Week of March 3, 1980

business insurance

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

Spotlight report: Computer analysis

Risk managers who don't know their bits from their bytes can be intimidated by the newest risk management buzzwords: Quantitative analysis. **Page 11.**

Bache buys into top 10

An acquisition rockets Bache's brokerage division into the top 10 ranking of brokers. **Page 31.**

Job security scare jolts benefit plans

NEW YORK—Move worker demands for job security up on the list of factors shaping corporate employe benefit programs.

Thirteen thousand Budd Co. workers considered job security so important they went on strike in January for more than a month.

The new contract won last month by the United Auto Workers from Budd promises full benefits to workers moved to a new plant if their current plant is closed and better early retirement benefits if they lose their jobs in a plant closing.

The prospect of a recession forcing more plant closings and the migration of firms to the Sunbelt from the North are prompting unions to demand these job security benefits.

Legislation has also been introduced in Congress to force employers to compensate workers who lose their jobs in plant closings, including paying for 52 weeks of benefits.

"I've seen more pressure from unions in the whole area of job security," said John Wiskowski, partner at Kwasha Lipton Inc. in Englewood Cliffs, N.J., a consulting firm.

Employers faced with these demands can cut the benefit costs by not agreeing to specific plant closing benefits and by limiting the scope of employes eligible for the benefits, he noted.

Chrysler Corp. director of employe benefits John T. Kenney suggests companies negotiate contracts that allow the employer to find workers suitable long-term employment elsewhere, to cut benefit liabilities.

He should know. He recently handled benefits for workers who lost their jobs when Chrysler closed its Hamtramck, Mich., plant.

Budd workers' contract demands grew out of fear that plants would be closed in Gary, Ind., and Red Lion, Pa., and some company operations would be relocated to a new plant in Johnson City, Tenn. Workers won:

- Nearly double the previous early retirement benefits if the Pennsylvania plant is closed or if certain operations are shut down and suitable substitute employment isn't offered. To qualify, a worker must be over 40 and age and years of service added together must exceed 55, with benefits paid at age 55. In addition, workers with 20 years of service on June 1, 1982, will receive a monthly pension of $365 and a $300 monthly supplement to age 62.
- Transfer of full benefits and seniority to a new plant with the right to return to the old location within 60 days.
- Increased moving allowances to a new range of $500 for a single

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Photo: Wide World

Last day

Plant closings like Chrysler's in Hamtramck, Mich., are spurring worker demand for benefits.

House committee passes risk pool bill

Photo: Len Strazewski

Clear sailing

"I would think there would be no difficulties on the House floor," Rep. Richardson Preyer says of the Risk Retention Act.

By JERRY GEISEL

WASHINGTON—Propelled by an overwhelming committee endorsement, the Risk Retention Act allowing firms to pool their product liability risks under a federal charter now stands primed for approval by the House of Representatives this month.

"I would think there would be no difficulties on the House floor," Rep. Richardson Preyer (D-N.C.) told *Business Insurance* following last week's approval of the legislation (H.R. 6152) by the House Interstate and Foreign Commerce Committee. There was only one dissenting vote.

"The bill is on a very fast track," added Dirk Van Dongen, executive vp of the 45,000-member National Assn. of Wholesaler-Distributors, a major backer of the legislation.

"The speed at which the measure has gone through Congress has been remarkable," observed Victor Schwartz, chairman of the Commerce Department Task Force on Product Liability and Accident Compensation, which drafted the bill.

Passage of the Risk Retention Act by the full committee had been expected, but the nearly unanimous, bipartisan support of congressmen during the one-hour debate preceding the vote on Feb. 26 was surprising and bolsters the bill's chances.

Support for the legislation came from all sides of the political spectrum before a hearing room packed with business and insurance industry lobbyists.

Rep. Matthew Rinaldo, a fairly conservative Republican from New Jersey, strongly backed the legislation. "It is drastically needed by businesses in this country, particularly smaller firms," he said.

Rep. Phillip Sharp, a moderate to liberal Democrat representing Indiana, endorsed the measure as a way of giving relief to employers "who have been paying through the nose" for product liability insurance.

With this kind of committee support, the legislation has a superb chance of being approved by the full House in about a month, backers say. Even one insurance industry lobbyist was overheard remarking that "we'd be foolish to try to stop it now."

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UNSAFE: Workers can refuse tasks

WASHINGTON—Employers don't have to pay workers who refuse to do tasks they consider dangerous, but workers can't be fired or reprimanded for protecting their safety, the Supreme Court says.

The court upheld an Occupational Safety and Health Administration regulation that allows employes to refuse a task when there is a "real danger" of death or serious injury and not enough time exists for a worker to go through normal complaint channels.

Under the Feb. 19 ruling, an employer can withhold wages for the unworked time, an issue ignored by the original OSHA rule. But the firm cannot fire, reprimand or "discriminate" against an employe who in good faith declines to work, citing unsafe work conditions.

OSHA chief Eula Bingham hailed the decision as ensuring "safe and healthful working conditions for the nation's working men and women."

United Auto Workers president Douglas Fraser called the ruling "a major victory for working people. Employers will no longer be free to force a worker to choose between his job and his life."

The U.S. Chamber of Commerce described the decision as a victory for both employes and employers.

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NEWSPAPER

Prison riot claims
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for your information

Senate committee dashes hope of Social Security tax cut

WASHINGTON—Lower Social Security payroll taxes, an idea that had some support in Congress, now seems dead.

"It would be very foolhardy to reduce Social Security taxes when you are just on the ragged edge of having enough money to pay benefits," Sen. Harry Byrd (D-Va.) said before the Senate Finance Committee in summing up the committee's views.

Under legislation passed in 1977, the Social Security tax paid by employers and employes is scheduled to rise to 6.65% of the first $29,700 of salary on Jan. 1, 1981. The current tax is 6.13% of the first $25,900 of wages.

NIOSH to release cancer study

DETROIT—The National Institute of Occupational Safety and Health will release the results of its study of cancer cases among auto company woodworkers within the next two weeks.

The NIOSH probe follows disclosures last month by the Michigan Cancer Foundation that woodshop workers at General Motors have a cancer rate 50% higher than the general Detroit metropolitan population.

Attention has been focused on the possible exposure of woodworkers at the Big Three auto companies to cancer-causing elements in their workplace since reports surfaced late last year that at least 40 cancer deaths and 25 active cases of cancer have occurred (*BI*, Dec. 24, 1979).

Lloyd's trial to be set in fall

DALLAS—A trial date for the lawsuits involving Southwestern Bell, Lloyd's of London and the computer leasing firm Intercap (*BI*, Feb. 25) will be set in September.

A federal district judge here has directed the parties to proceed with their reporting and discoveries through the summer.

Lloyd's filed suit here last November asking the court to void a computer equipment lease indemnity policy it wrote for Intercap.

Southwestern Bell has filed a countersuit seeking payments under the policy as promised by Intercap.

Product liability rules delayed

SALEM, Ore.—A final version of the product liability insurance reporting requirements will be submitted to Oregon insurance commissioner Bill Fritz this week, but the regulations have missed the March 1 effective date originally set.

Insurance industry objections to the expansion of reporting requirements in the original regulations caused the delay, said Frank Howatt, assistant insurance commissioner. The major opposition was over the addition of a rule requiring companies to report case by case reserve levels, a rule that may be revised.

Insurers to cover lost satellite

LONDON—U.K. and other overseas insurers will pay out $77 million in claims for an RCA communications satellite that has been lost in space since Dec. 10 (*BI*, Dec. 24).

Lloyd's of London and other London insurers underwrote 81% of the manuscripted policy for the craft launched Dec. 6. Lexington Insurance Co., a member of American International Group, and Skandia Group picked up the balance. The risk, brokered by Marsh & McLennan in the U.S. and C.T. Bowring Group in London, is believed to be heavily reinsured with U.S. and foreign markets.

Shell sues Lloyd's for loss

LONDON—Shell International is suing Lloyd's of London in the British High Court here for payment of a $56 million claim for the missing oil cargo of the tanker Salem (*BI*, Feb. 11).

Lloyd's has refused the giant claim, charging the loss is not covered under the policy it issued on the tanker. Shell contends it has a valid claim but agrees that circumstances surrounding the loss are unusual.

Scotland Yard investigators in South Africa continue to research the Salem sinking and cargo loss.

OSHA levies biggest fine

NEWPORT NEWS, Va.—Newport News Shipbuilding & Dry Dock Co. here, the nation's biggest shipbuilder, faces fines totaling $786,170 for 617 alleged violations of job safety and health rules under the Occupational Safety and Health Act.

The proposed penalty, the largest OSHA has ever recommended against an individual employer, charges that the shipbuilder exposed workers to high levels of lead, asbestos and other toxic substances, violated noise-level limits and failed to advise workers that they were exposed to hazardous substances.

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Vol. 14, No. 9—Business Insurance (ISSN 0007-6864) is published weekly at 740 Rush St., Chicago, Ill. 60611. Application to mail at second-class rates is pending at Chicago, Illinois and at additional mailing offices.

G&W switches brokers over cost of services

By MARGARET LeROUX

NEW YORK—Gulf & Western Industries here moved the major portion of its insurance business to two other brokers after it couldn't bargain the prices it wanted to pay for risk management services out of its long-standing broker Alexander & Alexander.

Marsh & McLennan and Johnson & Higgins now share what had been A&A's account, the equivalent of more than $40 million in insurance premiums generating more than $1 million in commissions and fees, according to an A&A insider. No changes were made in insurers when the new brokers were brought in.

The decision by Peter Butler, Gulf & Western risk management vp, to move the account because of the cost of risk management services illustrates how much more closely risk managers are watching their costs today. It also shows how important services, in addition to insurance policies, have become to highly self-insured corporations.

"It was not a matter of being dissatisfied with the service we were getting," Mr. Butler said. A&A resigned from the Gulf & Western account because of a "very basic business disagreement that couldn't be negotiated," Mr. Butler added.

Executives at A&A declined to comment on the resignation of the G&W account. Richard Page, managing vp in charge of the G&W account, told *Business Insurance*, "I have absolutely no comment."

Mr. Butler, whose background includes public accounting, relishes the reputation he has for being a stickler on cost. "We probably overkill on the cost issue," he admitted.

"I wouldn't be doing my job and fulfilling my fiduciary duty if I didn't try to get the best possible service at the lowest possible price."

A lot of risk managers really don't know what their costs are, Mr. Butler said. "We really do a tremendous job of tracking costs."

A large portion of G&W's casualty risks is self-insured, Mr. Butler said.

The diversity of those risks is enormous. G&W owns 1,500 companies at 3,200 locations in 30 countries. Among G&W's subsidiaries are: Paramount Pictures; publishers Simon & Schuster; Consolidated Cigar; Kayser-Roth, one of the nation's largest apparel manufacturers, and E.W. Bliss Co., machine tool manufacturers.

Marsh & McLennan is the new broker for both primary and excess casualty insurance for G&W. M&M will provide "a full range of risk management services including extensive engineering services, computerized support systems for casualty loss prevention, actuarial and claims services," Mr. Butler said.

M&M earns a fee for placing the primary casualty insurance and a commission for placing the excess insurance.

Aetna Casualty & Surety Insurance Co. underwrites G&W's primary liability insurance and some workers compensation.

Johnson & Higgins is handling ocean cargo and international insurance on a commission basis. The international insurance is underwritten as a fully admitted program.

Rollins Burdick Hunter remains the broker on the domestic property portion of the G&W insurance program underwritten by Industrial Risk Insurers and Lloyd's of London through C.E. Heath Co. International property coverage is underwritten by AFIA. ■

Importers group floats cargo/product insurance

By JILL KAPLAN

NEW YORK—American Importers Assn. members can buy a package of cargo/product liability insurance from Lloyd's of London under a program shipped in by broker Alexander & Alexander.

The new program is designed to insure 18,000 products carried by the importers to $5 million for the cargo and $1 million for product liability.

More than 50 of the 1,300 AIA members, whose sales are $50 million a year or less, have applied for the insurance. "The phones are going bananas," said the A&A account executive for AIA.

The account executive, however, declined to reveal if anyone is yet insured under the program.

A couple of AIA members told *Business Insurance* they aren't interested in the program now, but AIA and A&A contend the program is needed to solve many members' insurance problems.

AIA members range in size from companies with annual sales of billions to $500,000. Most members' sales are around $50 million.

Importers' product liability insurance rates started skyrocketing about five years ago after damage awards against importers increased. Importers who once had little responsibility for even replacement or repair of products found themselves paying for the anguish and pain suffered by consumers hurt by the imported products.

"The problem is how to get back to the manufacturer, especially if the product is from Japan or Taiwan," said the A&A account executive. "Because there is nobody else to attack, the importer is going to be the first guy to get sued."

"It's typical for everybody to be sued, from manufacturers down the line to importers," agreed Ken Baaden, AIA director of member services. "The U.S. government considers importers to be as liable as manufacturers."

Product liability rates for $1 mil-

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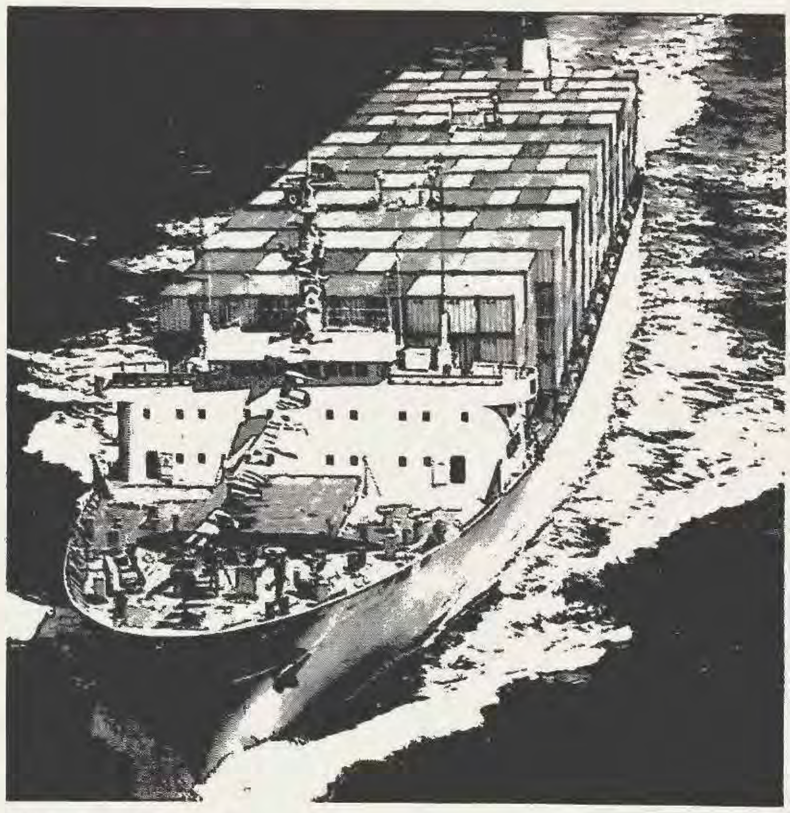

From abroad

The American Importers Assn. cargo/product liability package will cover 18,000 products shipped in from overseas.

N.M. prison riot sparks liability claims

By JOHN MAES

SANTA FE, N.M.—At least six claims, five alleging wrongful death, are expected to be filed against the state in connection with the Feb. 2-3 rioting at the New Mexico State Prison.

The state self-insures liability for its guards but buys a general liability insurance policy from Compass Insurance Co. that covers the state's liability, which is limited by state law.

The nature of the claims, still unknown, will determine if the state is insured for the claims, said Taylor Hendrickson, director of the state's risk management division.

Prison property destroyed during the rioting for a $10 million loss is covered under a $19.5 million property insurance policy underwritten by Insurance Co. of North America for all property owned by the state department of corrections.

The surviving families of five of 32 inmates killed in the 36-hour bloodbath have notified the state of intent to file wrongful death claims, said Mr. Hendrickson. A sixth notice has been submitted by an inmate intending to file a claim for injuries suffered during the riot. Fifty persons were hospitalized for injuries.

Claimants must notify the state 90 days before filing a suit.

It's difficult to tell right now whether claims will fall under the state's self-insurance general liability insurance policy. "We don't know what the allegations are and until we do, we won't know if the claims fall under the self-insured or the insured portion," Mr Hendrickson said.

Depending on the allegations and who is found to be at fault for the riot and deaths, some of the liability could fall on prison guards, who are state law enforcement officers and a self-insured risk, Mr. Hendrickson said.

Still other liability could rest with the state's general liability insurer, Compass Insurance Co. The policy limits of $500,000 per occurrence, $300,000 per person and $100,000 for property damage meet the state's limit of liability under New Mexico's tort law.

State officials have said many of the murdered and injured inmates were victims of retaliation by other prisoners angry over prisoner collaboration with prison officials.

More claims notices will probably be filed, Mr. Hendrickson said. It's possible that some claims could grow into lawsuits charging the state with taking inadequate measures to protect the inmates who were cooperating and providing inside information to prison officials, he said.

Photo: Wide World

Aftermath of riot

$10 million in prison property destroyed during the rioting is covered under a $19.5 million property insurance policy underwritten by INA for the state department of corrections.

Security Pacific National Bank and American Can Co. took honors in last year's Business Insurance Benefit Communications contest. Entries for this year's competition will be accepted next month.

Contest will pick the best in benefit communications

CHICAGO—Does your company tell its employes about their employe benefits in clear and imaginative ways?

Prepare to enter your communications program in the eighth annual *Business Insurance* Employe Benefit Communications contest to learn how your work stacks up against other programs and earn recognition for a job well done.

Five categories of communications programs will be judged in June by a panel of communications experts for creativity and effectiveness: total communications program; booklets; personalized correspondence; audiovisual presentation, and special projects.

First-, second- and third-place awards will be presented at the *Business Insurance* Employe Benefits Communication Conference in Chicago Oct. 27 to 29.

Eighty-seven companies submitted a total of 113 programs last year. Twenty-one benefit consulting firms had helped with programs entered.

American Can Co. of Greenwich, Conn., took top honors for the best total communications project in the 1979 contest. Clark Equipment Co. of Buchanan, Mich., won first place in the booklet competition.

Judges selected Security Pacific National Bank of Los Angeles as having the best special communications project. Tenneco Inc. of Houston took first place for its audiovisual communications program.

In the area of personalized correspondence communications, Harris Bankcorp Inc. of Chicago aced out 23 companies to take first prize.

Judges for the 1980 competition will be announced next month.

Judges for the 1979 competiton included Donald Young, senior director of personnel and compensation at Trans World Airlines; John Daugherty, director of benefit planning at Squibb Corp.; Beverly Braun, corporate communications at Reliance Insurance Cos.; Sal Spagnola, associate director of compensation at Thomas J. Lipton; Andrew Bandstra, manager of benefits administration at St. Regis Paper Co., and John Lamantia, director of benefits at Amerace Corp. in New York City.

Also Barbara Ruane, administrator of benefit plans and personnel policies at Exxon Research & Engineering Co.; Kenneth Babo, director of executive and employe benefits at CBS Inc.; Joan Burns, advertising manager at General Reinsurance Co.; Patrice English, manager of communications at Heublein Inc.; Eileen Monaghan, administrator of compensation and benefits at Crompton & Knowles.

And Sidney Bernstein, chairman of the executive committee at Crain Communications Inc.; Richard Harvey, director of employe benefits at Pfizer Inc.; Heinz Weiser, manager of benefits for Nabisco, and Hal Hudson, manager of welfare planning for Revlon Inc.

Entries for the 1980 competition will be accepted April 1 through May 30. For further information, contact Ronnie Drachman, awards coordinator, *Business Insurance*, 708 Third Ave., New York, N.Y. 10017; 212-986-5050. ▪

Aircraft owners sue Piper, others for $227 million

SACRAMENTO, Calif.—Owners of Piper Aircraft Corp. Aerostar-600 series aircraft are suing Piper for $227 million in damages and are asking that the aircraft be grounded.

The suit was filed in federal court here Feb. 15 on behalf of Horst Schmidt, a Las Vegas owner of an Aerostar, and approximately 1,000 other owners, users and relatives or heirs of purchasers of the aircarft.

The class-action here argues that the planes are so dangerous that the owners dare not fly them or fly them only at their peril. It asks the Federal Aviation Administration to ground the aircraft, charging that the defects in the plane's fuel system design have caused 99 crashes and 49 deaths.

"We're trying to get the airplane grounded and call attention to this serious problem," said Sacramento plaintiffs attorney Gary B. Callahan.

Piper and its parent company, Bangor Punta Corp. of Greenwich, Conn., say the suit is without merit and will be contested.

Lloyd's of London is the principal aviation product liability insurer for Piper, *Business Insurance* learned. Schiff-Terhune Inc. is the U.S. broker for the policy.

The class-action suit asks for $113.7 million in general damages and a like amount in punitive damages. Piper continues to manufacture the twin-engine propeller-driven airplane despite knowing about the defects, the suit contends. Piper misrepresents Aerostar's airworthiness, it says.

Thirteen other firms, including Ted R. Smith Aerostar Corp. and its associated firms from which Piper purchased the aircraft design in 1978, are also named in the suit. All defendants have been associated with the design, manufacture and marketing of the aircraft, Mr. Callahan said.

All are charged with "fraudulent and intentional conduct."

The defect in the design, engineering and production of the Aerostar fuel system makes the plan susceptible to "fuel starvation,"resulting in the loss of engine power during flight, according to the suit.

There have been 99 crashes of Aerostars killing 49 persons since the plane was certified for airworthiness by the FAA in 1968. The number of crashes is considered to be high. The most recent crash on Feb. 4 near San Jose, Calif., killed two persons aboard the plane. Another, Dec. 9, 1979, near Bishop, Calif., killed one person. Three people perished in the crash of an Aerostar near Carlstadt, N.J., on Nov. 16, 1979, according to the National Transportation Safety Board.

Ted R. Smith Aerostar Corp. held the manufacturing rights to the plane for most of a 10-year period after the original airworthiness certification until Piper bought the manufacturing rights in 1978. Piper has agreed to hold Smith harmless from damage claims, attorneys said.

The Aerostar accident rate had prompted a special investigation by the FAA, but the airworthy status of the plane has not been revoked.

There are currently 650 of the $275,000 airplanes flying, Mr. Callahan said. ▪

Dental plan covers American Family

EMPLOYES OF the Madison, Wis.-based American Family Insurance Group and their families now receive dental care benefits under a self-funded plan. About 4,000 full-time and part-time employes received coverage March 1.

The plan covers 100% of diagnostic and preventive work. Basic dental care procedures are 80% covered and major restorative work will be 50% covered. The plan includes an annual deductible of $25 for individuals and $75 for families. Orthodontics are not covered. The annual maximum benefit is $750 per person.

Full-time employes' dental treatment will be covered for free. Part-time employes and employes who elect coverage for dependents will pay for half of the cost, which the company refused to disclose.

benefit beat

The dental program is administered through Delta Dental Plan of Wisconsin and other participating Delta Dental Plans in the 11 states where American Family offices are located.

Stock ownership

In what officials say is an effort to improve productivity, Eastern Airlines has made its employes shareholders in the company.

Full-time employes have each been given 10 shares of common stock and part-time employes have been given five shares. The market value of each share has recently been about $8.

The distribution of common stock came after the company last fall purchased 420,000 shares of its stock at a cost of $3.6 million.

Dental plan

The Suffolk County Patrolmen's Benevolent Assn. Welfare Fund is offering its members comprehensive dental insurance through Dentcare Delivery Systems Inc. of Valley Stream, Long Island, the only licensed not-for-profit dental insurer in New York state. Members now can choose between the Dentcare plan and a self-insured fee-for-service plan.

Enrollees choose their dentist from a list of participating providers. Frequent visits are encouraged because a fixed rate is charged per individual, no matter how much dental work is done.

Dentcare has 71 offices in 10 counties, with more than 5,000 families enrolled. Five major unions besides the patrolmen's association offer Dentcare.

Tentative pact

United Auto Workers members employed by Mack Trucks Inc. in Allentown, Pa., have won increased group life insurance and health insurance coverage as well as pension improvements in a tentative contract settlement.

Group life coverage will be increased to $22,500 from $18,900 effective the first day of the month after ratification. Coverage will be increased to $23,000 on Jan. 1, 1981, and to $23,500 on Jan. 1, 1982. Health insurance will be extended to include outpatient coverage, blood processing fees, experimental drugs, reconstructive surgery and a cardiac rehabilitation program.

A union spokesman declined to give further details of the agreement until the contract is ratified by members.

Canadian pensions

The method of indexing Canadian public service pensions is likely to be revised, William M. Mercer Ltd. predicts in a bulletin reviewing the past year.

Liability indexing is $4 billion to $6 billion more than expected, the consultant notes. The cost of pension increases already awarded to retired civil servants, without allowing for future inflation, vastly exceeds the money in the supplemental benefits fund to which civil servants contribute.

The chief problem of pension plan administration in the past year has been giving some pensioners relief from inflation, Mercer notes.

Although higher investment returns on pension fund assets have made that task "somewhat easier," the inflation adjustments have been costly.

The proposals of the Quebec "Cofirentes" report, the Economic Council of Canada and the Senate committee on retirement age policy all advocate earlier vesting of pensions and locking in of contributions, Mercer says. "Serious opposition to earlier vesting has disappeared; the only problem is to decide which rule should be adopted."

Mercer concludes that the trend is strongly toward increased disclosure of information on all employe benefits, with Quebec publishing rules on pension plan disclosure.

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

Members named to ERISA panel

WASHINGTON—Three new members have been named to the Advisory Council on Employe Welfare and Pension Benefit Plans by Secretary of Labor Ray Marshall.

The new members are Gerald M. Feder, a Washington attorney; Donald S. Grubbs Jr., manager of George B. Buck Consulting Actuaries in Washington, and Burton M. Leibert, attorney with Willkie, Farr & Gallagher in New York.

Reappointed to the 15-member council are Reuben W. Berry, vp-personnel director of Montgomery Ward & Co. Inc., and Alfred H. Sigman, an Oakland, Calif., attorney.

The advisory council was established by the Employe Retirement Income Security Act to advise the secretary of labor. Mr. Feder will represent employe organizations whose members participate in a multiemployer plan, Mr. Grubbs will represent actuarial consultants, Mr. Leibert investment counselors, Mr. Berry employers and Mr. Sigman the general public and recipients of pension benefits. ▪

Pregnancy benefits law

Catholics will pursue abortion suit

By JERRY GEISEL

THE U.S. CATHOLIC Conference and the National Conference of Catholic Bishops will appeal a federal judge's dismissal of their suit asking that the abortion section of the federal pregnancy benefits law be declared unconstitutional.

The pregnancy benefits law requires companies to pay for the cost of abortions on the same basis as they pay for other sicknesses if the woman's life is endangered by the pregnancy. Employers also must cover the cost of any medical complications from an abortion. Catholic groups object to both requirements.

In dismissing the suit, U.S. District Court Judge John Pratt said that in order for the power of the federal courts to be invoked, a "case or controversy" must first exist (*BI*, Jan. 28).

Employes of the two Catholic groups that filed suit did not request that abortion benefits be provided in their group health insurance policy. The government hasn't tried to require that such benefits be provided. Thus a controversy does not exist, Judge Pratt said.

Currently, an employe has to file a complaint with the Equal Employment Opportunity Commission before the federal government will decide whether to make her employer pay for her abortion.

No such complaints have been filed.

washington

Javits runs again

Sen. Jacob Javits (R-N.Y.) says he will seek a fifth term this year, hoping to continue his push for enactment of federal minimum standards for state workers compensation programs, an idea that has never gotten off the ground, and reform of ERISA.

Sen. Javits, 75, a key member of the Senate Labor and Human Resources Committee that has jurisdiction over pension and workers compensation issues, says his proudest moment in the Senate was the 1974 passage of ERISA. He cosponsored the ERISA legislation with Sen. Harrison Williams (D-N.J.).

OSHA wants help

The Occupational Safety and Health Administration is asking the public for comments and information on health and safety hazards in grain elevators and other grain-handling facilities. The comments will be used to aid OSHA in drafting new regulations to protect grain handlers.

OSHA will hold public hearings in April in Superior, Wis.; Kennar La., and Kansas City, Mo., on the health and safety hazards associated with grain elevators.

Written comments to OSHA should be sent to the docket officer, Docket No. H-117, Room S6212, U.S. Department of Labor, 200 Constitution Ave, N.W., Washington, D.C. 20210. Or call OSHA at 202-523-7894.

Federal benefit rules

The nation's biggest health trade association wants minimum federal standards for employer-sponsored group health insurance plans.

The Health Insurance Assn. of America urged a congressional committee to require that employer plans pay all annual medical and hospital expenses that exceed $3,000 for individuals and $5,000 for a family.

The HIAA also advocated that workers laid off during a recession receive health insurance benefits for three months.

Burton E. Burton, senior vp at Aetna Life & Casualty Co., who spoke on behalf of the HIAA before a House Ways and Means subcommittee, also blasted national health insurance plans proposed by the Carter Administration (*BI*, June 25, 1979) and Sen. Edward Kennedy (*BI*, May 28, 1979) as "unnecessary."

New liability counsel

George Neidich, counsel to the House Small Business Committee and a veteran aide to Rep. John LaFalce (D-N.Y.), has been appointed senior legal adviser to the Commerce Department's Task Force on Product Liability and Accident Compensation.

Mr. Neidich is considered one of the leading Capitol Hill experts on product liability problems. He helped draft an influential five-volume House committee report on the nation's product liability problems. He also drafted numerous product liability bills introduced in Congress by Rep. LaFalce.

Mr. Neidich replaces Donald Smiegiel, who left the Commerce Department last month to work for a San Francisco-based leasing firm.

Labor Dept. sues

The Labor Department is suing trustees of two Dallas, Tex., pension and profit sharing plans, charging the trustees with using more than $500,000 in plan funds for their own interests.

Named as defendants in the suit filed in U.S. District Court for the Northern District of Texas are: Theodore Shanbaum, Ellis Carp and Glenn Auerbach, trustees of Lee Optical & Associated Cos.' profit sharing and pension plans. Also named as defendants are Lee Optical Inc. and Dal-Tex Inc., sponsors of the plans.

The defendants failed to require Dal-Tex to pay more than $530,000 in rent it owed on property leased from the plan, the Labor Department charges. Mr. Shanbaum and Mr. Carp are officers and 50% owners of Lee Optical and Dal-Tex.

The suit also contends the defendants failed to enforce repayment of a series of outstanding loans made by the plan including several made to plan sponsors. ■

Exchange panel fuels new dissension

NEW YORK—As the New York Insurance Exchange rushes toward its opening date, some exchange participants mollified by a recent compromise over Free Trade Zone rejections are up in arms again after the announcement of a special state senate panel to study the exchange.

A compromise proposal requiring as many as five rejections of a risk by the Free Trade Zone before it can be offered to the fledgling exchange has been greeted with a sort of resigned acceptance. Exchange insurers may not be excited by Regulation 86-a, recently issued by insurance commissioner Al Lewis, but say the rule provides a workable plan.

But the senate panel, established by senate majority leader Warren Anderson to study what he said may be "fading" hopes for a viable exchange in the state, faces attacks by some observers who view it as a "purely political" move.

Under Regulation 86-a, which Insurance Co. of North America president John Cox said he offered as a compromise "first step" to end differences over how the exchange should operate, a high premium risk previously written by an admitted New York insurer needs five rejections from the Free Trade Zone before that risk can be submitted to the New York exchange. Three rejections are required for risks previously written by a nonadmitted insurer and for exotic risks (*BI*, Feb. 11).

Some Free Trade Zone companies, particularly the American International Group, had asked for as many as eight rejections in the regulation, while another exchange faction led by Crum & Forster vp Robert Sullivan had argued that the trade zone and the exchange should operate on an equal footing, with pure competition determining where risks would be written.

Maurice R. Greenberg, chairman of AIG, called the compromise regulation "reasonable" although he conceded, "We wish it had been a little different. We will have to give it a shot, though, and see how it works."

Mr. Sullivan also called the regulation reasonable, but added it was reasonable only if it was conceded that some type of regulation was needed in the first place.

"It is our belief that the underlying statute should be changed to eliminate any need for a regulation like this. The regulation puts in an artificial barrier. There is no need for one," he argued.

The two men also differ over the establishment of the special senate panel. Mr. Sullivan called it "very timely" and a chance for him to argue that changes were needed to allow freer competition with the Free Trade Zone.

But Mr. Greenberg said he thought the reasons for establishing the panel were "more political than real."

"I don't know what all this fuss is about. The exchange is moving right along and it will open on schedule. We have come a long way. This action just brings on more dissension and turmoil rather than doing any good," he said.

Sen. Anderson, in assigning Sen. John Dunne, Sen. Roy Goodman and Sen. Donald Halperin to the panel, said he saw "a growing perception that New York's hopes for establishing a major international center are fading because of state overregulation and aggressive promotion of the idea by other states."

While Sen. Anderson said he was "troubled" by the fear that both Illinois and Florida may be making more headway in opening a working exchange, Mr. Greenberg said that notion was "just not true."

As the panel looks at whether there are real problems in making the exchange a viable competitor with Lloyd's of London, it may also be asked to change the statute that established it.

"If there is going to be an interface as suggested by some of the brokers," said INA's Mr. Cox, referring to the proposal to put the exchange on an equal footing with the trade zone, "then there is going to have to be a change in legislation. That is what we are going to have to wait and see about."

Other objections to be raised might involve the way risks are scrutinized to determine if they have met the necessary trade zone rejection requirement. The trade zone committee will be made up of five people elected by companies operating in the zone.

"I don't know what all this fuss is about," Maurice Greenberg says of the senate panel.

Atlantic Mutual Insurance Co., Utica Mutual Insurance Co., Insurance Co. of North America, American International Group and Munich Reinsurance Co. were appointed by Mr. Lewis as the interim committee until the free zone insurers elect a permanent committee.

Each free zone company has one of 84 votes, with the remaining votes distributed on the basis of premiums written in the zone.

"I don't think our clients want to have loss sensitive data and exposure data becoming part of the permanent data of a group that may or may not become their insurers," said Philip J. Brown, executive vp of Marsh & McLennan. "Our clients may not want to give the committee details about their products. They don't want confidential information hanging out for everyone to see."

Robert Sanford, president of Smyth, Sanford & Gerard and president of the Insurance Brokers Assn. of New York, said he could live with the compromise of 86-a, but also complained about the trade zone committee. He said that the election system, which gives half the vote on a "one company-one vote" basis, would give at least half the vote the first year to AIG and make it dominant.

But Patrick Foley, general counsel for AIG, said voting based on participation is a "standard association practice." ■

editorial opinions

Cost-control coalitions

Every corporate benefit manager concerned about the costs of health benefits and inflation in the hospital industry should get hold of a copy of a report on coalitions to contain health care costs, published last October by the Government Research Corp.

The report contains probably the most useful overview yet of groups in 16 cities/regions formed to oversee local health planning, hospital expansion, health maintenance organizations, outpatient clinical care, hospital bed utilization rates and the incidence of surgical procedures. Most coalitions have been started only in the last couple of years, though a few date back to the 1960s.

Nearly all of the groups profiled in GRC's report include representatives of business. Some are formal and have sources of financing; others are informal collections of interested people without officers, funding or structure beyond periodic meetings.

GRC, a Washington-based private sector company that publishes The National Journal, looks closely at a half-dozen of the coalitions to examine their goals, accomplishments and future activities. Michigan's Detroit-area group, for example, pulled together in 1977 and lobbied for passage of a far-reaching state law that limits the number of excess hospital beds and puts a moratorium on capital spending by hospitals in overbedded areas. Michigan is a fine example of employers and unions joining forces effectively to cut costs.

Other coalitions, however, haven't always been as successful.

The group in Cleveland, Ohio, is doing little more than bringing people together to talk and learn about what can be done to control outlays for health care, and to raise everyone's consciousness about the factors creating soaring health care costs.

Employer participation in Maryland's coalition has flagged at times, though there seems to be a core of corporate representatives on hand at most meetings now to debate state health planning needs and review cost and utilization.

■ A key question is whether hospitals should be members of these groups. Michigan's coalition decided against allowing providers to join, thinking that this would lessen the chances of endless debate about the causes of rising health costs. Michigan's employers and labor unions simply wanted to take action to control health care costs.

Their chief target, however, is the provider community: the hospitals. It is too easy to look for scapegoats and panaceas when an important sector is excluded from negotiations. Hospitals should belong to the cost control groups.

Every city should have a coalition of employer, employe, labor, health regulatory, medical and hospital representatives. Every employer should be a member of such a group, to learn about the health care environment in which the employer usually pays the bills. If you're in a city with such a group and you're not a member, join now. If your city doesn't have a group like this, start one.

Giant step for risk execs

Corporate risk management, we've often said, is a fascinating combination of money management and law.

So why is it that only in recent years have insurance and finance been closely linked in the corporate hierarchy? Why is insurance still frequently part of employe relations or industrial relations, or corporate administration or other non-financial departments?

Last week an ad ran in the Chicago Tribune that marks a first, we think. A major Chicago-based food processor sought a director of insurance and cash management, reporting directly to the vp-finance.

This position not only indicates a rare combination of responsibilities for the person who will handle short-term financial administration and investments, but recognizes the close relationship between self-insurance financing using short-term funds and insurance purchasing to finance longer-term risks.

Applause to the company that plowed this new ground, a giant step for risk/insurance management.

letters

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Concern questioned

To the editor: I question the positions taken by Bruce Codding (Speaking out, Feb. 11).

This short article really covers two different subjects. The first is the Risk Retention Act and the second is the subject of tax deductibility of loss reserves. On both subjects I feel that Mr. Codding is addressing concerns related to large and even very large businesses but I question whether representatives of small business would agree.

I think that many of us (myself included) tend to think in terms of the problems and needs of large businesses and pay too little attention to the opinions and positions of those who represent smaller businesses.

On the subject of the Risk Retention Act, Mr. Codding refers to "larger, more powerful members." In my opinion, it is highly unlikely that larger companies would or could make use of the insuring system that would be available if the Risk Retention Act passed. Unless a risk retention group were created only for large companies it would not be possible for a large company to join together with a number of similar smaller companies. It would be neither appropriate nor allowable.

Therefore, before writing the Risk Retention Act off as being of little or no value, why not ask for an opinion from associations (such as the National Assn. of Manufacturers) who have a large number of small businesses amongst its membership? I would think that their opinion would be much more valuable than that of someone such as myself or Mr. Codding who would have no use for the act.

As to the tax deductibility of loss reserves, Mr. Codding points out that this would be of benefit to "firms with high deductible, self-insurance or full loss retention programs." He might add, large firms with such programs.

I don't disagree with Mr. Codding's position, but since the point of this article was supposed to be a critique of the Risk Retention Act, I would suggest that tax deductibility of incurred loss reserves is practically meaningless to the size and type of firm most likely to be attracted to membership in a risk retention group.

Howard T. Weber
Director of insurance
3M Co.
St. Paul, Minn.

Clarifying confusion

To the editor: I very much enjoyed "California liability guide—Courts turn state laws topsy-turvy" by Frederick J. Fisher in the Feb. 4 issue of *BI*.

We were the attorneys who tried and were victorious in the trial court and the appellate court in Transit Casualty vs. Spink. I thought you would be interested

Continued on page 30

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

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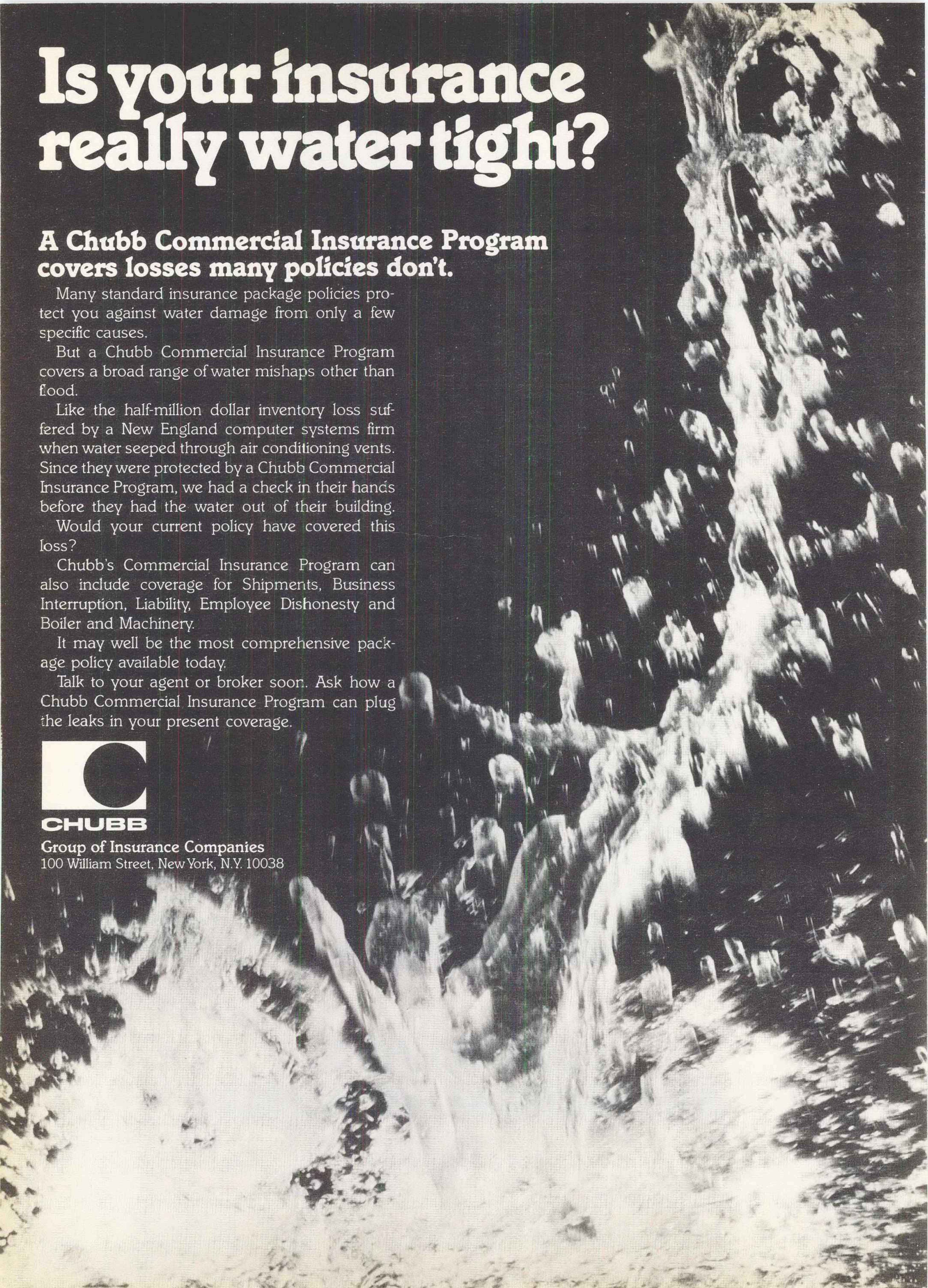
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COMPUTERS: Finding the most effective system requires a calculated decision

By RHONDA L. RUNDLE

LOS ANGELES—For most risk managers who don't know their bits from their bytes, selecting the best computer system can be mind-boggling.

The options have multiplied many times in recent years with the explosive growth of computers and software programs. Today the EDP buyer must pick from a confusing assortment of systems, as well as the various vendors that sell them.

Although every risk manager must finally make hard decisions based on the special needs of his or her company, others who have made the switch to computers at least know what the problems are likely to be.

Most say their pitch to top management, for instance, was easier than expected. Computers have come of age and are readily, if not eagerly, accepted in the corporate boardroom. If you've been dealing with the big insurance companies, data processing applications to risk management are already familiar to top brass.

"But don't promise your boss these systems will save money right off," warns Jim Beck, safety director at General Telephone of California. "They will cost you more money to begin with."

Even down the line, the cost effectiveness of computers is difficult to quantify. That's because management is really buying a decision-making tool, not a guarantee of reduced risk costs.

This is not to say there won't be savings. Greater control over losses and the ability to pinpoint trouble spots generally cut claims. Through quantitative analysis, many risk managers are able to set optimum deductible levels, enhancing the cost effectiveness of risk management.

How big does a firm need to be to use data processing in the risk management department?

If a company employs more than one claims administrator, it probably could profit from a computer system, many consultants say. Although installing data processing rarely eliminates jobs in the claims department, they say, it can hold the line on personnel additions as a company grows.

A good rule of thumb for determining data processing need might be 1,000 claims annually, or 3,000 to 5,000 employes, one consultant suggests. Companies that chalk up more than 3,000 claims every year should consider a system that allows them to enter loss data in-house.

That seems to be the preferred course of big firms with established computer services and hardware. The petroleum oil companies, for example, have long used data processing to store and study losses. (See related story.)

Continued on page 18

Don't expect miracles: Exec

Beware of data processing vendors bearing gifts, warns Jim Beck, safety director at General Telephone of California. Computer systems can be useful, he says, but don't expect miracles.

No EDP system is foolproof or automatic, despite what a salesman may tell you, insists Mr. Beck. He directed the conversion to computer reporting in the risk management department of GTE Service Corp. beginning four years ago. Making the software serve your information needs requires substantial commitment of time and energy, he explains. A generous budget allocation is not enough.

"Computers scare people," notes Mr. Beck. That's why the risk manager who wants EDP must be ready to roll up his sleeves and figure out how to make the system go. If he or a top lieutenant doesn't learn to manipulate the new technology, the switch may produce more problems than it solves. The risk manager must know that inputs are necessary to get the outputs he needs.

To build an enabling attitude within the corporation, it is important that all technicians, claims handlers and operating division managers who will use or help make the system work get special training, say experienced computer users. Personnel must be shown the capabilities of the system and what their individual roles will be.

GTE, for example, assembled a traveling slide presentation to explain how the system worked, what its capabilities were, and the need for accurate loss reporting.

The risk manager's enthusiasm for a new computer information system, wholeheartedly promoted by top management, will rub off on lower-echelon personnel and make the conversion a success.

Statistics as tools

Loss data proves valuable: Experts

By JOHN MAES

CHICAGO—A detailed loss history and clear-cut idea of the problems to be solved are most valuable to the risk manager wanting to use the computer to help forecast losses and make decisions.

That's essentially the advice of computer and insurance professionals involved in the steadily growing world of quantitative techniques used as risk management aids.

At a few firms, such as Exxon Oil Corp. in New York, loss forecasts, analyses and other risk management problems and reports are handled by the company's vast computer system. Risk managers at many other firms, however, still contract with data processing companies and the special service arms of major brokers to obtain computerized answers to their insurance-related questions.

At Exxon, Dick Boczon, a group leader in the company's communications and computer services department, regularly works with corporate insurance officials and oversees programs on risk management issues.

Keeping statistics and loss descriptions is one of the keys to making use of the computer as a risk management tool, he said.

By keeping such data, Mr. Boc-

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Photo: Corporate Systems

More paper

Computer print-outs are becoming as common as insurance policies in some risk management departments.

Oil firms lead business in use of EDP systems

LOS ANGELES—Quantitative analysis is the new buzzword in risk management, but so far only the oil industry has succeeded in moving more computer systems for risk management into operation than it has on the drawing boards.

Corporate giants such as Exxon and Standard Oil of California have used computers to store and study losses for years. Indeed, EDP systems are so firmly entrenched in these corporations they are virtually second nature to those who use them.

The oil companies were the first with the hardware, brains and ambition to apply sophisticated probability techniques to the forecasting of catastrophic events and losses. Many computer applications were pioneered by programmers in the petroleum companies.

Today there may be a newfangled technique or two that outsmarts the oil companies. Other computer purveyors are catching up. But the long experience of the petroleum producers in computer forecasting and analysis makes their systems—and problems—models for closer study.

The granddaddy of them all is probably the hazard loss information system owned by Exxon Corp. In 1951, the company began to computer bank its fire and explosion incidents. In 1970, it added marine losses and other property and casualty incidents. About 500 reports are logged annually in the computer.

One can't overemphasize the importance of having good data, declares Ted Tobye, Exxon risk management coordinator. "Without it, all the analysis in the world won't produce reliable loss forecasts or other results."

Increasingly, foreign governments are requiring the oil companies to provide precise information about oil spills and other losses before permitting them to operate in territorial waters, notes Mr. Tobye.

The United Kingdom, the Netherlands and some other countries have already enacted such legislation and the Common Market may follow suit.

Surprisingly, however, the computer bank at Exxon does not replace a manual filing system. Every incident report stored in the

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Nationwide systems sales

12 major vendors cater to risk clients

NEW YORK—A computer system designed to churn out information for risk managers can cost $5,000 to $200,000, depending on the sophistication of the program.

Twelve major vendors nationwide sell systems. Most claim their prices depend entirely upon the individual system requested by the client.

The vendor may supply computer printouts, install terminals and printout machines at the client's location or install computers at the client's location.

Of all the vendors in the following directory, Corporate Systems of Amarillo, Tex., is the only independent company existing solely to sell to risk managers. Other suppliers are extensions of brokerage houses, an insurance company, a consultant or service organizations.

Some companies such as Crawford & Co., GAB Business Service Inc., Johnson & Higgins Inc. and Pinehurst (for the most part) specifically cater to the data needs of their existing clients.

The information in this directory was provided by the companies selling computer services.

Alexander & Alexander

640 Fifth Ave., New York, N.Y. 10019; 212-541-6050

Alexander & Alexander sells computer services through its ARIS/Anistics division.

ARIS (Alexander Risk Information Service) taps computers in A&A offices around the country to provide such services as data entry, data validation, flexible reports, premium allocation methods and interactive information supply.

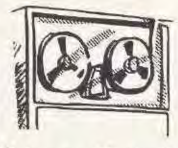
Anistics provides risk analysis, financial planning and customized management information services, says vp Richard Denning.

ARIS charges are developed on a case-by-case basis with the cost per claim ranging from $7 to $15. Clients may also be charged on a fixed fee basis, percentage of standard premium or time and expenses.

Anistics projects are developed as specific proposals with prices ranging from $2,500 to $100,000.

ARIS needs about 60 days to put a system into operation, Mr. Denning says. Anistics can turn out a job in 15 to 30 days, he said. ARIS has a staff of 45 and Anistics has a staff of 70 consultants and supportive technicians.

The systems do not cater to any specific types of industry, although Mr. Denning said computer services are usually most appropriate for Fortune 1,000 companies. ARIS/Anistics serves 480 clients, of which 88 are Fortune 1,000 companies. Main branches for Anistics are in New York and California, with a branch in Denver. ARIS has a main office in Atlanta with computer sites in Long Island, Chicago, Detroit, Dallas and Los Angeles.



Corporate Systems

Amarillo Building, Third Street at Polk, Amarillo, Tex. 79101; 806-376-4223

Corporate Systems sells the risk management accounting system. Operating since 1967, the company has about 1,100 corporate accounts on its system, both self-insured and insured. About 50 clients are Fortune 500 companies.

This risk management accounting system links the corporate and insurance accounting systems, thereby putting risk management in the financial mainstream, said president Guyon Saunders. The company has a staff of 110, with a computer branch in Melbourne, Australia, and service branches in Hackensack, N.J., and Atlanta.

Generally, it takes 90 to 120 days to design and implement a system to be fully operational in six months. In a basic system, a terminal and printer in the client's office is linked to corporate systems by an on-line communications network. The company has just installed terminal number 100.

Fees are quoted on an individual basis depending on the claims volume, use of hardware and reports. A typical charge would range from four-tenths to six-tenths of 1% of a client's annual cost of risk.

Corroon & Black Corp.

295 Plus Park Blvd., Nashville, Tenn. 37202; 615-367-9702

Risk Information Services Inc. sold by C&B specializes in allowing the risk manager to design his own system, determining the formats and frequency of reports. C&B will provide the printouts or put a terminal in a client's office or combine both systems using data mainly from the client's insurer and adjusting companies.

Reports include: loss prevention, OSHA record keeping, claims analysis, cost allocation, loss development and reserve analysis, says vp James H. Levine.

A staff of 20 serves more than 100 individual clients with more than 4,000 operating locations. Several clients are Fortune 500 companies. Fees depend on the system, which can take two to nine months to start.

Crawford & Co.

5620 Glenridge Drive, N.E., Atlanta, Ga. 30302; 404-256-0830

This company calls its data capture and reporting system SIS-DAT, which it provides as part of its adjusting service for its 163 clients and not as an independent computer service.

Its one system, which is part of the claims handling contract, is operational almost immediately, as there is no program development.

GAB Business Services Inc.

123 William St., New York, N.Y. 10038; 212-791-8000

The Claim Management Reporting System introduced by GAB in 1972 provides clients with claims management reporting and control; safety and loss prevention reports; workers compensation logs; auto, general and product liability logs, and additional reports as requested. The monthly reports can be generated on a different time frame to fit a client's needs.

The system is sold only in conjunction with the firm's claims adjusting services and is used by about 150 contract customers. It is available through 700 GAB offices.

Arthur J. Gallagher & Co.

Gould Center, Golf Road, Rolling Meadows, Ill. 60008; 312-640-8500

The Self-Insurance Claims System of Arthur J. Gallagher & Co. provides a basic package of monthly loss and claims reports by line of coverage, claims accounting by location, annual claims summary and annual cause of accident analysis through its in-house operations, says vp Donald J. Krutek.

A staff of 34 services 225 firms, 25% of which are Fortune 500 companies. The system is ready within 30 days after the client provides data for entry into the system.

Frank B. Hall & Co. Inc.

549 Pleasantville Road, Briarcliff Manor, N.Y. 10510; 914-769-9200

Frank B. Hall & Co.'s Comprehensive Hall Accounting & Risk Management System/Technical Risk & Insurance Management Inc. provides computer support for large risk financing plans, says president Hunter Long.

Most of the firm's 25 clients, about half of which are Fortune 500 companies, use Hall's computers instead of installing computers at their own locations. The Hall system, operated by a staff of around 20, is available through all Hall offices. It takes two to six weeks to start a program.

Fred S. James & Co. Inc.

55 Water St., New York, N.Y. 10041; 212-747-6849

The James Risk Management Information System generates both management information reports and reports designed to aid the technician in loss development forecasting and payout analysis. Two types of systems are sold: a general purpose system available immediately and a system tailor-made for the specific needs of a client that takes one-and-a-half to six months to implement.

Specialized reports available worldwide include: cost allocation, repeat claimant, litigation, funds requirement forecast and claims cost comparison by division, said Michael P. Dinstein, senior vp-financial research and planning.

The system, begun in 1973, is headquartered in New York with a staff of 13 and has 70 offices throughout the country.

Johnson & Higgins Inc.

95 Wall St., New York, N.Y. 10005; 212-482-2000

J & H Risk Management Support System was introduced in 1972 to provide its clients with advanced methods of data collection, loss trending and development, loss allocation and reporting, loss forecasting and risk funding plan analyses. The system, operated by a staff of 44 through J&H branch offices, serves 225 clients, about 50% of which are Fortune 500 companies.

Fees can range from $8,000 to $200,000, depending on a client's need. A system takes at least one month to start.

Marsh & McLennan Inc.

1221 Avenue of the Americas, New York, N.Y. 10020; 212-997-2000

Interactive Risk Information System, sold by broker Marsh & McLennan, provides claims management, claims tracking, incident tracking, statistical analysis, analytic and financial modeling, cost allocation and experience rating, said vp Laurence H. Heirmrath.

The corporation provides services to more than 150 clients nationwide, most of which are on the Fortune 500 list. Claims tracked or recorded per year range from a low of 1,000 to a high of 20,000 per client. The system is available through every M&M office and in each large office there is a liaison trained in the use of the data base system.

One to four months is needed to start a system. M&M will sell its services to non-brokerage clients.

Pinehurst Corp.

10100 Santa Monica Blvd., Los Angeles, Calif. 90067; 213-553-4205

Two Pinehurst subsidiaries cater to the data needs of the risk manager: Risk Management Inc. and R. L. Kautz Co.

Risk Management Inc. provides loss analysis, loss payout analysis, loss projection analysis, cash payout reports and reports needed by treasury departments, mainly through a time-sharing network with computers in their headquarters. Computers can also be set up at the client's location, says vp Thomas Knaupf.

A staff of six serves about 30 clients, 20% of which are Fortune 500 companies.

Fees range from $5,000 to $25,000. It takes two weeks to three months to start a new system.

R. L. Kautz Co. leases terminals to clients, engineers a system to be leased with the option to buy and sells computers.

Services include an on-line data entry and inquiry system using English instead of programming language; claims management and control; preparation of general statistics and reports, and analysis and forecasting, said president E.V. Schmidt.

The company has about 500 clients who pay $2,000 to $2,500 per month, depending on the number of terminals. A leased system would take about 30 days to start but others may take 60 to 90 days. The company has Midwest and Eastern offices.

Risk Sciences Group Inc.

524 Colorado Ave., Santa Monica, Calif. 90401; 213-393-0507

This firm sells its Sigma + System, which provides risk management information in five main areas for its 25 clients, most of them Fortune 500 companies. Those areas are: in-house education seminars; planning evaluation, setting up data base and information systems; financial and risk analysis forecasting; implementing risk management programs with the firm's insurance companies or captives, says president Joseph A. Destein.

The eight-person staff includes Ph.Ds in mathematics and probability, as well as M.B.A.s and CPAs.

Initial computer programming costs $2,500 per source of data (usually the insurer), plus an average annual $1 charge per record in the data base. That figure varies according to the type of services and information required by the client. Hourly fees range from $25 to $125, averaging $50 to $60.

Directory sources

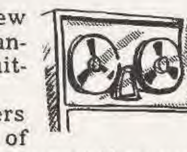
This directory of computer system sellers catering to the information needs of risk managers was compiled by Business Insurance *staff reporter Mary Ann Matlock in New York based on interviews with the vendors.*

Risk execs put more demands on processors

NEW YORK—Risk management departments plugging into computers are sparking a new demand for the already sought-after data processing professional.

Companies are hiring additional specialized staff persons and shifting people from data processing to risk management departments or at least tapping in-house computer services.

"Risk managers are coming to us with requests for additional people or to channel them to someone involved in statistics," said Richard Meyers, executive vp of Logic Associates in New York, a risk management recruiting firm.



Manufacturers National Bank of Detroit now has a part-time programmer in the risk management department, but will soon make that position full-time, said Michael L. Dowgiewicz, deputy cashier with risk management duties.

"Programmers will be important in the next couple of years," he predicted. "In a lot of companies risk management won't get anymore full-time, but they are recognizing the need. A systems person is going to be a necessary tool. I see it being one of the tools of the trade."

Many risk managers now turn to their companies' data processing centers or to computer specialty firms to get the expertise they need rather than hiring someone in their department.

"I haven't seen the demand from corporate risk management departments for computer people," said Richard Gay of Insurance Personnel Resources in Atlanta. "Most jobs are handled within the data processing department—they'll assign a programmer to risk management."

Tapping expertise

Many risk execs use their firms' data processing centers or contract for services.

Several risk managers contacted used this solution to reduce paperwork and generate data upon which to base future decisions.

"We have several computer centers on campus at our disposal," said William Ryan, risk manager for the University of Michigan. In-house computers are used to compile information on the university's 1,100 buildings and contents and update insurance coverage on them. The system will also handle workers compensation.

Donna Crouch, risk analyst at Sheller-Globe in Toledo, Ohio, is using company computer experts to "set up a program to see the amount of money charged our operating divisions and determine if they are accurately budgeting."

Claims payment is now computerized, but Ms. Crouch said, "We're looking forward toward a terminal in our department. We have to do something to relieve the large volume of paperwork, aside from a sizable increase in the risk management department." ■

Travelers aids arson battle

DENVER—The Travelers Insurance Cos. of Hartford, Conn., donated $1,300 to Colorado's anti-arson campaign. The donation will be used to defray the costs of posters that will ask for information about suspected arson.

An arson hotline has been established which Colorado residents can call collect at 89-ARSON about suspected arsons. ■

Oil firms lead in use of EDP systems

Continued from page 11

computer is also reproduced on microfiche. Typically, the user initiates a retrieval through the computer and consults the microfiche for additional details.

None of the half-dozen oil companies contacted by *Business Insurance* actually maintains its data "on-line." That means the user must request a report from the central computer. He or she cannot use the data directly, such as an airline agent does when he checks schedules, makes reservations or furnishes seat assignments.

"We don't feel the turnaround time you can achieve with an on-line system is worth the cost to install and maintain it," Mr. Tobye said. Any report at Exxon can be printed within a number of hours in New York or at any one of many regional offices around the world.

Reams of paper

The risk manager of another major oil company who asked not to be identified, however, complained about his information system. It produces reams of paper and most of the reports are meaningless, he said. Poor communications between the risk management and the computer services staff might be partly to blame for this, he acknowledged.

The oil companies rely heavily on computer accounting to provide monthly, quarterly and annual stewardship reports. The data base may also facilitate internal allocation of insurance premiums among many separate operating divisions.

Exxon sets policies for risk management but does not actually administer them, Mr. Tobye explains. "Our insurance affiliates examine the loss statistics of other operating affiliates (300 in all) to set deductibles and decide what kinds of insurance coverage they'll provide."

This decentralized approach produces many different deductible levels, although there is also a corporate deductible above which Exxon buys reinsurance from the commercial market. "The corporate deductible is high enough that any kind of computer analysis on an optimum deductible level would be meaningless," Mr. Tobye says.

The budget for computer systems at Shell Oil in Houston has been enhanced significantly this year, said Frank Andy, manager of risk analysis. Although he doesn't have on-line capability in the risk management department yet, the feasibility of installing it will be seriously considered within the next two years, he says.

Shell's information system in the past has been limited primarily to liability losses. Now, the company will begin storing its property and workers compensation losses as well.

"We're going to start looking at our cycle of incidents by location so we can bring them to the attention of the operating divisions," Mr. Andy said. "For the first time, we're going to look seriously at lower levels of loss, not just the catastrophic ones."

Standard Oil of Indiana, however, does not have a computerized data loss base at all. Only the largest losses of more than $25,000 are reported by the operating divisions. Since there are only about 50 of these a year, they can be handled manually with no trouble, notes Ralph Brindise, risk consultant for the company.

Some oil companies do sophisticated risk analyses even though they do not computerize all their loss data. Standard Oil of Indiana, for example, occasionally uses its EDP systems to perform the so-called Monte Carlo analysis.

Loss scenarios

Assume a hydroformer blows, Mr. Brindise suggests. If 10 fragments of this component travel 250 feet per second through the refinery, where will they fall? How many new pieces will in turn be dashed by the impact? This statistically calculated chain reaction, carried to its ultimate conclusion, gives risk analysts a remarkably accurate picture of the damages caused by explosion.

Such loss scenarios also help engineers design new refineries. The denser the construction, the greater the risk of chain reaction. But dispersing piping and processing units jacks up land and building costs. Monte Carlo analyses help identify the optimum balance between safety and economy.

"We've scrapped our Monte Carlo models in favor of risk analysis assistance to engineers on a case-by-case basis," Exxon's Mr. Tobye reports. "Ten years ago we tried those models but they didn't work. Programmers put very general packages together that did not hold up in practice."

What Exxon does, however, is quite similar. "We assume that what will happen in the future won't be too unlike what has happened in the past," Mr. Tobye notes. Since only "step changes" are made in the design of refineries, processing plants and drilling platforms, Exxon can therefore predict how these facilities will behave in different catastrophes.

The Exxon data loss information system also shows what the frequency and severity of various accidents have been and the loss costs. Plugging all these factors into the proper computer program, the design engineer can evaluate the hazard risk to any piece of equipment or type of component. It then becomes a question of economics to decide what additional investment in safety will be cost effective, Mr. Tobye says.

Regression analysis

Perhaps the most sophisticated risk analysis techniques are in the realm of extrapolating the known to the unknown. With a tremendous volume of data, giant corporations like Exxon use regression analysis to forecast losses under a variety of hypothetical circumstances.

The annual anticipated loss cost for a specific category of vessels can be predicted by retrieving loss statistics for a selected set of risk scenarios, such as when a severe storm hits a ship in congested seas, at harbor or in open seas.

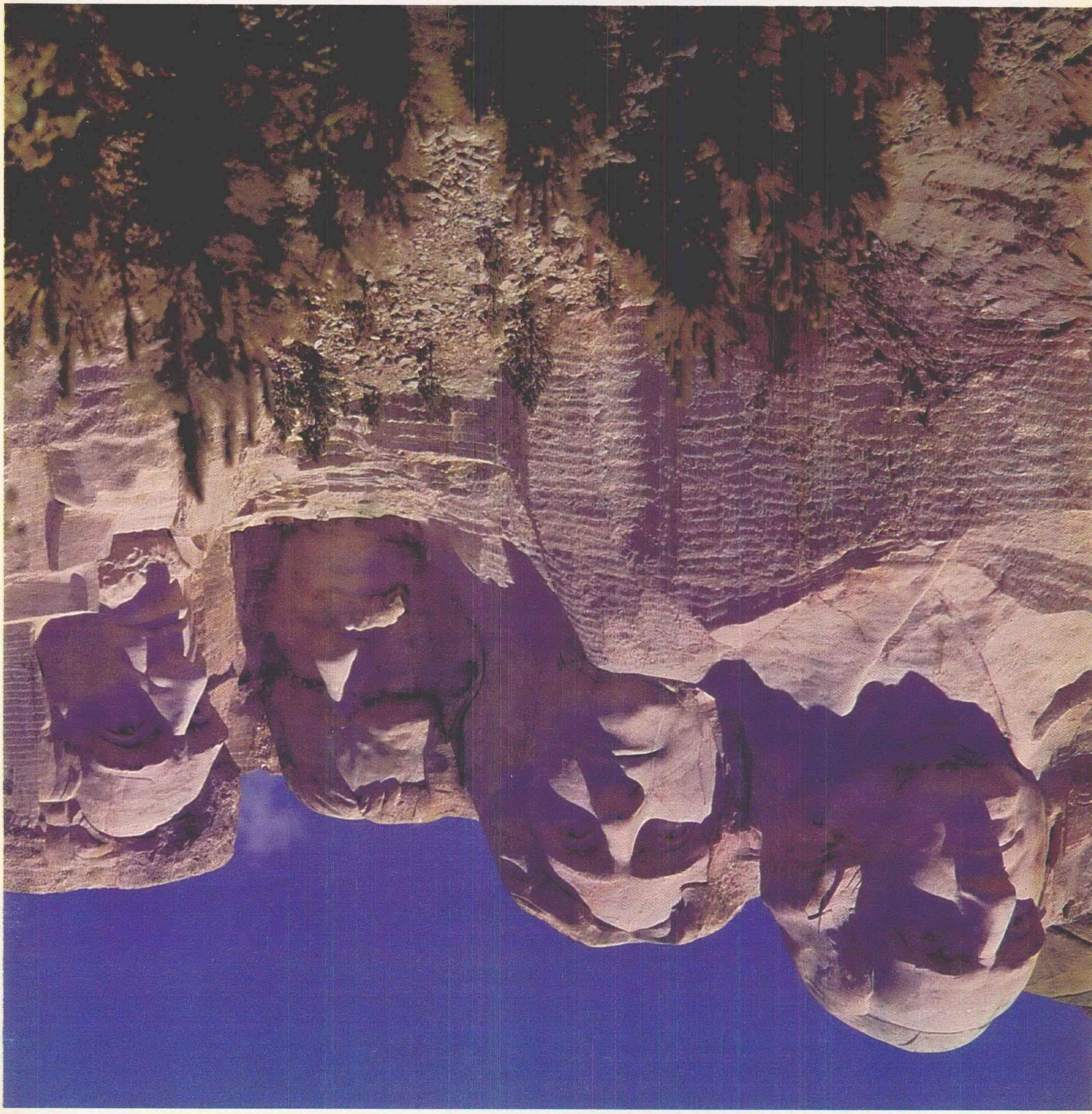
With 10 years of marine loss data available, Exxon routinely makes such forecasts with a fair measure of accuracy, Mr. Tobye says.

Computers help oil firms predict losses for various risks, including oil rigs such as this.

The Bayesian method is another sophisticated approach to loss forecasting used when data is scanty or nonexistent.

A team of design, safety and marine engineers, as well as drilling operators and other experts, individually outline the risk scenarios they envision, based on probabilities of occurrence. Then the team meets and tries to reach a consensus, arguing the merits of personal views just as the members of a jury strive to arrive at a unanimous verdict.

Once the risk scenarios are settled, the computer may contribute occurrence frequencies under similar circumstances. "This is a proven technique of loss forecasting that works," observes Mr. Tobye. ■



Computer shopping can be confusing

Continued from page 11

E. & J. Gallo Winery, the world's biggest, developed an on-line system to coincide with its switch to self-insurance and self-administration of health benefits in 1976. Workers compensation was added in 1978 and property and casualty last year.

"We were contacted by a number of brokers who wanted our business," recalls Ralph Korn, director of insurance. "Their products looked good, but we felt we had the talent on staff to build our own software. We also wanted maximum control over our data base."

When Gallo first went self-insured it enlarged the risk management department to 11, Mr. Korn reports. Without data processing, he estimates the manpower needs would be nearly double that today.

Most companies, of course, need help to switch to data processing. They turn to an independent consultant, a computer services firm or one of the big brokerage houses with data processing expertise.

"All the programs look very similar and do about the same things," says Jim Beck of General Telephone.

Purveyors, not suprisingly, vigorously dispute that kind of thinking. Testimonials can be had from anyone's clients, so the risk manager's best course is probably to interview several firms for information.

Apart from the reporting capabilities of different software programs, there are other considerations. Is the vendor an independent consultant or affiliated with a broker or insurer? You could get hooked into insurance you don't want. Another good question to ask a prospective supplier is who owns the data base?

This issue of control recently clinched a major contract for an independent data processing consulting firm in Santa Monica, Calif.: Risk Science Group. Signal Cos. in Beverly Hills opted for the independent firm over Alexander & Alexander, which also bid on the business.

Important questions

Apart from reporting capabilities, there are other considerations. Is the vendor an independent consultant or affiliated with a broker or insurer? Who owns the data base?

Sorting data

"We have collected so much data in the past five years since we went self-insured, we just couldn't sort through it anymore," observes David Skinner, Signal Cos. vp and treasurer. Since the company is extremely decentralized, it lacks the capability to put up its loss data in-house.

Working with RSP, Signal's data base will be stored in computers owned and operated by National CBS, a subsidiary of Dun & Bradstreet. Mr. Skinner anticipates it will take about 60 days to get the company's $50 million worth of claims into the computer.

"This conversion has shown us that much of our loss data is incomplete," notes Mr. Skinner. In some instances, he explains, dates are vague and the nature of an injury unclear. "It's obvious that more precise data would be valuable," he says. "The question is how much money do we want to spend to get it?"

The time and cost required to build a data base is directly proportional to the number of claims to be stored and the condition of the files to be converted. Technically, a switch could be made in a matter of days if a company's loss data is already banked by an insurer. A simple computer program can be written to facilitate transfer of the data into a new system.

Browning-Ferris Industries Inc. is plugged into Corporate Systems in Houston. "We use their computer services to store all our claims," notes John Thomasson, manager of risk management.

He has direct access to the data base through CRT consoles in his office. To get a report, he phones in a request to Corporate Systems and can get two- or three-day turnaround in a pinch.

In-house advantage

Technically, he says, he "rents space" at Corporate Systems and could withdraw his data base if he wanted to. Browning-Ferris pays a flat monthly charge, negotiated with Corporate Systems on the basis of computer time and other demands on the system.

Although he is basically satisfied with the service he gets from Corporate Systems and is one of their largest clients, Mr. Thomasson admits he can see a lot of advantages to moving the data base in-house.

Even though he gets quick response from Corporate Systems, "No one else can possibly have the urgency of my needs," he says. "You can also control personnel better when they are on your own payroll."

Personnel problems have been known to plague risk managers who set up systems in-house as well. Communications with EDP people can be ticklish. "They are as scared of business, accounting and risk management as many of us are of computers," he says. ■

Report covers design liability

SAN RAFAEL, Calif.—Design and construction professionals concerned about the growing incidence of litigation in their field have a new publication to keep them informed.

Architects, Engineers & Contractors Litigation Reporter covers court decisions and developments such as third-party tort liability, design defect liability and failure to insure.

The bimonthly publication, which costs $72 a year for six issues, is published by PLR Publications, 52 El Camino Ave., San Rafael, Cali. 94901; 415-2460. ■

perspective

Computing the need

Keep demands in line when seeking a system

By Richard F. Denning

INFORMATION SYSTEMS are currently a major component and will be a dominant component of modern risk management. But many computer systems evolve through a cycle of initial enthusiasm and early success only to be followed by incipient doubt, schedule slippage, cost overruns, revised specifications, finger-pointing and inevitably scrapping the project.

The result is an information system that limps along doing very little for very few. While successes are widely touted, the failures do not advertise themselves.

I believe that the seeds of such limited success may be sown at the start of the project. Yet the flaws, if appreciated, could be eliminated, resulting in a productive and inexpensive system or service. Identifying these self-destructive flaws is the purpose of my article. Let's focus on what is and what is not within the scope of modern computer technology.

Never overestimate the capabilities of a computer. The high technology jargon (software, hardware, modems, bytes, bits, feedback loops, intelligent terminals, address times, etc.) is a smoke screen. The lauded sophistication is merely the ability to do simple tasks at incredible speed. In Robert Townsend's book "Up the Organization," he says computers are "big, expensive, fast, dumb, adding machine-typewriters." Therefore, success in computer applications requires simple and well-defined procedures that are repeated many times.

The origin of computer usage lies within the sciences, where computers developed a significant role 30 years ago. Why? Simple! The scientists knew exactly what they wanted. Their mathematical models were basic in concept, but required millions of calculations. Non-machine methods were unrealistic because of time and human-engineering constraints. You should recognize that current computer designers use memory access times of one instruction every 2.5 microseconds (that is, 400,000 times per second!!—that speed intimidates even hard-working secretaries).

Evaluating computer power in terms of the number of instructions per second is, however, irrelevant to the risk manager's needs. Applications in our field are rarely limited by computational power.

Most systems should be axed because the expectations are unrealistic. In such cases the reports, when generated, are of minimal value, or worse, distract from management's prime activity. Remember that corporate success depends on decision and action—not on extensive records. Window dressing, rather than results, characterizes most systems because they are inadequately planned and designed.

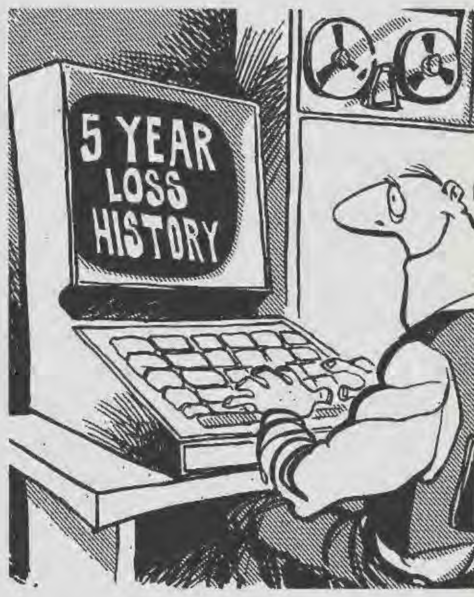
How does one identify such exaggerated expectations? To answer this question, I have listed the functions reasonably provided in an information system project. They are ranked in descending order so that the higher your application is on this list, the more wary you should become.

• **Decision-making:** The ability to decide among alternative courses of action or utilization of resources. If you believe your new model SMX-714 or whatever is going to start running your risk management department, you have a lot to learn about computers! Eliminate such "decision-making" applications and realistically evaluate the benefit of the additional information to your decision-making. The idea that a computer can choose a loss retention level for a corporation is ludicrous. At the very best, computers can produce background information, but making the decision is far too complex for anything available in today's technology.

• **Planning:** Essentially the task of forecasting the future, usually done by employing mathematical models of historical trends. Computerized forecasting is a viable product, but you must recognize that there are serious limitations. Historically, derived models can never forecast the future with predefined confidence levels (statements that a result is "a 95% upper bound," etc., only apply if the fitted underlying historical environment continues in the future). Also, the precision of the resultant forecast is a strong function of expected loss frequency (see Table I).

Never confuse causation with mere correlation. Variables not controlled by the decision-maker and not anticipated by the model or system designer often exert more influence than any past experience. At best, computer forecasting models are good for a one- to two-year lead time; longer planning periods cannot exclusively depend on extrapolating past patterns.

• **Monitoring:** A means of continuously gathering data from specific processes and developing feedback loops to detect significant deviations.



This is a pioneering effort for risk management, especially in claims administration and loss control activity.

However, recognize the key requirement: accurate information that is promptly processed. The organization's location coding system must be consistent and accurate to permit valid comparisons between one time period and another. Corporations that are constantly reorganizing must be realistic as to whether or not such coding is feasible. If it is not, an exception reporting system will merely be a source of false alarms and misdirected fire drills.

• **On-line data base capability:** Modern systems can deliver nearly instant status reports on the data they hold. But should they? The issue is cost versus benefit. To make a realistic evaluation, the risk management department should maintain a detailed log of all internal and external information requests. These requests should be analyzed, comparing current time requirements for answering versus the proposed system.

On-line information is critical when dealing with individual claims, but in my experience and opinion, summary level information is rarely required instantly, but rather several hours or overnight is more than sufficient speed. Meticulous design is especially important with on-line systems to deal with the problems of simultaneous record access and inconsistent editing.

• **Reference:** Ability to retrieve past records, etc. This is an obvious and valuable risk management need, but consider the commitment to consistent corporation coding. In my experience, most accounting (i.e., premium allocation) systems usually code claims on the organizational basis existent when the claim occurred; but for loss control monitoring or forecasting, it is necessary to develop the experience in accordance with current organization. The designer must recognize these problems.

Note that information, like most commodities, is perishable with a well-defined shelf life. Given the changing nature of claims and corporation risks,

Continued on page 21

Richard F. Denning is a vp of Anistics Inc., a division of Alexander & Alexander Inc.

Approximate ratio of 95% to expected value by area of risk

Property

Frequency Per Year	Deductible (per occurrence) $25,000	$50,000	$100,000	$250,000	$500,000
10	1.69	1.72	1.78	1.82	1.89
25	1.45	1.49	1.53	1.56	1.61
50	1.33	1.35	1.38	1.41	1.44
100	1.23	1.25	1.27	1.29	1.30
250	1.13	1.14	1.16	1.17	1.19

Workers' Compensation

Frequency Per Year	Retention (per occurrence) $25,000	$50,000	$100,000	$250,000	$500,000
50	1.57	1.65	1.72	1.76	1.79
100	1.42	1.47	1.53	1.56	1.59
250	1.26	1.24	1.35	1.37	1.39
500	1.18	1.21	1.24	1.26	1.27
1,000	1.11	1.14	1.16	1.17	1.19
2,500	1.05	1.07	1.09	1.09	1.10

General Liability/Product Liability

Frequency Per Year	Retention (per occurrence) $25,000	$50,000	$100,000	$250,000	$500,000
10	2.00	2.18	2.33	2.41	2.58
25	1.72	1.81	1.92	2.01	2.11
50	1.52	1.61	1.70	1.76	1.85
100	1.38	1.44	1.52	1.57	1.64
250	1.24	1.28	1.34	1.37	1.42
500	1.16	1.19	1.23	1.26	1.30

perspective

Pension policy

Employers can't afford indexing retirement pay

By A.J.C. Smith

A STILL CONTROVERSIAL aspect of deferred compensation and pension plans is that they are perceived in terms of the goods and services they will purchase. "Every man," Adam Smith said, "is rich or poor according to the degree in which he can afford to enjoy the necessaries, conveniences and amusements of human life." Accordingly, pensions also may be thought of in terms of purchasing power, not in terms of a number of dollars of varying and uncertain value.

Another property of direct compensation that can be applied to deferred compensation is the high priority that should be attached to employers' promises of pensions to their employes.

A considerable part of ERISA is devoted to the need for plan sponsors to be able to fulfill their promises. They are required to set aside money that can, with the proceeds of its investment, meet the obligations the sponsors have incurred. The period of deferment of compensation may be a long one. An employe may receive a pension at age 85 that was earned 60 years before.

Having defined pension as deferred compensation and in terms of purchasing power, it is clear an obligation exists to maintain the purchasing power of the compensation deferred. But the distinction should be made between maintaining purchasing power and maintaining standard of living. The latter would be more compatible with the idea of pensions as welfare. If the receipt of a pension is seen as the receipt of deferred compensation, it is reasonable for the employes to expect the compensation to retain its value, but not reasonable for them to expect their deferred compensation to increase to enable them to keep up with a rising standard of living. Nor should employes expect to be able to maintain their ability to buy goods or services, which are becoming scarcer and consequently rising in price.

It has historically been assumed that money can be used to store value. The business community today certainly would start from the entirely reasonable proposition that it is the obligation of government in our society to maintain the value of money, thereby making the deferring of compensation, and other forms of saving, possible.

It is true this primary obligation falls on government, but I believe the plan sponsor, by setting up and maintaining a pension plan, accepts a substantial, if secondary, responsibility to return to employes deferred compensation in equivalent value as far as possible. Recent developments in the private pension sector indicate an increasing, albeit sometimes reluctant, acceptance among plan sponsors of this obligation. It is now becoming more generally accepted that any investment earnings in excess of those assumed in determining the plan sponsor's contribution rate, the measure of the amount of compensation being deferred, must be used not only to offset the effect of inflation in producing wage and salary increases in excess of those predicted but also to attempt to maintain the purchasing power of pensions.

The acceptance of this principle has led to the adoption of a number of techniques increasingly used by private pension plan sponsors:

- Granting periodic increases on an ad hoc but usually systematic basis to pensions in course of payment.
- Providing periodic increases to pensions in course of payment based on changes in the Consumer Price Index, subject to certain limitations to protect the pension fund.
- Earmarking investments for retired employes and using excess investment earnings on earmarked funds for the benefit of pensioners. This raises the question of how such funds should be invested. Should there be a federal investment instrument that can be purchased by, or on behalf of, retired employes for which the yield is related to some index of the rate of inflation?

There is evidence that large American corporations are responding to the needs of pensioners by increasing retirement benefits. Approximately 80% of the employers recently surveyed separately by Bankers Trust and Towers, Perrin, Forster & Crosby have increased benefits to retirees in the last five years. However, both surveys indicate that a very few of the companies, (3% or less), have linked benefit increases directly to changes in the Consumer Price Index.

In the private sector the full indexing of pensions to a price index is very infrequent. This is usually ascribed to the cost of indexing. Cost is certainly an important factor but even more important is an understandable unwillingness on the part of plan sponsors to undertake unlimited obligations that could destroy both pension plans and the sponsors themselves. Private industry cannot print money, as government can to meet incalculable risk. And, of course, that action only disguises the cost.

It is a mistake to believe the government can implement indexing easily or at a cost different than would be incurred for similar action in the private sector. Indexing remains an open-end commitment to underwrite government's efforts to control inflation.

The Social Security system began to index in 1975, linking benefits to rises in the Consumer Price Index. This action has been a major contributor to Social Security's financial problems, which can only be solved through immediately increased taxation, directly contributory to Social Security or otherwise, or by passing costs along to subsequent generations of taxpayers.

Further legislation won't help pension problems caused by increased inflation, says A.J.C. Smith.

To summarize, the purpose of this article is twofold. My emphasis is primarily on urging the President's Commission on Pension Policy to see the problem of maintaining purchasing power for pensioners as simply a manifestation of the inflation that is eroding our economy and society and must be eliminated. Indexing pensions is a facile and meretricious solution. In the private sector it involves such incalculable costs it would be irresponsible to assume voluntarily and reprehensible to impose by legislation. In the public sector costs are no less material, only easier to disguise or defer.

Second, I would like the commission to take note of the extent to which the private pension system, part of the continuously evolving employer-employe relationship, has devised techniques in response to recent increases in inflation rates that can ameliorate the lot of retired citizens. Progress has been made and will continue. Public support and encouragement would be helpful; further legislation certainly would not. ▪

Ian Smith is president of William M. Mercer Inc., a benefits consulting firm. His remarks are taken from personal testimony to the President's Commission on Pension Policy in January.

books & ideas

Planning, prevention can help executives cope with job stress

By Z'ev Kronish

Managing Executive Stress: A Systems Approach
By James W. Greenwood III and James W. Greenwood Jr.
John Wiley & Sons, 1 Wiley Drive, Somerset, N.J. 08873
247 pp., $17.95

LESLIE'S HEADACHES interfere with getting to work. Jan can't get a decent night's sleep. And Terry takes to baby food to relieve pain from peptic ulcers. All three administrators typify the physiological and psychosomatic disturbances resulting from stress.

"Managing Executive Stress" provides a comprehensive discussion that can help the manager cope effectively. Couched in systems language, it views the body as a complex set of functions similar to the management—or even the telephone—process.

The authors write that searching for a singular solution will probably not be very fruitful. It is their belief that the person and the situation together represent an integrated occurrence. Successful management of stress calls for a broad set of guiding principles and operating procedures.

The word "stress" as commonly used refers to anxiety. The authors suggest there's a positive side that should not be ignored, but they explain the disabling connotation in detail.

Stress afflicts people differently. Surprisingly, doctors are more prone to stress because they know better than the average person that it is the healthy person with never a trace of serious illness who dies suddenly from a massive heart attack.

The consequences of stress are far-reaching if not catastrophic, causing illness, accidents and death. Mental illness, especially depression, stands out because it affects so many; generally it results in ineffectual behaviour and sometimes suicide, the authors write.

Their thesis is that not only does the individual suffer, but the corporation; performance decreases, lost days add up and health insurance pre-

Z'ev Kronish, who holds an M.B.A. degree from The College of Insurance, has handled corporate risk management and benefits administration. He is now in the claims department at National Health & Welfare Mutual Life Insurance Assn. His reviews of management books appear regularly in BI.

Broker's 7% solution

Math sleuth puts end to alleged LTD rip-off

By William B. Cooper

AFTER READING *Business Insurance* on long term disability (June 11, 1979, et. seq) and being fascinated by items such as a 7.1% loss ratio, we felt it appropriate to look at numbers associated with the alleged phantom. After all, our firm's LTD income is greater from commissions (insured business) than from fees (self-insurance). Had we, with all our brethren, been leading our clients down a path toward insurance company profits that would make OPEC look like Robin Hood?

The scientific modus in search of the 7% solution was to poll 20 insurers confidentially. Insurers generally regard surveys they don't pay for less fondly than John Q. looks at an IRS audit, and some that participate show a lethargy in responding that would embarrass a sloth.

William Cooper is vp of Fred S. James & Co. of New York Inc.

Although our response rate was good at 70%, we had ample time to review the catalysts leading to our poll. Suddenly, lightning flashed and thunder roared and when it was all over, the air was much clearer.

If there were indeed a 7.1% loss ratio, it's reasonable to assume a rip-off despite reserves and expense charges. At best, there's a better case for a windfall profits tax. Strange that smart buyers and all consulting houses would countenance this! Our conclusion is that there was neither a rip-off nor a 7.1% loss ratio and that the first conclusion likely resulted from mushy math.

Look at our published "givens"—$471,800 in claims, 3,841 participants, 69 firms, an average rate of 53.66 cents per $100 of coverage and a premium of $6.7 million. The last jars as it produces a per-participant premium of $1,745 and a per-client (with an average 55.7 employes) premium of more than $97,000. Wow! If one assumes, and one has, $1,500 as a reasonable average monthly salary, the annual premium per participant is $64.39 and the total for the 69 firms is $247,322. The loss ratio becomes 190.8%. Wow again!

Then the thunder and lightning hit again. I learned from *BI* that the original June 11, 1979, piece contained an inadvertent come-on. The text "... plans covering 3,841 employes ..." had a modest omission. It should have said "... covering an average of 3,841 ..." So much for the earlier analysis! Now the various numbers, derived and otherwise, with one exception, makė sense. The standout exception is the paid claim figure. Possible reasons for it, farfetched and nearfetched, are:

- All 69 cases are in their first year.
- All 69 firms have supremely successful health awareness programs.
- The respondents' responses were incomplete.
- The omission of a decimal point.
- A suspension of the laws of probability.
- Another typo.

But to the poll. Will it show that the rip-off has been reversed? To relieve the tension a quick "yes" is the reply. RIMS survey respondents noted three favorite insurers. Well they might have in one instance, for one insurer that referred to the first *BI* article as an "illconceived generalization based on a non-random sample" has not done well on its LTD book the last two years. (1977-78 were the years sought in the poll.)

Respondents to our poll were not uniform in methods of reply. The larger insurers big on LTD, excepting certain congenital violets, responded more frequently than their smaller brethren. Unless the non-respondents all have negative loss ratios, there seems to be no way to get within a light year or two of 7.1%. Here are some facts (all numbers relate to 1977 and 1978 fiscal years and exclude expenses and dividends):

- Unweighted average loss ratio for larger insurers was 89.2%.
- Ditto for smaller insurers - 72%.
- Clients with more than 100 lives have higher loss ratios than smaller ones.

Published reports from Transactions show there are many small groups that, happily for their members, go without a claim—88% in the less than 100 life categories. The 2,500 to 4,999 grouping has about twice the exposure of the 79 respondent firms and the distribution of the experience units by actual to tabular claims shows the extreme unlikelihood of a 7% loss ratio of any kind.

Thus the 7% solution. Insurers' results suggest the LTD buying public is not nearly as badly off as suggested. Did the flim-flam relate to the reading public? ■

Insurer's results suggest the LTD buying public isn't nearly as bad off as suggested, says William Cooper.

miums rise as claims climb. Lower morale is another casualty. Pointing out that accidents—inside and outside the plant—are mounting, the authors predict that stress-induced injuries will affect workers compensation.

Stress can be self-perpetuating; whatever the source, it has a harmful ripple effect. A simple tension headache often is the genesis of a host of additional problems.

Executives are exposed to a large dose of stress. Competition and the search for power are incessant. As big risk takers, their choices affect the welfare of employes and shareholders. They are absorbed in personal relationships in a unique way, as father figures and mature matrons. Their burdens often impose an unusual degree of isolation.

Stress is intrinsic in the organization because contradictory demands flow from authoritarian and humanistic tendencies. Both cooperation and competition are extolled; subordination and initiative are expected. Not everyone is vulnerable to the same degree, but with the inherent conflict all around us, is it any wonder that a manager is likely to succumb?

Adaptation is the ongoing response to stress, which is deemed essential as well as unavoidable in the human condition. By exerting control, the "distress effects" are minimized and the beneficial aspects are enhanced. The body's need for equilibrium largely accounts for amazing recuperative powers, enabling the individual to return to normal after a disturbance—even to go forward to an improved position.

Other ways of coping, the authors say, involve preventive measures:

- If you can identify a cause of stress, do something about it. If someone's needling you, make a point to shun him or her.
- Avoid stressful contents. If the environment is responsible for your discomfort, this requires drastic action. You may have to move to a new neighborhood or find a new job.
- Changing your lifestyle can bring relief. Get more sleep. Lose weight.

In quick succession, the authors touch on biofeedback, transcendental meditation, the relaxation response, breathing, exercise, diet, transactional analysis and other lesser-known remedies.

Biofeedback research, which has come a long way, holds great promise. Its drawback is that it requires extensive and time-consuming training. On the other hand, relaxation response and exercise offer immediate rewards.

The authors sensibly advocate planning as a way to deal with stress. People without aims are easily vulnerable. The authors' advice is to spell out goals and measure progress.

The organization should try to identify stress levels and offer counseling and relief. And the firm can go further by introducing a climate that harnesses stress for the benefit of the organization and the individual.

You can try to influence your own perception; with a concerted effort you can acquire a relaxed attitude. Although the authors don't recommend irresponsible optimism ("it's all for the best" psychology) as an antidote, they note that injecting humor can relieve tension.

"We guarantee the practice will lower the executive's own stress levels and will probably contribute to a lowering of the stress levels of others in the organization."

Compute your needs before buying system

Continued from page 19

is 10 or even five years of history relevant? Given five years of data that show or even suggest a step change in the most recent two years, how often is the early data merely dismissed?

- **Computation:** Ability to perform calculations of an accounting statistical type. The key here is to maintain a hard-nosed practical bent. Yes, the computer can do the job, but is the application necessary and cost effective? Too often the desire to automate reflects other deficiencies in the activity. Unless your present procedure is well documented and effective, the computer will only speed up the mess.

Never automate a function unless you are committed to maintaining a dual operation for three to six months. Few companies have been injured by too slow a conversion to automated systems. However, the losses caused by accelerated and ill-conceived automation are legion!

- **Automated filing:** The processes of entering, verifying, classifying, sorting and summarizing data. How can one challenge a computer application in this area, the sine qua non of computer technology? Easy! Is the report necessary? Is it really the basis of any action or decision? What would you do if you did not have the information?

Being ruthlessly hard-nosed about bottom line values up front will save you a lot of dollars and embarrassment later. To avoid the difficult process of weeding out poor systems later on, do your own housekeeping at the inception.

The raw material of risk management is volumes of data. Computer systems, being the most effective today for translating data into information, will enjoy explosive growth in our industry. The danger is that computers are a business mystique. Your protection will be based on the simple rule: Use management information systems less for fashion and more for need. ■

Loss data, computer team up as tools

Continued from page 12

zon said the computer services department can provide comprehensive reports on loss histories and loss tendencies and can even forecast annual losses on marine properties and vessels owned by Exxon.

A risk manager seeking to set up a quantitative program should collect as much detailed loss experience data as possible, he said. "Descriptive information is the most useful—anything describing the size of the ship or the pipeline or anything to describe the incident causing the loss."

If a risk manager has retained the information, it should be fed into a computer even if it's uncertain whether the data will be needed. "If we think we may need it, our philosophy is to retain it because storage is relatively cheap," Mr. Boczon said.

Having good loss data is considered equally important by computer professionals who sell loss forecasting and analysis services to client firms.

Saving time

Laurence Heimrath, vp of Marsh & McLennan's risk information service in Atlanta, said risk executives who have not kept computerized loss data themselves should try to obtain that information from their insurers or broker, preferably in the form of magnetic tape that can be easily placed into a computer.

"If a risk manager knows where the data is, he can save 20 to 30 hours of a consultant's time," Mr. Heimrath said. Otherwise, this task must be performed for the risk manager, costing time and delaying the finish of the program.

When a company's own loss history is not available, the data processor must sometimes use industry wide statistics. The resulting forecast is less a reflection of a firm's own experience than it might otherwise be, said Joseph A. Destein, president of Risk Sciences Group of Santa Monica, Calif. "The company may spend time and money up front to get the data base but they'll save money later on. To update that information is only about one-third of the original cost," he said.

But gaining access to a company's computer facilities may not be an easy task, say those in the field.

James Y. Paulding, who heads Alexander & Alexander's Alexis risk management services division, says risk managers in some companies still lack sufficient influence with upper-level management to convince them of the need for a computerized data base.

The company may spend money on a data base but save money later on, says Joseph Destein.

"It's only been in the last few years that the risk manager has had any place to turn," he said. "But it may become common five years from now that he'll be able to walk in off the street with that magnetic tape under his arm."

Richard Kostyrka, manager of property insurance for Kaiser Aluminum & Chemical Corp. in Oakland, Calif., advises risk managers to take time to consult with corporate data processing personnel and educate them about the function of the insurance department.

Laying groundwork

"It's critical to lay a good groundwork or a foundation with the data processing people because in a large corporation, they've got a lot of people from different departments asking for their help," he said. The result will be a more efficiently run program because it will be more thoroughly understood by computer personnel.

At Kaiser, the data processing department stores information on losses and values of company properties. The department provides projections of future losses and compares the costs of self-retention versus conventional insurance on certain risks.

It's also useful for insurance directors to have a clear-cut idea of what results are being sought by using the computer, Mr. Kostyrka said. "If it's not clearly in mind, there's no way we can ask the very competent data processing people to generate data for us," he said.

Mr. Boczon of Exxon notes that when a computer user has a clearly defined statement of what type of study or analysis is to be performed, the data processors have an easier time designing the program. ■

British insurers don't have to pay for cargo fraud

By JOHN H. MILLER

LONDON—British insurance companies are freed from paying a $550,000 claim for the loss of valuable Indonesian oil extracts because large-scale fraud was involved in the loss, a High Court judge has ruled.

Commodity dealers Fuerst Day Lawson, a large London merchant firm, had filed the suit seeking to force marine insurers to pay for the extensive quantities of clove leaf and citronella lost in transit from Indonesia in mid-1976 (*BI*, Oct. 29, 1979). The firm contended the oils had been "mysteriously replaced with water" by the time the shipment arrived in Europe.

Fuerst Day Lawson believed its shipments were covered for fraud under an Institute of London Underwriters combined policy on an all-risks "anywhere to anywhere" basis. But the policy included the usual institute clause confining cargo coverage to a warehouse-to-warehouse basis.

In rejecting the suit, Justice Alan Mocatta said the firm failed to prove the faulty goods ever got to a warehouse in Indonesia, much less on board ship. Although the drums had a film of essential oil on top of the water, apparently to deceive customs officials, this did not bring them within the scope of the marine transit policy, he ruled.

Similar shipments had gone to the U.S. and France, he said.

Widescale fraud

Specialty commodity buyers worldwide are thought to have been tricked out of $2.5 million.

"**By 18 contracts** made between April 7 and June 12, 1976, Fuerst Day Lawson bought 495 drums of essential oils from an Indonesian firm called Farmaport. According to the bills of lading, the drums were shipped to Genoa, Rotterdam and London between May and June that year," Justice Mocatta said.

"During much the same period, 626 drums were shipped to other buyers in the U.S., France and the U.K., making a total of 1121 drums. Every one of them was found to contain water, with slight traces of an essential oil on the surface, when they arrived."

Many commodity firms in the U.S. and elsewhere also had suffered heavy losses, the judge said. But although the fraud was widely publicized in Indonesia and investigated by local police, no one had been prosecuted.

Nico Waworuntu, owner of Farmaport, was held in prison in Djakarta and interrogated for three weeks and had been barred from trading essential oils unless he reached satisfactory settlements with U.S. and other overseas buyers. Altogether, specialty commodity buyers in world capitals are thought to have been tricked out of $2.5 million, including at least $500,000 in the U.S.

Seven oceangoing vessels, belonging to three owners, carried the steel drums with their fake contents to various destinations. One of them, the Maersk Mango, was a container ship carrying 197 drums from Indonesia to Singapore, where they were transferred to another Maersk vessel.

"They were found to hold water when they got to New York," Justice Mocatta said. He dismissed any possibility the water was substituted for the oil after drums were put on the ship. ■

info

• Surveys of group health insurance policies recently written by 30 insurance companies are available in the **New Group Health Insurance** booklet. The report also compares trends in group plans from 1973 to 1979. For a free copy, write to the Health Insurance Institute, 1850 K St. N.W., Washington, D.C. 20006.

• Worried about arson? A five-piece **anti-arson kit** emphasizes arson prevention through recognition of arson's early warning signs. A limited number of kits are available free from Phyllis Shafer, Creative Services, Corporate Communications (D-A), Aetna Life & Casualty, 151 Farmington Ave., Hartford, Conn. 06156.

• **Communication Tips** covers the 10 most commonly asked questions about giving a speech or presentation. For free advice on the techniques of becoming a better communicator, send a self-addressed, stamped envelope to Communication Tips, The Executive Technique, 19th floor, 625 N. Michigan Ave., Chicago, Illinois 60611.

• A guide describing aspects of substantive and procedural law pertaining to **product liability claims against overseas manufacturers and distributors** is available for free. Write Sol Kroll, Kroll, Killarney, Pomerantz & Cameron, 500 Fifth Ave., New York, N.Y. 10036.

• Be aware of steps your employer must take to correct health hazards. Order a free copy of **OSHA: Your Workplace Rights in Action.** Write OSHA Publications Office, Room S1212, U.S. Department of Labor, Washington, D.C. 20210.

• Three new publications can help you with human resources development. **Tell It Like It Is!** describes what a total employe communications program can accomplish. A review of mandatory retirement legislation and its resultant effect on costs is discussed in **Ready Or Not! Attacking An Old Bugaboo** details how a total employe communications plan can improve employe morale and performance. For free copies, write Loretta Nichols, Hay Associates, 229 S. 18th St., Rittenhouse Square, Philadelphia, Pa. 19103.

• The Quick Reference Guide to the **ASME Boiler and Pressure Vessel Code,** Section VIII, Division I, Unfired Pressure Vessels has been revised. The guide illustrates some types of boiler and pressure vessel construction used. For a free copy, write to the customer service department, Hartford Steam Boiler Inspection & Insurance Co., 56 Prospect St., Hartford, Conn. 06102. Please specify Section VIII, Unfired Vessels.

• Four **studies of accident investigations** following fatalities related to scaffolds, ladders, fixed machinery and roofs, ceilings and floors are available to assist compliance, safety and health officers in making inspections. Limited numbers of each study are available free through the OSHA Publications Office, Room S1212, U.S. Department of Labor, Washington, D.C. 20210.

• The **ERISA "Survival Kit"** explains a step-by-step process to achieve compliance for group life, health and disability income plans. For a free copy, write Stephen L. Smith, vp, Product Development, Unionmutual, 2211 Congress St., Portland, Maine 04122.

• A booklet outlining the services and educational programs offered by the International Foundation of Employee Benefit Plans is available. **Design for a New Decade** also provides advice on effective employe benefit plan management. For a free copy, write International Foundation of Employee Benefit Plans, 18700 Bluemound Road, P.O. Box 69, Brookfield, Wis. 53005.

• The International Safety Academy rents films on such subjects as safety management and supervision, industrial health and hygiene and security plant protection. For a free Catalog of **Rental Safety and Training Films,** write the International Safety Academy, P.O. Box 19600, Houston, Tex. 77024. ■

Arabs form syndicate for war risks

By JOHN MAES

ABU DHABI—Seventeen insurers from the six Persian Gulf nations will set up an Arab war risk insurance syndicate to insure ships sailing the gulf area.

The insurers met in the United Arab Emirates capital last week and agreed to set up the syndicate to counteract premium increases set by Lloyd's of London marine underwriters who declared the area a war zone last year (*BI*, Feb. 18).

The pool will insure vessels against riot, war and civil commotion while operating in the gulf region and flying the flags of Arab countries.

The syndicate could begin underwriting operations next January.

worldwide

Shipping strikes

CANBERRA—Australia was hit harder by shipping-related strikes than any other nation in the world during 1978-79, according to a report. Iran and Great Britain were also hit hard during the period, according to the annual report of the mutual strike insurance fund run by John Laing Management of Bermuda.

Australia accounted for 64% of all claims brought on by strike losses, followed by Iran with 17% and Great Britain with 11%.

Loans discontinued

STOCKHOLM—The Swedish P&I club says it will be forced to discontinue its practice of returning 10% of its hull premiums to policyholders as interest-free loans in order to hold the line on premium increases this year.

The club's board of directors decided it would have to discontinue the credit scheme because its premium base was being eroded by steadily declining marine rates. The club allowed its members over the last two years to keep some $2 million in premiums as interest-free loans.

The club, however, will maintain its policy of providing refunds when underwriting results are favorable. The organization has returned approximately $8 million in hull premiums to members over the last four years.

Israeli pool

TEL AVIV—A pool of 12 Israeli insurance companies has been selected to insure some $100 million worth of construction equipment slated to be transported by sea to be used in building two airfields in Israel. The equipment belongs to a group of U.S. construction contracting firms that will perform the work.

Heading the pool will be the Israeli insurer Hassneh, a company associated with the Israeli Labor Federation.

The Israeli firms won the business by quoting lower rates than their American competitors in bidding for the contract.

Retirement denied

GENEVA—The Supreme Court of Switzerland has ruled that men employed in the country's civil service cannot retire at age 62 as their women counterparts do and must retire at 65.

The court, rejecting a demand that the sexes be treated equally, said discrimination in the ages when workers can claim pension rights do not violate any national laws.

Insurers admitted

SANTIAGO—The government of Chile has rescinded its national nonadmitted insurance law and will permit foreign companies to register for permission to do business in the country.

The government action is an about-face from an earlier policy of not allowing foreign investment. The nation is now trying to revitalize its economy. "They've opened the door wide," one observer said.

Investigation set

BONN—West German maritime authorities will open an investigation this June into a 1978 ship sinking that cost insurers about $80 million in claims.

The German barge-carrying vessel Munchen suddenly sank during a storm in December 1978 in the North Atlantic ocean on a U.S. to Europe voyage. The ship sent out a single SOS signal and vanished without a trace of either its 27-member crew or its cargo of iron and steel goods. ▪

Speed of Pinto may be top issue in deliberations

By ROGER ROWAND
Special to Business Insurance

WINAMAC, Ind.—The Ford Pinto trial jury's decision on whether the Pinto was stopped when hit at 50 mph by a van will be a crucial factor in its deliberations expected to begin this week.

Two Ford witnesses have testified that the Pinto was stopped when it was hit (*BI*, Feb. 25). Prosecution witnesses contend the Pinto was moving at speeds ranging from 15 mph to 35 mph when it was hit.

As the Pinto trial moved into its final days, the traveling speed of the vehicles involved became the central issue.

Ford presented testimony to convince the jury that no car stopped on the highway could have withstood a 50 mph rear-end crash.

Prosecutor Michael Cosentino strongly objected to Ford's presentation of motion pictures showing crash tests of a Pinto and van with the Pinto stopped and the van moving at 50 mph. Too many assumptions as to speed and vehicle position were made, Mr. Cosentino argued, adding that photos can be altered.

But Ford chief defense attorney James Neal argued that given the speed and weight of the striking van, other subcompact and larger cars would have suffered the same fuel spillage and fire as the Pinto did when hit at 50 mph.

Mr. Cosentino contends that when Ford designed the Pinto to meet a $2,000 and 2,000-pound goal, it made the fuel system exceptionally vulnerable to post-collision fuel spillage and fire. Ford was aware of those facts and recklessly failed to warn Earl Ulrich, registered owner of the accident car, Mr. Cosentino says.

To counter any implication by the May 1978 Pinto recall that Ford ever considered the Pinto unsafe, Ford executives testified that the recall was made to fight the bad publicity the car maker was suffering over the Pinto.

All Pinto sedans and coupes model year 1971 through 1976 were recalled in 1978 and fitted with plastic shields for the fuel tank and a filler tube going farther into the tank than it originally did.

Thomas Feaheny, Ford vp-car engineering, testified the recall was not made because Ford considered the car unsafe but merely to slow damage to the company's reputation.

"Adverse publicity was severely damaging our reputation and image," testified Herbert L. Misch, Ford vp-environmental and safety engineering. "We just decided there was no use continuing to fight with the federal government. It's very difficult to win."

Crucial point

Ford presented testimony that no stopped car could have withstood a 50-mph crash.

The jury's interpretation of the barrage of seemingly incongruous statistics it has been hit with will also weigh heavily in its deliberations.

Federal Accident Reporting System data showed that subcompact and compact cars had an average 6.8 accidents with fire per million miles, compared with Pinto's 7.0, Mr. Misch testified. Other cars rated: Vega, 7.0; Honda 11.1; Gremlin, 9.8; Volkswagen, 9.3, and Opel, 8.8, he testified.

Harold C. MacDonald, Ford vp-engineering and research, said in 1975 and 1976 Pinto represented 1.9% of all cars on the road and 1.9% of accidents with fire.

Mr. Cosentino, however, quoting from a similar source of statistics, said the 1973 Pinto accounted for eight-tenths of 1% of all fires with fatalities while amounting to only four-tenths of 1% of all cars on the road. He told the jury Mr. MacDonald seemed aware only of statistics showing Pintos in a favorable light. ▪

OSHA grants rule variance

WASHINGTON—The Occupational Safety and Health Administration has granted the Freeport Chemical Co. of Uncle Sam, La., a variance from its standard that prohibits use of combustible material for tanks used to store flammable or combustible liquids.

Freeport stores its liquid ion-exchange solvent, which is corrosive to steel, in a combustible fiberglass reinforced plastic tank.

The firm has taken special precautions in preventing and extinguishing fires, OSHA said. ▪

N.Y. board ruling

Unpaid work comp bills to earn interest

around the states

ALBANY—Most delinquent medical bills in New York state workers compensation cases will earn 1.5% interest each month until paid by the employer or insurance company, under amended Rule 18 issued by the state workers compensation board.

The rule covers bills submitted by physicians, hospitals, chiropractors and podiatrists for services performed after Jan. 1, 1980. Under the provisions of the rule:

- Payment of uncontested bills is due 45 days after the bill is rendered to the employer or insurer.
- If a bill is challenged and its validity is upheld, payment will be due 30 days after the bill was rendered.
- If a bill is contested and arbitration determines that only a portion is allowed, interest will be computed on the reduced sum beginning 30 days after the decision.
- Interest will not be authorized on contested bills found by the arbitration committee to be willfully exaggerated, if the treatment was unnecessary or excessive or if the bill does not properly identify the claimant or employer.

Fight injury

SPRINGFIELD—A Chicago area man is eligible to receive compensation for injuries he suffered in a fight at a Ford Motor Co. plant, the Illinois supreme court has ruled in reversing a lower court decision.

The claimant, D.D. Kennedy, and coworker Wayne Simmons had been making critical remarks about each other's work for several days before the fight broke out. Mr. Kennedy was hospitalized and underwent surgery to insert a plate in his skull to treat injuries suffered in the fight. About five months later he returned to work and was put on light duty for six months, but complained of frequent headaches, a sore neck and blurred vision.

The court ruled that when an injury results from a fight between two employes over work, the employe not responsible for the aggression may be compensated. An injured worker may be compensated even if it can't be determined who began the fight, the court added.

Mr. Kennedy was awarded 24 weeks of total disability benefits at $108 per week, 60 weeks at $86.10 for his skull fracture and $545 for medical expenses.

200% increase

BATON ROUGE—Louisiana agencies will pay 200% more for workers compensation premiums for state employes in the 1980-81 fiscal year, an insurance analyst says.

Andy Anderson, an analyst for the state insurance rating commission, told the legislative budget committee the increase will cost the state about $15 million. Rising wage levels, including a 10% pay raise granted last year, are the main reason for the increase, he said. Premiums are paid on the first $300 of an employe's pay check.

Insurer fined

TALLAHASSEE—Proprietors Life Assurance Co. must pay a $40,000 fine for improperly soliciting and selling group health insurance in Florida, insurance commissioner Bill Gunter has ruled.

The Delaware, Ohio-based firm agreed to the fine after an insurance department investigation revealed that the company, through its group administrator, Insurers Administrative Corp.:

- Failed to file policy forms with the insurance department for approval 30 days before they were used.
- Used unlicensed agents to solicit and sell insurance.
- Improperly paid commissions to unlicensed insurance agents.

Work comp rates

CONCORD—Workers compensation premiums for New Hampshire employers would increase to $3.35 per $100 of payroll from $2.78 if the National Council on Compensation Insurance is granted its request for a 20.6% premium hike.

Average increases by industry group would be 14.7% for manufacturers, 22.7% for contractors and 24.2% for all others.

New Hampshire insurance companies underwriting workers compensation have suffered underwriting losses of approximately $36 million over the last three years, $9 million of which came in 1979, the NCCI says. The state insurance department approved a 10.8% increase in workers compensation premiums Jan. 1, after the NCCI had requested a 33% hike last year. ▪

Firm to study pollution cover

WASHINGTON—The federal Maritime Administration has awarded a $163,000 contract to Granville Corp., a Washington, D.C., consulting firm, to probe oil pollution insurance affordability and availability problems for onshore and offshore oil operators. As part of the study, expected to be completed this spring, Granville is surveying 3,000 insurance companies and brokers and 12,000 petroleum-related firms to determine the availability and affordability of oil pollution insurance.

The results could affect future regulations governing the liabilities of owners of offshore and onshore facilities and vessels, the Commerce Department says. ▪

Freeman stops at Alaska Interstate

comings & goings: buyers

Wade W. Freeman, 43, has been named assistant insurance manager for Alaska Interstate Co.'s corporate office in Houston, Tex. Previously he worked for the Milton Roy Co. in St. Petersburg, Fla., as contracts and insurance manager, a position that will be eliminated. Mr. Freeman has a B.S. degree in history and business from Florida Southern College and has 16 years of experience with The Hartford Fire Insurance Co. and Fireman's Fund American. In this newly created position, he will report to Charles Shoemaker, corporate manager.

* * *

Jerry Sullivan, 43, has been named risk manager at Natomas Co. in San Francisco. Mr. Sullivan, who joined Natomas as assistant risk manager in 1979, reports to Richard Palfreyman, assistant treasurer, who previously had risk management duties. Mr. Sullivan, who has a J.D. degree from Hastings College of Law, had also worked for the Del Monte Corp. **Linda Chute,** 23, who has worked at Natomas for three years, is the new assistant risk manager. She has a B.A. degree in English and secondary eduction from Cedarville College in Cedarville, Ohio. She reports to Mr. Sullivan.

* * *

Kenneth G. Jones, 53, is the first director of risk management for the city of Niagara Falls, N.Y. In this newly created position, Mr. Jones will be responsible for all risk management, insurance, contract control and safety programs. Previously he worked as director of risk management services for Corroon & Black in Washington, D.C., and before that was risk manager for the Farm Bureau in Lansing, Mich. Mr. Jones attended McGill University in Montreal. He reports to William Sdao, city manager.

* * *

Sheldon H. Staubitz, 43, has been named to the newly created position of director of risk management at Tyco Laboratories in Exeter, N.H., in charge of property/casualty insurance and employe benefits. Mr. Staubitz most recently was a risk manager for the American Athletic Union in Chicago. He has also performed risk management functions at Allied Van Lines, Brunswick Corp. and Chemetron Corp. He has a B.S. degree from Northwestern University, an M.B.A. in finance and a J.D. from Loyola University and is a member of the Illinois Bar Assn. Mr. Staubitz reports to vp Edward Johnson in his new job.

* * *

Edward J.L. Stevens, 36, has been named to the newly created position of risk manager for the city of San Jose, Calif. Mr. Stevens, who previously worked as a commercial casualty underwriter for The Hartford Insurance Co's San Jose office, will consolidate the risk manager's duties for the city. He is a 1972 graduate of California State University in Los Angeles with a bachelor's degree in math and economics. He reports to assistant director of finance Fred Hein.

* * *

James Farrell, 42, has been named president of New Park Security, a division of New Park Resources Inc. in New Orleans. Mr. Farrell, in this newly created position, will be responsible for risk management and insurance for New Park and all related companies. He previously was vp of Mid-Continent Underwriters in New Orleans. He has a bachelor's degree in English from Holy Cross College and reports to James Cole, president and chief executive of New Park Resources Inc.

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We'd like to report on staff changes in your risk management or employe benefits department. Just drop a note to Mary Ann Matlock, Business Insurance, 708 Third Ave., N.Y., N.Y., 10017 or call 212-986-5050. We'd also like to receive pictures of the people.

Reed Stenhouse elects Whittall as U.S. chairman

comings & goings: industry

NEW YORK—James W. "Judd" Whittall of Toronto has been elected chairman of the board of Reed Stenhouse Inc. here, the U.S. arm of the Toronto-based brokerage group Reed Stenhouse Companies Ltd.

Mr. Whittall was CEO of the parent company from its founding in 1968 until 1979 and spearheaded the merger with the United Kindom Stenhouse firm. He is currently chairman of the parent company executive committee.

Other agent/broker changes:

Joseph T. Butler Jr. to vp of Fred S. James & Co. of Utah from Aetna Life Insurance Co.

Eric J. Brumm to vp in Marsh & McLennan Inc.'s St. Louis office.

James W. McElvany to manager of the production and coordination department of the Los Angeles office of Johnson & Higgins of California.


McElvany

Thomas F. O'Connell to unit manager of the risk management sales department of Arthur J. Gallagher & Co.

William Horwitch to Chicago-based Schwartz Brothers Insurance Agency as an account executive.

E. Nelson Morosini to assistant vp of HL Insurance Services, a multiple line insurance broker-age firm headquartered in Woodland Hills, Calif.


Morosini

Insurer changes

Harlan C. Mills elected president of Security Life Insurance Co. of America in Minneapolis.


Mills

R. Fred Richardson elected senior vp and group director of European life operations for The Hartford Insurance Group; **Thomas H. Friedberg** elected senior vp of international property and casualty operations for subsidiaries and affiliates outside North America, and **Michael L. Hepher** named group general manager of The Hartford's European life operations and director of Abbey Life Assurance Co. Ltd. of Bournemouth, England.

Martin P. Michelstein elected vp and **Carol DeVries** elected assistant vp of American Home Assurance Co. and National Union Fire Insurance Co. of Pittsburgh, Pa.

William Beardsley named casualty superintendent for American International Underwriters and its affiliates in South and Central America; **Maurice J. Moghrabi** elected senior vp and **Frank J. DeFini** elected vp of American International Underwriters Corp. and the AIU division of American International Group Inc.

Ronald R. Smart named vp of UniCARE Insurance Co., a newly formed workers compensation insurer in Irvine, Calif.

Bernard A. Basgall named production manager at the Chicago office of Argonaut Insurance Co.

Jose A. Guerrero Jr. named claims manager at All American Marine Slip in New York.

Other suppliers

Kenneth J. Duffy appointed director of actuarial services at Yaffe & Offutt Associates Inc., a Baltimore-based actuarial and employe benefit consulting firm.


Duffy

Richard J. Powals promoted to assistant vp of Clayton Environmental Consultants Inc., a technical and consulting service of Marsh & McLennan.

Paul D. Stenard appointed vp of Underwriters Adjusting Co. in New York; **Leonard A. Duston** named account executive for the firm's Pacific region.

George Linder named international benefit consultant for Buck Consultants Inc.

Gerald Millman named senior consultant in Coopers & Lybrand's actuarial, benefits and compensation consulting group in New York.

Roger A. Swanson named vp-marketing for American District Telegraph Co. in New York, a manufacturer of security systems. ■

datebook

APRIL 13-18. Rims Annual Risk Management and Employe Benefit Conference in Atlanta; Fees: for full week, $350 for members, $425 for nonmembers before March 10, $375 for members, $450 for nonmembers after March 10; for partial week, $250 for members, $325 for nonmembers before March 10, $275 for members, $350 for nonmembers after March 10. RIMS, 205 E. 42nd St., New York, N.Y. 10017; 212-557-3294.

APRIL 16-19. Annual Convention of the National Council of Investigation and Security Services in Nashville. NCISS, Suite 700, 1101 Connecticut Ave. N.W., Washington, D.C. 20036; 202-857-1157.

APRIL 21-22. Sixth Public Utilities Workshop in Arlington, Va., sponsored by the American Society for Industrial Security; $180 for members, $230 for nonmembers. ASIS, 2000 K St. N.W., Suite 651, Washington, D.C. 20006; 202-331-7887.

APRIL 21-23. Managing Product Liability Risk Course in Copenhagen, sponsored by Risk Research Group Ltd.; $555. Janie Coghill, Risk Research Group Ltd., Bridge House 181 Queen Victoria St., London E.C.4.V4DD, England; 01-236-2175.

APRIL 21-25. International Fire Security And Safety Exhibition and Conference sponsored by Victor Green Publications Ltd., London. Victor Green Publications Ltd., 106 Hampstead Road, London NWk, 2LS, England; 01-388-7661; telex 8811108 1FSSEC G.

APRIL 28-29. Hazardous Chemicals Waste Disposal Conference in Austin, Tex., sponsored by the Central Texas chapter of the American Society of Safety Engineers; $130. Harry Mandt, safety coordinator, UT System, 201 W. Seventh St., Austin, Tex. 78701; 512-471-4211.

MAY 1-2. Liability of Corporate Officers and Directors Seminar in Chicago, sponsored by the Practising Law Institute; $225. Also **May 29-30** in New York. Practising Law Institute, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700.

MAY 1-4. Midyear Conference of the National Assn. of Professional Surplus Lines Offices Ltd. in Sun Valley, Idaho. NAPSLO, 3300 Northeast Expressway, Atlanta, Ga. 30341; 404-952-8591.

MAY 5-6. Disaster Management Workshop in Philadelphia, sponsored by the American Society for Industrial Security; $180 for members, $230 for nonmembers. ASIS, 2000 K St. N.W., Suite 651, Washington, D.C. 20006; 202-331-7887.

MAY 7. Contractors Bonding, General Liability and Professional Liability Seminar, sponsored by Society of CPCU; $70 for members, $80 for nonmembers. CPCU, Providence Road, CB#9, Malvern, Pa. 19355; 215-648-0440.

MAY 18-20. Coping with Post-retirement Inflation Conference in San Antonio, Tex., sponsored by the Southwest Pension Conference; $165 for non-members. Marie T. Spivey, Coopers & Lybrand, 5000 First International Bldg., Dallas, Tex. 75270, 214-714-5000.

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Unions demand job security benefits

Continued from page 1

worker moving 50 to 100 miles to $1,760 for a family moving more than 1,000 miles. Past allowances ranged from $385 to $1,355.

- Improved preferential hiring rights in the face of plant closings and layoffs.

Non-unionized employes have yet to win special job security benefits, and employers avoid promising them specific benefits if a plant is shut down.

Unions nationwide are still struggling to win job security benefits for their members. Of particular concern are provisions to continue pension benefits even if the plant is closed, noted Mr. Wiskowski of Kwasha Lipton.

The United Steel Workers has targeted job security as a primary issue in next month's contract negotiations with Pittsburgh-based U.S. Steel. Jobs for 13,000 workers may be eliminated by U.S. Steel in the next year.

"You don't get hit with a bunch of shutdowns and ignore it," said a United Steel Workers spokesman.

George Hensarling, U.S. Steel director of employe benefits, counters that the current benefit package is already the "envy of many."

U.S. Steel plan

U.S. Steel now provides workers with the following benefits if they lose their jobs in a plant shutdown:

- Benefits such as life insurance, hospitalization, dental, vision and major medical plans are paid for by the company for up to two years, for employes with 20 plus years of service. The 10-year employe receives the same benefits for one year; the two-year employe is entitled to six months of coverage. Workers with less than two years of service receive no benefits. After these periods the employe can purchase the coverage at group rates.
- A $300 per month supplement added to the basic pension benefit for workers whose age and years of service equal 65 if suitable long-term employment isn't offered by the company.
- Four to eight weeks of severance pay.
- As much as two years of supplemental unemployment benefits for workers with two or more years of service.

Chrysler contract

Chrysler Corp., which may continue to close plants this year, provides similar hefty employe benefits to workers who lose their jobs in cutbacks.

Under contracts with the UAW, Chrysler pays for life, hospital, surgical and medical coverage for a maximum of one-year. Dental, sickness and accident insurance benefits, however, are cut off at the end of the month following the lay off.

Early retirement benefits and supplemental benefits are also paid to workers who lose their jobs in plant closings or when jobs are phased out.

Federal proposal

To be eligible, a Chrysler worker must be 55 years old with 10 years of service, or remain unemployed from 50 to 55 after 10 years of service.

The UAW expects to negotiate job security benefits in upcoming contracts with other industries, said Simon Alpert, UAW international representative.

But the UAW is also pushing passage of the National Employment Priorities Act (S. 1608), introduced by Sen. Donald W. Riegle (D-Mich.), to protect all workers, union and non-union, who lose their jobs in plant shutdowns.

Chamber opposition

The bill, now in the Senate Labor and Human Resources Committee, is opposed by the U.S. Chamber of Commerce as inflationary and harmful to businesses considering plant shutdowns, as well as promising to expand federal control over business.

In addition to requiring employers to give workers advance notice of layoffs, the bill would demand laid-off workers receive 85% of the average weekly wage and full benefits for a year if work isn't guaranteed within 26 weeks.

Sen. Riegle's press secretary admitted the bill has little chance of passage this session or next, despite the union support for it. ■

House committee approves risk pool bill

Continued from page 1

But a big battle could erupt in the Senate.

The Senate Commerce Committee, which has jurisdiction over the bill, won't take any action until the House approves it. And the Commerce Committee, which recently approved legislation barring the Federal Trade Commission from investigating the insurance industry, traditionally has been more receptive to insurers than the House.

Broad backing

But the backing of such a broad coalition of interest groups could push the bill through Congress, one source said. Groups as diverse as the Assn. of Trial Lawyers of America, National Consumers League and some 20 business trade associations endorse the key concepts of the Risk Retention Act.

Although a recent *Business Insurance* survey (*BI*, Feb. 25) found that members of its Risk Management Board lacked interest in the legislation, smaller firms, which usually do not employ risk managers, are banking on the bill's approval to give them a new way to handle risks.

The National Assn. of Wholesaler-Distributors, whose members generally have less than 100 employes, consider passage of the Risk Retention Act "a major legislative priority," Mr. Dongen says.

Larger firms may not be that interested in the pooling legislation because they have so many more options for covering their product liability risks, such as setting up captives or self-insuring.

But for smaller firms with limited capital and assets, offshore captives or high self-insured retentions usually are not viable options, said Edward Barrett, project director of the Task Force on Product Liability and Accident Compensation.

Provisions

The Risk Retention Act would allow as few as 20 firms to set up groups to self-insure their product liability risks under federal charter. It is expected members would pool their deductible risks and individually purchase excess coverage from the commercial market.

Under a second part of the legislation, companies could purchase insurance on a group basis. Many states now have laws that bar unrelated firms from making group purchases.

The risk retention groups would be exempt from state insurance regulations and instead would be regulated by the Commerce Department.

Tax deductions

Before deciding whether to allow a risk retention group to operate, the Commerce Department would review the group's assets, reserves, loss prevention efforts and management expertise.

Premiums paid into the risk retention groups would be tax deductible as long as there was sufficient spreading and sharing of risk to satisfy Internal Revenue Service requirements.

The legislation would in no way affect the McCarran-Ferguson Act, since participation in the pools would be voluntary. There would be no drain on the federal budget since user fees would cover administrative costs.

The legislation is just a "marketplace approach" to give businesses another insurance alternative, said Rep. Preyer, who shepherded the bill through committee. ■

Industry friend dissents

WASHINGTON—Rep. James Collins, a Texas Republican with close ties to the insurance industry, cast the only dissenting vote against the Risk Retention Act by the 43-member House Interstate and Foreign Commerce Committee.

During the committee debate, Mr. Collins indicated he was opposed to any bill that bypassed state insurance regulation. Insurance rates are based on careful actuarial analysis by state officials, he said.

The 1977 Interagency Task Force on Product Liability's final report, however, found that in terms of premium volume, only 10% of product liability risks were rated on an actuarial basis.

Mr. Collins, who served for 11 years as president of Fidelity Union Life Insurance Co., is considered to be one of the staunchest friends the insurance industry has on Capitol Hill.

Workers can refuse to do hazardous jobs: Court

Continued from page 1

Workers can't be punished for working at hazardous tasks, but employers are also protected against any chance that workers could take advantage of the regulation since idle workers won't be paid, the chamber notes.

In some cases, employes cite safety as an excuse in carrying out an unauthorized strike, the chamber spokesman said. "Now they can't get paid for that," he added.

The case involved a 1974 accident at a Whirlpool Corp. appliance plant in Marion, Ohio, where a worker plunged to his death through a metal screen 20 feet above the floor.

The screen was designed to catch appliance parts that fell from a conveyor belt above it. Maintenance workers occasionally had to walk along the screen to remove the fallen parts.

Two Whirlpool employes, Virgil Deemer and Thomas Cornwell, complained about the condition of the screen several weeks before their coworker fell through the screen. After the death, they filed a complaint with OSHA and defied their foreman's order to continue working on it.

After refusing to work, Whirlpool docked the men six hours of pay and placed reprimands in the men's personnel files.

OSHA and the two men challenged Whirlpool's action. The government said an OSHA regulation gave the men the right to decline work in a hazardous situation.

Whirlpool challenged the OSHA regulation in federal court, contending it exceeded OSHA's regulatory authority.

But Justice Potter Stewart, writing for the court, said the regulation was valid and conformed with one of the purposes of the law: the protection of workers.

It would contradict the purpose of the OSHA Act to deprive "an employe, with no other reasonable alternative, the freedom to withdraw from a workplace environment that he believes is highly dangerous," Justice Stewart said.

Such a regulation is necessary because "OSHA inspectors cannot be present around the clock in every workplace," the court said.

Employers have the right to challenge in court an employe's good faith, protecting abuse of the regulation, the court noted.

Whirlpool said it was studying the decision and wouldn't comment. ■

DES suit seeks victims

CAMBRIDGE, Mass.—A statewide project is under way here to identify women whose mothers were treated with the drug diethylstilbestrol during pregnancy and inform them they are eligible for inclusion in a class-action suit against manufacturers of the drug.

The campaign, sponsored by the National Women's Health Network, follows an order by a federal judge here in January that all defendant companies submit a list of trade names under which DES was sold and used by pregnant women in the 1950s.

Attorneys have estimated that in Massachusetts alone there could be as many as 54,000 "DES daughters" whose mothers took the drug (*BI*, Jan. 7). ■

A&A presents package for importers

Continued from page 2

lion of coverage are determined by product and sales volume. Rates per $100 declared value for importers with sales below $10 million range from a low of 2.5 cents for party goods, food, housewares and china to 30 cents for pharmaceuticals (excluding birth control items and DES).

Individual rating

In the $50 million to $100 million sales bracket, these rates decrease to 1.75 cents for party goods, etc., and to 15 cents for pharmaceuticals. Companies whose sales are greater than the rating scales can be individually underwritten.

The product liability policy has deductibles ranging from $1,000 for companies with less than $10 million in sales to $10,000 for companies with $50 million to $100 million in sales.

Any account with three or more losses a year will be rated individually. Defense and investigation of product liability claims will be handled by the New York law firm Wilson, Elser, Edelman & Dicker.

The ocean cargo policy with limits of $5 million on any one vessel and/or conveyance insures products from warehouse to warehouse, until the time of general delivery. Unsold goods are guaranteed 60 days of automatic coverage.

Holding back

"We're going to let others plunge into the cold water first," says Max Gonenn, risk manager consultant of Atalanta Corp., a food importer in New York.

Coverage extends from anywhere in the world to a final destination of the U.S. or Canada. Shipment to Nigeria, Angola, Libya, Lebanon and Iran will be covered at rates and conditions to be agreed upon.

Excluded from the policy are: household and personal effects, coins, copra, jute, raw cotton, livestock, fishmeal, oil, containers as cargo and towage risks. Steel products have special provisions for twisting or bending, rust, oxidation and corrosion. Coverage for these items may be provided, however, for negotiated rates.

A & A has authority to settle losses up to $10,000 without prior approval of the underwriters.

Any account exceeding a 60% loss ratio during the prior three-year period will be subject to individual rating.

Cargo rates are determined by sales volume and the category of the product. The cheapest to insure are toys, sporting goods, clothing, pharmaceuticals (excluding birth control items and DES), food, chemicals and machinery, all in Category I. More expensive to insure are electronic and computer equipment, furniture and housewares, which are lumped into Category II. Most expensive to insure are glassware and china, which comprise Category III.

Premium rates

For sales of less than $10 million, rates for all risks coverage per $100 declared value is 18 cents for Category I, 25 cents for Category II and $1.50 for Category III products.

Rates for all risks coverage per $100 declared value in the $50 million to $100 million sales bracket range from 13.5 cents for Category I items to $1.20 for Category III products.

Coverage for risks free of particular average is the same for all three categories. The rate per $100 value ranges from 10 cents for sales of less than $10 million to 8.5 cents for sales in the $50 million to $100 million bracket.

While 50 AIA members may be ringing A&A phones off the hook asking about the program, at least two AIA members aren't buying the plan now.

Cautious company

"We're going to let others plunge into the cold water first," said Max Gonenn, risk manager consultant at Atalanta Corp., food importers in New York. Mr. Gonenn wants to see how the program will work out with others.

"For the company that is very ignorant about insurance, the A & A plan is the perfect package deal," he said. "At present we are happy with our program."

Atalanta handles $250 million of goods a year, including ham, cheese, frozen beef and seafood products. The firm doles out $1 million to $1.5 million a year for insurance, two-thirds of which is for marine and rejection insurance. The policy has no deductible.

"Their price is attractive, but there is not a huge difference," Mr. Gonenn said. "I don't like A&A's $10,000 deductible on product liability."

Price considerations

About 65% of Atalanta's business requires rejection insurance, which the A & A package does not provide. "Price is our least consideration," Mr. Gonenn said.

"The liability policy is expensive," said Robert I. Middleman, vp at Conray Chemicals in Rockville Center, N.Y. Conray, with annual sales of $10 million, is waiting to receive A & A's official rates. Great American Insurance Co. has provided Conray's cargo insurance for the past 20 years. He said he is reluctant to switch.

"If the difference for the total insurance package isn't at least $1,000, then we will not change," Mr. Middleman said. Conray is currently paying $10,000 for $500,000 of liability insurance.

"There could be offers with both products and cargo cheaper," the A & A executive admitted. "We are not under any circumstances the low boy in town. We'd have every association after us, and that's not what we want." ■

letters

Continued from page 8

that the California supreme court, as I am sure you know, denied a hearing in that case, but granted a hearing in Commercial Union vs. Safeway, which should resolve this matter. The California supreme court has also granted a hearing in Signal Co. vs. Harbor Insurance Co.

At least this should clarify some of the confusion that presently exists and which you refer to in your article.

I thought your article of sufficient interest to circulate it among all of the attorneys in our firm.

Victor B. Levit
Long & Levit
San Francisco, Calif.

Congratulations

To the editor: I want to congratulate you on the *Business Insurance* insurance industry index (*BI* Ticker, every other week), a new concept for your magazine. It is certainly very helpful and fills a long overdue need in our industry to provide information on publicly held insurance companies and brokerage firms.

Andrew Barile
President
Aneco Group
New York, N.Y.

Inaccurate language

To the editor: The article published in your magazine Feb. 18 ("Big firms say 'no thanks' to public adjuster service") raises many questions as to the sufficiency of the statistic polled among risk managers. My firm represents many Fortune 500 companies and others that would qualify as big firms, all of whom have risk managers.

The wording of the headline of your article is an unwarranted and unsupportable negation of the services of a public adjuster. Your magazine should have been more responsible, either in its title to the article or in better research before using such inaccurate and harmful language.

Except for the headline, the article was extremely well done.

Robert D. Gordon
Principal
Robert D. Gordon Adjusters Inc.
Boston, Mass.

Curious system

To the editor: The spotlight report on workers compensation Jan. 28 issue was informative.

In addition to the articles discussing rising costs of benefits, a most interesting article reports that California is a state with one of the highest profit margins for writing work comp business!

It is a curious regulatory system, established to provide adequate benefit levels, that creates a system with an attractive profit motive for the insurance industry.

As further articles pointed out, a clear solution to increasing costs is to retain the risk. Not only does the insurance "claimant" become an employe "client," a much larger portion of the cost is in direct employe benefits.

Alun Goodheart
Risk manager
Santa Cruz County, Calif.

Extending sympathy

To the editor: The blast you received from the antiabortion faction (Letters, Feb. 18 et al) can't help but remind one that these people undoubtedly believe in freedom of belief and expression, as long as it agrees with theirs. Otherwise, one is rotten, of questionable ancestry, disgusting, insulting and without question of clouded-thinking-capabilities.

Unfortunately, those who blasted the editorial are also do-gooders who seem to always know what is better for any given individual than the individual himself/herself does. We have too many people like this in government positions already. I think they call themselves liberals. Why, I'm not certain.

You have my compassioned sympathy for having to endure such uncalled for abuse.

Fred W. Crouse
San Francisco, Calif.

Bache acquires Schenectady broker

By STUART EMMRICH

NEW YORK—Bache Group Inc. continued its diversification into the financial services business, acquiring insurance broker Ter Bush & Powell for $10 million in common stock. It boosts Bache's insurance brokerage operations into the ranks of the nation's 10 largest brokers.

Already the owner of the Albert M. Bender Co., a California-based brokerage firm, Bache said at a press conference in New York late last week that the purchase of Ter Bush & Powell would bring its insurance brokerage gross revenues for 1980 to more than $25 million. H. Virgil Sherrill, Bache president, said the company will now rank about ninth among the nation's insurance brokers based on 1978 revenue results.

Ter Bush & Powell of Schenectady had gross revenues of approximately $9 million last year and expects that figure to rise to about $12 million in 1980, said William Campo, the firm's chairman. Premium volume was estimated at a bit more than $100 million.

Bache also plans in the next few months to form a holding company subsidiary that will be the parent firm of the insurance brokerage operations.

Coming just two years after Bache purchased Bender and moved it into 14th position among brokers, the acquisition of Ter Bush & Powell is a further sign that Bache intends to become a major force in the insurance brokerage industry.

Like most securities firms, Bache is seeking diversification to help stabilize its financial operations, Mr. Sherrill said. The insurance brokerage business is a particularly attractive way to counteract the cyclical nature of the securities industry, he added.

Bernard Mizell, chief operating officer of Bender, said the purchase of Ter Bush & Powell not only "establishes us as one of the fastest growing insurance brokerage firms in the United States," but also provides further impetus to continued growth nationally.

The purchase of Ter Bush & Powell is also the first step in the march to make Bache's brokerage operations a national business.

One of Bache's goals is to pass the financial performance of Bayly, Martin & Fay within the next few years, Mr. Mizell said. Bache is expecting, primarily through acquisitions, to reach $60 million in annual gross revenues from insurance brokerage business, he noted.

"If you want to grow, you can do it internally or you can do it through acquisitions. Internally takes too long and we think we can be successful in finding other firms that are compatible with our company," Mr. Mizell said. Bache is particularly interested in expanding to Texas and the Midwest.

Ter Bush & Powell has 11 offices in the East, mostly in New York, has experienced a 15% annual growth rate over the past decade and has 250 employes, Mr. Campo said. About 90% of its business comes from commercial clients and net income last year was estimated at around $1 million.

Both boards have approved the agreement between Bache and Ter Bush & Powell. The acquisition will be final after lawyers draw up the papers.

Bache Group is the parent company of Bache Halsey Stuart Shields Inc. of New York.

BI ticker

Aetna L & C

Net income for Aetna Life & Casualty rose 16% during 1979, a year in which the company showed its best gains in group pension plans but lost money on its professional liability policies. Net income was $585.4 million for 1979, compared with $501.6 million in 1978.

The casualty/property business showed a pretax underwriting gain of $45 million, a 77% drop from the 1978 figure of $189 million. Record catastrophe losses of $68 million and a two-thirds increase in the number of losses totaling more than $500,000 contributed to the drop in profit.

Premium volume from all group lines was up 24% to $4.7 billion, with company officials attributing much of this gain to continued growth in pension products.

Connecticut General

For the 35th year in a row, Connecticut General Insurance Co. has increased its annual dividend payments, with the latest jump, to 38 cents a share from 33 cents after net income rose 3% to $280.3 million from $271.7 million.

Group life and health operations gained in 1979 with premiums increasing 10% to $1.9 billion and operating income improving by 23% to $103.9 million. Operating earnings for casualty/property business dropped 45% to $41.6 million from $74.5 million. ■