

business insurance

update:

Carnation to appeal captive tax ruling

SAN FRANCISCO—Carnation Co. is asking the 9th Circuit Court of Appeals to rehear its appeal of the Tax Court decision in its litigation with the Internal Revenue Service over the tax consequences of using a captive insurer.

The 9th Circuit upheld on March 6 the Tax Court ruling that agreed with the IRS

Continued on next page

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

Entire contents copyright 1981 by Crain Communications Inc. All rights reserved.

Helicopter award

Old designs trigger liability

By JERRY GEISEL

AUSTIN—In allowing a record product liability award, the Texas Supreme Court also says manufacturers are responsible for preventing use of their products if they have developed a safer design.

The state high court this month let stand a \$3.6 million judgment against Bell Helicopter Co. of Fort Worth, Tex., despite an appeals court finding that the Bell met all government and industry safety standards at the time of manufacture.

It also refused to overturn the award even though operator failure to follow maintenance instructions was the principal cause of the crash that injured three persons.

Impact of the case will extend far beyond the crash of the three-passenger helicopter, a Bell Model 47. The ruling means manufacturers who improve their products must get the old products off the market, an impossible task when the product has been produced by the millions, Bell attorneys say.

"If you make a safer product, you must refrain others from using it (the older product)," said Edward Fahey, Bell's defense attorney in San Antonio, Tex.

"What if an auto manufacturer came out with a collapsible steering wheel? This court decision could mean that manufacturers could be held liable for the millions of cars they produced with non-collapsible steering wheels," Mr. Fahey said.

But plaintiffs attorneys salute the decision. "It is correct," says Bill Edwards of Edwards and Perry in Corpus Christi. "It means that people who make dangerous products are going to have to do something about it."

The \$3.6 million award against Bell Helicopter, a division of Textron Inc., is believed to be the highest judgment ever upheld by the Texas Supreme Court.

The award is covered by insurance with Lloyd's of London. INA Corp. has issued a bond for \$4.5 million guaranteeing the award, plus \$900,000 of interest.

The case involves a 1975 crash of a small Bell helicopter. Two real estate salesmen, Phil Bradshaw Sr. and Maurice Hunsaker, hired the copter to survey a ranch.

During the helicopter's return flight, one of its tail rotor blades broke off and the copter crashed.

Mr. Bradshaw and Mr. Hunsaker, both of whom were making more than \$100,000 a year at the time of the accident, suffered broken backs. The pilot, Joe Smith,

Continued on page 26



Tighter maintenance controls on copters help cut product liability and rates.

Chopping into rates

By LEN STRAZEWSKI

MENOMINEE, Mich.—Hovering over difficult economic conditions, the Enstrom Helicopter Corp. is banking on risk management to cut both high product liability insurance rates and help sell helicopters.

Sell helicopters?

Sure, say Enstrom president Herbert Mosely and his broker Jay Lavenson, executive vp of Bayly, Martin & Fay.

Bad experience on hull policies and aviation product liability problems, tied together in the minds of underwriters, is turning risk management into a corpo-

rate sales tool.

The technique seems to be working, too. Liability rates are dropping and more than 50 helicopter buyers have signed up for a special manufacturer-sponsored hull insurance program.

"We started with two problems," explains Mr. Mosely. "We wanted to work out our product liability insurance problem—our rate had gotten out of hand—and establish some kind of preferred owner insurance policy to get hull rates down to a reasonable level for our buyers."

Enstrom, formerly owned by famous

Continued on page 26

Suit attacks wage-loss comp again

By EILEEN NORRIS

TALLAHASSEE—Florida's wage-loss workers compensation system has cleared its first legal hurdle, but more roadblocks loom ahead.

Right on the heels of a circuit court dismissal of a suit that questioned the constitutionality of the new law is another attack.

This one, which is to be heard in the First District Court of Appeals here, asks that injured workers be allowed to sue their employers for negligence under the workers

compensation act.

But under the exclusive remedy provision in workers compensation laws, employees give up their right to sue their employer.

The suit, filed against Ft. Lauderdale Hospital and its insurer by an administrative worker who slipped on a freshly mopped floor and reinjured his left leg, charges the law makes it impossible for employees to collect permanent partial disability payments if they are back on the job collecting the same wages.

The workers compensation in-

surer for the hospital, INA Corp., declined to comment on the suit. The hospital's attorney, Michael Lax of Miami, would say only that he plans to defend the constitutionality of the state's new law.

The wage-loss system replaces permanent partial disability benefits, except for extreme impairments, with benefits given only for proven lost wages after an accident. Florida enacted this system Aug. 1, 1979 (BI, Aug. 4, 1980).

The first test of the new law involved Steven M. Ortega, who was blinded in one eye while working

at the Jacksonville plant of Owens-Corning Fiberglass Corp.

Mr. Ortega, who returned to work following his injury at his same wage, contended that the new wage-loss law was unclear and didn't specify whether the remedy for 80% loss of vision applied to one or two eyes. In either case, the lawsuit said the benefit payment was not sufficient.

But Judge John S. Cox of Duval County Circuit Court ruled last month that an injured worker is required by Florida law to utilize



Tying knot: Prince takes a royal risk

By STACY SHAPIRO

LONDON—The city is bustling with plans for the royal wedding even though Prince Charles keeps taking the royal risk of riding his horse in steeplechases.

But the royal wedding cancellation insurance premiums for souvenir manufacturers haven't gone up as the prince continues to fall down.

"His riding hasn't affected our rating scale," said Geoffrey Fox, director of Lloyd's broker Adam Bros. Contingency Ltd., one of the London brokers offering the insurance policy (see story on page 21).

Continued on page 21



INSIDE:

This is definitely
One Safe Place
Page 3



Memphis police aim
to cut liability
Page 3

update:

Carnation to appeal tax ruling

Continued from previous page
that Carnation's dealings with its captive did not constitute insurance for tax purposes (BI, March 16).

"The opinion is based on an improper standard of review and fails to resolve the legal issues presented," argues the petition filed March 20 by Musick, Peeler & Garrett of Los Angeles and Miller & Chevalier of Washington, D.C.

"The fundamental question is whether and to what extent United States corporations will be permitted to insure their risks with corporations to which they are related by stock ownership," the petition argues.

The appeals court decision will only "cause confusion and disruption in this growing industry, as well as leaving unresolved the proper treatment of (Carnation's) premium payments in later taxable years."

The petition also charges that the appeals court incorrectly made its decision on a factual standard of review while at the same time seemingly endorsing the IRS ruling on captives which was never considered by the Tax Court.

Aetna declares rate hikes

HARTFORD, Conn.—Aetna Life & Casualty will increase commercial insurance prices on new and renewal business, president William O. Bailey told agents in a letter issued late last week.

The March 26 letter, also sent to all insurance commissioners, could trigger the change in the competitive insurance markets to higher rates.

Aetna will "price both new and renewal commercial business consistent with an objective of returning this business to an acceptable underwriting basis," Mr. Bailey said.

Aetna's experience for the first two months of 1981 projects "very unsatisfactory first quarter results. Without significant corrective action, we see inevitable deterioration in our 1981 results as a whole," he explained.

In his cover letter to the insurance commissioners, Mr. Bailey said, "We can no longer be a part of the accelerating and unprecedented pricing scramble which now exists."

"The extreme corrective action taken by the industry in the mid-70s should not be repeated but, in my judgment, cannot be avoided unless reason returns to the business," he added.

In 1980, Aetna had pre-tax underwriting losses in property/casualty lines of \$217 million. Insurers that account for 95% of the nation's property/casualty policies lost \$1.52 billion on underwriting in 1980, according to the Insurance Services Office.

'Walkaround' rule studied

WASHINGTON—The Reagan administration has proposed scrapping a final Occupational Safety and Health Administration rule requiring employers to pay employees when they accompany federal safety officials on workplace inspections.

The "walkaround" pay rule, which is opposed by business trade groups, is unnecessary, said OSHA chief Thorne Aucter. In most cases, the employees are being paid. The rule now is delayed until May 30 to give the administration time to draft the revision and get public comment on it.

Travelers covers shuttle death

KENNEDY SPACE CENTER, Fla.—Rockwell International is insured with The Travelers Insurance Co. for the workers compensation benefits for the survivors of a Rockwell employee killed March 19 while working on the space shuttle here.

Under Florida law, the widow of Rockwell employee John Bjornstad is entitled to up to \$228 a week to a \$50,000 limit.

GPU sues over D&O coverage

PARSIPPANY, N.J.—General Public Utilities is suing the underwriter of its \$10 million directors and officers liability insurance over a coverage dispute involving the Three Mile Island accident.

The utility says City Insurance Co., a subsidiary of Home Insurance Co., will not pay for losses that may arise from a suit filed by GPU stockholders. The stockholders contend that GPU did not make them fully aware of the risks of nuclear power and a nuclear accident.

GPU said the utility and the insurer disagree over whether the utility misrepresented or failed to fully disclose the dangers of nuclear power when it applied for D&O coverage and disagree on the kinds of claims that should be covered. City Insurance wouldn't comment.

index

Benefit beat	4	Washington	12
BI ticker	27	Worldwide	10
Classifieds	24		
Comings & goings: buyers	10		
Comings & goings: industry	20		
Datebook	12		
Editorial opinions	8		
Info	20		
Legal briefs	17		
Letters	8		
London line	13		
Markets	14		
Perspectives	16		
Products & services	19		
Someone you should know	19		

Vol. 15, No. 13—*Business Insurance* (ISSN 0007-6864) is published weekly at 740 Rush St., Chicago, Ill. 60611. Second-class postage is paid at Chicago, Ill., and at additional mailing offices. Postmaster: Send address changes to *Business Insurance*, circulation department, 740 Rush St., Chicago, Ill., 60611. Copyright 1981 by Crain Communications Inc.

Cupid's arrow scores work comp suit

By EILEEN NORRIS

SAN FRANCISCO—A snubbed Romeo here says his employer should pay for playing cupid to an office romance that left him mentally disabled.

But the woman he set his sights on is the one that has been abused, the employer's workers compensation insurer claims.

The soap-opera-like situation may make its way to the California Supreme Court, but three other judicial bodies already have dismissed the case, which asks the employer to pay for the workers disability and medical bills.

The romance that apparently wasn't meant to be started about two years ago. One day, 37-year-old Michael Muessig noticed an older clerk typist in the California Department of Transportation's Eureka office had been replaced by an attractive woman in her mid-20s.

Depending on whom you talk to, the story changes from there.

Mr. Muessig's attorney, Isaac Fluss of Santa Rosa, says the woman, Stephanie Launer, would make frequent trips to the supply room where Mr. Muessig worked

and "lean and breathe over the counter."

"Instead of requisitioning her supplies, she would go down there three or four times a day," said Mr. Fluss.

When the young woman was off work a few days some months later, Mr. Muessig discovered he really missed her. When she returned, he called and proposed marriage to her, says his attorney.

A different version of the apparently one-sided romance is told by David Welsh, the attorney with the California Compensation Insurance Fund that insures state employees for workers compensation.

He says Mr. Muessig, who had been employed with the state for some 17 years, took a liking to the woman and was cheered on by friends at the office who told him not to give up, even though Miss Launer had refused numerous date offers.

One of those friends who urged him on also served as a "quasi-counselor" for the office, according to Mr. Welsh.

"The friend testified in court that he encouraged him not to give up, as any friend would," he said.



"But Mr. Muessig argued in court that the friend was wearing the company hat, so to speak, when he spurred him on."

To date, the workers compensation judge, the workers compensation appeals board and the state's First District Court of Appeals all dismissed the case. The state's supreme court is expected to rule soon on whether it will hear it.

But there is more intrigue to the story.

After Miss Launer continued to turn down her co-worker's offers of marriage, things got a little nasty, both sides agree.

When the woman's "admirer" left a valentine candy box with cow manure inside it on her home doorstep, Miss Launer decided to call the police, her attorney said.

Continued on page 24

Livestock disease hits

By STACY SHAPIRO

LONDON—The contagious foot-and-mouth disease has "hoofed" over from France to the British Channel Islands. It's killing hundreds of heads of livestock and leaving the government and insurers to pick up the bill.

However, not as many farmers have insurance this time compared to the last time the disease hit.

Almost 600 dairy cows and pigs have been slaughtered on the Isle of Wight and Jersey under Ministry of Agriculture orders.

Thirteen years ago, the British government paid almost 27 million pounds to farmers when it destroyed 442,000 livestock. And many of the farms were insured for overhead costs through a foot-and-mouth disease policy offered by Lloyd's and London insurers.

The National Farmers Union Mutual Insurance Society alone paid out 1.5 million pounds to farmers.

But less than half of those farmers carry insurance today, said a NFU spokesman.

"Many of the farmers didn't think there would be another outbreak," he said.

Livestock is not vaccinated for foot-and-mouth disease here under British law because the animals should be disease-free when they're exported, said a ministry of agriculture spokesman. So when an epidemic breaks out, the ministry has a slaughter policy.

The government then pays the market value of the animal, the feed and other material affected by the disease.

It does not pay for loss of milk products or wool exports.

But a foot-and-mouth disease insurance policy would pay for the consequential losses up to a certain percentage of the government's compensation, said the NFU Insurance Society spokesman.

But the insurance society is not offering the foot-and-mouth policy until this new outbreak is over.

Lloyd's of London, however, is offering coverage at an increased premium.

Insurer sues BM&F over memo on finances

PHILADELPHIA—A Pennsylvania insurance company says it may have lost millions of dollars of business last year because Los Angeles broker Bayly, Martin & Fay told its clients the insurer was in financial trouble.

Northeastern Fire Insurance Co. says the broker's allegation is wrong and recently filed a defamation suit against Bayly, Martin & Fay and its subsidiaries in state court here.

The suit seeks \$15,000 in compensatory damages, but Northeastern will try to raise that amount in court by "proving that millions of dollars of business were lost either because of cancellations or business that was not consummated" when fears were raised about the company's financial stability, Northeastern lawyer John Kenny said.

The suit also seeks unspecified punitive damages.

The Northeastern complaint alleges that in December 1979 an employee of BMF wrote and circulated a telex to the broker's field offices containing statements that were "defamatory and maliciously false."

According to Mr. Kenny, the memo indicated that Northeastern was in severe financial straits and was about to be put under protective custody of the state insurance department. The memo reportedly advised that clients not do business with Northeastern.

But Mr. Kenny denied that the company was in any financial trouble and said its only contact with the state insurance department was a routine audit. "There was never any problem," he said.

Bayly, Martin & Fay has not yet filed a formal response to the suit.

Cancer watchdog checks Chrysler

DETROIT—The Michigan Cancer Foundation will conduct a new computerized study of occupational cancer levels among auto workers in four Detroit-area plants, the United Auto Workers and Chrysler Corp. say.

The study, expected to take several months, will compare computerized data from Chrysler on the cancer rates of some 120,000 current and former employees with the foundation's computerized cancer registry.

Investigators will look for abnormal cancer rates in all work areas of the plants, said a UAW spokesman. Chrysler will provide employee data for the past 11 years.

The project, devised by the joint UAW-Chrysler committee on plant

safety, is an outgrowth of a 1978 study by the Motor Vehicle Manufacturers' Assn. The study noted, among other suggestions, that employees working around spray-paint booths were subject to cancerous elements even though those working in the painting booths were protected.

The study is independent of another two-year investigation now being conducted by the National Institute of Occupational Safety and Health (NIOSH).

The federal agency is trying to find out whether workers in wood model shops at all three automakers are being exposed to dangerous compounds that cause cancer of the colon (BI, March 17, 1980).



Photo: Memphis Police Department

Members of the Memphis Police Department test their use of deadly force by reacting to a simulated shooting incident. The program is intended to reduce the city's liability in civilian shootings.

Memphis police aiming to reduce their liability

By JOHN MAES

MEMPHIS—Police deadly force. When is it right? When is it wrong? And how does it affect a city's liability?

The police department here has set up a program to answer those questions.

With two hours of in-service training (four hours for police re-

cruits), police officials are trying to give their officers a better idea of when it's appropriate to pull the trigger and when it's not.

The program was started last year, partly under pressure from the U.S. Justice Department. It found Memphis had an inordinate number of shootings of civilians by police. Besides decreasing that number, the program has reduced

the city's liability and gives it a firmer footing for defending lawsuits, police administrators say.

The program consists of lectures and movies with actors recreating shooting situations that actually have occurred in Memphis, said Dr. Fred Klyman, commander of the police training bureau and one of the program organizers.

Continued on page 22

For prepaid legal, the day in court is on the docket

By MARY ANN MATLOCK

NEW YORK—Prepaid legal plans will come off more underwriters' drawing boards and make more courtroom appearances in the next few years, insurers and consultants say.

Long touted as the employee benefit of the future, group legal coverage has registered few sales since it was granted a tax-exempt benefit status in the 1970s. Experience and pricing data were unavailable for the product line, making rating difficult.

However, legal plan pioneers, such as Midwest Mutual Insurance Co., Pre-Paid Legal Services Inc. and firms that self-insure the coverage, are compiling loss data that could produce a competitive insurance marketplace.

"We are still seeing innovative activity and the insurance industry is not exactly an innovator," said Sandra DeMent, president of DeMent & Deuter Associates Inc. in Chicago, which studied legal insurance in a 1980 report.

"But to the extent that we asked insurance companies what they saw as timing, companies believed collective bargaining in 1981, 1982 and 1983 will produce a surge in the benefits and part of that business will go to them," Ms. DeMent explained.

The current market is domi-



nated by plans underwritten by small insurance companies or self-insured firms. However, the interest of large underwriters is on the upswing.

Prudential Insurance Co. is test-marketing the product in California and moving into Pennsylvania this year while John Hancock and The Travelers expect to market plans by summer.

In total, the DeMent study found 30 underwriters with legal insurance products in preparation and 20 more monitoring the possibility of introducing them.

Critics contend that little demand for the benefit spells doom

Continued on page 23



Photo: Steve Sherwood

Frank Campbell checks a safety box at One Safe Place.

This is definitely One Safe Place

By STEVE SHERWOOD

DALLAS—When Frank W. Campbell first told Honeywell Protection Services about the security system he wanted installed in One Safe Place, they thought he was crazy.

"Honeywell thought I was either nuts or paranoid," he says. "They tell me they haven't installed this much sophisticated equipment in any other building, including the latest Federal Reserve facility."

Mr. Campbell is owner and origi-

nator of One Safe Place, a safe deposit box business with 24-hour-a-day service, located at a shopping center here.

Angry after burglars ransacked his home, he opened the depository so Dallas residents could protect their valuables from a growing wave of burglaries. It cost \$500,000 to construct. Since then, most of the 2,000 boxes have been rented to subscribers nationwide for annual fees of \$200 to \$1,400 each. Demand is so great that another, larger fa-

Continued on page 25

MGM's safety system could affect insurance

By CAROL G. BLITZER

LAS VEGAS—Though other large hotels report savings with fire safety systems, MGM Grand's insurers disagree on whether safety planning will cut rates for the hotel being rebuilt here.

A new \$5 million computerized safety system is part of the massive rebuilding effort following a fire last November that killed 84 persons and caused an estimated \$50 million property damage at the MGM Grand Hotel.

The safety plan, according to underwriter Frank Reilly of the Mutual Fire & Marine Inland Insurance Co. in Philadelphia, should cut the hotel's primary property insurance rates. Mutual underwrote the primary \$2.5 million layer of property coverage for the hotel.

"Any time you make improvements, it would always have the effect of reducing the rate," he says. "For most insureds, it's an incentive to do it."

The Insurance Services Office, an industry rating bureau agrees. A number of improvements spelled out in the commercial fire-rating schedule will result in insurance credits, says Joe Twyman, sprinklered ISO customer service representative in Nevada.

An alarm system, a full-time watchman and a contractor's service to inspect sprinklers quarterly would all lead to credits. Credits, or premium discounts, however, are not cumulative, but are factored down, he explains.

But the Insurance Co. of North America, an MGM Grand excess insurer, disagrees with these rosy

predictions. Installation of the fire safety system will not affect either liability or property rates, said a spokesman in Philadelphia.

INA underwrote a \$1 million layer of liability coverage and a \$40 million excess of \$175 million layer of property coverage for the Las Vegas hotel.

A system like that planned for the MGM Grand Hotel (see related story) has been in effect at Chicago's Ritz Carlton since it was constructed in 1975.

Although the firm can't say how much the system has saved in insurance premiums, Robert Cornell,

director of sales and marketing, notes that the hotel has from the "time of construction, had a preferred rate because of the fire safety program.

"Our 1981 insurance premium is less than that paid in 1980 because of the positive status of the building. I think that's a good indicator."

Mr. Cornell says the Ritz Carlton's system, which was manufactured by Northern Communications, was one of the most extensive systems available at that time.

The system includes a central

Continued on page 22

Proposed laws in Texas call for more sprinklers

By STEVE SHERWOOD

DALLAS—Fire prevention and safety standards for buildings are being set by city officials here and in the Texas House of Representatives.

Dallas firefighters want the city's building and fire code revised to require all structures exceeding 7,500 square feet of floor space to be totally sprinklered. They say 7,500 square feet is the maximum in which they can effectively fight a fire.

At the same time, a bill sponsored by state Rep. Paul Elizondo would require all new buildings in Texas taller than 75 feet to install "approved automatic sprinkler systems."

In neither case would rulings apply to structures already built. The new Dallas ordinance would apply to buildings not covered by a law passed several years ago requiring all structures more than 75 feet tall to be either 100% sprinklered or compartmentalized. About 60% of Dallas's new high-rises, including the Hyatt Regency Ho-

Continued on page 23

Miners win multiemployer pension issue

The United Mine Workers won their demand that coal operators continue to fund a multiemployer pension plan and they will receive increased pension benefits, too.

The tentative agreement between the UMW and the Bituminous Coal Operators Assn. will boost employers' wage and benefit costs 36% over three years.

Coal miners who retired before 1976 and are covered under the 1950 pension plan, will have their monthly pension benefits boosted 15% to \$315 a month by the third year of the contract.

Benefits of future retirees covered under the 1974 pension plan will rise over the contract's life from \$13.50 per month per year of service for the first 10 years of service to \$15 per month.

Coal companies sought to scrap the multiemployer pension plan

benefit beat

that covers the UMW members. The plan has an unfunded vested liability of about \$4 billion.

The plan's liability is so huge because it has not been adequately funded. Funding shortfalls were caused in part by strikes by the miners. The amount employers contribute depends on the amount of coal mined.

The coal companies wanted to replace the ailing multiemployer pension plan with individual company plans that would pay the same benefits.

But the UMW refused to accept this and miners say they would strike if coal companies insisted on dropping the multiemployer plan.

The UMW feared miners would

lose pension benefits when they changed jobs under company-by-company pension programs. Benefits now are portable.

The UMW also won a dental program for miners. The plan will cover most dental expenses, up to a \$750 per person a year.

The three-year pact still must be ratified by the union members.

Retiree plan

Employees of the Travelers Insurance Cos. will be able to obtain preretirement counseling under a new program started by the company.

It includes eight weeks of workshops on financial planning, sav-

ings, investing, recordkeeping, planning wills, estates, taxes and trusts and handling legal affairs.

Second opinions

Blue Cross/Blue Shield of Illinois will cover second opinions for surgery for all 3 million subscribers in the state.

Under the program, a patient whose doctor has recommended surgery can obtain the names of three qualified doctors in his or her vicinity from Blue Cross for a second opinion. Blue Cross will cover the cost of whatever examinations, X-rays and other tests are needed and will pay for a third opinion if the first two conflict.

Cuts proposed

Retired federal and military per-

sonnel would lose biannual cost-of-living increases to their pension benefits under legislation recently approved by the Senate Budget Committee.

The measure, which is part of the Reagan administration's comprehensive plan to snip \$48 billion from the federal budget, would reduce the hikes to once a year. The change would save the federal government about \$1 billion in retirement costs.

The measure, which still must be approved by several other congressional committees, affects 2.3 million federal and military retirees.

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

Wage-loss in court second time

Continued from page 1
the wage-loss benefit system for his claim.

Mr. Ortega's attorney, John Rawls of Jacksonville, has filed for an appeal of the court's decision, bypassing the workers compensation claims process.

The second challenge to the wage-loss law involves Walter Nevin Acton. He says Ft. Lauderdale Hospital is liable for a reinjury to his left leg.

His attorney, Frank Maloney Jr., said Mr. Acton slipped on the hospital's unmarked wet floors and reinjured a leg that already was 40% disabled.

"Now he has a 65% disability of his leg, and he has been denied permanent benefits by the workers compensation judge," said Mr. Maloney.

Mr. Acton received disability payments from February 1980 until June, when he returned to work at the same wage he was making before his accident.

Under the new law, workers do not receive compensation beyond the time they are off work, unless they can prove their injury caused them to lose wages in their post-injury work. There are three exceptions to this law: amputation, loss of 80% of vision after correction or a serious head or facial disfigurement. Neither of the two court cases falls into any of those categories.

Florida officials are not especially worried about the court challenges. One of the prime movers behind the wage-loss concept, the Florida Assn. of Insurance Agents, says the law is proving itself.

The U.S. Department of Labor reports that 24,082 workers compensation claims were filed in Florida in 1979 while only 12,472 were filed in 1980. And attorney fees awarded by the state's workers compensation commissioners has fallen to \$16.9 million for 1980 from \$18.8 million in 1979.

Captive book

The American Society of Association. Executives has published *How to Form and Operate An Association Captive Insurance Company*. The 104-page book, co-authored by George Webster, ASAE general counsel and John Maternas, chairman of IM of America, A Chevy Chase, Md., broker, describes how to set up an association captive. Cost is \$20 for ASAE members and \$30 for others. Contact ASAE, Information Central, 1575 I St., NW, Washington, D.C. 20005.

Now When You BUY ClaimFacts and ImpleFacts You BUY The Same Company Erisco

More than a decade ago Thomas National dedicated its resources to the development of a system for deferred employee benefits recordkeeping and the result was **ImpleFacts**. Benefits managers who enjoyed the advantages of **ImpleFacts** came to us for assistance in health claims processing. The result was the creation of **Erisco** and its advanced on line system—**ClaimFacts**. Today, both these upgraded systems—**ImpleFacts** and **ClaimFacts**—are offered by **Erisco**, a wholly-owned subsidiary of the Thomas National Group.

These systems currently respond to the needs of more than 400 companies, including many Fortune 500 corporations. **Erisco** makes the systems available for lease, purchase, or service which is provided at its own Data Center.

ImpleFacts Provides Recordkeeping for— Thrift/Savings, Profit Sharing, TRASOP and Stock Option Plans...

for...
Corporations, Banks, Insurance Carriers
and Consultants

Video Display Terminals (In Your Office)

- Access indicative participant information
- Correct existing files
- Input additional data right up to scheduled processing time.

Special Processing Cycles

- Between valuation updates
- Weekly payouts
- Higher employee morale

Improved System Features

- Double vesting schedules
- Retroactive transactions
- Loan processing
- TRASOP, including pledge processing
- Unit value automation
- Tax processing

Administration Monitoring

- Eligibility notification for enrollment
- Transfer frequency
- Suspensions automatically set and monitored
- Withdrawal by type and frequency

Contact: Charles Klein (212) 582-8030

ClaimFacts Provides Claims Processing for...

Corporations (Self Insured or Self Administered),
Insurance Carriers, Blue Cross/Blue Shield,
Third Party Administrators, Taft-Hartley Plans.

Systems & Benefits Expertise Combined to Provide Customer Support

- Plan Consultation
- Professionally Planned Installations
- Systems Support
- User Training
- Complete Documentation

Designed Independent of Any Particular Plans or Organizations

- A Flexible, Parameter Driven System
- Available on Service, Lease or Purchase Basis

Provides Total Automation for Processing of All Health Benefits Plans

- Basic and Major Medical
- Dental
- Vision
- Prescription Drugs
- Disability

One Screen Claims Processing

- Eligibility Verification
- Adjudication
- Pay, Pend or Deny
- COB
- Adjustments
- Correspondence

Contact: Wayne Ferrentino (212) 247-2444

Erisco Inc. 1700 Broadway
New York 10019

A Thomas National Group Subsidiary



AUTO FIRE MARINE

SUBROGATION**BENNETT & BENNETT**

Attorneys

Serving over 150 insurance companies. We offer quick, efficient computerized processing and adjustment of your subrogation Claims. Current status reports—Reasonable contingent fees.

Send for **FREE Brochure**
Home Office: 769 Northfield Avenue

West Orange, New Jersey 07052

New Jersey
(201) 325-0033

New York
(212) 926-2824

Florida
(305) 371-8234

Pennsylvania
(215) 563-2168

Report urges tight control of worker welfare funds

NEW YORK—Public entities need to keep tighter reins on union-controlled employee welfare funds, says a state investigation commission report here.

New York City's ignorance of the management of the Teamster Local 237 welfare fund and the

lack of regulation helped two insurance agents defraud the fund of more than \$3 million, according to the report released March 18. The fund covers 14,000 workers.

The report calls on New York City, which contributes \$145 million annually to employee welfare

funds, to consider participating in the management of these funds and to increase its auditing.

It also calls on the state insurance department to seek the legislative authority to regulate all public employee welfare funds. A bill is pending in Albany.

Public employee welfare funds are exempt from ERISA regulation.

The report also calls for criminal investigations into the activities of insurance agents Calvin Winick and William Wallach, who allegedly committed the fraud, and asked that union president Barry Feinstein and other welfare fund trustees resign their posts.

In addition, it recommends that the fund sue to recover losses.

Mr. Wallach, the broker on the fund's account, and Mr. Winick, who placed the fund's insurance with Trans World Life Insurance Co., were able to defraud the fund by concealing from the state insurance department and the fund's trustees the nature and extent of their compensation, the report says.

The agents and companies they controlled were compensated separately for services they would normally perform in their roles as brokers and for services already performed by the fund's in-house administration staff, the report charges.

While union welfare funds normally have retention charges of 6% to 10% of premium for administration costs, Local 237's retention charges were running about 24%, the report said.

\$359,233 recovered

NEW YORK—The state insurance department has recovered \$359,233 from Connecticut General Insurance Co. and agent John C. Schmitt for excessive service fees on eight welfare fund accounts.

The March 19 announcement came a day after the state investigating commission issued its report on similar fees charged by Trans World Insurance Co., agents William Wallach and Calvin Winick and the Teamster Local 237 welfare fund, which covers 14,000 New York City employees.

Service fees paid by Connecticut General to Mr. Schmitt were found to be "improper and duplicative." The insurer was fined \$70,000 and Mr. Schmitt was fined \$5,000 for violating the National Assn. of Insurance Commissioners code of ethics.

Recoveries made on behalf of the welfare funds were:

- \$204,759 to Local 138 Operating Engineers Welfare Fund, Farmingdale, N.Y.
- \$57,502 to Local 1181 Amalgamated Transit Union-Transport Workers Union Varsity Employees Welfare Fund, Ozone Park, N.Y.
- \$55,602 to Local 282 Teamsters Welfare Trust Fund, Elmont, N.Y.
- \$19,059 to Local 1181 ATU-TWU Metropolitan Suburban Bus Authority Welfare Fund, Hempstead, N.Y.
- \$10,167 to Municipal Employees Welfare Trust Fund, New York.
- \$3,640 to Engineers Local 30 Trust Fund, New York.
- \$1,713 to Local 1181 ATU-TWU Pioneer Employees Welfare Fund, Ozone Park.
- \$6,791 to Local 1181 ATU-TWU Welfare Fund, Ozone Park.



Our Flying Fire Engine picks up where ladders leave off.

The Flying Fire Engine, an incredible invention from McDonnell Douglas, can whisk trapped victims safely away from high-rise blazes in seconds.

Suspended by cable from a helicopter, this fire and rescue module can turn, circle, move in any direction under its own power.

While the chopper hovers well above danger, the SMS (Suspended Maneuvering System) moves in to dock at a window, unload firefighters and equipment, and pluck away trapped victims. Or it can mount an exterior water attack using hose attached to a standpipe a few floors below the blaze.



There are as many other uses for the Flying Fire Engine as there are ways to get into trouble. This versatile vehicle will combat fires on oil rigs, ships, bridges—almost anywhere. It can make otherwise impossible rescues down narrow ravines or in remote mountain wilderness. And aboard the Flying Fire Engine, paramedics

can reach the scenes of accidents and begin treating victims long before ground teams could.

To learn more about its fire-fighting and rescue capabilities and to arrange for a 16mm color film presentation call (314) 232-3473. Or write McDonnell Douglas Astronautics Company, Box 516, St. Louis, MO 63166.

Flying Fire Engine
MCDONNELL DOUGLAS



Sight

In all of us, sight is a precious sense.

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

It is critical that your commercial lines insurer see the opportunities to reduce risk and increase your profitability that exist today. And with an eye on the future, act to develop the competitive products, underwriting practices and business services to meet your company's insurance needs.

The Travelers has been looking out for the interests of its insureds for more than 115 years. During that time, we've directed our energies towards a single sense of purpose. To give you more than expected. Our people, like Senior Account Analyst Ron Cuenin, Ft. Lauderdale, are committed to delivering whatever is necessary to acquire and keep your business.

Put us to the test. Call your agent or broker today and you'll see why it makes good sense to rely on The Travelers.

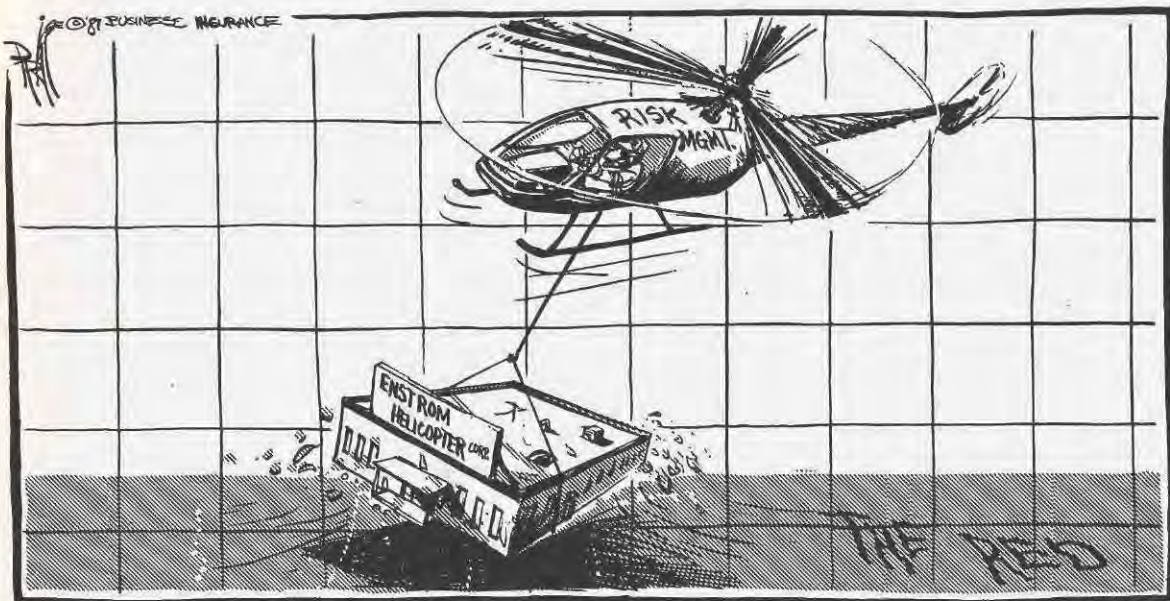


THE TRAVELERS

The Travelers Indemnity Company and
Affiliated Companies, Hartford, Connecticut



editorial opinions



By the boot straps

"RISK MANAGEMENT is good management," most corporate insurance executives say, but solid examples of how risk funding and loss control translate into additional corporate advantage are few.

Captive insurers that also underwrite third-party risks provide one interesting model for successful risk and corporate management at large firms—a case of a corporate expense turning into a profit center. But we all know how fraught with pitfalls this route can be.

For firms not willing to enter the insurance business with a captive, risk management remains an expenditure, not a breadwinner.

Good risk planning, however, can turn into profit planning. Take the case of the Enstrom Helicopter Corp., whose tale of management restructuring based on a combination of insurance and sales goals is in this issue. Enstrom's "before" picture is typical of many small firms that lost control of product liability costs in recent years.

■ As insurance and other costs grew, competition for the manufactured product also grew, making cutbacks likely and quality control difficult. In short, the product liability problem got worse and the firm lost the respect of underwriters. It also lost sales as insurers increased rates for copter owners based on the tight aviation hull market and the manufacturer's product.

Enlightened risk management, combined with enlightened marketing, seems to have turned around the firm. The "after" picture shows a company with lowered product liability

rates due to a loss control program tied into a discounted buyer program—a risk management program that sells helicopters.

It's a strange, and maybe unique, case, but the principle is clear. Reducing overhead costs, like insurance, can reduce product costs and risk management informed by marketing goals also can be good profit management.

Use the Enstrom example and don't fear working with other aspects of your corporation. Make your risk planning both protect and increase corporate assets.

First step

SPEAKING OF MANAGEMENT improvements, this is the first issue of *Business Insurance* to be produced with our own computer typesetting equipment.

News stories were typed on video display terminals, entered into memory banks, called back to screen for editing, tagged with a string of computer codes and assigned to page layouts.

We are still learning how to make the computer work best for us and the news still takes a week to land on your desk, but electronic news gathering is a step forward we are happy to take.

As readers you probably won't notice a difference in our product, but in the long run we expect it to benefit you by speeding up the news process and giving us better ways to present the news to you.

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.

Consultants should rejoin

To the editor: On July 5, 1973, I wrote a joint letter to Insurance Consultants Society, which I founded in 1964, and the Institute of Risk Management Consultants, most of whose members (all who were in business in April 1973) I had invited to the ICS organizational meeting in 1964.

Why was IRMC formed in the first place? At the time, rumors kept circulating that some ICS members had under-the-table brokerage connections. They were voiced by two individuals who had been in ICS and were both instrumental in setting up IRMC. This caused me such concern that for a time I kept out of both groups. I did look into IRMC and determined that the limitation on accepting a fee from any organization whose services a consultant evaluates was unprofessional.

Meanwhile, ICS began issuing the questionnaire which all members sign annually divorcing mem-

bers from any financial connection with anybody who has any connection with the sale of insurance. I rejoined ICS.

Since then, I have continued to hear reasons for the separate existence of IRMC. Perhaps the most common is that it represents the big consulting firms who have different problems than the smaller firms. This is pure hogwash, of course; if there is one distinguishing characteristic of the true consultant, it is the presence of individuals who can think problems through better than most people—just as Jesus and Socrates did not need a committee to help them do what they had to do.

Once again, I implore those in IRMC to join forces with the senior organization; with the few consultants we have, the least they can do is work together.

William Peet
William Peet Co.
St. Paul, Minn.

Why not split pension cost?

To the editor: While reading "Someone you should know" (*BI*, March 9), it occurred to me for the second time that Jerry Geisel touched on a subject that is very close to me. He quoted C. Peter McCollough, head of the President's Commission on Pension Policy, as saying, "Ten-year vesting, the most popular vesting schedule offered under ERISA, doesn't help the worker who changes jobs every four or five years."

Having held a number of positions in the insurance industry over 25 years, it has occurred to me more than once that I am never going to be in a position to take advantage of some of these "magnificent" programs.

In fact, I have turned down some positions that contained some very luxurious plans for retirement because I heard that this or that particular firm made a practice of forcing people into an early retirement or gave them no alternative but to "resign" six months or a year before their retirement date.

Thus, I am looking forward to receiving no retirement pension, profit-sharing plan or any remuneration for length of time of employment. Social Security benefits are all I was looking for and, of course, we are now being warned that there quite possibly may not be any benefits at all to look forward to receiving.

One solution to the pension plan situation for people who do not spend their entire working life

with one firm or working for the government is the pro-rata plan that has been discussed in the past. I remember reading about such a plan several years ago. Formula: Eight years with one company, six years with another company, four years with another, etc. When the worker decides to retire, all the years of employment are totaled and each company pays a pro-rata portion of the retirement pension.

For example, if the worker worked 25 years for one firm he would be entitled to say \$400 per month. The four companies who employed our worker take a pro-rata portion of this \$400 each and are then responsible that portion of the worker's retirement pension.

I have been puzzled as to why no one has ever adopted this plan. It would certainly solve the problem (no doubt creating other problems).

Natalie Franklin
San Francisco, Calif.

M.D., positively

To the editor: I enjoyed your article on thermography in *Business Insurance* Feb. 23. One problem, however, is the portion of the article that says I am not a physician. I am an M.D. and practice radiology, a specialty in which I am board certified.

Charles E. Wexler, M.D.
Charles E Wexler, M.D.
& Associates
Encino, Calif.

business insurance

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

MRS. G.D. CRAIN JR.
chairman of the board
KEITH E. CRAIN
secretary-treasurer

G.D. CRAIN JR. founder (1885-1973)
S.R. BERNSTEIN
chairman, executive committee
DAVID J. CLEARY JR.
executive vp-general manager

RANCE CRAIN
president and editorial director
ALFRED MALECKI
vp-publisher (New York)

KATHRYN J. McINTYRE, editor (312-649-5286)

LORRIE GAWLA, managing editor (312-649-5278) LEN STRAZEWSKI, senior editor/features & special reports
JERRY GEISEL, Washington editor, RHONDA RUNDLE, West Coast editor, STUART EMMRICH, New York bureau chief, VALERIE J. BERG, copy editor, JOHN MAES, assistant features editor, DAVE GALANTI, Agent/Broker Topics editor. Associates: New York—ELLIS SIMON, MARY ANN MATLOCK (staff reporter), Chicago—EILEEN NORRIS, Dallas—STEVE SHERWOOD. Editorial assistant: CLAUDETTE EISENZIMMER, Washington—MAISIE LEE (reporter/researcher), MERRILL S. SALTZMAN, graphics editor/production manager, JOE FARACI, corporate art director, MILT PRIGGEE, editorial cartoonist, MARY CAIRNS, photographer, JOANNE WOJCIK O'HARE, editorial production assistant, DOROTHY PARR SNOWDEN, proofreader. Correspondents: Dallas—SHARON WATSON (214-341-2006), London—STACY SHAPIRO (01) 637-7961, San Francisco—CAROL G. BLITZER (415-326-5429), Seattle—WILLIAM CUSHING (206-624-7755), Southeast—MARGARET LeROUX (919-933-9106).

DONALD A. WALSH,
advertising director—New York
(212-986-5050, Ext. 15)

ROBERT L. NIESSE,
Midwest sales manager—Chicago
(312-649-5276)

Advertising district managers: New York—CHARLES A. HORVATH, JACK FORREST, TIMOTHY O'HARA, Chicago—DON MAHLMESTER, Assistant to advertising director: Los Angeles—LORI WEINSTEIN; New York—CONNIE MELE. Production manager: Chicago—FRAN PRYBYLO. Promotion manager: New York—RONNIE I. DRACHMAN. Microfilm/research assistant: New York—JOYCE BAIDA. Secretary to sales dept. Chicago—CELIA MALOUHOS. Classified sales: Chicago—BARBARA TOSHEFF.

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

Published weekly at 740 Rush St., Chicago, Ill. 60611 (312-649-5200). Offices: 708 Third Ave., New York, N.Y. 10017 (212-986-5050); Suite 1253, National Press Building, Washington, D.C. 20004 (202-638-5300); 6404 Wilshire Blvd., Los Angeles, Calif. 90048 (213-651-3710), \$1 a copy, \$30 a year in U.S. Canada and all other foreign add \$14 for surface mail. Europe and Middle East only add \$32 for air delivery. First-class mail to Canada only, add \$36. WILLIAM STRONG, vp-circulation. PAMELA JANOUSEK, circulation manager. ROGER DIGREGORIO, fulfillment director. Circulation dept.—Chicago (312-649-5227). Four weeks' notice required for change of address. Send subscription correspondence to Circulation dept., Business Insurance, 740 Rush St., Chicago, Ill. 60611 or phone 312-649-5221. Telex 25-4248, Cable CRAINCOM, Microfilm copies are available from University Microfilms, 300 Zeeb Rd., Ann Arbor, Mich. 48103. Microfiche copies available: Bell & Howell, Micro Photo Division, Old Mansfield Rd., Wooster, Ohio 44691.

BPA

Member of Business Publications Audit of Circulation

ABP



BEFORE FIRE BREAK GLASS

Nobody responds to fire insurance better than we do.

Our underwriters come on like a house on fire.

Because instead of wading through bureaucratic gobbledegook, an American Home/National Union underwriter has the authority to make decisions.

This extra flexibility is also what makes our Commercial Multi Peril coverage so interesting.

For example, everyone claims they can tailor-make a policy for you. But if they don't offer a wide range of underwriting approaches and services, how can they offer a wide range of tailoring?

We can.

We also offer workers compensation and commercial auto along with our Commercial Multi Peril Package.

Best of all, American Home/National Union can wrap up packages that other companies couldn't even begin to tie.

Which is one of the reasons the AIG companies are the fastest-growing major Commercial Multi Peril market in the U.S.

So whether you need fire or Multi Peril, call American Home/National Union.

You'll find the speed of our response positively alarming.

For more information about Fire & Commercial Multi Peril Insurance, write: The AIG Companies, Dept. A, 70 Pine Street, New York, N.Y. 10005.

Name/Title _____
Company _____
Address _____
City _____ State _____
Zip _____ Telephone _____

BI 3-30

The AIG Companies.
Let us take the risks.

Asbestos Litigation Reporter

If your company has potential or real liability stemming from asbestos-related death and personal injury claims, the Asbestos Litigation Reporter is a must-read semimonthly journal of record for you and your associates.

This is the national report of asbestos litigation that gives new dimension to the complex proceedings. It gives you complaints, answers, pleadings, orders, depositions, industry letters and editorial coverage of hearings and such important questions as whether the exposure or manifestation theory should determine insurer liability. Call or write for descriptive sample.

Asbestos Litigation Reporter

ANDREWS PUBLICATIONS, INC.

P.O. BOX 200, EDGEMONT, PA. 19028 (215) 353-2565

Countries rated on group life cover

worldwide

NEW YORK—Sweden and France had the highest concentrations of group insurance among total life insurance in force between 1960 and 1979, according to a study in *Sigma*, a publication of the North American Reinsurance Corp.

During that period, group insurance represented more than 90% of total life coverage in Sweden and more than 80% in France, the study showed.

Mexico, Austria, Switzerland, Turkey, United States, Australia, Great Britain, India, Japan and Canada showed increasing concentrations, ranging from 10% to 55%.

In South Korea, Venezuela, Belgium, West Germany and Italy, the

percentage of group life insurance decreased.

Premium volume up

ZURICH, Switzerland—Premium volume for property insurance rose as much as 12% here during the first nine months of 1980, according to a European financial journal.

Volume for accident insurance jumped 6% to 9%. Health and life insurance premiums rose 8% to 10%.

Pension proposal

OTTAWA, Canada—An Ontario commission on pensions has recommended the province establish a new retirement system to supplement pension plans.

The Provincial Universal Retirement System would cover all wage earners in Ontario up to the average Canadian industrial wage of \$16,000 annually.

Under the plan, employers would contribute 2% of the average industrial wage on top of contributions provided by employees between 18 and 65 years old.

The new plan would supplement the three existing Canadian pension systems. They have been criticized for inadequate benefits.

Nearly half of Canadian workers are not covered by pension plans and others lose substantial benefits by switching jobs.

Trying again

LONDON—Norway's Oil Risk Insurance Pool will try again to upright the 10,000-ton Alexander L. Kielland, which capsized in the North Sea last March.

They decided to try the second salvage attempt after the Norwegian government agreed to underwrite 80% of the risk on the salvage operation and agreed to cover the pool's losses if the rig's recovery cost exceeds its sale price after recovery.

The first attempt to upright the rig was called off by the Norwegian government when it was feared an unsuccessful salvage operation would block the harbor.

Brokers group

MELBOURNE—The Confederation of Insurance Brokers of Australia has attracted 2,600 members in its first nine months of operation.

"Brokers have to be very skilled today in understanding risk management techniques and in operating the types of special insurance facilities available for the demands of new technology," says the group's executive director John P. Dawson. "We intend to make full use of the opportunities open to us to develop an organization that will be a powerful self-regulator."

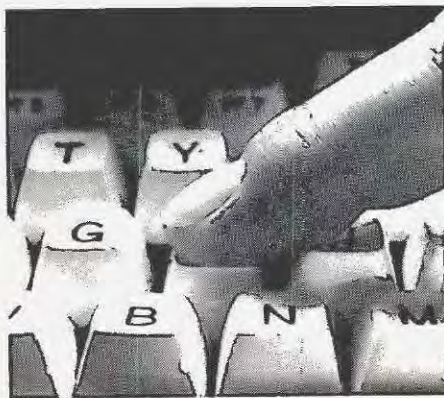
The confederation will press the Australian government for legislation to support its own regulatory provisions. Professional indemnity coverage and fidelity guarantee insurance are required for membership.

Inquiries for honorary affiliation have been received from brokers in Hong Kong, Singapore and Uganda.

Ian Findlay, former Lloyd's chairman and chairman of the British Insurance Brokers Association, recently visited Australia and advised the group on receiving government support.

PRESS OUR BUTTON

Check the new GAB on-line system at the RIMS Conference.



Now GAB's new on-line Claim Processing System helps keep claim management records at our fingertips.

GAB's new Claim Processing System, plus a whole new Workers' Compensation system are now on-line.



And you're invited to visit our RIMS Conference Booths 12, 13, and 14 to press our button. And to see for yourself how you can benefit from the better-than-ever speed and control, additional history and more accurate information GAB's new on-line system provides.

These new enhancements to our system add substantially to our capabilities. In addition, GAB's CMRS offers you the most flexible reporting system available programmed to produce standard reports as well as special reports customized to your needs.

Pressing Problems Handled Here

The new on-line system will make the information you need about a claim immediately available to you through the nearest of five Contract Administration Centers (CACs) in New York, Atlanta, Chicago, Dallas and Los Angeles.

GAB

Contract Services Division
123 William Street, New York, N.Y. 10038
Donald W. Carroll, Senior V.P. (212) 791-8000

The centers are served by the more than 3,000 trained professionals who also serve you in GAB's nationwide offices. These office locations have been so carefully selected that your plant, office or branch is never more than an hour from a GAB adjuster.

GAB's independence is another special advantage for our customers. Since our primary business is claim administration this guarantees our objectivity in setting reserve amounts, in determining issues of liability, and in the actual handling and settlement of claims. Our only loyalty is to our clients: that's our declaration of independence.

Press On!

Every year of GAB's 96 years has seen important advances in customer services. This year, now that our information systems are on-line, we will continue to press on with more new improvement projects.

Meanwhile, we invite you, whether your needs are large or small—local, regional, national or international—to press our button. You'll have your future at your fingertips.

德安

Just another way of saying *Versicherung*.

Insurance. When you are doing business in another country, language is only the first barrier to getting the right coverage. And, when you are faced with the awesome task of doing business in China, there's an even greater need for an experienced insurance interpreter. At Chubb, our international insurance expertise has given us the skills for understanding the unique insurance situations and customs in China. Write to our International Division for the Chubb *Insurance in China* handbook. It will make the topic a bit more scrutable for you.



Group of Insurance Companies
100 William Street, New York, N. Y. 10038

Chubb is proud to play a part in bringing you The Dick Cavett Show. Watch for it on your local PBS station.

Insurers group wants federal tort reform

WASHINGTON—The Alliance of American Insurers now favors a federal solution to the nation's product liability problems.

The Alliance, a trade group representing more than 150 property/casualty insurers, tradition-

ally has backed state tort reform.

But the influential trade group says a federal law is needed now because state tort reform has come to a standstill; last year only one state—Idaho—passed a tort reform bill. In 1978, 13 states passed prod-

uct liability reform measures.

Because they vary, state tort laws don't give insurers the certainty they need to price product liability coverages, says Tom O'Day, government relations officer at the Alliance.

"We have to get something uniform because of the interstate nature of product liability," says Mr. O'Day. "A tort bill passed in Ohio won't help Ohio businessmen very much because 90% of products made there may be sold outside the state."

In a related development, the Senate Commerce Consumer Subcommittee is working on a draft federal product liability bill. It is to be completed in six weeks.

washington

Review, published by the Labor Department Bureau of Statistics.

The frequency of occupational injuries decreases steadily for workers up to age 64 and drops sharply for employees over 65.

The statistics "indicate the positive effect of experience in avoiding injuries and should encourage training for new workers to reduce the occurrence of injuries in the workplace," says Mr. Root of the Bureau of Labor Statistics.

In another March *Monthly Labor Review* article, David McCaffrey, an assistant professor at the State University of New York, reports that most of the 21,000 work-related amputations in 1977 involved the loss of a finger.

Mr. McCaffrey found that the highest proportion of work-related amputations occur in manufacturing industries. Other industry divisions with a relatively high proportion of amputations include construction, mining, agriculture, forestry and fisheries.

The *Monthly Labor Review* is available for \$2.50 from the Superintendent of Documents, Government Printing Office, Washington, D.C. 20402. A one-year subscription is \$18. Checks should be payable to the Superintendent of Documents.

Auchter confirmed

Florida construction executive Thorne Auchter has been confirmed by the Senate to be the new head of the federal Occupational Health and Safety Administration.

Mr. Auchter said he plans to improve the management of the agency and develop a cooperative approach involving labor, management and government to beef up job safety and health.

"My highest priority is to make OSHA the leader in a coordinated and cooperative approach by all concerned to solve the problems involved in providing safe and healthful conditions for the American worker," Mr. Auchter said.

Mr. Auchter has been executive vp of the Auchter Co. of Jacksonville, Fla., since 1975. He was involved in corporate labor relations and had company safety and health responsibilities.

Injury report

Younger workers tend to be injured more frequently than older workers, but their injuries often are not as serious as the older workers' injuries, the Labor Department says.

"A traumatic injury to an older worker would more likely result in a fractured bone than it would if the same blow were experienced by a younger worker," says Norman Root in an article in the March issue of the *Monthly Labor*

Counsel named

Geza Kadar has been named counsel of the Health Insurance Assn. of America.

Mr. Kadar was a legislative assistant to former Rep. Graham Purcell (D-Texas) and Washington representative for Blue Cross/Blue Shield.

He now will be involved in a variety of health legislative issues.

HIAA is a trade group representing most of the nation's health insurance companies.

Charles R. Hall,

Executive Vice President
Financial Guardian, Inc.
is looking forward to seeing you
at the R.I.M.S. Convention
in San Francisco.

You are invited to join him
in the Financial Guardian
hospitality suite. Hilton Plaza.

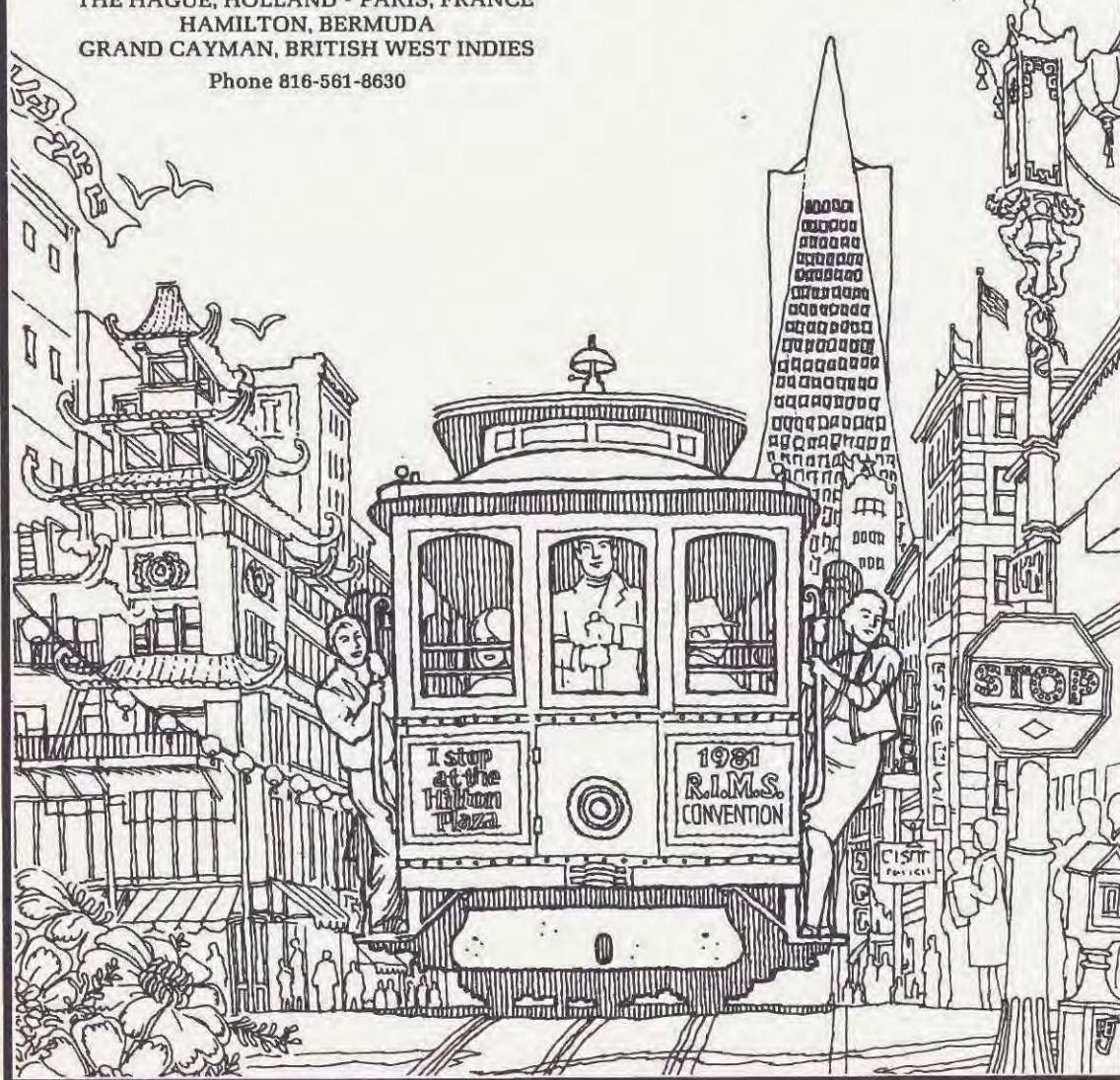


FINANCIAL GUARDIAN

CORPORATE HEADQUARTERS
3100 BROADWAY, KANSAS CITY, MO 64111

PHOENIX, AZ • SAN JOSE, CA • CHICAGO, IL
DES MOINES, IA • ATCHISON, KS • DETROIT, MI
ST. JOSEPH, MO • NEW YORK, NY • OMAHA, NE
HOUSTON, TX • WICHITA, KS • ST. LOUIS, MO
LOS ANGELES, CA • SAN FRANCISCO, CA
DENVER, CO • PORTLAND, OR
NEW ORLEANS, LA
THE HAGUE, HOLLAND • PARIS, FRANCE
HAMILTON, BERMUDA
GRAND CAYMAN, BRITISH WEST INDIES

Phone 816-561-8630



datebook

APRIL 2. Safety Services in the Sunshine State Symposium in Tampa (May 14 in Jacksonville, May 21 in Pensacola, June 3 in Fort Lauderdale, June 5 in Miami and June 6 in Orlando), co-sponsored by the Alliance of American Insurers and the American Insurance Assn.; free. American Insurance Assn., 85 John St., New York, N.Y. 10038; 212-433-4400.

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

APRIL 6-9. Machine Safeguarding in Rockford, Ill., sponsored by RIMS; \$90. Only open to Alliance members and subscribers. Also Oct. 5-8. Risk and Insurance Management Society, 205 E. 42nd St., New York, N.Y. 10017.

APRIL 13-15. Insurance Loss Control Conference in Pittsburgh, sponsored by the Alliance of American Insurers; \$80. Ginny Dowling, Alliance of American Insurers, 20 N. Wacker Drive, Chicago, Ill. 60606; 312-558-3700.

APRIL 14. The Profit Sharing Council of America Seminar in Oak Brook, Ill.; \$35. Walter Holan, president, Profit Sharing Council of America, Suite 722, 20 N. Wacker Drive, Chicago, Ill. 60606; 312-372-3411.

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

APRIL 30-MAY 1. Accountants Liability Seminar in San Francisco (May 18-19 in New York City), sponsored by the Practising Law Institute; \$300. Practising Law Institute, Dept. QNC, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700 ext. 271.

MAY 4-5. Investment Strategies for Captives: A Premium Topic Conference in New York City, sponsored by Interforum Group Inc.; \$595. Interforum Group Inc., 68 William St., New York, N.Y. 10005; 212-269-2240.

MAY 7-8. Hazardous Waste Litigation Program in New York City (June 4-5 in Los Angeles), sponsored by the Practising Law Institute; \$300. Practising Law Institute, Registration De-

partment, 810 Seventh Avenue, New York 10019; 212-765-5700 ext. 271.

MAY 14-15. Energy Litigation Program in Washington, D.C., sponsored by the Practising Law Institute; \$325. Practising Law Institute, Registration Dept., 810 Seventh Ave., New York 10019; 212-765-5700, ext. 271.

MAY 18-20. 1981 Washington Legislative Update Conference in Washington, D.C., sponsored by the International Foundation of Employee Benefit Plans; \$360 for members, \$435 for non-members. International Foundation of Employee Benefit Plans, P.O. Box 69, Brookfield, Wis. 53005; 414-786-6700.

MAY 28-30. 1981 Investment Institute in New Orleans, sponsored by the International Foundation of Employee Benefit Plans; \$360 for members, \$435 for nonmembers. International Foundation of Employee Benefit Plans, P.O. Box 69, Brookfield, Wis. 53005; 414-786-6700.

MAY 31-JUNE 3. Linking up the Risk Manager Seminar in Chicago, sponsored by The Risk Management Institute; \$795. Risk Management Institute, P.O. Box 3685, Irving, Tex. 75061; 214-579-5360 or 5330.

JUNE 14-17. 20th Annual American Society of Safety Engineers 1981 Professional Development Conference in Salt Lake City, sponsored by the AASSE; \$275 for members, \$325 for nonmembers. AASSE Education Department 850 Busse Highway, Park Ridge, Ill. 60068; 312-692-4121.

JUNE 15-16. The Mine Safety and Health Act in Salt Lake City, sponsored by The Energy Bureau Inc.; \$550. Robert Nash, executive director, The Energy Bureau Inc., 41 East 42nd St., New York, N.Y. 10017; 212-687-3178.

JUNE 17-18. The Answer is: Reinsurance. Do You know the Question? Conference in New York City (June 22-23 in Atlanta and Sept. 14-15 in Chicago), sponsored by Interforum Group Inc.; \$495. Interforum Group Inc., 68 William St., New York, N.Y. 10005; 212-269-2240.

JUNE 23-25. Seventh Annual Benefit Plan Administrators Institute in Chicago, sponsored by Charles D. Spencer & Associates Inc.; \$400. Charles D. Spencer & Associates Inc., 222 W. Adams St., Chicago, Ill. 60606; 312-236-2615.

Politics delaying strike insurance

LONDON—Politics is hindering the support of the Confederation of British Industry for strike insurance, but members are interested.

That's the report Gordon J.R. Hickmott gave the Assn. of Insurance and Risk Managers in Industry and Commerce conference here earlier this month.

Mr. Hickmott is a European consultant, chairman of the Chartered Institute of Arbitrators and an underwriter of the coverage.

"There's no doubt that it (strike insurance) caused sufficient interest from our CBI members," he said. But marketing of the coverage is at a standstill as industry and trade unions examine its political implications, AIRMIC members said.

The plan originally was requested by the CBI as a way to fight trade unions during a strike. In 1979 alone, British industry lost 30 million working days from strikes and walkouts. This equals one day lost for each British worker that year.

However, the unions, which have a lot of power in industry and politics, have objected that the availability of the insurance to cover losses during a strike would make it possible for a company to wait indefinitely to end a strike.

But Mr. Hickmott assures union leaders that the sting of striking still would be felt by employers even if they had the strike coverage.

The policy pays only for fixed costs during a long dispute within the company or its suppliers for up to 57 days. It doesn't pay for loss of profits, stresses Mr. Hickmott.

Short walkouts are not covered; there is a seven-day deductible. The policy also wouldn't cover closures of major utilities because the loss would be too big nor does it cover closures during a national emergency.

The policy is being offered by eight Lloyd's brokers, including Willis, Faber and Dumas Ltd. Premiums and percentage of cover depend on what kind of industry is involved, its location, number of employees and union, said Mr. Hickmott.

An offshore captive probably will be formed for the coverage.

London line

only earns 45 pounds a week.

Ms. Ireton, an insurance clerk, had played in the tournament before Mr. McTear's match and had stayed to watch him. She says she cannot play in tournaments with her twin sister anymore because of the eye injury.

100 years

Lloyd's brokers Chandler, Hargreaves, Whittall & Co. Ltd. will celebrate its 100 birthday in the Lord Mayor's suite of Westminster City Hall April 7.

The Employee Benefit Communications Handbook **New!**

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

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

Written by award-winning creative director Dennis Hommel, this concise manual tells how to evaluate available media, select a communications consultant, plan an effective creative strategy, determine true costs and execute messages dynamically!

It also gives tips on how to gain management approval for an ongoing communications budget, and much more.

Truly a valuable guide for any Benefit Manager. \$20.00 P&H and sales tax included. 30 day money back guarantee. D&B-rated firms may send P.O., others must include payment. No CODs.

UPC Publications Division, Dept. B12, Box 700, Redwood City, CA 94064.



The crack troop mission: writing the tough excess casualty classes.



Increasingly, over the years, calling on Baccala & Shoop has become the instinctive thing to do for brokers seeking coverage for unorthodox risks.

To this specialty, the crack troop of Baccala & Shoop brings a great deal of behind-the-lines experience—reinforced by intuition and innovation. And because each excess program requires a strategic approach all its own, there's no such thing as an underwriting assembly line at Baccala & Shoop.

It takes considerable in-house capacity to be as active as we are in these markets.

Consider the casualty policy limits of Baccala & Shoop: up to \$10,000,000 in Umbrella Liability, up to \$5,000,000 in Excess Workers Compensation and up to \$1,000,000 in Gap/Buffer Layers. For property coverage, our limits are up to \$10,000,000 per risk as first loss or excess of loss.

Something else we bring to producers is market consistency. We don't open the door on hard-to-place classes when the economy is good and then slam it during a slowdown.

For the highest degree of professionalism in excess and surplus lines, call on Baccala & Shoop—the crack troop that's deployed from coast to coast.

Baccala & Shoop

The crack troop in underwriting management.

Atlanta
(404) 231-9272

Chicago
(312) 853-2777

Dallas
(214) 233-0201

Denver
(303) 399-4023

Los Angeles
(213) 385-6266

Minneapolis
(612) 545-4300

Philadelphia
(215) 567-2700

Phoenix
(602) 957-4580

Seattle
(206) 624-8711

Columbus, OH
(614) 846-6666

Houston
(713) 777-4530

New York
(212) 943-2070

San Francisco
(415) 777-4300

No tantrums

Accidents caused by table tennis tantrums are not covered by insurance, says Louis Hoffman, chairman of the North Middlesex Table Tennis League here.

"If McEnroe or Connors hit an umpire on the head, would Wimbledon be insured? Nobody would insure that," he said.

The question arose after Angela Ireton recently took to court a complaint against table tennis player Alan McTear after her eye was injured when a bat flew out of Mr. McTear's hand and hit her.

Neither the table tennis league nor the Hornsey Town Hall, where the match was, were held liable for the injury.

"If both had been playing, we'd be liable," said a tournament organizer, adding that the league is insured by Commercial Union Assurance Co. "But he lost the game and threw the bat," he said.

"We're not insured for someone throwing a bat," agreed Mr. Hoffman. "In no way was the boy allowed to do what he did. Hardly any insurance company would pay up for that."

Mr. McTear says the bat flew from his hand because it was sweaty. But he has agreed to pay Ms. Ireton 5,410 pounds at 10 pounds a week for 10 years. He

2 new firms in U.K. to handle pensions

TORONTO—Reed Stenhouse Cos. Ltd. and the Continenta. Corp. have formed two new companies in the United Kingdom. Continental Life Insurance Co. Ltd. and Continental Pensions Ltd. initially will concentrate on unit-linked pension business.

Later, all classes of life, pension and permanent health insurance will be sold from the Crayden, England, headquarters. The companies are expected to begin writing business in July.

MGA named

Stephen Weicholz & Co. Inc. has been appointed managing general agent for the American Consumer Insurance Co. of New York.

The Weicholz organization will underwrite special risk fire and allied lines, SMP and commercial auto physical damage business in this admitted facility. Rates have been filed in New York, New Jersey, Pennsylvania and Florida.

Stephen Weicholz & Co. Inc. is

markets

located at 901 N. Broadway, North Massapequa, N.Y.; 516-795-5000.

Pollution specialist

Fireman's Fund Insurance Cos. has added a specialist in pollution control and solid waste disposal to its environmental sciences staff.

Dr. Peter P. Russel, 31, joins Fireman's Fund as director of environmental engineering. He will help establish guidelines for control of liability problems arising from pollution and solid waste disposal. Mr. Russel also will advise Fireman's Fund underwriters and the claims and loss control staff on identification of such exposures and development of precautionary measures.

International unit

NEW YORK—American International Group Inc. has formed a

new global accounts department to underwrite for businesses with international interests. Arthur S. Phillips has been named vp in charge of the department.

The department will pool all lines of insurance offered by the American International companies and make them available through one source to insureds operating in the United States and throughout the world.

AIG's worldwide network of offices will service business placed with the global accounts department.

Joint venture

Aetna Life and Casualty Co. and S.G. Warburg & Co. Ltd. of London are discussing a joint venture to provide international investment portfolio management services to pension funds and other

institutional investors in the United States.

The joint venture probably will result in a new company based in London, to be named Warburg Investment Management Ltd., Aetna says.

The company will be owned equally by Aetna and Warburg's wholly owned subsidiaries, Aetna Capital Management Inc. and Warburg Investment Management International Ltd.

Special risks firm

The Reliance Cos. has formed a new member company—Reliance Special Risk Inc.—to underwrite and manage the excess and special risk portfolio previously managed by another subsidiary, Reliance Risk Management Inc.

Robert R. Rettew, former vp of Reliance Risk Management, has been elected president of the new company.

Firm relocated

Adjusting Systems International has relocated its corporate headquarters from Chicago to Houston. ASI president Tom Kelley said Houston has a more favorable business climate for the property/casualty claims organization that does national and international business.

ASI has 46 of its 331 offices in Texas, making it the state with the greatest concentration of ASI offices.

The new corporate headquarters is at 4801 Woodway Drive, Suite 300 East, Houston, Tex. 77056; 713-965-0464.

E/S broker

Maitland S. Dimock has formed **Dimock & Associates Inc.**, excess/surplus lines brokers, to be headquartered in San Francisco.

Dimock & Associates purchased all of the business of Dependable Insurance Associates of San Francisco. Mr. Dimock had organized and managed DIA since its founding in 1972. Prior to that, he had been active in the wholesale brokerage business in Southern California.

New offices

Insurance Co. of North America has established a branch office in Tucson at 8825 E. Speedway and has opened an office in Detroit's Renaissance Center Tower 200 to consolidate insurance.

Royal Insurance has opened a new office in the Gibson Building East, Route 537, Freehold, N.J.

Blue Cross/Blue Shield of Texas has moved into new offices in the new Blue Cross and Blue Shield of Texas Building, 901 South Central Expressway, Box 225730, Dallas, Tex. 75265; 214-669-6095 and 214-669-6601.

Robert C. Sellers & Co.'s new surety operation in Sacramento is open in Fremont Indemnity Co. Building, 2277 Fair Oaks Boulevard, Suite 295; 916-924-3631.

Acquisitions

Crump-Nashville, an affiliate of E.H. Crump Cos. Inc., has acquired Jack Diamond Insurance Agency Inc., also of Nashville. ■

OPIC records new earning high

WASHINGTON—The Overseas Private Investment Corp. chalked up record earnings last year.

Gross revenues for fiscal 1980 reached \$76.1 million, a 12.4% increase over 1979, according to the federal agency's annual report.

OPIC provides political risk insurance to corporations investing in less developed countries.

Net income climbed to a new high of \$65.8 million, 13.4% more

than the previous high of \$58 million in fiscal 1979, said OPIC.

It also noted a significant increase in its insurance program. Coverages totaling more than \$1.1 billion were provided for 100 projects. This is a 37% increase over fiscal 1979.

Of the insurance provided \$322 million covered the risk of currency inconvertibility, \$363 million for expropriation, and \$424 million

for war, revolution and insurrection risks.

During fiscal 1980, OPIC paid out \$13 million to settle a record 30 insurance claims. Claims pending at the close of the fiscal year totaled \$16.2 million.

Of the 30 claims settled, 25 were for currency inconvertibility, two for damage resulting from war, revolution or insurrection and three for expropriation. ■



Information: creating a valuable asset... Sigma+System[®]

Sigma+System is a sophisticated risk management information service designed for users having little or no training in use of the computer. This service provides a user with a new generation of data management and analytical capabilities, to complement or replace the voluminous "loss runs" they have received in the past. Much like the terminals utilized by airlines personnel to access vast amounts of data concerning flight schedules, routings, fares,

status reports, etc., the Sigma+System allows risk management personnel to have similar access to data concerning the status of claims and loss reserves, claim payments, incident reports, loss control information and exposure data. A user may then perform risk analysis, loss forecasting and financial modeling on their own data base. Sigma+System, a service of Risk Sciences Group, Inc.


Risk Sciences Group²
INCORPORATED

45 Camino Alto, Mill Valley, California 94941
(213) 393-0507

²Supported exclusively on the National CSS Computer Network

**“A total package just for
insurance companies?”**

**“Shand, Morahan
puts it together.”**

A black and white photograph of two men in suits standing in a modern office hallway. The man on the left is wearing a light-colored suit and tie, while the man on the right is wearing a dark suit and tie. They appear to be in conversation. The hallway has a patterned carpet and a modern ceiling with recessed lighting.

Insurance companies need liability insurance as much as any company. And in many cases, more than most.

That's because today's modern insurer is a multi-faceted financial concern with multiple liability exposures. And who is more sensitive to potential liability problems than a professional insurer? This is why Shand, Morahan has introduced a total package of liability protection, including fidelity, specifically designed to meet the whole range of needs of insurance firms and their executives.

The package combines D&O and E&O liability, ERISA and Mutual Fund liability, and Fidelity Bond coverage, all in a single policy. This concept eliminates overlap between separate carriers, allows one to deal with a single, knowledgeable source, and can result in a lower overall premium.

And, Shand, Morahan has just increased its limits on this package to \$25 million for each liability coverage part and \$15 million for the Fidelity Bond coverage. The program can be written on a 3-year policy term basis if desired, and is available to insurance companies, large, medium or small.

For more information, contact the innovative liability experts at Shand, Morahan.

**SM Shand, Morahan
& Company, Inc.**

*One American Plaza, Evanston IL 60201
312/866-2800, Telex 72-4328*

perspective



Photo: Mary Cairns

Corporations can stop employee unionization attempts by offering and communicating comprehensive benefits before demand grows.

Union-free

Prevent labor trouble with communication

By Charles L. Hughes

LABOR UNIONS originally came into existence from lead management practices, as they still do today. There are many ways to make a union unnecessary and keep a company union-free. The new wave is the "proactive" style—forward-looking, sensitive and progressive about employee needs. The old "reactive" style is fading away: union busting, insensitive and behind-the-times practices.

Today, most union-free companies have an overall solid and satisfactory benefit package, averaging 38% of payroll, including legally required payments. Union and non-union benefits are comparable between rank-and-file workers and managers, as opposed to the old days when managers got a much better package than other employees.

Where is the problem then? The tragedy lies with companies that have good benefits, but employee attitudes are still poor. What needs to be done? Briefly, here are some ideas:

- Stick to the basics. To be union-free, the basic benefit plan includes medical, retirement, life, disability, paid time off—vacation, holidays, etc.—and increasingly, dental coverage. Benefits beyond these, such as recreation and educational assistance, have little influence on unionization.
- Use K.I.S.S. communications. Medical insurance and retirement come in mind-bogglingly complex packages that are beyond human comprehension. The more employers try to explain them, the less employees understand and the

worse employee attitudes become. Try the K.I.S.S. (Keep It Simple, Stupid!) system with easy words and cartoons. Disney was right!

Words such as vested for retirement plans may be confusing. Many employees don't know what it means. Stop using legal jargon and use words like own, such as, "after 10 years of service the employee owns the right to a pension at age 65."

- Get the benefit of the benefit. Slow claims handling will destroy good employee attitudes about the best medical insurance company.

It appears that delays of more than two weeks create problems because they mess up the employee's personal budget. Most people live paycheck to paycheck. Ten-week delays in claims handling get into overdue notices from hospitals and doctors so the attitudes go sour on the benefit plan.

- Close the "we vs. they" gap. Union-free employers tend to have all employees under the same benefit package. Union vulnerability comes when lower paid people also get inferior benefits, or no paid time off. When the gap is closed, everyone is "salaried," a major deterrent to unionization.

- Recognize the family. Benefits are often more for the family than the employee. Try a question-and-answer presentation during off-hours. Invite families to attend. When the kids understand, then you have communicated.

- New employee orientation. Don't overkill with excessive information, like one-hour discussions on retirement for 20-year-olds. Keep it short, pass out the booklets and tell people where to get more information.

Continued on page 18



Charles L. Hughes, Ph.D., is director of the Center for Values Research Inc., a Dallas-based employee relations consulting firm.

Avoid underwriting cycle shock pains

By Robert A. Wilson

IT APPEARS THE competitive posture of insurers will continue through most of 1981. In spite of underwriting losses of more than \$1 billion, restraints are not yet in sight.

We all remember that back in the 1975-1976 cycle the companies vowed they would not participate in a future price war. However, after only two years of profitability, the rumblings of war that began near the end of 1978 gained momentum in 1979 and went

racing downward in 1980. They should end in 1981.

With the current entry of new players into the commercial market, hotly competitive pricing will prevail this year. However, you should begin to prepare for the crunch that will develop with great intensity in 1982. If history repeats itself, premium increases will be very severe for policyholders with unfavorable loss experience and/or uncooperative attitudes in loss prevention and safety.

If your loss experience has been favorable, the premium increases may be less severe if you are in a desirable class that offers continued, long-term profit. Should you be in machinery manufacturing, certain types of contracting or any high-risk manufacturing, you may be back in the surplus lines market overnight.

After two years of major premium reductions and a flood of losses to the domestic markets, the surplus lines companies will be waiting to welcome you back with open arms. Just bring your checkbooks, because they will be looking for significantly higher premiums than the domestic companies were charging.

Can you do anything to prepare for the shock? You should consider:

- Make every effort to minimize or eliminate losses and conditions that may cause losses.
- Work with your insurance company loss-control engineers to improve the acceptability of your account. Show concern and cooperation.
- Try to get to know your present underwriters and perhaps your potential underwriters if you believe your present company may withdraw from your ac-

count, leaving coverage uncertain.

Remember that just a few short years ago, there were companies that tried to buy your business and then, after their losses developed, withdrew from the market. Many of the companies that are back in the market buying business will be out just as fast as they were last time. We all know who they are.

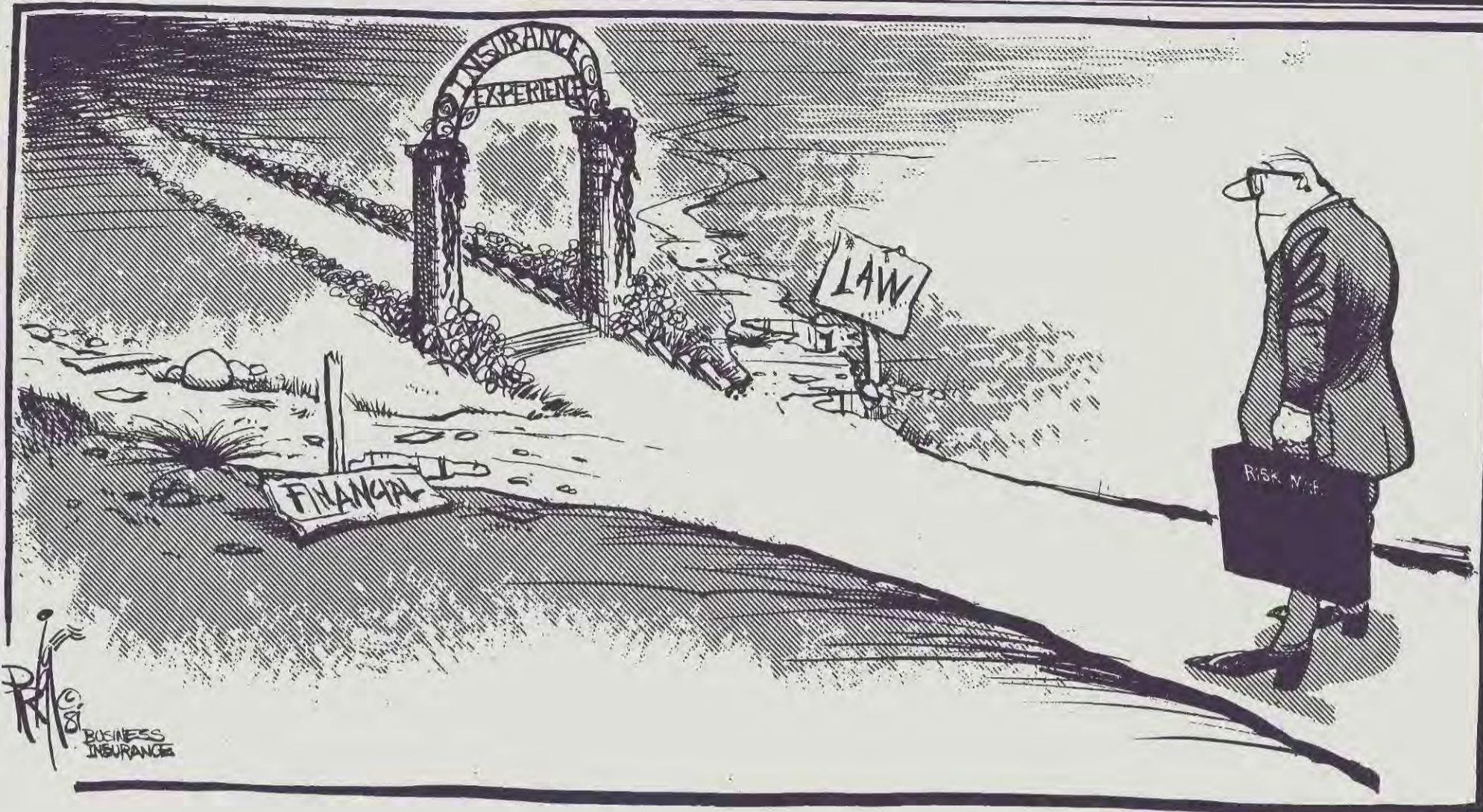
- You should, of course, make sure your agent possesses the highest degree of technical skills and maintains solid rapport with his insurance companies.

- As the markets tighten, you should evaluate retrospective rating plans and self-insurance as possible answers to major premium increases. You will have to work harder and search more extensively for solutions that will exist even in a tight market.

Get ready. The honeymoon will be over soon.



Robert A. Wilson is president of Corporate Risk Management Inc., a consulting firm in Hinsdale, Ill.



The risk profession

Technical insurance training ranks first

By Norman Hoffman

MANY LONG YEARS ago, the American Society of Insurance Management was created to provide insurance buyers at American corporations with the opportunity to meet and exchange information with their colleagues.

Some decades later, the organization changed its name to the Risk & Insurance Management Society after its emphasis had changed and its members considered the old title no longer an accurate description of their major function. Its members hadn't given up the purchase and management of corporate insurance, but their approach to problem-solving and their responsibilities had evolved into new, broader ones.

Formerly, the purchase of insurance was business's first choice for leveling out pure risk aberrations. Now insurance is looked upon by many as the last or least acceptable alternative. Still, the insurance industry prospers as inflation creates need for greater capacity and as technology, legislation and consumerism present new exposures of a magnitude previously unimagined.

Thus the paradox: The continuing expansion of the need for insurance and its relegation to last choice have prompted management to reassess the qualifications for those holding the position of risk man-

ager and insurance executives.

In an article on insurance education published in the Nov. 18, 1980, issue of *Business Insurance*, the opening paragraph, attributed to a risk manager, was, "The top and best-paid risk managers of the future will be M.B.A. graduates in business/finance and lawyers. What risk managers are faced with is not the building of complex insurance programs, but rather the monitoring, administration and allocation of funds which require little or no insurance expertise." So we are led to believe insurance education and experience is of little or no value to a risk manager.

A recent newspaper profile of Walter Wriston, chairman of the board of Citicorp, the nation's largest banking institution, said he defined Citicorp's task as the management of risk. If your friendly neighborhood banker is managing your risk—what are your risk manager and insurance company doing?

I read and hear daily that risk managers should be specialists in finance, accounting, law, engineering, property conservation, safety, environmental pollution and industrial hygiene. Some ads even suggest a knowledge of insurance might be helpful. As one who came to risk management through the traditional insurance education and experience path, I think it's timely to restate some of the many reasons why insurance is still the most widely used risk management technique, why it is growing steadily and why I consider knowledge of it to be the prerequisite for a risk manager.

First of all, everyone knows what insurance is and has had some experience with it in daily life. Each of us has paid premiums for life, hospital, homeowners and

automobile insurance and, if we were once so committed, for insurance on a diamond engagement ring. And most of us have called upon our insurance policies to pay for losses or expenses. The chairman of the board and the office clerk know the insurance company is a bastion of financial stability, always present and able to pay the loss. The protection is available to us as inevitably as death and taxes.

Insurers provide "sleep insurance". Once we transfer our risk to them, we cease to consider it a risk.

Second, insurance is readily available. Just as one can always trade securities on a stock exchange so one can buy insurance at the current price. Uniform protection can be continued from one insurer to another, from one year or generation to the next, from one location to another, even to outer space, of late. So insurance provides a consistency not always available through other risk management techniques.

But, you object, the coverage is not always available when I want it for the price I am willing to pay. True, but one could say it is the most consistently affordable risk transfer method.

For generations, insurance premiums have been a negligible cost to individuals and businesses. In spite of some recent geometric increases, followed by reductions in some lines, premiums still represent a fractional percentage of sales or personal budgets in the vast majority of cases. Insurance is, therefore, economically available.

Premiums represent relatively fixed costs when compared with other techniques, such as retention. This is a major advantage. What good are the best-made plans if they include or are based

upon a multiplicity of variable factors?

Yes, we can calculate the variations of the variables and reach a point at which to make a speculative decision. Most managers prefer fixed cost estimates. Adjustable cost estimates represent employment longevity risks to upwardly mobile risk managers.

Fixed insurance costs aid business budgeting. Adjustable costs, which have to be passed along to branches, divisions and subsidiaries and be re-explained and redefended, become management problems rather than solutions.

Insurance is now a requirement of a multitude of laws; for example, the bonding of fiduciaries required by ERISA. There are self-insurance and other alternatives to cover workers compensation and automobile financial responsibility, but these are either beyond the reach of most buyers, or complying with their requirements is so cumbersome as to be impractical.

American business and our personal lives rely upon the availability of credit. The recent gyrations of the prime interest rate have become front-page news and stories on television news broadcasts. Insurance makes credit available. This may seem a given, but should not be ignored in discussing risk management alternatives. Without evidence of a policy with a solid insurance company, we can't buy houses or cars, contractors don't bid, our country doesn't export or import and hospitals may find themselves unable to admit us. No other risk management alternative satisfies credit requirements as does insurance.

Insurance makes it possible for management to devote its time to making big de-

Continued on page 18



Norman Hoffman is a professor at The College of Insurance in New York.

perspective

Use supervisors to communicate benefits

Continued from page 16

- Get supervisors on the team. The boss has to accept responsibility for helping people get the benefit of the benefit, not pass the buck to the benefit administrator.

It's up to supervisors to insure that your employees aren't turned against the company because of the way the company's benefits program is handled.

The supervisor must make sure that the system is working the way it should. Then both the people and the company get the benefit of the benefits program.

How can we do this? There are three basic ways.

First, be sure the employees know all about their benefits. Don't assume that everyone is familiar with the benefits your company provides. They may have heard about them when they were first hired or read about them in an employee manual that outlines the benefits program. However, unless they have taken advantage of them in the past, they may not know exactly what benefits the company offers. This is particularly true of insurance-related benefits. What is and isn't covered may not be clear to the average employee.

Keeping people informed of benefits available to them is a service to them. Yet it also serves to defuse union propaganda by letting people know what the company does for them without a union.

Second, the supervisor should help employees take advantage of benefits. Often someone may not know how to apply for benefits. An employee might not even ask his supervisor about them, but the supervisor should offer help without being asked. For example, insurance claim forms are overwhelming to many people. Employees appreciate the concern of a supervisor who sits down with them and helps them fill out the form.

Third, follow up to make sure the system works. Supervisors may have to step in when employees aren't getting benefits they are entitled to or aren't getting them on time.

- Get other employees on the team. How can an employer know what people think about the benefit package? Don't ask managers or consultants, go ask your people!

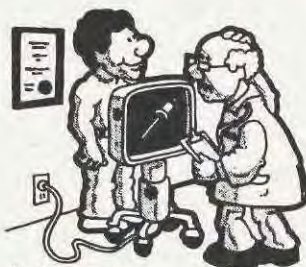
One device that has proven extremely valuable in improving communications is the use of ad hoc committees. An ad hoc committee is a group of employees selected by management, charged with examining a problem and finding recommendations for solutions. Ad hoc, problem-solving committees can be very useful for changing policies and procedures, modifying benefit programs and

Which do you think will have a more positive effect?

A Complete Plan of Benefits

At one time, benefits were called "fringes." They were a small amount you received in addition to your pay. Today, they are much greater. They are an important part of your total earnings.

The Personnel Department will inform you if there are any forms to complete when you become eligible for a certain benefit.



Group Medical Insurance

After one month's employment, Hourly employees are covered by medical insurance. All Salaried employees are covered from the date of hire.

All employees have a choice of two types of medical insurance:

1. **Company Plan** — VSI provides basic hospital, surgical, and major medical benefits. The plan allows your choice of doctors. It pays 80% of covered medical costs after you have paid an annual deductible of \$100. After you have paid \$900 in covered medical costs in a calendar year, the plan pays 100% of further covered medical costs.
2. **HMO Plans** — An employee may enroll in one of several Health Maintenance Organization (HMO) Plans. These plans require that you go to a specific medical clinic. There is no annual deductible for this plan.

16

Total Hours Worked	X	Normal Vacation Hours Allowed For Full Employment
2080		

Vacation pay will be computed on the basis of the employee's currently classified straight time hourly rate in effect May 1st of the current calendar year.

EMPLOYEE GROUP INSURANCE

All employees and eligible dependents receive company paid group insurance effective sixty (60) calendar days from date of employment. If the employee is absent from work on this date, his group insurance is then effective the first day of return to work immediately thereafter. Eligible dependent insurance coverage is effective the same date as the employee's insurance.

The employee group insurance is covered in detail in a separate information booklet and Certificate of Insurance issued to all employees. Listed below for general information however, are the various insurance coverages provided by Dover at no cost to employees:

Type of Insurance	Coverage For
Hospital Expenses	Employee and Eligible Dependents
Other Medical Expenses	Employee and Eligible Dependents
Weekly Disability Income	Employee Only
Life	Employee Only
A D & D	Employee Only

(31)

obtaining feedback for management on what concerns employees. It is not necessary to have a large committee; 12 people are usually sufficient. They can operate as a unit for as long as the problem continues or until they reach a solution.

- Be aware of differences in value systems. Too many benefit programs come from the 14th floor cor-

ner office of the corporate headquarters. The value system, beliefs and personal needs of the employees in the plant are likely to be different from those of the executives. Be cautious about making assumptions on the benefit needs of other employees. That is, "if it's right for managers, it's wrong for other employees."

Risk professionals need technical insurance skill

Continued from page 16

decisions, such as buying, selling, merging, acquiring and making products that are better than any sold by competitors. If today's risk manager works full-time identifying, evaluating, controlling and monitoring his or her firm's exposures, how much more time would be required of top managers to add this technical and sophisticated function to their schedule if insurance were not available?

Of all contractual relationships, insurance is surely one of the most technical. Ask a product liability underwriter what the word "occurrence" means in his company's policies. He'll probably ask: "For which insured?" The most common corporate liability policy is virtually incomprehensible to a layman, which explains why insurance has always been a manager's first choice.

In addition to paying for losses, insurers provide other services that, in the absence of purchasing coverage, we would have to furnish ourselves. They file financial responsibility certificates for us, they adjust claims, they

purchase reinsurance, they monitor medical costs and even promote goodwill by acting as a buffer between us and our customers and employees. The cost of such services is included in our premiums and their value may be greatly underestimated by most normal consumers.

Finally, insurance is the most common form of pure risk management simply because most risk management experts make their living from it. Only if the same expertise could be provided at less cost does this fact change.

Risk managers are valued corporate staff members. They communicate with every facet of a business organization and provide input essential to the proper functioning of their enterprise. Their individual success within their own organization is based upon their contribution to its growth, which is based upon their ability to communicate to legal, financial and operating management. Be the risk manager a C.P.A., M.B.S., J.D. or a Ph.D. in American literature, a knowledge of insurance is essential.

legal briefs

Insurer cannot quit after starting defense

Two and a half years after it had accepted the defense of a liability suit, an insurer was prevented from denying liability by an Illinois appellate court.

Textile Machinery Inc. was insured by The Continental Insurance Co. and was sued for personal injuries arising out of the sale of machinery without sufficient safety devices. Textile submitted the complaint to its broker who submitted it to Continental.

Continental undertook the defense in December 1971. Its lawyers filed an answer on behalf of Textile in January 1972. In September 1974, Continental notified Textile there was no policy coverage. Textile asked the court to determine if the policy applied. The trial court said no.

The appellate court concluded Continental should be precluded from denying coverage. *Textile Machinery vs. Continental Insurance Co.*, Illinois Appellate Court, May 8, 1980, as modified Sept 4, 1980 (BI/0333/A-\$5).

Widower's benefits

The question before the Georgia Su-

preme Court was the constitutionality of a presumption of dependency in favor of widows, but not widowers, under the state workers compensation law. The court found the law unconstitutional.

Jack Russell filed for workers compensation benefits following his wife's death during employment. However, the law presumed a wife was wholly dependent upon her husband while a husband had to prove dependency to recover benefits. The trial court found the law invalid.

On appeal, the court agreed the law was unconstitutional. The court concluded the difference in treatment could best be remedied by eliminating the presumption of dependence of widows.

Thus, both widows and widowers would have to prove actual dependency. *Insurance Co. of North America vs. Russell*. Georgia Supreme Court, Sept. 8, 1980 (BI/05/A.\$5).

Copies of the entire decision may be obtained by sending \$5 to Cases Unlimited in care of Business Insurance, 740 N. Rush St., Chicago, Ill. 60611.

someone you should know



“If we are doing job, you won't know we're here”

By JOHN MAES

CHICAGO—As Illinois insurance director, Philip R. O'Connor likes to sit back and let the insurance market do its thing—until it shows signs of slack competition, poor financial performance or bad treatment of policyholders.

Then Mr. O'Connor pounces. But even when he's on the attack, he tends to be more of a peaceful conciliator than a snarling watchdog. After all, "You can catch more flies with honey, and you can generally get more done with a cooperative approach to dealing with the industry," he said.

"The majority of our contacts are of a cooperative nature." Even though Mr. O'Connor's contacts with the industry are frequent, he feels insurance departments all over the country should do more to assess the financial condition of insurers.

Mr. O'Connor and his predecessor Richard Mathias set up a special actuarial investigative unit to watch loss reserving practices of insurers in Illinois, a critical step in determining solvency.

A computer is being used by the insurance department to forecast whether insurers will be able to meet claims.

Mr. O'Connor's fears over insurer insolvency are real. Earlier this month, he filed a \$500-million suit against the defunct Reserve Insurance Co., its officers and auditors for allegedly covering up the firm's insolvency as far back as 1974 (*BI*, March 23).

"It's not just a matter of regulating and monitoring," he says. "But rather what knowledge do we have that these companies are financially sound and are we improving our techniques to look at them?"

He's also active in the efforts of the National Assn. of Insurance Commissioners in this area. He is vice chairman of a committee developing methods for insurance departments in all states to look at insurers' financial performances.

But he takes no credit for the committee's accomplishments. Any idea that surfaces from the committee is the product of all its members, not just an individual, he says.

Central among the questions Mr. O'Connor ponders is, "Do we know whether proper rates have been charged for casualty risks and will a company continue to be able to support claims?"

Mr. O'Connor operates under the assumption that if you don't know, you'd better be suspicious.

Treatment of the policyholder and health care cost containment also are constantly on his mind.

To ensure fair treatment of the buyer, Mr. O'Connor is planning an experimental program. Under his plan, the department will run a sample check of an insurer's claims payments. If a number of short payments appear, the insurer will be required to reopen the file and pay back all affected claimants.

These errors are not always a case of dishonesty, he says. A simple mistake may be to blame, but it's likely the insurer will be careful next time if he is forced to pay up, Mr. O'Connor says.

"They'll be careful not to repeat," he explains. "And it's better than a fine of \$100,000 because with a fine, the policyholder gets nothing."

There are unscrupulous insurers, however, especially in auto and property/casualty lines, he says. But Mr. O'Connor's job of catching them is made easier with the department's complaint-tracking system and spot performance exams to look for market conduct or financial problems.

As part of his contribution to the war against skyrocketing health care costs, Mr. O'Connor has met numerous times with workers compensation insurers to encourage that they enforce safe work practices and that they fully scrutinize claims.

Actually, competition is the key to smoothly operating the insurance marketplace, he says. When insurers are competing, rates are adequate to keep insurers solvent, but are not excessive. The policyholder is in the best position to get a fair shake or take his business elsewhere.

That, also is when the insurance director can maintain a low profile. "If we're doing our job well, you won't even know we're here," said the 32-year-old Mr. O'Connor, who holds a Ph.D. in political science from Northwestern University in Evanston and is a former fellow at the university's Center for Urban Affairs.

Before joining the insurance department in 1977, the Vallejo, Calif., native served as administrative assistant and campaign manager for U.S. Rep. George Miller of California. Before that he was assistant to the special counsel for former Illinois Gov. Richard B. Ogilvie.

Mr. O'Connor hopes to return to politics someday but until then, this is a satisfying stop along the way.

"The work gives me a great deal of satisfaction," he said. "I find the issues to be intellectually challenging and you can really do some good."

Marketing course offered

CHICAGO—Crain Communications is offering a series of one-day courses on marketing know-how and cost-effective techniques for selling and promoting products and services.

The *Advertising Age* High Intensity courses are led by professionals in three key marketing/advertising disciplines:

- **TV Production**, taught by international consultant Hooper White.

- **Developing Successful Marketing Strategies**, taught by Leslie Wolfe, chairman of Maresca/Wolff Organization.

- **PR/Publicity**, taught by Avril Polson, general manager of Bozell & Jacobs public relations firm of Chicago.

Each one-day course will be offered in San Francisco, April 3; St. Louis, April 27; and Atlanta, May 1.

The \$185 fee includes the course, workbook materials prepared especially for the program, a lunch and coffee breaks. The shirt-sleeve sessions are conducted in small, classroom sessions to offer the attendees the best opportunity to learn from skilled practitioners.

Due to the nature of the courses, class size is limited. To register, fill out the accompanying coupon or call Crain Educational Division toll-free at 800-621-6877. Illinois residents call 312-649-5242.

ENROLLMENT FORM

Enclosed is my course fee of \$185. Please enroll me in the following High Intensity Course:

CHECK ONE

TV Production

PR/Publicity

Successful Marketing Strategies

CITY OF MY CHOICE

San Francisco • April 3

St. Louis • April 27

Atlanta • May 1

Name _____ Title _____

Company _____

Address _____

City _____

State _____ Zip _____ Phone _____

I understand I may transfer my enrollment to another person in my organization, or to a different course or city.

Course fee must accompany enrollment form. Fee may be tax deductible.

Mail to: High Intensity Courses, Crain Educational Division, 740 N. Rush St., Chicago IL 60611. Phone (312) 649-5242 or call toll free 800-621-6877.

ADT offers fire alarm control unit

ADT has introduced a new dual fire alarm control unit designed especially for small and medium-sized installations.

The Unimode unit can be used in retail stores, small office buildings, nursing and day-care centers.

The system features two alarm receiving zones, remote station connection, a rechargeable emergency power supply and ground fault protection.

For details, contact ADT, 1 World Trade Center, 92nd Floor, New York, N.Y. 10048.

New coverage

Horan, Goldman Cos. of Bryn Mawr, Pa., is offering a new facility for general and professional liability insurance on alcohol and drug abuse centers.

According to president William Goldman, rates are based on whether the risk covered is only a rehabilitation center, a detoxification center or a counseling center with no rooming facilities. The general and professional liability is written together, with employees as additional insureds. However, doctors are excluded.

The program is available in Delaware, Maine, Maryland, New Hampshire, New Jersey, New York, Vermont, Virginia and Washington, D.C. For details, contact the nearest Horan, Goldman Cos. office or the main office at 2 Bryn Mawr Ave., Bryn Mawr, Pa. 19010; 215-527-4400.

Rimcospecs

The International Risk Management Institute Inc. has compiled all seven current Rimcospecs in a comprehensive two-volume manual.

The RIMCOSPECS Manual of Insurance Specifications contains information on construction, auto, governmental, hospital, manufacturing, mercantile retailers and wholesalers and trucking insurance specifications.

The manual is available for \$295 a set from International Risk Management Institute, Suite 208, Building 4, 10300 N. Central Expressway, Dallas, Texas 75231.

products & services

Individual Rimcospecs can be purchased separately.

Retirees' guide

Benefacts Inc. is offering a guide to preretirement planning for employees to work with when they

are at home.

Benefacts can tailor the preretirement module to fit a company's specific retirement plans. For a free brochure, write Benefacts Incorporated, Marketing Department, 300 E. Joppa Road, Baltimore, Maryland. 21204.



**YOUR
BMF**

PROFESSIONAL



FINDING BETTER SOLUTIONS TO RISK EXPOSURES OF INDUSTRY FOR MORE THAN FIFTY YEARS.

Bayly, Martin & Fay International, Inc.
International Insurance Brokers & Risk Management Consultants
Corporate Headquarters • 3200 Wilshire Boulevard • Los Angeles, California 90010 • (213) 736-9600
Copyright 1980 ©

info

• **Fire Prevention Through Films Inc.** has released its 1981 catalog describing 16mm safety and fire prevention films for training and public information. The catalog contains new titles and lists films for health care facilities, industry, fire departments, schools, high-rise buildings and homes. Preview prints will be furnished at no charge. Selected films can be rented. For a copy of the catalog explaining what each film covers, write Fire Prevention Through Films Inc., Box 11, Newton Highlands, Mass. 02161.

• The March issue of *Quotations*, a regular newsletter produced by Swett & Crawford brokerage, details the company's new and expanded **political risk insurance program**. The coverage includes confiscation, expropriation, nationalization and deprivation with limits up to \$40 million.

For a free copy of the newsletter, write Corporate Communications, Swett & Crawford, Box 3451, Terminal Annex, Los Angeles, Calif. 90051.

• **GAB Business Services Inc.** is offering its new edition of the 1981-82 **Little Red Book** to all insurance companies, agents, brokers and self-insureds.

The pocket-sized directory contains a complete roster of addresses and day and night telephone numbers for each of GAB's more than 700 offices in the United States and the Caribbean. Also listed are all Intermodal Transportation Services Inc. offices and telex numbers for overseas sites. For a free copy, write R.H. Hopkins, vp-marketing, GAB Business Services Inc., 123 William St., New York, N.Y. 10038.

• What an effective **claims management service** should offer a client is examined in a new brochure by National Loss Control Service Corp. (NATLSCO).

According to the brochure, effective claims management should provide extensive review procedures, in-depth account coordination, claim file monitoring and a data system that will meet individual client needs. For a free copy of the brochure, write NATLSCO, G-3, Department LS, Long Grove, Ill. 60049.

• A new audiovisual program on **risk management and business insurance** has been produced by the Education Department of Insurance Information Institute. Titled, "Introduction to Risk Management and Business Insurance," the program is designed for use in college courses in business, small business management programs and insurance company and producer training programs.

A student booklet and an educator's guide is also included. The 12-minute program is available in filmstrip or slides and includes a narrative on cassette and a script. The program shows how to identify and analyze loss exposures, manage loss exposures through risk management and purchase and use business insurance. The filmstrip is available for \$10 to member companies and subscribers and agents and \$20 to others. The slide program, consisting of 94 slides, costs \$25 for members and \$50 for nonmembers. Write, Education Dept., Insurance Information Institute, 110 William St., New York, N.Y. 10038.

• **Risk Management: Some Current Issues and Developments** is the title of a 76-page memorandum from the Machinery and Allied Products Institute.

It consists of papers presented at the Fall 1980 meeting of the MAPI Risk Management Council. Members can obtain a copy for \$5; nonmembers for \$10. Write Machinery and Allied Products Institute, 1200 Eighteenth St., N.W., Washington, D.C. 20036.

Wesley Kinder will head new reinsurance company

comings & goings: industry

WESLEY J. KINDER, former California insurance commissioner, has been named chairman and chief executive officer of a new reinsurance company being formed by Fremont General Corp. in Los Angeles. Fremont Reinsurance Co. will be capitalized at \$25 million and will write treaty reinsurance business now being handled by Fremont's principal subsidiary, Fremont Indemnity Co. **Ronald Gerlach**, vp of Fremont Indemnity and general manager of its reinsurance department, will be president of the company.

Other insurer changes:

Robert K. Schenkel has been promoted to director-group contracts in the group insurance department of The Prudential Insurance Co., Newark, N.J.

Thomas R. Bowman joined Zurich-American Insurance Cos. as manager of special risk underwriting at the head office.

The Continental Insurance Cos. have appointed **Bernard A. Serek** as assistant vp in charge of commercial lines underwriting in Continental's Chicago-based Western region.

Alice Y. Clark, claims adjuster at the Omaha branch office of Bituminous Insurance Cos., will become branch claim manager there April 3, replacing **Ronald E. Haney**, who is entering the independent insurance adjusting field.

Mark F. Wynne joined the Continental Insurance Co. San Francisco branch bond department. Mr. Wynne will be responsible for production and underwriting duties as senior bond representative.

John G. Blackman Jr. has been named assistant vp in the securities department at NLT Corp.

Other suppliers

Booke & Co. has promoted four people to assistant vp: **Gary L. Wilhelm**, pension project manager in Winston-Salem; **Susan W. Bailey**, insurance consultant; **Constance L. Tricebock**, risk management consultant, and **Carl W. Malmberg**, safety engineering consultant in Charlotte, N.C.

Reinsurers

Simeon P. Crandall has joined Orlando-based Hamburg International Reinsurance Co. as senior vp in charge of property and casualty treaty reinsurance with his management responsibilities to include underwriting, production, contract administration and claims.

Robert D. Lenk named assistant vp of NWNL Reinsurance Co., Minneapolis.

James V. Dargan appointed vp in the Los Angeles office of General Reinsurance Corp.

Barry E. Hicks appointed managing director of Sten-Re Ltd. and its Lloyd's broking subsidiary Sten-Re (U.K.) Ltd.

Edward R. Scanlon appointed assistant vp of General Reinsurance Corp., Greenwich, Conn.

Lawrence S. Davis elected assistant vp responsible for coordinating business and organizational planning as well as manpower training and development at INA Reinsurance Co., Philadelphia. **John J. Hopkinson** and **George H. Roberts** elected secretaries.

Excess/surplus

Robert N. Liston promoted to vp, underwriting at Shand, Morahan & Co. Inc., Evanston, Ill. **Joe Thackaberry**, assistant vp, association underwriting division, has expanded his responsibilities to in-

clude standard architects and engineers professional liability and hospital/medical malpractice in addition to his previous responsibilities. **Grant Hubbard**, assistant vp, now heads the individual risks underwriting division, which includes financial institutions, large professional accounts, miscellaneous errors & omissions, special risks and excess workers compensation.

Norman Stacks named president of Arkansas All Risks Inc., an excess and surplus lines and general insurance agency headquartered in Little Rock.

Robert F. Woop appointed regional vp for the New Jersey office of the David C. White Agency Inc. and Lawrence Excess Ltd. of Lynbrook, N.Y.

Cindy Macy had joined Arlington, Tex.-based Jack D. Hunter & Associates as property underwriter and **Shiela Johnson** has become casualty underwriter.

Agents/brokers

Edward E. Mack III has been elected president of Mack & Parker Inc., where he has been executive vp and chief operating officer since 1978. **Edward E. Mack Jr.**, former president, will continue as chairman and chief executive officer.

Jack R. Perez named vp and Eastern regional coordinator of Reed Stenhouse International. He will be based at Reed's New York branch office at Wall Street Plaza, where he will be responsible for developing and marketing international business in the Eastern region of the U.S.

Robert L. Hannon Jr. elected

chairman and chief executive officer of Johnson & Higgins of Michigan. **David W. Bianchi** was named president and chief operating officer. Mr. Hannon continues to be a director of the parent company in New York.

Timothy Bonnell named vp-advertising and promotions coordinator of Don Flower Associates Inc., a subsidiary of Rollins Burdick Hunter in Wichita, Kan. **Gary Johnson** named vp-credit manager; **Rod Turner**, vp-office administrator; **Lee Kiefer**, vp-production coordinator; **Helen Beard**, treasurer/accounting department manager, and **Polly Bronston**, secretary.

Daniel R. Giles joined Emmett & Chandler in San Francisco as senior vp.

Douglas M. Michel joined Bayly, Martin & Fay in Los Angeles as senior vp/employee benefits. **Gary T. Peterson** joined the entertainment division as an account executive.

Victor Parker elected president and chief executive officer for Parker, Smith & Feek Inc., Seattle insurance brokers. **John N. Zefkeles** elected executive vp and chairman of the executive committee; **Donald L. MacLane** named vp-professional services; **Dennis Westover** appointed vp-commercial operations, and **John Tracey** named vp-personal services and employee benefits.

Barbara Giberson Ausherman named managing general partner of the Giberson Insurance Agency in Alton, Ill. Ms. Ausherman will become principal owner of the company. **Dudley F. Giberson** will continue as its executive partner.

WHY IT'S GOOD BUSINESS TO HAVE RANGER'S SPECIALIZED PROTECTION

Our kind of specialization means a more knowledgeable handling of our customers' insurance needs.

The dictionary says that to specialize is "to concentrate one's efforts in a special activity or field..." That's just what we have been doing for many years — providing specialized products and services to our customers on the best possible basis at all times.



Anderson Clayton

Atlanta • 404-457-7211 (P.O. Box 105028) 30348

Denver • 303-779-8383 (P.O. Box 3195) 80111

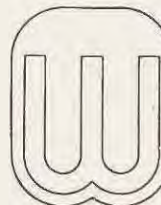
Houston • 713-622-6500 (P.O. Box 2807) 77001

Kansas City • 913-649-5500 (P.O. Box 8650) 64114

THE SPECIALISTS



In today's society Kidnap, Ransom and Extortion insurance has taken on new and greater importance. Act now, your clients who require this protection will benefit from broader coverage and more attractive rates.



The Wetzel Company, Inc.

3003 West Alabama
Mailing Address: P.O. Box 66452
Houston, Texas 77006
Telephone: 713/523-3003
Telex: 76-2053

Only through agents/brokers/insurance companies

Watch out, Lady Diana

LONDON—"Watch out, Lady Diana," the British Safety Council warns the next Princess of Wales.

Lady Diana Spencer has a 79% chance of having an accident before she walks down the aisle with Prince Charles July 29, says the nonprofit safety agency.

"According to a new technique of measuring accident potential through life change units, both Charles and Diana score enough points to be severely at risk," says the BSC.

Life change units were first devised by the British Safety Council in conjunction with the U.S. Navy. Now American Air Force and Navy pilots are not allowed to fly if their LCU score exceeds 300.

Here's a tally of the number of life change units Lady Diana scored in various categories (if she were a pilot, she'd be grounded):

Marriage, 50; gain of family member, 39; change in financial state, 38; different line of work, 36; outstanding personal achievement, 28; change in living conditions, 25; revision of personal habits, 24; change of residence, 20; change in recreation, 19; change in social activity, 18; change in number of family get-togethers, 15; change in sleeping habits, 16.

TOTAL: 328.

The scoring guide warns her to "Watch out!"

"You now have a 79% chance of having problems with health or safety," it says. "But don't give up hope. Having identified that your risk potential is high, simply take extra care and lead a quiet life for a while."

Losses are protected

Lloyd's brokers Adam Bros. Contingency Ltd. is offering a cancellation or postponement insurance policy to hotel chains, manufacturers and anyone else depending on the royal wedding for corporate income.

The policy insures set limits for anything that delays or cancels the wedding, says Geoffrey Fox, director of Adams Bros. This includes accident, illness and death in the royal family.

"But one doesn't expect jilting, so it's not mentioned," explains Mr. Fox.

Postponement of the wedding is more likely than cancellation, and this is reflected in the rating scale. For instance, if the queen dies, the prince becomes king and there is an entirely different wedding ceremony.

Or if another royal family member dies, there is an automatic six-week mourning period.

"Death is really the only source of risk," said Mr. Fox.

For postponement coverage only, minimum rates are 1.5% of the limit. Postponement and cancellation policies are a minimum 2.5% of limit.

Souvenir manufacturers already have bought policies for 1,500 to 250,000 pounds, says Mr. Fox.

Some manufacturers, however, aren't interested.

The Wedgwood Group, for instance, will produce at least 1 million pieces of china and porcelain to honor the royal wedding. The momentos will sell for as little as 2.95 pounds for a small dish to 2,000 pounds for a black bust of Prince Charles. But the company is not insured for cancellation of the wedding.

"The royalty has never let us down," said a Wedgwood spokesman.

Tying knot: Taking a royal risk

Continued from page 1

Everyone's hoping, however, that the prince will take better care of himself before his wedding to Lady Diana Spencer July 29.

"We're crossing our fingers," says Mr. Fox. "Prince Charles has led an exciting life—polo, scuba diving. He also flies helicopters—a fairly hairy risk."

There is a possibility, however, that both Prince Charles and Lady Diana could walk down the aisle of St. Paul's Cathedral in casts, if the British Safety Council is right.

Lady Diana has a 79% chance of having an accident before the wedding, says the BSC. This is based on a life change unit scale devised by the council and the U.S. Navy to measure how lifestyle changes affect one's chances of having an ac-

cident. U.S. Air Force and Navy pilots are grounded if their LCU score exceeds 300.

But no one's expecting Lady Diana to be grounded from her wedding even though she scored more than 300 by the BSC standard (see related story).

They'll bend over backwards to put the wedding on," said Mr. Fox, who doesn't foresee any cancellation or postponement unless someone in the royal family dies.

How safe the royal couple and their important guests will be in St. Paul's Cathedral, however, may be in question.

"When St. Paul's is full on the wedding day, there will be no way in the world that all the people will be able to get out in case there's a fire, especially the people in the front and the aisles, said Jim Tye,

director general of the British Safety Council.

When he was last in the cathedral he noticed that five of the fire buckets were not filled with sand or water, as they should be.

But, says Mr. Tye, the church is made of stone so chances of a fire are slim.

The royal couple and other dignitaries at the wedding will be quite secure enroute to and from the wedding, assured Bernard Townsend, chief inspector for the London police.

The route to and from St. Paul's will be inspected for explosives—a threat common in London from the Irish Republic Army.

On the wedding day, the route will be checked in the morning and sealed off, said the inspector.

"We will do a lot of extra checking and watch out for anything suspicious," he said.

But crowd control will be left up to the British public lining the streets, said the inspector. "We're very law-abiding people in this country. The British people will be there to cheer the wedding. They won't be there to protest it," he said.

Dignitaries visiting London for the royal wedding probably will supply their own security men, says the inspector. Police protection will depend on the dignitary's security rating, which depends on how stable his country is.

"For these sort of people each has his own security rating. If an Arab, Israeli or black dignitary were killed, it almost could cause a third world war," he said.

You can benefit from ambulatory surgery programs. Get the facts!

Attend the **Seminar for Ambulatory Surgery**

May 6-8, 1981 • Marriott Hotel
540 N. Michigan • Chicago, Illinois

Sponsored by Freestanding Ambulatory Surgical Association

Two-day seminar
Wednesday, May 6, and Thursday, May 7

Directed to private industry, health insurers, hospital administrators, physicians — those who can help shape the future of health care by working together to explore alternatives to high costs and excessive government involvement.

One-day workshop Friday, May 8

Of special concern to those interested in developing an ambulatory care program. This information-packed day includes 15 concise how-to sessions and four question-and-answer periods.

Cost containment is clearly our nation's health care mandate for the '80s.

Ambulatory surgery, an alternative to traditional health care, cuts costs dramatically — up to an estimated 60 percent!

You need to be thoroughly informed on this innovative concept. You need to know its immediate and long-term effects on the health care field. Find out where you fit in...how you benefit. Find out from those who know — the pioneers and authorities in the field, successful managers of ambulatory surgery centers, economists, and health insurers.

There's a lot in it for you!

Topics include:

- The private sector's role in making health care more affordable.
- How group insurance can encourage the use of ambulatory care.
- How underwriters measure results of ambulatory surgery.
- Why some insurance companies are considering the development of their own ambulatory surgical centers.
- How economists view ambulatory surgery.
- Procedures that should be included in coverage.
- Interaction with health systems agencies.
- Legal considerations.
- Governmental policies.

Speakers include:

- Uwe Reinhardt, Ph.D., economist, Princeton University
- Jules Bergman, broadcast journalist, author, concerned consumer
- Patricia Ibbes, editor, Employee Benefit Plan and Review
- Joseph Clune, Metropolitan Life
- Alain Enthoven, Ph.D., economist, Stanford University
- Richard Egdail, M.D., director of Boston University Medical Center

Seminar For Ambulatory Surgery

May 6-8, 1981, Chicago

Send confirmation immediately. I am enclosing check for \$_____ payable to "Seminar for Ambulatory Surgery."

registrations @ \$395 for all three days.
 early registrations @ \$350 (before April 10). (\$300 for each additional registrant for same organization)

registrations @ \$150 for One-Day Workshop. (\$100 for each additional registrant for same organization)

FASA members @ \$100 for One-Day Workshop

NAME _____ TITLE _____

ORGANIZATION _____

ADDRESS _____

CITY _____ STATE _____ ZIP _____ PHONE _____

Limited attendance. Sign up now.

Attach names of additional registrants included in your payment. Mail to Robert C. Williams, chairman; Seminar for Ambulatory Surgery, 810 West Bethany Home Road, Phoenix, AZ 85013. (Phone number: 602/258-1528)



MGM safety system could affect rates

Continued from page 3

enunciator panel in the 24-hour security office; a public address system to all points in the hotel; a bell/siren system in corridors which can be heard in guest rooms and a smoke exhaust system with smoke extractors activated by smoke detectors.

The exhaust system opens lowered doors on fire stairs to suck out the smoke. For further internal protection, areas are sprinklered every 25 square feet. This includes guest rooms, public rooms, corridors and storerooms.

The Sheraton Boston Hotel, with twin 29-story towers and 1,400 rooms, began installing a computerized fire safety and detection system in 1978.

The system, manufactured by Baker Industrial in New Jersey,

cost \$850,000 and upgraded the hotel's fire safety beyond what will be required by the 1982 Boston fire code.

Key features of the Sheraton system are smoke detectors in every area (and soon to be in every room), heat detectors, sprinklers in storage and kitchen areas (with chemicals), plus an alarm system tied into the Boston Fire Department, notes Burt Peretsky, a spokesman for the hotel.

"We're the only hotel in Boston with a loud speaker address system on every floor of the hotel," he says.

In case of fire, a smoke exhaust system shuts down heating and air-conditioning vents in the zone where the smoke is detected. Windows can be opened four to five inches only, allowing air in, but

keeping smoke from lower floors out.

Although the system was begun more than two years ago, it was only recently certified and its exact impact on insurance premiums is unknown, Mr. Peretsky says.

"It will help the insurance rates, but it's too early to say how," he adds.

Last year a study by Chervenak, Keane & Co., operational and technology consultant to the American Hotel and Motel Association, showed that more than half of the hotels queried had enunciator panels with smoke or fire detectors connected to a central panel.

Of the 2,800 hotels, 27.9% used smoke detectors in public rooms but only 13.2% used them in guest rooms; 29.7% used automatic sprinkler systems in public rooms but only 2.2% in guest rooms (more in corridors); one-third of the hotels use guest evacuation systems but only 8.5% use firefighter voice communication systems.

What hotels choose to do depends to a great extent on local codes and whether or not the buildings are high-rises, says Larry Chervenak of Chervenak, Keane & Co.

"There should be some consideration (for insurance rates) given for safety systems," adds Ray Ellis, a spokesman for the American Hotel and Motel Association and director of its research and security.

Rating is not consistent throughout the 50 states, he says, and depends on response time of the fire

Features of the new plan

The MGM Grand Hotel's new fire safety system includes:

- A central computer tied into all fire detection and control functions. The computer room will be staffed around the clock and protected by a two-hour fire wall. It will have its own phone system and emergency power supply. Fire information will appear on the computer terminal, a printer and a large display board. The computer will monitor 1,300 locations throughout the hotel and can activate up to 1,000 different life safety functions to halt the spread of fire or smoke or help guide hotel occupants to safety.

- Sprinkler heads in every guest room, public rooms and storage areas; these are heat-actuated and tied into the central computer, which will determine the location of the activated sprinkler head.

- Smoke detectors in every guest room, hotel corridors, near exit doors, in housekeeping stations, electrical rooms and outside elevator lobbies—all tied into the central computer panel. A separate smoke detector will pinpoint smoke in the ventilating system.

- Manual alarm stations within 200 feet of any point in the hotel and at every exit. These are tied into the central computer.

- Life safety communications. Any alarm (smoke, sprinkler or manual) will activate a loud, steady tone to warn occupants on that floor and floors directly above and below. Fire officials will be able to interrupt the tone and offer direct voice instructions to any room or hotel area. Firefighters also will be able to plug in hand phones to maintain voice communications with the central control room.

- Smoke control. Large fans will be automatically activated to open or close dampers to bring in fresh air from outside and remove smoke without sending it throughout the hotel. Fans automatically will pressurize the hotel stairwells, preventing smoke from entering. Stairwell doors, which are usually locked for security, will be automatically unlocked to provide an escape route. Hotel stairwells will be protected by a two-hour firewall.

Excess Workers' Compensation

It's Going Great!

4/80

Protective Insurance Company Offers:

-  Specific Excess
-  Aggregate Excess
-  Surety Bonds
-  Admitted Services for Captive Insurance Companies

For More Information & Prompt Quotations, Contact Dick Staats or Greg Bonnell at 317-925-3501



Protective Insurance Company

3100 North Meridian Street
Indianapolis, IN 46208

Memphis police aim to cut liability

Continued from page 3

An eight-member "shoot team" also investigates all cases where a city law officer shoots a citizen.

It gathers evidence either to defend the city if a lawsuit follows or to bring charges against the officer.

Mr. Klyman described a typical training session:

The film pans into a building where a crime has just been committed. The camera scans the various rooms of the building, so the officer can imitate conducting a search. Suddenly, a door breaks open. An announcer breaks in to tell the officer that if he had pulled the trigger at that point, he would have been wrong.

The number of shootings of civilians in Memphis decreased to 45 in 1980 from 60 in 1979. However, Lt. Clyde Keenan, police legal advisor and a member of the investigation team, is not convinced the program is entirely responsible.

"There are too many things that come into play," he said. "Sometimes it's just luck if an officer arrives on the scene at the right time."

However, violations of the use-of-deadly-force policy are becoming scarce, Mr. Keenan said.

It's also difficult to document how much the program is helping the city when it is taken to court. But the police department has not lost a case in two years.

That's encouraging since there are 50 lawsuits, 12 involving shootings, pending against the police department.

One thing is certain. The city has a better chance of successfully defending shooting cases because of better investigations.

Before, when a civilian was shot, three different police bureaus would investigate. Now that responsibility is solely on the eight-member "shoot team." They can get the evidence needed.

department, its equipment and the number of people available to fight the fire, too.

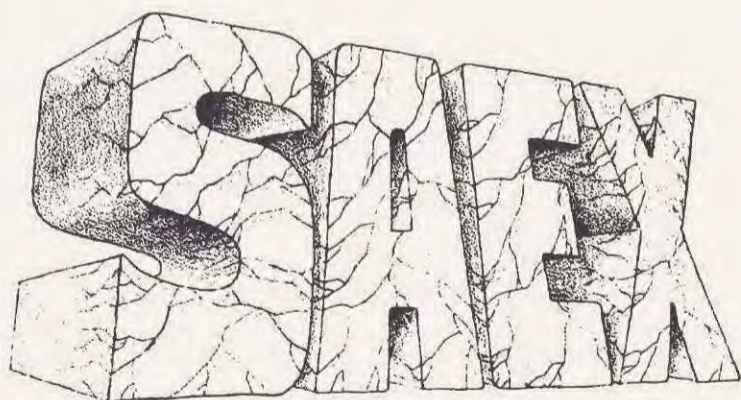
"It's not easy to say if you put this in, you will save such and such.

Arson also is a problem. At the Ritz Carlton, Mr. Cornell says that it is an area of high sensitivity. The hotel is working to heighten awareness of employees and to tighten internal security.

"There's so much to get on the front end of the case that if you lose it, you'll often never be able to rebuild it," Mr. Keenan said.

Betty Conner, city insurance coordinator, says the training program is a "positive step" toward

holding down the city's liability even though Tennessee law limits the amount a plaintiff can collect to \$20,000 per person and \$40,000 for more than one person in a single case. The city has no liability insurance.

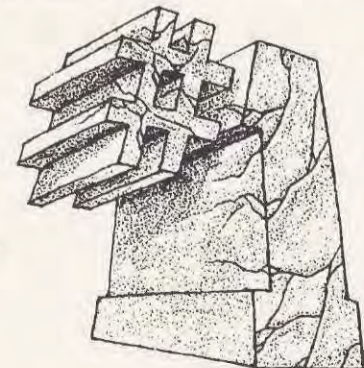


Number One
In the Northeast
For professional liability coverages.

The Saex Group has become the largest Excess and Surplus firm in the Northeast by putting together the biggest and best markets for professional liability coverages.

When you require the best possible markets for all your Malpractice and Errors and Omissions submissions... come to us.

We're number one in the Northeast. We want to be number one in America!



For professional liability coverages



Direct inquiries and submissions to Stanley Hancil, V.P.

The Saex Group

Underwriting Office: 474 Appleton Street, Holyoke, Mass. 01040.
Telephone: (413) 538-8261. Outside the 413 area, 1-800-332-3847.
Out of state, 800-628-8906. Telex: 95-5494. Cable: saex-llke.

Casing group legal

Continued from page 3
for group legal coverage, but product developers are convinced they have what firms will someday seek.

"Dental started about seven years before there was significant bargaining for it," said Ms. DeMent. "My guess is legal coverage will follow the same pattern."

Demand at present, she added, "is not much different than you would expect to see at the front end of any new benefit."

That activity usually starts with collective bargaining groups and then proceeds to private industry workers.

"What's happening is that more and more, the collective bargaining plans are seeking group legal coverage, but there's little movement in corporate plans," said Marvin Lazarus, resident counsel at Martin E. Segal Co.

"One single item holding back the big surge is the question of the economy. With escalating health care costs, people are not racing to take on new obligations."

Although the race may not be on, members of collective bargaining groups of teachers, state and county workers or health service industries are receiving the benefit.

At Segal, 12 plans (some for as many as 25,000 employees) have begun in the past 18 months, while Midwest Mutual expects its 20,000 policyholders to double or triple in number this year.

PrePaid Legal, which has more than 60,000 persons covered, mainly through group plans, expects rapid growth. It plans to expand coverage from 10 to 25 states by 1983 and also plans to expand its open panel that limits coverage to consulting, automobile and lawsuit cases to 25 states.

The increased interest in the benefit, even during an economic downturn, can be directly traced to its price that has increased little, if at all, over the past years, insurers say.

"The cost of operating the plans has turned out to be considerably less than people anticipated, with the major benefits being delivered," said Segal's Mr. La-

Dallas codes

Continued from page 3
els, are 100% sprinklered, the firefighter said.

But the majority of high-rises in Dallas are not sprinklered or have inadequate systems, he says.

"A lot have partial systems—with sprinklers in the basement—but relatively few have sprinklers above grade."

Rep. Elizondo's bill, if passed, will establish minimum standards of fire prevention for high-rises throughout Texas. There is no statewide standard now. Each city adopts and enforces its own fire code.

The legislation was in the works when the MGM Grand Hotel in Las Vegas burned, he says. The safety provisions would have little effect on Dallas insurance rates, says Frank Riseden of the National Automatic Sprinkler and Fire Control Assn.

"One problem in Texas is that insurance rates are based on experience in Texas only," Mr. Riseden says. "No major losses have occurred here for high-rises, so rates are low."

Insurance credits gained by installing sprinkler systems are often not large enough to allow a builder to amortize costs, he says.

Many opt for other fire prevention methods, such as fire walls and compartmentalization in the building.

zarus. "Middle-class people are just not that litigious."

He said that it is not uncommon for a major benefit plan to cost about \$100 per family annually because only 10% to 20% of plan members use it and most programs are not insured. This price could include about 100 hours of legal service.

"People tend to think in terms of plan utilization as they do medical. Every family will have some doctor bills every year, but that is not so with legal problems," Mr. Lazarus explained.

"There seems to be far more interest on the part of policy groups in the HMO (or service) approach in legal insurance," said Ms. DeMent.

"I think because of the experience with health care, they don't want to get into the problems they had with doctors," she explained. ■



*The Power of the Present
and the Pride
of the Past*

MCCRACKEN COMPUTER INC.

*Specialists in Providing Systems and Services
to Insurance Agents and Brokers for the IBM System/34.*



MCCRACKEN COMPUTER, INC.

2 Militia Drive • Lexington, Massachusetts 02173 • (617) 862-3083



Fireman's Fund Excess & Special Risk.

We are 25 years old this year—a lifetime in the Excess business.

A quarter century ago we made a commitment to provide our agents and brokers and their clients with creative solutions to complicated Excess problems and unusual risks.

Today, we continue that commitment, confident that we have the breadth and capacity for all the challenges that lie ahead.

If you've been a part of our first 25 years, thanks for making this silver anniversary possible. If you haven't, join us as we go

for the gold.

Call our Excess & Special Risk underwriting staff at any of our 50 branch offices.

Here today. Here tomorrow. Fireman's Fund Excess & Special Risk.



Cupid's arrow scores work comp claim

Continued from page 2

They told Mr. Muessig to leave her alone.

But by this time, Mr. Muessig felt the state department he worked for was treating him unfairly, says his attorney.

That anger had reached such a point that Mr. Muessig was unable to work anymore, he added.

The employer, however, success-

fully argued in court that the department intervened in the case only when it became clear Miss Launer was not interested in Mr. Muessig.

"Several of his supervisors told him to lay off," said the state's Mr. Welsh.

"It was a personal problem that the employer wanted to stay out of,

but when he (Mr. Muessig) began to annoy the woman at her home, we tried to reprimand him and told him we here considered his conduct was atrocious," added Mr. Welsh.

Meanwhile, Mr. Muessig remains disabled by the incident, says his attorney, who is asking temporary disability payments of \$154 a week and that his client's

medical bills be paid by the employer.

"We're not really talking about love here," he admits openly.

"But these two people were brought together by the job, the employee was counseled to pursue this woman and it caused his disability," said Mr. Fluss.

He describes the industrial in-

jury as anger that resulted in mental distress on Mr. Muessig's part.

The woman continues to work with the state in the same department she started in.

At one point, she thought about filing her own stress-on-the-job claim, but told her employer she just wants to forget the whole thing and go on.

So much for cupid's aim.

classified advertising

RATES AND CLOSING TIME:

Published every Monday. Copy in written form in Chicago office not later than noon Monday, 7 days preceding publication date. Display classified: takes card rate of \$49.00 per column inch with card discounts on size and frequency. Straight classified: \$4.50 per line, minimum charge \$22.50. Cash with order. Figure all cap

lines (maximum of two) 26 letters and spaces per line; upper and lower case, 34 per line. Add two lines for box number. Replies are forwarded daily. Mail ads to Barbara Tosheff, Business Insurance, Classified Advertising Dept., 740 N. Rush St., Chicago, Illinois 60611. Call (312) 649-5340 for more information. No verbal phone copy accepted.

ENTREPRENEURS WANTED
Former Shaklee pres. announces new business opportunity with unlimited potential. Send for free details of Enhance marketing plan.
F&M Industries
P.O. Box 2151
Menlo Park, CA 94025

LOS ANGELES INSURANCE AGENCY
For Sale
\$250,000 comm., 50% comm. Established 1931. Cash only, owner will remain.
Box 432, BUSINESS INSURANCE
740 Rush St., Chicago, Ill. 60611

RISK MANAGER
Newly created Risk Manager position with challenge and opportunity in General Aviation. One of our National Air Transportation clients whose 800 members operate aircraft sales, service and charter businesses at airports seeks individual to establish safety and risk management department. Submit resume or contact us at RIMS Convention, Booth #69, or write to:
Jay Lavenson
BAYLY, MARTIN & FAY, INC.
1700 Market Street
Philadelphia, PA 19103

ASSOCIATION DIRECTOR
Dynamic - Creative - Promotion-minded individual sought by insurance assoc. (IAO). Requires organizational communicative skills. Duties include: Supervise staff of 5; manage ins. school; coordinate legislative affairs. Salary based on experience-5 yrs minimum. RESUME & Salary History to:
D. Goode
921 SW Washington
Portland, OR 97205.

AGENCY OWNERSHIP
Partner wanted in nation's third largest one man independent agency. Volume approaching three million, growth averaging 28% per year for past seven years. High quality commercial accounts in Northeast Ohio area. Substantial ownership available if qualified. Must be aggressive, highly professional, growth-oriented, experienced and strong in both sales and leadership. Send information to:
Box 431, BUSINESS INSURANCE
740 Rush St., Chicago, Ill. 60611

REDUCE EXPENSES
Do your employees smoke? Ever evaluate cost to your company? Hold your own stop smoking clinic. Order table display with one dozen books on How To Stop Smoking. Send check for \$25.00 plus \$2.25 handling to:
EASY RELEASE
Box 3024
Richmond, VA 23235

INSURANCE RECRUITERS, INC.
• DALLAS P.O. Box 19597, zip 75219 (214) 528-0090
• ATLANTA 1800 Century Blvd. N.E., #1230, zip 30345 (404) 633-1973
• CHICAGO 200 W. Monroe, #1607, zip 60606 (312) 346-0268
• DENVER 650 S. Cherry, #510, zip 80222 (303) 320-5347
• NEW JERSEY P.O. Box 4042, Warren 07060 (201) 754-8280

INVITATION FOR BIDS & PROPOSALS for GROUP HEALTH INSURANCE for ALL EMPLOYEES & ANNUITANTS of the STATE of ILLINOIS
Sealed bids and proposals for the group health insurance program, for the period of July 1, 1981 through June 30, 1983, covering more than 200,000 State of Illinois employees, annuitants, and their dependents, will be received by the Department of Personnel at its office, 503 William G. Stratton Building, Springfield, Ill. 62706, until 2 p.m., CST April 27, 1981, and then and there publicly opened.
Insurance carriers, HMO's or self-insurance administrators or their designated representatives may obtain specifications by contacting the Department of Personnel in writing or in person at the above address. THE RIGHT IS RESERVED TO REJECT ANY OR ALL BIDS.
Louis J. Giordano, Acting Director
Dept. of Personnel

COMMERCIAL UNDERWRITING MANAGERS
Highly skilled productions undrs. needed to fill key positions in expanding Managing General Agency; minimum requirements: 5 yrs. und. experience, considerable exposure to large accounts at company or MGA level, management/supervisory experience desirable, P/C positions open in Ga., Ill., Calif., Wash., S.D., Ohio. Salary negotiable/comensurate with qualifications. Attractive benefit package. Equity interest potential. Opportunity to share in growth of progressive company with determined future. Send resume in complete confidence, or call collect:
Paul Sare, J. Gordon Gaines, Inc.,
66 S. Miller Rd., Akron, Ohio 44313.
1-216-836-9961

Consulting/Executive Search To the Insurance Industry
PAUL E. RUNKLE ASSOCIATES, INC.
One Chase Road
Scarsdale, New York 10583
(914) 725-0773

AGENCY FINANCIAL GENERALIST
Midwestern broker seeks a financial generalist who, preferably, has completed MBA requirements. Duties will include the preparation of financial statements, presentation of financial data to corporate officers, interpreting financial programs, and understanding of major corporate finances. Additional skills and knowledge in computer language; desirable. Starting salary in the range of \$50,000+-. Contact Travor Davis in Chicago for further details.
COLORADO BROKERAGE
Our client seeks candidates with heavy production records of commercially oriented accounts (\$50K & up). Energy related accounts draw first considerations. Superb vertical growth opportunities with a "wide-open" salary range DOE and proven performance. Contact Linda Mayer in Denver.
"A RECOGNIZED LEADER IN THE RISK MANAGEMENT, AGENCY/BROKERAGE FIELD"
CALL TOLL FREE (800) 527-5428

RISK CONSULTANT
Louisiana risk consulting firm seeks an individual for their expanding operation. Combination "inside/outside" position requiring expertise in both written and verbal presentations. Solid understanding of commercial lines. ARM designations desirable but out client will consider candidates from brokerage backgrounds. Salary range negotiable but in the general range of \$25K/\$35K. Contact Jim Gilbert in Dallas for details.
REINSURANCE UNDERWRITER
Our newly opening East Coast operation has been asked by major New York reinsurer to assist as they make a 2nd quarter expansion move in their casualty facultative dept. Ideal candidates will have a solid primary company background with at least three years of commercial casualty underwriting experience. Heavier experience can be accommodated. Starting salary, DOE, will run in the range of \$19K to \$30,000. Contact Walt Sackville in New Jersey.

JAZZ! SAN FRANCISCO
Once Again, For The Third Consecutive Year, Your Host **EBONY INTERNATIONAL, NEW YORK** Invites Attendees & Guests Of RIMS In Ballroom #7 At The Hilton April 5th-9th-5:30 to Midnight Featuring **The Roy Meriwether Trio!** (212) 765-5523

INSURANCE PROFESSIONALS

Insurance Resource Group is a consulting, search, and placement firm dedicated to career advancement for professionals in the insurance industry. Individual consultation is always provided for you by an industry professional. Our insight into how to best leverage your skills, combined with our excellent professional contacts, will assist you in evaluating your options, as well as determining your ultimate career path.

For further information please call or send a resume or brief outline of your background, in confidence, to Tom Russillo.

Tom Russillo has over fourteen years of experience within the insurance industry including a background in Sales, Underwriting, Claims, and Loss Control.

INSURANCE RESOURCE GROUP, INC.



Subsidiary of
McCUSKER ASSOCIATES
Management Consultants
Five Faneuil Hall Marketplace • Boston, Massachusetts 02109 • (617) 367-6722

RISK MANAGER

Multi-unit health care corporation seeks a Risk Management Professional to join our corporate staff in this newly developed position.

The successful candidate will have the opportunity to plan, develop, and implement a complete Risk Management Program which will result in minimization of Risk losses in 5 acute care general hospitals.

Ideal candidate will be degreed in either Risk Management, Business Administration, Law, or Hospital Administration, and will have five years experience in the area of Insurance Administration, in Claims Adjustment, Professional Liability, Medical Liability, Self Insurance. Hospital experience is a plus.

We offer an excellent salary, a full benefit package and an attractive career opportunity. For consideration send resume and salary history to:

DIRECTOR OF PERSONNEL
Peoples Community Hospital Authority
33101 Annapolis Avenue
Wayne, MI 48184



Equal Opportunity Employer

NATIONAL SALES FORCE

National expansion has created exciting opportunities for the right people. Protected territories are available to experienced, successful, life, casualty and benefit people. Established employee benefit program for auto-dealers offers lucrative supplement to current income. For detailed information contact:
Sales/Marketing Dept.
V.I.P. AGENCY INC.
P.O. Box 536
Teaneck, NJ 07666
(201) 837-1500

RISK MANAGEMENT

- Safety
- Industrial Hygiene
- Employee Benefits
- Pensions

ADVANCE/RENEW YOUR CAREER

Representing Select Corporations & Candidates Nationally

Marty Hodes, ARM
Chuck Hubbard
Call Collect
(212) 599-2662

METRIC

11 E. 44th St.
New York, NY 10017

This is One Safe Place

Continued from page 3
 facility is planned for Austin.

Tight security is one reason for Mr. Campbell's success.

"Our fiduciary position goes beyond a bank's responsibility," Mr. Campbell says. "We assure people we will take every means possible to protect their valuables through security and, should this break down, through insurance."

One Safe Place carries \$2 million in safe deposit box liability coverage, paying premiums of \$13,000 annually. The first \$1 million is with Integon Insurance Group and the second is with Lloyd's of London. In addition, each employee is covered under a \$100,000 fidelity bond with U.S. Insurance Group, a Crum & Forster company.

Next year Lloyd's will write a special policy to consolidate all of the liability insurance, *Business Insurance* has learned.

"If there is a loss due to our negligence—say because a box was left open—the insurance would come into play," says Mr. Campbell. Clients insure the contents.

His insurance agent, Jerry L. Nagid of Abe I. Brillling Agency in Dallas, says he had little trouble arranging the liability insurance.

Once underwriters saw how the security system operated, there was no problem, he said. "I have quotes up to \$10 million if it is needed in the future."

But One Safe Place relies on its security, not its insurance, to keep safe the gold, silver, art and stamp collections in its three vaults.

A television camera over the front door sweeps the street in search of suspicious characters. Three cameras keep watch in the vault rooms.

A communication system that ties the depository together also allows the guard to question those seeking entry.

Hired through Smith Protective Services Inc., guards are posted around the clock and are armed with pistols and shotguns. They spend their entire eight-hour shift at a computer console behind a wall of solid concrete and bullet-proof glass.

The computer is the mastermind of the facility's security system, controlling locks on doors and vaults, running the complex alarm system, recording who enters and exits and even calling the police in an emergency.

To gain entrance, subscribers must use two ID cards.

Once in the guard station, the subscriber enters the main vault through a tempered steel door. The vault itself is 1½ feet of precast concrete.

"This whole end of town could burn and it wouldn't hurt us," says Mr. Campbell.

A space-age fire prevention system developed by NASA is used in the vaults.

"We use a Halon system instead of sprinklers," he says. "Halon is an inert gas that extinguishes all classes of fires without harming pigments in paintings or destroying documents."

"Alarm-wise, we are very sophisticated," Mr. Campbell says. "No one can step on the roof without setting it off."

Should a power outage cut off electricity, a battery power system would keep the computer and alarms working.

"It is so sophisticated it senses there will be an outage and cuts in secondary power in four-thousandths of a second," Mr. Campbell says.

How important is all this to subscribers? Important enough that all 21 of the 5-foot-tall safes Mr. Campbell originally installed for gun storage were rented within the first week, and not just for guns.

"We had a woman drive up unannounced from Midland, Texas, in a big Lincoln and rent \$3,000 worth of boxes," he says. "I had to ask where she'd heard about us. She said her hairdresser told her."

A 15-year-old student is the youngest subscriber. He pays \$200 a year to store his coin collection and rides his bike to the depository every Saturday to check up on it.

Clients, ranging from bail bondsmen to grandmothers with silver flatware, eagerly pay Mr. Campbell's fees to keep their goods safe.

This goal is perhaps the only common factor among subscribers and is shared by Mr. Campbell.

"I have a standing order with Honeywell that if they come up with new and better equipment, I want to be the first to use it," he says. "We're fighting with the men in black hats."

✓ Check us out . . .

- ✓ Alarm Company Liability (including Errors & Omissions).
- ✓ Security Guard Liability.
- ✓ Police Professional Liability.
- ✓ Municipal General Liability.
- ✓ Public Officials Errors & Omissions.

1-800-531-7205 • 1-800-531-7224 • 1-800-292-5721 (Texas only)

BM&F

Bayly, Martin & Fay/San Antonio
 P.O. Box 17800
 San Antonio, Texas 78217

Put your Annual Report into Business Insurance

and announce the availability of your report or statement of financial condition to policyholders, prospective insureds and the insurance community at large.

This section represents an innovation in marketing insurance, benefits and risk management related services to a carefully selected and *interested* audience. Advertisers in the 1980 section received an average of 350 requests for copies of their annual reports—nearly 7,000 total requests from readers.

And now, more and more commercially insureds, their brokers and agents are interested in the financial condition and performance of their insurers and reinsurers.

The May 4 Annual Report Advertising Section is an opportunity for insurance companies, brokers and firms offering financial services, risk management services and safety/security systems to advertise their annual reports side-by-side, to the exclusion of non-insurance or service related advertising.

This section will go a long way to help the nearly 100,000 influential Business Insurance readers to better understand the industry that serves such a vital role in their corporate activities.

Business Insurance offers the frequency . . . the financial insurance news . . . the exclusive BI insurance stock index . . . and the most responsive audience of decision makers. You can count on high quality inquiries for your annual report or statement of condition.

Closing for this special Annual Report Ad Section is Friday, April 10 for reservations and copy.

For more information and order forms contact Ronnie Drachman, Business Insurance, 708 Third Avenue, New York, NY 10017 or call (212) 986-5050.

a publication of Crain Communications, Inc.
 New York:
 708 Third Avenue, N.Y. 10017 (212) 986-5050
 Chicago:
 740 Rush Street, IL 60611 (312) 649-5275
 Los Angeles:
 6404 Wilshire Blvd. CA. 90048 (213) 651-3710



Issue Date: May 4
 Ad Closing: April 10

Enstrom plan chops rates, hikes sales

Continued from page 1

criminal defense attorney F. Lee Bailey and purchased last year by Bravo Investments, a Saudi-owned holding company, inherited a typical small manufacturer insurance problem. Product liability coverage costs had skyrocketed during the crisis of the 1970s and never returned to earth.

For about \$25 million in coverage, the firm was paying 9.5% of its annual gross sales of about \$10 million in 1980. Product cover on its personally manufactured parts costs an additional 3%.

"Our accident rate really was not that bad, certainly not much worse than any of our competition," Mr. Mosely says. "But I got the feeling from the underwriters that a small firm without big company backing was not the kind of risk they really wanted to take."

Hull rates for Enstrom customers also had risen dramatically in the past decade. A firm buying a helicopter for about \$130,000 would have to annually pay 16% to 20% of its value for coverage.

"The rate for an Enstrom is about the same as the hull rate for a Hughes piston helicopter, but we were losing customers to turbine helicopter manufacturers," Mr. Mosely says. "The turbine ships cost about three times as much to buy but the hull rate is half of what insurers charge for our machines."

"The customer figured if he was going to spend that much, he might as well go all the way with the more expensive helicopter. That 16% to 20% rate just chokes them. I estimate we lost 25 sales last year just because of the hull rates."

Though turbine helicopters are not necessarily safer than piston products, the higher sales price translates into a bigger premium base, making the machines more attractive risks, according to Mr. Mosely.

With these problems in mind, the firm opened its search for a new broker, seeking a "nonsterile" agent who would take on both

issues. Mr. Lavenson won the account with an idea that had been warming up for several years—a unified management overhaul, including better internal controls, regular helicopter maintenance and continuing pilot training.

With Mr. Mosely in tow, the broker went to Lloyd's broker Fenchurch Aviation Group Brokers, a small aviation specialist, and then directly to a Lloyd's underwriter. With the helicopter expert answering questions about manufacturing and the firm's new financial base, negotiation became practical.

"I was able to get a renewal with a new lead underwriter, expand the policy to include grounding coverage and reduce the rates slightly with the potential for future reductions as our program proves itself," Mr. Lavenson says.

The rate for product liability cover on complete helicopters dropped to 8%, a 1981 savings of about \$150,000, and the underwriters promised more rate reductions as the firm's sales grew.

Lloyd's also showed interest in underwriting a discounted mass merchandised owner plan with rates based on factory guaranteed parts and repair and manufacturer guaranteed maintenance and pilot training, a program designed to increase sales.

Taking a tip from the jewelry industry that repairs and replaces jewelry for insurers at dramatic discounts, Mr. Lavenson and Mr. Mosely bargained for the plan by guaranteeing a special repair discount of 50%, dropping labor and parts charges below retail repair centers. In case of a total loss, Enstrom agreed to provide insurers with a replacement helicopter at a special discount.

Enstrom also agreed to establish regional repair centers designed to speed up repair and prevent insurance claims from lagging behind new helicopter production. Though the new centers, still on the drawing board, would cost Enstrom more for labor, Mr. Lavenson suggested tapping the resources of vocational-technical schools that

need laboratory work for students.

"Mechanics in training could work under experienced Enstrom mechanics and cut our labor costs while learning the machines," Mr. Lavenson explains. "We know they are good mechanics. Most of the vo-tech schools have large fleets of aircraft for training that students maintain. In the long run, this would be great for both product liability and owner coverage. There would be more Enstrom-trained mechanics in the business."

He also convinced his lead underwriter to include vo-tech schools as additional insureds to eliminate the colleges' liability for the work.

Establishing a new base hull insurance rate of only 10.5% of insured value, BM&F and the manufacturer also won a series of rate discounts based on a manufacturer-approved pilot curriculum, flight experience rating, six-month maintenance and pilot review and design updates.

So, the cheap rates provide

safety incentive. Pilot-training techniques are designed by Enstrom experts that also participate in product liability risk control.

"In order to get into the program, owners had to be checked out according to our flight standards," explains Mr. Mosely. "We trained our distributors' senior pilots to oversee the training. The owners must also sign an agreement, countersigned by the distributors, that guarantees they will report twice a year for a routine review and helicopter maintenance. The owner will be rate-penalized if he doesn't comply or if he refuses to make technical improvements in the equipment as we state."

The pilot review, according to Mr. Mosely, will help eliminate user-caused accidents and the regular maintenance and upgrading will help prevent indirect product liability claims such as those that hit Bell Helicopters (see story on page 1).

"Also, for each 100 hours of flight experience up to 300 hours, the owner receives a 1% rate reduc-

tion," Mr. Mosely adds. "So he can pay as little as 7.5% of value."

At 50 policies, a landmark passed last week; the rate structure dropped another 1%, making a bottom rate of 6.5% possible. Compared to the standard rate, an owner could be saving as much as \$15,000 of premium per helicopter.

Bayly, Martin & Fay exclusively administers the program and earns commissions on the owner policies. The brokerage also provides word-processing services which send reminders of the regular check-ins.

Though Enstrom receives no commissions from the user insurance plans, Mr. Mosely sees it as a sales and risk management tool. The cheap rates, he says, will help differentiate the product and provide a solid reason for buyers to want Enstrom helicopters ahead of other products. A survey of Enstrom distributors shows that each outlet expects to sell a minimum of five extra helicopters thanks to the discount owner plan.

And as sales go up, liability insurance rates should go down. ■

Exec's Lloyd's visit sells coverage

MENOMINEE, Mich.—Herbert Mosely, president of Enstrom Helicopter Corp., could've landed one of his own helicopters in Lloyd's front yard to demand lower product liability rates.

Some London underwriters would expect that kind of brash behavior from an American executive who wears western ties and knows more about aircraft than he does about insurance. But Mr. Mosely went to Lloyd's to learn, explain and convince Lloyd's he makes safe helicopters.

"Frankly, I didn't know I'd be taken when my broker suggested I

join him during the negotiations," Mr. Mosely explained. "But I found out that underwriters respond to the personal approach."

Mr. Mosely joined Jay Lavenson, a Bayly, Martin & Fay executive vp, in preparing a reduced-rate product plan and a discount owner insurance program underwritten by Lloyd's. Though broker Mr. Lavenson designed the program, he suggested that Mr. Mosely's personal expertise would finally sell the plan to underwriters.

"The Lloyd's underwriters seemed impressed that someone was available—an executive—to answer questions about the company. They responded. I had always believed that our product liability experience was better than what our rates indicated and I think I helped convince the un-

derwriters of that," Mr. Mosely said.

As underwriters learned about helicopters, Mr. Mosely learned about the insurance industry.

"It was a fascinating tour," he remarked. "I learned about leads, reinsurance, different kinds of brokers and underwriters...I had always viewed the insurance industry with great suspicion and distrust."

"It didn't make me enjoy paying any more than I did, but at least I understand a little bit more of what makes insurance work," he said.

"One other thing I did learn. If you have a good idea, it is worth pushing. If you have the knowledge and drive you can get a hearing. You can prove your integrity and get listened to."

And Mr. Mosely got his rate cut. ■



Mosely

Old blade design triggers liability

Continued from page 1

also was injured. The cause of the crash was traced to a fractured 102 type tail rotor blade, which lets the pilot control the plane. The broken blade had exceeded its service life of 600 hours and had a hairline crack.

Mr. Bradshaw, Mr. Hunsaker, Mr. Smith and Joe Ingle, the craft owner, all sued Bell.

A trial court awarded Mr. Bradshaw \$1.05 million, while Mr. Hunsaker received \$2.5 million. Pilot Smith received \$12,600 and Mr. Ingle was awarded \$38,800 for the copter.

Bell appealed to the Texas Court of Civil Appeals. The appellate court noted that when the 102 blade was designed in the 1950s, it represented the most advanced state of the art.

But the 102 blade was problem-ridden. Pilots did not comply with Federal Aviation Administration orders to make daily visual inspections for fatigue cracks and craft operators were not replacing them after 600 hours.

"The record shows that the 102 blade was considered safe...provided the required inspections were done and replacement of the blade was made after 600 hours of operation," the court said.

But the blades were not safe if inspections and maintenance work were not done, it said. Bell knew inspection and mainte-

nance procedures were being ignored, prompting it to design an improved blade in the late 1960s, said the court.

The new 117 type blade had a service life of 2,500 hours and required less routine inspection than the 102. The 117 "was a much more forgiving system than the 102," said plaintiff attorney Mr. Edwards.

When the 117 tail rotor series was ready for commercial production in 1970, Bell and the FAA initially supported a rule requiring operators to replace 102 blades with the 117 on Bell Model 47 helicopters.

However, the Helicopter Assn. of America, an operator's trade group, lobbied against the FAA mandate because it cost operators \$2,700 to replace the blades. The FAA, under pressure, withdrew the proposal.

Even though the 102 blade was considered safe with proper care, Bell should have forced helicopter operators not to use the 102 blade, the court said.

"We merely hold that once Bell produced a design which was known to be safer, the manufacturer owed a duty to persons using its helicopters to refrain from allowing 102 systems to be used," the court said.

But defense attorney Mr. Fahey said Bell could meet such a mandate.

"There is no way Bell could go in

and say: 'I want my blade back,' " he said. "As a practical matter, how can a manufacturer keep someone from using the blade?" he added.

But the court said Bell did have such power. "As a practical matter however, Bell had the means to remove 102 blades from the market, as evidenced by the steps it took" after the 1975 accident, the court said.

After the accident, Bell issued a service bulletin requiring replacement of all 102 systems with the 117 systems on its Model 47 G2-A1 helicopters. Bell service stations were obligated to follow the service bulletin.

The 102 blade was removed from the market after 1976. While only FAA had the legal power to remove the blade from the market, Bell had the practical power, the court said.

"Where an intervening act is of such a nature that it might have been anticipated, and is such that the defendant should have provided protection against it, he will be liable regardless of the fact that an illegal act was the immediate cause of injury," the appeals court ruled. "If a manufacturer or supplier places into the channels of trade a product so fragile that anticipated use is likely to create a dangerous condition, he has distributed an unreasonably dangerous product," the court said.

Bell has asked the Texas Supreme Court to rehear the case. ■

INFLATION...
THE CHANGING
WORKFORCE...
GOVERNMENT
REGULATIONS...

How Are They Affecting Employee Benefit Programs Today?

Find out by joining the 1981 HAY HUGGINS NONCASH COMPENSATION COMPARISON. Now in its 12th year, the Noncash Compensation Comparison is the largest, most comprehensive annual survey of its kind...

- Includes data from over 650 industrial, financial and service organizations nationwide.
- Provides concise analyses plus hundreds of tables on practices and trends in benefits, perquisites, and personnel policies for salaried and management employees.
- Graphically evaluates the worth and levels of your firm's benefits in comparison with those of other participants.
- Provides access to the largest benefits data base available, for making comparisons with any group of participants you choose.

Hay's unique data collection method enables participation with minimal effort and ensures accurate results.

To learn more about the Noncash Compensation Comparison, call:



Hay Associates

Client Services
Compensation Information Center
(215) 875-2660

U.K. industry shares hard times

By ALAN H. CLIFTON and PHIL V. OLSEN

Our summary of the U.K. insurance scene in December spelled out the difficulties both the property/casualty companies and the Lloyd's brokers were experiencing in 1980 because of soft premium rates, increasing claims and operating expenses and a strong sterling exchange rate. Generally, these problems have shown little sign of easing during the past three months, though just lately the U.S. dollar has improved against the British pound.

Full year results for 1980 are just starting to emerge from the U.K. insurance community. To date, Commercial Union, General Accident and Royal—names all familiar to those engaged in insurance in North America—have reported, but with mixed fortunes. Net income was down at CU and Royal, by 16% and 5%, respectively, while General Accident achieved a creditable 12% advance, aided by investment income.

The common features in each case, however, have been heavy underwriting losses in Australia and Canada, significant deterioration in experience in the United States, but comparatively good results in the U.K. itself. Given that underlying inflation was fastest in the U.K. last year, this does appear surprising.

The chief reason why insurers have continued to prosper in the U.K. despite the troubled economic background is probably because of its comparative freedom from official regulations.

The other principal reason why the United Kingdom has been by and large a benevolent territory for underwriters is its established tradition of market discipline.

An encouraging as it has been, the better pattern of underwriting results in the U.K. in 1980 has not been sufficiently good to offset the scale of deterioration evident in such territories as Australia, Canada and the United States.

In Australia losses are now significantly ahead of investment income, provoking actual trading deficits for the majority of insurers. Few withdrawals from the market appear to be taking place, however, so that the appalling level of underwriting losses looks like continuing in 1981.

The news from Canada is almost as bad as that from Australia. The insurance industry probably needs no worse an outcome than 109% on the combined ratio if it is at least to break even after crediting investment income. In fact, to judge from the experience of the British insurers there, it is likely to be nearer 112% in 1980, and worse this year.

Royal is Canada's largest insurance company and, for the record, its 1980 operating ratio was 113%—producing losses of C\$65 million on a premium base of C\$470 million.

Finally, the leading British insurers have reported mixed results in the United States in 1980. General Accident again usefully outperformed the industry with a combined ratio of 101.1% and Royal also did better than the 103% estimated industry results with 102.4%. Suffering from particular expense factors associated with the drive to increase its business volume, Commercial Union, the largest of the three in the U.S., came in with a statutory combined ratio of 104.7%.

For the future, the outlook is still bleak. U.S. underwriting will certainly be worse for all U.K. insurers with operations in America this year and experience in other overseas territories may well also deteriorate further before it improves.

Our own projections for Commercial Union and Royal point to yet lower earnings in 1981, though General Accident may achieve another marginal advance. In the case of Royal, which raised \$270 million in January last with expansion of its American business very much in mind, the year could be a critical one, indeed. Stockholders will be anxiously awaiting news of any intended acquisitions designed to boost Royal's recently declining U.S. market share. Watch this

BI ticker

space for news of developments.

Turning now to the insurance broking companies, the only listed group to have disclosed its 1980 results as we write is Sedgwick—biggest by far amongst the Lloyd's brokers and probably fourth in size worldwide behind Marsh & McLennan, Alexander & Alexander and Johnson & Higgins. Sedgwick's profit performance last year highlights the problems which are confronting the broking fraternity at large.

Total revenues increased by only 4% from \$310 million (130 million pounds) to \$323 million (135 million pounds). This looks rather modest by comparison with the 10% growth of revenues at A&A, for instance, but it has to be remembered that Sedgwick, unlike A&A, earns nearly 70% of its revenues in currencies other than its own. These foreign revenues, of course, were worth considerably less in pounds in 1980 than in 1979 because of the relative strength of the U.K. currency on the exchanges.

The pounds sterling/U.S. dollar exchange rate, for example, moved from an average of \$2.17 in 1979 to \$2.33 in 1980. Thus, if exchange rates had remained constant, then Sedgwick's revenue growth rate would have looked much more respectable at perhaps 9%.

Having illustrated the burden that the Lloyd's brokers have been bearing in the shape of the U.K.'s strong currency; they have also not been immune from the general reduction in insurance rates common to the U.S. industry.

In addition, Sedgwick has indicated but not quantified that interest earnings declined in 1980 despite a generally higher level of interest rates. This resulted from a squeeze on its cash balances arising out of spending on acquisitions and expenditure on its additional headquarters office building program. Also, underlining the difficult operating environment is a reduction in insurance funds.

On the expenses front, Sedgwick experienced a 12% rise from \$204 million (86 million pounds) to \$229 million (96 million pounds). Making allowance for the exchange rate influence upon the growth of expenses incurred outside the U.K. (probably about one-third of the total), the overall rate of increase would probably have been on the

British Issues

3/24 Companies	Price pence	P/E	Div. pence	1 Week	
				Yield %	High—Low pence
Comm Union	163	8.5	15.45	9.5	167—162
Eagle Star	256	8.9	15.71	6.1	261—256
Genl Accident	336	8.4	18.29	5.6	340—332
Gdn Royal Exch	334	8.9	21.43	6.2	352—344
Phoenix	282	8.8	21.43	7.6	286—280
Royal	380	8.9	34.29	9.0	387—380
Sun Alliance	796	10.8	45.00	5.7	810—796

Brokers		Price	P/E	Div.	Yield %	High—Low
Company	Price					
CE Heath	230	11.2	13.87	6.0	230—220	
Hogg Robinson	109	8.7	8.14	7.5	107—100	
Alex Howden	117	9.7	10.00	8.5	117—111	
JH Minet	104	13.0	6.45	6.2	104—98	
Sedg Grp	119	11.8	7.14	6.0	121—116	
Stenhouse Hldg	82	7.8	6.64	8.1	82—80	
Stew Wrightson	223	10.9	17.14	7.7	223—215	
Willis Faber	303	12.7	17.14	5.6	303—297	

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

order of 14% if parities had remained constant. But there were some non-recurring expenditure items in 1980. Ignoring these, the underlying growth of expenses was probably just 12%—much the same as Alexander & Alexander's experience.

The big difference between A&A and Sedgwick, of course, is the 7.5% increase in pretax profits to \$109 million for the former and the 12.4% decline to \$99 million (41.5 million pounds) for the latter. How this divergence will influence the merger negotiations between these two major concerns is open to conjecture, but Sedgwick will doubtless be quick to point out that nearly \$10 million (4 million pounds) was eroded from its pretax figure by the strength of sterling.

Looking to 1981, Sedgwick must also be pleased that the U.S. dollar has been effectively revalued by 8% or so since the end of calendar 1980. If sustained, that feature alone brings hopes of a recovery in profits this year.

Further evidence of the Lloyd's brokers' resilience, or lack of, will be forthcoming when Willis Faber and Alexander Howden disclose their results. Expectations, generally, focus on 19 million pounds pre-tax for both companies, but for Willis that implies, much against the trend, an increase over 1979.



Alan H. Clifton (left) and Phil V. Olsen (right) are analysts with London-based Kitcat & Aitken. They report quarterly on the British insurance industry for Business Insurance, in addition to supplying weekly earnings reports on British companies for BI ticker.



BI Industry Stock Report

Insurance Cos.	MAR. 24, 1981						3/18/81 THRU 3/24/81									
	Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol.	Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol.
Aetna Life & Cas Co	NYSE	36.63	-0.3	5.8	2.32	6.3	38.00	36.63	718.5							
American Bankers Ins Group	OTC	7.13	5.6	4.8	0.22	3.4	7.13	6.50	173.7							
American Finl Corp Ohio	NYSE	27.50	-0.9	5.6	0.50	1.8	27.63	27.50	17.3							
American Gen Ins Co	NYSE	43.63	7.1	6.7	2.00	4.6	43.63*	42.88	489.6							
American Indty Finl Corp	OTC	17.75	2.2	6.9	1.42	6.3	17.75*	17.38	5.1							
American Intl Group Inc	OTC	84.25	1.2	11.3	0.50	0.6	84.75*	83.75	188.6							
American Natl Ins Co	OTC	14.13	4.6	6.4	0.68	4.0	14.25	13.88	56.1							
American Sts Life Ins Co	OTC	17.50	2.9	6.0	0.72	4.1	17.50	17.00	0.3							
Aneco Reins Ltd	OTC	4.63	2.8	0.0	0.00	0.0	4.63	4.38	38.4							
Appalachian Natl Corp	OTC	2.13	0.0	6.1	0.05	2.4	2.13	2.13	0.3							
Avenco Corp	AMEX	9.38	2.7	8.1	0.50	5.3	9.63	9.00	13.8							
Banks Iowa Inc	OTC	30.00	9.1	5.0	1.44	4.8	30.00*	27.50	19.2							
Bitco Corp	OTC	39.00	5.4	5.6	2.16	5.5	39.00*	37.00	9.7							
Carolina Cas Ins Co	OTC	9.25	0.0	5.9	0.32	3.5	9.50	9.25	0.4							
Central Natl Finl Corp	OTC	10.50	1.2	3.9	0.65	6.2	10.50	10.38	0.5							
Chubb Corp	NYSE	44.25	1.1	5.2	2.68	6.1	44.88	43.88	94.3							
Combined Intl Corp	NYSE	21.00	7.0	5.9	1.60	7.6	21.50*	20.25	307.9							
Connecticut Gen Ins Corp	NYSE	54.00	2.4	7.0	1.76	3.3	54.38*	53.50	434.1							
Continental Gen Ins Corp	NYSE	26.50	1.0	7.1	2.40	9.1	28.00*	26.50	261.4							
Crawford & Co	OTC	19.50	4.3	14.9	0.52	2.7	19.50	19.25	6.2							
Crown Life Ins Co	OTC	96.25	0.8	8.1	2.80	2.9	96.50	95.50	2.0							
Crum & Forster	NYSE	29.63	0.0	5.5	1.44	4.9	30.50	29.25	367.4							
Employers Cas Co	OTC	33.50	3.1	5.4	1.20	3.6	33.50*	32.50	6.4							
Equifax Inc	NYSE	21.25	-0.6	6.7	2.40	11.3	21.25	21.00	6.4							
Farmers Group Inc	OTC	32.75	1.9	10.4	1.12	3.4	32.88*	32.00	323.8							
First Colony Life Ins Co	OTC	39.00	-7.1	13.4	0.80	2.1	41.00	39.00	8.0							
Foremost Corp Amer	OTC	23.13	3.4	7.6	0.80	3.5	23.13*	22.38	36.4							
Great West Life Assurn Co	OTC	270.00	8.0	11.2	10.00	3.7	270.00*	250.00	0.0							
Hancock Ins Co	OTC	45.50	0.0	4.2	0.72	1.6	46.00	45.50	13.1							
Hartford Steam Boiler Insprtn	OTC	37.50	1.4	7.5	2.60	6.9	37.50	37.00	48.8							
Jefferson Natl Life Ins Co	OTC	44.00	2.3	20.6	0.64	1.5	44.00	42.50	5.2							
Kemper Corp	NYSE	33.63	5.1	5.1	1.60	4.8	33.63	32.13	40.6							
Lincoln Natl Corp Ind	NYSE	44.25	3.5	6.1	3.00	6.8	44.25	43.00	81.9							
Magic Inv Corp	NYSE	36.00	2.9	9.9	1.28	3.6	36.38*	34.63	524.1							
Mission Ins Group Inc	NYSE	42.75	0.9	8.4	1.00	2.3	43.75*	42.75	45.6							
Nationwide Corp Ohio	OTC	23.00	2.8	6.6	0.70	3.0	23.00*	22.50	3.0							
Northwestern Natl Life Ins	OTC	29.50	5.8	6.5	1.25	4.2	29.50	27.88	53.1							
Ohio Cas Corp	OTC	42.50	14.5	7.1	2.04	4.8	43.63*	37.13	136.8							
Ohio Reg Intl Corp	OTC	17.13	2.2	4.7	0.92	5.4	17.13	16.88	77.5							
Pinehurst Corp	OTC	6.50	-1.9	12.0	0.00	0.0	6.63	6.50	9.5							
Preferred Risk Life Ins Co	OTC	19.00	2.0	6.4	0.80	4.2	19.00	18.75	6.2							
Provident Life & Acc Ins Co	OTC	45.50	1.1	6.7	2.20	4.8	45.50	45.00	5.1							
Public Natl Life Ins Co	OTC	25.38	2.5	15.3	0.70	2.8	25.50*	25.25	19.9							
Swan Ins Group Inc	OTC	23.00	-2.1	9.1	0.12	0.5	23.00	23.00	0.7							
St Paul Cos Inc	OTC	41.75	-2.9	7.9	2.32	5.6	43.88*	41.75	183.8							
Safeco Corp	OTC	39.13	6.1	7.0	2.00	5.1	39.75	37.25	133.8							
Sri Corp	OTC	32.50	8.3	5.4	1.20	3.7	32.50*	30.00	17.0							
Subels Bruce Group Inc	OTC	19.25	-1.9	9.7	0.80	4.2	19.63	19.25	28.0							
Statesman Group Inc	OTC	6.00	2.1	4.6	0.15	2.5	6.13	5.88	36.4							
Tokio Marine & Fire Ins Co	OTC	159.25	6.7	17.6	1.03	0.6	159.25	150.00	11.3							

Travelers Corp	MAR. 24, 1981						3/18/81 THRU 3/24/81									
	Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol.	Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol.
Travelers Corp	NYSE	48.25	4.3	5.6	2.88	6.0	49.00*	47.38	343.3							
United Fire & Gas Co	OTC	41.00	0.0	10.7	1.00	2.4	41.00	41.00	1.7							
United States Fid & Gty Co	NYSE	43.50	5.5	5.3	3.20	7.4	44.63	42.25	299.7							
United Svcs Life Ins Co	OTC	16.50	7.3	6.7	1.00	6.1	16.50*	15.75	47.1							
Unlife Corp	NYSE	32.50	11.1	9.1	0.72	2.2	34.00*	30.13	663.3							
Washington Natl Corp	NYSE	36.38	-4.3	7.1</												

How A & A looks at construction



Laying 20-ton pipe at the Foothills Treatment Plant in Denver, Colorado.

For the gutsy construction industry, Alexander & Alexander specialists roll up their sleeves and study the action through the eyes of the entrepreneur. We get to know the grit and the grind. Learn our way around projects from the quirks of earth movers to the state of cash flow.

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

Surety and service

This insider's vantage point enables our construction group to act as risk manager for any engineering or architectural contract, enhancing business stability and continuity. We cover all bases and contingencies — plan insurance programs from workers' comp to estate

planning, and use our savvy to match a client with the best surety market for long-term bonding needs.

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.