, and from Oct. 1, 1974, through Sept. 30, 1980.
- Hartford Accident & Indemnity Co., which insured Keene and its predecessors from Aug. 23, 1971, through Oct 1, 1974.

INA, Liberty and Aetna maintained that manifestation or discovery of disease triggers insurance coverage of asbestos product liability suits. Keene and the Hartford contended injury occurs when a person is exposed to asbestos and insurance coverage dates from that time. In its motion for appeal, Keene contends its insurers must pay its legal liability "without apportionment to Keene."

The motion cites several cases in the Southern District of New York involving Tenneco Chemicals Inc. in which the court did not require Tenneco to contribute to the defense of product liability claims "as long as there was any insurance coverage during the period of injury."

Based on medical evidence, the court held, "The original bodily injury to the lungs in asbestosis cases occurs at or near the first heavy inhalation of fibers and continues progressively."

Judge Green added, "The unreality of the manifestation theory becomes even clearer when it is realized that in such a situation, those companies which were paid premiums to cover the risk at the time of manufacture and exposure would be free and clear from fiscal responsibility."

The ruling expands the exposure theory to mesothelioma, a cancer of the cells lining the chest walls, and bronchogenic carcinoma, a type of lung cancer. In INA vs. 48 Insulations, the court's ruling was limited to asbestosis.

Judge Green also stated each insurer's limit of liability "shall be based on its maximum limit per occurrence for each such policy."

Insurers continue to woo comp

Continued from page 3

miums rising because of these factors and high interest rates making it attractive for corporations to hold onto their money, insurers predict they could lose as much as 2% of their workers compensation premium volume to self-insurance plans in 1981 and 1982.

The most optimistic expects to lose only half a percent of its premium volume because of more self-insurance, but the average predicted business loss to self-funding is 1.3% in 1981 and 1.5% in 1982.

The insurers say they will capitalize on the trend toward self-funding workers compensations risks with more service arrangements for companies using captive insurers. They also plan to offer various cash-flow insurance plans.

Of the 10 firms surveyed, most said cash-flow plan business was about 15% to 25% of their comp premium volume. Some said they sold very few cash-flow plans, but others admitted as much as half of their comp underwriting was under cash-flow plans.

Predicting their underwriting results for 1981 and 1982, the insurers said the industry combined loss and expense ratios before policyholders' dividends will be an average 98% of earned premiums for 1981 and an average 100.5% ratio for 1982. But they seemed less concerned with combined ratios than the average dividend return to policyholders, predicted to be 6.7% in 1981 and 5.9% in 1982.

Seven of the 10 insurers said they believed results will continue to deteriorate in 1982.

Two insurers predict stable results for 1981 and 1982, with one forecasting an improved economy.

Other predictions by the 10 insurers for 1981 and 1982, as compiled by NCCI, the ratemaking organization for more than 500 insurance insurance companies, include the following:

- Regulations. Insurers predict the regulatory climate will be roughly the same in 1981 and 1982 as it has been during the last few years. A few companies believe there is a good chance of private industry breaking into the monopolistic state fund jurisdictions of Washington and Ohio.
- Claims. Many companies agree industrial commissions will continue to remain liberal, with one insurer speculating there will be increasing numbers of awards for occupational diseases and emotional trauma.

NCCI recommends insurers strive for underwriting profits apart from investment income; emphasize the goal of workers compensation as restoring health and earning power to injured workers, and explain the comp system.

Interviews for the report were conducted by NCCI between Oct. 20 and Nov. 14, 1980. Insurers included: Continental Casualty; Employers Insurance of Wausau; Fireman's Fund; Industrial Indemnity; Liberty Mutual; Lumbermen's Mutual; Royal; Sentry; The Travelers, and U.S. Fidelity & Guaranty. ■

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Does smoking cloud firms' liability?

Continued from page 3
made."

The spokesman added the only out-of-court product liability settlement involving a tobacco firm he was aware of was in a case where the plaintiff found a mouse in a plug of tobacco.

The geographical dispersion of diseases associated with smoking does not correlate to the dispersion of the smoking population, said a spokesman for Brown & Williamson Tobacco Co. in Louisville.

Such diseases tend to be concentrated in certain industries, he added, but he did not specify asbestos, coal mining or textiles.

Less than 1% of the smoking population dies annually from diseases associated with smoking, he added, noting the tobacco industry has spent more than $100 million to support "independent, unrestricted research on a wide range of health issues."

University of Chicago professor Epstein is skeptical that the suits against the tobacco industry will work. "For the asbestos industry to recover against tobacco, it must show its case is stronger than the (smoking) victim's. If the victim never recovers, it is hard to see how the asbestos industry can recover."

Other insurers defending asbestos product liability suits have not gone after the tobacco industry. The Travelers Insurance Co., which insures Johns-Manville Corp. and 30 other defendants, would sue tobacco manufacturers if clients wanted to, says asbestos claims manager Jerry Passman.

But Johns-Manville, the largest asbestos producer and biggest asbestos defendant, has no plans to cross-complain against tobacco manufacturers, a spokesman said.

Although asbestosis and mesothelioma, a cancer of the lung tissue lining, are caused entirely by exposure to asbestos, lung cancer in asbestos workers results from cigarette smoking, says Dr. Alton Ochsner of New Orleans, a leading lung cancer authority. Occurrences of asbestosis and mesothelioma are rare compared with lung cancer, he contends.

"If you smoke and are exposed to asbestos, the chances of getting disease are greater than either risk factor alone," said Dr. William Barclay, editor of the Journal of the American Medical Assn. and a pulmonary disease expert.

Federal court juries in Philadelphia, Augusta, Ga., and Casper, Wyo., in January and February denied suits of asbestos plaintiffs who were heavy smokers, notes Michael Mealy, managing editor of Asbestos Litigation Reporter.

However, such cases have to be weighed on the merits of medical evidence presented, adds Philadelphia attorney Robert Britten of Post & Schell, who represented defendant Bell Asbestos Mines in the Philadelphia case. He doesn't expect the cases to set any precedents.

U.S. Rep. Millicent Fenwick, whose New Jersey district encompasses a major Johns-Manville facility, two years ago unsuccessfully proposed an asbestos compensation trust with contributions from the asbestos and tobacco industries and federal government (*BI*, June 23, 1979).

Ms. Fenwick intends to reintroduce the bill this year, eliminating government funding, says aide Lawrence Rosenshein.

Ms. Fenwick was appointed in January to the House Education and Labor Committee, which would have jurisdiction over such a bill. That committee is chaired by Rep. Carl Perkins (D-Ky.), who championed the 1977 amendments to the Mine Health and Safety Act that liberalizes eligibility standards for black lung claims.

Congress will reconsider the Mine Health and Safety Act this year, but prospects are nil for any legislation to make the tobacco industry contribute to black lung benefits, says Gary Kizner, legislative counsel for the National Coal Assn.

"I can't imagine the tobacco industry contributing to the trust fund," he said. "I don't think they (Congress) will take on the tobacco industry and United Mine Workers at the same time."

Tobacco industry lobbyists are believed to be powerful enough to block any occupational disease compensation plan that would incorporate payments from cigarette manufacturers. Any legislation Rep. Perkins would introduce on black lung benefits would lose support from tobacco state representatives if it would make their constituents responsible for funding, Mr. Kizner says.

The coal industry's best hope for reforming black lung eligibility standards rests with the Department of Labor, Mr. Kizner says. In his budget message to Congress Feb. 18, President Reagan called for tightened eligibility standards to restore the Black Lung Disability Trust Fund to solvency.

Currently, the department's eligibility criteria do not consider the effects of smoking on miners' lungs, and the department does not keep statistics on how many black lung claimants are smokers. Eligibility standards are based on presumptions reflecting a miner's years in coal mining.

However, a 1980 University of West Virginia Medical School study found only eight out of 150 miners presumed by the Labor Department to have black lung actually met medical criteria for the disease, and all of those were current or former smokers.

"The effects of smoking are considerably larger than the effects of coal dust on lung function," said Dr. N. LeRoy Lapp, head of the medical school's pulmonary medicine department.

"When we look at the effect of coal dust on nonsmoking miners, we see little change, but in smoking miners there is a reduction in lung function on the order of two to six times."

The textile industry fears presumptive diagnoses also could be used to determine compensation for brown lung in textile workers.

The industry supports compensating byssinosis victims under state compensation systems, but only if the work environment truly caused the illness, says a spokesman for the American Textile Manufacturers Institute in Washington.

Between 1% and 2% of the textile mill work force can be shown to have byssinosis, the spokesman said. But, he adds, 20% of all persons in their mid-50s have some lung obstruction.

If presumptive diagnoses are permitted, anyone who works in a textile mill and has a lung obstruction would be presumed to have byssinosis, the textile industry explains.

In some instances, workers compensation referees already are making those assumptions, contends Edward Lloyd, assistant secretary of Dan River Inc. in Greenville, S.C. "One referee awarded benefits on the basis that the claimant had a cough and worked in a textile mill," he said.

Brown lung eligibility standards and referee practices vary among textile states. In Virginia, Dan River and other manufacturers were able to deny benefits to claimants who were heavy smokers, Mr. Lloyd notes.

"We do not object to a reasonable prorationing of the problem if it's part occupational disease and part smoking," Mr. Lloyd said. "We're willing to give our contribution to our share, but we're not that pleased about being fined for a person's ailment that had nothing to do with the mills.

"Most of the time, you're dealing with an excellent case of emphysema."

A paper on the subject released by Dan River states that textile workers in Daville, Va., one of its major manufacturing centers, lived almost as long as the general population and that there were only minor differences in overall lung function between workers in cotton mills and workers in noncotton mills. ■

Lloyd's isn't scared: Chairman

Continued from page 3
risks are proceeding on schedule, Mr. Green said. Ultimate losses are estimated at $400 million. More than $100 million has already been paid.

The biggest snag in the leasing claims has been settling with Itel Corp., which recently filed for bankruptcy.

Murray Lawrence, head of the Lloyd's committee overseeing the disposition of claims, confirmed an Itel settlement was being held up by the bankruptcy proceedings, but said it would soon begin to move forward again.

New operating rules, recommended by the Fisher report, will not add to Lloyd's troubles, Mr. Green said. He disagreed with the suggestion that they might take away Lloyd's allure as an unfettered marketplace for insurance.

The new rules would not unduly bind the underwriters, but would make them more efficient and also clear out some of the syndicates not performing well, he said.

Overall, 1978 as a "pure underwriting year" looked fairly good, but members are still assessing the effect of prior years' losses on the ultimate balance, he added.

Lloyd's expects a profit for the year, "but down over 1977."

Lloyd's seems to be more cautious about writing new unusual risks. While a market is emerging in the United States for uncertain risks like hazardous wastes pollution liability, Mr. Green said Lloyd's would look askance at any such business brought to it now.

"I would say there is very little interest," Mr. Green remarked, though Lloyd's might take on a small part of the reinsurance for gradual pollution liability.

Speaking later to reporters in Washington, Mr. Green expressed surprise that the New Hampshire Insurance Department ordered state excess/surplus lines brokers not to do business with Lloyd's until it supplies the department with certain statistical information.

"Our first reaction is one of surprise. It came out of the blue," he said. Arrangements are being made to supply the information on the kind and amount of business Lloyd's has done in New Hampshire. Mr. Green believes the issue will be resolved soon.

He also criticized U.S. product liability laws that allow injured consumers to recover damages involving very old products.

"Take automobiles. It is unreasonable to expect to recover damages in an accident involving a 40-year-old car that has not been properly maintained. You would not get very far with that type of case in an English court," Mr. Green said. ■

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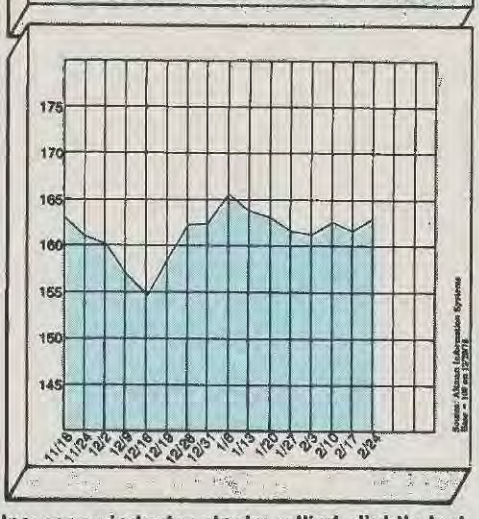
BI Insurance Index



Insurance industry stocks rallied slightly last week with performance just ahead of the nation's three major market indicators. The *Business Insurance* index rose nearly 0.9%, from 161.8 to 163.1. The base of 100 was at year-end 1978. Thirty-six stocks rose, 27 dropped and nine were unchanged. Largest gains were Carolina Casualty Insurance Co., 9.1%; General Reinsurance Corp., 8.9%; Zenith National Insurance Corp., 8.9%, and Farmers Group Inc., 8.7%. Largest drops were Washington National Corp., 5.5%; Integrated Resources Inc., 4.8%; Bitco Corp., 3.9%; Penncorp. Financial Inc., 3.9%; and Lincoln National Corp., 3.3%. United Fire & Casualty Co. showed no change.

British Issues

2/24 Companies	Price pence	P/E	Div. pence	Yield %	1 Week High	1 Week Low
Commi Union	156	8.4	15.43	9.9	156	148
Eagle Star	240	8.2	14.28	5.9	242	236
Geni Accident	306	7.8	18.24	6.0	306	292
Gdn Royal Exch	326	8.6	20.71	6.4	326	312
Phoenix	260	8.1	20.00	7.7	260	250
Royal	375	8.5	34.29	9.1	375	360
Sun Alliance	780	10.5	42.14	5.4	780	756
Brokers						
CE Heath	218	10.6	13.87	6.4	218	212
Hogg Robinson	105	8.4	8.14	7.8	105	103
Alex Howden	106	8.8	10.00	9.4	106	103
JH Minet	97	12.1	6.45	6.6	97	92
Sedg Grp	128	11.7	7.14	5.6	128	121
Stenhouse Hldg	88	8.4	6.64	7.5	88	81
Stew Wrightson	228	10.6	17.14	7.5	228	222
Willis Faber	293	13.0	16.14	5.5	293	287

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

'80 earnings drop by 2%

Continued from page 1

Insurance declined an average of 2% in 1980. The results are a deterioration from the third quarter, when the same companies averaged a 3% gain in operating income.

"The results for the year were disappointing and, to some extent, had been expected," said The Continental Insurance Co. chairman John B. Ricker Jr. "Our business continues to be adversely affected by high inflation, keen price competition, low rates and a near-record level of catastrophes."

Continental was one of the companies hardest hit by the depressed state of the insurance business. Operating income declined 33%, to $192 million from $287 million in 1979. The property/casualty division showed an underwriting loss of $187 million compared with a loss of $36 million a year ago.

The company's combined ratio jumped more than five points to 106.8%.

But Continental was not alone. Eleven insurers surveyed recorded earnings losses.

There were some bright spots. Revenues were up 11% from a year ago and investment income continued to bolster results, but that figure also showed some erosion.

Insurers aren't too optimistic about immediate improvement in earnings.

"Because of intense price competition, particularly in commercial lines, and prolonged double-digit inflation, 1981 promises to be more difficult than last year for the property and casualty business, with no upturn presently foreseen in underwriting results," said Saul Steinberg, chairman of the Reliance Group.

Reliance had one of the better years experienced by the companies surveyed. Operating income increased 17% to $78.6 million and revenues grew 12% to $1.43 billion.

The company's property/casualty division, however, showed an underwriting loss of $6.3 million in 1980 compared with an underwriting income of $4.5 million in 1979. The combined ratio increased to 103% from 101%.

But those results still compared favorably with other insurers' results.

"Overall, Reliance's property and casualty operations had a reasonably good year, posting a combined ratio that was in line with the industry, despite an unpredictable national economy and vigorous competition for business among insurers," Mr. Steinberg said.

BI ticker

Last year was especially difficult for smaller companies that relied on specialized lines of business for revenues.

American Family Corp. of Columbus, Ga., showed a 39% decline in operating income to $17.3 million, a drop chairman John Amos attributed to "unwarranted attacks" on cancer insurance, the company's chief line of business.

Provident Life & Accident Insurance Co. of Chattanooga recorded its "first year-to-year earnings decline in many years," said president H. Carey Hanlin. Operating income dropped 10% for the year to $66.7 million. Fourth-quarter results were even more dramatic—earnings dropped 47% to $10.5 million.

But large firms were far from immune from the drain on industry earnings.

Aetna Life & Casualty showed a 9% decline in operating income, to $508.3 million from $559.5 million. Underwriting losses for the year totaled $217 million, compared with a gain of $44.9 million in 1979.

For the fourth quarter, earnings dropped 3% to $133.8 million, an improvement over the 23% decline in the third quarter.

In the company's commercial property/casualty division, underwriting results continued to worsen in the fourth quarter and operating income for the year declined 31% to $150.6 million. The combined ratio climbed to 110% in 1980, up six points from a year ago.

Surety losses were blamed for much of the more than 50% decline in commercial property/casualty results at The Travelers Insurance Co., whose earnings last year totaled $45.9 million. Overall, the company showed a 6% drop in operating income, to $365.6 million from $387.6 million.

The Travelers chairman Morrison Beach bemoaned the lack of rate increases he said insurers need to bolster earnings.

"The casualty/property industry has excess capacity in many areas which, along with the high yields available on new investments, has delayed the implementation of needed price increases," Mr. Beach said.

"We anticipate the continuation of intense competition in the casualty/property business. Industry prices must begin to firm early in the year for underwriting results to improve by the end of 1981."

The effect of continued losses in the property/casualty division is shown in the company's combined ratio for 1980. It jumped six points to 108.2%.

St. Paul & Cos. also showed a substantial underwriting loss in 1980. Its property/casualty division recorded a $55.4 million loss, compared with an underwriting gain of $2.9 million in 1979. The company's combined ratio climbed four points to 103.9% for the year and showed an even more dramatic increase—6 points to 105.4%—in the fourth quarter.

Overall, St. Paul Fire & Marine reported an earnings gain of 2% to $150.9 million, while the year's revenues grew 12% to $1.9 billion.

Kemper, whose operating income declined 4% to $83.1 million for the year, blamed escalating claims costs, inadequate rates and catastrophic losses from the MGM Grand Hotel fire and Midwest summer storms.

Year-end results showed a continuing deterioration of earnings for SAFECO. The company recorded a 49% drop in the fourth-quarter operating income, to $20 million from $38.9 million; a 22% decline was recorded in the third quarter. For all of 1980, operating earnings declined 12% to $107.4 million.

Among the larger companies that showed good results in 1980 were Fireman's Fund, INA Corp. and Connecticut General.

INA recorded a 14% gain in the year's operating income, to $278.6 million from $244.6, and showed an equally strong fourth quarter as income increased 12% to $71.7 million.

INA is one of the few companies to end the fourth quarter with a gain in property/casualty earnings, which grew 14% to $53 million. Property/casualty earnings for the year showed a 9% gain to $202.5 million.

Crop hail, marine and aviation losses and claims resulting from the recent earthquake in Italy caused substantial losses.

Fireman's Fund recorded a 10% gain in operating income to $210 million; revenues grew 7% to $2.9 billion.

"We are extremely pleased with our 1980 results, particularly in view of the adverse insurance climate during the year," said chairman Myron Du Bain.

"In spite of these external problems, there was little deterioration in our underwriting performance for the year. In addition, strong investment growth during the period contributed significantly to our revenue stream and more than offset the decline in underwriting results."

The company's property/casualty subsidiaries boosted operating income 13% for the year to $202 million and held the combined ratio at 103.2%, a one-point gain.

Probably the most impressive results for 1980 were posted by Connecticut General, which boosted operating earnings of 17% to $316.7 million. Fourth quarter earnings increased 15% to $104.5 million.

The company's property/casualty division showed a 33% gain in operating income for the year, while investment income went up 22% to $111 million. Group life and health earnings increased 10%.

The only anomaly was the company's combined ratio. Although it showed a one-point decline for the year, it still reached an extremely high 109.8%.

"Although our property and casualty operating ratio compare unfavorably with that of the industry, we did achieve relative improvement as our ratio improved modestly while the industry's deteriorated," said president Robert Kilpatrick.

"Continued inflation and competitive pricecutting contributed to a lower premium-written result," Mr. Kilpatrick said, commenting on a slight gain to $4 billion in premiums written for 1980.

"I'm not too dissatisfied with that because we're determined to underwrite our property and casualty business selectively." ■

BI Industry Stock Report

Insurance Cos.		Price	% Chg.	P/E	$ Div.	% Yld.	High	Low	Vol. (000)
		FEB. 24, 1981					2/18/81 THRU 2/24/81		
Aetna Life & Cas Co	NYSE	31.75	0.4	5.0	2.12	6.7	31.75	30.50	1,950.4
American Bankers Ins Group	OTC	7.63	-1.6	5.1	0.22	2.9	7.75	7.50	167.9
American Finl Corp Ohio	OTC	26.63	0.5	5.0	0.50	1.9	26.63*	26.50	17.5
American Gen Ins Co	NYSE	36.13	1.0	5.5	2.00	5.5	36.38	35.75	51.6
American Indty Finl Corp	OTC	16.00	0.0	6.2	1.12	7.0	16.00	16.00	4.2
American Intl Group Inc	OTC	77.00	5.5	10.8	0.50	0.6	77.00	73.75	120.6
American Natl Ins Co	OTC	12.88	0.0	5.4	0.68	5.3	12.88	12.88	108.7
American Ste Life Ins Co	OTC	19.50	-2.5	6.7	0.72	3.7	20.00	19.50	0.6
Aneco Reins Ltd	OTC	4.38	2.9	0.0	0.00	0.0	4.38	3.88*	204.5
Appalachian Natl Corp	OTC	2.13	0.0	6.1	0.05	2.4	2.13	2.13	0.0
Avemco Corp	AMEX	9.00	-2.7	7.8	0.50	5.6	9.38	9.00	5.6
Banks Iowa Inc	OTC	28.00	-1.8	4.3	1.32	4.7	28.50	27.50	2.3
Bitco Corp	OTC	36.50	-3.9	5.3	2.16	5.9	38.00	36.50	6.3
Carolina Cas Ins Co	OTC	9.00	9.1	4.2	0.32	3.6	9.00*	8.25	1.7
Central Natl Finl Corp	OTC	10.38	-1.2	3.8	0.50	4.8	10.50	10.38	0.7
Chubb Corp	OTC	40.13	4.9	4.7	2.68	6.7	40.13	38.75	200.3
Combined Intl Corp	NYSE	17.00	-2.9	4.8	1.60	9.4	17.13	16.75*	244.8
Connecticut Gen Ins Corp	NYSE	47.50	5.0	6.2	1.76	3.7	47.50	46.00	169.2
Continental Corp	NYSE	23.88	1.6	6.4	2.40	10.1	23.88	22.50	262.9
Crawford & Co	OTC	19.50	2.6	14.9	0.52	2.7	19.50	19.00	6.2
Crown Life Ins Co	OTC	92.50	-2.6	67.0	2.80	3.0	95.00	92.50	0.8
Crum & Forster	NYSE	25.25	1.0	4.7	1.44	5.7	25.25	24.75	94.0
Employers Cas Co	OTC	32.00	-1.5	5.2	1.20	3.8	32.50	32.00	6.4
Equifax Inc	NYSE	20.63	-0.6	6.5	2.40	11.6	20.75	20.25	2.9
Farmers Group Inc	OTC	29.75	8.7	9.4	1.12	3.8	29.75	27.75	416.8
First Colony Life Ins Co	OTC	34.00	0.0	11.6	0.80	2.4	34.50	34.00	3.2
Foremost Corp Amer	OTC	20.13	3.2	6.6	0.80	4.0	20.13	19.63	15.4
Great West Life Assurn Co	OTC	225.00	0.0	9.3	10.00	4.4	225.00	225.00	0.0
Hanover Ins Co	OTC	42.25	-0.6	3.9	0.72	1.7	42.75	42.00	33.8
Hartford Steam Boiler Insptn	OTC	37.50	0.0	7.5	2.40	6.4	37.50	37.50	18.3
Integon Corp	NYSE	35.50	0.4	12.2	0.52	1.5	35.50	35.00	68.4
Jefferson Natl Life Ins Co	OTC	42.50	-1.2	19.9	0.64	1.5	43.00	42.50	7.2
Kemper Corp	OTC	31.13	1.2	4.7	1.60	5.1	31.13	30.50	21.3
Lincoln Natl Corp Ind	NYSE	38.13	1.7	5.3	3.00	7.9	38.13	37.50	73.5
Mgic Invt Corp	NYSE	28.88	-3.3	7.9	1.12	3.9	29.63	28.75	257.6
Mission Ins Group Inc	NYSE	37.50	4.9	7.3	1.00	2.7	37.50	35.75	13.1
Nationwide Corp Ohio	OTC	21.88	-0.6	5.5	0.70	3.2	22.00	21.88	3.1
Northwestern Natl Life Ins	OTC	28.25	-0.9	6.2	1.25	4.4	28.38	28.25	15.7
Ohio Cas Corp	OTC	37.63	7.1	6.3	2.04	5.4	37.63	35.75	57.3
Old Rep Intl Corp	OTC	15.38	2.5	4.2	0.92	6.0	15.38	15.13	68.3
Pinehurst Corp	OTC	6.25	-2.0	11.6	0.00	0.0	6.25	6.25	17.1
Preferred Risk Life Ins Co	OTC	17.75	0.0	6.4	0.64	3.6	17.88	17.75	1.6
Provident Life & Acc Ins Co	OTC	41.00	1.2	6.1	1.88	4.6	41.50	41.00	21.7
Republic Natl Life Ins Co	OTC	23.38	-1.1	14.1	0.70	3.0	24.00	23.38	494.4
Ryan Ins Group Inc	OTC	26.50	1.9	7.9	0.12	0.5	26.50	26.00	5.1
St Paul Cos Inc	OTC	38.25	-0.6	6.8	2.32	6.1	38.63	38.13	138.8
Safeco Corp	OTC	34.88	5.3	6.2	2.00	5.7	34.88	33.00	99.3
Sri Corp	OTC	27.75	-0.9	4.6	1.20	4.3	28.25	27.75	24.1
Seibels Bruce Group Inc	OTC	17.13	3.0	4.0	0.80	4.7	17.13	16.63	40.9
Statesman Group Inc	OTC	5.00	0.0	3.7	0.15	3.0	5.00	5.00	5.7
Tokio Marine & Fire Ins Co	OTC	150.13	1.3	16.6	1.03	0.7	150.13	147.50	2.2
Travelers Corp	NYSE	39.75	2.9	4.6	2.88	7.2	39.75	38.00	259.6
United Fire & Cas Co	OTC	35.00	0.0	9.7	1.00	2.9	35.00	35.00	0.4
United States Fid & Gty Co	NYSE	38.50	1.3	4.7	2.80	7.3	38.88	38.13	165.8
United Svcs Life Ins Co	OTC	15.00	3.4	6.0	1.00	6.7	15.00	14.50	26.1
Uslife Corp	NYSE	23.75	-2.6	5.9	0.72	3.0	24.50	23.63	59.1
Washington Natl Corp	NYSE	30.00	-5.5	6.2	1.50	5.0	31.88	30.00	55.9
Zenith Natl Ins Corp	OTC	15.25	8.9	9.5	0.50	3.3	15.75	14.25	67.4
INSURANCE COMPANIES	AVERAGE			7.2		4.1			
Agents/Brokers									
Alexander & Alexander Svcs	OTC	31.00	4.2	10.1	1.84	5.9	31.00	30.00	265.5
Baldwin & Lyons Inc	OTC	30.75	-0.8	5.4	0.80	2.6	31.00	30.75	2.0
Corroon & Black Corp	NYSE	22.25	1.1	9.4	1.72	7.7	22.50	22.00	21.9
Crump E H Cos Inc	OTC	13.25	5.0	11.5	0.40	3.0	13.25	13.13	15.4
Hall Frank B & Co Inc	NYSE	23.63	-1.6	8.6	1.60	6.8	24.00	23.25	141.6
Integrated Res Inc	AMEX	17.25	-4.8	8.6	0.00	0.0	18.00	17.25	27.6
James Fred S & Co Inc	NYSE	22.50	0.6	9.7	1.60	7.1	22.50	22.25	43.5
Marsh & Mclennan Cos Inc	NYSE	32.00	2.0	10.3	2.00	6.3	32.00	31.25	150.9
Penncorp Fincl Inc	NYSE	6.13	-3.9	5.5	0.16	2.6	6.50	6.13*	126.5
Reed Stenhouse Cos Ltd	OTC	12.00	3.2	11.4	0.56	4.7	12.25	11.75	9.0
Rollins Burdick Hunter Co	OTC	21.75	-1.1	10.5	1.24	5.7	21.75	21.50	20.1
AGENTS/BROKERS	AVERAGE			8.7		5.1			
Conglomerates/Holding Cos.									
American Express(Fireman's Fd)	NYSE	42.75	0.6	8.1	2.00	4.7	42.75	40.75	512.0
Anderson Clayton(Ranger/PanAm)	NYSE	20.50	1.2	5.6	1.20	5.9	20.50	20.00	30.5
Armco Inc	NYSE	33.50	1.1	8.5	1.64	4.9	33.50	32.25*	207.8
City Investing Co. (Home Ins.)	NYSE	22.00	-0.6	6.0	1.50	6.8	23.00	22.00	375.7
CNA Finl Corp (CNA)	NYSE	14.25	-2.6	5.3	0.00	0.0	14.50	14.00	22.0
Control Data (Comml. Credit)	NYSE	60.63	-2.0	7.3	0.90	1.5	61.38	60.25	324.9
General Re Corp	NYSE	57.75	9.0	8.2	1.40	2.4	57.75*	53.50	266.4
INA Corp (Ins. Co. of NA)	NYSE	37.13	0.7	5.2	2.40	6.5	38.00	36.88	173.6
ITT (Hartford Group)	NYSE	28.38	-1.3	5.4	2.60	9.2	29.00	28.25	434.0
Reliance Group Inc	NYSE	69.50	1.8	5.6	3.00	4.3	69.50	67.50	16.4
Sears Roebuck & Co. (Allstate)	NYSE	15.13	-3.2	8.2	1.36	9.0	15.75	15.00	1,323.1
S & H Co. (Bayly Martin & Fay)	NYSE	31.25	-2.3	15.5	1.00	3.2	31.50	31.25	92.2
Teledyne Inc (Argonaut)	NYSE	181.63	-4.8	7.9	0.00	0.0	191.38	181.63	218.4
Transamerica Corp (Occidental)	NYSE	18.25	1.4	5.0	1.28	7.0	18.25	17.50	421.0
CONGLOMERATES/HOLDING COS.	AVERAGE			7.0		3.2			

*Record high/low since Jan. 1, 1980.

System design: Altman Information Systems

An innovative view of information retrieval

With today's paper profusion, vital data is often relegated to the storeroom.

To make risk management more like other business functions, Alexander & Alexander developed a unique insurance broker service—ARIS (Alexander Risk Information Service). ARIS viewed loss records through the eyes of those trying to cope with them. We learned that vital facts lay buried in the mass of records. That loss data is meaningless unless it can be manipulated and made manageable. And that from frustration come possibilities, then concepts and, finally, new systems to turn mass data into effectual risk information.

Integrated, computerized data on demand

Only by working from a client's point of view can we be sure a company gets the most comprehensive, cost-efficient programs possible.

This insider's vantage point enabled ARIS to link, through sophisticated computer techniques, two formerly incompatible systems: the output of a client's internal risk data, and the output of loss records from various sources. Result: a synergistic boost in forecasting, budgeting and funding—a coordinated client/broker system available today only through A&A.

Each industry has different needs. For insurance, for risk management, for human resource management, for financial services. And each of our 120 offices here and overseas has the facilities, expertise and strength to fulfill the requirements of any company, large or small, in any industry.

We think a big reason A&A has become one of the largest and most trusted insurance brokers worldwide is that we work the same way with every client. From the client's point of view.

Alexander & Alexander

From the client's point of view.