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business insurance®

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update

Asbestos claims facility ready to roll, backers say

NEW YORK—Producers and insurers seeking to establish an asbestos claims-handling facility say a sufficient number of major companies have conditionally signed the Wellington agreement to proceed with the facility.

Chief executive officers of the Wellington Resolution Group, which is composed of six major producers and insurers that negotiated the agree-

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General Re contests asbestos claims

By STEPHEN TARNOFF

NEW YORK—General Reinsurance Corp. contends it doesn't owe Aetna Casualty & Surety Co. any reinsurance payments for one policyholder's asbestos losses reinsured over a 17-year span because Aetna failed to promptly notify General Re of the claims.

In a suit filed in a state court in New York on Feb. 8, Greenwich, Conn.-based General Re seeks a declaratory judgment that it does not owe Aetna any payments under facultative reinsurance certificates issued between 1960 and 1977 for product liability risks of asbestos producer Owens-Illinois Inc.

Or, it alternatively asks the court to at least rescind the last two in this series of reinsurance contracts because it contends Aetna, during those 1975 and 1976 renewal negotiations, withheld information about claims it already had received from Owens-Illinois, based in Toledo, Ohio.

The various parties in the litigation declined to comment on how much is at stake in the lawsuit. However, according to one source, the total amount of reinsurance payable under the 1975 and 1976 contracts probably does not exceed $40 million.

The lawsuit represents one of the few times that reinsurers and insurers have gone to court over disputes involving payment of asbestos reinsurance claims.

Most of the massive insurance litigation stemming from asbestos-related injuries has been between asbestos producers and their primary and excess insurers over who will pay defense and indemnification costs for asbestos injury claims.

However, some have predicted that disagreements between insurers and reinsurers over coverage for asbestos claims would end up in litigation.

Aetna wrote various excess insurance policies for Owens-Illinois between Sept. 1, 1960, and Sept. 1, 1977 and then reinsured those policies with General Re.

General Re agreed to retain "for its own accounts or that of treaty reinsurers, the loss limits as set forth in the policies, subject to the condition that Aetna provide General Re with prompt notice of any occurrence, loss, accident or claim which appears likely to involve the certificates of reinsurance," the suit says.

General Re claims that Owens-Illinois informed Aetna beginning in 1975 that asbestos claims were being made against it and demanded that Aetna indemnify it.

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Coverage litigation to begin

By STEPHEN TARNOFF

SAN FRANCISCO—Five major asbestos producers and about 100 insurers go to trial in a California court today in what may be the most complex and costly insurance litigation ever.

At issue in the litigation, which will be heard by San Francisco Superior Court Judge Ira A. Brown Jr., is who will pay for what could be billions of dollars in defense and indemnification costs stemming from tens of thousands of asbestos injury claims.

Involved are some of the biggest defendants in asbestos injury litigation: Manville Corp. of Denver, Colo.; GAF Corp. of Wayne, N.J.; Fibreboard Corp., a unit of Louisiana-Pacific Corp. based in Portland, Ore.; Armstrong World Industries Inc. of Lancaster, Pa.; and Nicolet Inc. of Ambler, Pa.

Major insurers include Aetna Casualty & Surety Co., Insurance Co. of North America, Travelers Corp., Fireman's Fund Insurance Cos., underwriters at Lloyd's of London, Liberty Mutual Insurance Co., American International Group Inc., Commercial Union Insurance Co. and Reliance Insurance Co. A total of about 100 primary

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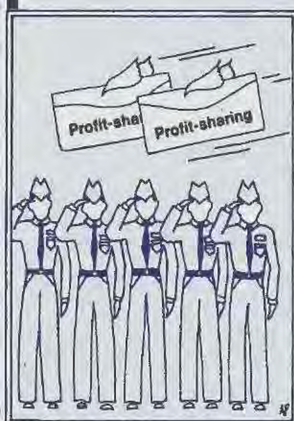
Retroactive profit-sharing for veterans overturned

By MEG FLETCHER

CINCINNATI—Employers are not required to make retroactive profit-sharing contributions to veterans for the time they spent in the military when they return to their former jobs, a federal appeals court judge has ruled.

The 6th U.S. Circuit Court of Appeals in Cincinnati last month overturned a lower-court ruling that granted two veterans employed by Chemi-Trol Chemical Co. Inc. of Gibsonburg, Ohio, retroactive contributions for the time they spent in the military.



The appellate court ruled that Chemi-Trol's profit-sharing plan represented short-term compensation for work performed and not a reward for length of service. And, the plaintiffs' rights to contributions under the plan were subject to "a significant contingency" when they entered the military.

Therefore, the benefits could not be considered "perquisites of seniority" (*BI*, Jan. 23, 1984).

The appellate court's ruling reversed a decision by the U.S. District Court for the Northern District of Ohio. That court had found that profit-sharing contributions are perquisites of seniority, which are protected by federal laws requiring that veterans be re-employed with the same status and benefits they would have enjoyed had they not left their jobs to join the armed forces.

The case was brought by two production-line workers who sued Chemi-Trol.

They were represented by U.S. Department of Labor attorneys, who are expected to decide this month whether to ask the U.S. Supreme Court to review the case. The attorneys declined to comment on the case.

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Shuttered NYIE syndicates aggravate capacity crunch

By DOUGLAS McLEOD

NEW YORK—The New York Insurance Exchange, already operating at only about half the capacity it had a year ago, will lose even more capacity because of the recent closing of three syndicates, sources on the exchange say.

North Star Management Corp., a unit of General Re Corp., said last month it has stopped underwriting through North Star Syndicate Inc. and Polaris Syndicate Corp., although outstanding quotes will be honored.

North Star Syndicate, wholly owned by General Re, plans to withdraw completely from the exchange, while underwriting activity at Polaris has stopped, pending a decision by Polaris' seven shareholders on whether to withdraw, according to J. Gilbert Stallings, General Re's assistant general counsel.

NYIE syndicates no longer underwriting
(Amounts in millions of dollars)

	1983 gross premiums written	1983 net premiums written	1983 combined ratio
First New York Syndicate Corp.[1]	$22.7	$11.6	112%
Realex Group N.V.[1]	19.9	10.1	111%
Burt Syndicate Inc.[1]	16.6	9.2	106%
North Star Syndicate Inc.[2]	8.2	5.7	125%
Polaris Syndicate Inc.[1]	5.0	3.1	114%
Chubb Syndicate Inc.[2]	3.8	3.0	113%
U.S Risk Inc.[3]	0.7	0.7	106%

[1] Underwriting temporarily suspended. [2] Planning to withdraw from the exchange. [3] Writing limited renewal business only.

Together, the two syndicates accounted for $13.2 million of the exchange's 1983 gross written premium volume of $282.2 million. Premium volume figures for 1984 are not yet available.

At the beginning of 1984, the two syndicates had a combined capacity of $4 million for casualty business, but this dropped to $2 million in mid-1984 after a decision was made not to renew some retrocessional agreements, according to William White, assistant vp with North Star Management.

Meanwhile, Chubb Syndicate Inc. has discontinued underwriting and also plans to withdraw from the exchange, according to Edward Darwin, president of Chubb Syndicate Manager Inc. Chubb Syndicate's 1983 gross written premiums amounted to $3.8 million.

Chubb would not comment on the syndicate's capacity.

The impending withdrawals follow temporary suspensions of underwriting by several syndicates that have reached or exceeded exchange-imposed underwriting limits in the last year (see chart).

In addition, syndicates that are still underwriting have seen their capacity reduced, sometimes drastically, by an inability to find adequate or affordable retrocessional coverage.

The net effect of these problems, according to several exchange participants, has been a reduction in exchange capacity of roughly 50%—not including the loss of North Star, Polaris and Chubb.

While the exchange's capacity for casualty business was about $55 million in 1984, it dropped to $26 million or $27 million after Jan. 1, according to Marc S. Willner, assistant vp with Home Re Syndicate Inc.

Capacity for property risks stood at between $60 million and $65 million last year, but has since dropped to about $30 million, he added.

Mr. Willner attributed much of the decline to the syndicates' difficulties in lining up retrocessionaires.

"When the treaty market dried up, capacity on the exchange dried up, too," he explained.

Others, however, say the main cause of the capacity cuts has been the underwriting suspensions by syndicates that have exceeded the exchange's underwriting guidelines.

Whatever the primary reason for the capacity shrinkage, the latest withdrawals further aggravate the capacity problem, though observers point out that such withdrawals aren't unique to the exchange.

"I think I'd be foolish to say that it doesn't have a negative impact," said Jim Zagorski, vp-casualty underwriting for Continental-Reed Stenhouse Management Co. Ltd., which underwrites for two syndicates.

But Mr. Zagorski added that reinsurers outside the exchange have also recently decided to stop writing

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IRS withdraws approval of pension asset transfers

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update

Asbestos facility to proceed

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ment, met last week and unanimously decided to proceed with the facility, said John Baldwin, president of Pittsburgh-Corning Corp., which is a member of the Wellington group.

The agreement, named for Yale Law School Dean Harry H. Wellington, who chaired the negotiations, is designed to provide an out-of-court mechanism for settling tens of thousands of asbestos bodily injury claims more expediently and efficiently.

Supporters of the proposed facility also say it could save millions, perhaps billions of dollars in legal costs, and would also settle virtually all insurance coverage disputes over who will pay for asbestos-related bodily injury claims.

Until last week's decision, those close to the negotiations had maintained that the agreement, while having been signed by enough major asbestos producers, had not received sufficient support from major insurers. Recently, however, CNA Insurance Cos., The Home Insurance Co. and Fireman's Fund Insurance Cos. conditionally approved the agreement (*BI*, Feb. 25). So far, 33 insurers and 22 producers have give preliminary conditional approval to the agreement. Members of the group hope that the companies will give final approval to the facility at a meeting scheduled for May 29.

The start-up date for the facility is not yet known, but the Wellington group has set a timetable for establishing the facility:

- March 12: A mandatory meeting of subscribing producers will be held to assure completion of insurance coverage information essential for final closing of the agreement.
- March 19: Wellington subscribers will testify before the Senate Labor Subcommittee at oversight hearings on the facility.
- March 29: Insurance coverage information will be provided by subscribing producers to subscribing insurers.
- April 24-26: All subscribing insurers and producers will meet to reconcile coverage information, approve items in insurance schedules and note any items for alternative dispute resolution.
- May 10: Insurance schedules provided by subscribing producers to subscribing insurers will be reconciled.
- May 22: A pre-closing meeting of all conditional subscribers will be held.
- May 29: Final closing and sign-up are scheduled.

St. Eustasius data requested

NEW YORK—The New York Insurance Department has sent a circular letter to members of the insurance industry requesting they supply complete information on any transactions they may have conducted with St. Eustasius Insurance Co. N.V., a department spokesman says.

The department first said last October that it was investigating St. Eustasius, based in the Dutch Antilles (*BI*, Oct. 22, 1984).

Among the information requested by the department is a description of any negotiations and transactions with St. Eustasius, including dates, places and terms; the names and identities of any other parties involved in the negotiations; and details on any reinsurance cessions made to St. Eustasius, including recoverables receivable or due from any company.

The letter was mailed to all property/casualty companies licensed in the state, underwriting members of the New York Insurance Exchange, credited reinsurers, reinsurance intermediaries and excess line brokers, says the spokesman. Those who have not conducted any business with St. Eustasius were told to indicate that as well, he said. All responses are due by April 13.

M&M reshuffles management

NEW YORK—Robert Clements is again president of Marsh & McLennan Inc., the insurance brokerage subsidiary of Marsh & McLennan Cos.

Bruce W. Schnitzer, who was named MMI president in December 1982, succeeding Mr. Clements, resigned from MMI last week.

L. Patton Kline, who was promoted from chairman of MMI to the parent company management team in 1980, regains a position at MMI as vice chairman in addition to continuing as vice chairman of the parent company.

Mr. Schnitzer, 40, said he decided to resign because "I feel it's time to get onto the next stage of my life." Both he and the company strongly denied reports that the resignation was related to the $165 million pretax loss M&M Cos. posted in 1983 as a result of "unauthorized" government bond trading (*BI*, June 25, 1984).

"My departure has absolutely nothing to do with it, and in fact I wouldn't have felt comfortable leaving the company unless it was also clear that period was way behind us."

Mr. Schnitzer will serve as a company consultant for one year.

Mr. Clements was first named president of MMI in January 1980.

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IRS withdraws approval of pension asset transfers

By JERRY GEISEL

WASHINGTON—The Internal Revenue Service is withdrawing its opinion that employers can shift excess assets from defined benefit pension plans to defined contribution plans.

The IRS last week sent a letter to Buck Consultants Inc. of New York notifying the benefit consultant that the agency has withdrawn an earlier information letter that sanctioned asset transfers (*BI*, Feb. 4).

"This is to notify you that the information contained. . .is currently being reconsidered by the various agencies involved and may be modified," the IRS said.

Last month, Buck released with great fanfare the previous IRS letter sanctioning asset transfers.

Such transfers would be allowed if the employer received an opinion from an enrolled actuary that the assets in the defined benefit plan exceeded what is required to pay accrued benefits if the plan is terminated, according to the first IRS letter.

In an asset transfer, an employer, for example, could transfer excess assets from a overfunded defined benefit plan to a 401(k) salary reduction plan rather than contribute general corporate funds to the 401(k) plan.

Frederick Rumack, director of tax and legal services at Buck, said the issue of asset transfers is now being viewed by the administration as so important that it may be decided at the Cabinet level. The IRS letter was withdrawn to discourage employers from transferring assets during the review, he said.

Even before it withdrew its letter, the IRS, the Labor Department and the Pension Benefit Guaranty Corp. were downplaying the importance of the IRS letter.

"They (IRS information letters) do not necessarily deal with every aspect of a transaction or every potentially applicable provision of the Internal Revenue Code and are not legal authority. . ." a joint release said.

The three agencies also warned in their news release that asset transfers could be subject to ERISA's "exclusive benefit" rule.

The IRS letter made no mention of Section 403(c)(1) of ERISA that states that pension assets must be held for the exclusive purpose of providing benefits. That rule could be significant in situations in which there are different participants in an employers' defined benefit and defined contribution plans.

For example, following an asset transfer, employees in the defined benefit plan who do not participate in the defined contribution plan could charge that the asset transfer did not benefit them, consultants say.

Experts said last week, before the IRS letter was withdrawn, the agencies' release signaled the IRS may have been retreating from sanctioning asset transfers.

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Broke MET's unpaid claims may increase

By MEG FLETCHER

ERIE, Pa.—About 300 small employers in northern Pennsylvania and Ohio are being forced to replace health insurance for 5,500 employees because the Lake Erie Employers' Assn. Benefit Trust closed its doors last week.

They are also questioning their liability for claims left unpaid by the self-insured, multiple employer trust.

Unpaid claims total $2 million now and are expected to grow to $3.5 million, while the MET's assets are between $25,000 and $35,000, according to J. Patrick Karle, president of LEEA. He is also a partner in Hubbard, Bert, Karle & Weber Inc., the 35-year-old insurance broker which has marketed and administered the health plan since it was begun in October 1981.

"Our deposits were just too low and we got hit with an inordinately high claims in year 1984," he explained.

In 1982 LEEA charged monthly premium of $35 per individual and

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Delta America Re suspends writing following state exam

By DOUGLAS McLEOD

LOUISVILLE, Ky.—Delta America Reinsurance Co. of Louisville has temporarily suspended underwriting following a regular Kentucky Insurance Department examination of the company.

Spencer Traver, senior vp with American Risk Management Inc., a unit of The Reiss Organization and manager of Delta America Re, said the reinsurer stopped underwriting at the Kentucky department's request pending a resolution of the exam's findings.

Mr. Traver confirmed that the Insurance Department exam found a "significant reserve discrepancy." But, Mr. Traver said he could not comment on the extent of any reserve discrepancy since Delta America Re is currently reviewing its records to answer the department's findings.

James E. Dickinson, director of the Kentucky department's division of financial standards and examinations, confirmed that the department has completed it regular quadrennial exam of Delta America Re but he would not comment on the findings of the examination.

The department's examination report will be sent to Delta America Re this month and the company will have 20 days to respond to it before portions of it become public documents.

In the process of the examination, the Insurance Department became concerned about business on Delta's books that had been written by the now-defunct London underwriting agency Stetzel Thomson & Co. Ltd., Mr. Dickinson said.

The business had been written when Delta was owned by National Distillers & Chemical Corp. and operating under the name Elkhorn Re Insurance Co. Elkhorn was acquired in September 1983 for $18 million from National Distillers by Delta Holdings Inc., an organiza-

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EPA seeks insurers' opinions on pollution insurance market

By ROBERT A. FINLAYSON

WASHINGTON—Concerned over the availability of environmental impairment liability coverage, Environmental Protection Agency officials are inviting property/casualty insurers to discuss the state of the EIL insurance market.

In a letter sent last month to five of the largest property/casualty insurance trade organizations, Jack W. McGraw, acting assistant EPA administrator for solid waste and emergency response, told the groups that he wanted to "establish a mechanism to provide for a constructive exchange of ideas with knowledgeable and informed insurance professionals on these very real and pressing environmental liability problems."

EPA officials are quick to point out this does not mean the agency is prepared to change the financial responsibility regulations promulgated under the Resource Conservation and Recovery Act.

Those rules require certain businesses that handle hazardous waste to have either environmental impairment liability insurance or to pass a strict financial test to self-insure their environmental liabilities.

Mr. McGraw said in the letter that he had become more aware of the lack of capacity in the EIL market after attending the joint Insurance Services Office/Insurance Information Institute meeting in January (*BI*, Feb. 4).

As a follow-up to that meeting, Mr. McGraw said he was "particularly interested in establishing a dialogue with 'front-line experts' within the insurance industry who deal with the day-to-day realities of trying to assess the risk and insurability of hazardous waste facilities."

"Although we at EPA have heard from some sources that insurance is simply not available, we must find a way to further explore what the underwriters and/or claims experts perceive to be the specific problem involved in environmental impairment liability insurance," he said.

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errors & omissions

- AMF Inc. expects to generate about $100 million from the termination of its defined benefit pension plan. Due to a production error, the amount of the reversion was incorrectly stated in the Feb. 25 issue.

Reagan's Superfund proposal criticized

By ROBERT A. FINLAYSON

WASHINGTON—The Reagan administration's long-awaited Superfund reauthorization proposal offers risk managers and insurers little reason to cheer.

While most Superfund observers expected the administration's reauthorization proposal to be more favorable to the business community than proposals considered by Congress last year, risk management and insurance industry officials say they were disappointed when the plan was unveiled Feb. 22.

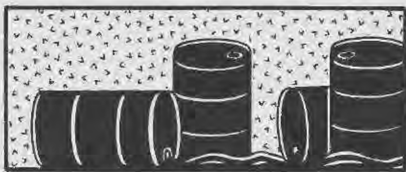
The 3-year-old Superfund statute, which established a $1.6 billion fund to clean up the nation's abandoned hazardous waste dumps, expires this year.

As expected, the administration's proposal does not include the expansive liability provisions introduced in the House and Senate last year and opposed by risk managers and insurers (*BI*, July 9, 1984; Aug. 20, 1984).

But, it does include provisions that would limit the rights of companies named in Superfund lawsuits and could prompt more litigation in an already litigious arena.

Specifically, the administration's bill would:

- Create a federal mechanism that would allow companies named in Superfund lawsuits to seek contributions for cleanup costs from other responsible parties not named in the suit—but not until after that suit is settled.



- Prohibit judicial review of EPA cleanup orders until after the Environmental Protection Agency moves in federal court to enforce such an order.

"It's a prosecutor's dream," says Leslie Cheek, vp of federal affairs for insurer Crum & Forster, noting the proposal is bad news for risk managers and insurers alike.

The administration's reauthorization proposal, S. 494, is under consideration by the Senate Environment and Public Works Committee.

The committee, chaired by Sen. Robert Stafford, R-Vt., held hearings early last week to examine the administration's proposal and later in the week started to hammer out legislative language acceptable to a majority of the committee's members.

EPA Administrator Lee M. Thomas, the only witness at the hearing, said the administration's proposal would "triple the resources available to use for cleanup activities, strengthen our enforcement capabilities to foster private-party cleanups and focus all activities on those sites posing the greatest risks to human health and the environment."

Mr. Thomas said the proposal "has the full backing and support of President Reagan."

While the administration's proposal is expected to receive serious consideration on Capitol Hill, particularly in the Republican-controlled Senate, Sen. Stafford's own Superfund reauthorization bill, S. 51, will almost certainly be the bill reported out of the Environment and Public Works Committee, observers say.

However, some provisions of the administration's package will likely be incorporated into the Stafford bill, either in committee or on the Senate floor, congressional sources predict.

Sen. Stafford's bill, which was introduced Jan. 3, is similar to the bill reported out of the Environment and Public Works Committee last year, except that it does not contain ei-

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Tax reform legislation includes benefit attacks

By JERRY GEISEL

WASHINGTON—The drive to simplify or reform the tax code, and to alter the tax-preferred status of many employee benefits, is picking up key legislative support.

Rep. Charles Rangel, D-N.Y., a key member of the House Ways and Means Committee, last month introduced a bill that incorporates portions of the Treasury Department's tax simplification plan, including sections that would wipe out 401(k) salary reduction plans and tax-free cafeteria benefit plans (*BI*, Dec. 3, 1984).

However, Rep. Rangel's legislation did not include the Treasury's proposals that would:

- Tax workers on employers' health care contributions that exceed $70 a month for individual coverage and $175 a month for family coverage.
- Tax employees' workers compensation benefits. Under current law, injured and disabled employees do not pay taxes on workers compensation benefits.

As Rep. Rangel was introducing his bill, House Ways and Means Committee Chairman Rep. Daniel Rostenkowski, D-Ill., agreed that tax reform is necessary.

In a speech last week in New York, Rep. Rostenkowski said: "Tax reform ought to be done. Tax reform can be done. All it takes is a lot of education, a lot of pushing and a lot of negotiating."

The principle behind tax simplification or tax reform is to reduce basic tax rates. In lowering those rates, many tax deductions and exclusions would be eliminated—including the tax-preferred status of many employee benefits.

The support of Rep. Rostenkowski and President Reagan, who said in his State of the Union Address last month that he favors tax reform, will pass a tax bill that takes aim at employee benefits, observers say.

"I've always felt that employee benefits will be in any tax bill," said Edward J. Davey, vp-technical analysis at Johnson & Higgins in New York. Mr. Rostenkowski's and President Reagan's support of tax reform moves up Congress' timetable for considering a tax bill with employee benefit provisions, according to Mr. Davey.

"It puts President Reagan and Rep. Rostenkowski—two most powerful people—in agreement that tax reform should happen," said Frank McArdle, director of education and communications at the Employee Benefit Research Institute, a Washington-based benefits think-tank.

"This shows that tax reform is still very much alive," adds Fre-

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Newborn risks

Insurance difficult to find for fledgling city

By STEVE TARAVELLA

WEST HOLLYWOOD, Calif.—California's newest city now has adequate insurance coverage to protect it and its public officials from liability claims.

But finding that coverage was easier said than done for the city of West Hollywood.

"Writing general liability for a brand new city is not an easy thing to do," remarks Robert Arthur, president of Robert Arthur Agency Inc. in Encino, Calif., which offered to help the city find its first insurance coverage.

Last November, West Hollywood became the 84th region in Los Angeles County to incorporate itself as a city.

A 1.9-square-mile area nestled between stately Beverly Hills and trendy Hollywood, the city and its 36,000 residents attracted national attention since an estimated 35% of West Hollywood's population is homosexual, and it's believed to be the first U.S. municipality to be governed by a gay majority. Three of its five city council members are admitted homosexuals.

But West Hollywood's difficulties in obtaining coverage resulted from its status as a new municipality and not as a prominently gay city, Mr. Arthur said.

One of the first orders of business the city's newly chosen officials tackled was shopping for public entity liability insurance.

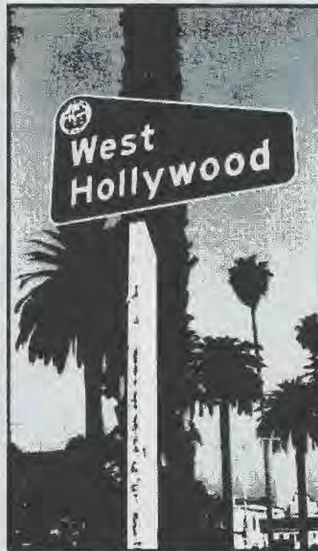

Photo: Steve Taravella

Their task was complicated by several factors. Among them:

- The fact that the city had no loss record that insurers could use to evaluate the risk, even though West Hollywood had prepared a detailed prospectus explaining how it intended to conduct city business.
- The continued tightening of the public entity liability insurance market.
- That city officials, new to their positions, were overwhelmed by all the work that had to be accomplished to put the municipality on its new feet.

"Everything happened so fast. The City Council was elected, called a meeting and all of a sudden realized they needed insurance," says Mr. Arthur. "It was almost like a movie—that's how hard we were trying to meet a deadline."

The city hoped to have purchased $10 million in public officials liability insurance by its first council meeting on Nov. 29, Mr. Arthur explains. But that didn't happen.

Instead, the city was only able to purchase $1 million in general liability and $3 million in public officials liability in time for the first meeting.

Just before the meeting, Mr. Arthur found an underwriter that would only issue casualty coverage on a temporary basis until West Hollywood could find permanent coverage.

Scottsdale Insurance Co. in Scottsdale, Ariz., wrote a comprehensive general liability policy for the new city for 30 days to give the city more time to find permanent coverage, Mr. Arthur says. But that policy, with limits of $500,000, excluded public officials liability.

Mr. Arthur then contacted Tudor Insurance Co., a surplus lines affiliate of WESTCO Insurance Group in Ramsey, N.J. Tudor, seeing that the city was in a bind, agreed to write a $3 million public officials liability policy, also for 30 days, "as a favor" to West Hollywood, but only if the CGL policy contained limits of at least $1 million, Mr. Arthur says.

Scottsdale subsequently raised the limit of its CGL policy to $1 million, and Tudor bound the $3 million public officials liability coverage, Mr. Arthur says. Both policies took effect Nov. 29 and expired Dec. 29.

The Tudor coverage was placed by Mr. Arthur through wholesale broker Hull & Co. in Santa Ana, Calif. The Scottsdale coverage was marketed through Compass Insurance Group in Glendale, Calif., a subsidiary of Harry W. Gorst & Co. Inc.

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Insurers protest state-mandated health benefits

By JERRY GEISEL

WASHINGTON—State laws that require health insurance policies to offer certain benefits are a costly administrative burden on insurers and employers, attorneys for insurance companies told the U.S. Supreme Court last week.

In oral arguments before the court, attorneys representing Metropolitan Life Insurance Co. and Travelers Insurance Co. urged the justices to overturn a Massachusetts law that requires all group insurance policies to offer mental health coverage.

The companies are arguing that the law violates the Employee Retirement Income Security Act of 1974, which preempts states from regulating employee benefits, and interferes with collective bargaining rights protected under federal labor law.

In addition, attorneys argued that because mandatory benefit laws enacted by individual states are forcing employers to pay for benefits that workers don't want, the employers may have to drop more popular benefits, such as dental and vision care.

"There is no such thing as a free benefit," said Metropolitan attorney Jay Greenfield, with the New York firm of Paul, Weiss, Riskind, Wharton & Garrison.

But Massachusetts Assistant Attorney General Sally Kelly told the court state mandatory benefit laws "fit squarely" in the scope of state regulation of insurance under the McCarran-Ferguson Act, the federal law that gives the states the primary role in regulating insurance companies.

Ms. Kelly argued that ERISA does not pre-empt states from imposing health care benefit requirements. She said ERISA's "insurance savings clause" makes it clear that state insurance laws are exempt from ERISA's pre-emption.

And, Ms. Kelly contended that mandatory benefit laws do not interfere with collective bargaining. Such laws are "neutral and do not give a weapon to either party," she said.

Instead, Ms. Kelly likened Massachusetts' mental health care coverage law to state workers compensation laws that protect employees.

The outcome of two cases consolidated before the high court, *Metropolitan Life Insurance Co. vs. Commonwealth* and *The Travelers Insurance Co. vs. Commonwealth of Massachusetts*, is of great importance to employers and insurers.

If states can adopt a "crazy quilt" of mandatory benefit laws, employers and employees alike will suffer, says the ERISA Industry Committee, a benefits lobbying group representing large employers that is also known as ERIC.

Companies that maintain employee benefit plans would face unpleasant choices, ERIC said in an amicus curiae brief.

On the one hand, multistate employers could adopt broad benefit packages that meet the benefit requirements of all states, which would be very expensive.

Or, companies could provide a variety of different benefits on a state-by-state basis, which would cause administrative burdens and dissatisfaction among employees, according to ERIC.

Insurers and others also warn of the costly administrative burden if states are allowed to continue to mandate benefit coverages. The Health Insurance Assn. of America, an indus-

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Superfund bill

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ther a provision establishing a federal cause of action under the Superfund law, or provisions establishing a program to compensate victims of hazardous waste dumps (*BI*, Jan. 14).

The federal cause of action would have allowed private citizens to bring lawsuits against polluters using the statutory authority of the Superfund law.

Both provisions were opposed by insurers and risk managers last year. Insurers maintain that including a federal cause of action in the Superfund law would make pollution risks uninsurable.

However, Sen. Stafford has already introduced an amendment to his bill that includes a provision establishing a federal cause of action. In a statement made on the Senate floor, Sen. Stafford said he introduced the provision as an amendment "so there would be ample opportunity for the serious consideration it deserves."

Meanwhile, on the other side of the Capitol dome, Rep. James J. Florio is preparing to introduce his own Superfund reauthorization bill. Rep. Florio is expected to come forward with a bill similar to the measure voted out of his Commerce, Transportation, and Tourism Committee last year.

Although the House voted to eliminate the federal cause of action included in the committee-passed version of the reauthorization bill, the vote was extremely close (*BI*, Aug. 20, 1984), and insurance industry lobbyists say the vote over the controversial provision this year could go either way.

However, they say they do not expect the Senate to approve a federal cause of action for the Superfund law.

The administration's bill, meanwhile, raises new concerns for risk managers and insurers.

Although both employers and insurers would like to see a new Superfund provision that would provide a mechanism for dividing the cost of cleaning up a dump site among those responsible for the pollution, the administration's proposal would limit defendants' ability to do just that.

The administration proposal would give companies found liable for abandoned hazardous waste dumps the right of contribution, which would allow them to sue other potentially liable parties for their share of the cleanup costs. However, the bill would prohibit such lawsuits until after a judgment or settlement is reached in a civil or an administrative action seeking cleanup of a dump site.

This means that companies named in Superfund cleanup orders would have to settle with the EPA or wait for a court judgment before they could seek money from other responsible parties that were not named in the EPA cleanup order.

Robert S. Faron, a Washington attorney who advises risk managers and insurers on Superfund enforcement actions, contends that companies would be far worse off under this approach than under current law.

Although the Superfund law does not now contain provisions providing for contribution, companies named in federal cleanup suits can attempt to enjoin other companies that contributed to the pollution but are not actually named in the cleanup suit.

Then, a court can rule on the liability of all responsible parties in one court action, explains Mr. Faron, a member of the firm of Brown, Roady, Bonvillian & Gold.

The EPA's Mr. Thomas told the Senate Environment and Public Works Committee the administration's proposal is designed to "expedite civil (cleanup) actions by requiring that separate suits be brought against other potentially liable parties for contribution after judgment or settlement in enforcement actions."

EPA enforcement officials have long complained that allowing companies named in cleanup suits to enjoin other companies to the suit complicates and slows down the litigation.

Mr. Faron, though, says the administration's approach would "further destabilize the insurance market" and put "more of a burden on companies than under the current law."

Insurers maintain this approach would serve only to increase litigation costs by forcing companies named in a federal cleanup action to take separate legal action against other responsible parties after the federal suit is resolved.

The federal government usually names only the largest companies involved with a disposal site in a Superfund cleanup suit, Mr. Cheek says, excluding smaller firms that are less likely to have funds to clean up the site.

Mr. Cheek accuses the administration of proposing to pre-empt rights alleged polluters have under common law to enjoin other responsible parties to cleanup lawsuits.

Risk managers and insurers originally sought inclusion of a contribution provision in Superfund because, under the current law, one company can be required to clean up an entire site, regardless of how much waste the company contributed to the site.

The administration's bill would also limit the ability of companies to obtain judicial review of EPA cleanup orders.

Companies named in cleanup orders often contend the remedies sought by the EPA are more costly than necessary, and many have attempted to obtain judicial review of the appropriateness of an EPA cleanup plan.

However, "there should be a mechanism for administrative determination of an EPA-suggested cleanup remedy," Mr. Faron maintains, as do other insurance industry and risk management officials.

Such a mechanism would allow "responsible companies to pursue cleanup on their own, without the threat of the federal government coming in and maximizing their costs," he says.

However, the administration has taken the opposite tact. Its proposal would amend the Superfund law to prohibit judicial review of EPA cleanup orders until the point at which the agency goes to court to enforce the order.

If the administration's bill is passed, Mr. Cheek maintains, the only way a company could obtain judicial review of an EPA cleanup order would be to disobey the order and wait for an EPA lawsuit seeking compliance. Insurers fear this would only lead to more and costlier litigation, he adds.

Mr. Cheek and Mr. Faron note that Sen. Stafford's bill would require the EPA to take into account the cost-effectiveness of its cleanup remedies.

"Basically, the (administration's) bill tries to eliminate the areas where the government is having difficulty winning some of its suits," Mr. Faron concludes.

He also points out the proposal does not address the insurers' concern that courts are granting more coverage for pollution cleanup under comprehensive general liability policies than the insurers say they intended.

A group of the nation's largest property/casualty insurers, operating under the auspices of the American Insurance Assn., is considering asking Congress to step in and absolve the insurers of potential liability for billions of dollars in Superfund cleanup costs. A proposed Superfund amendment that would address the insurers' concern is under development by the group (*BI*, Jan. 21). ■

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Appeals court overturns profit-sharing ruling

Continued from page 1

"The (appeals court) decision will save companies a lot of money on one hand and an enormous headache on the other," said Michael Davis, vp and manager in the Wellesley Hills, Mass., office of The Wyatt Co.

Although the lower-court ruling affected only employers under the jurisdicton of the U.S. District Court for the Northern District of Ohio, if the appeals court had upheld it, it would have applied to all employers in the 6th Circuit. And, the fact that an appeals court had upheld the decision would have given the ruling more weight as a precedent-setting decision to be cited in other similar court cases.

And, ultimately, the decision could have increased the cost for all employers with profit-sharing plans.

Because profit-sharing plans were first established in the 1940s, the ruling could have been applied to veterans who served in the military since World War II. However, the real growth in the plans did not occur until the 1960s and 1970s.

Because the lower court was reversed, companies are spared the cost of searching employee records to find veterans who returned and making the retroactive contributions, benefit experts said.

While difficult to estimate, the total cost of implementing the lower court's decision could have been hundreds of millions or even billions of dollars, said David A. Hildebrandt, an attorney with Lee, Toomey & Kent in Washington. He filed an amicus curiae brief on behalf of the Chicago-based Profit Sharing Council of America, which represents more than 1,300 profit-sharing plans with nearly 2 million participants.

But, Chemi-Trol pursued the case more as a matter of principle than with an eye to avoiding the extra profit-sharing benefit costs.

"We thought we were right and we decided to go through with the cases," said Eugene Stumpp, Chemi-Trol's secretary and controller. It cost Chemi-Trol about $31,000 to fight the suit, which is five times the amount it had at stake.

If Chemi-Trol had lost, it would have had to pay a total of $6,282 plus an undetermined amount of interest to Karl Raypole, who was on military leave from 1974 to 1977, and Kenneth Lowe, who was on leave from 1972 to 1976, according to Mr. Stumpp.

However, the men would also have been owed $3,899 from other employees in the profit-sharing plan, for a total of $10,181 plus interest, Mr. Stumpp said. That second amount would have been the veterans' pro rata share of earnings and plan forfeitures which had been divided among the other employees.

At issue in the case was whether a profit-sharing contribution is a "perquisite of seniority," which employers must give to employees who return after military service, according to the Vietnam Era Veterans Readjustment Act.

To qualify as a "perquisite of seniority," a benefit must pass a two-pronged test laid down in a 1977 Supreme Court decision that said companies must award pension vesting credits for the years that employees serve in the military (BI, June 27, 1977).

The two tests are:

- There is a reasonable certainty that the benefit would have accrued if the employee had not gone into military service.
- The nature of the benefit must be reward for length of service, as opposed to mere short-term compensation for services rendered.

In the lower court decision, U.S. Magistrate James Carr ruled that both tests were met, although whether the second test was met was a much closer decision, he said.

The appeals court reversed his decision and found that neither test was met.

While it was true that had the men remained in the employment of Chemi-Trol they would have received any profit-sharing contributions given other employees, the plan specified that any contribution would be contingent on the employee earning a salary in the year the contribution was made, the appellate court points out. The men received no salary from Chemi-Trol for the time they were in the military.

Therefore, the plaintiffs' right to contributions "were subject to a significant contingency at the time they entered the military," the court ruled.

'The (appeals court) decision will save companies a lot of money on one hand and an enormous headache on the other,' said Michael Davis, vp and manager in the Wellesley Hills, Mass., office of The Wyatt Co.

Furthermore, the nature of Chemi-Trol's profit-sharing benefits were clearly not a reward for length of service, the court said.

On this point, the appellate court determined that the lower court erred by not considering the profit-sharing plan as a whole and instead concentrating on the rules governing a distribution of profit-sharing funds to an employee whose employment is terminated.

The Chemi-Trol plan allows funds to be distributed if any of four events occur: death, disability, retirement or termination of employment. There is no length of service schedule for distributions because of death, disability or retirement.

However, a service requirement is placed on distributions made when an employee leaves the company: If he has completed less than five years of service, he receives none of the employer's contributions when he leaves; if he has completed more than five years of service but less than 10 years, he receives 50% of the contributions made to his account; and if he has completed 10 or more years of service, he receives 100% of the contributions.

But, the court points out, that three of the four events triggering a distribution do not have such a service schedule, so as a whole, the profit-sharing benefits were not a reward for service.

Furthermore, to determine the profit-sharing benefits due veterans leaving the company, the veterans were given credit for the

Continued on facing page

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time spent in the military.

"The fact that three of the four benefits have no length of service requirement refutes a finding that the plan represents a perquisite of seniority," said the court, "especially since the plan provided for the crediting of military service time toward the vesting of the termination benefit."

By giving the veterans credit for their military time in determining termination benefits, the employer did all the law required it to do, the court said, adding that the veterans were treated identically to non-veterans.

The court also noted that the lower court's order would have required money to be withdrawn from the accounts of employees whose work generated the company profits during the period that the veterans were on military leave.

"We do not believe that Congress intended the Act to operate such that veterans share in the earnings from profits which they did not create at the expense of those who did," the court added.

Chemi-Trol also had argued that the lower court's order created an unnecessary conflict between the veteran's act and the Internal Revenue Code.

Chemi-Trol's plan is designed to create a "qualified trust" under Section 401 so its contributions are deductible and its employees receive deferred tax treatment.

However, a subsection provides that the trust won't qualify as a Section 401 plan if the plan provides for contributions that exceed the limitations of Section 415.

For the years in question, that section of the tax code says that annual employer contributions to defined contribution plans cannot exceed $25,000 or 25% of the participant's compensation, whichever is less. (The tax code has since been amended to cap an employer's contribution at $30,000.)

Therefore, a company contributing to a profit-sharing plan on behalf of a veteran earning no compensation would violate Section 415, said Mr. Burson, Chemi-Trol's counsel.

"You have a set of two laws that are dramatically opposed to each other," he added.

"There was a real severe technical problem," said Fredrick Rumack, director of tax and legal services for Buck Consultants Inc. in New York.

The fear was that the entire profit-sharing plan might be disqualified as a tax-deferred plan.

However, the appeals court did not consider this an important argument because it was not shown that the IRS had even disqualified a plan on this basis.

Also, the court said it would have affirmed the district court ruling even in the face of the disqualification if it had thought that Chemi-Trol's plan was subject to the veterans' act.

The appeals court emphasized its decision was a harmonious interpretation of both statutes.

Chemi-Trol attorney John H. Burson—who also is an officer in the Navy Reserve—said he was "frankly offended" by the lower court's concept that profits should be shared with workers who didn't help create them. He is an attorney with the Toledo firm of Shumaker, Loop & Kendrick.

"Profits should be shared with the employees who created them," said Mr. Hildebrandt.

"We are gratified that the circuit court has recognized the concept of profit sharing as it was conceived," said Walter Holan, president of the Profit Sharing Council of America.

"To require employer contributions to individuals as a perquisite of seniority would have been a fundamental change that would be intolerable to some, perhaps many, profit-sharing plan sponsors, thus leading to the termination of countless plans," he said. ■

California's newest city finds cover

Continued from page 3
By the time those coverages expired, Mr. Arthur, working through wholesale broker H&W Insurance Services Inc., had finally located an underwriter that would insure the city's exposures for a one-year policy period.

"We only found one and felt fortunate in finding that," he says. "I don't know where someone would go right now."

The package policy written for the city by Chicago Insurance Co., part of Interstate Insurance Group, a unit of Fireman's Fund Insurance Cos., included $300,000 of primary coverage with a $10 million umbrella covering "everything involving the city of West Hollywood," Mr. Arthur says.

The manuscript coverage is part of a 3-year-old program designed for California municipal entities.

The package includes coverage for public officials liability, general liability, product liability, personal injury, broad-form property, non-owned automobile, independent contractors as well as blanket contractors risks, according to Mr. Arthur.

That coverage, for which the city paid a premium of $90,000, is written over a $10,000 self-insured retention.

West Hollywood's premium reflects increasingly high rates in the public entity market, particularly in Southern California (*BI* Oct. 8, 1984; Dec. 17, 1984.)

"Six months ago, they might have had more options or could have paid less," according to Linda Elliot, assistant vp at H&W in Encino.

Shortly after the coverage was placed with Chicago Insurance, the city appointed five citizens to an insurance committee that will evaluate the coverage, according to E. Fredrick Bien, interim city manager.

Mr. Bien explains that although the term of the Chicago Insurance Co. policy is one year, West Hollywood wants to compare the coverage with proposals from other underwriters. West Hollywood may then cancel the policy after only three months.

The committee recently issued a request for coverage submissions from insurers and agents.

The city did not seek bids for the coverage it now has; Mr. Arthur was given authority by the city to place the coverage after he read in a newspaper that the city needed insurance and offered his help, though he has collected commissions on the policies he helped place.

Mr. Arthur says he does not think the city is going to find a better deal than the coverage it currently has.

"In my opinion, it would be foolish to disturb the insurance in force from an economic perspective. I don't blame them for investigating, but I just don't know where else they'd go," says Mr. Arthur.

Indeed, Chicago Insurance is no longer a market for California public entity risks.

Chicago Insurance, which has about 15 California municipal policyholders, has stopped writing the package program for the duration of this year, according to Naomi Himmelsbach, underwriting manager for Chicago Insurance in San Francisco.

So many municipalities are scurrying for coverage, that by January the company had exhausted the capacity allotted for the program for all of 1985, according to Ms. Himmelsbach.

"That's never happened before. We've never had to cut off," she notes. ■

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opinions

Too many chefs

ONCE AGAIN, the tripart enforcement of ERISA by three federal agencies is confusing employers.

The issue this time: Can employers transfer money from overfunded defined benefit plans to defined contribution plans?

The Internal Revenue Service answered "yes" just a few weeks ago (*BI*, Feb. 4). But, the Department of Labor and the Pension Benefit Guaranty Corp.—the two other agencies charged with enforcing the Employee Retirement Income Security Act—apparently don't agree with the IRS. Now, the IRS has withdrawn its earlier opinion, and a release from all three agencies cautions employers that transferring funds from defined benefit plans to defined contribution plans may be in violation of ERISA (see story, page 2).

This is not the first time the three agencies enforcing ERISA have failed to agree on issues of great importance to employers. When employers began to terminate pension plans to recapture excess assets, they were forced to proceed without a clear policy position from the federal government. The Department of Labor was focusing on employees' rights, the IRS was concerned about raising revenue and the PBGC was worrying about potential new liabilities. As a result, employers lacked direction on which way to proceed.

Since it's impossible for three federal agencies, each with different perspectives on any issue, to provide uniform enforcement of ERISA, we again urge Congress to create one federal agency to enforce ERISA.

We'd prefer Mozart

SAN FRANCISCO may be the home of a lasting monument to the mountain of asbestos-related litigation: a specially created courthouse.

The plaintiffs and defendants in the litigation over insurance coverage for asbestos claims paid for the renovation of an auditorium into a courthouse specifically for their trial because no other court facilities were large enough to accommodate the several hundred lawyers, the 64,000 exhibits and the 100,000 pages of documentation already involved in the trial.

And when the asbestos coverage litigation is finally over, the building may never host another ballet or opera but instead stage more major litigation battles.

What a landmark.

letters

Don't change tax incentives for health coverage

Editor's note: The following letter was sent to President Reagan and is published here with the author's permission.

Dear Mr. President: Don't add almost $100 billion to U.S. deficits unnecessarily. Don't be led into the lie that more complexity equals "simplification." That is what the current proposals to change the tax incentives for health coverage and pensions promise to do. The private enterprise system of employee benefits is a masterpiece of economic efficiency. If it ain't broke, don't fix it.

Private employer-sponsored health coverage today costs Uncle Sam only about $22 billion in "revenue loss" to cover 162 million people. That's an annual subsidy of only $135.

On the other hand, it is estimated that for Uncle Sam to replace the level of health care now being provided by the private sector, it would cost $100 billion in government revenues—or a government per capita subsidy of approximately $617. Estimates vary according to which benefits are included and assumptions about a non-existent socialized medicine program.

Those who drew up the employee benefits taxation portions of the Treasury draft made the fatally incorrect assumption that employers and workers would continue to provide/request employee benefits as usual if taxes were brought into the equation. That is not true. The lower-paid, younger and healthier workers will drop out in favor of quick cash. After all, they would have already paid tax on it. This is a well-known situation in insurance circles known as anti-selection. It is fatal to shared-risk arrangements such as health coverage.

Meanwhile, the changes suggested by the Treasury draft impose a new nightmare of complex benefits administration, valuation and withholding. It also opens a Pandora's box of legal issues, such as whether younger workers should pay taxes on health premiums that subsidize older workers, and whether men should pay less than women.

The complexity is especially true for cost-efficient self-funded arrangements, which now cover an estimated 45% of workers. The minute that you put an individual's personal taxes into the issue, you raise these complex matters of "fairness."

To call these changes brought on by taxation of benefits "reform," "simplification" or "fairness" would be a lie. Don't be led into that lie.

This is not a special interest for us. Frankly, it should be a special interest for you. We are not asking the government to simply spend money. We want Uncle Sam to continue to get a 450% return on your investment while providing cost-efficient health and financial security for almost three-fourths of all Americans.

The Society of Professional Benefit Administrators is the national association of independent third-party administrators, nicknamed "TPAs." It is estimated that one-third of all U.S. workers, retirees and dependents are covered by plans administered by such TPAs. Most plans managed by our members involve some degree of self-funding. The client plans of the TPAs represent every size of business and every format of employment.

Our members are pragmatists. We have a strong tradition of working with Congress and the agencies to help shape the most effective and cost-efficient government policies. When our advice is ignored, we have usually had the sad duty of saying, "We told you so." We don't want to say that to you, and we don't want to see well-intended but irreparable harm to workers and the budget.

Frederick D. Hunt Jr.
Executive Director
Society of Professional Benefit Administrators
Washington

Reducing health care costs is a joint effort

To the editor: Ann M. Smith comments in her letter to the editor that "now is the time to design plans to *insure* preventive medical care" (*BI*, Feb. 18).

The reduction in health care costs through preventive care cannot be achieved solely by benefit design but, more importantly, through lifestyle changes. In many cases, these changes are a result of education and sometimes fear.

This effort is a long-term process that can be addressed certainly by the employer in terms of making programs available to employees and by reinforcing, through staff commitment, the corporate attitude toward health.

In the absence of hard data to support preventive medicine, the hope of reducing health care costs for the employer is through a reduction in *unnecessary* services.

This means an emphasis on reducing hospital care and emphasizing outpatient care, and making all parties to the health care expenditure problem partners in sharing the cost. It requires a well-educated and sophisticated consumer and a realignment of the traditional fee-for-service practice modes. The employer can address it from one side. Benefit booklets and employee meetings are only a start. The educational process must be ongoing and therefore reinforcing.

Members of health maintenance organizations make themselves part of a system that, by its very structure, can provide for the delivery of high quality, appropriate and, at the same time, efficient medical care. The overall success of the HMO is predicated on the members' understanding of how the delivery system works and their agreement to participate in that system. The HMO can educate the member as he/she uses the plan.

Cost-containment features such as second opinions, coverage for extended care facilities, home health care services and some "wellness" benefits have been emphasized by HMOs for many years in an effort to control both the employers' and subscribers' expenditures.

Eileen H. Wilson
Director of Marketing
Matthew Thornton Health Plan Inc.
Nashua, N.H.

Stand-alone systems offered by COMTEC

To the editor: Your article, "Risk Managers Finding Micros More Viable" and other computer articles (*BI*, Feb. 18) overlooked some vendors who have done much to lead the development of risk management information systems that can stand alone using a minicomputer or the IBM Personal Computer.

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Calvin Klein names D'Agosta benefits vp

Constance A. D'Agosta, 44, has been promoted to vp-employee benefits and personnel administration for Calvin Klein Industries Inc., in New York. In this newly-created position, Ms. D'Agosta is responsible for the design, negotiation, communication and administration of the company's employee benefits and pension plans. She now reports to James H. Coe, senior vp of operations and personnel. Previously, Ms. D'Agosta was Calvin Klein Industries Inc.'s director of benefits and personnel. She is currently studying for a Certified Employee Benefit Specialist designation.

* * *

Wilmer Hough, 53, has joined GenCorp. Inc. in Akron, Ohio, as risk management administrator. Mr. Hough is responsible for financial planning, accounting and risk management, including the implementation of a risk management information system. He reports to Denis Julien, manager of corporate insurance. Mr. Hough replaces **Robert Matucci**, who left the company to become insurance manager for Hillenbrand Industries Inc. in Batesville, Ind. Previously, Mr. Hough was manager of insurance with Bethlehem Steel Corp. in Bethlehem, Pa. He received a bachelor of arts degree in accounting from Lehigh University in Bethlehem in 1958. Mr. Hough also received a master's degree in business administration in 1966 from the same university.

* * *

Philip F. Rivers Jr., 39, replaces Mr. Hough as manager of insurance for Bethlehem Steel Corp. In this position, Mr. Rivers is responsible for managing all insurance functions and risk. He reports to Frank S. Dickerson III, treasurer. Previously, Mr. Rivers was administrative manager of Bethlehem's finance department. He received a bachelor of science degree in management and finance in 1972 from Lehigh University in Bethlehem, Pa., and a master's degree in business administration from Lehigh in 1976.

* * *

Steven J. Kollmann has been promoted to assistant vp of compensation and benefits in the human resources department of Washington National Insurance Co. in Evanston, Ill. In this newly created position, Mr. Kollmann is responsible for the design and coordination of benefits programs for the insurer and its two subsidiaries. He reports to Richard Miller, vp of human resources. Previously, Mr. Kollmann had been administrator-human resources administration. He received a bachelor of arts degree in business administration and economics from Wartburg College in Waverly, Iowa, in 1967. Mr. Kollmann also is a Fellow of the Life Management Institute and a Certified Compensation Professional.

* * *

John R. Hundley III, 42, has been promoted to human resources vp for the General American Life Insurance Co. in St. Louis. In this newly created position, Mr. Hundley is responsible for the planning, design and communication of benefits programs. He reports to Roy Dressel, vp of administrative services. He previously had served as second vp at General American Life Insurance Co. Mr. Dressel received a bachelor of science degree in business administration in 1964. He also received a master's degree in business administration in 1965 from Washington University in St. Louis.

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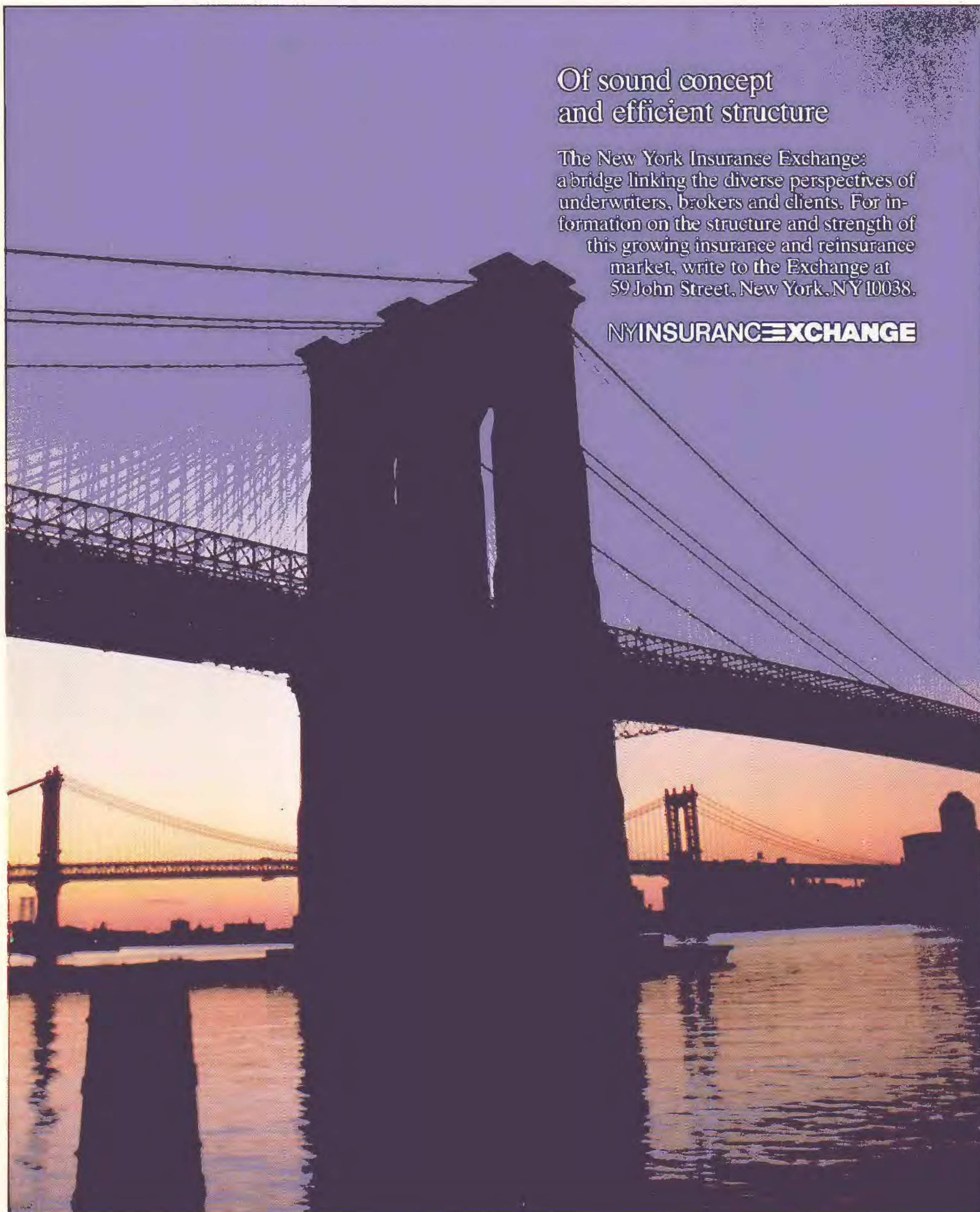

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California comp rates rise again

SAN FRANCISCO—Workers compensation rates for California employers have increased for the second time in two months.

The average 3.1% increase that took effect March 1 followed an average 6.1% increase Jan. 1.

The latest increase, which was requested by the Workers' Compensation Insurance Rating Bureau, was based on revised wage and cost data and a medical fee increase that took effect Jan. 1, said Dan Abellera, an actuarial assistant with the rating bureau.

The rating bureau originally asked for an average 5.4% increase. However, the 2.3% increase requested for the worsening experience by insurers was denied by the Insurance Department, Mr. Abellera said.

Last year, workers compensation rates in California dropped an average 6%. Rates rose an average 15.1% in 1983.

around the states

Office smoke ruling

SALEM, Ore.—A state employee is eligible for workers compensation coverage for illnesses suffered as a result of secondary smoke in the office, according to a recent ruling by a hearing officer for the Oregon Workers' Compensation Board.

The medical bills of employee Marlene W. Ritchie, 43, must be paid by the State Accident Insurance Fund Corp., said Don Seymour, hearing referree for the board. The SAIF Corp. is Oregon's competitive state fund, which became a public corporation in 1980.

This is the first decision in the state that called for compensation for the effects of secondary smoke to a co-worker, Mr. Seymour said.

Medical bills for Ms. Ritchie's illness will total about $5,000, said Ms. Ritchie's attorney, Brian Whitehead, who is based in Salem.

Ms. Ritchie also is attempting to recover about $5,000 in back pay for the days she claims she was unable to work, he added.

However, the SAIF is expected to appeal the ruling before the full workers' compensation board, Mr. Seymour noted.

Ms. Ritchie, a clerical worker with the state's executive department for eight years, said she suffered coughing spells and postnasal drip from the smoke of her co-workers and the poor ventilation in the building, Mr. Whitehead said.

New commissioner

CHARLESTON, W.Va.—A professor of finance and insurance has been tabbed by the governor to be West Virginia's insurance commissioner.

Fred E. Wright, 63, was named insurance commissioner Feb. 13 when newly elected Gov. Arch A. Moore Jr., announced his department heads. Mr. Wright was sworn into his new post Feb. 21, but his appointment still must be approved by the Senate.

The high cost and low availability of medical malpractice insurance will be among the issues Mr. Wright will examine this year, he said.

Mr. Wright replaces Richard G. Shaw, who served in the post under the former governor, John D. Rockefeller IV.

For the past 33 years, Mr. Wright has served on the faculty at West Virginia University in Morgantown, from which he is now on leave of absence. The West Virginia native has a graduate degree in economics and an undergraduate degree in business from West Virginia University. He also has taken classes at the University of Pennsylvania's Wharton School of Business.

Surplus lines law

SPRINGFIELD, Ill.—A five-member task force has been appointed to help implement a surplus lines insurance law, which became effective Feb. 28, that establishes the Surplus Lines Assn. of Illinois and mandates membership of all surplus lines insurers doing business in the state.

The association, which is expected to be fully operational July 1, will serve as a clearinghouse for surplus lines business written in Illinois.

Continued on page 14

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around the states

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Named to the task force by John E. Washburn, director of the Illinois Department of Insurance, were: A. Norman Dubois, president of the Insurance Brokers Service and current president of the National Assn. of Professional Surplus Lines Offices; Donald Gaddis, owner and president of the Donald Gaddis Agency and current chairman of the Independent Insurance Agents of Illinois' Surplus Lines Committee; Michael J. Mead, president of Fred S. James of Illinois Inc.; Richard A. Oldani, executive vp of Illinois R.B. Jones Inc., all of Chicago; and Bert Thompson, general counsel of Shand Morahan & Co. Inc., of Evanston.

The association will be funded by membership fees.

The new law also requires surplus lines agents to pass a licensing test and to report all new surplus lines contracts to the association. Illinois only previously had a "white list" of approved surplus lines insurers, Mr. Washburn said.

Under the new law, the association, rather than the department, will compile each agent's business and compute its premium tax. The association will report agents' premium volume to the department on a monthly basis.

"I am optimistic that we will all be better served by a system that promises to be much more efficient and effective than the current one," Mr. Washburn said. "The new association system will streamline both current filing requirements for surplus lines producers and recordkeeping for the department."

Seat belt proposal

AUSTIN, Texas—Texans may have to buckle up or face fines if proposed legislation is passed.

A bill that would require drivers and front-seat passengers to have seat belts properly buckled—or face fines from $25 to $50—was introduced in the Senate and House of Representatives recently. If approved in its present form, the law would go into effect Sept. 1. Motorists would be subject to fines after a three-month "warning period."

A spokesman for Sen. Ted Lyon, D-Mesquite, who sponsored S.B. 500, said the legislation applies to passenger cars and exempts trucks and vehicles designed for off-the-road use, like a jeep. However, the off-the-road vehicle exemption may ultimately be dropped from the bill, Sen. Lyon said.

The House version of the bill, H.B. 941, is sponsored by Rep. Bill Messer, D-Belton.

Under the proposal, front-seat occupants over the age of 15 would be ticketed if found in violation of the seat belt law. If the passenger who hasn't buckled up is under 15, however, the driver of the vehicle would be fined.

Texas law already requires children under age 4 to be strapped into approved child-safety seats.

The spokesman said legislators working on the bill were encouraged by statistics from New York, New Jersey and Illinois, where studies have shown seat belt laws would cut automobile-related injuries and deaths.

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Survey pinpoints cities with costly dental care

NEW YORK—Dentists in the Los Angeles area and Houston charge the highest average fees in the nation for the three most frequently performed dental procedures, according to a recent survey by the National Health Group of broker Johnson & Higgins.

The J&H survey, which studied about 6.4 million claims from plans nationwide designed for J&H clients, focused on costs in 38 major U.S. cities. Fees for the three most common dental procedures—cleaning, filling and extracting teeth—were generally highest on the West Coast and in the Sun Belt.

Fees for dental procedures were generally the highest on the West Coast and in the Sun Belt.

Fees for five other procedures surveyed also were higher on the West Coast, but they also were high in the Mid-Atlantic States than in the Sun Belt. In general, fees were lowest in the Midwest.

Dental fees have gone up since the last J&H survey in 1981. The average fee nationally for cleaning teeth was $26 in 1984, compared with $18 in 1981. The highest fees for cleaning teeth were found in Los Angeles, where the average was $35, and its suburbs, where the average was $33. This was followed by San Francisco, Seattle and Miami, where fees averaged $32.

Lowest fees for cleaning teeth were found in Portland, Maine, and the rest of Maine, and Cincinnati. Both reported an average fee of $18.

The average fee for a two-surface amalgam filling was $36 nationally, compared with $27 in 1981. Houston led the nation with an average fee of $49, followed by Seattle and the Los Angeles suburbs, with an average fee of $46, and Los Angeles, with an average fee of $45.

The lowest fee for fillings was found in Maine, with an average of $27.

The average fee nationwide for a tooth extraction was $31 in 1984, compared with $21 in 1981. Charges in the Los Angeles suburbs and New Orleans were highest, with an average fee of $43. Again, Maine had the lowest average fee—$21.

James W. McDonald, vp in the Stamford, Conn., office of J&H and the director of the survey, said, "Dental fees are affected by factors such as real estate and rental costs, the number of dentists per capita—that enduring factor of supply and demand—and the socioeconomic makeup of the population in a given area."

Other procedures covered in the survey included:

- Gingival currettage (gum scraping) per quadrant. The national average fee was $37. Highest fees were reported in Houston, with an average of $59; lowest fees were in Maine, with an average of $14.
- Pulp cap-direct. The national average fee was $19. The highest fees were reported in Hartford, Conn., with an average of $29; the lowest were in Maine, with an average of $8.
- Bridge pontic—porcelain with gold. The national average fee was $357. Highest fees were reported in Honolulu and the rest of Hawaii, with an average of $435. Lowest fees were reported in Birmingham, Ala., with an average of $221.
- Crown—porcelain with gold. The national average fee was $363. Highest fees were reported in Los Angeles, with an average of $406; the lowest were reported in Birmingham, with an average of $240.
- Complete upper denture. The national average fee was $421. The highest fees were reported in Hawaii, with an average of $561. The lowest fees were reported in Birmingham, with an average of $225.

Thomas G. Patzau, senior vp and director in J&H's employee benefit department in New York, noted the broker "tracks local dental costs for use in helping clients design dental insurance plans for their employees."

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Free copies of the survey are available from David Weiner, Johnson & Higgins, 95 Wall St., New York, N.Y. 10005; 212-701-7770.

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• A new publication provides a comprehensive explanation of **Social Security benefits.** The "Social Security Handbook 1984" reflects the provisions of the Social Security Act as amended through Dec. 31, 1983, the regulations issued and precedential case decisions. The 435-page handbook also outlines the various benefits established under the act, such as black lung benefits, federal retirement benefits, survivors benefits and disability benefits. To order, send $9 to Department 36-KT, Superintendent of Documents, Washington, D.C. 20402.

• **Capital accumulation** and 401(k) plans for public employees, pension plan design issues, retirement benefit adjustment, contemporary investment techniques and employee assistance programs are some of the topics covered in "Public Employee Benefit Plans—1984" by the International Foundation of Employee Benefit Plans. The 132-page book is a collection of edited texts presented at the IFEBP's 1984 Public Employee Conference. The cost is $8 for IFEBP members and $14 for non-members. To order, write to Publications Department, IFEBP, P.O. Box 69, Brookfield, Wis. 53005-0069.

• **"Self-Insurance, Self-Funding and Related Customer Services"** and **"Loss Control,"** are two free brochures available from Penn General Services. The self-insurance brochure details self-funded workers compensation and employee group medical programs. "Loss Control" details the company's loss-control services provided to clients in the New England area. To order, write J. Schmidt, Loss Prevention Manager, Penn General Services Corp., P.O. Box 10550, Portland, Maine 04104.

• Providing **pension plan trustees** with comparative operating cost information is the goal of a new study by the International Foundation of Employee Benefit Plans. A 102-page book summarizes the statistical results of the study and examines the operating efficiency and cost of operations of pension management. The cost of the book is $18 for IFEBP members and $30 for non-members. To order, write Publications Department, IFEBP, 18700 W. Bluemound Road, P.O. Box 69, Brookfield, Wis., 53005-0069.

• Audio cassettes of Canadian pension, health and welfare experts discussing topics pertinent to those responsible for the administration of **Canadian employee benefit plans** are now available from the International Foundation of Employee Benefit Plans. The 27 topics include: federal legislation, pension plan design, health care cost containment, pre-retirement counseling and more. Cassettes are each $8.50 Canadian ($6.38 U.S.). For order forms, contact the Audiovisual Department, IFEBP, 18700 Bluemound Road, P.O. Box 69, Brookfield, Wis. 53005.

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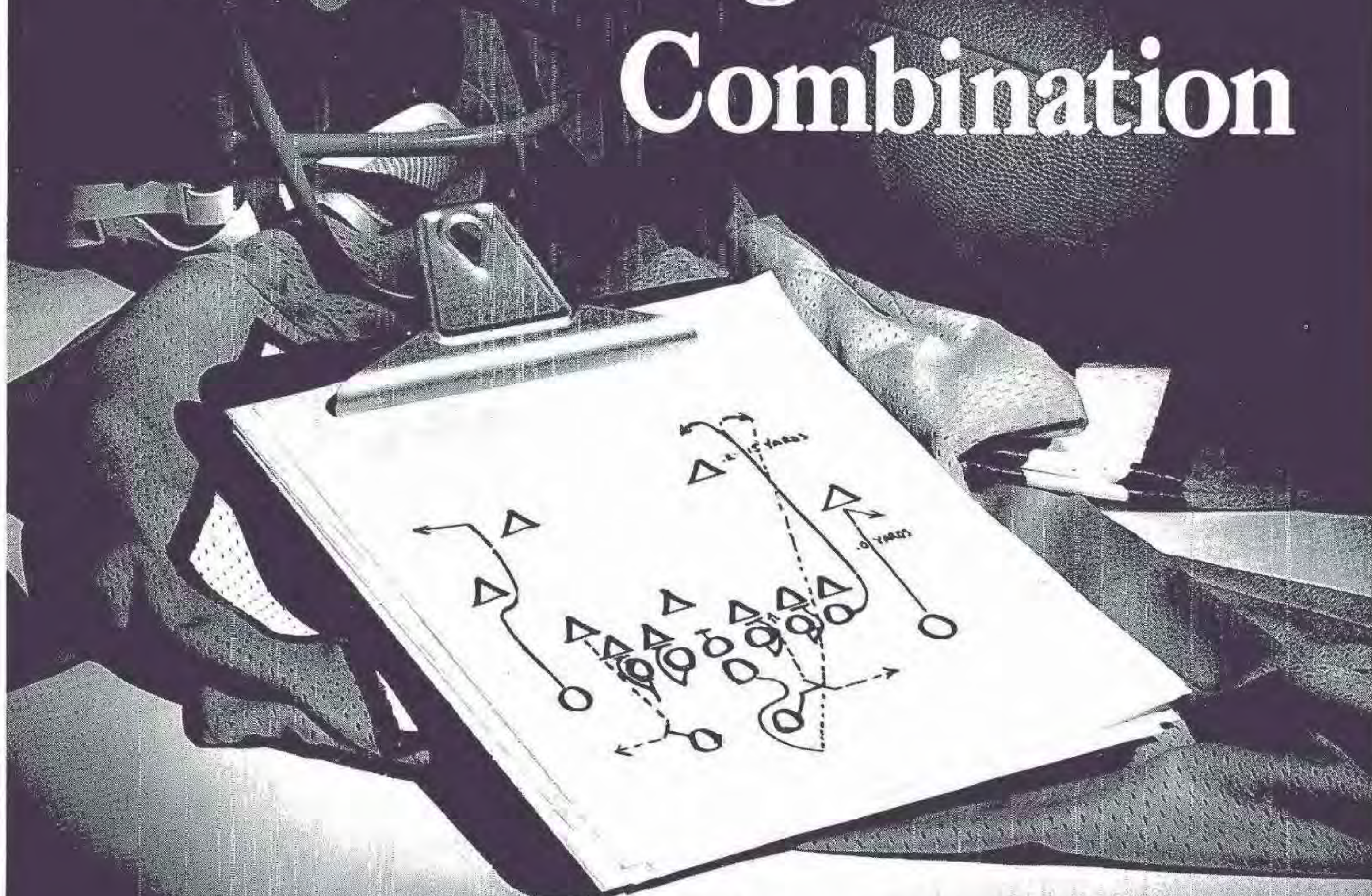

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• An 85-page booklet compiling state laws and regulations relating no-fault **auto insurance**, cancellation and non-renewal, financial responsibility and compulsory liability insurance is now available from the American Insurance Assn. "Summary of Selected Laws and Regulations Relating to Automobile Insurance" also details laws as of Oct. 1. Copies are free to AIA members; non-member companies should send $15 plus tax. Contact the Publications Department, American Insurance Assn., 85 John St., New York, N.Y. 10038; 212-669-0400. A 10% discount applies to orders of 100 or more.

• Examining the Employee Retirement Income Security Act's (ERISA) effect on **bond ratings** is the subject of a new report issued by the International Foundation of Employee Benefit Plans. "Pension Obligations, Subordination and Bond Ratings," demonstrates that the potential risk from unfunded liabilities is included, at least partly, in the bond ratings of firms in the post-ERISA environment. The cost is $5 for IFEBP members and $9 for non-members, from Publications Department, IFEBP, P.O. Box 69, Brookfield, Wis. 53005-0069.

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• "Medicare: Is There A Crisis?" the October 1984 newsletter from the Martin E. Segal Co., reports on **Medicare**, including why it's in trouble. For a free copy, write Jack J. Friedman, Director of Information Services, Martin E. Segal Co., 730 Fifth Ave., New York, N.Y. 10019.

• "How to Choose a TPA That is Right for You," a free booklet offered by Risk Management Service Co., discusses current property/casualty market conditions and types of **third-party administrators**, and it contains an extensive buyer's questionnaire. Write Risk Management Service Co., 2730 Stemmons Freeway, 209 Tower W., Dallas, Texas 75207.

• A comprehensive review of **stress-related workers compensation claims** is now available from the National Council on Compensation Insurance. "Emotional Stress in the Workplace" reviews issues including the increase in stress claims and legal reasoning underlying the introduction of stress as a compensable ailment. Cost is $10 for NCCI members and $15 for non-members. Contact James Nau, products and services manager, NCCI, One Penn Plaza, New York, N.Y. 10119; 212-560-1975.

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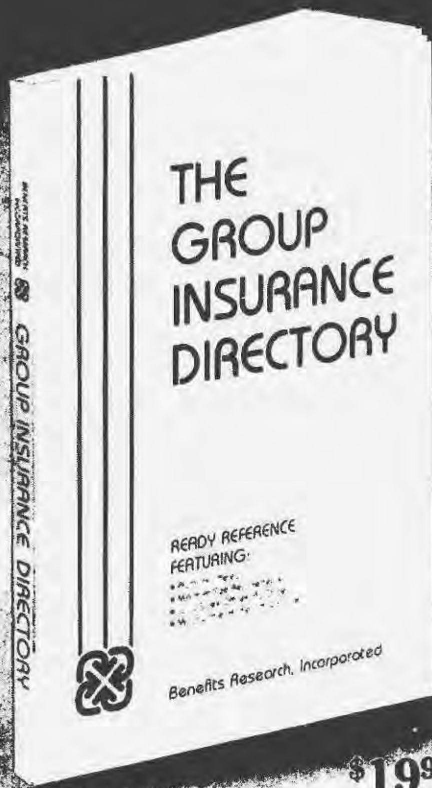

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MARCH 16-18. Occupational Hearing Conservation Certification course in Los Angeles, offered by the University of Southern California; $375. USC, Institute of Safety and Systems Management, Office of Extension and In-Service Programs, Los Angeles, Calif. 90089-0021; 213-743-6523/6524.

MARCH 17-22. Assets Protection Course 1—Concepts and Methods in New Orleans, sponsored by The American Society for Industrial Security; $690 for ASIS members; $750 for non-members. Contact Registrar, 1655 N. Fort Myer Drive, Suite 1200, Arlington, Va. 22209; 703-522-5800.

MARCH 18. The Graying of the Corporate Health Dollar: The Post-Retirement Benefit Dilemma conference in Denver, sponsored by the Washington Business Group on Health and the Western Gerontological Society; $150. Martha Holstein, Washington Business Group on Health, 922 Pennsylvania Ave. S.E., Washington, D.C. 20003; 202-547-6644.

MARCH 18-20. Fundamentals of Employee Benefits conference in Atlanta, sponsored by the American Management Assns.; $695 for members; $800 for non-members. Contact Registrar, AMA, 135 W. 50th St., New York, N.Y. 10020; 212-903-8177.

MARCH 18-22. Fundamentals of Industrial Hygiene Monitoring course in Long Grove, Ill., sponsored by the National Loss Control Service Corp.; $500; 10% discount for two or more registrants from the same company. Also **May 6-10, Sept. 9-13 and Nov. 11-15** in Long Grove. John Garis, NATLSCO, Long Grove, Ill. 60049; 312-540-2026.

MARCH 19. Directors and Officers Liability workshop in Atlanta, sponsored by The Society of Chartered Property and Casualty Underwriters; $80 for members; $95 for non-members. Contact Coleen Mulhern, Society of CPCU, Kahler Hall, Providence Road, Malvern, Pa. 19355; 215-251-2735.

MARCH 19-21. The Fundamentals of Reinsurance seminar in Irving, Texas, sponsored by The Reinsurance Management Institute and The Graduate School of Management, University of Dallas; $495. Bruce D. Evans, University of Dallas, Reinsurance Management Institute, International Center, University of Dallas Station, Irving, Texas 75061; 214-721-5360.

MARCH 25-27. An Advanced Course on Employee Benefits, sponsored by the American Management Assns.; $695 for members; $800 for non-members. Registrar, AMA, 135 W. 50th St., New York, N.Y. 10020; 212-903-8177.

MARCH 26. Insurer/Reinsurer Insolvency workshop in Los Angeles, sponsored by The Society of Chartered Property and Casualty Underwriters; $80 for members; $95 for non-members. Coleen Mulhern, Society of CPCU, Kahler Hall, Providence Road, Malvern, Pa. 19355; 215-251-2735.

MARCH 26-28. Oregon Occupational Safety & Health conference in Portland, Ore., sponsored by the Accident Prevention Division, Workers Compensation Department with the support of the Portland Chapter of the American Society of Safety Engineers (ASSE); $25. Contact Registrar, Oregon Occupational Safety & Health Conference, P.O. Box 27, Salem, Ore. 97308; 503-378-3275.

MARCH 27-29. 1985 Petroleum Insurance Conference in New Orleans, sponsored by The Professional Development Institute and Self-Insurance Resource Inc.; $445. Joanne Paulman, Conference Manager, PDI, North Texas State University, P.O. Box 13288, NT Station, Denton, Texas 76203-13288; 817-565-2483.

MARCH 28. Environmental Impairment Liability workshop in Topeka, Kan., sponsored by The Society of Chartered Property and Casualty Underwriters; $60 for members; $75 for non-members. Also, **April 30** in Spokane, Wash. Contact Coleen Mulhern, Society of CPCU, Kahler Hall, Providence Road, Malvern, Pa. 19355; 215-251-2735.

MARCH 28-29. Quantitative Techniques for Risk Management seminar in New York, sponsored by The College of Insurance; $495 for sponsoring participants; $535 for all others. Also, **June 6-7** in Chicago and **Oct. 3-4** in New York. Registrar, Professional Development Programs Division, The College of Insurance, One Insurance Plaza, 101 Murray St., New York, N.Y. 10007; 212-962-4111.

MARCH 28-29. Discovery in Medical Malpractice, Products Liability and Personal Injury Cases seminar in San Francisco, sponsored by the Practising Law Institute; $390. Registrar, PLI, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700.

MARCH 28-29. Asset/Liability Management: Profitability and Risk in a Time of Change conference in Orlando, Fla., sponsored by Peat Marwick and Darling & Associates; $675. Also, **April 22-23** in Washington, **May 16-17** in New York, **June 3-4** in San Francisco, **July 22-23** in Boston. Registrar, Executive Education Department, 810 Seventh Ave., 28th Floor, New York, N.Y. 10019; 1-800-762-3932.

MARCH 29. The Computer Crime Exposure and Risk Management Techniques workshop in Nashua, N.H., sponsored by the Society of Chartered Property and Casualty Underwriters; $80 for members, $95 for non-members. Contact Coleen Mulhern, Society of CPCU, Kahler Hall, Providence Road, Malvern, Pa. 19355; 215-251-2735.

MARCH 29. The Computer Exposure and Risk Management Alternatives workshop in Nashua, N.H., sponsored by The Society of Chartered Property and Casualty Underwriters; $80 for members; $95 for non-members. Coleen Mulhern, Society of CPCU, Kahler Hall, Providence Road, Malvern, Pa. 19355; 215-251-2735.

MARCH 31-APRIL 3. 1985 Corporate Benefits Management conference in Orlando, Fla., sponsored by the International Foundation of Employee Benefit Plans; $500 for members; $575 for non-members. Also, **June 2-5** in Williamsburg, Va., and **Aug. 18-21** in Lake Tahoe, Nev. Registrar, IFEBP, 18700 Bluemound Road, P.O. Box 69, Brookfield, Wis., 53005-0069; 414-786-6700.

APRIL 1-5. Loss Control Management seminar in Atlanta, sponsored by the International Loss Control Institute; $695. Also, **June 10-14** in Atlanta. Registrar, ILCI, P.O. Box 345, Loganville, Ga. 30249; 1-800-554-6001, 404-466-2208.

APRIL 2. Credit Enhancement Insurance workshop in Dallas, sponsored by The Society of Chartered Property and Casualty Underwriters (CPCU); $95 for members, $120 for non-members. Also, **May 3** in New York and **May 23** in Miami. Coleen Mulhern, Society of CPCU, Kahler Hall, Providence Road, Malvern, Pa. 19355; 215-251-2735.

APRIL 3-5. Successful Retirement Planning Programs workshop in Boston, sponsored by Retirement Advisors Inc.; $450. Also, **April 24-26** in San Francisco, **June 26-28** in Chicago, **Oct. 16-18** in Kansas City, Kan., and **Nov. 6-8** in New York. Registrar, 919 Third Ave., New York, N.Y.; 212-421-2400.

APRIL 9. Toxic Substances in the Workplace Disclosure conference in Chicago, sponsored by the Illinois State Chamber of Commerce; $40 for members; $60 for non-members. Also, **April 11** in Springfield, Ill. Carol Jenson, ISCC, 20 N. Wacker Drive, Chicago, Ill. 60606; 312-372-7373.

APRIL 15-16. Practical Management Oversight Risk Tree seminar in Sacramento, Calif., sponsored by the International Loss Control Institute; $280. Registrar, ILCI, P.O. Box 345, Loganville, Ga. 30249; 1-800-554-6001, 404-466-2208.

APRIL 15-19. Safety in Chemical Operations course in Chicago, sponsored by the Safety Training Institute of the National Safety Council; $595 for members; $740 for non-members. Registrar, Safety Training Institute, National Safety Council, 444 N. Michigan Ave., Chicago, Ill. 60611; 312-527-4800.

APRIL 16. Surety Claims '85—New Directions in Suretyship conference in Seattle, sponsored by CMA Consulting Group; $230. Also, **April 18** in Dallas, **April 30** in Hartford, Conn. Arlene Brower, Conference Coordinator, CMA Consulting Group, 170 E. Hanover Ave., Morristown, N.J. 07960; 201-267-7171.

APRIL 17-19. Systematic Incident Investigation seminar in Sacramento, Calif., sponsored by the International Loss Control Institute; $420. Registrar, ILCI, P.O. Box 345, Loganville, Ga. 30249; 1-800-554-6001, 404-466-2208.

APRIL 22-26. Managing Program Implementation seminar in Atlanta, sponsored by the International Loss Control Institute; $695. Registrar, ILCI, P.O. Box 345, Loganville, Ga. 30249; 1-800-554-6001, 404-466-2208.

APRIL 23-25. Laboratory Safety Course in Chicago, sponsored by the Safety Training Institute of the National Safety Council; $375 for members; $470 for non-members. Registrar, Safety Training Institute, National Safety Council, 444 N. Michigan Ave., Chicago, Ill. 60611; 312-527-4800.

APRIL 28-MAY 1. The 1985 National Council of Self-Insurers meeting in Charleston, S.C.; $250 for members, $325 for non-members. Registrar, The National Council of Self-Insurers, 10 S. Riverside Plaza, Suite 1530, Chicago, Ill. 60606; 312-454-5110.

APRIL 29-MAY 3. Accredited Safety Auditor seminar in Atlanta, sponsored by the International Loss Control Institute; $775.50. Registrar, ILCI, P.O. Box 345, Loganville, Ga. 30249; 1-800-554-6001, 404-466-2208.

APRIL 29-MAY 3. 12th International Assn. of Industrial Accident Boards and Commissions Workers Compensation college in Tucson, Ariz., sponsored by IAIABC, $300 for members; $400 for non-members. Registrar, IAIABC College, P.O. Box 79109, Jackson, Miss. 39336; 601-366-4582.

APRIL 29-MAY 3. Assets Protection Course II —Practical Applications in Atlanta, sponsored by the American Society for Industrial Security; $650 for members; $695 for non-members. Registrar, ASIS, 1655 N. Fort Myer Drive, Suite 1200, Arlington, Va. 22209; 703-522-5800.

MAY 6-10. Highly Protected Risk Property Conservation course in Long Grove, Ill., sponsored by the Kemper Group; $400; free for Kemper HPR-insured property owners. Also, **Oct. 7-10** in Long Grove. W.P. Thomas Jr., Manager, Engineering Ressearch & Staff Development, HPR Department, A-1, Long Grove, Ill. 60049; 312-540-3380.

MAY 13-15. Product Safety and Liability Prevention: The Role of Human Factors Engineering seminar in Madison, Wis., sponsored by the University of Wisconsin; $495. Professor Richard A. Moll, University of Wisconsin-Extension, 432 N. Lake St., Madison, Wis. 53706; 800-262-6243.

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Natural gas utility forming brokerage, consulting firm

A major project that required extensive insurance requirements has given Northern Plains Natural Gas Co. the experience to form an insurance brokerage and risk management consulting firm, the company says.

AmNorth Inc., which will be headquartered in Omaha, Neb., will offer risk management services. The company also will operate as a property/casualty and employee benefits brokerage on a nationwide scale.

Northern Plains is the managing partner and operator of the Northern Border Pipeline, an 822-mile natural gas pipeline stretching from Montana to Iowa.

Larry L. DeRoin, AmNorth president, said, "The massive Northern Border Project, completed in 1982, provided Northern Plains with extensive experience in managing a major project with significant insurance requirements.

"On the basis of this experience and to take advantage of a new business niche, we decided to establish the new subsidiary."

Dick C.E. Davis, Northern Plains' manager of insurance, will head the subsidiary as vp and general manager. He will remain in the insurance manager's post at Northern Plains.

markets

Hospital bill audits

Health Corp. of America, a group health care consulting firm, has formed Hospital Auditing Services Ltd. to review hospital bills and determine if claims are accurate and reasonable.

The new division will be staffed by medical auditors, HCA says.

"Hospital bill auditing is a method of insuring the appropriateness, accuracy and applicability of all charges on an item-by-item basis," said HCA President Joseph R. Cusumano.

Health Corp. of America and Hospital Auditing Services Ltd. are located at 650 E. Swedesford Road, Wayne, Pa. 19087; 215-687-8680.

Aetna forms PREFER

Aetna Life Insurance Co. has formed PREFER, a preferred provider arrangement available to employers in South Florida.

Eleven hospitals in Dade and Broward counties are participating in the health care program and are negotiating fees for inpatient and outpatient services, according to Aetna.

Robert L. Roberts, general manager of Aetna's Employee Benefits Division office in Miami, said businesses with two or more employees would be able to participate in PREFER.

"It is a proactive effort to hold the line on medical expenses," Mr. Roberts said.

The program features a telephone information line for employee inquiries about health care coverages and a pre-admission program designed to reduce admissions and the length of hospital stays. A 130-page personal health education guide also is available to PREFER participants.

Acquisitions

Independent insurance agencies **R.J. Wilson & Associates Ltd.** and **Maryland Insurance Management Services Inc.** have merged and will operate at MIMS' office at 1301 York Road, Heaver Plaza, Suite 201, Lutherville, Md. 21093; 301-337-8550.

Frank & Brenner Inc. and **Herman H. Heller Inc.**, two New York insurance brokers, have merged to form **Versatile Insurance Programs Corp.** The new firm will be located at 2001 Marcus Ave., Lake Success, N.Y., 11042; 516-354-9090.

Amerisure Inc., a holding company owned by **Michigan Mutual Insurance Co.** in Detroit, has purchased **William A. Prew Co.**, an insurance agency in Birmingham, Mich.

New offices

Plan Services Inc., a third-party marketer and administrator of small group insurance plans, has opened an office at P.O. Box 7008, Newington, N.H. 03801; 603-431-8133.

Homeland Insurance Management (Cayman) Ltd. has moved to Transnational House, West Bay Road, P.O. Box 2167, Grand Cayman, British West Indies; 809-947-4616.

Carnegie Insurance Service Corp., a Cleveland-based excess/surplus lines broker and managing general agency, has opened an office at 8315 Virginia, Suite G, Merrillville, Ind. 46410; 219-769-5188; 800-558-8108 in Indiana. ■

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Kraysler named president of Hancock unit

Stephen F. Kraysler has been elected president and chief executive officer of John Hancock Property & Casualty Insurance Cos., in Boston, a unit of John Hancock Mutual Life Insurance Co.

Mr. Kraysler

Mr. Kraysler, who joined the company in 1964, most recently served as executive vp. He succeeds **Phyllis A. Cella**, who is retiring.

In his new position, Mr. Kraysler is responsible for the director of Hancock Property & Casualty; Hanseco Insurance Co.; Hanseco Reinsurance Co.; Hanseco (U.K.) Insurance Co. Ltd. of London; Hanseco Insurance Co. of Bermuda Ltd.; Unigard Security Insurance Co.; and John Hancock Indemnity Co.

Other insurer changes:

Paul L. Sweeney elected vp-audit, development and planning at Hanseco Insurance Co., in Boston. Mr. Sweeney joined Hanseco in 1984 as second vp.

New England Mutual Life Insurance Co., in Boston, has elected two vps: **Alan C. Leland Jr.**, vp-group pension; and **Alice E. Rosenblatt**, vp-group insurance operations.

Jan Erik Langengen named vice chairman and chief executive officer of Christiania General Insurance Corp. of New York. Mr. Langengen, president of Storebrand-Norden International of Oslo, Norway, Christiania's parent company, replaces **Robert F. Keller**, who died recently. Mr. Langengen will divide his time between Norway and the United States until a new president is named for the U.S. subsidiary.

David M. Haggerty elected executive vp and chief operating officer of American Marine Underwriters Inc., in Miami, a subsidiary of Wausau Insurance Cos. Mr. Haggerty, who joined American Marine in 1969, most recently served as senior vp and general manager.

Arthur F. Braun named vp and general manager for CIGNA Healthplan of Florida Inc.'s administrative offices and five health care centers in the Tampa Bay area. Before joining CIGNA Healthplan, a CIGNA Corp. affiliate, Mr. Braun was executive director of Comprehensive Medical Care, P.A., in Minneapolis.

Richard B. Grace appointed resident vp of The North River Insurance Co., a subsidiary of C&F Underwriters Group, a Crum & Forster unit. Mr. Grace, who will be based at the company's Glastonbury, Conn., office, has been with C&F since 1983.

Hank M. Koot appointed resident vp-New York region at the Atlantic Cos., in New York. Mr. Koot joined the company in 1968, and most recently served as resident vp of the Mid-Atlantic Region.

Kathryn M. Drewry and **James A. Schulte** both appointed vp-commercial lines division at St. Paul Fire and Marine Insurance Co. Ms. Drewry joined the company in 1967 and most recently served as senior underwriting officer-operations. Mr. Schulte joined the company in 1972 and most recently served as regional operations officer.

Graham C. Kirkwood appointed resident vp-Northeast Region by The Atlantic Cos. in New York. Mr. Kirkwood joined the company in 1963 and most recently had served as resident vp-New England Region.

Samuel M. Meeks appointed vp in charge of the Fullerton, Calif., branch office of Western Employers Insurance, based in Santa Ana. Mr. Meeks had served as vp-claims at Western Employers' home office for the past four years.

comings & goings: industry

Thomas Brown named a vp at New York-based Associated Aviation Underwriters, owned jointly by Marine Office of America Corp. and Chubb & Son Inc. Mr. Brown, who most recently served as manager of AAU's Seattle branch, joined the company in 1967 as a claims adjuster.

James R. Young appointed vp in the group life and health operations department of Metropolitan Life Insurance Co. in New York. Mr. Young, who joined Metropolitan in 1973, most recently served as assistant vp.

Patricia V. Bennett named vp-operations at Southern General Life Insurance Co., in Coral Gables, Fla.

Michael R. Herce elected vp-technical services at Chubb & Son Inc. in Warren, N.J. He most recently served as manager of technical services in operations and data processing.

Richard L. Behrens elected executive vp at California Compensation and Fire Co., a subsidiary of Hanover Insurance Co. in Worcester, Mass.

Robert L. Pope named chief executive officer at Inter-Ocean Insurance Co., in Cincinnati, a subsidiary of Cincinnati Financial Corp. Mr. Pope, who assumes his new position March 9, had served as executive vp of Inter-Ocean and president of The Life Insurance Co. of Cincinnati. **Thomas J. Smart**, Inter-Ocean's current president and chief executive officer, will retire April 29. **James A. Currin**, executive vp of The Life Insurance Co. of Cincinnati, will succeed Mr. Smart as president of LICC, effective March 9.

John D. McNeil named executive vp in the Toronto office of Sun Life Assurance Co. of Canada, effective April 1. He most recently served as senior vp and general manager for the United States in the company's Wellesley, Mass. headquarters. He will be succeeded by **David D. Horn**, who most recently served as vp and general manager for Sun Life of Canada (U.S.), a subsidiary company, and vp and assistant general manager for the company's U.S. operations. He assumes the post April 1.

Frank Choromanskis named senior vp of Prudential Health Care Plan Inc. (PruCare), a health maintenance organization subsidiary of The Prudential Insurance Co. He is headquartered at PruCare of Atlanta.

Excess/surplus

Victor D. Giordano joins Pennock Insurance Agency Inc., in Upper Darby, Pa., as vp of the commercial lines division.

Terry M. Lee named vp-underwriting at Professional Design In-

Continued on facing page

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Continued from facing page
surance Management Corp., an Indianapolis-based national wholesaler of architects/engineers professional liability insurance. Mr. Lee had been associated with Foremost Insurance Co. in its Indianapolis zone office.

Simon Bancroft joins Maclean, Oddy & Associates Inc. in Dallas as vp. Mr. Bancroft will be responsible for running the Maclean, Oddy's property unit.

W. James Greenfield named resident vp in the Indianapolis office of Burns & Wilcox Ltd., based in Southfield, Mich.

John D. Richardson promoted to vp and manager of the Property Insurance Division of Crump London Underwriters in Memphis, Tenn., the surplus and specialty lines insurance brokerage group of The Crump Cos. Inc. Mr. Richardson joined Crump London in July 1984.

Edward R. Kinnebrew III promoted to executive vp at Crump Aviation Underwriters in Memphis, Tenn., a subsidiary of The Crump Cos. Mr. Kinnebrew, who joined the company in 1962, will continue as general manager of Crump Aviation.

Agents/brokers

Michael A. Fitzgerald named vp and energy specialist at Jardine Insurance Brokers Inc., in Boston, a division of Hong Kong-based Jardine Matheson & Co., Ltd.

Schroeter, White & Johnson Inc. in Oakland, Calif. has announced the following personnel changes: **George C. Hill III** has been named chairman of the board; and **Nancy Lavine** has been named vp-employee benefits.

Ernie Danner joins Adams & Porter Associates Inc. in Houston, as vp-finance, administration and planning. Mr. Danner previously was with Peat, Marwick & Mitchell & Co.

David T. Hauck named chief operating officer at Frank B. Hall & Co. of Ohio Inc., in Columbus. Mr. Hauck, who joined the company in 1982, most recently served as vp of sales.

Thomas E. Arnold rejoins Emett & Chandler New York Inc., as senior vp.

Richard P. Ivol appointed vp of Reed Stenhouse Inc. of Missouri. Mr. Ivol has been with Reed Stenhouse since 1981.

Thomas V. Morris Jr. joins Braishfield Associates Inc. as executive vp.

Reinsurance

John M. Wilson, named vp at North American Reinsurance Corp., New York. He joined North American Re in 1980.

John T. Banks named vp at Delaney Management Co. Inc., in New York. He joined the company in 1984.

Robert M. DeMichele, president of Piedmont Management Co. Inc. in New York, assumes additional responsibilities of president and chief operating officer of the company's principal subsidiary, The Reinsurance Corp. of New York. Mr. DeMichele joined Piedmont in early 1981 and was elected president in April 1982. He also is chairman of the company's asset management subsidiary, Lexington Management Corp. **Marion Woodbury**, who has served as president since 1965, will become vice chairman of the RECO board.

Robert T. Bleckinger promoted to vp at G.L. Hodson & Son Inc. in St. Paul, Minn., the principal operating unit of the Reinsurance Division of Corroon & Black Corp. Mr. Bleckinger, who joined G.L. Hodson & Son in 1982, directs the firm's Treaty Services Department.

Roger Cunningham joins American Re-Insurance Co. in New York as vp of domestic treaty underwriting services.

Robert F. Van Sant named president and chief executive officer of Des Moines, Iowa-based Northeastern Insurance Co. of Hartford and First Reinsurance Co. of Hartford. Mr. Van Sant, who most recently served as executive vp, succeeds **Robert D. Edison**, who was named chairman of the board of both companies.

Other suppliers

Dennis L. Lange appointed actuary by the Milwaukee office of Milliman & Robertson Inc., a national consulting actuaries firm. Mr. Lange previously was an actuary for Heritage Mutual Insurance Co. in Sheboygan, Wis.

Clayton S. Field joins Compass Consulting Group Inc., to direct the firm's consulting and systems services in the health care field. Mr. Field previously was a vp with King County Medical Blue Shield-Seattle.

Norman C. Storbakken named president and chief operating officer of MII Services, a unit of MII Inc. that provides third-party administration for self-insured companies. MII Inc. is a wholly owned subsidiary of Blue Cross & Blue Shield of Minnesota.

Jerry C. Weil named vp at the Moraga, Calif., office of English & Associates Inc., settlement annuity consultants.

James W. Oxford appointed executive vp and chief operating officer of New Jersey Dental Service Plan Inc. in Parsippany, N.J., a not-for-profit corporation providing prepaid group dental coverage through participating dentist in New Jersey.

Gary E. Munson joins LMC & Associates, a risk management consulting firm in Portland, Ore., as a senior professional consultant.

Robert Brook joins Employee Benefit Plans Inc. in Minneapolis as vp-managed health care systems. ▪

Job injuries fell in 1983

WASHINGTON—Job-related injuries and illnesses in private industry dropped slightly from 1982 to 1983, according to U.S. Department of Labor statistics.

There were 7.6 injuries and illnesses per 100 full-time workers in 1983, compared with 7.7 in 1982. The rate of injury and illness that resulted in lost workdays was 3.4 per 100 workers in 1983, compared with 3.5 in 1982. The number of lost workdays averaged 58.5 per 100 full-time workers in 1983, virtually unchanged from 1982.

The department also reported that there were 3,100 work-related deaths in work places with 11 or more employees in 1983. Most of the work-related deaths occurred in construction, manufacturing, transportation and public utilities.

As in 1982, over-the-road motor vehicle accidents accounted for about 30% of the fatalities. ▪

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REACTION TO BHOPAL

U.S. risk managers must respond to Indian disaster

By S. Robert Beane

ONE OF THE interesting phenomena in the insurance marketplace is that while U.S. companies have been seeing sharp increases in domestic property/casualty coverages in the last six months, overseas programs were not facing similar increases.

Part of the reason has been discussed previously in this column: Because of the exceptional litigation climate that exists in the United States, liability exposures to date have been far greater here than abroad.

We also have noted the gradual but certain growth of product liability litigation in Europe. That trend, along with an increase in third-party liability suits, can be expected to continue in other regions as well.

Until recently, however, general third-party liability exposure was limited in less-developed countries, where the exposures of heavy industrialization coupled with responsive court systems did not exist.

The gas leak accident at the Union Carbide plant in Bhopal, India, following on the heels of the natural gas disaster in Mexico City, has abruptly focused worldwide attention on the potential for catastrophic liability exposures overseas. If the U.S. courts decide to assume jurisdiction in the Bhopal case, in which about 2,500 people died and as many as 150,000 were injured, the result may be a significant increase in U.S. adjudication of liability in foreign accidents, thus drastically raising potential exposures for U.S. companies.

Already, the Bhopal incident is putting pressure on worldwide insurance capacity, and multinational companies can expect a sharp boost in the premiums they are paying for coverage overseas. Property/casualty underwriters, burnt by the worst financial results since 1906—the year of the historic San Francisco earthquake and fire—are in no mood to continue to give insurance away.

In these circumstances, what can the international risk manager do?

At a time when many chief executive officers are taking a hard-nosed look at their international insurance programs for the first time and wondering where the responsibility for overseas risk management really lies, risk managers should seize the opportunity to explain to their bosses the advantages of a centralized risk management program.

Over the years, many risk managers have been given centralized control of risk management operations worldwide, but an equal number simply do not have the necessary authority to set up a worldwide program. Reasons for this range from the reluctance of corporate headquarters to interfere in local management's affairs, to the company's failure to establish a system of general fiscal control worldwide.

For whatever reason, many multinational companies have resisted the idea of consolidating their international risk management programs at corporate headquarters.

But, in today's environment of tightening markets, shrinking capacity and the specter of overseas liabilities of a magnitude formerly unknown except in the United States, overseas autonomy in insurance is simply an unaffordable luxury. The skillful structuring of worldwide programs may be the only way for multinational companies to protect overseas—and domestic—assets adequately.

While there are obstacles to integrating a risk management program fully, a risk manager with a mandate and a clear vision of what can be achieved through loss control, risk transfer and risk funding can put together an effective program.

Photo: Wide World

A victim of the toxic gas leak at Bhopal, India, is buried within sight of the Union Carbide plant where the disaster occurred.

international issues

Multinational exposures often occur in joint venture operations, where the U.S. company has less than a 50% interest. Because the U.S. firm generally contributes the technology that forms the basis of the enterprise, however, it should be possible to prescribe the loss control standards that will be implemented, especially where some, if not all, protection costs can be offset by premium reduction.

In many cases, the U.S. minority shareholder has a management agreement that imputes actual responsibility for monitoring such standards, so it behooves him to exercise the necessary control to see that standards are indeed maintained.

In the United States, we put a high priority on worker safety—a cultural bias not shared everywhere in the world. If the overseas environment becomes increasingly litigious, however, it may be possible and indeed necessary to put into place safety techniques and devices that would have met resistance previously.

Prevention must be an essential element in managing overseas risk. If on-site maintenance of sophisticated equipment cannot be assured, your company may want to think twice about continuing or setting up new operations in less-developed areas.

At the very least, you will want to provide rigorous training programs for local technicians and arrange for frequent monitoring of local operations by parent company engineers or loss-control consultants.

In addition to preventing losses, risk managers will have to work hard to arrange for transfer of risk. As worldwide insurance capacity shrinks, the biggest problem multinationals will face is obtaining sufficient underwriting capacity to cover their exposures.

Local coverage, where available, may be severely cut back. A master policy, issued to the parent company and paid for in the United States, can be used to create an umbrella of protection over local programs that vary widely from country to country and generally offer restricted coverage that falls far below U.S. standards of protection.

A worldwide program should address the needs of local management as well as the corporate parent. Knowledge of the legal climate in each country in which you do business will be essential. Only if coverage purchased locally is skillfully integrated into the corporate excess program will it be possible to protect your company adequately against suits involving one or more countries outside the United States.

No matter how inventive your multinational risk management program, you should be prepared for radically increased retentions and, with underwriters sharply reducing limits, you probably will have to absorb a greater portion of the risk than ever before. You certainly are going to need sophisticated risk management consulting in order to protect your company adequately. Now may be the time to look into the feasibility of a captive.

Drawing on the services of a broker with the ability to tap the world insurance market, analyze acceptable retention levels and help manage retained risk, will enable you to put together a comprehensive worldwide program. You will want to make sure to work with someone who understands local customs and regulations as well as the local insurance market, and who can provide loss control services that may be unavailable locally.

And, perhaps most importantly, in an era of sharply rising premiums, you will have to sell a coordinated program to local management by stressing the importance of such a program.

Risk managers of multinational companies increasingly will be held accountable for protecting their companies' assets worldwide. By establishing corporate standards for insurance, safety and loss control that apply worldwide and assuming responsibility for implementing and monitoring these standards, you will take a significant step toward assuring your company of the protection it needs.

S. Robert Beane is vp and manager of the New York International department of Johnson & Higgins. His column on international issues appears the first Monday of every month.

PCBs: Corporate disasters in the making

By James A. Lambert

Companies should act to ease the threat of toxic contamination

RIGHT NOW, in tens of thousands of facilities across the United States, the potential exists for an incident of contamination by polychlorinated biphenyls—PCBs—that could be more traumatic to a property owner than a hurricane, tornado or flood.

Such an incident could be caused by a few gallons of PCB dielectric fluid and result in a multimillion-dollar loss. This fluid, encased in a transformer or capacitor, could be involved in a fire, creating airborne toxic emissions. These deadly little particles deposit themselves on furniture, fixtures, walls, drapes, carpets, raw materials, goods in process, finished goods, plant equipment—wherever there is something to settle in or on.

If these particles are sucked into the air-conditioning system and dispersed throughout the building, serious thought would have to be given to locking the doors and walking away, because getting rid of this kind of contaminant may well exceed the cost of the building. On the other hand, preventing its occurrence could by comparison be a minimal investment.

However, before we explore how to prevent or minimize potential occurrences, it might be worthwhile to understand how the situation arose and what kinds of facilities already have been subjected to PCB contamination.

Before World War II, liquid-insulated transformers and capacitors were generally filled with a combustible mineral oil dielectric. To eliminate the fire threat of the more common mineral oil dielectric, industry searched for a non-flammable electrical insulating and cooling medium.

In the early 1930s, the search found a synthetic chlorinated hydrocarbon, which is known by the generic name askarel. These askarel fluids, which have some two dozen trade names today, contain PCBs as a major ingredient: i.e., more than 45% by weight. Since they were non-flammable, they seemed to be acceptable.

Unfortunately, however, PCBs are not biodegradable.

During the 1960s, concern began to mount over the widespread distribution of PCBs in the environment. Government investigations revealed that PCBs could be accumulated and concentrated in fresh water and in marine organisms, like fish. By transferring up the food chain, the PCB-contaminated food sources could ultimately be consumed by people. Much has been written about PCB-contaminated feed, livestock and milk.

Congress responded to these concerns by passing the Toxic Substances Control Act in 1976. Section 6(e)(2) of the act banned the manufacture, processing, distribution and use of PCBs in any way that is not a "totally enclosed manner" after Jan. 1, 1978.

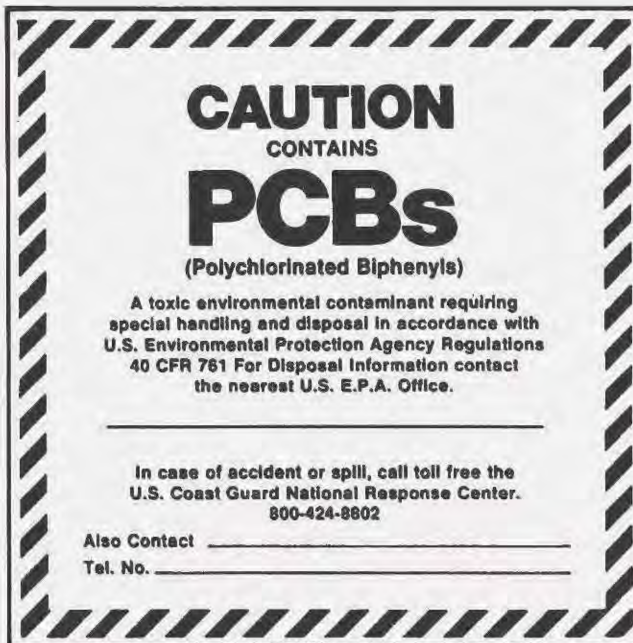
The Environmental Protection Agency has interpreted transformers and capacitors as being "totally enclosed," but it has imposed increasingly severe limitations and requirements on their general use.

Specifically, the EPA has prohibited the use of PCB transformers and electromagnets after Oct. 1, 1985, in cases in which they could contaminate food or feed. This has widespread ramifications for the food-producing, food-processing and food-distributing industries.

In addition, the use of all large PCB capacitors—those of 200 cubic inches or more—is prohibited after Oct. 1, 1988, unless they are located in restricted-access electrical substations or in contained and restricted-access indoor installations. This ruling could result in extensive remodeling of existing facilities or relocation of current capacitors.

Although the legislation is in place to help monitor and control this serious situation, positive action by corporate and plant management is needed to prevent the recurrence of the following kinds of contamination incidents:

James A. Lambert is vp of engineering for Industrial Risk Insurers in Hartford, Conn.



- In 1973, a spill occurred in Tennessee, when a transformer containing 1,500 gallons of askarel was emptied into a field. The cleanup involved transferring the contaminated soil in more than 10,000 55-gallon drums, which were shipped to and buried in approved landfills in Robstown, Texas, and Model City, N.Y. The cost was more than $2 million.
- In February 1981, heat from a switchgear fire cracked a ceramic bushing on a nearby askarel transformer in a state office building in Binghamton, N.Y. The leaking askarel was decomposed by the heat of the fire, forming, among other things, chlorinated dibenzofurans and chlorinated dibenzoparadioxins. These highly toxic substances were picked up and distributed throughout the 18-story building by the air-conditioning system. Now, on the fourth anniversary of the incident, more than $28 million has been spent on decontamination procedures. Cleanup appears to be over, and there is hope that the building may once again be occupied, although the date is unknown.
- In 1983, smoke and fumes from a fire in an outside underground vault entered a fresh-air intake duct and infiltrated the first six floors of an adjacent high-rise office building in San Francisco. The affected areas were uninhabitable for 10 months, and the cleanup costs were in excess of $20 million.
- In 1984, a fire in a small electric switchgear building involved three capacitors, each containing only three gallons of a PCB dielectric fluid. The direct fire damage was $75,000. The decontamination expense is estimated at $2 million, and hopefully the building can be reoccupied sometime in 1985.

To solve these problems, Industrial Risk Insurers has issued a paper for dealing with "Transformer and Capacitator Dielectric Fluids" Section P.1.1.4. It has been updated to incorporate recent EPA proposals, which were reported in the Oct. 11, 1984, issue of the Federal Register. The EPA completed hearings on those proposals on Jan. 15, and presumably, legislation will follow that may be more stringent than ever concerning the use of PCB transformers.

But, rather than wait for this legislation, IRI strongly recommends that all owners or users of the thousands of facilities that contain PCB transformers, capacitors or electromagnets take immediate action.

First, identify the hazards. List all PCB equipment and note where it is located. Is there any storage of combustibles within 30 feet? Is the area serviced by a heating, ventilating or air-conditioning system that has ducts, and what other areas does that system service? What sort of drainage is provided, and where does that drainage go?

Then, evaluate a "worst-case scenario." Do this for each location. Is a sustained fire possible in the area that would endanger the PCB units? If PCBs leak from the unit, where will they flow? If a fire involves PCBs, what areas are likely to be contaminated? Can this potential hazard be reduced by providing partitions and eliminating duct openings and wall penetrations? Can the use of the facility be lost for one year or longer?

Then, initiate a plan of action. Is there a corporate-directed program to replace all or at least the most serious exposures? Who has the responsibility at the plant level for carrying out the program? Some of the elements of this plan of action include replacement, retrofilling and isolation of PCB equipment. Here are some suggestions on how to accomplish any or all of these areas of concern:

Replacement. The best solution is to eliminate the problem by getting rid of all PCB equipment. The primary motivator should be the threat of contamination and loss of use of the facility. However, by law, any PCB transformer or electromagnet that could in any way offer a contamination threat to human food or animal feed products must be replaced by Oct. 1 of this year.

For other units that are nearing the end of their expected life or have been creating maintenance problems, early replacement is the prudent decision.

If PCB equipment is replaced, it must be disposed of. PCB waste can be disposed of in three ways. In the incineration method, the waste is burned. In the thermal destruction method, the waste also is incinerated, but at extremely high temperatures. And, in the chemical treatment method, the waste is chemically broken down into other substances that are either non-toxic or less hazardous and can be disposed of in a landfill. Several companies provide these disposal services (see related story, page 30).

Retrofill. Transformers can be retrofilled to replace PCB fluid with non-PCB fluid; capacitors cannot. The PBC fluid can be removed from a transformer and replaced with a more acceptable fluid.

Several firms are promoting new dielectric fluids for use in new and retrofilled transformers and in new capacitors (see list). Although the search for viable transformer liquids has not been easy, the search for acceptable capacitor dielectric fluids has been even more difficult, especially for the small-capacitor industry. In fact, the search for a substitute fluid for these capacitors—used in fluorescent lighting, televisions,

Continued on page 30

Some new dielectric fluids on the market

For transformers

Fluid name/Company

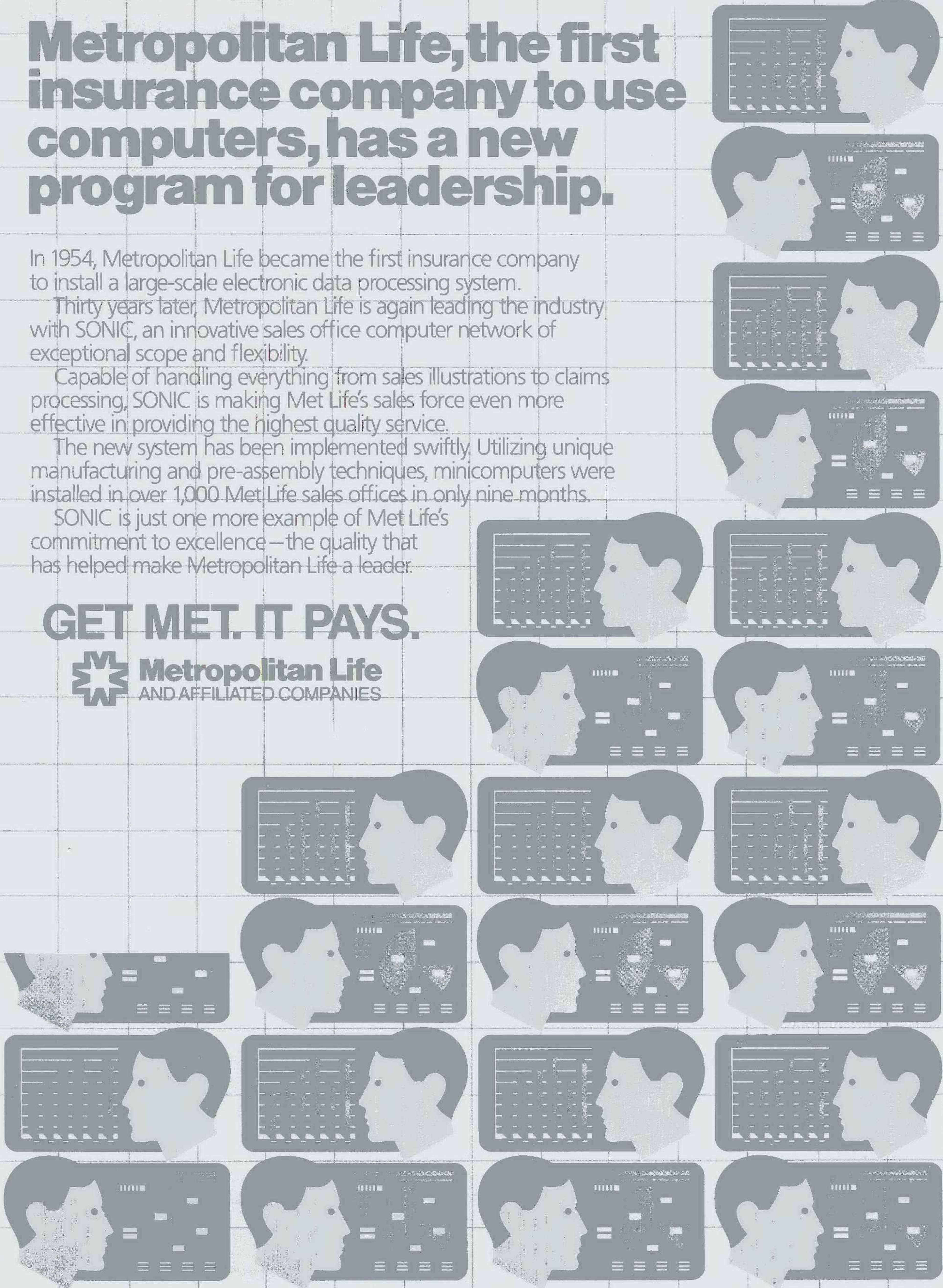
561 Silicone Transformer Fluid/Dow Corning Corp.
Transformer Fluid R-113/General Electric Co.
Iralec T-1/General Electric Co.
Silicone Dielectric Fluid SF97/General Electric Co.
Gulf FR Electrical Insulating Fluid/ Gulf Oil Chemicals Co.
MEPSOL Transformer Fluid/McGraw Edison Co.
Midel 7131/The Micanite & Insulators Co. Ltd.
RTemp Fluid/RTE Corp.
Rhodorsil 604V50/Rhone Poulenc Inc.
Transformer Fluid L-305/Union Carbide Corp.
Y-7582 Silicone Transformer Fluid/Union Carbide Corp.
Insulating Oil Wemco FR/Westinghouse Electric Corp.
WECOSOL/Westinghouse Electric Corp.
UGILEC T/Ugine Kuhlman of America Inc.

For power capacitors

Fluid name/Company

DIELEKTROL, Ir, IIr/General Electric Co.
DPO (alkylated chlorodiphenyl oxide)/ Dow Chemical Corp.
EDISOL/McGraw Edison and Dow Chemical
DINP (diisononyl phthalate)/Exxon Corp.
DOW/Dow Corning Corp.

Source: Industrial Risk Insurers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PCB threat calls for careful planning

Continued from page 28

etc.—is still continuing.

And, even if a transformer is retrofilled, PCBs will be retained by the core and coil assembly, and probably will contaminate the retrofill fluid to well above 500 parts per million, which violates EPA requirements. Therefore, additional filtering or treatment of the replacement fluid will be necessary before the PCB contamination is reduced and maintained below the 500-ppm level.

'In short, corporate and plant managements should move—well in advance of legislation—to preserve not only their own interests in this matter (of dealing with PCB contamination) but, also in a larger sense, the interests of a productive society.'

If retrofilling is decided upon, it should be carried out under the following carefully controlled conditions:

- The original transformer manufacturer should be consulted beforehand for a recommendation of acceptable retrofilling fluids and the need for changing gaskets or other modifications, depending upon the fluid selected. Preferably, the fluid should be a High Fire Point Liquid, as defined by the National Electrical Code, and should be so listed.
- The work should be done by a reputable contractor who has prior experience in this area. The contract should arrange for the disposal of all PCB fluid and contaminated materials. Such items should not be stored on site. However, if temporary storage cannot be avoided, they should be placed in EPA-approved drums and located in a secure, low-hazard fire area, observing all EPA requirements.
- A plan of action should be established with the contractor. Each location should be reviewed and proposed steps evaluated in the event of an accidental spill. Arrangements should be made beforehand to contain, entrap and absorb any leaks or spills. Particular attention should be given to any building drains in the immediate area. If there is any possibility that an accidental spill could reach the drain, it should be sealed off during the draining and flushing phases of the transformer retrofill.
- If the flushing fluid is a combustible liquid like kerosene, suitable hand-fire extinguishers should be available to handle the potential Class B fire.
- Combustibles not associated with the retrofill should be excluded from the working areas.
- The area around the transformer should be permanently curbed. The height of the curb and the area enclosed should be sufficient to contain the fluid contents of the largest transformer. In any event, curbs should be at least 4 inches high.
- Advantage should be taken of any available filtration process, recommended by retrofill fluid manufacturers, that will eventually reduce the PCB contamination in the retrofilled unit, or of any future chemical processes for this purpose.
- The retrofilled transformer should be immediately and clearly labeled to identify the use of a new fluid. After testing verifies a PCB level below 500 ppm, the transformer should also be labeled as PCB-contaminated.

Isolation. If a PCB transformer is operating without any problems and has a long projected life, an acceptable solution may be physical isolation of the unit. For these cases, the following conditions should be met:

- If the selected isolation area is indoors, it should be cut off from the remainder of the plant by construction having a fire resistance rating commensurate with the exposure posed by adjacent areas, but in no case should the fire resistance be less than one hour.
- All necessary doorways should be protected by self-closing and latching fire doors with a fire resistance rating comparable to that of the walls and partitions. Door openings should be curbed. The height of the curb and the area enclosed should be sufficient to contain the fluid contents of the largest transformer, but should be at least 4 inches high.
- There should be not floor drains in the enclosed area or any scuppers to the outside.
- All pipe or cable penetrations through the established enclosure should be sealed.
- There should be no combustible exposure to the PCB transformer. No oil-filled transformers or switchgear should be located within the enclosure.
- There should be no interconnection between the transformer area and any building ventilation system or building ductwork. Any necessary enclosure ventilation should be directly discharged to a safe, outdoor location.
- Current-limiting fuses should be provided on the primary side of the transformer. Where the transformer secondary is 480/277 volts or higher, provisions should be made to de-energize the secondary automatically when a fault occurs. This may be accomplished by ground-fault detection or other technology that is currently being pursued.

By now, we hope all responsible insurance agents, brokers and buyers recognize the seriousness of the PCB problem and its impact on property insurance and business interruption coverage.

An immediate concern usually is, "Do I have insurance coverage?" However, Industrial Risk Insurers suggests that the more important concern should be, "What kind of loss-prevention programs do I have to prevent this?"

In short, IRI thinks corporate and plant managements should move—well in advance of legislation—to preserve not only their own interests in this matter but, also in a larger sense, the interests of a productive society.

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A copy of IRI's "Transformer and Capacitor Dielectric Fluids" (Section P.1.1.4) is available free from any IRI office or from P.A. Sasso, Industrial Risk Insurers, 85 Woodland St., Hartford, Conn. 06102; 203-525-2601.

List of PCB disposal companies

Several companies provide PCB disposal services, and the number is growing daily. The most up-to-date list can be obtained from the regional offices of the Environmental Protection Agency.

Following is a list of PCB disposal companies and of the regional EPA offices.

Companies disposing of PCBs through the incineration method include:

ENSCO, P.O. Box 1975, El Dorado, Ark. 71730, 501-863-7173; Rollins, P.O. Box 609, Deer Park, Texas 77536, 713-479-6001; SCA Chemical Services, 11700 S. Stony Island, Chicago, Ill. 60617, 312-646-5700; and General Electric, 100 Woodlawn Ave., Pittsfield, Mass. 01201, 413-494-3729.

Companies providing PCB disposal through the chemical treatment method include Exceltechs, 424 Osgood Road, Fremont, Calif. 94939, 415-659-0401; General Electric, 1 River Road, Schenectady, N.Y. 12345, 518-385-3134; and PCB Destruction, 304 N. Baltimore, Kansas City, Mo. 64116, 816-474-1661.

Other companies using the chemical disposal method include PPM, 8220 Travis, Overland Park, Kan. 66204, 913-648-0448; Rose Chemical, 2459 Charlotte St., Kansas City, Mo. 64108, 816-471-7227; Sunohio Inc., 1700 Gateway Blvd. S.E., Canton, Ohio 44707, 216-452-0837; and Transformer Consultants, P.O. Box 3575, Akron, Ohio 44310, 216-929-2847.

For a more complete listing of companies providing PCB disposal services, contact your regional EPA office. Those offices and the contact people at the offices are:

- Region 1: Tony Palermo, 617-223-4857.
- Region 2: John Brogard, 212-264-2637.
- Region 3: Ed Cohen, 215-597-7668.
- Region 4: Ralph Jennings and Pauline Ofusa, 404-881-3864.
- Region 5: Sheldon Simon and Mary Cleven, 312-353-2291.
- Region 6: Jim Fales, 214-767-9722.
- Region 7: Tony Petruska and Rubin McCullers, 816-374-3036.
- Region 8: Steve Farrow, 303-844-9326.
- Region 9: Raymond Seid, 415-974-8389.
- Region 10: Margo Partridge and Mike Watson, 206-442-2634. ■

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agent/broker topics

A monthly editorial section sent exclusively to agents and brokers

Finding a good producer

Testing tools can ease search for the right person

By LINDA J. COLLINS

Adding a new producer can either be a boon to an agent's or broker's business or be a costly mistake.

How do you make the right choice?

Traditionally, agents and brokers looking for new producers have relied on recommendations of others, interviews and their own evaluation of a candidate. And, although these factors still must play an important part in the selection process, agency principals are learning they can take a scientific approach.

A variety of testing tools can be incorporated into the hiring process to reduce the risk of hiring and training the wrong person.

Psychologists, universities and an industry association have developed a wide range of tests and questionnaires designed to pinpoint characteristics that can affect an applicant's potential as an insurance salesman.

Agents and brokers who have used these services say costly hiring mistakes can be reduced when properly validated tests are used in conjunction with traditional hiring procedures.

For example, Howard E. Wood, president of Howard H. Wood & Associates, an agency in Los Angeles, who uses a test marketed by Industrial Consulting Center in Long Beach, Calif., says the ICC test takes a lot of the guesswork out of hiring new producers.

"The tests tell you a lot of things up front that you would find out eventually, but you can find them out less expensively in this way than you would six months after hiring the person," explained Mr. Wood, who has used the ICC test to screen approximately 50 applicants for agency positions.

"It has given me a standard for building management. It's easy. Anyone here can administer it, and there's uniformity."

"I have found that after I have hired people who were tested, the things that were revealed in the test have proven to be very true," adds Bert L. Gagnon, president of the Casavant Insurance Agency in Lewiston, Maine, who screens applicants with a test devised by Personality Dynamics of Princeton, N.J.

Some of the testing services reveal information about an applicant's personality that can be used to determine how successful he or she will be as an insurance producer. Others test specifically for sales aptitude or look for sales aptitude in conjunction with other qualities.

One of the services uses data compiled over several decades to compare the qualities and backgrounds of existing agents to the applicant's, much in the same way an insurer rates life or auto policies.

These tests are designed to be used as one step in the hiring process, not as the sole criterion in deciding which individual to hire, each of the testing firms cautioned.

In addition, all of the testing facilities contacted provided evidence that their testing instruments are nondiscriminatory and that they measure qualities that can be proven to be important to an effective producer (see story, page 30D).

There are many types of producer testing services around the country, including:

- Personality Dynamics Inc. in Princeton, N.J.
- The Life Insurance Marketing & Research Assn. in Farmington, Conn.
- Caress, Gilhooly & Kestin Inc. in New York.
- London House Inc. in Park Ridge, Ill.
- Industrial Consulting Center in Long Beach, Calif.
- Sharp Concepts in Barrington, Ill.
- Birkman & Associates Inc. in Houston.

Personality Dynamics Inc.

Personality Dynamics has been providing testing services for a wide variety of businesses since 1961. The test it uses to screen insurance producer candidates focuses on personality characteristics necessary for sales success.

According to Herbert M. Greenberg, psychologist and president of Personality Dynamics, "Regardless of the position, we always evaluate the individual's ego drive, ego strength, empathy, communications skills, ability to learn and willingness to learn—the growth potential.

"We are convinced that if the individual has the ability to be a producer, it is not a problem to teach him or her the product and sales techniques. But, if the person doesn't have the necessary character qualities, these cannot be taught," he said.

Dr. Greenberg notes that if the test reveals that the person does not possess the characteristics necessary to be a successful producer, PD will determine whether he or she is better suited to another type of agency work.

PD has been endorsed by the Independent Insurance Agents of America since 1975. Insurance Marketing Services Inc., an insurance marketing association located in Santa Monica, Calif., refers its members who inquire about such services to PD, as does the Middleton Group, an industry consulting firm in Naperville, Ill.

In addition, many independent agency insurers, including CNA Insurance Cos., Crum & Forster Personal Insurance, Kemper Corp., The St. Paul Cos. Inc. and Travelers Corp. recommend the firm to their agent representatives who inquire about such services.

Mr. Gagnon of the Casavant Insurance Agency, who has administered the PD tests on all current and potential agency employees for about 12 years, notes that he originally took the test himself and then encouraged his partner to do the same.

"We use the test to target an applicant's shortcomings and strong points," Mr. Gagnon said. "We use it to strengthen our own inclinations, but we have never hired anyone they (PD) advised us not to.

Continued on next page

Tests can ease agents' search for producers

Continued from preceding page

Cathy Richardson, assistant to the president at Robert E. Bill Associates Inc. in Farmingdale, N.Y., said her agency has tested between 50 to 100 candidates for producer positions through PD.

"We find the test very useful as a decision-making tool and in pinpointing weakness we can work on in our agency," she said.

Before signing on an agency as a client, Dr. Greenberg or one of his associates will ask the client to describe the open position as fully as possible.

"We want to hear in their own words what they are looking for," he explained.

Tests are administered on the client's premises. They are not timed, but the average candidate finishes in two hours or less, Dr. Greenberg said. The tests are then sent to PD headquarters for evaluation.

PD has a special department for evaluating exams given within the insurance industry. The head of the department, Michael Santo, is a licensed property/casualty broker. He works with two others who have had insurance training.

Dr. Greenberg also was a licensed life insurance agent for 20 years.

Personality Dynamics employs a total of 67 people, of whom 22 test for all businesses. All testers have a heavy business background, Dr. Greenberg says, and many have an undergraduate- or graduate-level background in psychology.

The tester schedules a phone conference with the client agency or brokerage firm on the day the tests are received by Personality Dynamics. This is followed shortly by a detailed written report with the tester's recommendations.

John P. Andrade, president of John Andrade Insurance Agency Inc. in Bristol, R.I., said the test often reveals things about applicants that are not evident in the interviews.

"We use it as another barometer in our selection process," he said.

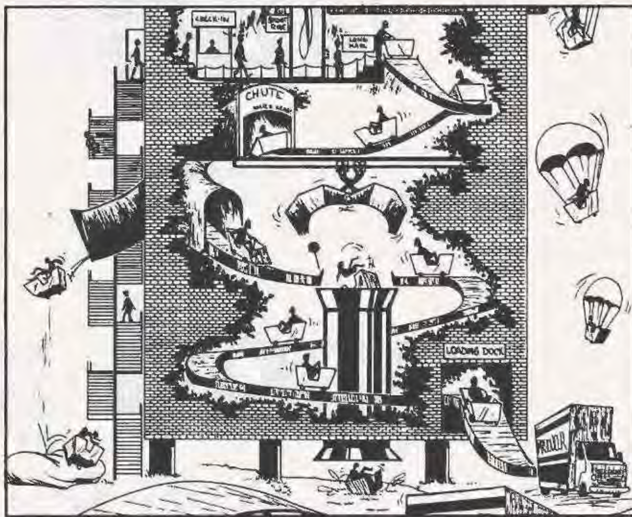
The test pinpoints which individuals are not likely to succeed as producers. But, it also identifies the acceptable applicants' weaknesses so the agency or brokerage can provide more concentrated training or assistance in these areas.

The fee for the PD tests is $125 per evaluation. IIAA members receive a reduced rate of $110 per evaluation.

Dr. Greenberg said the firm has kept results of every test given since PD's inception.

"Part of the service is that once an individual is hired who has been tested, the brokers can contact us any number of times to help them work out any problems. We will review the files to try to suggest ways in which the agency or brokerage firm can make that individual more productive," he said. "This is done at no additional charge."

"We're satisfied with the results," said Robert K. Coyle, vp and general manager of Kinney, Pike, Bell & Conner Inc. in



Rutland, Vt. "The test is a good tool to use in the selection process. It's just another element to consider in determining who to hire."

LIMRA

The Life Insurance Marketing & Research Assn. has been conducting research in agent selection for more than 50 years, and the association developed its first selection questionnaire in 1938.

Its current producer screening device is considerably different from those of other organizations: It begins with a personality profile of a successful agent and then measures potential producers against that profile.

The service is provided to LIMRA members, all of which are direct-writing companies. Testing is available to nonmember insurers for a higher fee.

The screening device also has been available to agents and brokers who belong to the National Assn. of Professional Insurance Agents since July 1984. Non-members cannot use the LIMRA questionnaire.

The PIA endorses the test, and LIMRA materials can be ordered by PIA members through the PIA's home office in Alexandria, Va. The tests can then be administered in the agency and sent directly to LIMRA for scoring. Results are returned to the agency within 24 hours after they are received at LIMRA headquarters.

The Career Profile questionnaires used by LIMRA were introduced in June 1983. Two forms are available. The Initial Career Profile is designed for applicants with no insurance sales experience, and the Advanced Career Profile is designed for applicants who have had prior full-time insurance sales experience within the past five years.

William D. Love, psychologist and assistant vp-agent selection services for LIMRA, explained that the Career Profile is not a test, but a questionnaire developed from data and statistics gathered by the association over the years.

"Year in and year out, we collect data on what is happening to agents," Dr. Love explained. "A given individual will describe himself when filling out the questionnaire. The computer will use those statistics to find other people who have had similar characteristics and then predict how well that individual will do in relation to others in the field."

Dr. Love said the questionnaire thus establishes the "risk" of hiring that individual, based on his or her attitudes, interests and basic biographical background.

Ed Reis, district manager of Farmers Group Inc. in Santa Barbara, Calif., said, "We managers have a vested interest in adding new agents to our staff. The (LIMRA questionnaire) provides us with an unbiased third opinion to use in our selection process."

It takes an applicant slightly less than one hour to complete the Career Profile. The answer sheet is evaluated by computer in LIMRA headquarters.

Ratings of 1 to 19 are given, with 19 representing the highest probability of success as a producer.

Tables can be obtained from LIMRA that give the probable success ratios of each Career Profile rating. The client receives an eight-page computer-generated report for applicants who score above 7 on the LIMRA scale.

The report contains the applicant's opinions and attitudes on such things as current level of job satisfaction; future career goals; self-assessed skills and abilities; knowledge, opinions and expectations of the career; potential clients and markets; and concerns about his or her career.

This report is designed to give the client a different look at the applicant, according to Dr. Love, and can be used to help structure any subsequent interviews.

William G. McHenry, executive vp of Mutual Insurance Agency Inc. in Washington, criticized the report as being somewhat confusing. He suggested that clients be given a more detailed explanation of how to interpret it.

Mr. McHenry said, however, that he will continue to use the LIMRA test. "We have to learn to work with it. Once we understand the rules of the game and what we are (supposed to be) looking for, I'm sure it will work for us."

Harris Tinklenberg, agency manager of Lake Crystal National Agency in Lake Crystal, Minn., agreed that the LIMRA

Continued on page 30D

Direct writers give tips for finding new agents

By LINDA J. COLLINS

What should an agent or broker look for in a new producer?

Direct writers, who regularly add new agents to their sales forces, have arrived at a variety of formulas for determining which applicants will make good producers.

By using these formulas as guidelines, agents and brokers can gain some valuable tips on how to locate and screen prospects to increase their own sales forces.

All of the direct-writing company executives agreed that one of the best ways to locate good producer prospects is through referrals made by other agents or by their district managers.

"A successful sales representative recognizes instinctively people who can and can't sell," said Al Oberlander, a vp in Personal Insurance Marketing for Metropolitan Life Insurance Co. in Warwick, R.I.

He added that local Metropolitan branch managers also locate prospects through advertising, employment agencies, college recruiting and career days set up by outside organizations.

Gerald D. Robison, vp-agency for State Farm Fire & Casualty Co. in Bloomington, Ill., said that the company's regional managers locate prospects, rather than going through the home office facility.

Other methods of recruiting aren't necessary, Mr. Robison said, because "we get so many inquiries and referrals that we don't need to advertise."

William R. Mayo, director of marketing, training and recruiting for Nationwide Insurance in Columbus, Ohio, said, "Our best sources are located from the personal observations of district managers and from agent referrals."

Mr. Mayo explained that Nationwide maintains a "reservoir of candidates" through this system, though he added the insurer finds about 25% of its agents through advertising and occasionally engages in college recruiting. He said the insurer seldom uses employment agencies.

Liberty Mutual Insurance Co. in Boston finds agent candidates through "referrals and extensive use of employment agencies," said Don Boerger, director of hiring. He said the company does some college recruiting, but not usually for agent positions.

Richard J. Lippert, vp-sales and marketing for Sentry Insurance Cos. in Stevens Point, Wis., said a good source for agent candidates is "out of our company ranks" in non-selling positions. These prospects offer the best success ratio—they know the company, and we know them."

Sentry also recruits agents through referrals from sales representatives and policyholders, newspaper ads and occasional college recruiting, although "we usually like to find a person with some work experience," Mr. Lippert said.

James E. Britt, sales director for Allstate Insurance Cos. in Northbrook, Ill., said, "Recruiting is almost a daily process of an Allstate manager." He said the company uses many recruiting methods, including employee referrals, transfers of employees from non-sales related positions within the company ranks, ads, employment agencies and college recruiting.

The company also seeks referrals of candidates from civic organizations, urban groups, womens' organizations and chapters of the National Assn. for the Advancement of Colored People.

In evaluating applicants, Mr. Robison said interviewers should ask themselves three questions:

- Has the individual been successful in his or her previous occupations?
- What is his or her motivation to succeed?
- Will he or she be able to learn the business?

The managers said they look for such qualities as ability to communicate effectively, intelligence, prior business experience, a good work record and indications of financial stability, community involvement, ambition, self-discipline and motivation.

Additional characteristics they say increase a prospect's chances of being hired include some background in sales, a college degree or a professional insurance designation.

And, Mr. Britt said he looks for "a belief in the product. Does the candidate have the proper insurance coverages?"

Executives also should be wary of sales candidates who have failed at previous jobs or have changed jobs frequently, according to these managers.

Mr. Oberlander said Metropolitan probably would not hire a person who had held many jobs over a short period of time. However, this fact might be overlooked if the candidate recently had graduated from college and still was searching for his or her career niche.

Other flaws mentioned by the executives include the inability to communicate, lack of belief in the product, lack of motivation or lack of previous salary progression.

Both Mr. Britt and Mr. Oberlander expressed skepticism about applicants with previous experience in insurance sales.

"If they were not successful selling insurance for another company, why would they be with us? Mr. Britt asked. He would hesitate to hire such applicants, "unless their previous sales experience was limited to a particular product and they wanted to expand their offerings."

"A candidate with an insurance agent background might be a floater," Mr. Oberlander speculated. "Why did (he or she) leave the other company?"

All the direct writers contacted use personality and sales aptitute testing as part of their screening process (see story, page 30A).

Metropolitan, Nationwide, State Farm and Sentry use the Career Profile testing service of the Life Insurance Marketing & Research Assn. Inc.

Liberty Mutual has been using tests administered by Crossroads Career Planning in Philadelphia. However, the future of the program is in doubt because the psychologist who evaluates the tests has become ill, according to an employee at the Crossroads facility. Liberty Mutual is looking at other testing services, Mr. Boerger said.

Allstate previously used an outside testing service, but has recently developed an in-house testing system tailor-made for Allstate agents.

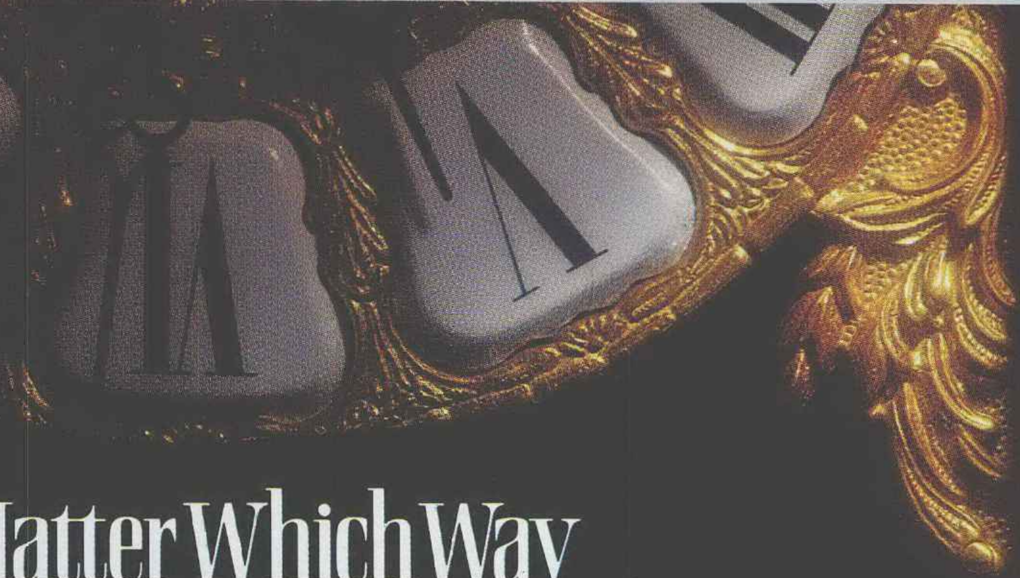
But, the managers stressed that the tests are only tools used during the screening process, and not the sole criterion in determining whether the individual will be hired.

Besides taking these tests, all of the prospects must undergo a series of interviews conducted by different managers within the company. The interviews help the company determine whether the candidate is the right person for the position. They also help the candidate decide whether he or she is really interested in a career as an insurance agent.

Mr. Mayo said that if an applicant is married, a Nationwide executive will conduct one interview in the presence of the spouse. The spouse then can understand the demands a career as an agent can sometimes place upon a marriage.

In addition, the companies check all applicants' references, contact their previous employers and verify all information on the applications.

Finally, applicants must study for and pass state licensing exams before they can become agents. The companies generally furnish the necessary exam study materials.



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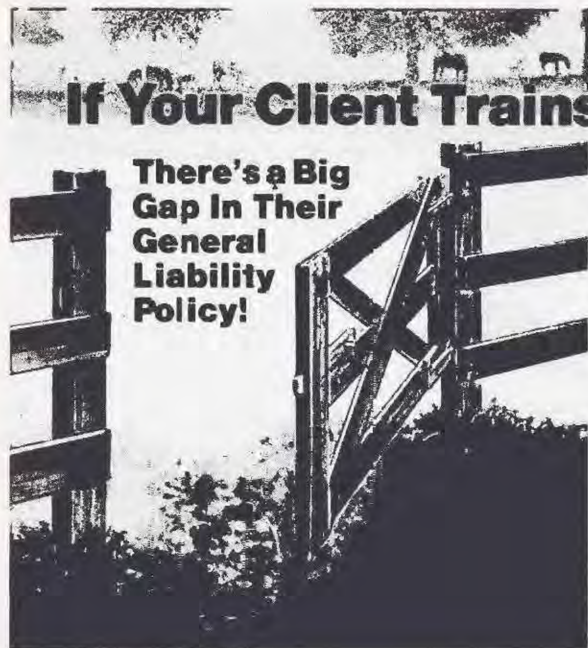

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Tests ease search for producers

Continued from page 30B

report is "broad in scope and not very detailed."

But, he added, "I felt comfortable with the results. It will not tell you who will make it (as a producer), but it will tell you who will definitely not make it, if used correctly."

LIMRA processes about 400,000 Career Profile questionnaires per year. LIMRA has psychologists on staff, including Dr. Love. There are a total of about 30 employees, including technicians, the production department and the research and development team.

The cost to PIA agents interested in using Career Profiles is $77.50 for the initial kit, which includes an administrator's kit with interviewing guides for both the Initial and Advanced Career Profiles; and one answer sheet and scoring service for each of the two profiles.

Additional answer sheets and scoring services can be obtained through the PIA home office for $22 for the Initial Career Profile and $27 for the Advanced Career Profile. These fees include the questionnaire evaluation.

Caress, Gilhooly & Kestin Inc.

Caress, Gilhooly & Kestin Inc. compiles a battery of eight to 10 different tests for clients to determine an applicant's sales potential. The tests measure the applicant's potential in 30 different areas, said President Robert S. Caress.

Mr. Caress said the tests measure a variety of things, such as:

- Does the prospect consider sales or sales-related activities a way to make a living? This is accomplished by determining the applicant's major vocational and professional interests.
- Does the individual have the ability and aptitude to function as an insurance agent? This is determined by measuring the applicant's interpersonal skills.
- Does the person have the strength to use these skills? This is determined by testing his or her temperament and ability to adjust by measuring self-reliance, capacity to take pressure, sense of responsibility, dominance, assertiveness, empathy and emotional makeup.

The battery of tests can be administered in the client's office and takes an applicant on the average of 4½ to 6 hours to complete.

A written, confidential report on the test results is prepared for the client within 48 hours after the tests are received at Caress, Gilhooly & Kestin. The report includes the firm's recommendation to employ or promote; a profile chart of the applicant's scores for each test factor; a detailed description of the applicant's strengths and weaknesses as they relate to the position; and the firm's suggestions for the appropriate management and training techniques to use if the applicant is hired.

Mr. Caress said that his firm has about 30 clients in the insurance industry and tests 300 to 400 producer applicants per year.

Caress, Gilhooly & Kestin employs 14 people, including four test evaluators. Two are industrial psychologists and two have master's degrees in psychology.

Rather than design its own tests, Caress, Gilhooly & Kestin has incorporated a variety of tests designed by a test publishing firm and several universities, including Stanford University, George Washington University and the University of Illinois. Mr. Caress said his

Continued on page 30F

Weigh legal issues of testing services

If an agent or broker decides to use a testing service in hiring a new producer, there are important legal considerations.

According to Herbert M. Greenberg, president of Personality Dynamics Inc. in Princeton, N.J., "There are two things which any service should be able to provide written evidence of." These include:

- The test must not discriminate against any group, such as women, minorities or people in a certain age group.
- The test must have predictive validity, meaning it must be backed up by statistics that prove people recommended by the tests out-produce the people not recommended as a group.

"You can be sued if either of these is missing," Dr. Greenberg cautioned. ■

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Testing services

Continued from page 30D

firm looks for tests that best evaluate a given position and then coordinates those tests.

According to Mr. Caress, all test results have been kept by the firm to be used for validity studies. He said it sometimes re-evaluates test results of individuals being considered for a promotion.

"Sometimes we suggest that they make their decision based on the performance of the individual. After employees have been with a company for a while, their job performance becomes the best indicator of their ability for advancement," Mr. Caress added.

The battery of Caress, Gilhooly & Kestin tests costs a client $120 per applicant.

London House Inc.

London House's STEP Program (System for Testing and Evaluation of Potential) measures how each applicant would be ranked in terms of their qualifications for entry-level, middle management and upper management positions, so that a firm determines a person's potential as a producer as well as for advancement.

London House uses a total of 11 tests, of which seven or eight are given to an applicant, depending on the vacant position.

The STEP program is the result of more than 15 years of research and has undergone more than 60 validation studies since London House began providing testing services, the firm says..

All test evaluators must hold a doctorate. Nine industrial psychologists are employed by the firm, and at least five more are on retainer, according to Karla Kizzort, director of communications. More than 100 employees work at London House headquarters. Twenty work in regional staffing offices throughout the country.

The tests are used by a variety of industries; therefore, each psychologist develops a specialty area. After evaluating one test for a client, a psychologist works with that client on all future tests.

Applicants usually complete the tests in less than four hours. A written profile of the applicant is sent back to the client within two days after the test is received at London House.

Part of the analysis is processed through a computer and part is evaluated by an industrial psychologist, who analyzes and interprets the test results for the applicant's positive qualities and deficiencies.

Scores are provided in two forms. A computerized printout breaks the job down into four or five categories that each have four or five subcategories. A score is given for each category and for each subskill. All skills are rated for entry level, middle management and top management positions.

The second part of the report is a weighted score that indicates the applicant's potential for success, based upon an extensive battery of research studies on a large sample group of producers, according to Ms. Kizzort.

If the client disputes the results, Ms. Kizzort said London House will re-evaluate the results at no additional charge. London House retains test results for at least one year, and a client can set up a data bank at London House to store all of its test results for $50 per year.

A job analysis kit must be purchased by the client at a cost of $50 before any tests can be evaluated. The analysis is completed by five to 10 agency or brokerage employees who are familiar with the position for which an employee is being sought. It then is used to tailor the tests to the client's specific needs.

The testing cost depends on the number of tests administered. Cost is $225 per test for between one to five tests; $200 for six to 24; $175 for 25 to 49; and $150 for 50 or more. A client can order any number of tests at one time, and then use them as needed, Ms. Kizzort explained.

Smith D. Coffey, corporate assessment administrator for Blue Cross & Blue Shield of Florida Inc. in Jacksonville, said his company has been using the STEP program to test applicants, marketing department employees and employees who are being considered for promotion since early 1984. The company tested 280 people in 1984, and Mr. Coffey estimates it will test 350 to 400 more in 1985.

"We use the STEP program to test the two top candidates for a position, and use the information gathered from the test to determine which of the two has the best skills and ability for the position," Mr. Coffey said. He expects the testing to reduce company turnover substantially because "you get a better fit with the job."

Mr. Coffey said the tests can be used as a "strong development tool. Even if the person isn't chosen for the position, it will show him or her how to prepare for advancement. I get back with everyone tested to interpret the results. If we ask people to take the time to take the test, we should explain the results. . . .It gives them a good sense of who they are."

Industrial Consulting Center

Industrial Consulting Center uses a test called the Lee Directional Profile, designed by Lester C. Lee, company president and a clinical and industrial psychologist.

The test can be tailored to produce a sales profile for both personal and commercial lines producers. The test takes about 30 minutes to complete, and the results are sent out the same day they are received at ICC.

The Lee Directional Profile provides a client with an evaluation of the applicant's strengths, areas for improvement and leadership style in both stressful and non-stressful situations. It also recommends the best management technique for dealing with the individual if he or she is hired and indicates the applicant's best learning pattern.

Dr. Lee evaluates every test himself. Two assistants help grade those parts that do not require interpretation.

According to Alma Riter, ICC's administrator, "The test is the same for all industries. It is interpreted differently depending upon the position being applied for.

"If the results are unfavorable and the client still wants to hire the individual, Dr. Lee will give his suggestions to the client on how to best manage the individual."

Mr. Wood, president of Howard H. Wood & Associates in Los Angeles, has been using the Lee Directional Profile since the early 1970s to test all his current and potential employees.

"I used to have the philosophy that if everything looked right, I would hire applicants. We'd invest a lot of money in them, and then they'd leave, said Mr. Wood. "Since I've used the profile, my turnover has reduced considerably. I can also look at the characteristics of the person to determine the proper training procedure. That keeps people happy," said Mr. Wood, whose firm employs 36 people.

He suggested that top management take the test before administering it to others.

Sandy L. Rose, executive vp for Winn & Co. Insurance Brokers, which has offices in Gilroy and Hollister, Calif., said her firm also uses the Lee Directional Profile to

Continued on page 30H

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Testing services

Continued from page 30F

test all current and potential employees. The broker has been using the service for about four years and has administered the test to about 20 applicants.

Ms. Rose said the test has helped the company deal effectively with its current employees, and "with new employees, it has made the decision for us when we have anticipated a characteristic in an applicant and the test has verified that our feelings were correct."

She added, "If we have had any questions after seeing the results, we have always asked for a further explanation from Dr. Lee. He has always been very helpful."

An initial test kit containing five exams costs $15. This cost is refundable with the first evaluation the client requests. A producer evaluation costs $95, and sales and management skills can both be evaluated for a cost of $165.

Test scores are maintained at ICC for two years. Ms. Riter said.

Sharp Concepts

Sharp Concepts is a 2½-year-old testing and consulting firm run by Billy B. Sharp, a clinical and industrial psychologist. Dr. Sharp has been providing testing services for more than 12 years and has been involved in psychological research for nearly 20 years.

Dr. Sharp uses a variety of tests and has access to several test data bases throughout the country. He uses these tests, singularly or in combination, to screen a wide range of candidates for positions in a variety of industries.

The test he most frequently uses for new producer candidates is the Birkman Method, designed by Roger W. Birkman, psychologist and president of Birkman & Associates in Houston. Dr. Sharp will use this test in conjunction with others if he or the client desires.

Dr. Sharp said he can administer a simple "interest" test for about $12 to $15 without an evaluation. A Birkman Method test with a "modest interpretation" would cost from $65 to $100. A full battery of tests with an extensive interview could cost $400 to $500, he said.

"One of the keys," he said, "is to not just select a (producer) from the universe, but to select a person who can work with the particular agent or broker."

Dr. Sharp uses Birkman & Associates's data bank to send tests to Houston and receive results, which he then interprets for his clients. He also gives his recommendations and suggestions for training if the applicant is hired.

He said he has processed "several thousand tests" for clients in the insurance industry, although most have been in the life insurance field, rather than property/casualty producers.

Sharp Concepts has eight employees, five of whom are test evaluators. Three of the testers are psychologists, and one is a social worker. The firm also provides counseling and consulting services.

H. Parker Sharpe, president of H. Parker Sharpe Inc., an agency in Barrington, Ill., said he tests approximately 12 producer applicants a year through Sharp Concepts. He has used the tests for several years on all his employees, noting: "I won't hire anybody that I don't run through there.

"I use the tests equally as much as a management tool as I do a selection tool." Mr. Sharpe said. "It tells me why people do things, and how to manage and motivate them. . . .Not only does it help determine who will be a successful salesperson, it also helps me determine if the individual will be happy within our organization."

Delaney Hinton, assistant vp and regional manager for Combined Insurance Co. in Dallas, said he has been using the Birkman Method tests to evaluate his employees and applicants through Sharp Concepts for slightly more than a year.

The questionnaires, he says, have reduced turnover and helped the company find individuals who can not only learn the system, but are capable of working with and training other people.

"I have gone against the test, and regretted my decision later," Mr. Hinton said, adding the test helps him determine the applicant's sales adaptability, sales management adaptability, social adaptability to different selling situations, social responsibility and work motivation.

Birkman & Associates Inc.

Dr. Birkman began developing a computer data bank to test and evaluate clients early in the 1960s. The computer testing service was operational by 1965, and Birkman & Associates was incorporated in 1972.

The firm has 12 employees, six of whom are evaluators. Four of the evaluators are psychologists. In addition, Dr. Birkman markets the firm's computer testing services to psychologists like Dr. Sharp throughout the country.

Birkman & Associates has approximately 800 clients, and its data base holds test results of about 250,000 people.

Dr. Birkman said before testing begins, his firm attempts to establish a relationship with the client to determine what its basic needs are.

The Birkman Method questionnaire consists of 125 true/false questions and takes approximately 45 minutes for an applicant to complete. Evaluations cost $100 to $150 for non-computerized clients. If a client has an IBM personal computer and is tied into Birkman & Associates' computer data base, the cost can be reduced to less than $50 for clients with more than 20 employees.

Test results are available almost instantaneously if the client keys them into the data base via a personal computer. These clients can be taught to look for patterns in test results that help them in hiring.

Dr. Birkman said firms generally hire in a haphazard fashion by looking at a group of individuals and then deciding that they have to hire one of those people. "What we recommend is that the recruitment be stepped up and that they look at a lot more people before their decision is made. In this way they can ensure that they have the right person for the job," he said.

Dr. Birkman said many agencies mistakenly believe they can hire someone average and motivate them to be above average.

"You can't change the stripes," he said. "There are basic predispositions that are not that changeable."

William G. Bowen, president of Bowen's Agency Inc. in Houston, has been using the Birkman Method to test new and existing employees since 1983. He said that high turnover spurred him to consider testing potential employees.

"I thought something was wrong with me," he said. "The Birkman Method has stopped my turnover by teaching me my employees' values and how to use their best qualities. . . .Both new and existing employees benefit."

The questionnaire was used to test one of Mr. Bowen's secretaries who was dissatisfied with her job. "We found out she had excellent sales potential," he said. The agency trained the woman to be an agent, and she is now producing a good volume of business, he said.

"We review each evaluation with our employees," Mr. Bowen explained. "They are more pleased with themselves as a result." ■

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a/bt products & services

California agent group offers inspection service

Members of the Independent Insurance Agents & Brokers of California can now provide an earthquake and asbestos inspection as an added service to clients through an exclusive arrangement between the IIABC and EPI-Center Earthquake/Asbestos Safety Inspection Services in Palo Alto, Calif.

EPI-Center is a fully licensed engineering firm affiliated with the Blume School of Engineering at Stanford University.

IIABC member agencies will be the only agents or brokers marketing the service in California. The association says the service complements its Property Owners Plus earthquake insurance program, because it emphasizes protection of people and property.

The inspection service is designed as a risk reduction tool. Inspectors identify construction modifications that can help prevent earthquake damage, and they check to see if asbestos is present in a home or business and show how to eliminate the hazard potential through sealing up the material or removing it completely.

The cost of a residential inspection ranges from $95 to $175, depending on whether it includes a detailed written report and engineering recommendations. Commercial inspections range from $800 to $4,000, depending on the size, location and type of structure.

Marketing kits and brochures are available from the IIABC. For more information, contact the association at 465 California St., Suite 600, San Francisco, Calif. 94194.

Guide to mergers

"A Guide to Perpetuation: Buying, Selling and Merging Insurance Agencies" is a reference book written by 18 experts to provide information on how to plan, evaluate and finance agency mergers and acquisitions. Legal and tax considerations are also covered.

The book's appendix contains an extensive collection of sample documents and forms on the merger/acquisition process.

The book was edited by the Independent Insurance Agents of America's legal counsel emeritus, John F. Neville.

The cost of the book is $49.95 plus $2 shipping for IIAA members and $59.95 plus $2 shipping for nonmembers. New York residents should add applicable sales tax. Order from the IIAA, 100 Church St., New York, N.Y. 10007.

Consulting firm

Insurance Agency Programs Inc. in New York is a marketing consulting firm that specializes in designing insurance programs. The consultant will design programs for agencies to market, and it will help a potential client, like a business or group, design the program it wishes to buy. The firm's founders, Andrew Barile and Edward Mallozzi, each have more than 20 years of experience in the insurance and reinsurance business.

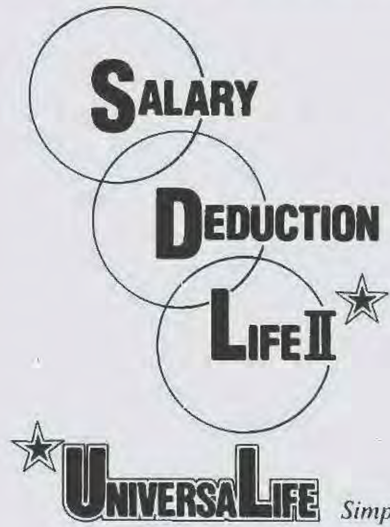
The firm, which was founded in 1984, has already structured a variety of programs for agents throughout the U.S. For more information, write Insurance Agency Programs Inc., 111 John Street, New York, N.Y. 10038-2998.

ISU endorsement

ISU/Corp., the nation's largest insurance franchise organization, has endorsed Delphi Systems' Insurance Management System. This is the first automation system endorsed by ISU, which has about 600 franchises nationwide.

According to ISU President Tom Williams, many of the franchise members are already using the system, and ISU officials found it well-suited for medium to large-size agencies. ISU agencies range in size from $1 million to $125 million in annual premium volume.

Delphi Systems, located in Westlake Village, Calif., develops only insurance automation systems. ■



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Independent agent's name must ring true

By KIMBERLY PATERSON

a/bt perspective

INSURANCE IS, without a doubt, one of the toughest products in the world to buy and sell.

You can't sink your teeth into it and taste the difference in quality between one brand and another. You can't take it for a test drive and see how it really performs. You can't try it on and make sure it fits in all the important places. Even worse, you can't return it and get your money back if it doesn't do everything the salesperson promised.

So, how do people choose between one product and another? Except for risk managers and other extremely sophisticated insurance buyers, most people don't really understand the difference between one product and/or insurance company and another.

When you get right down to it, the average insurance buyer buys a promise—a promise you'll pay if there's a claim, a promise you'll provide good service, and, these days, a promise you'll still be around in a couple of years. Let's face it, no matter how skilled a salesperson may be, a promise is a pretty tenuous thing to buy.

That is why the name and image of a company are so critical in insurance. When people are forced to rely on a promise, they want to be sure it's from someone they know and feel they can trust.

People fear the unknown. It is human nature to gravitate toward the familiar. Use yourself as an example. Let's say you are traveling to a strange city on business. Airline schedules dictate that you spend the night in a hotel near the airport. Your travel agent says there are two hotels in the area: the Overnighter Motor Inn and the Hilton. If you're like most of us, you will opt for the secure and somewhat predictable Hilton.

Insurance is no different. People feel comfortable with a name they know. Think about it for a moment. Why have direct writers like Allstate and State Farm made such dramatic inroads against independent agents in the personal lines market? Yes, their products are competitive. And yes, they've got an aggressive sales force.

But that is only part of the success story. Independent agents and independent agency companies seldom address themselves to the real marketing edge that direct writers have —name recognition and image.

We in the independent agency system can take all the stabs we want at the "Good Hands People" and "The Rock," but the bottom line is that when people think of insurance they think of Allstate, State Farm and Prudential. More importantly, people trust and respect these names. Despite what many independent agents think, research also shows the majority of people perceive the major direct writers' service as being good.

It's the kind of name recognition and trust —not just the $20 or $25 price differential— that really enable the direct writers to sell policies. Recently, a woman who works in our office was shopping for a homeowners policy for her new house. She looked around and got three or four different quotes. The lowest price she received was from a solid, A-plus-rated insurance company that's been in business for more than 100 years.

But, she didn't buy from this company— she bought from Prudential. She was willing to pay $25 a year more for the same policy in order to be insured with a company she knew and trusted.

This young woman is not unusual. We conduct dozens of consumer research focus groups every year, and people consistently demonstrate that they are willing to pay more for products they perceive as better. Remember, the key word here is "perceive."

Why do the major brokerage houses write so many of the really desirable accounts? Is their service that superior to that of independent agents? Why do direct writers like Liberty Mutual and Wausau have such good penetration in industrial and manufacturing risks? Are their products that much better than the independent agents'?

We spent two days recently talking with commercial producers about the problems thay face in the field. One of the producers in the group came from a major commercial direct writer, and another was from one of the alphabet houses. They feel their products are as good and in certain size accounts, the service is better. The problem they are having now is getting in the door. People aren't as willing to listen to you when you are an unknown commodity.

The right name opens doors. It gives salespeople confidence and credibility. It creates a comfort level for your prospective customer.

The image that name conveys is what makes one insurance policy or program seem worth more than another. Think about it. Is Haagen Daz ice cream really that much creamier? Are IBM computers that much more efficient?

By now you are probably thinking, "I don't have IBM's or Allstate's advertising budget, so how am I ever going to build that kind of image for my company?" The fact is, you don't have to be an Allstate or an IBM to build name recognition and a strong image for your firm. All it takes is a little planning, a reasonable budget, some professional help and most important, an ongoing commitment to the project.

Consider this case study. Five years ago, we started working with a small local independent agency that was writing slightly less than $2 million dollars in premium volume— primarily in personal lines. It was well-respected by its customers but relatively unknown in the marketplace. Those people that did know the agency pretty much perceived it as the "local yokel" agency for automobile and homeowners insurance.

Today, the agency is writing approximately $11 million in premium volume— about 50% commercial lines and 50% personal lines. Without a doubt, it is the dominant insurance force in its rapidly growing market-ing area.

How did it get there? Basically, there are five essential ingredients in building an effective name awareness and image development program:

• **Define your market and carve out your niche.** Unless you have a multimillion-dollar budget, your name is never going to become a household word or an American institution. That's why it's essential to define a realistic market and to concentrate all of your energies and resources on building your name and image in that market.

Your niche could be the entire county or community in which your agency is located, or it could be a particular kind of business, like municipalities or hospitals. It doesn't matter. The key is to build your name and image within that particular market segment.

Keep three things in mind when you're looking for that niche. Choose an area where you have a competitive marketing advantage. If you try and be all things to all people you'll end up being absolutely nothing to anyone. Remember, the bigger the niche, the more it's going to cost you to become the dominant factor.

Continued on next page

Kimberly Paterson is president of Creative Insurance Marketing Co. in Shrewsbury, N.J.

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Agent's name can open doors

Continued from preceding page

• **Promote a name that sells.** The right name is that magic word that sends consumers into the marketplace asking for your company and its products.

It is a name that enables your firm to stand out among the competition. The name must be memorable. It should track with the market segment you are trying to reach, yet be flexible enough to absorb new markets and future growth.

Let's say you are trying to write homeowners and automobile business in some of the nicer middle-class communities surrounding your agency. You don't want to attempt to market to these people with a name like Biddle, Barnes, Dunlop, Donnelly & Sproul.

First of all, this name says nothing about what you do. It sounds like the name of a legal firm. Secondly, a person would need a photographic memory to retain a name like this.

On the other hand, let's say you want to target industrial accounts paying between $50,000 and $1 million for insurance. The last thing in the world you want is a name like The Tom E. Smith Agency. This name conjures up images of a one-man show, a ratty old typewriter, a pile of dusty files in a storefront operation on Main Street. The name won't sell the audience you're trying to reach.

• **Project a marketable image.** Just as your name must track with the market you are trying to reach, so must your image. For example, if you are targeting an upper-income market, everything about you must say quality, from the paper your letterhead is printed on and the furniture in your reception area to your salesmen's suits and insurance proposals. You must promote an image of quality in everything you do and say.

• **Develop a plan to promote your name and image.** You have to get and keep your name in front of your market. The media you choose should track with the audience you are trying to reach. The advertising campaign you use should reinforce the image you are trying to promote. Again, let's take the example of quality. You can't promote an image of quality with a poorly written and produced ad.

If you're located in an urban area and media advertising is out of your budget, there are dozens of ways, from public relations to sales promotion, to keep your name in front of your market.

• **Promote your name and image consistently and frequently.** It takes time and consistency to build name awareness and image for a company. A lot of agents and brokers go wrong because they give up too quickly. They launch one advertising campaign and then completely change strategy several months later because they didn't get immediate results.

But, it can take months—even years—before a campaign really clicks. Some of the most successful image advertising campaigns in the industry were slow starters. Just like a new television series, it takes time for an image campaign to build its audience.

In order to be effective, your name and image campaign has to be out there with consistency in both good times and bad. I know agents who have pulled successful advertising campaigns because they were getting too much business. I know just as many agents who pull their advertising every time the market gets tough. This does little to promote an image of stability and consistency—a key factor in insurance marketing.

If your image is well thought out and you are properly positioned in the marketplace, your image can be easily adapted to reflect changes in the marketplace.

Finally—and most important—you need to promote your name and image frequently.

Build your name and image within the market you want to sell. Promote your name and image consistently in everything you do. Promote it frequently.

A name people know and trust is a company's greatest asset. It is a silent but persuasive salesman that can open doors, inspire confidence, make one product worth more than another, create loyalty and close sales.

A name people know and trust is an asset no insurance marketer can afford to be without. ■

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Ideas worth quoting.

IVANS computer network certifies attachment of rating system

IRVINE, Calif.—Insurance Value Added Network Services (IVANS), a computer network supported by a variety of insurers, agents and industry associations (*A/BT*, Sept. 3, 1984), announced it has certified the Computer Assisted Insurance Rating (CAIR) network for attachment to its system.

The CAIR network, developed by Insurance Systems Inc. of Irvine, now provides comparative rating information to more than 550 independent agents in California. It also can provide motor vehicle reports; an electronic newsletter published by consultant Insurance Marketing Services Inc. of Santa Monica; and a residential replacement cost evaluation service.

Members of the Independent Agents & Brokers of California also can obtain a variety of services through the CAIR network as a result of a special arrangement between the IIABC and Insurance Systems Inc.

After several months of testing, it was determined that agencies now tied into the CAIR network will be able to tie into IVANS without having to buy new equipment or modify their existing equipment.

a/bt briefs

Interface conducted

CHICAGO—Julius Moll & Sons Inc., a Chicago insurance agency, and Great American Insurance Co. of Cincinnati have conducted the first successful batch computer-to-computer interface for policy transactions using IIR/ACORD Batch Standards.

The agency enters homeowners applications on its ARC/AMS agency system. The policies are printed out on continuous forms in the agency as the information is entered into the system. The information is then transmitted in batch mode to Great American's computer.

According to an IIR/ACORD spokesman, the chance of errors on the policy are reduced because the policy is printed out in the agency at the same time the information is typed in, rather than the information having to be typed in again by the insurer.

If for any reason the business is rejected, the insurer would then notify the agency.

Automation praised

NEW YORK—Three-quarters of professional people and managers studied in a recent survey have access to word processors, and more than 53% have access to personal computers.

The nationwide survey on automation and the workplace by Honeywell Technalysis of New York polled 701 representatives of large corporations.

According to the survey, 81% of the respondents feel they have personally benefited from office automation, and 92% feel office automation is creating additional opportunities for employees possessing advanced skills.

PIA blasts decision

WASHINGTON—The president of the National Assn. of Professional Insurance Agents has written a letter to U.S. Transportation Secretary Elizabeth Dole criticizing a recent court decision rejecting an insurance industry challenge to federal standards for automobile bumpers.

In January, a Court of Appeals in Washington rejected a challenge by the PIA and others in the industry to federal rules enacted on Feb. 14, 1982, that reduced the speed at which bumpers must provide protection in a crash to 2.5 mph from 5 mph.

In the letter to Ms. Dole, PIA President William G. Bailey wrote: "The court's unfortunate decision will burden our citizens and the insurance industry with higher costs, without offering even minimal crash protection in return."

Mr. Bailey pointed out that the lowered bumper standards offer vehicle occupants far less crash protection than 5 mph bumpers. The letter added that those standards will lead to "a large increase in insurance claims for low-speed collisions and, of course, more payouts by insurance companies. Inevitably, these costs must pass to consumers in the form of higher premiums for auto insurance."

The Reagan administration, Mr. Bailey added, should be working to "improve auto safety and cut consumer costs." ∎

a/bt info

• A brochure that advises consumers how to file **automobile or homeowners insurance claims** is now being distributed jointly by the Independent Insurance Agents of America and the Insurance Information Institute. It details how to maintain adequate expense records; whom to contact when a claim situation occurs; and how to gather the information an insurer needs to process a claim. Brochures are available at $8 per 100 from the IIAA, Communications, 100 Church St., New York, N.Y. 10007.

• The 1984-85 edition of Insurance Facts, the Insurance Information Institute's **statistical yearbook of insurance information**, contains a new section on occupational disease statistics. Other statistics include a state-by-state breakdown on drunken-driving regulations, a comparison of combined ratios for each line of property/casualty insurance, the economic cost of motor vehicle accidents and a full index. Cost is $4.50 a copy for institute member companies. For non-members, cost is $9 a copy or $4.50 a copy for three copies or more. Send orders to Publications Service Center, Insurance Information Institute, 110 William St., New York, N.Y. 10038.

• "A Guide to the **New Jersey Child Restraint Law**" lists car seats that meet Federal Motor Vehicle Standard 213 and explains the state's child restraint law and penalties for its violation. Features of each car seat model are described on a chart in the brochure. The brochure is published by the National Assn. of Professional Insurance Agents. Cost to PIA members is: $5.95 for 100 copies, $16.95 for 500 copies, and $29.95 for 1,000 copies. Cost to non-members is: $6.95 for 100 copies, $18.95 for 500 copies, $32.95 for 1,000 copies. To order, contact the PIA, P.O. Box 98, Glenmont, N.Y. 12077.

• "Basic Concepts of Accounting and Taxation of Property/Casualty Insurance Companies" is a 68-page monograph published by the Insurance Information Institute that explains what to look for when reviewing the **financial statements of an insurance company**. It describes the accounting practices of property/casualty insurers and their federal taxation requirements. The cost is $10 for members and $20 for non-members. Contact the III, Publications Service Center, 110 William St., New York, N.Y. 10038.

• "Anatomy of an Agency" is an **agency management** book written by Dr. Ronald T. Anderson, an agency owner and formerly an insurance professor, executive vp of the National Society of Chartered Property and Casualty Underwriters, company employee, insurance regulator and consultant. The book covers creating an agency, legal organization and operation, representing insurers, where to locate, agency and personnel management, agency procedures, image, training and education, perpetuation and planning for the future. Copies cost $16.50; add $1 handling charge if billed. Order from Buck Mountain Press, P.O. Box 774407, Steamboat Springs, Colo. 80477. ∎

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Alitalia quotes may indicate aviation rates are stabilizing

By STACY SHAPIRO

LONDON—For the first time in at least a year, the rates quoted a major airline at renewal were essentially the same as its current rates, *Business Insurance* learned.

In fact, according to London underwriters, liability insurance rates actually decreased for the Italian airline Alitalia.

Alitalia's aviation insurance is written by Aero Transporti Italiana Aermediterranca in Italy. The lead reinsurer in London is British Aviation Insurance Co. Ltd.; Lloyd's broker C.T. Bowring & Co. Ltd. is the broker.

On renewal, Alitalia will pay a $2 million increase in total premium to $10.6 million from $8.6 million, London sources say, but that is because the airline's fleet value has increased to $2.05 billion from $1.8 billion. In addition, each hull risk is insured for $90 million this year compared with $87.5 million in 1984.

For hull risks in 1985, Alitalia is being charged its 1984 rate of 0.38% of fleet value. And, for $500 million of liability insurance, Alitalia is being charged a rate of 17 cents per revenue passenger kilometer, compared with a rate of 19 cents in 1984.

One of Alitalia's reinsurers believes the airline may have gotten the favorable renewal rates because it has paid enormous rate increases the last few years, and underwriters decided to give the airline a break this year because it had a relatively good loss record.

Aviation underwriters are waiting for the April renewals of major trunk airlines, like British Airways Ltd., before they predict what kind of rates U.S. airlines will receive when they renew later this year (*BI*, Feb. 11).

london line

Lloyd's changes

Lloyd's of London has become "a much more open and less introspective place," says Lloyd's Chief Executive Ian Hay Davison.

"Allegations that justice is dispensed by a kangaroo court are found to be baseless and the processes of inquiry and disciplinary hearings are now rigorous, thorough and above all impartial," he said at a recent conference sponsored by Risk Research Group, a London risk management consultant.

Mr. Davison pointed out that the reforms at Lloyd's in the last two years were created by the Lloyd's Act of 1982 and carried out by a market ready to accept change, a Council of Lloyd's willing to carry out the reforms and elected officials committed to the twin causes of justice and reform.

"Fraud is a crime," Mr. Davison said. "Our task at Lloyd's is to ensure that (those who commit fraud) are excluded from the market—punishment as such is a matter for the public courts.

"While criminal prosecution is a matter for the director of public prosecutions, such action would have the advantage of confirming that the authorities are on the side of the Council in introducing the new regime at Lloyd's," he added.

War risk coverage

At least two hull war risk associations are refusing to write insurance for shippers whose vessels are bound for the Iranian oil terminal on Kharg Island in the Persian Gulf.

The Hellenic Mutual War Risks Assn. (Bermuda) Ltd. and the United Kingdom Mutual War Risks Assn. Ltd. have told their shipowning members the area around Kharg Island is now prohibited, said a spokesman for the manager of both mutuals, Thos. R. Miller & Son in London.

In a letter to the members, the Hellenic war risk club said that ships sailing into the prohibited area will no longer be covered by the mutual association for hull damage while the ship is in the prohibited zone.

The decision by the directors of the Hellenic club follows mounting claims filed because of attacks on ships in the Persian Gulf by Iranians and Iraqis.

The Hellenic club has paid about $38 million in claims in the last year as a result of the Iran-Iraq War, a spokesman confirmed.

Another area in which the Hellenic club will not cover ships is around Bandar Khomeini, Iran, in the northern part of the Gulf. That prohibition has existed since 1980.

The Hellenic club and United Kingdom Mutual will insure their members for hull war risks in all other areas of the Persian Gulf.

Railroad safety

British Rail will initiate new safety measures on its trains following a report by the British government concerning a July 1983 train crash that killed 13 people and injured 61 of the 300 passengers.

The crash on the Edinburgh-to-Glasgow train occurred when the train hit a cow that had wandered through a vandalized fence, the Department of Transport's recent study said (*BI*, Aug. 6, 1983).

By May, all the Edinburgh-to-Glasgow trains will be fitted with animal "deflectors" attached to the front of the train to ward off stray animals on the tracks, a British Rail spokeswoman said.

Also, all train cabs will be linked to signal boxes so that all drivers can receive urgent messages. That 3 million pound ($3.27 million) project will be completed by the end of 1986, said the spokeswoman.

British Rail also will try to minimize the vandalism of fences near the tracks by making the public aware of the problem, she said.

The British Rail spokeswoman did not know how much compensation was paid to survivors of the 1983 crash victims. British Rail, a government-controlled company, self-insures its liability exposures.

British fires

Fires in Great Britain cost around 10 million pounds ($10.9 million) per week in 1984, the British Insurance Assn. announced.

Last year, fires in England, Scotland and Wales cost an estimated 553.6 million pounds ($603.4 million), slightly less than the record loss of 565.6 million pounds ($615.5 million) set in 1983, the BIA said.

But, there were a greater number of "megafires" in 1984, noted Ian Rushton, chairman of the BIA's fire insurance panel.

The two most expensive fires, totaling 81.5 million pounds ($88.8 million), occurred at London warehouses, he said.

Ten fires at warehouses caused more than 1 million pounds ($1.09 million) in damage last year, the BIA said.

Shipping losses

Shipping losses remained static in 1984, according the Liverpool Underwriters' Assn.'s 1984 annual report.

Last year, 215 ships weighing more than 500 gross tons were lost, compared with 209 ships in 1983, the report said.

Some 29.18 percent of the ships damaged last year were written off as total losses, noted the association.

K.D. Wright, the new chairman of the association, also reiterated fears by marine underwriters that shipowners' mutual clubs may be competing too aggressively for hull insurance business.

"Further competition will come from the recent decision by the clubs to offer full collision liability cover, and thus compete for three-quarters of this business which traditionally has been placed in the marine insurance market," he said.

C.T. Bowring

It's been a long time since Lloyd's brokers C.T. Bowring & Co. Ltd. marketed itself separately from its parent company Marsh & McLennan Cos. Inc.

Not since Bowring was purchased five years ago by M&M has Bowring pushed its own wares in Great Britain.

But, in the last few weeks, Bowring's domestic retail brokering operation, Bowring U.K. Ltd., has developed a film to be presented to the public to spread the word to potential clients about Bowring.

Continued on page 34

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london line

Continued from page 32

"We now want to make the company better known throughout the U.K.," said Gilbert A. Cooke, chairman of C.T. Bowring.

"We want to concentrate our thinking on the retail operation in the U.K. and Ireland . . . Our network of offices is the largest throughout the U.K."

Members suspended

Lloyd's of London is suspending 14 members, instead of 18, for failing to meet last year's solvency test, the Council of Lloyd's recently announced.

Last August, Lloyd's suspended 18 members because they could not meet solvency requirements. Of these, eight were members belonging to syndicates formerly managed by P.C.W. Underwriting Agencies Ltd. (*BI*, Aug. 27, 1984).

However, Lloyd's announced last month that four of these members had subsequently provided additional funds and are no longer considered insolvent by Lloyd's.

Lloyd's is still reserving 4.3 million pounds ($4.5 million) from Lloyd's central fund to pay for other members' share of claims that members cannot meet.

Reinsurance rule

Lloyd's of London wants to ban reinsurance arrangements between Lloyd's syndicates and insurance companies affiliated with a syndicate's managing general agent.

Lloyd's will introduce rules to outlaw ownership by a managing agent of any interest in non-Lloyd's insurance company without approval from the Council of Lloyd's.

Also, the rules will prohibit a managing agent from placing syndicate business with a related non-Lloyd's insurance company unless the Council agrees.

Similar conditions will be applied to the placing of syndicates' reinsurance by managing agents through related non-Lloyd's insurance brokers.

Managing agents will be allowed to own up to 5% of an insurance company's shares if the shares are traded on a stock exchange.

Earlier, Lloyd's required that all related-party reinsurance transaction be reported to the Council and be made available to the public. ■

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Florida hospitals paying malpractice assessment

TALLAHASSEE, Fla.—Seventy-eight Florida hospitals, all former members of the defunct Florida Patients' Compensation Fund, are now kicking in $44 million to pay malpractice claims to plaintiffs across the state.

That brings the total that Florida hospitals have paid to the now-defunct excess malpractice insurance pool to $88 million, according to the Florida Insurance Department.

But hospitals' liability for incidents that occurred during PCF's existence doesn't stop with this latest assessment. Hearings will be held by the Insurance Department in the next two months to negotiate a fifth assessment to cover additional claims.

The PCF was a medical malpractice excess insurance program established by the state Legislature in 1975 when major medical malpractice insurers stopped writing the coverage in Florida because of huge losses.

The pool collapsed after both hospitals and physicians began withdrawing during the early 1980s in reponse to rate increases and retroactive assessments.

The last of PCF's hospital members withdrew from the program in 1982, and the last of its physician members withdrew in 1983, after the doctors' rates were increased 99% during the previous year (*BI*, May, 30, 1983).

In the latest settlement, individual hospital assessments range from $6,000 to $2 million and are being determined by the facilities' size and occupancy, according to the department. A 600-bed hospital with an 80% occupancy rate, for example, would pay more than one with 250 beds and a 65% occupancy rate.

About 125 hospitals at one time bought coverage through PCF, and all share in the pool's losses, regardless of responsibility. Although only 78 hospitals are paying the latest assessment, all of the former pool members have at one time been assessed.

Among the largest assessments are those to: Lakeland Regional Medical Center in Lakeland, $2 million; Hollywood Memorial Hospital, a 714-bed institution in Hollywood, $2.1 million; and the 788-bed Memorial Hospital of Sarasota, $1.9 million.

Most of the hospitals are paying their assessments from their operating budgets, a spokeswoman from the state Insurance Department says.

Initially, the PCF provided hospitals with unlimited excess medical malpractice coverage above a $100,000 per-occurrence self-insured retention for a premium of $300 per bed.

In 1982, policyholders were given a choice of limits above the $100,000 retention: $1 million, $2 million, $3 million, $5 million, $8 million or $10 million (BI, July 19, 1982).

The $44 million assessment will not be the last time Florida hospitals will be tapped to make up fund losses, the Insurance Department notes. Claims against policyholders will probably be litigated for several years after they are filed before their ultimate value can be determined, a department spokeswoman explains.

The PCF is still receiving claims from incidents that occurred while its coverage was in force, according to the department. ■

Losses in six states reach $50 million

NEW YORK—Insured property damage in portions of six states from snow, ice and freezing temperatures during the month of January was estimated at $50 million by the Property Claim Services division of American Insurance Services Group Inc.

The states affected were Texas, Arkansas, Louisiana, Mississippi, Alabama and Tennessee. The most extensive damage occurred in Alabama and was estimated at $15 million.

Damage was estimated at $10 million in both Texas and Tennessee, while insured losses in Mississippi were estimated at $8 million.

Damage was estimated at $4 million in Arkansas. An estimated $3 million in damage occurred in Louisiana. ■

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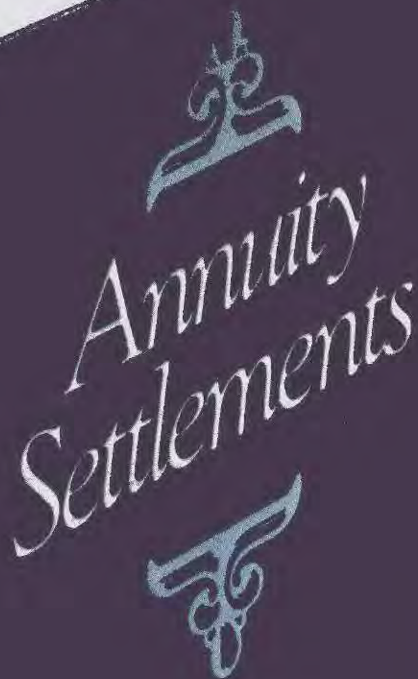

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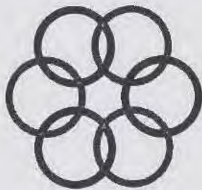

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IMC adopts flexible plan to control costs

benefit beat

International Minerals & Chemical Corp. has replaced its traditional benefits with a flexible program in an effort to control its health care costs, which have been increasing between 20% and 25% annually for the last five years.

On Jan. 1, the Northbrook, Ill.-based company switched to the new plan, which covers its 3,200 salaried employees. Under the flexible program, employees receive $550 plus 1.5% of pay each year to buy benefits. They can spend this money on a variety of plans, including medical and dental care, long-term disability and life insurance.

If the options an employee chooses cost less than his or her allotted benefit dollars, the employee receives the difference in cash. Any money the employee spends over the allotment may be deducted from his or her paycheck on a pretax basis.

The flexible program offers employees six medical care choices: four traditional plans and two health maintenance organizations.

The traditional plans offer varying levels of coverage; the more generous the level, the higher the employee's cost.

The minimum coverage plan requires no employee contribution. However, employees have to pay a $3,000 individual or a $6,000 family deductible. The maximum coverage level has a $150 individual and $300 family deductible.

Required employee contributions for this plan are $420 annually for individual coverage, $516 for coverage for an employee and one dependent and $612 coverage for an employee and more than one dependent.

The flexible plan increases the lifetime maximum medical benefit to $1 million, from $500,000, on all medical plan options.

According to Robert Brigham, the company's director of employee benefits, 21% of employees have opted for less costly medical coverage than they had under the former plan and 3% for the least expensive coverage.

IMC's previous medical plan was similar to the maximum coverage level now offered under the flexible program. It required employees to pay a $100 individual or $200 family deductible. Employees paid 10% of expenses over the deductible, up to $5,000, and contributed $5 a month to the premium for individual coverage and $10 a month for family coverage.

Under the flexible plan, employees may choose to keep their dental coverage for an annual cost of $108 for individual coverage and $156 for family coverage. Previously, this coverage cost $12 a year for individual coverage and $36 a year for family coverage.

The plan pays 100% of basic dental expenses, such as cleanings, fillings and X-rays. There is no deductible or co-payment applied to basic services, but employees are limited to two visits for basic services a year. A $50 per-person deductible is required for major restorative care. The plan pays 50% of major restorative expenses over the deductible, up to $1,050 annually. It also pays 50% of orthodontia expenses for children aged 19 or under, up to a lifetime maximum of $1,500.

The flexible plan also gives employees a choice of life insurance coverage. Previously, employees received free coverage equal to two times their annual salary. Under the flexible plan, they receive 50% of their annual salary in life insurance at no cost. However, they can buy more coverage, up to four times their salary. The cost of additional coverage depends on the employee's age and the level of coverage chosen.

The flexible plan provides free disability benefits equal to 50% of an employee's monthly salary, up to a maximum of $2,000 a month. Previously, employees received free disability coverage equaling 60% of their salary, up to $2,000 a month.

Employees may buy additional disability coverage. Two levels are available. One pays 60% of monthly salary with no maximum and costs employees 0.17% of their annual salary.

The other pays 70% of monthly salary with no maximum and costs employees 0.34% of their annual salary.

The flexible plan includes a reimbursement account for payment of unreimbursed health care, child care and legal expenses. Employees can contribute up to $4,800 a year on a pretax basis to the account, but must forfeit any unused funds at the end of the year to comply with Internal Revenue Service regulations.

Mr. Brigham said between 40% and 50% of employees contributed to the flexible spending account, with the average deposit being $500.

IMC self-insures its health care and long-term disability plans. Metropolitan Life Insurance Co. underwrites its life insurance plan.

Connecticut teachers

Teachers in Groton, Conn., will have expanded medical and dental coverage under a new three-year labor contract. The contract, which teachers ratified in December by a vote of 295-5, calls for new benefit increases each year.

In the first year of the contract, which begins September 1985, the lifetime maximum major medical benefit of the 470 teachers covered by the contract will increase to $1 million, from $250,000.

Also in the first year, teachers' basic dental coverage will be expanded to include procedures such as root canals and crowns, which were not previously covered.

In the second year, teachers and their dependents each will receive $180 a year toward doctors' office visits and house calls, up from $90 under the previous contract. In the third year of the contract, this benefit will increase again, to $270 annually.

In addition, dental coverage will be expanded again in the third year to include periodontal care.

The Travelers Insurance Co. underwrites the Groton Board of Education's major medical coverage and Blue Cross of Connecticut underwrites its dental coverage.

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IRS backs off on asset transfer stance

Continued from page 1

"They (the IRS) didn't think things through when they wrote their letter to Buck," said Gerald Uslander, a principal in the Louisville, Ky., office of benefit consultant William M. Mercer-Meidinger Inc. "Now, the IRS is trying to save face," he added.

Others say, however, that the purpose of the news release was to head off a possible wave of asset transfers from employers who thought the IRS was endorsing the transfers in its letter to Buck Consultants.

"They want to stop a potential flood of these kinds of transactions," said Kevin Meehan, a consultant in the Washington office of The Wyatt Co.

"The agencies are flashing a yellow caution light," said Terry Stuchiner, a partner at Kwasha Lipton, a Fort Lee, N.J.-based benefit consultant.

'They (the IRS) didn't think things through when they wrote their letter to Buck. Now, the IRS is trying to save face,' said Gerald Uslander, a principal in the Louisville, Ky., office of benefit consultant William M. Mercer-Meidinger Inc.

The agencies also may be sending a message to Congress that they are drafting a policy on asset transfers, and therefore would hope that legislators would not interfere, Mr. Meehan said.

In fact, Rep. Edward Roybal, D-Calif., chairman of the House Select Committee on Aging, wrote a letter last month to the IRS saying that he believed that asset transfers seemed to conflict with ERISA and other portions of the federal tax code.

But some experts see some good news in the agency news release on asset transfers.

The three agencies did not, for example, unequivocally state that asset transfers were a definite violation of ERISA's exclusive benefit rule.

"The news release shows that the agencies have an open mind and will study the asset transfer issue," observed Frederick Rumack, director of tax and legal services at Buck Consultants. "They recognize that this is a complicated issue."

Since Buck released the IRS's initial letter, Buck and other consultants say that they have been flooded with hundreds of telephone calls from employers who want more information on asset transfers.

Mr. Rumack said asset transfers will give employers more flexibility in funding their benefit plans. An employer might eliminate a contribution to a savings plan through an asset transfer and thus be able to conserve corporate cash resources.

In addition, an asset transfer would enable an employer to take assets out of an overfunded plan without actually terminating it.

A plan termination can be time-consuming as well as costly, because regulatory approval is needed. Annuities also must be purchased to guarantee plan participants' benefits.

Many corporate pension plans are overfunded because the booming stock market has caused the value of plan assets to increase above actuarial projections.

Meanwhile, Buck is proposing that the three agencies draft "safe harbors" that employers could rely on when shifting assets between defined benefit and defined contribution plans without facing challenges from federal regulators.

Under these safe harbors, employers could routinely shift assets as long as the defined benefit plan had a minimum amount of excess assets remaining after assets were transferred to the defined contribution plan. Buck suggests a safe harbor in which a defined benefit plan—after a transfer of funds—would have to have assets equal to pay 125% of the defined benefit plan liabilities.

Requiring a defined benefit plan to be overfunded after an asset transfer would reduce the chance that participants might lose benefits if the employer later terminated the plan. Such a requirement also would reduce the chance that the PBGC would ultimately have to pay the benefits.

For example, several years after it has shifted assets from an overfunded defined benefit plan to a defined contribution plan, a company with financial problems may decide to terminate its defined benefit plan.

While the defined benefit plan was once overfunded, the removal of the excess assets, combined with subsequent adverse investment performance, may leave the plan with insufficient assets to pay promised benefits.

Since the PBGC does not guarantee all promised benefits, such as recent benefit increases, participants might sue the employer on the basis that removal of the surplus prevented them from receiving full benefits, consultants have said.

The PBGC then could sue the employer if it has to pay benefits to participants of terminated plans. The agency could contend that if assets had not been removed, the defined benefit plan would have been fully funded and the agency would not have to pay benefits to participants.

The Buck proposal to require a minimum surplus would provide an extra cushion and thereby guarantee that a plan would have enough assets to pay benefits. The plan would pay even in the event of poor investment experience or plan termination.

While Buck said it discussed its safe harbor proposal with the Department of Labor and the PBGC, officials from the two agencies so far have not taken a position on the idea, according to Buck.

Buck also warns that unless the benefit community makes an effort to lobby, the Labor Department and the PBGC could block asset transfers.

"Any attempt to reverse it (the IRS information letter) by agency guidelines could lead to litigation and to legislative proposals designed to change ERISA and the Code to eliminate the transfer mechanism," according to a Buck newsletter.

"We believe this would not be in the best interests of the employee benefit plans or their participants," the newsletter. ■

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Asbestos case

Continued from page 1

and excess insurers are involved.

In addition, Marsh & McLennan Cos. Inc., Manville's long-time insurance broker, also is being sued by Manville.

The biggest issues to be decided are what triggers insurance coverage for asbestos-related injuries and insurers' duty to defend policyholders.

Not only are billions of dollars in coverage at stake, but asbestos producers are also seeking billions in compensatory and punitive damages against many insurers.

"It is fair to say it is probably the single largest insurance coverage case ever to be brought or tried," said Philip Matthews, an attorney for various insurers in the litigation. He is with the San Francisco firm of Hancock, Rothert & Bunshoft. "It is also one of the largest lawsuits ever tried in the history of American jurisprudence," he added.

In terms of coverage dollars at risk, number of parties, and documents involved, "it is probably the biggest case in history," agrees an attorney for one of the asbestos producers who asked not to be identified.

More than 64,000 exhibits, 100,000 pages of documents and several hundred attorneys are involved already. The jury trial, if it goes to completion, could last more than a year.

"It is highly significant," said Seth Hufstedler, an attorney for Travelers with the Los Angeles firm of Hufstedler, Miller Carlson & Beardsley.

"These issues are issues that must be resolved to cover the major kinds of liabilities resulting from greater industrialization," Mr. Hufstedler said.

The major issue in the litigation, most parties agree, is determining the trigger of coverage for the long-latent asbestos injuries and resolving how insurers and policyholders should respond to asbestos claims against the asbestos producers.

This dispute over what policies will respond is also being heard in other courts across the country. It surfaces because, in some cases, as many as 40 years have passed between the time the asbestos victim first inhaled the asbestos fibers and the time an asbestos-related injury becomes evident.

Some insurers, espousing the exposure theory, contend only those insurers on a risk during the time a victim was exposed to or inhaled asbestos should respond.

Other insurers, under the manifestation theory, contend only those insurers on the risk when a disease is manifested in a victim are liable.

Meanwhile, policyholders contend all insurers on the risk from the time of exposure through manifestation—including an intermittent latency period—are liable. This is referred to as the triple-trigger theory.

"How this issue will get resolved is the most important legal issue facing the court," said Fred Gregory, an attorney with the Los Angeles firm of Gibson, Dunn & Crutcher. He represents Aetna Casualty & Surety and underwriters at Lloyd's of London and other London companies.

"The common predominant issue is the trigger of coverage," agrees Mr. Matthews.

Other attorneys say how liability will be allocated among the insurers once a trigger is established and how "other insurance" clauses will be interpreted are important issues.

Another major issue is whether insurers have a continuing duty to defend policyholders on pre-1966 policies even after policy limits are exhausted.

Policyholders contend there is a continuing duty for insurers to defend on such policies, which mostly involves primary policies, while insurers contend there is not.

Still another major issue for policyholders is the alleged bad faith denial of coverage on the part of insurers. Manville, for example, is seeking $5 billion in punitive damages from its insurers for their alleged bad faith conduct.

Judge Brown recently said that Nicolet could not recover punitive damages from INA for the insurer's alleged bad faith conduct. However, he did not rule on the right of recovery of punitive damages from other insurers.

Other issues to be resolved include in some cases how deductibles, self-insured retentions and various exclusions contained in some policies will apply.

But, before any of these issues are addressed, the first phase of the trial will focus on lost policies in an effort to determine which insurers issued policies to which producers, and what those policies said.

Some of the policies in question were issued in the 1930s and 1940s and now are missing or were destroyed over the years, said Mr. Hufstedler. Therefore, it must be determined what was contained in those policies, he added.

As of last week, Judge Brown—without a jury—was scheduled to hear lost-policy disputes between Armstrong and Fireman's Fund and Fibreboard and Fireman's Fund.

And, a jury was also scheduled to hear six lost-policy disputes involving Fibreboard and Pacific Indemnity Co.; Nicolet and INA; GAF and Continental Casualty Co.; and Johns-Manville Corp. (now Manville Corp.) and Reliance, Commercial Union and Peerless Insurance Co.

This first phase of the trial could take two to three months. At the end of this phase, it is expected the jury will be dismissed and separate juries will be empaneled for the following phases.

A hearing is scheduled for March 15 to decide what will be considered after the lost-policy issue.

The lasting effect of any decisions made by the superior court is uncertain because rulings on any major issue are expected to be appealed. And, a subsequent ruling by a state appellate court or the California Supreme Court would carry much more weight than a superior court ruling.

However, according to an attorney for one policyholder, a superior court decision favoring the triple-trigger theory could persuade insurers to adopt such an approach nationwide. He says some insurers have privately acknowledged their willingness to accept a triple-trigger decision.

However, insurers are not as willing to admit to the unlimited duty to defend under pre-1966 policies and probably would continue to litigate that issue in other courts around the country if the superior court goes against them, the attorney said.

"All parties are pretty tired of litigation," the attorney said. "For all practical purposes, it (a decision for triple-trigger) will end the asbestos coverage question."

It is also very possible that many of the parties in the litigation will settle their disputes soon after the trial begins.

For example, Manville, which has already settled with six primary and excess insurers, is discussing a settlement with 21 remaining excess insurers.

And, implementation of the Wellington agreement, which establishes an industrywide claims handling facility, could shorten the litigation substantially, some say.

Armstrong, Fibreboard and Manville, plus many of the insurers, have conditionally joined the facility, which also would resolve insurance disputes between the parties.

Their subsequent removal from the California litigation would make it much more manageable, reducing the time needed for the trial, said Mr. Gregory.

In the meantime, however, the large number of parties involved in the trial has forced the proceedings to be moved from the courtroom to an auditorium renovated specifically for the trial.

The trial will be held in Nourse Auditorium, which is located a few blocks from San Francisco city hall. It is being leased from the San Francisco Unified School District at a cost of $2,525 a month, which is being paid by the producers and insurers involved in the litigation. The California Judicial Counsel is also expected to pay a portion.

In addition, the remodeling and refurbishing of the auditorium, which was previously used for operas and ballets, has cost the parties in the litigation more than $200,000, according to Mr. Matthews.

A computer system, which will provide access to transcripts, exhibits and court rulings will likely cost more than $200,000 for the design, start-up, storage and minimal access charges. This cost will be born by the parties using the computers.

There is a possibility that the facility may be used in the future for other major litigation that requires a very large courtroom. ■

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Shuttered NYIE syndicates cut capacity

Continued from page 1
business.

"We are just a microcosm of the whole marketplace," he noted.

"This is just part of market conditions. It doesn't have anything to do with the exchange," Mr. Willner added. "It just shows up a little more because the exchange is a new person on the block."

"Obviously, losing any underwriting syndicate is not helpful, but their reasons for withdrawing are for the most part unrelated to the exchange," said Peter H. Bickford, vp, general counsel and secretary of the exchange.

"General Re is a direct (reinsurance) writer and we are a broker market," he explained. Chubb's focus is on direct insurance business, he added, "and the exchange has not been that deeply involved in direct writing. It is primarily a reinsurance market."

North Star has already filed a formal withdrawal petition with the exchange, but Chubb has not yet done so, an exchange spokeswoman said. The petitions must be approved by the exchange's board of governors before syndicates are allowed to withdraw.

General Re's Mr. Stallings said the withdrawal of North Star was a "management decision" that didn't reflect on the potential of the exchange.

"At the group level, we are assessing where we can best use our people and capital resources and we think we have better places where they can be better used," Mr. Stallings said. "Our decision was not made with a view toward saying anything about the possibilities of the exchange."

North Star booked 1983 gross written premiums of $8.2 million and net premiums of $5.7 million, while Polaris produced gross premiums of $5 million and net premiums of $3.1 million.

North Star produced a $1.5 million underwriting loss in 1983 and a combined ratio of 125%. Polaris booked an underwriting loss of $963,000 and a combined ratio of 114%.

Under the terms of the withdrawal petition for North Star Syndicate, General Re will reinsure all of the syndicate's liabilities during the runoff, said Mr. Stallings.

Polaris' shareholders, who will decide whether to file a withdrawal petition, include Government Employees Insurance Co., Hartford Fire Insurance Co., The St. Paul Cos. Inc., Royal Surplus Lines Insurance Co., Exador Inc., American Agricultural Insurance Co. and NL Insurance Ltd.

Chubb Syndicate's withdrawal was similarly a result of a management review of the operation, according to a Chubb spokesman.

"It was just a management decision based on the thought that we can make more money with our resources using them in other places," the spokesman said.

Mr. Darwin, however, added that Chubb had hoped to use its syndicate as a new source of direct insurance business, but decided the exchange was developing more as a reinsurance market than as a direct specialty lines market.

Chubb Syndicate has six shareholders, though the majority interest is held by Federal Insurance Co., a Chubb affiliate. Other shareholders include Alliance Assurance Co. and Sumitomo Marine & Fire Insurance Co.

Of Chubb Syndicate's $3.3 million in 1983 gross premiums, $3.3 million were reinsurance premiums and $472,000 were direct premiums. Despite the preponderance of reinsurance business, Chubb was the fifth-largest direct writer on the exchange during 1983.

The syndicate's net premiums amounted to $3.0 million. Underwriting losses hit $751,000 in 1983, and the syndicate produced a combined ratio of 113%.

With the impending permanent withdrawals of North Star and Chubb, several syndicates have temporarily stopped writing since last year after they hit underwriting limits imposed by the exchange.

The syndicates include:

- The First New York Syndicate Corp., the exchange's second-largest syndicate based on 1983 gross written premiums (*BI*, July 23, 1984).
- The Realex Group, N.V., the fourth-largest syndicate in 1983.
- The Burt Syndicate Inc., the fifth-largest in 1983.

Exchange guidelines limit a syndicate's net written premiums to a total of three times its surplus for property business, or 1½ times surplus for casualty risks or an amount equal to surplus for property catastrophe risks.

In addition, the guidelines require syndicates to maintain surplus equal to 33% of casualty loss reserves and 20% of property loss reserves.

The exchange reviews syndicates' compliance with these guidelines at the end of each quarter for the previous 12 months.

"A syndicate whose quarterly operating results fall within a 30% margin of any guideline limit must prepare and forward a detailed plan, projecting future operations and listing steps necessary to ensure the guideline limit being approached will not be injudiciously exceeded," according to a release published by the exchange.

"In order to avoid exceeding any of the limits, a syndicate can increase its capitalization (thus raising policyholder surplus), restrict growth of its book of business (by cutting down on underwriting or by ceding some of the business to reinsurers) or reduce its exposure in casualty and catastrophe property areas by changing the product mix in its book of business," the release says.

First New York, managed by W.J. Burt Management Inc., stopped underwriting last July 1 and did not resume writing by the end of the year as it had hoped, said Locke Burt, president of W.J. Burt Management.

First New York, owned by eight shareholders including Ormond Re Group, Burt's parent company, booked 1983 gross premiums of $22.7 million and net premiums of $11.6 million. It suffered an underwriting loss in 1983 of $1.5 million and a combined ratio of 112%.

The Burt Syndicate—also managed by Burt Management and wholly owned by Ormond Re—also hit exchange underwriting limits and stopped writing last July, Mr. Burt said.

Burt Syndicate booked gross premiums of $16.6 million in 1983 and net premiums of $9.2 million. Underwriting losses totaled $1 million and the syndicate produced a combined ratio of 106%.

Both First New York and Burt Syndicate were forced to stop writing because they exceeded the premium-to-surplus guideline, Mr. Burt said. Both syndicates had a

Continued on facing page

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Continued from facing page
per-risk capacity of $200,000 for treaty business and $1 million for facultative business before it stopped writing.

Realex stopped underwriting last April when it exceeded the premium-to-surplus guideline, even after adding $1.8 million to surplus. The syndicate had hoped to resume underwriting by last October but will not write business with effective dates earlier than Jan. 1, 1986, according to Robert Hughes, senior vp with Chartrex Re Inc., the syndicate's manager. No more capital will be added to Realex, which will wait until the runoff of current business brings it back within the exchange's underwriting guidelines, Mr. Hughes said.

Realex booked gross premiums of $19.9 million in 1983 and net premiums of $10.1 million. Underwriting losses totaled $1.2 million, and the syndicate produced a combined ratio of 111%.

Realex has a $200,000 per-risk capacity on treaty business.

U.S. Risk Inc., another syndicate managed by Chartrex, is nearing exchange underwriting guidelines and has temporarily stopped writing new business, Mr. Hughes said, adding it may stop accepting renewal business.

Chesapeake Financial Corp., owner of U.S. Risk, hasn't yet decided whether to contribute capital to the syndicate to allow it to resume underwriting, or whether to simply wait for portions of its book to run off, Mr. Hughes said.

U.S. Risk, which had a capacity of $200,000 per risk for treaty business, booked gross premiums of $671,000 in 1983, retaining all of the business. The syndicate produced an underwriting loss of $196,000 and a combined ratio of 106%.

Elsewhere on the exchange, capacity has been lost because of the tightening retrocessional market.

For example, Pruco Managers Inc., which underwrites for four exchange syndicates, did not renew any retrocessional treaty protection for its syndicates when the treaties expired last Dec. 31, according to Vp Charles Hachemeister.

The management company tried to renew only a portion of the retrocessional coverage but decided after talking to its broker it would have been too expensive, Mr. Hachemeister said. While Pruco Managers could write a combined gross line of $4 million per risk last year, it now writes on a net-line basis only with a combined capacity of $750,000 per risk, he said.

The four syndicates include Essex Syndicate Inc. and John Street Syndicate Inc., in which Prudential Reinsurance Co. is majority shareholder; Pruco Syndicate Inc., wholly owned by Pru Re; and Republic Western Syndicate Inc., formed last year and wholly owned by Republic Western Insurance Co.

Gross written premiums for the three syndicates operating in 1983 totaled $15.5 million; net written premiums totaled $15.2 million. ∎

Pennsylvania MET closes

Continued from page 2
$100 per family for a major medical plan comparable to that offered by Blue Cross/Blue Shield, LEEA's main competitor. LEEA's plan did not impose any deductible on employees and provided 80% coverage on major medical bills.

LEEA's low rates—which one employer said were at least 10% lower than those offered by BC/BS—attracted employers with between 5 and 150 employees.

By the end of 1982, LEEA provided health coverage for 2,400 employees, and the number of covered employees more than doubled to 5,400 in 1983. But, growth slowed considerably with a total of 6,000 employees covered in 1984.

Monthly premiums were raised until they reached $50 per individual and $165 per family in 1984.

Although premium volume increased to $8.5 million in 1984 from $7.2 million in 1983, large claims did too, and at a more rapid pace.

In 1983, LEEA had 13 claims that exceeded $25,000 while in 1984, 34 claims exceeded that level. And, most of the claims fell below the limits that would have triggered the MET's excess coverage provided by Lloyd's of London, Mr. Karle said.

The self-insured retention increased to $50,000 in 1984 from $25,000 in 1983 and $20,000 in 1982.

Mr. Karle emphasized the role its competition played in LEAA's problems because Blue Cross/Blue Shield could negotiate lower fees with providers than LEEA.

"This market is 90% Blue Cross/Blue Shield," he said. "I don't think there is another like it in the country. They get discounts from the hospitals and they own the market."

Expenses did not pose much of a burden for the MET, he said. Reinsurance premiums were 5.25% of gross annual premiums while administrative expenses were only 4.75% of gross annual premium and included less than 1% for broker commissions.

But critics point to the fact that LEEA didn't call in an actuary until the end of 1984 to analyze its financial problems.

LEEA based its original premiums on advice provided by a consultant to start up the program, but the consultant was dismissed in 1983, Mr. Karle said.

LEEA did come up with a plan to keep the trust alive by assessing all participating employers $21 for each employee covered times the number of months the employer was in the plan. In addition, premiums would be increased 17%. However, that strategy fell apart when only a few employers were eager to stay in the plan.

Louis Porreco, owner of an auto dealership in Erie, sensed problems and pulled out of LEEA at the end of last year.

"They were paying their small bills in 30 to 60 days and the larger bills were taking 90 to 120 days or more," he said. "I noticed that is a pattern peculiar to companies that are having financial troubles."

His 63 employees are now covered by BC/BS at a lower premium than LEEA for benefits either equal to or exceeding those provided by LEEA. Mr. Porreco said his firm initially saved about 10% in premium when he originally switched to LEEA in May 1983.

He has been paying for legal counsel for four of his employees who have unpaid medical bills totaling $6,400. They filed suit last week in federal bankruptcy court seeking to force LEEA into bankruptcy under Chapter 11 of the Federal Bankrupty Act.

"We risk more than the money," said Shirley Ann Czulewicz, personnel director at Accu-form Inc., a precision custom injection molding company in Erie. Its 111 employees have outstanding claims of $55,000 to date, and she is concerned about them and her company's credibility.

"All we want to see is employees get claims covered and employers not be hurt," said Mr. Karle. "I think I just saw a 25-year career go down the tubes."

But questions remain and lawsuits are expected over who is financially responsible for the unpaid claims.

Mr. Karle said he did go to the Pennsylvania Insurance Department last year for advice, which it provided, when he realized LEEA was in trouble.

A department spokeswoman now says the department is questioning its regulatory authority over METs.

LEEA also was not a qualified benefit plan under the federal Employee Retirement Income Security Act so it was not monitored by the U.S. Labor Department either. ∎

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Bill contains portions of Treasury proposal

Continued from page 3
derick Rumack, director of tax and legal services at Buck Consultants Inc. in New York.

However, just how quickly Congress considers tax reform legislation—including employee benefit changes—may depend on the Reagan administration, other observers say.

Congress is waiting for President Reagan to specify exactly what the administration wants in a tax reform bill, said Lance Tane, manager of the flexible compensation team at The Wyatt Co. in Washington.

So far, President Reagan has only endorsed the general concept of tax reform.

A specific administration proposal, which Mr. Tane labels as a "watershed event," is not expected for at least another month, he says.

Experts note the bill introduced by Rep. Rangel will start the ball rolling in the House Ways and Means Committee for consideration of tax legislation.

"This bill was introduced to get the discussion going," observed Stuart Brahs, executive director of the Assn. of Private Pension & Welfare Plans, a Washington-based benefits lobbying group representing employers.

While Rep. Rangel included in his bill nearly all employee benefit changes proposed in December by the Treasury Department, he rejected as discriminatory a tax cap on employer-provided health care benefits.

"The establishment of a cap on employer-provided health care benefits will have its severest impact on those individuals who live and work in communities where the cost of health care is significantly higher than the national average," he said.

'I've always felt that employee benefits will be in any tax bill,' said Edward J. Davey at J&H.

Rep. Rangel also labeled as "egregious" the Treasury's proposal to tax workers compensation benefits. Benefits to injured and disabled employees should remain tax-exempt, he said.

While Rep. Rangel said he supports the Treasury's plan to raise the maximum annual contribution an individual can make to an Individual Retirement Account to $2,500 from $2,000, he opposes the Treasury plan to increase the maximum contribution by an employee with a non-working spouse to $5,000 from the current $2,250.

"This would simply allow the non-working spouses of highly compensated individuals an unjustified tax shelter," he said.

Among the other employee benefit changes Rep. Rangel included in his bill are provisions:

- To tax employees on employer contributions for group term life insurance, dependent child care, educational assistance, group legal and van pooling benefits.
- To tax interest earned on reserves held by Voluntary Employee Beneficiary Assns., also known as 501(c)(9) trusts.
- To impose a 10% excise tax on asset reversions from terminated overfunded pension plans.

Among the property/casualty insurance and risk management provisions included in the bill is a proposal to tax interest earned by trusts set up to pay black lung disability benefits.

Like VEBAs, which are used to fund health care-related benefits, black lung trusts are currently tax-exempt.

In addition, the legislation proposes that property/casualty insurers be required to discount loss reserves to reflect the aftertax investment income that will be earned on those reserves before claims are actually paid (*BI*, Dec. 17, 1984).

Currently, insurers may take immediate tax deductions for reserves that reflect the full cost of future claims payments.

Interestingly, it was Rep. Rangel who introduced tax legislation in the late spring of 1982 that Congress two months later passed as the Tax Equity and Fiscal Responsibility Act.

Among other things, TEFRA required employers to offer their workers 65 through 69 the choice of enrolling in group health care plans (*BI*, Aug. 23, 1982). ■

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Sub-total	**22,627**
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Commercial Consumers Sub-total	**24,652**
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Supreme Court

Continued from page 3

try trade group, places the administrative cost of complying with varying state benefit laws at 10% of the policy premium.

"These administrative costs are 'dead dollars' in that they do not result in increased policy benefits," the HIAA said in its brief filed with the Supreme Court.

And multiemployer plans, which are jointly sponsored by different employers and unions to provide welfare and pension benefits, say if Massachusetts and other states are free to impose benefit requirements, there would be the "chaotic result of 51 jursidictions enacting numerous, differing laws dictating which benefits the plans must provide," according to a brief filed by the Washington-based National Coordinating Committee for Multiemployer Plans, which represents 140 multiemployer benefit plans.

Currently, some 26 states impose benefit requirements in health insurance policies sold in their state, according to the HIAA brief. These requirements usually set minimum levels of mental health, alcohol or drug abuse benefits that must be offered in insurance policies.

All parties in the case agree that the Massachusets law does not apply to self-insured plans because ERISA pre-empts states from imposing benefit requirements on self-funded plans.

The Massachusetts law, which was passed in 1973 and enacted in 1976, requires that insured employee benefit plans offer at least $500 of coverage for outpatient mental health coverage. In addition, the plan must provide coverage for at least 60 days of coverage for inpatient mental health care.

In 1979, Massachusetts asked a superior court to declare that the mental health care law applied to insurance policies sold to employers. The state also asked that Travelers and Metropolitan be ordered to comply with the law.

In their defense, Travelers and Metropolitan said the law:

- Made it difficult to maintain uniform benefit plans for employers with multistate operations.
- Significantly increased the cost of plan administration.
- Could force companies to drop benefits desired by employees in order to pay for the mandated benefits.
- Could force employers to self-insure their benefit plans, and thus make benefits less financially secure.

A state Superior Court and the Massachusetts Supreme Court upheld the state law. The state Supreme Court said the ERISA preemption only applied to disclosure and fiduciary conduct and not the "substantive content" of benefit plans.

Metropolitan attorney Mr. Greenfield in his brief to the U.S. Supreme Court said that Section 514A of ERISA provides that the federal law supersedes any state laws as they relate to employee benefit plans.

"This is extemely broad language. . .and reveals a congressional desire to sweep broadly and cover all state laws having any connection, association or reference to employee benefit plans," Mr. Greenfield said in his brief.

Justice Sandra Day O'Connor, though, asked Mr. Greenfield whether the McCarran-Ferguson Act gave the states the right to regulate insurers and their products.

Mr. Greenfield responded that the McCarran-Ferguson Act didn't apply to this case. "It is of no help in deciding this case," he said.

The McCarran-Ferguson Act gives states the power to directly regulate insurers to ensure their solvency and to protect consumers against false advertising claims, he explained.

Ms. Kelly rejected the insurers' arguments that ERISA pre-empts state benefit laws. She said that ERISA's general pre-emption clause is limited by another section in ERISA known as the "insurance savings" clause. That clause, she said, makes it clear that ERISA does not pre-empt compliance with state insurance laws.

Mr. Greenfield responded that the savings clause's intent was to exclude from ERISA pre-emption "traditional" state insurance laws that directly regulate insurers.

Mr. Greenfield said state laws that mandate benefits offered in insurance policies are encouraging employers to self-insure their benefit coverages as a means of avoiding the laws mandating benefits. Self-insured arrangements are not as secure as insured laws, he explained.

But, Ms. Kelly told the justices last week: "Self-insurance is only an evil for an insurance company. When an employer self-insures, the insurer loses profits."

The court is expected to rule by the end of the session. ■

EPA seeks input

Continued from page 2

But Mr. McGraw also said that EPA officials "continue to believe that while there are problem areas, many risks should be able to find insurance readily available in the voluntary market."

Decimated by a lack of reinsurance, the EIL insurance market has virtually unraveled during the past year.

The market's decline began in early 1984 when one of the three major EIL underwriters, Environmental Risk Assessment Services (International) Ltd., a London-based pool of 15 insurers, stopped writing pollution liability coverage because it could not find adequate reinsurance. Those underwriters remaining in the market were forced to reduce the limits they could offer for the same reason (*BI*, July 9, 1984).

Month by month, many of the smaller EIL underwriters either dropped out of the market or were forced to further reduce the limits they could offer.

In January of this year, the market was dealt another severe blow when Shand, Morahan & Co. Inc. of Evanston, Ill., underwriting manager for Evanston Insurance Co., announced that it was withdrawing from the EIL market. That left American International Group Inc. as the only remaining major EIL market. And, AIG was obligated to reduce it limits to $10 million per occurrence/$10 million aggregate from $20 million/$20 million.

Both AIG and Shand cited the lack of reinsurance for EIL coverage as the reason for their actions (*BI*, Jan. 28).

EIL underwriters say that reinsurers are not interested in pollution risks because they say U.S. courts have broadly interpreted coverage for pollution incidents and often stack policy limits, resulting in huge losses for both insurers and reinsurers.

Thomas P. Dunne, a senior management consultant for the EPA, is organizing the discussion group. Mr. Dunne says the group "will be totally open" to discuss all of the issues surrounding environmental impairment liability.

The letter seeking the insurer groups' input was sent to the American Insurance Assn.; the Insurance Services Office; the National Assn. of Independent Insurers; the Alliance of American Insurers; and the Reinsurance Assn. of America.

Mr. McGraw asked each of the groups to ask two of their member companies with an interest in the EIL market to "select a senior-level individual with underwriting and/or claims experience to serve on a task force to help use evaluate the problems confronting us both."

Mr. Dunne says he hopes to schedule the group's first meeting later this month. ■

HOT WORK FIRES

In a Recent 6-month Period Three Major Industrial Facilities together sustained over $37 million worth of property losses due to cutting and welding activities. In addition, several buildings in a major East Coast city were similarly damaged. In each case it was alleged that the fires were started by outside contractors. Here are some details on these incidents, which could have been controlled:

$20 Million. During modernization of a large warehouse, one of the sprinkler systems was shut off while a new system was being installed. Sparks from a **cutting torch** evidently ignited some of the product stored in the warehouse. The fire spread to other buildings. Firefighters finally brought it under control more than nine hours later.

$12 Million. This time sparks from a **welding operation** ignited stored product. The facility fire brigade arrived within minutes. However, winds of 20 miles per hour fanned the fire which spread to other parts of the facility and overpowered the sprinkler system.

$5 Million. Sparks from an **arc welder** ignited highly combustible raw materials that were stored in an uncompleted building. The fire quickly spread. The fire department got it under control almost four hours later.

25,000 Evacuees. Sparks from a **welder's torch** allegedly touched off a fire that eventually involved 18 city buildings and forced the evacuation of an estimated 25,000 people from surrounding offices and stores. According to newspaper reports, the fire began when sparks from a propane torch dropped down an elevator shaft and ignited rubbish and debris in the basement of a building that was being renovated.

A 1979-83 Survey of Cutting and Welding Losses, conducted by Industrial Risk Insurers, reveals that outside contractors were major contributing factors in 25% of all the cutting and welding losses studied. Even more significantly, this 25% accounted for over 92% of the property damage loss dollars. IRI's 14-part OVERVIEW program is one way to help control this situation. Section 9, Hot Work, and Section 1, Impairment Handling should be of particular interest. Both sections include an Introduction, a Statement of the Problem, an Action Plan, and appropriate Background information.

The other 12 sections of OVERVIEW include Smoking Regulations, Maintenance, Employee Training, New Construction, Insurance Recommendations, Pre-Emergency Planning, Hazardous Materials, Loss Prevention Inspection, Surveillance, Fire Equipment Inspection, Hazard Evaluation, and Housekeeping. For a complimentary copy of the 6-page descriptive OVERVIEW brochure, contact Mrs. P.A. Sasso, IRI, 85 Woodland Street, Hartford, CT 06102, area code (203) 525-2601. Learn how to minimize or prevent Hot Work Fires before they begin.

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update

M&M management reshuffled

Continued from page 2

For the past two years, he has served as vice chairman of MMI and was named chairman of MMI's executive committee in 1983.

Robert J. Newhouse Jr. succeeds Mr. Clements as chairman of MMI's executive committee and also remains chairman of MMI.

Suit attacks reinsurance pool

NEW YORK—Pacific Reinsurance Management Corp. purposely under-reserved by at least 500% for losses incurred by a reinsurance pool it managed so participants would believe the business was profitable, a lawsuit charges.

Ohio Reinsurance Corp. has filed a class-action lawsuit on behalf of more than 100 underwriters against Pacific; its Los Angeles-based parent, Mission Insurance Group Inc.; and Mission's main underwriting unit Mission Insurance Co.

Ohio Re, based in Celina, Ohio, participated in the reinsurance pool managed by Pacific. Pacific wrote reinsurance on behalf of Mission Insurance, and then retroceded the business to Ohio Re and other companies included in the class, according to the suit.

The suit alleges Pacific "improperly manipulated" loss-reserve development; failed to reserve for property losses that had been incurred but not reported; reported as property treaties certain treaties that were actually long-tail casualty risks; and withheld specific information about the risks being underwritten.

The suit, filed Feb. 21, claims that if Pacific had properly reserved, the pool's financial results would have appeared "substantially worse" than what was actually reported, and Ohio Re and some 100 other companies would have terminated their participation. The pool ceased operation in mid-1984, according to Mission.

Ohio Re is asking for a financial accounting from Mission and Pacific. It also wants the court to void its management agreement with Pacific and its reinsurance and retrocession agreements with Mission from their inception and to award it at least $10,000 in compensatory damages for Pacific's and Mission's negligent underwriting practices and at least $10,000 for breach of fiduciary duty.

Mission has until March 21 to respond. "We are investigating it, but our initial reaction is that it's groundless," says Lawrence G. Becker, Mission's vp and corporate counsel.

State fund transfer approved

ALBANY, N.Y.—The New York State Court of Appeals has ruled in two separate cases the transfer of $394 million from various state insurance funds to New York's general fund does not violate the federal or state constitution.

Arnold Kideckeo, executive director of the State Insurance Fund, says the funds were appropriated in exchange for "dry appropriations," or I.O.U.s. Included in the $394 million appropriated by the Legislature, he says, was $190 million from the State Insurance Fund, the state's competitive workers compensation fund. This was the basis of a suit filed by fund policyholders.

The other case concerned $60 million appropriated from the Aggregate Trust Fund, another workers compensation fund, $67 million from the Stock Workers Compensation Fund and $87 million from the Property and Liability Insurance Security Fund, which pays claims owed by insolvent property/casualty insurers.

Doctors sue to block rate hike

NEW YORK—Three physicians are suing state Insurance Superintendent James P. Corcoran to block his approval of a 52% rate increase for the Medical Malpractice Insurance Assn. and any similar rate increases for other insurers (*BI*, Jan. 21).

The doctors allege Mr. Corcoran's actions in approving the hike and applying it to other insurers were "arbitrary, capricious, and without lawful authority in law." Also named in the suit were 10 medical malpractice insurers and two brokers.

A spokesman for the Insurance Department said the suit refers to Mr. Corcoran's "order" that rates for the other malpractice insurers be increased. But, the superintendent never issued a "set order," said the spokesman. Instead, Mr. Corcoran indicated insurers would be granted rate hikes equivalent to Medical Malpractice's, the spokesman said, although they could apply for deviations.

General Re suit

Continued from page 1

However, the suit charges, Aetna did not promptly pass this information to General Re.

The suit does not say when Aetna first notified General Re of the Owens-Illinois claims. However, a court decision last November stemming from coverage litigation between Aetna and Owens-Illinois says Owens-Illinois began tendering asbestos injury claims to Aetna in 1978.

Edmond F. Rondepierre, senior vp and general counsel for General Re, says when the reinsurer was finally notified of the Owens-Illinois claims, it immediately informed Aetna it reserved its rights not to pay any claims because of the late notice provided by Aetna.

General Re also charges that when the reinsurance contract was renewed in 1975 and 1976, Aetna did not mention Owens-Illinois' asbestos claims in renewal exposure and loss information submitted by Aetna to General Re.

Aetna was aware as early as 1975 that asbestos claims were made against Owens-Illinois but did not disclose this or related facts to General Re before submitting renewal information for policies covering Sept. 1, 1975, to Sept. 1, 1976, and Sept. 1, 1976, to Sept. 1, 1977, the suit says.

"General Re was induced to issue the above certificates of reinsurance by reason of Aetna's failure to disclose facts about Owens which were material to the risk and had such facts been disclosed General Re would not have issued such certificates of reinsurance," the suit says.

"By reason of the foregoing, General Re elects to rescind the certificates. . .on the ground that they were procured by the misrepresentations and non-disclosures of Aetna. . ."

General Re is "ready, willing and able" to tender to Aetna all moneys received as premiums on the certificates issued in 1975 and 1976, the suit adds.

Although Aetna and General Re are debating reinsurance obligations, Aetna still has not been ordered to provide interim funding to Owens-Illinois following a coverage decision in Owens-Illinois's favor handed down in November by U.S. District Court Judge Thomas F. Hogan in Washington (*BI*, Jan. 7). At the time of that decision, Aetna had not made any payments to Owens-Illinois.

In that decision, Judge Hogan ruled that the manufacture and sale of asbestos by Owens-Illinois constituted a single occurrence and that asbestos injury claims were subject to a single deductible rather than each claim triggering the deductible as Aetna contended.

In addition, the court ruled that the broad triple-trigger theory of coverage first handed down in *Keene Corp. vs. Insurance Co. of North America* applied.

That decision said all insurers on a company's risk from the time an asbestos victim is first exposed to asbestos to manifestation of an asbestos-related disease, including the latency period, are liable.

Aetna has appealed the decision.

After Owens won its case and it became apparent that Judge Hogan was going to order some interim funding by Aetna, General Re filed its suit against Aetna, according to one source.

However, Judge Hogan has not yet issued the interim funding order.

And, the amount at stake in the dispute between General Re and Aetna ultimately will depend on the outcome of Aetna's appeal of the Owens-Illinois decision.

If Judge Hogan is overturned and each asbestos claim against Owens-Illinois is considered a separate occurrence requiring a separate deductible—as Aetna contends—Owens-Illinois would have no insurance coverage for asbestos injuries. The $100,000 and $250,000 deductibles in Owens-Illinois' policies are larger than the size of any of the asbestos claims filed against the asbestos producer.

Under such an interpretation, Aetna would have no reinsurance claim against General Re.

However, if the appellate court agrees with the lower court that all the asbestos injury claims against Owens-Illinois really represent only one occurrence subject to one deductible, then the amount of reinsurance sought by Aetna from Gen Re could be sizable.

"In terms of amount, it depends upon how the appeal comes out," the source said.

General Re's Mr. Rondepierre declined to estimate the amount of money at stake or any of the details of the contracts between Aetna and General Re, noting that the reinsurance provided varied over the 17 years at issue.

He also added that General Re has ceded some of the risk to retrocessionaries, but would not disclose the amount it retained.

While treaty reinsurance contracts almost always contain clauses mandating the parties to arbitrate disputes instead of litigate, not until recently were these clauses incorporated into facultative certificates. There were no arbitration clauses in the reinsurance agreements between Aetna and General Re, sources say.

"According to my recollection there were no arbitration clauses," Mr. Rondepierre said.

Aetna has not yet responded to the lawsuit and would not comment on the litigation.

For some time, attorneys have been predicting that reinsurers and insurers would end up litigating disputes over coverage for asbestos and other toxic substances.

According to Eugene Wollan, a member of the New York City law firm of Rein Mound & Cotton, changes in the reinsurance market particularly within the last 10 years have brought about this situation.

He says more more dollars are at stake now and a lot of the new reinsurers in the marketplace do not share the old-school philosophy on maintaining traditional reinsurance relationships.

"There's more and more of a litigious frame of mind," he said.

Michael Merlo, an insurance attorney for the Chicago firm of Pretzel & Stouffer, agrees more arbitration and litigation are arising from disputes between ceding companies and reinsurers.

Mr. Merlo points out that some ceding companies and reinsurers are not pleased with the arbitration process and that it is not necessarily faster or cheaper.

"There may be more of a willingness to wash its dirty laundry in public," he added.

"It sure blows the hell out of the old-boy relationships in the reinsurance business," said one industry source concerning the General Re-Aetna litigation. "Those days are gone."

The litigation between Aetna and General Re, however, is not the first between an insurer and reinsurer over coverage for asbestos claims.

In September 1982, General Accident Insurance Co. of America sued reinsurers American Reinsurance Co. and Employers Reinsurance Corp., along with two non-insurers, for failing to reimburse it for asbestos claims (*BI*, Nov. 1, 1982).

General Accident has since settled with Employers Re, although no details of the agreement are known. The dispute with American Re is in arbitration.

General Accident had written coverage for Philip Carey Manufacturing Co., an asbestos company later acquired by Celotex Corp. In its suit General Accident charged that the defendants failed to reimburse it under various reinsurance contracts.

General Accident said it purchased $14 million in reinsurance from the defendants between 1943 and 1971 and that its retention ranged from $25,000 to $150,000 over the same period.

The insurer said it filed notice of claims with its reinsurers after Celotex was hit with the first of thousands of asbestos-injury lawsuits in the 1960s.

In 1981, General Accident settled its own dispute with Celotex over how asbestos claims would be paid. General Accident agreed to pay Celotex $7 million in return for a release from past, present or future liability for asbestos claims.

General Accident said the ultimate cost to settle the case, including investigative and defense costs, was $7.8 million but that its reinsurers refused to reimburse it. ■

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Delta American Re halts underwriting

Continued from page 2

tion of 26 U.S. and European industrial corporations.

Mr. Traver pointed out that the London agency business should not be a problem for Delta America Re, since National Distillers had agreed to assume 100% of the liabilities arising from the Stetzel Thomson book through National Distillers' captive, DR Insurance Co.

Mr. Dickinson agreed there is "no question" that DR is responsible for 100% of the Stetzel Thomson losses.

Stetzel Thomson, which is 80% owned by Poe & Associates Inc. of Tampa, Fla., ceased underwriting Jan. 1, 1984.

Mr. Dickinson said the department will soon begin an examination of DR. He would not comment on whether the exam of DR was prompted by the examination of Delta America Re or whether it is a regular quadrennial examination.

Under the terms of Elkhorn's sale, DR agreed to reinsure all liabilities arising from the Stetzel Thomson business. DR also agreed to reinsure:

- All insurance and reinsurance risks of National Distillers and its affiliates.
- All reinsurance commitments of Elkhorn to Hopewell International Insurance Ltd. of Bermuda, a property reinsurance pool whose shareholders are captive insurers also managed by The Reiss Organization.
- All Elkhorn losses resulting from damage done by Hurricane Alicia, up to $2 million.
- Claims against Elkhorn amounting to $5 million arising from five additional treaties.

For 1983, Delta America Re showed $6.7 million in reinsurance collectible from DR. Total reinsurance recoverable amounted to $5.1 million on paid losses and $18.9 million on unpaid losses.

At year-end 1983, Delta America Re reported policyholder surplus of $24.8 million.

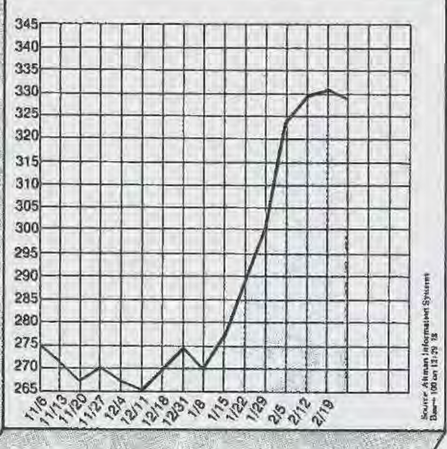
Separately, American Special Risk Insurance Co., an underwriting unit of broker Alexander & Alexander Services Inc., is suing Delta America Re in U.S. District Court for the Southern District of New York to recover losses that had been reinsured by Elkhorn through Stetzel Thomson.

The losses involved product liability insurance policies issued under several industry association insurance programs.

Delta American Re has failed to pay at least $1.6 million in reinsurance claims, according to the lawsuit.

Delta has filed a motion to have the lawsuit moved to Britain. ■

BI Insurance Index



The *Business Insurance* index of insurance industry securities declined for the first time in six weeks, dropping 2.6 points to 329.1 on Feb. 26 from a record high of 331.7 on Feb. 19. Nineteen issues posted gains during the latest trading period, 28 stocks declined and 11 remained unchanged. The largest gains were reported by: Tokio Fire & Marine Insurance Co., up 7.1%; United Fire & Casualty Co., up 6.7%; AVEMCO Corp., up 4.3%; Travelers Corp., up 2.9%; and Ohio Casualty Corp., up 2.8%. The largest declines were reported by: Mission Insurance Group Inc., down 8.9%; Great West Life Assurance Co., down 6.7%; Protective Corp., down 6.5%; Washington National Corp., down 6.3%; and Alexander & Alexander Services Inc., down 5.3%. The *Business Insurance* index, which declined 0.8% during the latest trading period, was outperformed by the Dow Jones 30 Industrials, the Standard & Poor's 500 and the New York Stock Exchange Composite averages.

British Issues

27 Feb Companies	Price pence	P/E	Div. pence	Yield %	1 Week High—Low pence pence
Comml Union	176	N/M	16.9	9.6	180—176
Genl Accident	523	74.7	27.1	5.2	523—508
Gdn Royal Exch	627	17.4	32.9	5.2	640—623
Royal	553	N/M	32.6	5.9	557—545
Sun Alliance	418	46.4	20.0	4.8	418—405
Brokers					
CE Heath	625	10.7	24.3	3.9	625—610
Hogg Robinson	264	15.1	9.7	3.7	264—256
JH Minet	267	18.4	7.4	2.8	267—261
Sedg Grp	363	16.9	11.5	3.1	363—357
Stew Wrightson	575	16.4	21.4	3.7	575—565
Willis Faber	619	22.1	15.0	2.4	619—605

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

Union Mutual facing battles over its demutualization

By JUDY GREENWALD

THE UNION MUTUAL Life Insurance Co. and a group of current and former agents are locked in a legal battle over the insurer's efforts to switch from a mutual to a stock company.

So far, the life insurer has gone to court twice against the agents, who also are policyholders, charging first that the agents lied in their proxy statement and then asking the court to declare invalid many of the nominating certificates the agents gathered to try to elect three of their members to the insurer's board of directors.

A hearing is set for this week on the agents' request that the first lawsuit, filed in January, be dismissed.

Union Mutual, which specializes in long-term disability insurance and other benefits coverage, generated $1.3 billion in premiums and $74.1 million in profits in 1984, according to a company spokesperson.

Union Mutual's board of directors unanimously approved the company's demutualization in December. However, the move must still be approved by Maine Insurance Superintendent Theodore T. Briggs and then by two-thirds of Union Mutual's 65,000 policyholders who hold voting rights.

These policyholders, including the agents fighting the demutualization, have purchased group or individual life policies or individual annuities. In all, the company has more than 250,000 policyholders.

Union Mutual is not only the largest life insurer to seek demutualization but also the first to seek such a move in at least 80 years, the spokesperson added.

But, the members of the Concerned Policyholders Committee that are fighting the demutualization say they oppose it because, among other reasons, they fear policyholders will lose control of the company.

If the company becomes a stock company, current policyholders will have their choice of receiving the value of their contribution to the company's surplus in stock or 50% of that amount in cash.

Union Mutual wants to become a stock company, its spokesperson said, because it would have greater access to capital, which is needed in today's competitive insurance environment.

"Management determined we needed to become a public company in order to be flexible enough to provide clients with the products and services we needed," the spokesperson said.

Also, as a public company with shareholders, the insurer would become more accountable for its actions, she said.

"You perform better, and you strive to be better, if you have real accountability."

But Alan Swendiman, the attorney representing the dissidents, says, "The management of the company has not disclosed its plans for the future" so policyholders are "left to speculate" about how the new flexibility would be used.

Mr. Swendiman, of the Washington-based law firm of Jackson & Campbell, points out that the insurer already is accountable to its policyholders and the state superintendent of insurance.

Mr. Swendiman says policyholders also are concerned that if the conversion goes ahead, they will no longer "share in the growth of the company," to the extent they previously did through dividends.

The Union Mutual spokesperson denies this.

"We are setting it up so that it operates exactly as it operates today. The dividend treatment remains the same," she says.

A fund would be created to continue payment of dividends to current policyholders.

Union Mutual filed a lawsuit in January in U.S. District Court in Portland against the agents' committee, charging that it lied in its proxy materials in regard to future dividends and other issues.

The suit seeks $500,000 in damages.

The committee in response has filed a motion to have the suit dismissed, says Mr. Swendiman. A hearing on the issue is set for March 6.

Also, on Feb. 19, Superintendent of Insurance Briggs held a hearing on the committee's petition that Union Mutual be ordered to pay it $500,000 for its proxy solicitation fees, legal costs and other expenses.

The superintendent was expected to announce his decision either late last week or early this week, says Linda Pistner, an attorney with the department. Mr. Swendiman says if the decision goes against the committee, it "would have to examine how it will proceed."

Meanwhile, Union Mutual returned to federal district court last week questioning the validity of the 593 certificates of nomination filed in support of the dissidents' slate of candidates for election to the insurer's board of directors.

Five hundred valid certificates from current Union Mutual policyholders are needed to nominate directors, but the insurer says more than 25% of the certificates filed are invalid for a variety of reasons, including duplication.

The Union Mutual spokesperson says that the insurer is asking the court to confirm its finding that the certificates are invalid.

However, Mr. Swendiman says, "The nominating certificates are valid, and we have requested that the superintendent of insurance so determine." Mr. Swendiman says that while he is aware Union Mutual has taken the issue to court, "this is a matter that is properly before the superintendent of insurance."

Three directors are up for re-election at Union Mutual's annual meeting, to be held April 12.

Even if the agents were elected to the board, their power would be minimal because they would hold only three of 10 seats on the board.

But, Mr. Swendiman says election to the board would provide the dissidents with a forum for articulating to other policyholders their opposition to demutualization. ■

Loss-portfolio transfers

The Financial Accounting Standards Board has taken the first step toward reviewing proposed guidelines on how insurers and reinsurers account for loss-portfolio transactions.

The board recently placed on its technical agenda a proposal prepared by the American Institute of Certified Public Accountants' Reinsurance Auditing and Accounting Task Force. Reinsurance experts have said the proposed guidelines are restrictive and could force substantial changes in how reinsurance contracts are written (*BI*, Nov. 12, 1984).

"Because loss-portfolio transfers have recently become more common, and because concern has been expressed about current accounting practices for loss-portfolio transfers that, in substance, are financing arrangements, we believe that guidance on this particular issue is needed at this time," said Roger Cason, chairman of the AICPA's Accounting Standards Executive Committee, which also approved the proposal.

The proposal includes conditions that, if not met, should cause the transaction to be considered a financing arrangement instead of a reinsurance transaction. It also describes the accounting by ceding and assuming companies for such arrangements.

The final version of the proposal allows the ceding company to participate in the ultimate profit, if any, of the assuming company in a loss-portfolio transfer that is considered a reinsurance transaction, but says amounts should not be recognized as income until they are realized.

FASB staff members will soon seek representatives of the insurance industry to serve on a task force to review the proposal, according to Wayne Upton, the FASB project director.

AVEMCO Corp. results

AVEMCO Corp. reports record net earnings of $5.9 million for the year ending Dec. 31, up 45% from 1983's net earnings of $4.1 million.

The corporation's net operating earnings for 1984 were $6.2 million, up 47% from 1983's figure of $4.2 million.

Gross written premiums by the company's principal subsidiary, AVEMCO Insurance Co., also reached an all-time high in 1984. The insurer's gross premiums were $60.3 million, up 33% from 1983.

Continental Corp. dividend

The Continental Corp. had declared a quarterly dividend of 65 cents per share of common stock and 62.5 cents per share of $2.50 cumulative convertible preferred stock, Series A and B.

Both dividends are payable March 15 to shareholders of record March 1.

BI Industry Stock Report

Feb. 26, 1985 — 2/20/85 thru 2/26/85

Brokers		Price	% Chg.	P/E	$ Div.	% Yld.	High	Low	Vol.(000)
Alexander & Alexander Svcs	NYSE	26.88	-5.3	298.6	1.00	3.7	28.38	26.88	320.2
Baldwin & Lyons Inc	OTC	52.00	-3.7	22.4	0.80	1.5	54.00	52.00	5.0
Corroon & Black Corp	NYSE	39.00	-1.6	23.4	1.00	2.6	39.63	38.25	59.8
Crump E H Cos Inc	OTC	24.38	1.6	20.5	0.44	1.8	24.38	24.25	117.9
Emett & Chandler Cos Inc	OTC	14.50	-3.3	0.0	0.00	0.0	15.00	14.50	2.8
Gallagher Arthur J & Co	OTC	36.75	-1.3	23.1	0.28	0.8	37.25	36.50	115.3
Hall Frank B & Co Inc	NYSE	26.63	2.4	51.2	1.00	3.8	27.00	26.50	266.4
Marsh & Mclennan Cos Inc	NYSE	66.25	1.1	40.9	2.40	3.6	67.63*	66.25	492.5
Poe & Assoc Inc	OTC	8.25	0.0	0.0	0.00	0.0	8.25	8.25	1.0
Reed Stenhouse Cos Ltd	OTC	22.00	0.6	31.4	0.60	2.7	22.50*	22.00	369.8
				=====		=====			
AGENTS/BROKERS	AVERAGE			36.7		2.4			
Conglomerates & Holding Cos.									
American Express(Fireman's Fd)	NYSE	42.50	0.9	15.2	1.28	3.0	42.50	40.25	3,958.4
Anderson Clayton(Ranger/PanAm)	NYSE	37.00	-3.0	19.1	1.32	3.6	37.88	37.00	41.1
Armco Inc	NYSE	10.88	-3.3	0.0	0.00	0.0	11.38	10.88	673.1
Berkley W R Corp	OTC	15.00	0.0	0.0	0.32	2.1	15.00	15.00	49.2
CIGNA Corp	NYSE	48.63	0.5	442.0	2.60	5.3	48.63	48.00	1,228.7
City Investing Co. (Home Ins.)	NYSE	39.00	-1.3	9.4	0.00	0.0	39.00	38.75	786.6
CNA Finl Corp (CNA)	NYSE	37.50	-0.3	15.6	0.00	0.0	37.63	37.13	81.4
General Re Corp	NYSE	73.00	-0.8	45.6	1.56	2.1	74.25*	73.00	456.9
ITT (Hartford Group)	NYSE	31.50	-4.5	8.6	1.00	3.2	32.75	31.50	2,123.6
Optimum Hldg Corp	OTC	0.50	0.0	0.0	0.00	0.0	0.50	0.50	2.3
Sears Roebuck & Co. (Allstate)	NYSE	35.75	1.8	8.9	1.76	4.9	36.00	35.13	3,771.2
Teledyne Inc (Argonaut)	NYSE	264.00	-1.5	14.5	0.00	0.0	268.75	260.13	163.2
Transamerica Corp (Occidental & Fred S. James)	NYSE	29.63	-2.5	12.8	1.64	5.5	30.13	29.00	808.4
				=====		=====			
CONGLOMERATES/HOLDING COS.	AVERAGE			21.2		1.7			
Insurers									
Aetna Life & Cas Co	NYSE	40.75	-0.3	25.6	2.64	6.5	40.75	40.25	901.3
American General Corp	NYSE	29.38	-3.7	9.8	1.00	3.4	30.38	29.00	812.6
Amern Heritage Life Invt Co	NYSE	31.00	-0.4	12.4	1.08	3.5	31.13	30.88*	3.7
American Indty Finl Corp	OTC	18.00	-2.7	0.0	1.12	6.2	18.00	18.00	0.2
American Intl Group Inc	NYSE	71.50	-4.7	14.0	0.44	0.6	74.25	71.13	895.7
Aneco Reins Ltd	OTC	1.50	0.0	0.0	0.00	0.0	1.50	1.50	4.6
Avemco Corp	NYSE	24.50	4.3	11.9	0.60	2.4	24.50*	23.50	11.3
Bitco Corp	OTC	13.63	0.0	2.5	0.40	2.9	13.75	13.63	13.8
Business Mens Assurn Co Amer	OTC	50.88	0.7	6.4	2.08	4.1	50.88	50.00	87.5
Chubb Corp	NYSE	59.63	-3.6	16.9	2.20	3.7	61.38	58.75	141.6
Combined Intl Corp	NYSE	43.75	0.0	8.8	2.08	4.8	44.00*	43.00	217.3
Continental Corp	NYSE	42.63	1.2	22.1	2.60	6.1	42.63*	41.00	522.2
Crown Life Ins Co	OTC	125.00	0.8	8.2	5.00	4.0	125.00	124.00	3.2
Durham Corp	OTC	40.00	0.6	7.7	1.28	3.2	40.50	40.00	36.8
Farmers Group Inc	OTC	58.00	-2.9	12.5	1.76	3.0	60.38*	58.00	303.5
Fremont Gen Corp	OTC	24.63	-3.0	0.0	0.48	1.9	25.25	24.38	1,380.6
Great West Life Assurn Co	OTC	350.00	-6.7	9.4	14.00	4.0	375.00	350.00	0.0
Hanover Ins Co	OTC	37.00	2.1	17.6	0.56	1.5	37.00*	36.50	51.9
Hartford Steam Boiler Insptn	OTC	67.50	0.0	30.1	3.00	4.4	67.50	67.00	3.8
Kans City Life Ins	OTC	82.00	0.0	9.4	2.88	3.5	82.00	82.00	1.5
Kemper Corp	OTC	52.00	-2.8	30.2	1.80	3.5	53.63*	52.00	162.0
Liberty Corp S C	NYSE	30.13	1.3	14.5	0.72	2.4	30.25	29.63	74.8
Lincoln Natl Corp Ind	NYSE	43.25	-3.4	11.4	1.84	4.3	44.50	42.25	349.6
Mission Ins Group Inc	NYSE	6.38	-8.9	0.0	0.50	7.8	7.00	6.38*	328.1
Monumental Corp	OTC	30.25	-3.2	12.6	1.30	4.3	31.00	30.25	35.4
Northwestern Natl Life Ins	OTC	34.50	-0.7	8.0	0.80	2.3	35.00	34.50	496.2
Ohio Cas Corp	OTC	50.75	2.8	19.1	2.80	5.5	50.75*	49.50	149.1
Old Rep Intl Corp	OTC	35.38	-1.0	6.8	0.88	2.5	35.75	35.38	73.3
Orion Cap Corp	NYSE	24.50	-1.5	272.2	0.76	3.1	24.88	24.50	71.2
Protective Corp	OTC	21.50	-6.5	10.2	0.62	2.9	22.50	21.50	36.8
Provident Life & Acc Ins Co	OTC	99.50	0.0	7.1	3.38	3.4	99.50	99.00	10.2
St Paul Cos Inc	OTC	57.13	0.2	0.0	3.00	5.3	57.13	56.00	522.4
SAFECO Corp	OTC	37.25	1.4	12.3	1.50	4.0	38.25*	37.25	645.2
Sri Corp	OTC	18.63	-4.5	31.6	0.68	3.7	19.13	18.63	71.1
Seibels Bruce Group Inc	OTC	25.75	2.0	0.0	0.80	3.1	26.25	25.75	222.6
Statesman Group Inc	OTC	6.75	0.0	10.1	0.15	2.2	6.88	6.63	22.6
Tokio Marine & Fire Ins Co	OTC	150.75	7.1	26.1	1.05	0.7	150.75	142.00	25.5
Torchmark Corp	NYSE	43.38	-0.9	10.3	1.00	2.3	43.88	42.00	305.7
Travelers Corp	NYSE	44.50	2.9	10.8	2.04	4.6	44.50*	43.25	652.7
United Fire & Cas Co	OTC	24.00	6.7	0.0	0.80	3.3	24.00	22.50	3.1
United States Fid & Gty Co	NYSE	31.38	-0.8	18.2	2.08	6.6	31.50	30.63	888.7
Uslife Corp	NYSE	38.63	1.6	10.8	1.04	2.7	38.63	38.00	233.8
Washington Natl Corp	NYSE	26.00	-6.3	14.4	1.08	4.2	28.00	26.00	133.3
Zenith Natl Ins Corp	OTC	14.00	-3.4	25.5	0.68	4.9	14.50	14.00	41.2
				=====		=====			
INSURANCE COMPANIES	AVERAGE			13.9		3.5			

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