

business insurance

WEEK OF MAY 18, 1981

update:

Four charged with fraud in Sasse Syndicate case

NEW YORK—Four insurance brokers who placed property risks with the Sasse Syndicate at Lloyd's of London now face criminal charges of fraud and conspiracy for allegedly diverting more than \$1 million in premiums for their own use.

The U.S. attorney's office in New York charged John V. Goepfert of Wall Town—
Continued on next page

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

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The risk of rigs:

Firms fight inexperience

By STEVE SHERWOOD

HOUSTON—Ask anyone in the drilling industry to name the main ingredient of an oil rig accident and they'll likely answer: "Inexperienced people."

"People cause a large percentage of accidents," says Guy Matthews, president of the Houston-based Matthews-Daniel Co., a leading rig survey and claims adjusting company. "The majority of claims we see are people-oriented, where someone pushes the wrong button or pulls the wrong lever."

These claims have been increasing in recent years as more inexperienced people work in the drilling field. With an increased demand for oil products, more workers are needed, but there aren't enough experienced hands to go around.

"A lot of drilling contractors have training programs for new people, but the fact remains a lot are hired straight out of beer joints," Mr. Matthews says. "Less-experienced people are getting more responsible jobs. You're finding 24-year-old tool pushers now."

More rigs are operating and the quality of the employee is deteriorating, he says.

"The obvious result is a greater frequency of claims. We probably handle 1,200 property damage and control-of-well claims a year, which is up from a few hundred several years ago."

The claims vary in amount
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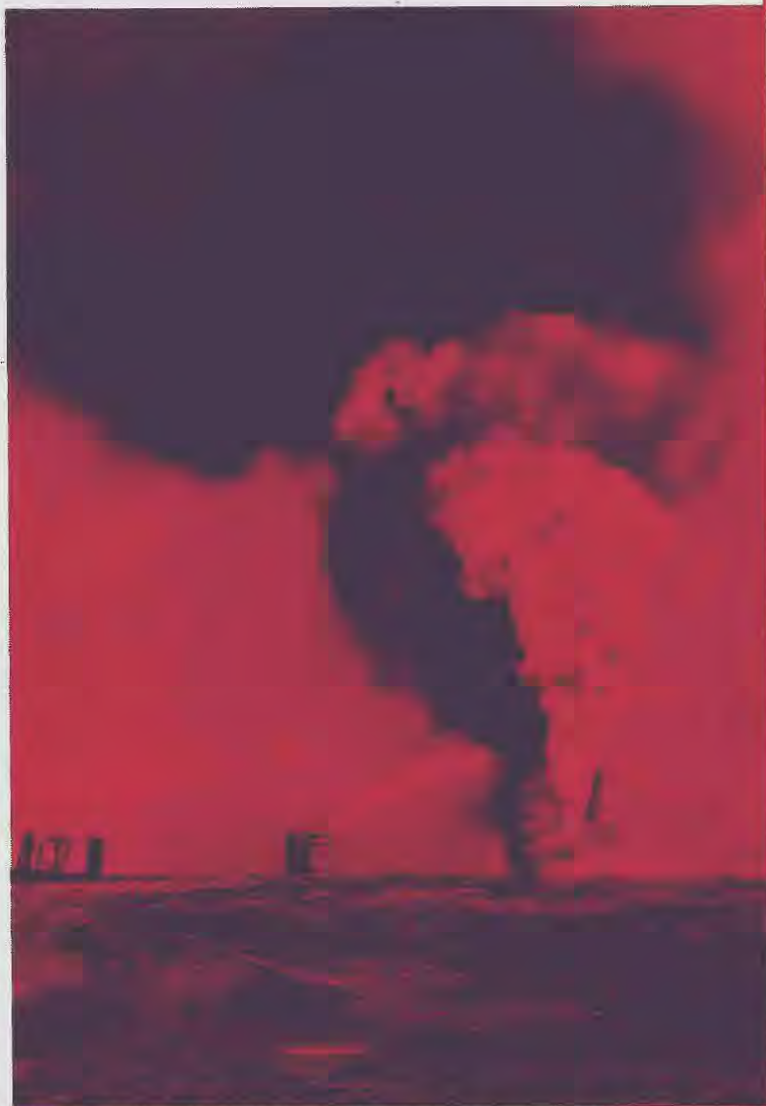


Photo: Boots & Coots Inc.

Boots & Coots fought this blowout at a Libyan oil well that produced 20,000 barrels of crude a day in May 1980. The rig belonged to the Italian state-owned oil company.

Battling blowouts is dangerous

HOUSTON—Capping oil-well blowouts is dangerous business, but not nearly as dangerous as the average guy might think, says Patrick Campbell.

Even so, his company's insurance rates say it's a risky business.

Mr. Campbell is general manager of Boots & Coots Inc., a leading well-control company formed by two former employees of Red Adair, the well-known oil well troubleshooter.

Like Mr. Adair, Mr. Campbell puts out oil fires and caps blowouts as part of his regular workload.

"The main danger is flying to and from jobs on small commercial airlines and unknown charter companies," he says. "When a well is on fire, you're

relatively safe until you're actually ready to remove the old equipment and install the new."

Even so, he admits the dangers help reduce the amount of competition and raise the insurance premiums the company must pay.

"Few people know how to cap a blowout, and fewer still are willing to risk the men and equipment to do it," Mr. Campbell says. Insurance costs are just too high.

"Insurance is our single biggest expense, even though we have a perfect safety record," he says. "No one has ever been seriously injured. This holds true for Red (Adair) too, I think, but despite this,
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Hot competition burns up profits of most insurers

By KATHRYN J. MCINTYRE

The first-quarter results of 20 major commercial insurance companies show hot competition is firing up underwriting losses and burning up operating income for most insurers.

Of 20 insurers analyzed by *Business Insurance*, only nine produced gains in operating income in the first quarter of 1981 compared with 1980. Of those nine, only three were profitable underwriters of property/casualty insurance.

The results prompted many insurance company executives to call for cooling of competitive urges and more reasonable rating of risks.

American International Group, whose president, M.R. Greenberg, blasted "silly and uninformed competition that abdicates the insurance business for the investment business," bucked the first-quarter trends and sports the most enviable results.

AIG produced the lowest combined ratio on property/casualty insurance and the second-largest gain in operating income: a 94.7%
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Winners

Crum & Forster
+30.3% to \$50.2 million
AIG
+21.3% to \$81.8 million
The St. Paul Cos.
+20.7% to \$43.7 million
General Re Corp.
+18% to \$40.1 million
Mission Group
+17.3% to \$11.7 million
Fireman's Fund Cos.
+16.2% to \$53.8 million

Losers

U.S. Fidelity & Guaranty Co.
-26.5% to \$45.9 million
CNA Financial Corp.
-21.6% to \$26.4 million
Aetna Life & Casualty
-21.4% to \$96.5 million
SAFECO
-15.7% to \$25.2 million
The Chubb Corp.
-13.5% to \$23.1 million
Reliance Group Inc.
-12.3% to \$19.9 million

1st quarter operating income comparison

Legislation would make safety lapses criminal

By RHONDA L. RUNDLE

SACRAMENTO, Calif.—Employers here are angry and worried about a proposal that their managers be held criminally liable for lapses in workplace and product safety.

A knowing failure to warn employees about workplace hazards or to make a "substantial and reasonable effort to warn" consumers of an unsafe product would become a felony under a bill now pending in the Legislature.

Senate Bill 820, sponsored by Sen. Nicholas C. Petris, D-Oakland, also requires a research or safety manager who discovers a "serious danger associated with a product or business practice" to notify the company or face felony charges.

"This is the worst bill to come down the pike this year," says Susan Cavazos, manager of employee benefits for the California Chamber of Commerce. "The severity of penalties it imposes on employers is incredible."

Under existing law, a business may be sued for damages caused by a faulty product or unsafe business practice. No state, however, has amended its penal code to make executives criminally responsible for workplace or product safety.

This has not deterred some district attorneys from attempting to prosecute
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Brokers charged with fraud

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ship, N.J.; his next-door neighbor Allan Assael; Richard Mamarella of Loudon-French Ltd. in Iselin, N.J., and Dennis Harrison of Miami, Fla., with 78 counts of conspiracy, mail fraud, wire fraud and interstate transportation of stolen securities.

They are charged with using various corporations, including a Goepfert-controlled firm U.S. Excess, to divert premiums owed Sasse to a bank account in Curacao controlled by Mr. Goepfert.

Mr. Mamarella, also known as Richard Marshall, also faces charges of perjury for testimony in the civil lawsuit of *Argonaut Insurance Co. vs. John Goepfert*, according to Assistant U.S. Attorney Betty Santangelo, and is involved in litigation over insurance coverage for Interpool Ltd. (BI, May 11).

Mr. Goepfert was previously convicted of conspiracy in a construction performance bond scheme in Philadelphia, along with three other brokers not involved in the Sasse affair (BI, April 6).

Interpool responds to lawsuit

NEW YORK—Interpool Ltd. says its former broker Loudon-French Ltd., whose president is Richard Marshall, agreed to indemnify it for damages resulting from another broker's lawsuit.

In a formal response to civil charges of conspiracy and fraud filed by New Jersey broker William Johnston (BI, April 27, May 11), Interpool also denied Mr. Johnston was ever its broker as he claims and denied all allegations of wrongdoing.

Mr. Johnston's role as producing broker for Interpool is being litigated in the series of lawsuits and countersuits.

If Mr. Johnston is judged to be Interpool's broker, a counterclaim by Interpool would seek damages and payment for claims not covered by disputed insurance policies, including those which led to a suit against Interpool by The Home Insurance Co.

Committee OKs HMO loans

WASHINGTON—A bill approved by the House Energy & Commerce Committee last week, H.R. 3398, authorizes more money for HMOs and adds another HMO requirement for employers.

Employers would be required to offer a third health insurance option if the HMO provided to employees is controlled by Blue Cross/Blue Shield or an insurer and the BC/BS plan controls a substantial part of the health insurance market in the area.

Prudential will acquire HMO

CHICAGO—Prudential Insurance Co. expects to take over a north suburban HMO within a month now that NorthCare members overwhelmingly approved the sale in a vote last week. Prudential's subsidiary, PruCare, will take over assets and a reported \$3.5 million deficit of the HMO, which has about 30,000 members.

Skyway Bridge damage settled

TALLAHASSEE, Fla.—The Florida Department of Transportation has collected a \$13 million from its insurers for damage to the Sunshine Skyway Bridge over Tampa Bay, which was rammed by a Liberian ship a year ago. Thirty-five people were killed when vehicles plunged into the bay (BI, May 19, 1980).

The settlement with National American Insurance Co. of Omaha was handled by Walton Insurance Services of West Palm Beach. A claim for loss of toll revenues will be settled by June 24.

National American is subrogating against the shipping company whose vessel caused the disaster, and the state has sued the shipowner for \$75 million. The shipowner, Hercules Carriers, a division of the Nan Kwong group of Hong Kong, is insured by London Steamship Owners Mutual Protection & Indemnity Club. The state self-funds its liability risks.

Carol Burnett award cut in half

LOS ANGELES—Superior Court Judge Peter Smith cut in half the \$1.6 million jury award to entertainer Carol Burnett in her libel suit against the National Enquirer, calling the award "clearly excessive" (BI, April 6).

Freighter insured in Norway

NEW YORK—Hoegh Lines of Oslo, Norway, owner of the freighter Hoegh Orchid that rammed the Staten Island Ferry May 6, injuring 65 people, is insured by Store Brand of Oslo for hull damage and liability for collision damage. The coverage is in excess of \$500,000, sources say. Its P&I insurer was not known.

The Staten Island Ferry is operated by the city of New York, which is self-insured for property damage and personal injury.

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Photo: Wide World

A sinkhole in Winter Park, Fla., swallows a sports car and a house and threatens businesses.

That sinking feeling...

WINTER PARK, Fla.—A gaping sinkhole hasn't swallowed much commercial property so far, but the business district of this Central Florida town could be threatened with uninsured losses if the hole becomes much bigger.

Although sinkholes are common in many parts of Florida, the severe drought conditions that cause them are not common in this region, said Roger Peters, executive vp of the Winter Park Chamber of Commerce.

Therefore, few of the area's commercial policyholders carry insurance against the peril, but this incident could create a market in Winter Park, he said.

The hole, which spread last week to 1,000 feet in diameter and 170 feet deep, had not touched the town's business district. That district includes a shopping mall and an area called Park Avenue, which includes shops

and restaurants, Mr. Peters said.

However, the hole has swallowed three brand-new imported automobiles owned by a foreign car repair service, a piece of a local car dealership and a few other small shops, he said.

A municipal swimming pool that was uninsured against sinkhole perils was also damaged. Other businesses near the rim of the hole have been evacuated, and owners face certain business interruption losses, Mr. Peters said.

It's difficult to tell how much of the estimated \$500,000 in damage caused by the sinkhole involves commercial property, he said.

Sinkholes are caused when underground water tables are lowered, eliminating the buoyancy that supports the land above it, Mr. Peters said.

Agreement would bolster Lloyd's fraud investigations

By STACY SHAPIRO

LONDON—An agreement hammered out in a parliamentary committee last week would allow Lloyd's of London to investigate fraud without the fear of liability.

Lloyd's had been asked in a March House of Commons debate to deal with Clause 11 of the Lloyd's self-regulation bill. Two Lloyd's members who are petitioning against the bill in its present form said the clause put Lloyd's above the law.

Lloyd's attorney Peter Boydell introduced a new clause last week that would make the council immune from damages sought by someone in the Lloyd's community.

The new fraud clause would give further disciplinary power to the new council to help bolster Lloyd's security. It says that the council can conduct proceedings to punish a person involved in fraud or crime.

The new Clause 11 also will strengthen the hand of the council to act quickly if fraud is suspected. It might need, for example, to suspend a member for suspicious activities, but later find out it was wrong and reinstate him, Mr. Boydell said.

BI's New York office moving

Business Insurance is moving its New York office.

Beginning May 26, BI's New York address will be 220 E. 42nd St., New York, N.Y. 10017. The new office phone number is 212-210-0100.

dell said. Under the new clause, the member could not then sue the Lloyd's council for its preliminary disciplinary action.

However, the new clause does not stop the policyholder from suing the society, Mr. Boydell said. It only exempts "the society from

liability in damages in the suit of a member of the Lloyd's community," according to the clause.

Politicians, lawyers and insurers, working under the watchtower of Big Ben, discussed other changes to the Lloyd's bill last week.

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Insurers want lower court to rehear suit against Iran

By JOHN MAES

WASHINGTON—The Continental Corp. wants its battle to collect claims from the Iranian government fought again in a lower court.

Continental has asked the U.S. Court of Appeals to direct a lower court to rehear its case and that of two other insurers who are seeking some \$35 million in claims.

Attorneys hope returning the case to the lower court will speed the claims process against Iran or the attachment of some of that nation's assets to cover losses of the insurers' subsidiaries during the Islamic revolution of 1978-79.

Attorneys also are afraid that the insurers—Continental, American International Group and Insurance Co. of North America—will be left with no means of recouping their losses if the courts release frozen Iranian assets and Iran does not honor the agreement setting up an international tribunal for disposition of claims.

Freezing Iranian assets was part of the accord that led to the release of the 52 American hostages held captive in Iran for more than a year.

The case has been tied up in the appellate court for several months after Iran appealed a lower court order attaching millions of dollars to cover the insurers' losses. Since Iran first appealed, new legal questions have been posed that require a rehearing in U.S. District Court, said Walter D. Vinyard Jr., a Washington-based attorney.

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Labor blasts Social Security plan

By JERRY GEISEL

WASHINGTON—The Reagan administration has built support for its plan to shore up the Social Security system, but organized labor wants to knock it down.

The AFL-CIO says it "will do everything we can" to kill the administration's plan to reduce Social Security benefits for early retirees, delay basic benefit increases and toughen requirements for disability benefits.

United Auto Workers President Douglas Fraser called the proposals a "cynical attempt to exploit the short-run problems of the Social Security system for political purposes."

Despite major opposition, the administration's carefully designed proposals stand a better chance of clearing Congress than others Social Security proposals, experts say.



Schweiker

Both Democratic and Republican legislators traditionally have treated Social Security like a sacred cow: no one wanted to butcher any of its benefits. But cuts are likely now that many in the new conservative Congress are realizing the program must be trimmed down or the excess will kill it.

"It may be politically palatable. It is a different mood than what prevailed 12 months ago," said Sylvester Schieber, director of research at the Employee Benefit Research Institute.

"The general consensus is something has to be done."

The administration's plan may fly not only because changes are needed, but also because it was designed to reduce political opposition.

"It will fare well on Capitol Hill," said Health and Human Services Secretary Richard Schweiker.

The program is positive because it reduces taxes for younger workers, keeps the Social Security retirement age at 65 and eliminates the retirement earnings test, said Mr. Schweiker, who explained the administration proposal May 12.

The administration avoided stirring up opposition by recommending that Social Security benefit increases

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But others agree it's time for some reform

Editor's note: When Washington Editor Jerry Geisel covered the Assn. of Private Pension and Welfare Plans conference and the Employee Benefit Research Institute forum this month in Washington, he found that solving the problems of the Social Security system is not a concern of the Reagan administration alone. The following reports present ideas expressed at those meetings for shoring up the failing system.

An insurer . . .

WASHINGTON—Overhauling the Social Security system now can prevent the collapse of the ailing public retirement program, an industry expert says.

"The Social Security system is not in such bad shape that it can't be put back on its feet," said Malcolm MacKinnon, vp and actuary at Prudential Insurance Co. "But sound action must be taken now before the problem grows worse."

Speaking before the Assn. of Private Pension and Welfare Plans conference in Washington, Mr. MacKinnon outlined changes he says are needed to restore Social Security's ailing fiscal condition to good health.

Congress first must approve legislation to permit the Social Security old-age retirement trust fund to borrow from the financially stronger disability and health insurance trust funds, he said.

Borrowing between the funds "will give Congress extra time to solve Social Security's long-term problems," Mr. MacKinnon said. Without such borrowing, the old-age trust fund, which pays benefits to 35 million Americans, could run out of cash next year.

Raising to 68 from 65 the age at which a worker could retire and receive full Social Security benefits is the single most important change that would improve Social Security finances, he said.

Although retiree groups continue to resist a higher Social Security retirement age, several research groups, including

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MacKinnon

An economist . . .

WASHINGTON—Social Security's financing problems are so deep-rooted that benefits will have to be cut to keep the system operating, an economist says.

"Benefits have become larger than can be afforded," said Colin Campbell, a professor of economics at Dartmouth College in Hanover, N.H.

Speaking before a forum sponsored by the Employee Benefit Research Institute, Mr. Campbell said several trends have sapped Social Security's fiscal strength.

These trends show no sign of abating, said Mr. Campbell, who served as a member of President Reagan's Social Security Commission.

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A senator . . .

WASHINGTON—Congress will have to restrain the growth of Social Security benefits to prevent the program from going broke, says Sen. John Chafee, R-R.I.

"We have got to bite the bullet on Social Security," Sen. Chafee said. "It has got to be done. There is no question about it."

To take some of the burden off Social Security, Sen. Chafee said private plans should be expanded.

One way to encourage workers to set up their own pension plans would be to increase the amount of money a person could contribute to an Individual Retirement Account, Sen. Chafee told an Assn. of Private Pension and Welfare Benefit Plans conference.

Sen. Chafee recently introduced legislation, S. 243, that would allow an employee to withdraw without penalty up to \$10,000 from an IRA to purchase a home or pay higher-education expenses.

Under current law, employees who withdraw funds from an IRA before age 59 must pay substantial tax penalties.

By removing the penalty for early withdrawal, IRAs would become more attractive to younger workers who are reluctant to contribute.

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Chafee

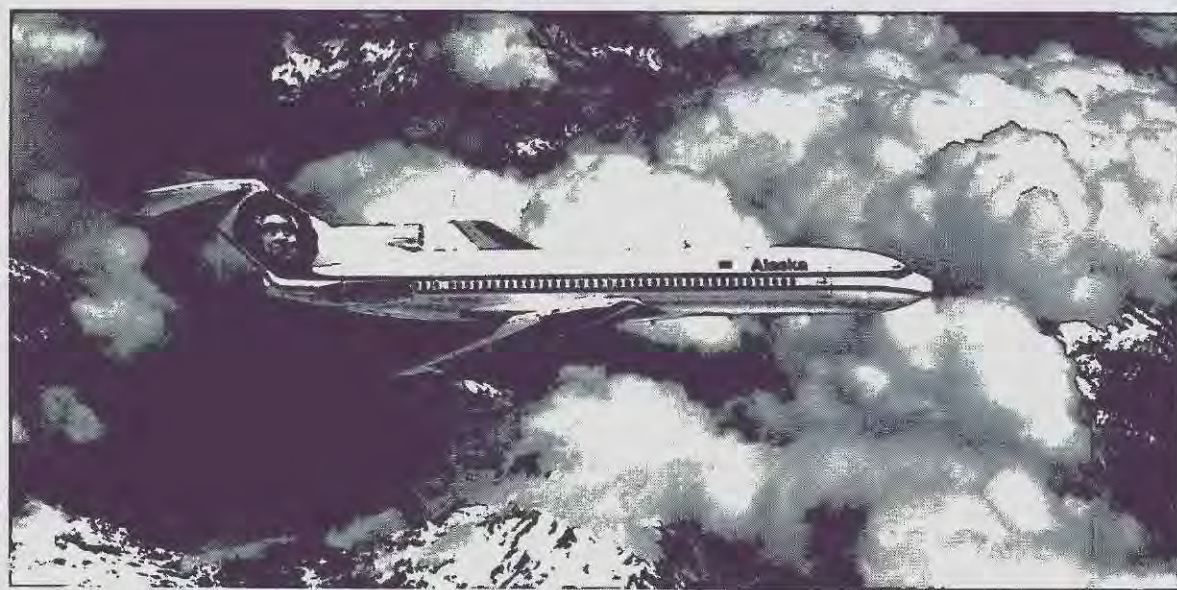


Photo: Alaska Airlines Inc.

If required medical services are not available in Alaska, some employees are flown to Seattle for care.

Alaska: High-priced medical services mean free trip to Seattle for some workers

By CAROL BLITZER

FAIRBANKS, Alaska—A free round-trip airline ticket to Seattle is a bonus medical benefit for some municipal employees in Fairbanks.

The employee must be seeking medical care that is unavailable locally or is so expensive in Fairbanks that it is cheaper to make the trip to the "lower 48," says John Leydon, risk manager for the City and Borough of Fairbanks.

A number of medical services are simply not available in some parts of Alaska. Fairbanks, a city of 35,000, lacks a neurologist and a periodontist. Patients must go elsewhere for certain cancer treatments, severe burn care or cosmetic surgery after an accident.

Fairbanks is self-insured with an administrative services-only contract provided by the Great Western Insurance Co. A municipal benefits committee decides plan changes and informs the insurance company in writing, Mr. Leydon says.

The differences between local fees and charges in the rest of the country can be dramatic, he says.

One employee needed complicated oral surgery involving grafting part of his hip bone to his jaw. The

procedure would cost about \$12,000 in Fairbanks. The man flew to Seattle and received an estimate for \$5,400. Even after paying for two round-trip airline fares, the city saved close to \$5,500 on the treatment.

In non-emergency situations, individuals must pay their own way to Seattle for an estimate of the treatment. If the cost is significantly less than locally, the plan would cover subsequent trips and the medical care in Seattle, he says.

Many employees visit Seattle several times a year, Mr. Leydon says. "They just make it a point to see a local man down there. That's taken care of anyway under the dental plan as a second opinion."

The city hasn't been handling transportation costs long enough to know the precise savings, he says.

The city also handles the medical and dental plans for the Fairbanks school district's 2,300 teachers, most of whom visit the mainland during the summer.

"During vacation they see doctors, and I'm tickled to death that they do because of the savings. I don't have to pay that transportation. I know that the savings we have on something like that is simply tremendous," he says.

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Self-funded pool catches attention of Colorado cities

By STEVE SHERWOOD

DENVER—A new bill passed this month by the Colorado Legislature is broadening the horizons of a proposed self-funded pool for small- and medium-sized Colorado cities.

Twenty-seven cities, with populations ranging from Ridgway's 371 to Arvada's 77,000, are mapping out the details of the self-insurance fund to pool their good loss experience on liability risks and cut 10% to 30% off their current insurance costs.

They also want more control over claims and improved loss-control services.

The option of adding workers

compensation risks to the pool is possible now that the Legislature has approved a bill to allow small public entities to jointly self-fund workers compensation risks.

The bill, S.B. 458, awaits the signature of Gov. Richard Lamm.

If signed, the law would allow the cities to add workers compensation risks to the pool, which may start operations as soon as January.

But an official at the Colorado Municipal League instrumental in the pool study isn't sure the latest option should be added now.

"My hunch is that this pool will serve as a springboard for a workers compensation pool, but I don't think they will be mixed together,"

Continued on page 35

Washington rejects open comp

By EILEEN NORRIS

OLYMPIA, Wash.—A bill that would have broken a 70-year state monopoly by allowing private insurers to write workers compensation insurance was defeated by one vote in the Senate.

The measure ran into last-minute trouble the day before the Senate adjourned for the session April 26.

Legislators favoring an end to the state's exclusive hold on providing workers compensation insurance to employers will not have a chance to reintroduce bills until the session resumes in January.

House Bill 31 failed in the Senate by a 25-24 vote, but its demise seemed inevitable in the weeks preceding the formal roll call.

Several weeks ago, a wage-loss provision in the controversial bill was stripped away after labor groups lobbied the capital by the thousands.

The wage-loss concept would have replaced permanent partial

Continued on page 30

Airlines must give pregnancy benefits

The nation's major airlines must abide by the state of New York's human rights law requiring employers to provide equitable pregnancy benefits, a U.S. Court of Appeals in New York ruled.

Fourteen airlines had filed suit, arguing that they were exempt from the New York law, which requires employers to provide at least eight weeks of disability benefits for employees who become disabled by pregnancy.

The airlines said pre-emption language in the Employee Retirement Income Security Act bars states from imposing benefit requirements on employers.

But the court ruled that some of the airlines maintained disability programs to comply with New York law and are subject to the state human rights law.

benefit beat

The controversy involves the period from December 1976 to April 1979. During that time, a New York court of appeals ruled that the human rights law required private employers to provide benefits for pregnancy, but the U.S. Supreme Court held that excluding such benefits didn't constitute discrimination on the basis of sex.

However, in October 1978, Congress passed legislation prohibiting discrimination on the basis of pregnancy, childbirth or related medical expenses.

Health plan

The San Leandro, Calif., City

Council has approved an increase in the city's monthly cash contribution to firefighters' health and dental programs.

Under a new two-year contract, the city will contribute an additional \$5 per month to health plan premiums for full-coverage recipients.

The increase will offset any additional premium costs to employees, said Norm Brikovich, city personnel manager.

The city also will contribute \$23.99 a month toward the employee dental plan, up from \$22.

The agreement, which included a 12% salary increase, will cost the city about \$333,000 in the 1981-82 budget year, said city manager Lee Riordan.

The firefighters are represented by Local 55 of the International

Assn. of Firefighters.

New contract

A 27-month contract between the Red Lion, Pa., Area School District and its School Service Personnel Association includes basic dental coverage and increases in life insurance.

Under the contract, employees will receive annual increases of \$1,000 in term life insurance over the next two years, beginning July 1. They now get \$12,000 in coverage.

The Penn Dental 1 program, which costs the district about \$5 a month per individual, pays for dental checkups, cleaning of teeth and fillings.

The Red Lion Area School Service Personnel Association in-

cludes cafeteria workers, clerks, secretaries, maintenance workers and other service personnel.

Improved pensions

Employees of the Dittlinger Flour Mill in San Antonio will receive improved pension benefits under a new contract.

Workers will receive a 33% increase in pension benefits. Under the new contract, retirees will receive \$8 a month for every year of service, said George Eichler, secretary-treasurer of Local 1110.

The workers also won a 22% wage increase for the first two years of the pact.

The new contract affects 50 production workers, members of Teamsters Local 1110.

Health insurance

A three-year extension of the contract between teachers and the San Jacinto, Calif., school district includes changes in the health insurance program.

Besides a 6% increase in salary, the district will contribute \$1,475 per year to each teacher's health insurance coverage, a \$75 increase.

The agreement also includes a vision insurance plan. The coverage, which costs teachers \$23 annually, provides \$100 toward a vision examination and a prescription for eyeglasses.

The cost of the pact to the school district has been estimated at \$50,000 for the remainder of the current school year and \$225,000 for the 1981-82 school year.

The San Jacinto Teachers' Assn. has 110 members.

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

Keith Crain is promoted

CHICAGO—Keith E. Crain has been elected vice chairman of Crain Communications Inc., which publishes *Business Insurance* and 15 other business publications.

Mr. Crain, formerly the company's secretary-treasurer, will share responsibility for day-to-day Crain operations with his brother, Rance Crain, the company's president. Keith Crain, whose office is in Detroit, also is publisher and editorial director of *Automotive News* and publisher of *Autoweek*.

Succeeding Mr. Crain as secretary-treasurer are Merrilee P. Crain, secretary, and Mary Kay Crain, treasurer. Mrs. G.D. Crain Jr. continues as chairman and chief executive officer.

At the same time, Crain elected three new vps: Joe Cappel, publisher of Crain's *Chicago Business*; Charles S. Lauer, publisher of *Modern Healthcare*; and Ernest H. Zielasko, editor-publisher of *Rubber & Plastics News*.

In addition, Todd Fandell, assistant editorial director of Crain Communications, has been appointed to the new post of corporate editor. Mr. Fandell will work with editors of all Crain publications to promote the quality, growth and profitability of existing and prospective newspapers and magazines.

Keith Crain started his career with Crain Communications in 1961 and two years later became a salesman for Advertising Age. He served as publisher of *Promotion* as well as *Industrial Marketing* and became publisher of *Automotive News* when Crain Communications acquired it in 1971.

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Minneapolis (612) 545-4300	New York (212) 943-2070	Philadelphia (215) 567-2700	Phoenix (602) 957-4580	San Francisco (415) 777-4300	Seattle (206) 624-8711	

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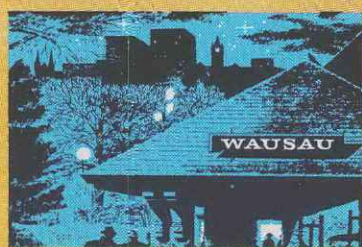
"We want product quality *with* job safety," says Robert Witzel, Vice President-Finance and Treasurer of R. T. French. That philosophy begins at the top with a CEO-appointed management group from all divisions. Wausau counsels

with them on identifying needs and organizing safety programs. Mr. Witzel says, "Wausau's safety engineering has *depth*."

Safety Director George Meyer adds: "We appreciate Wausau's technical professionalism. We make use of it, and we intend to make more use of it."

What about claims? "When claims service is necessary," says Mr. Witzel, "we want all just claims paid promptly and fairly. Wausau works very closely with us to be sure that our reputation for quality follows through with quality service on each and every claim."

Today, Wausau provides four lines of insurance to R. T. French. Together, we're making business insurance earn its keep in 11 locations with more than 2,500 employees. It's been a long and productive partnership — and we're proud to spread the good word.



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editorial opinions



Watch what you buy

Walk through a flea market on a balmy day in May and you'll know the seductive power of cheap prices. Lots of junk and useless items look like a good buy.

The insurance marketplace is certainly much more complex than a flea market, and its products are much more valuable. But the current competition in the insurance marketplace brings to mind the image of a flea market where sellers descend upon the captive audience of buyers. Cheap rates are bandied about by brokers and insurers fighting for business to maintain their own profits.

Buyers and sellers alike must beware they don't imitate the flea market mentality.

■ Now more than ever, corporate buyers must make their insurance decisions carefully and understand the advantages and pitfalls created by the tremendous competitive pressure on brokers and insurers.

Certainly the pressure on the large publicly held brokers is extreme. First-quarter brokerage results reported in last week's issue indicate a slowing revenue growth for most brokers with many net income losses and earnings declines. Despite some positive reports from investment analysts, earnings dilutions tend to discourage investors and limit the flow of capital to the brokers.

Brokers who showed little interest in small companies two years ago are now aggressively pursuing these firms. Independent agents and smaller brokers now must press harder to beat and compete with brokers now interested in their former clients.

Insurers, whose investment income still

holds up the large underwriting losses according to the first-quarter results reported in this issue, are also under competitive pressure. Cash-flow needs demand a large, steady premium volume. So insurers are still cutting prices and steadily expanding their interest to product lines they previously considered poor or overly complicated risks.

Specialty insurers, whose profit margins are traditionally smaller, find themselves with new competition better able to base underwriting decisions on cash-flow fueling strong investment income. The specialty insurers may also take more chances, just to be competitive.

Everyone screams for attention at a flea market, and sometimes it gets hard to think. The pressure on brokers to promise what they may not be able to produce is tremendous. The pressure on insurers to sell what they may not be able to maintain for the long term is enormous. The pressure to buy while prices are low and products are many is seductive.

■ Good risk managers know the rules of smart buying, but it doesn't hurt to repeat them:

- Buy what you need or what careful planning tells you your company will need.
- Buy from experienced suppliers whose expertise will keep them available to fill your service needs for years to come.
- Don't buy what you can do without or control in some other way.

And when someone shows you a \$200 watch reduced to \$20, make sure it will still tick when the flea market is over.

letters

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

Perry's article defies logic

To the editor: Gary Perry's article in the "Perspective" section (BI, April 20) defies actuarial logic and common sense.

For example, take a corporation with 1,000 locations having property values of \$500,000 each with resultant total insurable values of \$450 million at 90% value.

Extending Mr. Perry's reasoning would suggest that the corporation purchase \$1.13 million of blanket coverage (the two largest locations plus a safety factor of 25%) at an assumed rate of 5 cents per \$100 for an annual premium of approximately \$563. This is in contrast to the conventional annual premium of \$225,000 that would be charged

for blanket coverage of \$450 million at the same 5-cent rate.

This would be a most astounding saving of \$224,437 annually. Quite obviously, the total insurable values subject to loss, and not the chosen limit, should dictate the premium to be charged.

I agree that most insurance carriers would object doing as Mr. Perry suggests not only because it would cut their income but would, furthermore, put every property insurer out of business.

Alfons Binder
Account executive
Allendale Mutual Insurance Co.
Milwaukee, Wis.

Perry's simplistic assumption

To the editor: Gary Perry assumes a rather simplistic view of property insurance underwriting in his Perspective column "Inflation, rates change property plans."

With large corporations having multiple locations, underwriting becomes somewhat subjective and total reliance on rating manuals less a factor. Underwriters determine the "bottom line" or net premium needed to bear the risk and work backward to determine the rate used. If the 20-location corporation cited in the article reported values as suggested, the rate

would increase, resulting in the same net premium or "bottom line".

Since the whole industry uses basically the same system, the co-insurance clause insures that everyone will play by the same rules. In actual fact, corporations with well-established property value reporting systems can easily negotiate removal of coinsurance clauses.

Joseph E. Phillips
Manager, corporate insurance
Northwest Energy Co.
Salt Lake City

Argument is not convincing

To the editor: Gary Perry's article in the Perspectives section, "Inflation rates change property plans," though interesting, is not convincing.

Following Mr. Perry's argument, the premium for two locations valued at \$50 million and \$25 million respectively should be \$37,500. Thus, we are invited to protect

\$275,000,000 for a mere \$9,375 or a rate of 3 mills.

Mr. Perry's thinking has been around much longer than the 34 years I've been in this business.

John J. Sulek
Vp-underwriting
Warner Insurance Group
Chicago

Oklahoma State forgotten

To the editor: I read with interest the article "Institute fights fires with fire engineering" (BI, April 20).

I would, however, like to correct an omission.

A reference is made that undergraduate degrees in fire-protection engineering are available only through the Worcester Polytechnic Institute, Illinois Institute of Technology and the University of Maryland.

However, Oklahoma State University in Stillwater, Okla., has had a fire-protection technology school since the mid-1940's.

The university has offered a bachelor's degree in fire-protection engineering for at least the past 10 years.

As a former graduate of the Oklahoma State University School of Fire Protection, I was more than slightly disappointed that Oklahoma State was omitted from the article.

However, the article was very good.

Charles N. Force
Executive vp
AIG Energy Inc.
New York

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Golf tournament sponsors covered

By STEVE SHERWOOD

DALLAS—The Dallas Salesmanship Club is covered for any liability claims arising from a freak accident at the Byron Nelson Golf Classic.

One man was killed and three other spectators injured when a 17-inch-wide oak tree limb fell May 8 at the Preston Trail Country Club during the Professional Golfers Assn. tournament sponsored by the Salesmanship Club.

Broker Ed Rose of Ed Rose Co. confirmed that his company placed the liability coverage for the tournament sponsor but would not reveal what insurer wrote the policy or its limits.

"When you have the possibility of a loss like this, you never divulge limits," he said.

"These things are subject to interpretation, but in my opinion it was an act of God," he said in reference to the accident.

A PGA official said tournament sponsors are required to have liability insurance.

"We have a group policy that sponsors can participate in if they choose, or they can purchase their own."

The PGA general liability policy has limits of \$3 million per occurrence and \$5 million aggregate for bodily injury and \$50,000 for property damage.

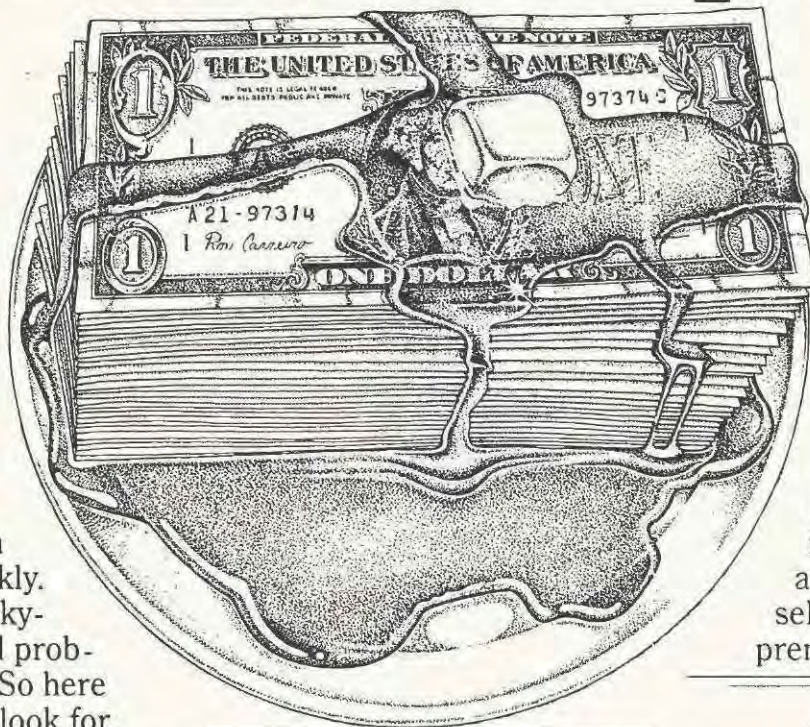
The spectators were watching the second round of the tournament when the tree limb fell 30 to 40 feet, hitting Otis J. Brown, 45, of Kansas City on the head, killing him. Two other men were slightly injured and one woman remained hospitalized last week with a back injury.

"It was absolutely a freak accident," said Morris Hite, tournament chairman and a member of the Salesmanship Club.

"The tree was an old oak and there had been a storm the night before. The limb fell suddenly, without warning. It was not a dead limb. It had foliage. This is the first time something like this has happened in the history of golf tournaments and I don't imagine it will happen again."

The club sponsors the tournament to raise money for summer camps that it sponsors.

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Settlement could reach \$4.9 million

CHICAGO—A structured settlement that could reach \$4.9 million will compensate a 9-year-old boy in a medical malpractice case.

Frank Campolattara's parents filed a malpractice suit against a hospital, a laboratory and four doctors for not detecting a condition that led to the boy's mental retardation.

The settlement, approved by a Cook County Circuit Court, will pay the boy from suburban Glen Ellyn \$400,000 now and \$81,891 a year beginning in 1986. The settlement could pay him an estimated \$4.9 million if he lives to age 70.

The suit claimed the boy was suffering from a condition called phenylketonuria, or PKU, a chemical imbalance that can result in mental retardation if untreated. With early diagnosis and a special diet, the boy could have lived a normal life, the suit said.

But the deficiency was not detected by the doctors at MacNeal Memorial Hospital in Berwyn, Ill., nor Mason-Barron Laboratories in Chicago, which conducted a blood sample. The suit claimed the laboratory also failed to notice PKU symptoms. Consequently, the boy was not treated early enough.

Hospital officials said MacNeal Memorial is insured for the loss but would not name its insurers. Insurance details were unavailable from Mason-Barron.

Group life sales

Group life insurance set up under new or revised group contracts totaled \$12.5 billion in February compared with \$10.4 billion in February 1980, the Life Insurance Marketing and Research Assn. reports. The figures represent face amounts of purchases.

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JUNE 9. International Intermodal Cargo Liability course in New York, sponsored by the Shippers National Freight Claims Council Inc.; members, \$135; non-members, \$155; \$145 for multiple registrants from same firm. Also **June 16** in Chicago. SNFCC, 120 Main St., Box Z, Huntington, N.Y. 11743; 516-549-8984.

JUNE 11-12. Techniques of Risk Management course in Chicago, sponsored by the Risk and Insurance Management Society; members, \$295; non-members, \$395. Also **Sept. 9-11** in Toronto. RIMS, 235 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

JUNE 10-12. Techniques of Finance and Accounting course in New York City, sponsored by the Risk and Insurance Management Society; members \$295; non-members, \$395. Also **Aug. 12-14** in Chicago. RIMS, 235 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

JUNE 11, 1981 Risk Management conference in San Francisco, sponsored by the California Certified Public Accountants Foundation; \$90. Also **June 12** in Los Angeles. California CPA Foundation, P.O. Box 44364, San Francisco, Calif. 94144; 415-321-3545.

JUNE 12. Effective Safety Committees conference in Cleveland, sponsored by the International

Safety Academy, \$150. ISA, P.O. Box 19600, 10575 Katy Freeway, Houston, Texas 77024; 713-932-9400.

JUNE 15-16. Risk Management Techniques for Municipalities seminar in Hershey, Pa., sponsored by the Society of Chartered Property and Casualty Underwriters and the Professional Insurance Agents Assn. of Penn., Maryland and Delaware; \$250. Michael Cabot, Director of Continuing Education, Society of CPCU, Kahler Hall, Providence Road (CB #9), Malvern, Pa. 19355; 215-648-0440.

JUNE 15-18. Inspector Training conference in Houston, sponsored by the International Safety Academy; \$490; \$445 each for three or more from same company. ISA, Post Office Box 19600, 10575 Katy Freeway, Houston, Texas, 77024; 713-932-9400.

JUNE 16-18. Mining Fire School in Marinette, Wis., sponsored by The Anslu Co., \$595. Also **Aug. 18-20** in Marinette. The Anslu Fire School, One Staton St., Marinette, Wis. 54143; 715-735-7411.

JUNE 19-21. Arson Seminar in Stamford, Conn., sponsored by the University of New Haven; \$90. Fred Mercillott, Director of Fire Science, University of New Haven, West Haven, Conn. 06516; 203-934-6321.

JUNE 22-23. Petroleum Loss Detection and Control seminar and workshop in Key Biscayne, Fla., sponsored by The Enercon Group Inc.; \$275; \$200 for seminar only. Bruce Abugel or Judy Mathia, Enercon Group Inc., 1110 Brickell Avenue, Suite 430, Miami, Florida. 33131; 305-371-3343.

JUNE 22-23. Self-Insurance and the Use of Captive Insurance Companies seminar in New York City, sponsored by New York University School of Continuing Education, division of career and professional development; \$725 plus \$85 registration fee for first registrant. Information Services, University Conference Center, 20th Floor, 360 Lexington Ave., New York, N.Y. 10017; 212-953-7272.

JUNE 25-26. Risk Analysis Techniques seminar in New York, sponsored by the Computer Security Institute Educational Resource Center; \$495. Gerald I. Isaacson, Computer Security Institute, P.O. Box 528, Matawan, N.J. 07747; 201-566-6622.

JUNE 29-30. Government Risk Management seminar in Savannah, Ga., sponsored by the Public Risk & Insurance Management Assn.; members \$160; non-members \$200. Also **July 16-17** in Arlington, Texas. Public Risk & Insurance Management Assn., 1140 Connecticut Ave. N.W., Suite 210, Washington, D.C. 20036.

JUNE 28-JULY 1. 1981 Corporate Benefits Management conference in St. Charles, Ill., sponsored by the International Foundation of Employee Benefit Plans; members \$440; non-members \$515. Also **Oct. 25-28** in San Francisco. International Foundation of Employee Benefit Plans, 18700 W. Bluemound Road, P.O. Box 69, Brookfield, Wis. 53005; 414-786-6700.

JUNE 29-JULY 2. Captive Insurance Company course at the Belmont Hotel, Bermuda, sponsored by the Risk Research Group. RRG, Bridge House, 181 Queen Victoria St., London, EC4V 4DD; 01-236-2175.

JULY 6-10. 12th Annual Industrial Product Noise Control Institute course in Schenectady, N.Y., sponsored by Union College; \$695. Union College, Graduate Studies and Continuing Education, Schenectady, N.Y. 12308; 518-370-6288.

JULY 9-10. Personal Injury Cases program in New York, sponsored by the Practising Law Institute; \$250. Also **Aug. 20-21** in San Francisco. PLI, Dept. RWC, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700.

JULY 13-17. Energy Management and Conservation in Commerce and Industry course in Schenectady, N.Y., sponsored by Union College; \$695. With special two-day boiler lectures, \$350. Union College, Graduate Studies and Continuing Education, Schenectady, N.Y. 12308; 518-370-6288.

JULY 14-16. Risk and Insurance Management in Banking seminar in Woodland, Texas, sponsored by the Insurance and Protection division of the American Bankers Assn.; \$375. Ms. Shelly Davis, Insurance and Protection Division, American Bankers Assn., (J8) P.O. Box 4148, Atlanta, Ga. 30302; 202-467-4047.

JULY 19-21. Workers Compensation Research Conference in Storrs, Conn., sponsored by the Workers Compensation Project of the University of Connecticut and the Employment Standards Administration; \$130; \$90 for commuters. Danitza Fernandez, Conference & Institutes, U-56E, The University of Connecticut, Storrs, Conn. 06268; 203-486-3231.

AUG. 27-28. Product Design Liability Program in New York City, sponsored by the Practising Law Institute; \$250. Practising Law Institute, Dept. RWC, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700.

SEPT. 7-12. Rendezvous de Septembre 1981 meeting in Monte Carlo, sponsored by AFIA Worldwide Insurance. For information on registration contact Harold Christensen, AFIA Worldwide Insurance, 1700 Valley Road, Wayne, N.J. 07470; 201-696-0200.

SEPT. 10-11. Hospital Risk Management Seminar in New York, sponsored by EBASCO Risk Management Consultants Inc.; \$370; \$320 for additional participants from same firm. EBASCO Health Care Registrar, Two World Trade Center, New York, N.Y. 10048; 212-839-1360.

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Product liability laws necessary, appointee says

WASHINGTON—A federal tort reform law and the Risk Retention Act are both needed to ease the nation's product liability problems, says the new associate general counsel at the Commerce Department.

"Product liability is a two-prong problem," Steve Halloway says. "We need both to complete the fit."

Mr. Halloway fills a key gap in the Reagan administration: the absence of a high-ranking official with the background to make policy decisions in the product liability arena. In his post, he will coordinate legislative and regulatory issues for the Commerce Department.

Mr. Halloway succeeds Victor Schwartz who joined a Washington law firm last fall. For four years, Mr. Schwartz headed a special government task force in charge of developing solutions to product liability problems.

The task force came up with the Risk Retention Act, federal legislation that would make it easier for businesses to set up insurance cooperatives to insure their product liability exposures.

Mr. Schwartz, a former law professor, also wrote the Model Product Liability Bill, a proposal to give the legal system more certainty by establishing uniform product liability defenses. Versions of the model bill have been enacted in Connecticut, Kansas and the state of Washington.

Commerce Secretary Malcolm Baldrige gave his blessings to the Risk Retention Act and suggested a need for a federal product liability law during Senate confirmation hearings in January.

But there has been no follow-through. The administration has not outlined what it would like to see in a federal product liability bill. And the administration did not send representatives to testify last month during a House Energy and Commerce Committee hearing on the Risk Retention Act.

"There hasn't been a central focus (within the administration) since Victor Schwartz left," says David Sloane, director of congressional relations for the National Assn. of Wholesaler-Distributors.

Mr. Halloway's appointment will renew that focus on product liability problems.

"He brings to the Commerce Department a wealth of knowledge on the product liability issue," says Les Cheek, vp-federal affairs for Crum & Forster. "He is an excellent politician, he's bright and is open and accessible."

As counsel for the Senate Commerce Committee, Mr. Halloway drafted the first product liability bill considered by Congress, S. 403 (BI, May 16, 1977).

The bill, which was opposed by consumer and legal groups, died in committee, but its introduction heightened congressional interest in product liability problems.

Having been involved in product liability issues for four

years, Mr. Halloway emerged as a leading expert in the field on Capitol Hill.

Mr. Halloway, in an interview, did not endorse a specific federal product liability bill. But he said that a revised version of the Commerce Department's model bill (BI, Oct. 15, 1979) would be a good starting point in drafting new legislation.

Mr. Halloway, 35, also predicted that Congress will pass the Risk Retention Act. "We finally seemed to have ironed out all objections," he said.

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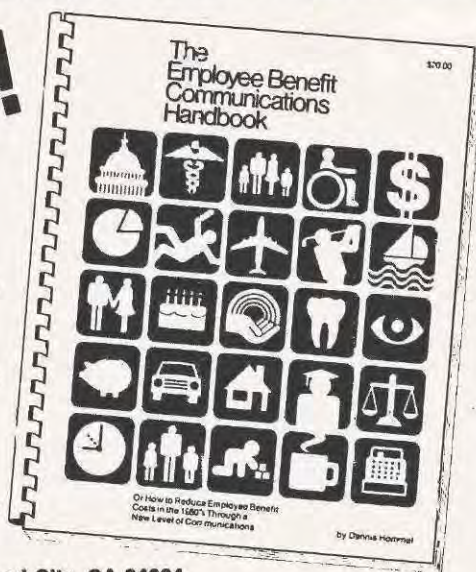
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Pennock joining Firestone; Pearsall goes to Texaco

Jeffrey B. Pennock, director of risk management at Wheelabrator-Frye in Hampton, N.H., is joining Firestone in Akron, Ohio, as director of risk management replacing **Al Pearsall**, who left Firestone to join the risk management department at Texaco in White Plains, N.Y.

Mr. Pennock became risk manager for Wheelabrator-Frye last fall after it acquired Pullman Inc. of Chicago where he had been assistant vp for corporate risk management. Wheelabrator-Frye has not named a replacement for Mr.

comings & goings: buyers

Pennock.

At Texaco, Mr. Pearsall is manager of corporate insurance, reporting to Robert Kreiling, general manager-insurance. In his new position, an expansion of Texaco's risk management department, Mr. Pearsall will be in charge of all corporate property/casualty insurance for Texaco's worldwide insurance programs. Mr. Pearsall had been with Firestone since 1976.

Karen A. Manning has been promoted to director of international benefits for American Express Co. in New York. Ms. Manning, 33, formerly was manager of employee benefits, planning and communications. She has a bachelor's degree in psychology from Fordham University in New York City. Ms. Manning replaces **Thomas Maloof** who has joined A.S. Hansen Inc., a New York consulting firm.

Air Products and Chemicals Inc. in Allentown, Pa., has named **Robert A. Locke**

to the new position of manager of insurance claims. Mr. Locke, who will be responsible for claims made against Air Products and the company's claims against its insurers for property damage and business interruption, has been with the company since 1978. His most recent position, coordinator of risk management services, will be eliminated although Mr. Locke retains some of those responsibilities. He has a bachelor's degree in business administration and a master's in business administration from the University of Delaware. Mr. Locke reports to David Urbani, manager of corporate risks.



Locke

The Gap Stores Inc. has promoted **Ginny Talucci** to director of risk management. She joined the company in 1978 to establish its first risk management program and assumed responsibility for loss prevention and safety, claims administration and insurance management. Ms. Talucci also will be responsible for employee benefits funding. She reports to Maurice Gregg, executive vp of finance. Ms. Talucci has a bachelor's degree from the University of Massachusetts and a CPCU designation.

Triangle Industries Inc. in Holmdel, N.J., has named **Gregory H. Smith** to the new position of pension benefits specialist, employee benefits administration. Mr. Smith, who previously was a benefits specialist for Crum & Forster Insurance Corp. in Morristown, N.J., reports to Director of Personnel John Andres. He has a master's degree in business and social sciences from Seton Hall University.

We'd like to report on staff change in your risk management or employee benefits department. Just drop a note to Business Insurance 740 N. Rush St., Chicago, Ill. 60611 or call 312-649-5398.

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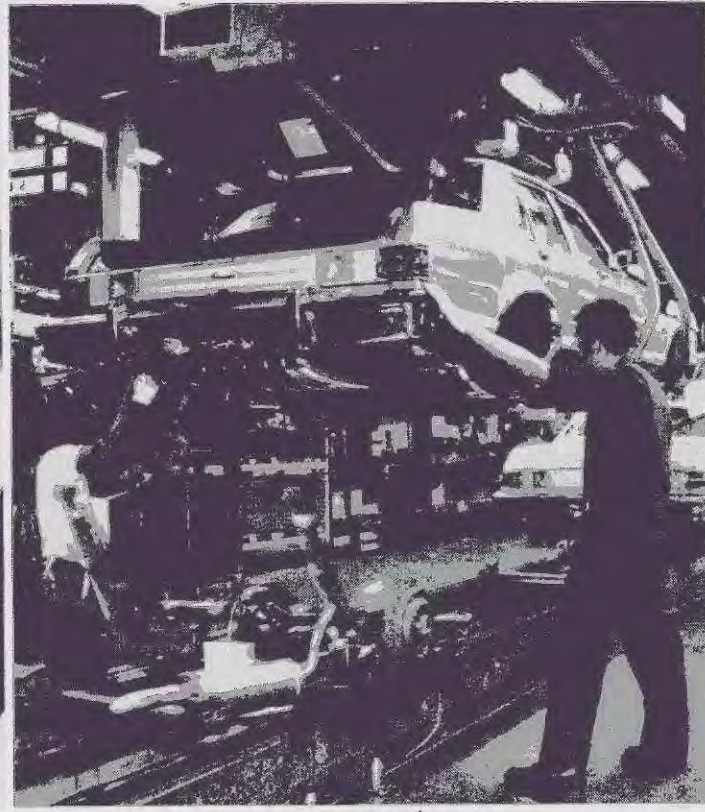
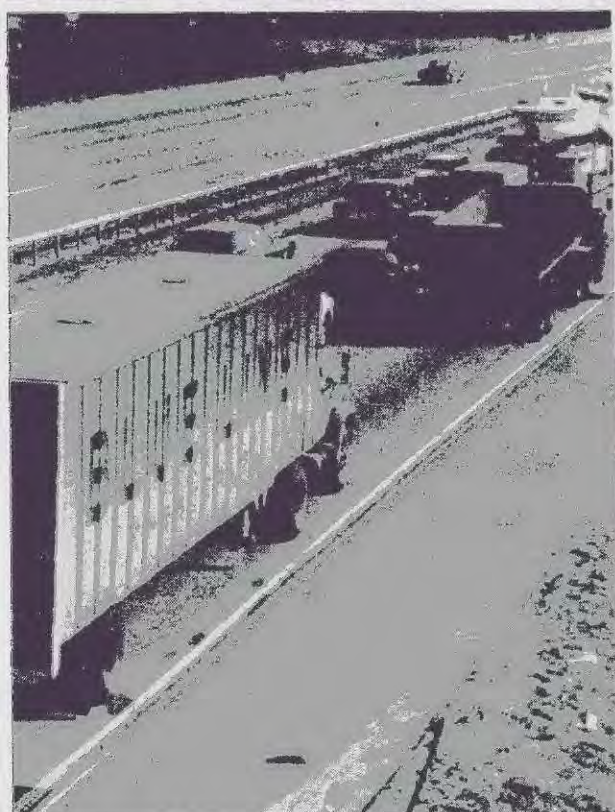
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LOSS CONVERSION FACTOR:	1.13
TAX MULTIPLIER:	1.035

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CONVERTED LOSSES:	282,500.
TAX:	11,988.
TOTAL RETRO PREMIUM:	<u>\$354,488.</u>

ADDITIONAL PREMIUM DUE WORKERS' COMPENSATION INSURER: \$54,488.

PIA RECALCULATED SPECIAL COVERAGE INSURANCE

BASIC:	\$ 60,000.
CONVERTED LOSSES:	203,400.
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Emergency paging system introduced

Teltrend Inc. is introducing the EPS281 emergency paging system for hotel/motel and high-rise complexes. The system allows building or maintenance personnel to telephone emergency procedures to people in moments, the manufacturer says.

The system uses existing PBX phones and cables for easy installation and can be programmed for live or recorded messages.

For further information write Virg Bennett at Teltrend Inc., Box 400, West Chicago, Ill. 60815; 312-

products & services

293-0607.

Theft protection

Towed equipment and trailers can be protected from theft with a Pintle Lok, says Equipment Theft Information Program Inc.

The multipiece Pintle Lok can be installed on any type of equipment or trailer instead of a regular

pintle hitch. The locking mechanism prevents hitch-up and possible theft. For more information write Equipment Theft Information Program Inc., Box 571, Addison, Ill. 60101; 312-530-8393.

Conference help

Interforum Group Inc. offers help planning risk management

conferences from processing registration forms to tabulating attendee evaluation forms. It also provides services to help firms develop their own seminar or meeting.

For a free brochure on services offered, write Interforum Group Inc., 68 William St., New York, N.Y. 10005; 212-269-2240.

Passenger cover

Markel Service Inc. has developed a liability insurance program

that covers death or injury of authorized or unauthorized passengers in over-the-road trucks.

This coverage is offered to employed drivers and leased operators with a low monthly deduction. All passengers not covered under workers compensation can be insured. Limits range from \$50,000 to \$500,000; 100% group participation is not required. For details write Gary Markel, 5310 Markel Road, Richmond, Va. 23230; 1-800-446-6671; in Virginia, 1-800-552-3408.

New sealants

Two new fire-stopping sealants have been introduced by 3M. Fire Barrier Caulk CP 25 and Fire Barrier Putty 303 can be used in cable and mechanical penetrations in floors and walls. The sealants expand during a fire and as cable insulation is burned, the materials expand to close the penetration to flame and smoke.

The caulk and putty bond to concrete, metals, wood, plastic and cable jackets. For details write 3M, Department Te81-6, Box 33600, St. Paul, Minn. 55133; 612-733-1835.

Insulation testing

The Hartford Steam Boiler Inspection & Insurance Co. now does electrical insulation testing as part of its loss-prevention activities. The testing is available on a fee-for-services basis.

The electrical insulation testing is the newest addition in a series of plant reliability services offered by Hartford Steam Boiler's Technical Services Group. Details are available by writing Technical Services Group, Hartford Steam Boiler, 56 Prospect St., Hartford, Conn. 06102; 1-800-243-0090.

New program

Stewart Smith Cos., in association with freelance consultant Peter Wood, is underwriting a new limited partnership liability program. Stewart Smith, offering the coverage exclusively on behalf of CNA, is one of the first companies to offer this type of program.

The policy, with a limit of \$5 million, insures general and limited partners against specific wrongful acts and is available to new and existing limited partnerships. For details call Stewart Smith in New York, 212-964-2929; Chicago, 312-236-7333; Los Angeles, 213-382-6201; Detroit, 313-963-7084; or Dallas, 214-688-1051.

Stop-loss

Bluewater Insurance Ltd. is writing personal stop-loss reinsurance for underwriting members of Lloyd's of London, covering account years beginning with 1981. This stop-loss reinsurance helps protect U.S. companies from exposure to unlimited liability from their syndicate participation.

Bluewater offers a three-year, non-cancelable policy that provides straight excess of loss coverage with indemnity in each case equal to 30% of the member's allocated premium excess of 110% of allocated premiums. During the policy period, the indemnity limit and excess point increases and decreases with any change in the reinsured's allocated premium limits.

In accordance with Lloyd's regulations, stop-loss reinsurance for the 1981 underwriting year must be in effect before June 30, 1981. The program is offered through Lloyd's underwriting agents in London or contact W. Stacy Branum, P.O. Box 624, Vienna, Va. 22180; 703-827-8260 for information.

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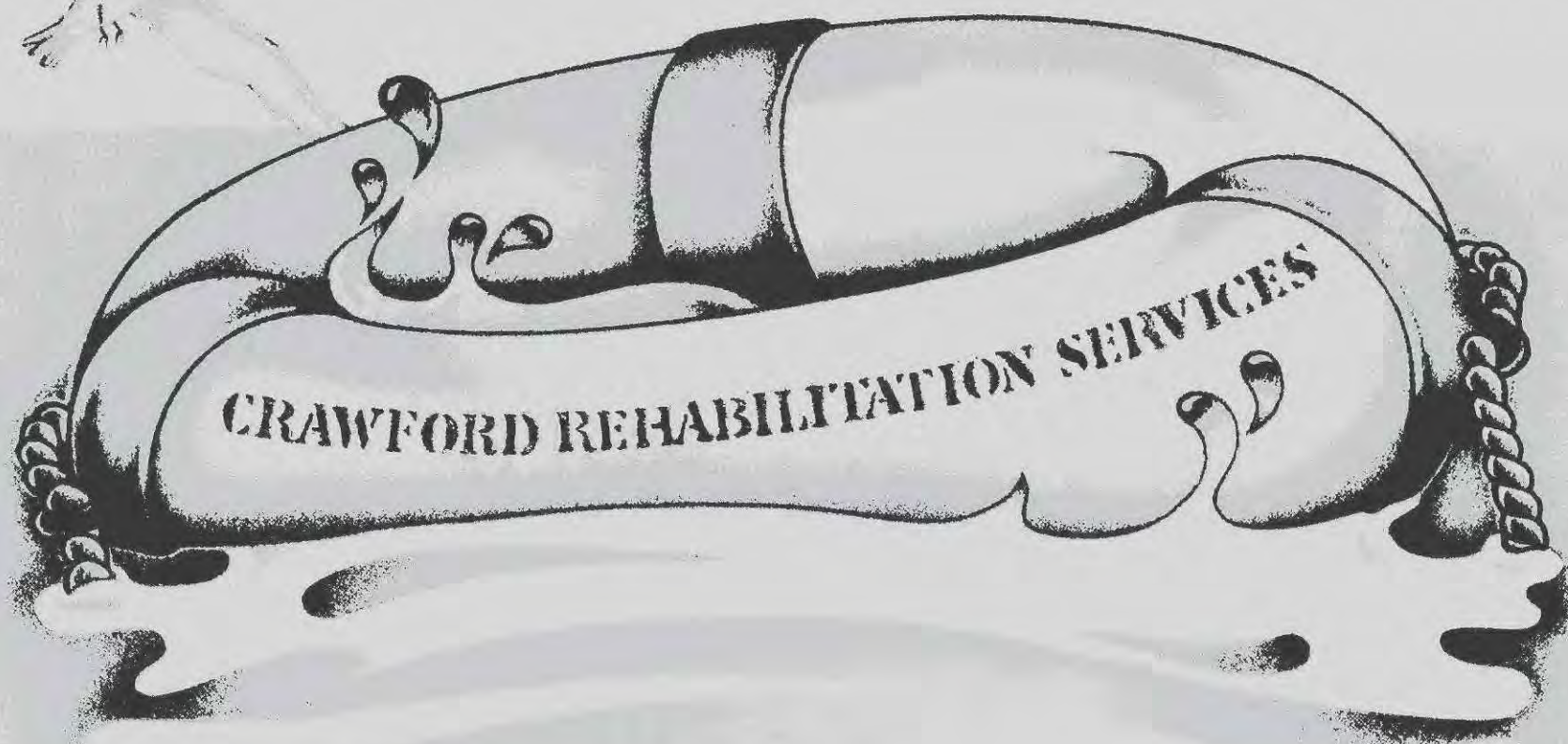
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offices nationwide. We can save you claim dollars through our medical management and vocational rehabilitation services. Our program involves treating the whole person—mentally as well as physically. Through such a program we can determine what workers can do, despite an injury, and then try to find ways to return them to work.

Many, many valuable employees have been returned to healthy, productive lives in the job market through our services. This is not only good for the worker, it saves you money as well.

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State of Ohio considering self-insuring its health plan

COLUMBUS, Ohio—The state will begin accepting bids June 1 for both a health insurance contract with a private insurer and a program for self-insurance, said Alfred Porkolab, insurance and risk manager for the state Department of Administrative Services.

The state's current contract with Blue Cross of Central Ohio expires June 30.

After examining bids, the state

around the states

will decide whether to continue to cover employees through a private insurer or self-insure.

The state and representatives from William M. Mercer Inc. de-

termined that self-insuring the state's estimated 50,000 employees would be beneficial to both the state and its employees.

But the state's Compensation Board recommended that the state review bids from private insurers as well as self-insurance programs, Mr. Porkolab said.

The state hopes to award a contract by Aug. 31. The plan would go into effect Jan 1.

The state has extended its contract with Blue Cross until the end of the year. The current plan costs Ohio about \$4.3 million a month.

Meanwhile, the state, which plans to accept bids through July 13, has planned a pre-bid conference June 9. It will be at 1:30 p.m. in the Lobby Hearing Room of the State Tower Building at 30 E. Broad St., Columbus, Ohio 43215.

Auto liability rate

NEW YORK—The New York Insurance Department has approved an interim increase of 20.9% in the commercial automobile assigned risk insurance rate for mandatory liability coverages.

The adjustment increases the rate for trucks, tractors, trailers, van pools and hired cars 10% above the prevailing voluntary rate. It puts garages and dealers directly at the prevailing voluntary rate level.

The rate became effective May 4 for new businesses. It will go into effect for renewal policies on June 18. A proposed 52.6% rate increase is pending.

Blue Cross hike

TRENTON, N.J.—An average 15% increase in the premium rates for individual direct payment and small group subscribers of the New Jersey Blue Cross Hospital Plan has been approved.

The increase represents final action on a request for a 24.6% increase effective Dec. 1, 1980, that Blue Cross made on Aug. 20, 1980. The increase, to go into effect June 1, will affect 1.9 million people.

Workers comp

ATLANTA—The Georgia Legislature recently passed three bills providing additional workers compensation benefits.

House Bill 549 provides payment of some employee legal fees. H.B. 131 grants workers compensation benefits to members of the National Guard when called to active duty. H.B. 851 increases maximum weekly benefits from \$110 to \$115. It also provides coverage for certain volunteer firefighters.

Comp dividends

SALEM, Ore.—The State Accident Insurance Fund is paying Oregon employers \$60 million in workers compensation insurance dividends.

Lynn Newbry, SAIF chairman, says the record dividend is a direct result of the state's move 10 months ago to convert SAIF from a quasi state agency into the nation's first public corporation specializing in workers compensation.

Newbry said the change has increased efficiency and resulted in better loss reduction services for employers and workers. This produced a 64.1% loss ratio, the lowest in SAIF's history.

During 1980, SAIF had net earned premiums of \$223.6 million. It insured about 45,000 Oregon employers who had a combined workforce of 438,000 employees.

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info

• The 1981 edition of the National Fire Protection Assn.'s **Fire Service Catalog of Training and Educational Materials** and the **Codes and Standards Catalog** are available free. For a copy contact the National Fire Protection Assn., Publications Sales Division, Batterymarch Park, Quincy, Mass. 02269; 617-328-9230.

• The Practising Law Institute has published two guides to outlining federal legislation in easy-to-understand language. **ERISA Compliance: Reporting and Disclosure** explains the reporting and disclosure provisions of the pension act in concise terms. **Guide to Federal Environmental Law** includes explanations of legislation administered by the Environmental Protection Agency, a discussion of the Fuel Use Act and information on tax-exempt financing of pollution control equipment. Each guide costs \$45. Write June E. McDonald, Book Publicity Manager, Practising Law Institute, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700.

• Adjusting Systems International has published the 1981 **Directory of ASI Adjusters**. The directory lists 331 designated offices of the 221 ASI-subscribing independent adjusting firms. The directory is available upon request from ASI, 4801 Woodway Drive, Suite 300 East, Houston, Texas 77056; 713-965-0464.

• Fleming/Redmon & Associates, a risk management services company, has published a new booklet, **Analyzing Your Insurance Program**. The cost is \$5 per copy, or \$3.50 per copy for orders of 10 or more. Write Fleming/Redmon & Associates, 3800 N. Central Ave., Suite 400, Phoenix, Ariz. 85012.

• The accounting firm of Arthur Andersen & Co. has published a booklet, **Interest Futures Contracts—Accounting and Control Techniques for Insurance Companies**. It gives an overview of interest rate futures contracts, explains how an insurer can use futures in its investment activities, describes the proper accounting, internal control, reporting, internal audit and federal income tax considerations. Write Edward F. Bader, Arthur Andersen & Co., One Financial Plaza, Hartford, Conn. 06103.

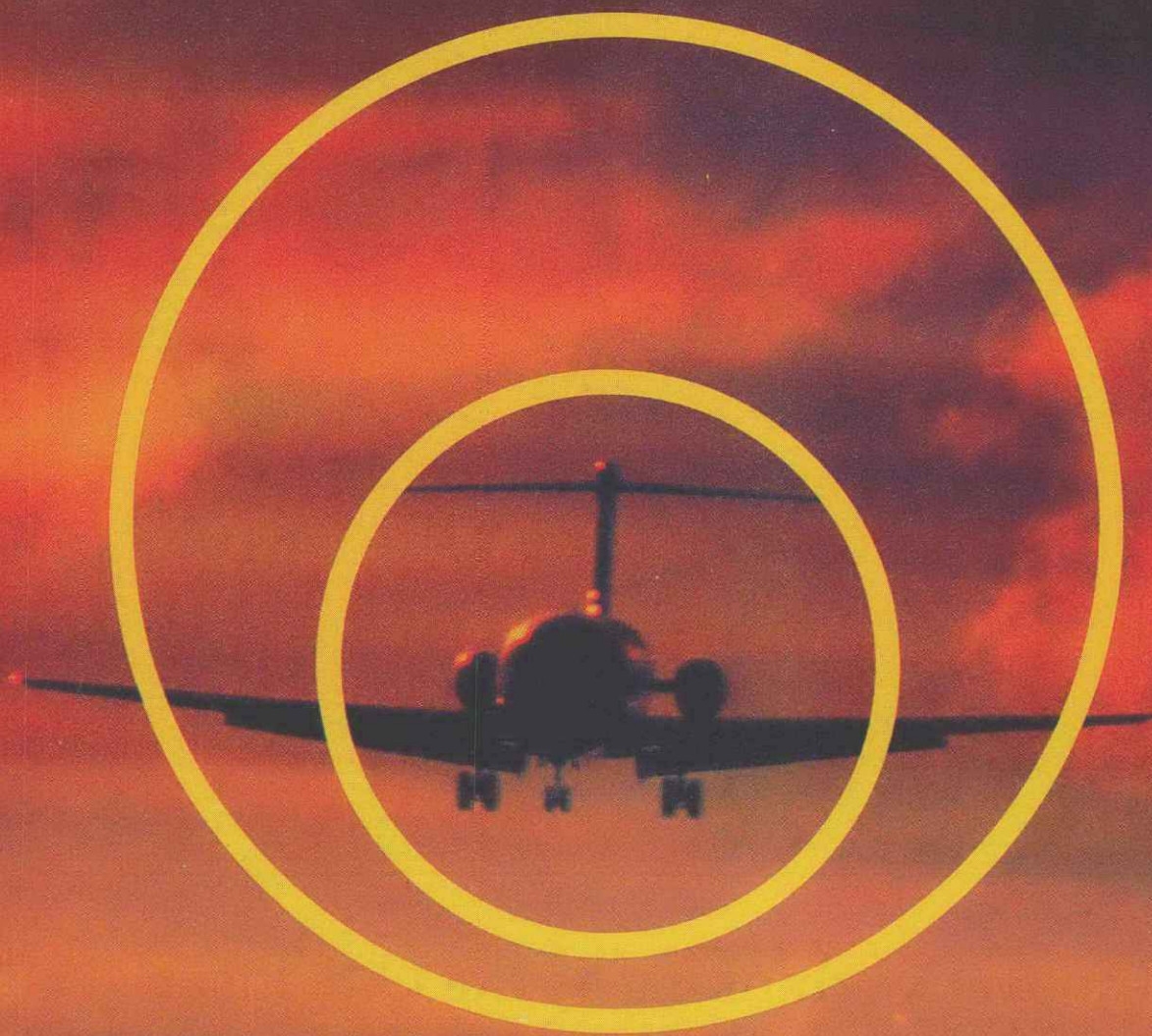
Conference site moved

BROOKFIELD, Wis.—After two false starts, the International Foundation of Employee Benefit Plans has found a time and place for its 1981 educational conference: Dec. 4-9 in Acapulco, Mexico.

The group originally planned to meet in mid-November in Las Vegas. However, that would have conflicted with the AFL-CIO's annual meeting so the conference was rescheduled for mid-September, according to a letter to members from Lee R. Polacheck, IFEBP executive vp.

But on Feb. 10, the Las Vegas Hilton, the conference headquarters, caught fire. In light of that fire and an earlier blaze at the MGM Grand Hotel in Las Vegas, few had registered for the conference, Mr. Polacheck said.

No other city in the United States or Canada could accommodate the IFEBP Conference on such short notice so the board of directors voted to meet in Acapulco, the only suitable site that had dates available, Mr. Polacheck said. ■



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Attracting Capital to



Innovative thinking by the U.S. insurance industry is helping facilitate the search for energy resources worldwide.

INA looks at some of the ways insurance is bringing greater financial security to this urgent, high-risk endeavor.

Steady, dependable sources of energy are the sinews of industrial society, influencing national strengths and political strategies. In its search for critical new sources, the energy industry is confronted not only with these realities, but with many uncertainties.

No one can be sure where the next major oil strike will be made, or how much oil it will yield. Largely untapped resources—synfuels, oil shale, solar, wind and tidal power—remain tantalizing, but elusive.

Even existing sources are ex-

posed to grave risk. Ocean drilling rigs are threatened by perils unknown to land operations. Electric utility plants are subject to unexpected overloads which can black out entire communities. The effects of government regulations, particularly environmental measures, represent another major imponderable.

Supplying energy in the face of such uncertainties calls for major expenditures. U.S. oil and gas exploration and development alone will require an average of \$70 to \$80 billion annually between now and

1990. A shale oil plant producing a modest 100,000 barrels daily of synthetic fuel costs at least \$3 billion. To attract such immense sums, some positive assurances of return on investment are needed.

Protecting huge investments

Replacing energy doubts with certainties through indemnifications for loss of physical assets is a prime responsibility of the insurance industry. But the billions of dollars of insurance required to cover exploration projects, refineries, power plants and transmission lines, have strained world markets.

To narrow the gap between need and capacity, most energy companies are using their own funds, through various forms of self-insurance, to cover their more predictable exposures. This frees commercial insurance capacity for the less foreseeable and potentially catastrophic ex-

Energy Development

posures. Moreover, the insurance industry has formed "pools" of capacity to make such outsize risks as supertankers, ocean drilling platforms and nuclear generating plants economically feasible.

Most challenging of all is adapting established insurance products and creating innovative ones to meet emerging energy industry demands.

For example, "builder's risk" insurance typically covers shortfalls in construction and manufacturing. Now it is being extended to such energy activities as recovering heavy crude oil from tar sands. Insurance compensates the owner of such a facility should it fail through technological deficiencies to meet financial commitments.

Similar protection applies to caverns prepared for underground storage of hydrocarbon products. Here, the owner is protected against losses result-

ing from the cavern's failure to meet pre-established specifications.

Defusing threats of depletion

Owners of energy resources still in the ground count on them heavily in their financial planning. Although current technology can provide useful estimates of the extent of reserves, some doubt inevitably remains.

To counteract such uncertainty, insurance protection can be provided for the minimum value of the reserves. This allows their use as collateral and makes possible firm planning and commitments. It also may permit the use of standard "up-front" plant financing, rather than costly venture capital. In the case of geothermal reservoirs, insurance protects against any resource inadequacy which results in the abandonment of the generating plant.

INA's experience in fulfilling energy insurance needs, domestic and international, reaches back many decades. Today, INA is aggressively involved in all aspects of energy-related insurance, particularly through Energy Facilities, a unit of INA International and Special Risk Division.

Comprehensive services

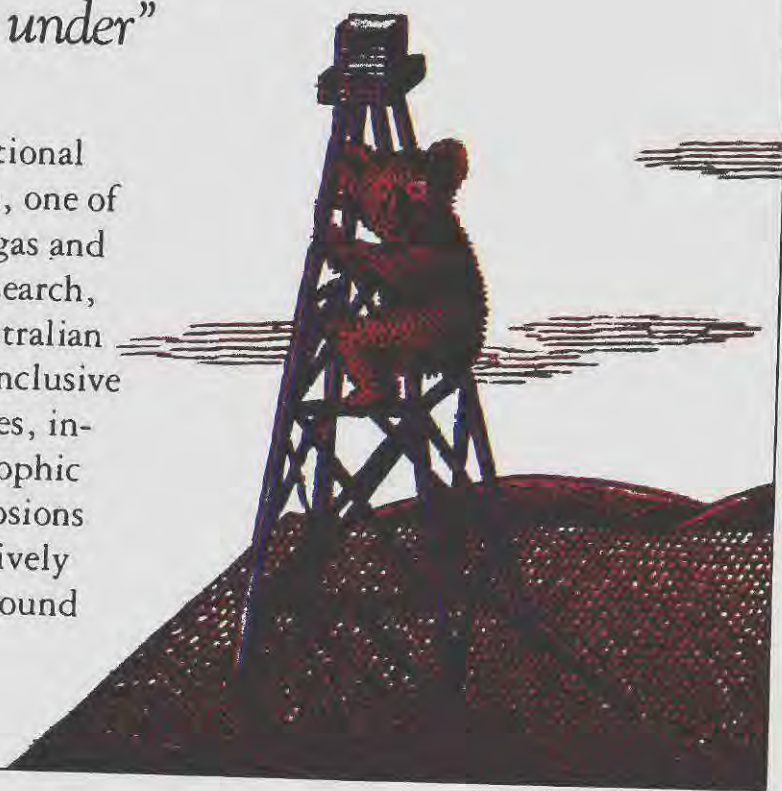
Recognizing and meeting complex needs, such as those of the energy industry for attracting capital, typifies INA's comprehensive approach to increasingly sophisticated insurance and risk management problems.

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

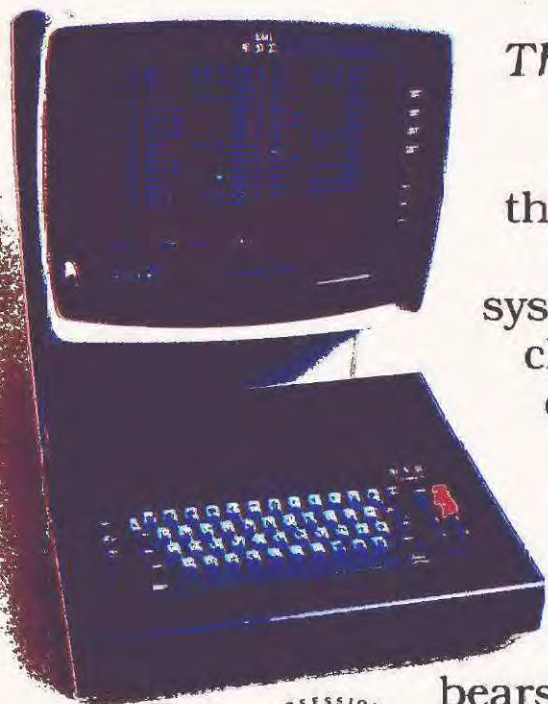
For an informative booklet on insurance and the energy industry, write INA, Dept. R, 1608 Arch Street, Philadelphia, PA 19101.

A green light "down under"

The search is on for additional energy resources in Australia, one of the world's more promising gas and oil frontiers. To further this search, INA International offers Australian drillers and investors an all-inclusive package of insurance coverages, including such possibly catastrophic exposures as blow-outs, explosions and well collapse. This effectively opens the way to financially sound exploration.



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ANOTHER REASON WHY THE TRAVELERS IS NUMBER ONE IN INSURING SMILES.

perspective

Outdated

Old laws are hampering modern transport policies

By M. E. DeOrchis

THE GOAL OF developing a truly coordinated international transportation system involving all modes of transport is the dream of shippers and carriers caught up in container revolution. It is also the nightmare of insurers trying to cover door-to-door multimodal transportation.

According to the Federal Maritime Commission (FMC), the container revolution has brought about more change in the maritime industry than anything since steam propulsion.

The technological developments making it possible for cargo in sealed containers to be transferred swiftly from ship to truck or train or plane or even dirigibles without touching the goods have brought about rapid changes in transportation techniques and hardware.

But the laws that govern movement of commerce, both domestic and foreign, have failed to keep up with the times.

The insurers, trying to cover the risks of door-to-door movements by a combination of transports, find themselves in a multimodal muddle of conflicting laws and regulations. That makes the marketplace particularly complex.

The present regulatory machinery is not geared to meet the need for simplified laws to control international door-to-door transportation. The need for international uniform regulation is immediate, but the goal may remain out of reach for years.

Uniformity can best be accomplished by international convention. However, despite several attempts to simplify and unify domestic and foreign law, the rules governing through transport remain a hodgepodge of conflicting laws that make it difficult, if not impossible, for insurers



to rate through transport risks. The uncertainty tends to drive insurance costs upward.

As these costs are included in the price of merchandise, the consumers ultimately foot the bill for the multimodal muddle.

Containerization and multimodal transport is the product of American ingenuity and technology but, ironically, domestic transport regulations lag behind because control is fragmented among three mode-oriented agencies: the FMC, the Interstate Commerce Commission and the Civil Aeronautics Board. Each jealously guards its own jurisdiction.

The most serious drawback to an effective multimodal system in the United States has been the failure of Congress to establish a cohesive national transportation policy.

"As a result, we find ourselves today with a regulatory framework which emphasizes the difference among modes and encourages turf building and protection," says Leslie Kunuk, vice chairman of the FMC.

Recent deregulation of truck, rail and air transport may prove a hindrance

rather than a furtherance of multimodal transport because it widens the gap between the modes and ocean carriage, which is still controlled by the FMC.

As long as U.S. transportation laws remain fragmented, maritime insurers, trying to wade ashore and weld together a single policy to cover all segments of door-to-door carriage, will run head-on into the muddle. There are some 20 statutory, convention and treaty documents applicable to U.S. cargo movements alone, to say nothing of hundreds of agency regulations.

For example, the defenses available to air, land and water carriers vary widely, as do the time-to-file-claim and time-to-sue provisions. There is also wide variation in the limit of liability applicable to each carrier that might participate in a door-to-door movement.

In Europe, the liability of a land carrier is defined by two international conventions. One, the CIM, governs carriage of goods by rail. The other, the CMR, regulates carriage by road. If the cargo crosses the ocean by air, the law governing the liability of an air carrier is contained in the Warsaw Convention of 1929 and its various amendments. More than 110 countries have joined the convention, but because of amendments, reservations and modifications, there are now at least 40 versions of the air convention in different parts of the world.

Under the U.S. Carriage of Goods by Sea Act, owners and charterers are protected by at least 17 different defenses. In Europe and many other countries, maritime transport is governed by the Hague Rules of 1924, on which the COGSA is based.

However, to add to the confusion over differences in land, air and sea transportation laws, there have been some important recent amendments to the Hague Rules designed to increase the limitations and reduce the defenses of ocean carriers.

Since only the countries that adopt the changes are bound by them, we are now entering an era of different laws covering carriage of goods by sea. It may take years before most nations accept the amendments and create uniformity.

The Visby Amendments of 1968, adopted by 17 countries, contained important changes relating to the ocean carrier's per-package limitation. The Hamburg Rules of 1978 made several substantive changes that result in presumed fault or neglect of the ocean carrier.

On May 24, 1980, a multimodal convention was adopted in Geneva. This convention supplements the Hague Rules, which deal only with sea carriage, and provides a uniform legal liability system for through carriage by various modes of transport for the first time. The convention places on the multimodal transport operator the risk of liability for damage if it is not clear during which segment of transportation the damage occurred.

The transport operator will have to absorb higher liability, high limitation and losses that cannot be pinpointed. For this reason, the operator's combined freight rate for through service may turn out to be higher than the various segments.

So far, only Mexico has signed the convention. It will take 30 more nations to bring the it into force.

There are now so many differing liability limitations, not to mention litigation and claims laws involved in multimodal and segmented transport systems, that a computer may be needed to track various claims. The other problem is knowing what insurance coverage to buy.

Most underwriters depend heavily on loss ratios reflected by an applicant's past experience to quote a rate. But many shipowners starting a multimodal service and assuming liability for door-to-door service have no loss experience to cite.

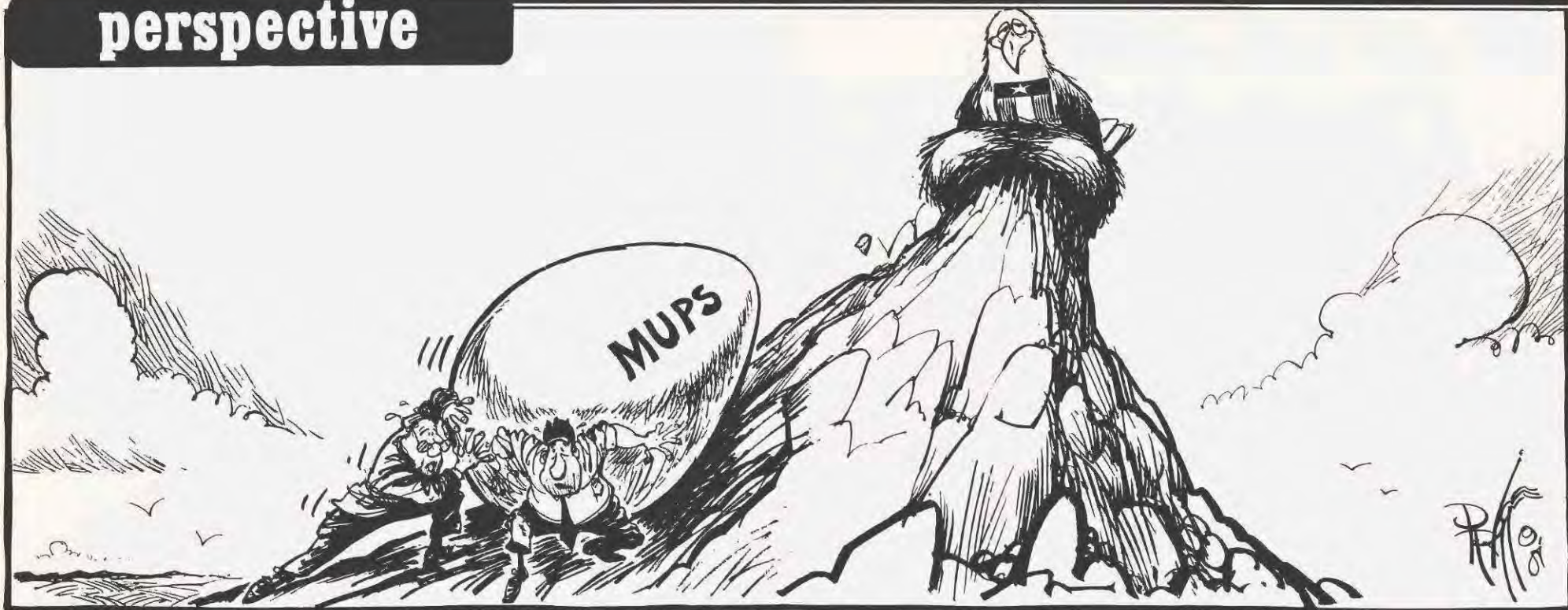
Some insurers add a percentage to be the basic port-to-port rate, while others look at the experience of other carriers already involved in such operations.

One underwriter who was asked how he determined the rate for multimodal transport said: "I look out the window."

M.E. DeOrchis is a senior in the New York firm of Haight, Gardner, Poor & Havens, admiralty lawyers, in New York.



perspective



The MUPS mess

Proposed retirement fund would help few

By Kenneth K. Keene

ANOTHER made-in-Washington acronym has been conceived. It's called MUPS, or Minimum Universal Pension System, a proposed mandatory layer of funded pensions on top of Social Security benefits.

Basically, former President Carter's Commission on Pension Policy opts for yet another dose of massive government intervention to overcome its self-proclaimed "crisis" in our retirement income programs.

The Reagan administration, which received the commission's final report, has expressed disinterest in key aspects of its work. Even so, MUPS appears to be a subject worthy of discussion because of the long lead time between introduction and implementation of major legislation.

One part of the pension "crisis" deals with Social Security where short- and long-range financial problems exist. Mr. Carter's commission has made generally commendable recommendations which deserve close attention at policymaking levels.

The other part of the "crisis" focuses on the commission's statement that only about one-half of employees in the private sector participate in pension plans. But William Greenough, one of the panel's members, disagrees. He says that nearly 70% of full-time workers are already participating in private plans or will be when they reach age 25 and have one year of service. The majority of the remaining uncovered employees are part-time or low-paid workers in small establishments for whom Social Security is the crucial coverage.

Nevertheless, the commission, with

minimal cost-benefit analysis, moves inexorably to the conclusion that the "coverage gap" must be closed with a mandatory scheme.

It proposes that each and every employer be required to set aside 3% of payroll for each worker over 25 employed at least 1,000 hours per year who has completed one year of service. The 3% amount would be allocated and invested for each worker. Small businesses would be given a special MUPS tax credit equal to 45% of their contributions up to a limit of 3% of payroll.

The commission argues that the cost of MUPS is feasible and affordable. It says the plan would cost businesses with fewer than 100 employees \$9.5 billion in 1984. Those businesses would get back \$5.7 billion in business tax savings, for a net cost burden of \$3.8 billion. For all companies, the commission projects 1984 costs of \$18.6 billion, offset by \$10.5 billion tax savings. The net added costs to commerce and industry, and ultimately to workers and consumers, would be \$8.1 billion.

The vast majority of small businesses would undoubtedly be at the 17% tax bracket or, worse still, operating at a loss. Will the 46% tax credit be of any real help for these companies operating marginally? Also, if the government picks up 60% of the extra cost for small businesses, wouldn't this just be a raid on general revenues? And where are these general revenues? Even the administration's rosy economic assumptions reveal huge deficits until 1984.

MUPS is not that responsive to the impact of inflation or to changes in the status of employees as progress up the corporate ladder. On the other hand, the defined benefit concept long favored by employers is ideally suited to the achieving of specific objectives and is the best vehicle for communicating the benefit to the employee.

Another criticism of MUPS—perhaps the fatal one—is that, with future enhancements plus a slowed-down Social Security system, it would not begin to solve the perceived need of an adequate retirement benefit for years. What is to happen to people who retire before MUPS matures? One way or another the social schemers will ask business and/or individual taxpayers to fill the breach. Apparently, little thought has been given to taxpayer revolts.

The commission urges strengthening the Social Security system through a combination of tax increases and benefit cuts. This could then be rounded out by the encouragement of voluntary savings for retirement through new approaches to tax policy.

It would seem that the volunteer approach, with tax deductions for all and tax credits for lower-income workers, could be the way out of the "crisis." This is a technique that should be tried long before considering the compulsory approach. Fortunately, the policymakers are apparently warming to the idea, as evidenced by the number of bills being thrown into the congressional hopper to encourage retirement savings.

The MUPS scheme is really just another form of Social Security, but with the requirement for pre-funding. Although private mechanisms would be available, the vast majority of employees would elect to send the funds to the government-controlled investment pool because of its administrative convenience. This pool, ultimately reaching trillions of dollars, would dominate the investment scene, with control over vast segments of American industry.

To some, a 3% MUPS may appear financially innocuous. But so was Social Security when the worker only had to pay a maximum tax of \$30, whereas today the maximum tax is 66 times that amount and is still going up. In short, a 3% MUPS can in time turn into a 5% MUPS, a 7% MUPS or a 10% MUPS.

The basic question pending is how to divide the economic pie. What portion of current production of goods and services should be allocated to maintain the standard of living of those who have already retired?

dustry.

Then too, powerful political forces would want the funds invested in directions that would not necessarily be in the best interests of workers. The whole area of "socially desirable" investments, basically sidestepped by the commission, could become a political football creating infinite opportunities for abuse and mismanagement.

Even with tax subsidies, many small businesses could not afford MUPS on top of Social Security outlays. More money would simply be diverted to the underground economy outside the tax net.

The commission has skirted the issue of sex. Based on male and female mortality characteristics, MUPS would produce different levels of monthly benefits for two similarly situated employees of opposite sex. This issue would be fun for the Supreme Court to resolve, probably by fiat.

MUPS will unfortunately be supported by many labor unions. If the unions can force the federal government to mandate these benefits, then they can focus their future bargaining power in other directions.

This question becomes increasingly relevant as our population matures. Fifty years from now there will be perhaps six beneficiaries receiving payments under Social Security for each 12 active workers, or maybe even nine beneficiaries if pessimistic projections materialize. Will workers shouldering the financial burden stand for this change?



Kenneth K. Keene, FSA, is senior vp & director of Johnson & Higgins in New York.

Cohen appointed senior vp at A&A

Jack B. Cohen has been named senior vp and director of the north central region of Alexander & Alexander Inc.

With Mr. Cohen's appointment, the region's headquarters moves from St. Paul, Minn., to Omaha, Neb. Richard M. Coffey has succeeded Mr. Cohen as managing vp of the Omaha office.

Other agent/broker changes:

Patricia A. Helmstetter named senior vp of Paul Arnold Life Associates Inc. in Livingston, N.J.

Donald J. Reid elected president and chief executive officer of Markel Insurance Co. of Canada, Markel Service Canada Ltd. and Canadian Insurance Agency Underwriters Ltd. He also was elected vp of Markel Financial Holdings Ltd., the parent corporation.

William W. Priestley named president and chief operating officer of Rollins Burdick Hunter of Northern California Inc. Mr. Priestley will have direct operating responsibility for the Palo Alto and Walnut Creek offices of the company and will continue to coordinate the employee benefits operations in Rollins Burdick Hunter's Pacific Southwest division. At the same firm, Harry J. Mulvihill has been elected chairman emeritus.

Arthur J. Tatum elected senior vp of Johnson & Higgins of Georgia.

Donald L. Pesque, MacRobert Thompson, Donald E. Hopper, Clayton E. Kline Jr., H. Arthur Stevens and John V. Owen named senior vps of Marsh & McLennan Inc.

Edward M. Rupkey elected vp of Marsh & McLennan Inc.

James M. Wilson named head of the Richmond, Va., office of Marsh & McLennan Inc. Mr. Wilson succeeds Landon W. Trigg who will retire July 1.

Edmund J. Ralph has become an independent producer in the Mexican insurance market after spending seven years with Grupo Seguros La Comercial.

Jeff DeRegnaucourt and Fred Holland named account executives of Fred S. James & Co. of Michigan in Troy.

Insurers

Leroy K. Mann has been named president of Pennsylvania Blue Shield. He was formerly senior executive vp. He replaces Robert E. Reinheimer, who is retiring.

Standard Insurance Co. in Portland, Ore., announced three executive changes: John F. Hook named senior vp and corporate actuary; Gerald B. Halverson named vp of the individual insurance division; and Ronald E. Timpe named vp of the group insurance division.

Other suppliers:

Gerald P. Brunker appointed staff consultant at RIMCO Risk Management Inc. in Dallas.

Karin Eberle joined Kelly & Associates Inc. in Chicago as manager for advisory services to self-funded medical fund clients.



Helmstetter

comings & goings: industry

Leo Kiebal elected vp at Crawford & Co., an Atlanta adjusting company. He will be in charge of the new risk control services division.

Excess/surplus

Noel W. Martinsen elected president and chief executive officer of The Insurance Market Place Inc. in Metairie, La. He formerly served as executive vp.

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Topeka, Kansas	913-267-1222

the
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Mann

Inexperience causes oil rig accidents

Continued from page 1
from almost nothing up to \$40 million, he says.

Patrick Campbell, general manager of Boots & Coots Inc., a company that fights well fires and caps wellhead blowouts, agrees that human error causes most accidents.

"Human error is the direct or compounding cause of 95% of all blowouts," Mr. Campbell explains.

"Blowouts start with one small misstep, then are compounded. Most occur on new wells or those being repaired. Very few are due to mechanical problems alone," he says.

There are 1,000 more rigs working in the United States now than at this time last year, he says. "About 4,000 workers are needed to man, maintain and supervise their operation. It isn't logical to think there are suddenly 4,000 trained, experienced people added to the work force in that short

time."

If a contractor owns 10 drilling rigs, then buys 10 more, chances are that he will be 50% understaffed in experienced workers, Mr. Campbell says. "He can only go out and rob the industry of so many trained people."

Companies that have had oil-well fires or blowouts almost always ask what they could have done to prevent them, Mr. Campbell says.

"There is not much we can tell them except to see to it that trained, experienced people are working the rigs. New equipment is not the answer. We go to just as many burned out new wells as burned out old wells."

Risk managers of drilling companies recognize the problem and have taken steps to minimize losses.

The Atlantic Pacific Marine Corp. of Lafayette, La., has started a training school to be sure it has enough trained employees to work its nine offshore and barge rigs.

"We have an old rig and a crane set up over a dry hole to let employees move pipe around like they would on deck," explains Kenneth Debenport, corporate insurance manager. "This gives them practical, hands-on experience."

The course is two weeks long—one week of safety classes and another of rig work—and simulates life as it would be aboard an actual rig, including the presence of dogs trained to sniff out marijuana and other drugs, Mr. Debenport says.

"Those kids will bring anything out there. It has to be controlled," he says.

All entry-level people go through the school, he says. "The majority of accidents are not from something breaking or blowing up. They are caused by men who make the wrong moves. Training can control a good part of it. We are holding our own."

Mr. Debenport declined to name his company's insurers, saying only that it is fully covered.

In Oklahoma, the drilling businesses has doubled in recent years, increasing demand for more workers.

"I think you will find in the industry as a whole that if someone is needed, he will be hired at 8 a.m. and become a full employee by 8:45 a.m.," says Thomas Guidry, corporate safety manager for Tulsa-based Helmerich & Payne Inc.

"There is not much time for training."

New, inexperienced employees can affect drilling companies in two ways, he says.

First, they are more apt to have accidents resulting in property damage and, secondly, they are not as aware of necessary maintenance as experienced employees are. This negligence can result in accidents, he says.

"Along with hiring inexperienced people, we have the problem of high turnover," Mr. Guidry says. "New men are unfamiliar with safety rules and operating procedures."

Although Helmerich & Payne does not run a training school, safety films are regularly shown and new employees are oriented through a guardian angel program in which experienced workers show them the ropes.

The company also is careful to hire good personnel, screening out those with health or vision problems that may be hazardous, Mr. Guidry says.

"It is difficult to be selective now because everyone is looking for people."

Still, Helmerich & Payne has a good loss ratio for its 65 land and

two offshore rigs, he says. "We're practically self-insured because of it."

The Hartford Insurance Co. writes the drilling company's workers compensation policy with a \$500,000 deductible. The Hartford also writes a number of property policies that vary in coverage depending on the value of each piece of equipment. Such policies have a \$25,000 deductible with maximum coverage up to \$15 million for one rig.

Employees working in South America are covered for workers compensation under a Continental Insurance Co. policy.

Kathy Privett, risk manager of Diamond M Co. in Houston, says education is the key to safety and loss control.

"We have an extensive program that includes on-the-job training and safety courses," she says. "It zeroes in on specialized areas, teaching employees rig safety and how to do the next job up the ladder."

Ms. Privett says the program reduces accidents aboard her company's 36 offshore and barge rigs, saying, "I definitely think it has helped control injuries and damages. We have been highly successful in safety."

Diamond M owns a captive insurance company in Bermuda and handles its own claims, Ms. Privett says. The company self-insures its 2,000 employees for workers compensation up to \$500,000 and self-insures for general liability to the same level.

Insurance companies offering coverage to the oil drilling industry range from the small United General Insurance Co. in Texas that specializes in land-based rigs to AIG Oil Rig Insurance Co., the largest insurer of offshore rigs. Both recognize the problem of inexperienced workers.

"We emphasize loss control more than anything else," says Allen Cagel, executive vp of United General of Houston.

"Experienced people are spread thin and contractors are having to hire inexperienced workers. We try to make sure they are given adequate training before being put out on the rig," he explains.

Mr. Cagel says his company's policies and training programs are aimed at smaller companies.

Most major drilling companies have their own training programs and draw on them for employees, says Roy Williams, AIG Oil Rig president. "Those who can't afford them have to hire experienced people away from other companies."

AIG Oil Rig insures 180 offshore rigs, doing in excess of \$50 million in premium business a year, he says. Premiums average about 1% of a rig's cost.

"The top 10 drilling contractors own 40% of the 540 offshore rigs operating at this time," Mr. Williams says. "On average about 2% of the drilling fleet is lost each year."

The biggest cause of loss is human error, with hurricanes ranking second, he says. Generally, the largest single claims are generated by mobile offshore rigs that cost from \$120 million to \$150 million.

Asked if damages caused by inexperienced workers affected premium rates, Mr. Williams says, "There is only one true thing in this world: premiums have to equal losses, plus expenses. There is no free lunch."

However, Mr. Williams did say it is a buyers' market now and premiums may not accurately reflect losses.

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Fighting rig fires is a risky proposition

Continued from page 1
the risk is high.

"The oil companies themselves will not attempt to put out the fires. Even with our experience, each one is different and potentially dangerous."

Boots & Coots has a \$3 million primary general liability policy with Lloyd's of London. Anything above that is covered by an umbrella policy written by various Texas insurers. "No one will write the whole thing," Mr. Campbell says.

Workers compensation risks are insured through the assigned risk pool established by the Texas In-

surance Commission.

Premiums on Boots & Coots' insurance vary depending on how many days the company spends on the job. It is not possible to predict in any given year how much insurance will cost, he says. "Exposure is tied to gross receipts."

In 1980, Boots & Coots capped 64 blowouts in Europe, Africa, the Middle East, South America, Canada, Mexico and the United States, he says.

"We are called at a moment's notice. If a company has a blowout and it is out of control, they want us there this minute."

Clients vary greatly, he says. For

some, the blowout and fire may be business as usual—it has happened before and they know what needs to be done. For others, it is a traumatic event. They've never seen anything like it and can hardly believe it has happened.

"We try to take over the phone as much information as possible about the well, its geological location, the people and equipment," Mr. Campbell says. "That way we can get the thought processes going and decide what problems the area might pose, such as personnel, language barriers and getting equipment we need."

Planning is vital when traveling to remote regions.

"It can spoil you working in Texas or Louisiana," he says. "If you need a 100-ton crane tomorrow, you can get it. But if you're working in Zaire or Uganda you may not get it for two weeks, if at all. What you need may be half a world away."

"I have never had a blowout that wasn't unusual," says Mr. Campbell. "There are similarities, but you see many factors that make each one unique, and what you learned on earlier jobs may not tell you how to go about doing the

next.

"You can draw from experience, but have to approach each well on its own merits."

In one case, the wind direction may not allow an approach from the best direction or the drilling pipe may be leaning in a strange way or the depth, pressure and contents of the wells will vary.

"A guy can have a blowout with salt water that isn't too bad, then have another with dry gas that is just waiting to catch fire," he says. "We try to minimize risk based on what we know we can do. There is a reasonably low level of danger if you handle it right."

However, it is seldom possible to eliminate all risk, Mr. Campbell says.

The most dangerous situation does not have to occur during the biggest fire. It could just be that there is no easy way to approach the well, extinguish the fire and put a new cap on, he says.

"Normally, on land, we can do a number of things to minimize risk," he says. "Offshore you're more limited. It is harder to back away when you're surrounded by water."

Mr. Campbell says poison gas wells are "super critical."

"You have to rely on others to control your air supply," he says. "Wearing backpacks and air masks, you have to get in and out of cramped spaces, and with the roaring you can't hear what is going on even under the best of circumstances."

"The breathing system is hard to get used to when you've been away from it awhile. Your have to make sure the hose is not tangled. It's a hell of an inconvenience."

Blowouts generally are caused by an imbalance of pressure in a well, he says.

"Anytime you have a long cylindrical hole in the ground, near the bottom there will be a formation under pressure. As long as you maintain the fluid in the hole at a hydrostatic weight greater than the pressure, you're all right, but anytime the weight of the fluid is less

than the pressure, the fluid will be pushed out. Whatever the value is, if it is out of balance, you get a flow."

The fluid or gas that is released may or may not ignite, depending on its flash point, Mr. Campbell says. "It could be set off by circuit control boxes on the rig, sparks caused by rocks banging around in the pipe, exhaust of diesel engines driving the rig power packs, even static electricity."

If it does catch fire, explosives are moved in and detonated to snuff it out. And the real danger comes when the crew tries to cap a well with the potential to catch fire again, Mr. Campbell said.

"It generally takes a lot of study, developing strategy, then devising means and methods to get it accomplished," he says. "Everybody has his own way of doing things. You have to organize people so they do only what they are told to do when they are told to do it. A lot of danger can be controlled this way."

"Boots" and "Coots" are the nicknames of the company's founders, Asger Hansen and E.O. Matthews. They spent 20 years with Red Adair Co. before starting their own organization in 1977.

"Seven of us work on wells, with 15 in the whole company," Mr. Campbell says. "We have the good fortune to enjoy the majority of business—about two-thirds. For many years Boots and Coots were the main people going out on jobs and the whole industry got to know them. Their reputations preceded them."

The safety records Mr. Hansen and Mr. Matthews attained while with Mr. Adair's company may have helped them get insurance when they started the company, he says.

In any case, insurance was not difficult to secure, despite their risky business. Two weeks after applying for their company charter, Boots & Coots Inc. was fully insured.

—Steve Sherwood

business insurance

INSURANCE SERVICES GUIDE:

readers looking for services.

turn to page 36

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The cash-flow view of a growing company



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Coming Up!

Agent / Broker Profiles

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Escape Breathing Mask will save lives in hotel fires.



PITTSBURGH, PA — National Draeger, Inc. has introduced to the United States a new type of escape breathing mask which could save lives in the event of hotel or motel fires.

The FARAT mask was developed because statistics reveal that the majority of deaths in hotel fires result from breathing carbon monoxide and other noxious fumes, rather than from direct burns. The unit is used in Europe, particularly so where zoning laws require such a device be available in hotels.

The PARAT mask allows individuals to avoid panic, to stay conscious and to follow instructions of the firemen.

When the PARAT system is used, a mask is held in a wall-mounted container. If a fire is suspected, the room occupant opens the container, dons the mask and begins breathing normally. The mask covers the entire head, protecting long hair, beard and spectacles.

FARAT provides a minimum of 15 minutes of safe breathing in the pres-

ence of carbon monoxide and noxious fumes, such as hydrogen cyanide and hydrochloric acid — as long as sufficient oxygen is present. The unit includes a filter for smoke and combustion gases which contains a special chemical which protects against the gases and fumes.

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Social Security proposal offered

Continued from page 3
remain linked to the Consumer Price Index.

The Senate, however, already has voted to peg benefit increases to average wage hikes or the increase in the CPI, whichever is less. On the other hand, the House has opposed such a change.

The Senate has also agreed to push back until October the month that Social Security cost-of-living increases go into effect. The COLA increases now take place in July. This action is also included in the administration's package.

Retiree groups have fought the hardest to retain the CPI adjustment. They say without it their buying power will be greatly reduced.

The administration decided to stick with full CPI adjustments for benefit increases because of a commitment President Reagan made on the campaign trail, Mr. Schweiker said.

The administration was afraid of the reactions of 35 million retirees, said A. Haeworth Robertson, vp at consultant William M. Mercer in Washington.

In a major surprise, the administration decided to keep 65 as the age at which a worker could retire with a full benefit. Several groups, such as the President's Commission on Pension Policy and the American Council of Life Insurance, have urged gradually raising the retirement age to 68 for full benefits.

"They are out of step with most responsible study groups," said Thomas Woodruff, executive director of the President's Commission on Pension Policy. "They ignore recommendations from groups of all ideologies."

The administration stuck with age 65 for full benefits because it believes there is a traditional commitment to that age, said Mr. Schweiker.

But the administration is proposing a reduction in the benefits of workers who retire before 65.

A worker retiring at 62 would receive 55% of the benefit due at 65 instead of the current 80%.

This change would save the system \$17 billion between 1982 and 1986 by discouraging early retirement.

That change could increase costs some for private pension plans. Many private plans integrate Social Security and pensions benefits to reach a benefit target.

By reducing Social Security benefits for workers who retire earlier, pension benefits would have to be increased to meet the benefit

The proposal

See page 33

target, experts say.

One change proposed by the administration that would cost the system money—as much as \$6.5 billion over the next three years—would be the elimination of the retirement income earnings limit.

Retirees under 72 who earn more than \$5,500 a year would have their Social Security benefits reduced by \$1 for every \$2 they earn.

Although the three-year phase out of the retirement earnings test will cost Social Security billions of dollars in the near future, the administration backs the idea because it believes that retirees should not be penalized for working, Mr. Schweiker said.

Other cuts that will save about \$53 billion in Social Security expenditures between 1982 and 1986 will handily offset the \$6.5 billion cost of eliminating the retirement earnings test, according to administration estimates.

The administration wants to see its program enacted by Jan. 1.

Proposals to push back the annual benefit increase and basing adjustments on a full 12 months of inflation would affect all retirees. The other proposals would apply only to persons who retire after January 1982.

The administration says its plan will prevent Social Security from going broke next year and keep it financially healthy.

Some experts, however, question if the administration plan is strong enough. "It is a step in the right direction. But it doesn't go far enough," said Mercer's Mr. Robertson.

It doesn't do anything about Medicare (which is also funded by the FICA tax), which costs are bound to rise as the population ages, he warned.

Rep. J.J. Pickle, D-Texas, chairman of a House Social Security subcommittee, said the administration's proposed cuts may still leave Social Security on thin ice. But he pledged bipartisan support to prevent Social Security from collapsing.

Sen. Robert Dole, R-Kan., chairman of the Senate Finance Committee, described the administration's plan as an important alternative to other options Congress is considering.

He promised to hold hearings soon on the proposals.

Open comp bill defeated

Continued from page 3

disability benefits (except in cases of extreme impairment) with benefits only for proven lost wages after an accident. It was deleted in a compromise gesture to lobbyists.

Labor groups also had a heavy hand in lobbying efforts attacking the remainder of the bill, which would have allowed private insurance companies to compete with the state fund to provide workers compensation insurance to employers.

It is said that state funds are favored by labor groups because pure monopolistic state funds, which have no competition, are less inclined to police employee claims.

Washington is one of only six states that prohibit insurers from competing with state-operated workers compensation insurance funds. The others are Nevada,

North Dakota, Ohio, West Virginia and Wyoming. All but Wyoming allow large employers to self-insure their risks.

Twelve other states have state funds for workers compensation insurance, but they allow competition from private insurers and also permit employers to self-insure their workers compensation risks.

Private insurers favoring open competition for workers compensation contend they have a greater incentive to act promptly on claims of injured workers and to make the work place safe because of the competition and profit motive.

State funds, on the other hand, say they can reduce an employer's insurance premiums because they don't operate on a for-profit basis and need considerably less capital than insurance companies say they need to make a profit.

PERISA's worth doubted

WASHINGTON—Recent legislation to establish a Public Employees Retirement Income Security Act will not solve the financial problems of public pension plans, a benefits expert says.

"PERISA misses the boat. It is off target," said Michael Romig, director of employee benefits at

the U.S. Chamber of Commerce. "It puts together a set of provisions that do not provide cures."

Speaking before the Assn. of Private Pension & Welfare Plans conference, Mr. Romig said that recent PERISA bills have only set fiduciary, reporting and disclosure standards for state and municipal

pension plans.

Such standards would not help public plans because their problems are the result of underfunding and overly generous benefit formulas, Mr. Romig said.

All that PERISA would accomplish would be to raise administrative costs by requiring more forms to be filled out, he said.

PERISA's biggest failing is that it doesn't apply to federal pension

plans, the most seriously underfunded of all pension programs, Mr. Romig said.

Public pension plans around the country are facing severe financial problems. In Pennsylvania, for example, which has 25% of the nation's 7,000 public pension plans, the plans have amassed more than \$2 billion in unfunded liabilities.

These financial problems are the result of overly generous benefits,

Mr. Romig said. "Too many benefits are being added without thought of how they are paid. They are spending beyond their means."

Public plans often allow participants to retire at much lower ages than private plans. A federal employee, for example, can retire with full benefits at age 55 after 30 years of service. Most private plans don't pay benefits until a worker is 62 or 65.

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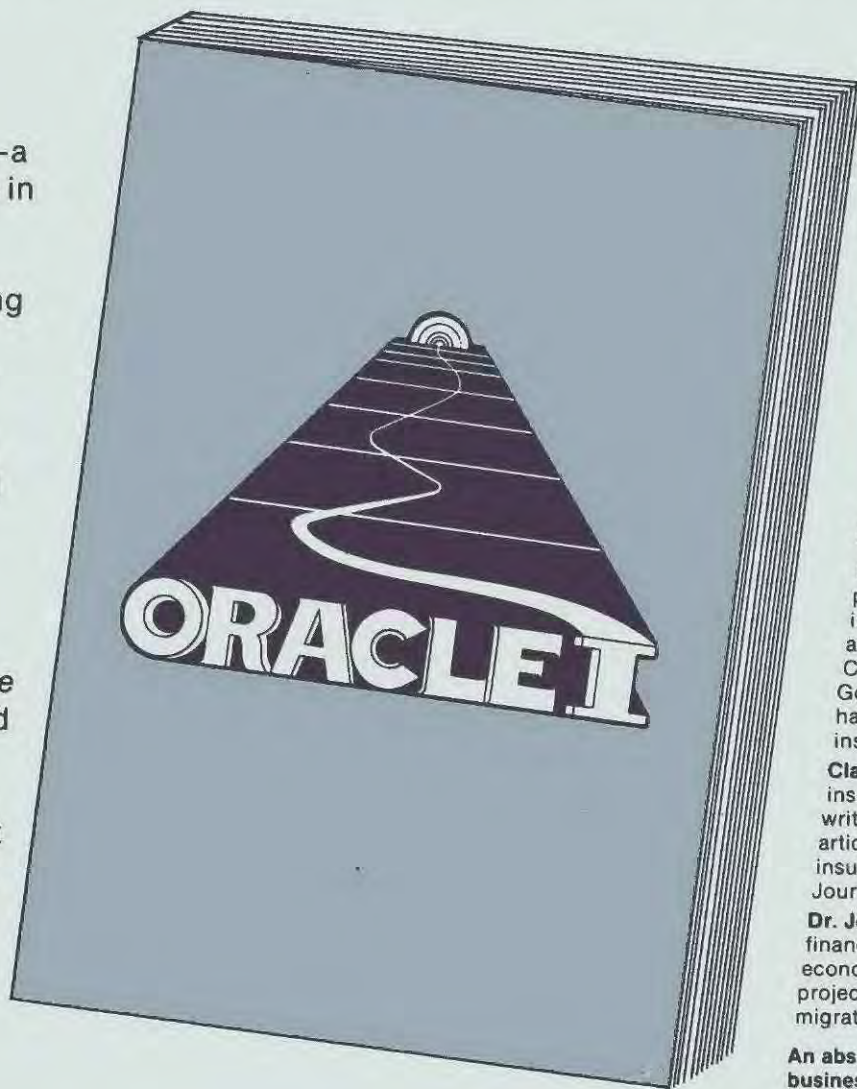
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Bernard L. Webb, professor of actuarial science and insurance at Georgia State University, is a prolific author, a past editor of the CPCU Journal and a consultant to U.S. Government investigating committees. He has had extensive experience in the private insurance industry.

Claude C. Lilly III, associate professor of insurance, Florida State University, has written books, monographs and numerous articles, including an historical review of insurance regulation. He is editor of the CPCU Journal.

Dr. John M. Campbell Jr., associate professor of finance, Florida State University, is an economist nationally known for his research and projections on energy, housing, regulation, migration and many other topics.

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Recommendations from APPWP conference

WASHINGTON—The Assn. of Private Pension & Welfare Plans, a leading pension trade group, brought together 162 pension fund sponsors, attorneys, actuaries and employee benefit managers to its Washington conference May 6-8 to discuss retirement issues and make recommendations to improve pension programs in the United States.

Recommendations adopted by the 600-member group include:

- Gradually raising the Social Security retirement age to improve the financial condition of the system.
- Allowing employees to receive tax deductions for contributions to employer-sponsored pension plans.
- Simplifying and clarifying ERISA to encourage employers to start new pension plans.
- Forbidding Social Security benefit increases from rising higher than increases in the national average wage.

Economist: Benefits too big

Continued from page 3
rity advisory task force.

Early retirement has greatly damaged Social Security's fiscal integrity because of the reduction in payroll taxes available to fund it, he said.

"The trend toward early retirement is not going away. It is very strong," Mr. Campbell said, refuting predictions that continuing inflation will force workers to stay on the job longer.

Persistent inflation has damaged Social Security, he said. Each year,

benefits are increased to match the rise in the Consumer Price Index. This automatic indexing has resulted in a 24.5% increase in Social Security benefits during the last two years.

Unless Congress removes or changes the CPI benefit index, Social Security costs will continue to balloon. "Inflation isn't going to go back to 1% or 2% a year," Mr. Campbell said.

No one could have predicted that inflation would persist at such a high level or that workers would continue to retire at early ages, Mr. Campbell said.

But Congress in 1972 helped dig

a hole for Social Security when it passed legislation boosting Social Security benefits by 20%, he said. This massive increase raised the Social Security wage replacement ratio to 41% of salary from 31%.

"Can the system afford this increase in the replacement wage ratio?" Mr. Campbell asked.

He doubts if Congress or the administration will want to raise Social Security payroll taxes above the increases already mandated.

"The idea of raising taxes goes against current administration thinking," Mr. Campbell explained. "The thinking is how will we cut benefits."

Insurer: Action needed now

Continued from page 3

the President's Commission on Pension Policy and several influential members of Congress, have backed a higher retirement age.

"There is a broad consensus on the need for this," he said.

Mr. MacKinnon also advocates changing the automatic increases in Social Security benefits to match increases in the Consumer Price Index.

"The change reflects the view that CPI overstates inflation, giving retirees more protection against inflation than workers," he said.

Mr. MacKinnon recommends the elimination of the so-called Social

Security windfall benefit that federal workers who spend a short time in private industry before joining the federal government receive.

Currently, an employee who works briefly for a private employer before joining the government (which is exempt from Social Security) receives benefits that far outstrip his contribution to the program.

Mr. MacKinnon urged pension and benefit managers to lobby in the battle to overhaul and keep Social Security viable.

"Private pensions and Social Security are so closely linked that pension professionals must take an active role in the debate," he said. ■

Senator: 'Bite the bullet'

Continued from page 3

tant to invest funds for retirement that they may need for major fam-

ily expenses, Sen. Chafee said.

Sen. Chafee's bill also would allow employees to deduct annually from their federal income taxes up to \$2,000 in contributions to their employer-sponsored plans. Currently, employee contributions to employer pension plans are not tax-deductible.

If employee retirement savings is encouraged, fewer workers will not have to depend on Social Security as their only source of post-retirement income, he added.

The prospects for legislation to encourage the formation of IRAs are excellent, Sen. Chafee said. But he said he is uncertain what changes will be made.

Congress also will approve legislation this session to eliminate bi-annual cost-of-living increases now added to the pension benefits of retired federal workers, he said.

"There seems to be no question that the double COLA will be eliminated."

While pressure from public employee unions forced Congress to back off last year from the single COLA, budget-cutting fever is now strong enough to overpower union resistance, Sen. Chafee said. ■

Private plans to increase, expert says

WASHINGTON—Private pension plan coverage has expanded enormously in the last 30 years and that growth is expected to continue, a benefits expert says.

Private pension plan coverage gains between 1950 and 1979 dramatically outclimbed work-force expansion, according to Dallas Salisbury, executive director of the Employee Benefit Research Institute.

During that period, the total work force increased by 90%, while participation in employer-sponsored pension plans jumped by 263%, "a very substantial increase," Mr. Salisbury said.

Speaking before the Assn. of Private Pension and Welfare Plans conference, Mr. Salisbury said pension plan growth slackened off during the period of regulatory uncertainty that followed the passage of the Employee Retirement Income Security Act in 1974.

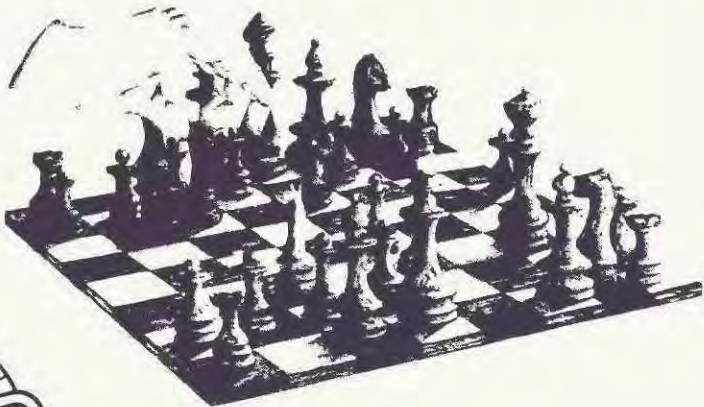
But as the Labor Department hammered out final regulations, pension plan growth picked up steam.

In 1976, only 3,494 net plans (new plans minus terminations) were formed. Last year, 56,063 net plans were established, Mr. Salisbury said.

Mr. Salisbury took issue with the President's Commission on Pension Policy finding that only 50% of workers participate in pension plans.

If the working population is defined as those over the age of 25 with more than one year of service with one company, the participation rate is about 68%, Mr. Salisbury explained. ■

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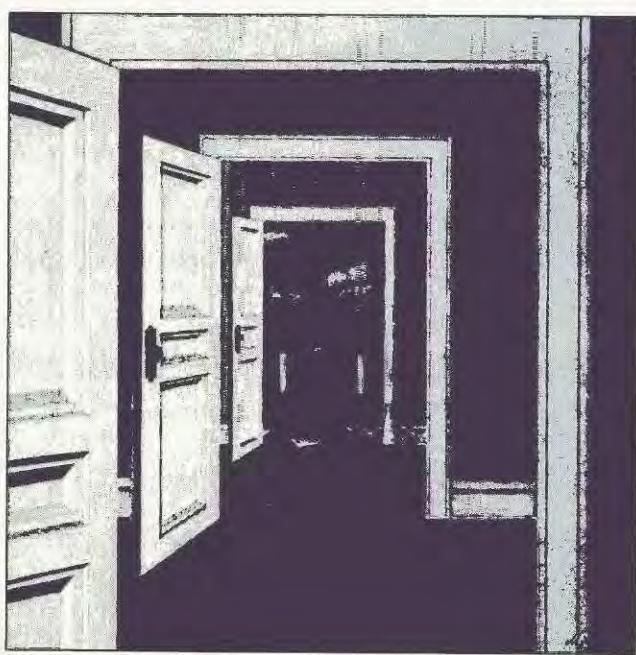
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The Reagan plan

The administration proposes that workers retiring at 62 receive 55% of their full Social Security benefits instead of the current 80%. Spouses would get 27.5% at age 62 instead of the current 40%.

About 70% of workers now retire before age 65 when full benefits are available.

This change would save the system \$17 billion between 1982 and 1986, the White House estimates.

Retirement age

Under the Reagan plan, the minimum age to receive full Social Security benefits would remain at 65 instead of being raised to 68 as recommended by others.

Retirement earnings test

To encourage workers to stay on the job longer, the administration recommends phasing out over three years the retirement earnings test that bars some older workers from receiving Social Security benefits. Currently, a retiree under 72 who earns more than \$5,500 a year has his Social Security benefit reduced by \$1 for every \$2 in salary.

Under the administration's plan, the retirement earnings limit would be raised to \$10,000 in 1983, \$15,000 in 1985, \$20,000 in 1985. After 1985, the earnings limit would be eliminated.

Over the next three years, this move could cost \$6.5 billion, but over the long term the administration says the cost will be negligible.

Windfall benefits

Workers not covered under Social Security, such as federal employees, now receive a disproportionately high benefit for the few years they may have been covered under Social Security while working in private industry.

The administration proposes to eliminate this "windfall" benefit by offsetting Social Security benefits with the pension benefits a worker received from his non-Social Security-covered employment.

Benefit adjustments

The administration recommends pushing back to October from July the date when benefits are increased to match inflation.

At the same time, the administration recommends basing the benefit adjustment on the change in the Consumer Price Index over a full year from July to June. The adjustment now is based on changes in the CPI from the first quarter of the current calendar year and the corresponding quarter of the previous year.

These moves would save \$6.3 billion between 1982 and 1986, the administration says.

Disability benefits

Injured or sick workers would have to wait six months instead of five to receive Social Security disability benefits.

Also, the FICA tax would be applied to the first six months of sick pay received by a worker. Currently, sick pay is not taxed.

In addition, only medical factors could be used to determine eligibility for disability benefits.

Currently, workers can qualify for disability benefits with a combination of medical and non-medical factors such as age, education and work experience.

The administration also proposes to require workers to be working at least 30 of the past 40 quarters to qualify for disability benefits.

Workers now can qualify for disability benefits if they have been in the work force only 20 out of the

past 40 quarters.

Tax savings

If the administration's package is adopted, the payroll tax, paid equally by employers and employees, could be reduced slightly.

Under the current plan, the FICA tax is to rise to 7.05% in 1985 from the current 6.65%. The administration says if its proposals are adopted, the tax in 1985 can be held to between 6.45% and 6.95%.

Future benefits

The administration proposes slightly reducing for future retirees the basic Social Security benefit. Under current law, the basic benefit is about 41% of salary; the administration would reduce it to 38% for the average worker. ■

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Companies seek ruling on Iranian claims

Continued from page 2
torney for Continental.

"A lot of facts have changed since the appeal was taken up," Mr. Vinyard said.

"The record before the appeals court is out of date and the case should be remanded to the district court for further hearings," he said.

The questions involve the extent of the president's authority in international relations and whether the chief executive can nullify lawsuits filed by companies seek-

ing to recover losses in Iran, he said.

The insurers also request that the U.S. District Court postpone the release of Iranian assets for 180 days to see whether the Iranians comply with an agreement to set up a procedure to settle outstanding claims.

Earlier this month, the U.S. State Department said that Iran is ready to open negotiations with claimants for losses exceeding \$250,000 and that supporting evi-

dence should be forwarded by companies with outstanding claims (BI, May 4).

But Mr. Vinyard said he is skeptical of the information, adding, "So far, there's not been anything that could be regarded as a good-faith effort" by Iran to begin claim settlements.

For instance, Iranian officials have yet to release instructions on how claimants can file their requests or the names of appropriate authorities to whom such information should be sent, Mr. Vinyard

said.

Under the agreement, Iran is to set up a trust of \$1 billion from which claims are to be paid and keep at least \$500 million in the fund at all times.

AIG has the largest claim of the three insurers, seeking nearly \$31 million for the 1980 nationalization of its partner company, Iran-America Insurance Co.

Continental has lodged \$3.4 million in claims and INA is seeking \$300,000 from the Iranians for its

losses of ownership in Iranian insurance companies.

Mr. Vinyard said that the three insurance companies are willing to settle their claims through the arbitration process, but "we'd like to see a good-faith effort. So far, not one claim has been settled, not even for the ships rotting in their harbors."

The companies would like a "remedy to fall back on," he said, referring to the attachment of Iranian assets if the arbitration system fails.

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Colorado towns consider pooling risks

Continued from page 3

says Alexander Brown, technical services coordinator for the league.

The movement toward a self-insured liability pool for small cities originated with league members shortly after laws allowing such pools were passed in 1979. Large cities already could self-insure.

High premiums and narrow coverages in the mid-1970s led small cities to look for alternatives to commercial insurance, Mr. Brown says. Some saw police liability insurance premiums jump 500%.

"We looked at captives, group commercial programs and pools," he says. "We concluded that pools offered the most advantages and hired Risk Planning Group to do an economic feasibility study."

Savings to cities

RPG concluded a self-funded pool could save the original study group of 21 cities 10% to 30% of their premiums and provide broader coverage.

The cities had a combined loss ratio for 1977, 1978 and 1979 of only 44%, says Thomas Wander, senior consultant at RPG.

"I thought that was kind of startling, since insurance companies seek risks with 60% to 65% loss ratios," he says. "This meant they were good risks and were probably paying too much in premiums."

The study group cities paid \$1.3 million in 1977 for all types of liability coverage, he says. This rose to \$2 million in 1979, a 65% increase.

How much each city would pay into the pool depends upon a rating scheme yet to be chosen.

"It may be based on budgets or on actual expenditures for fiscal 1980-81," he says. "We're recommending that each be given a 10% discount on present premiums, but it must be remembered that some cities now lack police or public officials liability coverage they would be getting through the pool."

A lot depends on how much excess insurance will cost, Mr. Wander says. "But in the first year we will probably shoot for a total of \$1 million in contributions."

His company recommends a \$1,000 deductible for each city, up

to a \$400,000 per occurrence retention for the pool (the statutory limit on municipal liability) and the purchase of \$10 million to \$20 million in excess insurance.

"We hope to broaden coverage as it applies to cities' needs," Mr. Wander says. In addition to general liability, the pool would cover automobile, public officials and police officers liability and possibly property risks.

Claims, loss-control and brokerage companies have already been selected to service the pool. Crawford & Co., a firm with 12 locations in Colorado, will adjust the claims. Arthur J. Gallagher & Co. of Rolling Meadows, Ill., will broker the excess insurance and its subsidiary, Gallagher Bassett, will provide loss-control services.

"We needed a claims firm with locations around the state because a lot of participating cities are on the Western Slope," Mr. Wander says. "It was important for them to have claims people nearby."

The cities have not yet decided whether they will start the pool.

The small town of Ridgway joined the study group and contributed funds toward development of the pool, but is not sure it wants to drop its commercial insurer, says Jan Mayfield, town clerk. "It depends on whether we can do as well with the pool as we're doing with our insurance company."

Ridgway pays around \$1,700 to \$1,800 a year for a general liability policy with The Hartford that covers it up to state limits, she says.

"What we really need is an errors and omissions policy for public officials. We want it as a precaution, with all the lawsuits these days."

Silverton, a town of 800, also joined the original study group, but decided against pooling.

"We decided it is not worth our while," says City Clerk Allison Cowan. "We want to stay with our local agent and didn't see any real need to go into it in a big way. Risk management is not something we have looked into enough to fully understand."

Silverton's general liability coverage is with Compass Insurance Co. The town pays an estimated

\$5,600 a year for \$400,000 of coverage.

Arvada Risk Manager Mary Lou Emmert wants the option of an insurance pool for more control over claims payment.

"The companies have done a good job covering us, but in some situations they might pay a claim as a nuisance fee," she says. "By doing that, they set a precedent so people in town know they can sue and collect. On the other hand, in cases where we may want to pay to maintain good public relations, they have refused to pay."

This puts the city in an awkward situation, she says. "I'm not saying we would pay every claim that came in, but we would like more say in it."

Insurers' apparent lack of knowledge about the structure of city government is frustrating her, too. "I have been banging my head against the wall for five months trying to get a fidelity bond for the city employees. We have 18 different departmental funds and can't capsule the depository on the company's standard corporate insurance forms, but that is what they send us."

Arvada's general liability policy, which includes police professional coverage, is written by Compass Insurance Co. Public officials liability coverage of \$1 million is purchased separately from Forum Insurance Co. Property risks are self-insured; workers compensation is covered by the State Compensation Fund and an excess policy covers risks up to \$5 million.

Total bill

The city's total insurance bill: about \$250,000 a year.

Arvada has a safety committee and a risk management program, Ms. Emmert says.

"We put on safety workshops for employees, but I would say loss control is a bit limited. It is mostly in the training areas, such as defensive driving, first aid, fire drills and an emergency evacuation program. I'm also in the process of writing a safety manual."

The safety services provided by the pool—such as printed material, on-site training and safety audits—

would help, she says.

"I feel positive and hope everything will fall into place," she says. "I think the pool will help us all. There are a few cities that actually have risk managers, but many are into it as a part-time function. If it is part-time, they don't have enough time to devote to risk management and the pool would be a big help in setting up safety and loss-control programs."

Arvada's three-year policy with Compass expires this fall and Ms. Emmert says she will advertise for brokers in June.

As in other areas where municipalities have pooled risks, some insurance agents object.

"I think the program has a lot of bugs," says Don Nabity, executive vp of the Independent Insurance Agents of Colorado. "These things

have inherent dangers if they are not spelled out right. Unless properly structured, the taxpayers of one entity could be supported by the high loss ratio of another."

"You have to ask if inexperienced people can administer the program on the same level as agents and insurance companies who, even with their expertise, are losing money."

When the bill allowing pooling was drawn up, the IIAC lobbied for several restrictions, such as required capitalization of reserves and an annual examination by the state Insurance Division at the pools' expense.

"The statute gives the insurance commissioner some of the same teeth he has over companies," Mr. Nabity says. "This gives the public some protection."

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Alaskans travel to Seattle to seek medical treatment

Continued from page 3

Other Alaskan businesses or organizations offer a transportation benefit, but limit it to medical treatment that is locally unavailable.

The University of Alaska in Anchorage, for example, provides one round trip per illness per year to the nearest city providing the needed care through its group plan with Metropolitan Life Insurance Co.

"This is for the quality or the type of care that's available down here and has nothing to do with the cost in the local area," says Ike Charlton, the university's risk manager.

Transportation is not included in

the plan, but Mr. Charlton says he would like to change that. He is considering self-funding the benefit.

"We have some locations where there are no specialists. Juneau suffers quite a bit from that and we send the person to Anchorage or Seattle for medical care...and the plan will pay for transportation," he says.

Some individuals choose to fly to Seattle to get dental work done even though their transportation costs are not covered through insurance, he says. If a procedure is going to cost \$12,000 in Alaska and only \$1,000 is covered under the dental plan, it might make economic sense to fly to Seattle to get

care for far less, he says.

There is an "air ambulance" benefit for state employees provided by Blue Cross, when medical service is not available locally. Blue Cross will also cover transportation for an accompanying nurse attendant, if necessary.

State employees can use the air ambulance for life-threatening situations, elective surgery or care for a condition not available locally, according to Rick Johnson, employee benefits consultant and assistant vp for William S. Mercer Inc. in Seattle.

Except in life-endangering situations, transportation must be pre-authorized and commercial carriers are generally used, he says. ■

Restricted activity days increase

WASHINGTON—An illness or injury caused the average American to restrict his or her usual daily activity 19 days in 1979, according to government figures examined by the Health Insurance Institute.

The 1979 mark was 0.2 days more than the previous year and

0.8 days more than in 1976.

While the average American spent seven days in bed in 1979 because of these disabilities, the average worker called in sick only five times that year, and schoolchildren missed an average of 5.3 days of school.

Americans in the North Central region had the lowest average number of restricted activity days, 17.4 each, while those in the West missed the least number of work days, and average of 4.6 per person, according to the government figures. ■

Safety legislation worries employers

Continued from page 1

cute business officials. But the U.S. Supreme Court recently let stand a decision by the New York Court of Appeals to quash indictments against four Warner-Lambert Co. executives accused of criminal responsibility for six industrial deaths (BI, April 6; Dec. 1, 1980; July 23, 1979; March 6, 1978).

Last year Ford Motor Co. successfully defended criminal charges of reckless homicide after prosecutors in Indiana charged that the automaker knew the 1973 Pinto was unsafe and failed to notify owners of the danger (BI, Jan. 14, March 17, 1980).

The failure of courts to sustain such charges appears to be fueling support for S.B. 820 among consumer and worker groups in cases involving asbestos, toxic chemicals, DES, the Dalkon Shield intrauterine device and others, says Ken Finney, assistant to the governor for toxic substances control.

Employer groups dismayed by the proposed law are giving it serious attention. It is one of eight bills in Gov. Edmund G. Brown Jr.'s 1981 toxic substances legislation package.

The bill is awaiting action in the Senate Finance Committee after sailing through the Judiciary Committee on a 5-0 vote.

"Sen. Petris gave an impassioned speech calling S.B. 820 his 'Pinto bill,'" said a safety manager for a major Northern California corporation who is watching developments closely.

"The most alarming implication of this law is that safety managers are not doing the job," said the safety manager who asked not to be identified. "The suggestion is that by threatening management with criminal penalties, we will do a better job."

Approval of the bill will make the paper companies rich, the safety manager said. He predicted that safety managers would be

writing up reports at every step in their job and that would take time away from the real work of making a safer work place.

"All the safety engineers up here are talking about this."

The California Self-Insurers Assn. and the California Manufacturers Assn. are also strongly opposing the measure.

They point out that the bill is extremely open-ended and fails to adequately define crucial terms such as "serious danger," "appropriate manager of a business entity" and "substantial and reasonable effort."

The bill would require a restaurant to distribute a six-page pamphlet of warnings to every customer who crosses the threshold, said Ms. Cavazos at the Chamber of Commerce. "The list might explain that you could catch salmonella, you might slip and fall or pick up bacteria from an unwashed plate," she said.

"The impact of this proposal is incalculable," says Joe Markey, executive director of the California Self-Insurers Assn. "It's one of the most dangerous bills before us right now."

A manager who knowingly fails to warn employees or customers of imminent risk of serious bodily injury or death within 30 days would be guilty of a felony punishable by imprisonment up to three years, according to the bill.

Besides criminal penalties, the measure calls for substantial fines of up to \$1 million for a business entity and up to \$50,000 for an individual manager.

"If a fine is imposed on an individual, the fine shall not be paid, directly or indirectly, out of the assets of any business entity on behalf of that individual," the bill specifies. The business cannot provide insurance, for example.

Such a fine could financially ruin a manager for life, the safety

manager said.

Insurance companies are also opposing the bill. "We join in the opposition on principle. The creation of a felony for such offenses puts the whole matter into the wrong forum," said Thomas F. Conneely, regional vp of the Alliance of American Insurers.

Passage of such a bill would create a new dimension for insurers, he said after hearing about the proposed bill. It would force insurers to become insurers of individual judgments about safety — something that could never be tested.

Such a law could dampen manufacturers' enthusiasm for research and development of new products

in California, he added.

Mr. Finney in the governor's office explained that the bill was born out of concern for life-threatening exposure to toxic substances. "This is an issue that attracts a lot of attention among citizens," he said.

It's difficult to find fault with the intention of the bill, he said, because it would punish only knowing failures of business or managers to report serious dangers. He stressed that the language of the bill does not require penalties to be imposed for mistakes.

"We are open to suggestions as to how to improve the definitions included in the bill," said Mr. Finney.

He said letters from employers, including the Monsanto Co. and the American Electronics Assn., seemed to agree with the intent of the law, but to criticize its approach.

"We are extremely eager to hear suggestions as to how the bill can be improved," he stressed. The litany of complaints against companies who fail to warn employees and consumers of serious dangers is very long and very current, he said.

He suggested that some kind of law to penalize these business practices is likely sooner or later and that business should participate to make it as effective and workable as possible.

Agreement would strengthen Lloyd's fraud investigations

Continued from page 2

Parliamentary committee members focused on possibly divesting broking from underwriting interests.

The Lloyd's members petitioning against the bill said divestment of broking from underwriting interests should be included in the bill to protect the policyholder's rights in the Lloyd's marketplace.

But Lloyd's Chairman Peter Green testified that the divestment question should be delayed until the new Council of Lloyd's, as proposed in the bill, is formed.

Lloyd's and the petitioners did agree before the four committee members that eight rather than six external members should sit on the new council, which now will have 27 members instead of 25.

But battle lines also were being drawn on the classification of Lloyd's members as external, or non-working, and working. This distinction was made by Sir Henry Fisher in his Lloyd's report, on which this bill is based.

Lloyd's and the petitioners are also divided on election procedures for the new council.

On the subject of divestment, the two Lloyd's members, Nick Parker and John David Burrows, stated in their petition: "Unless the interests of a Lloyd's broker and the underwriting activity in which he places business are entirely separate, there must be a conflict of interest which will, or may, be prejudiced to the interest of the underwriting members involved."

The policyholder could be hindered without total divestment, said Michael Mann, attorney for the petitioners. A broker could think of his underwriting agency first before his client, which could affect the insured interests. A broker, therefore, should remain independent to give total and impartial service to the insured, he said.

But Mr. Green said that the divestment issue should not be included in the bill. "The feeling of the committee is that we are seeking to insure the proper separation

of control of management (between) underwriters and brokers. That is the end we are all seeking to achieve," he told the parliamentary committee.

"What we are disputing is a means to the end."

The new council must have time to consider other options for separation, which Mr. Green said he believes exist. Separation of broking from underwriting interests could be achieved if:

- The underwriting agency was not a subsidiary of the broker, but rather a sister company alongside it.
- No director of an underwriting agency could be a member of a broking company or vice versa.
- There would be no management interests between the two companies.

Total divestment should be only a last solution, Mr. Green said, and it should be spread over five years as set out in the Fisher report so that no one loses money from a glut of agencies being sold on the market at one time.

"Once settling on divestment, it would be extremely difficult to defeat," Mr. Green warned. He also said that other insurance markets in the United Kingdom and elsewhere do not require divestment of broking companies and underwriting companies.

Lloyd's of London also thinks that the two classifications of members should remain as spelled out in the Fisher report, Mr. Green said. The selection of eight external members, 16 working members and three members nominated by council and approved by the governor of the Bank of England is sound, he said.

"I think it achieves an extremely good balance," he said. "The interests of everybody are protected. But we are members of Lloyd's above everything else."

Working members should make up the core of the new council, to be known as the Committee of Lloyd's, Mr. Green said.

It would be extremely difficult to have overseas external members—who represent about 5,000 of the 15,000 external names—working regularly on the new council at Lloyd's, Mr. Green said.

"If they come from Australia, the U.S., Scandinavia, there's a limited amount of time that they will be able to give Lloyd's," he said.

The Lloyd's bill, in its completion, will strengthen the unsurpassed security of the largest insurance market in the world, Mr. Boydell, Lloyd's attorney, said.

"This bill is in effect concerned with the proper running of the coffeehouse," said Mr. Boydell, referring to the market's humble beginnings. "The society is not a trader. It provides the coffeehouse."

But Lloyd's needs more clout, Mr. Green said.

"The present powers of the committee have been extremely limited," he said. "We've obviously had some problems, but with the lack of control (and regulation) today, it's remarkable we've had so few," referring to the ongoing Sasse syndicate investigation and the scheduled November trial of Lloyd's broker Christopher Moran for alleged fraud.

But, Mr. Green said, no policyholder has been adversely affected by the troubles at Lloyd's. "We would regard (Lloyd's security) as unequal. We believe it's unsurpassed."

The immunity from liability was originally to be omitted from the bill and dealt with by the new council as a bylaw. But, Mr. Boydell said, a majority of Lloyd's members accepted the clause at a November meeting.

At that time, 13,219 Lloyd's names out of some 19,000 voted by proxy or in person for the Lloyd's self-regulation bill based on the Fisher report. The petitioners voted against it at that time.

Once the changes in the bill are approved by the committee of Parliament, it will go to both houses for approval.

Captive group elects officers

The Captive Insurance Companies Assn. Inc. has elected officers for 1981-82. They are:

President, Charles J. Eades, vp of insurance, Ingram Industries Inc., Nashville, Tenn.; vp/member-ship, John P. Olsson, vp of finance, Austin Industries Inc., Dallas; vp/program, Richard R. Luther, risk manager, A&P, Montvale, N.J.; vp/legislation, William C. Lawter Jr., risk manager, Conoco, Houston.

Secretary, Edward P. Lalley, president, Ideal Mutual Insurance Co., New York; treasurer, A. Grant Whitney, president, Belk Stores Insurance Reciprocal, Charlotte, N.C.

Board chairman is Duane E. Allen, assistant treasurer, Hanna Mining Co., Cleveland.

The association's directors are: Thomas A. Duffield, vp of insurance, Archer-Daniel-Midland, De-

catur, Ill.; Robert J. Jones, risk manager, Dayco Corp., Dayton, Ohio; Fred W. Spiller, president, Teton Insurance Co., Turlock, Calif.

Donald W. Stevens, president, Genco Insurance Ltd., Akron, Ohio; and Robert E. Wieland, president, National Liability Insurance, Kaw Kawn, Mich.

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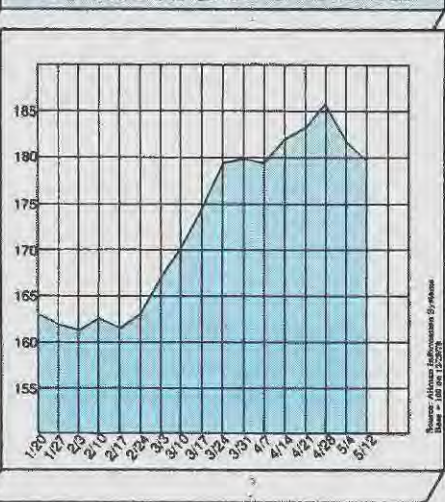
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BI Insurance Index



Insurance industry stocks continued to slide last week with the Business Insurance index dropping 1.9 points to 179.9 from 181.8. Forty-four stocks dropped, 16 rose and 12 remained unchanged. Leading decreases were: United Fire & Casualty, 20.6%; General Re Corp. and Fred S. James & Co. Inc., 9.2%; CNA Financial Corp., 6.7%, and Ohio Casualty Corp., 5.5%. Increasing were: Crum & Forster, 8.5%; Hartford Steam Boiler Inspection, 7.9%; Mission Insurance Group, 5.8%; Combined International Group, 5.6%, and SRI Corp., 3%. The index drop of 1.1% fell behind the major market indicators. The New York Stock Exchange and Standard & Poor's showed slight increases while the Dow Jones dropped 0.8%.

British Issues

5/12 Companies	Price	P/E	Div.	Yield	High-Low
CE Heath	165	11.2	15.43	9.3	170-164
Eagle Star	241	8.0	15.00	6.2	250-241
Genl Accident	324	7.8	19.29	6.0	334-322
Gdn Royal Exch	314	7.4	22.14	7.0	324-314
Phoenix	268	7.9	21.29	7.9	274-268
Royal	365	10.1	34.29	9.4	373-365
Sun Alliance	802	8.0	47.14	5.9	804-794

Brokers	Price	P/E	Div.	Yield	High-Low
Hogg Robinson	120	9.6	8.14	6.8	123-120
Alex Howden	123	8.8	10.00	8.1	127-123
JH Minet	112	14.0	6.50	5.8	114-112
Sedg Grp	129	12.3	7.14	5.5	132-129
Stenhouse Hldg	90	8.6	6.64	7.4	91-90
Stew Wrightson	230	15.9	17.14	7.4	232-230
Willis Faber	318	12.0	17.14	5.4	325-318

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

Competition burns up profits

Continued from page 1

combined ratio and a 21.3% gain in operating income to \$81.8 million.

General insurance gross premiums written totaled \$1.1 billion, with AIG keeping \$520.8 million in net written premiums, a 10.3% increase from a year ago, for an 11.9% increase in operating income to \$77.2 million. Net investment income rose 21.9% to \$58.1 million. Life insurance premiums written rose 26.3% to \$148.5 million for a 24.6% gain in operating income to \$24.1 million. Operating income on agency operations increased 28.2% to \$2.7 million.

But Crum & Forster's 30.3% increase in operating income with near break-even underwriting led the 20 major commercial insurers analyzed by *Business Insurance*.

An unusual absence of large losses in the first three months of 1981 held the combined ratio at Crum & Forster to 100.68% after dividends to policyholders. A 19.6% gain in investment income to \$53.9 million contributed to the operating income of \$50.2 million. Crum & Forster admits, however, that it won't repeat its first-quarter results.

The big winners at the first-quarter reporting can't mask the effect of stiff competition and cheap insurance rates. Among the 20 insurers analyzed:

- The average loss and expense ratio on property/casualty insurance climbed to 104.2% from 100.9% from a year ago.

- Operating income net of realized gains was nearly flat, with the average increase for the group up just 0.25% from the first quarter of 1980.

Mr. Greenberg at AIG predicted at the company's annual meeting last week that underwriting results for the industry will continue to erode throughout this year and premium growth will taper off. "We feel a change in underwriting is not too far off," he said in his first-quarter report.

Other insurance firm executives also pleaded for higher rates in their first-quarter reports. Investment income in the first quarter bailed out only six of the 16 insurers with combined ratios exceeding 100%.

All insurers' loss ratios are expressed by BI after dividends to policyholders, although a few insurers release the lower ratio compiled before dividends to policyholders.)

Only two more of the 20 insurers analyzed combined profitable underwriting with increased operating income in the first quarter: the reinsurer General Re Corp. with a 98.9% combined ratio and an 18% gain in operating

BI ticker

income to \$40.1 million and the excess/surplus lines insurer Mission Insurance Group with a 99.5% combined ratio and a 17.3% gain in operating income to \$11.7 million.

The big losers of the quarter were led by U.S. Fidelity & Guaranty Co. with a 26.5% decrease in operating income. An increase to a 102.2% combined ratio on \$512.2 million in written premiums from 93.1% on \$522.3 million in the first quarter of 1980 could not be overcome by even the 20.3% increase in investment income to \$59.8 million. The 2% decline in premiums was blamed on a decrease in general liability and workers compensation business.

Chairman and President Jack Mosely warned "only significant and immediate rate increases can prevent serious disruption in the insurance market."

CNA Financial Corp. turned the second-worst results with a 21.6% decrease in operating income to \$26.4 million. The property/casualty insurance group actually increased operating income 10% from the first quarter of 1980 despite an increase in the combined ratio to 109.6% from 104.6%. Investment income on the business increased 35.5% to \$68 million. But the life insurance group's operating income fell dramatically to \$100,000 from \$4.8 million and the consumer finance business lost \$400,000.

Aetna Life & Casualty, which analysts anticipated would turn the worst results after the company announced rate increases were needed, saw operating income drop 21.4%, dragged down by a loss on personal property/casualty insurance and a 68% drop in earnings on commercial property/casualty insurance.

In commercial property/casualty insurance, premiums dropped 4.6% to \$614 million and underwriting losses rose to \$79.5 million compared with \$11.1 million a year ago. The combined ratio for commercial business rose to 113.8% from 100.8% a year ago, with commercial property turning unprofitable. Liability insurance, including product, professional and auto liability, accounted for over half of the underwriting loss in commercial lines. Work comp insurance was profitable in the first quarter, but fidelity and surety bond lines, hit with several big claims totaling more than \$12 million, broke even.

Group life insurance saved the day, compensating for a big drop in pension deposits, giving the group division a 9% profit gain. The life division had level earnings and the reinsurance subsidiary increased earnings.

Premium income was down 16% to \$2.4 billion, reflecting a 30% decrease in group insurance including reduced pension deposits and the decline in commercial property/casualty insurance premiums. Life insurance premiums rose 10%.

SAFECO's operating income dropped 15.7% to \$25.2 million, primarily due to a big drop in the life and health operations. Increasing losses in the prepaid health-care operations that SAFECO is trying to sell added to the losses of personal lines. SAFECO held a profitable underwriting ratio on property/casualty insurance of 98.2% thanks to personal lines, but commercial property/casualty underwriting registered a loss. Surety business, a loser in 1980, returned profitable in the first three months of 1981.

The Chubb Corp., whose operating income dropped 13.5% from a year ago to \$23.1 million, lost \$2.6 million on property/casualty insurance underwriting in the first quarter compared with a profit of \$2.5 million a year ago. The combined ratio grew to 102.1% from 98% a year ago. But written premiums were up 6% to \$255.7 million.

Reliance Group Inc., the holding company for Reliance Insurance Cos., lost 12.3% off operating income for the corresponding period a year ago, reporting \$19.9 million for the first three months of 1981. Chairman Saul P. Steinberg pleaded, "Property and casualty insurers must combat the effects of an especially low point in one of the worst underwriting cycles in the history of the insurance industry."

At Reliance Insurance Cos. in Philadelphia, the major insurance center of Reliance Group, operating income fell 9.9% with the combined ratio rising to 101.3% from 100.7%. Underwriting losses rose to \$3 million on \$233.8 million in premiums from \$104,000 on \$245.3 million a year ago. Net investment income rose 12.9% to \$33.9 million.

Even among the winners in the first-quarter results, investment income provided the booster on property/casualty business. St. Paul Cos. Inc. and Fireman's Fund Insurance Cos. both reported combined ratios exceeding 100%, but still came out fifth and six in operating income gains.

At St. Paul Cos., where operating income rose 20.7%, a \$14.5 million underwriting loss on \$369.3 million in written premiums for property/casualty insurance was more than covered by a 30% increase in investment income to \$53.4 million. The combined ratio grew to 104.5% from 102.2% a year ago. Life insurance income was up only slightly.

At Fireman's Fund, where operating income rose 16.2% to \$53.8 million, the combined ratio actually improved 1.2% from last year's first quarter to 103.2% on \$600 million in premium. Net investment income rose 13.8% to \$72.4 million.

Among the other insurers analyzed were three with gains in operating income for the first quarter of 1981 compared with a year ago: INA Corp., up 6.6% to \$68.5 million despite an increase in the combined ratio to 106.7% from 103%; Connecticut General Insurance Corp., up 6.2% to \$49.9 million despite an increase in the combined ratio to 112% from 109%; and Nationwide Corp., up 4.4% on improved health insurance lines despite an increased combined ratio on property/casualty insurance to 108.2% from 102.2%.

The other five companies analyzed suffered declines in operating income compared with the first quarter of 1980: Lincoln National Corp., down 9.3% to \$32.6 million with decreased earnings from life and health insurance and an increase in its combined ratio to 103.1% from 98.3%; American General Corp., down 5% to \$38 million with the combined ratio of 106.6% up from 100.7%, wiping out gains in the life insurance division; Continental Corp., down 4.3% to \$57.7 million with the combined ratio rising to 106.3% from 104.4%; Kemper Corp., down 3.8% to \$17.3 million with the combined ratio rising to 107.3% from 103.1%; and The Travelers Insurance Co., down 2.6%, with the combined ratio rising to 104.7% from 103.7%.

BI Industry Stock Report

MAY 12, 1981										5/5/81 THRU 5/12/81									
Insurance Cos.																			
	Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol. (000)		Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol. (000)		
Aetna Life & Cas Co	NYSE	36.25	0.7	6.1	2.32	6.4	36.25	35.13	629.4	Tokio Marine & Fire Ins Co	OTC	173.50	-3.7	19.2	1.03	0.6	179.50	172.00	7.8
American Bankers Ins Group	OTC	7.38	-1.7	11.7	0.22	3.0	7.50	7.25	83.4	Travelers Corp	NYSE	45.25	-1.6	5.3	2.88	6.4	45.38	45.13	316.1
American Gen Ins Co	NYSE	41.50	-2.9	6.4	2.00	4.8	41.50	40.75	225.1	United Fire & Cas Co	OTC	38.50	-20.6	10.1	1.00	2.6	46.50	38.50	6.4
American Indty Finl Corp	OTC	16.63	-3.6	6.3	1.12	6.7	17.13	16.63	6.8	United States Fid & Gty Co	NYSE	40.75	-1.2	5.4	3.20	7.9	42.00	40.75	102.2
American Intl Group Inc	OTC	82.25	-2.7	11.0	0.60	0.7	83.25	82.00	282.0	United Svcs Life Ins Co	OTC	15.13	-1.6	6.2	1.00	6.6	15.50	15.13	21.9
American Natl Ins Co	OTC	14.25	0.0	6.4	0.68	4.8	14.25	14.13	79.2	USlife Corp	NYSE	29.13	0.9	7.1	0.76	2.6	29.88	28.63	178.0
American Sts Life Ins Co	OTC	17.50	-2.8	5.8	0.72	4.1	18.00	17.50	6.3	Washington Natl Corp	NYSE	25.88	0.0	7.7	1.08	4.2	25.88	25.50	100.6
Aneco Reins Ltd	OTC	4.25	0.0	0.0	0.00	0.0	4.25	4.25	71.7	Zenith Natl Ins Corp	OTC	17.25	1.5	10.1	0.50	2.9	17.50	16.75	92.8
Appalachian Natl Corp	OTC	2.13	0.0	6.1	0.05	2.4	2.13	2.13	3.9	INSURANCE COMPANIES									
Avenco Corp	AMEX	10.13	1.2	8.6	0.50	4.9	10.63	10.00	19.0	AVERAGE									
Banks Iowa Inc	OTC	32.00	0.0	5.3	1.44	4.5	32.00	32.00	1.3	8.2									
Bitco Corp	OTC	42.00	-2.3	6.0	2.16	5.1	43.00	42.00	5.3	3.8									
Carolina Cas Ins Co	OTC	8.75	0.0	5.6	0.32	3.7	9.00	8.75	9.5	Agents/Brokers									
Central Natl Finl Corp	OTC	10.38	-1.2	3.8	0.65	6.3	10.50	10.38	1.3	Alexander & Alexander Svcs	OTC	33.75	0.0	11.2	1.84	5.5	34.00	33.75	173.9
Chubb Corp	OTC	46.88	2.2	5.7	2.68	5.7	46.88	45.50	110.4	Baldwin & Lyons Inc	OTC	34.25	-0.7	5.9	0.80	2.3	34.25	34.25	4.4
Combined Intl Corp	NYSE	21.13	-5.6	6.0	1.60	7.6	21.13	19.75	153.2	Corroon & Black Corp	NYSE	23.00	-1.1	10.7	1.76	7.7	23.00	22.50	38.8
Connecticut Gen Ins Corp	NYSE	49.88	-0.7	32.4	1.76	3.5	49.88	48.75	145.9	Crum & E Cos Inc	OTC	10.63	-4.5	9.7	0.40	3.8	10.88	10.50*	11.8
Continental Corp	NYSE	26.25	0.0	7.1	2.40	9.1	26.38	25.88	179.8	Hall Frank B & Co Inc	NYSE	26.88	2.9	9.9	1.60	6.0	26.88	26.00	148.9
Crawford & Co	OTC	17.75	-1.4	13.9	0.52	2.9	17.75	17.75	14.8	Integrated Re Ins	AMEX	16.13	-1.5	7.5	0.00	0.0	16.38	16.00	45.5
Crown Life Ins Co	OTC	113.00	0.0	9.5	2.80	2.5	113.00	110.00	0.0	James Fred S & Co Inc	NYSE	23.50	-9.2	10.4	1.60	6.8	25.25	23.50	31.1
Crum & Forster	NYSE	35.00	8.5	6.0	1.44	4.1	35.00*	32.13	197.8	Marsh & McLennan Cos Inc	NYSE	35.25	-4.1	11.6	2.00	5.7	36.50	35.00	343.9
Employers Cas Co	OTC	36.50	2.1	5.5	1.20	3.3	36.50*	36.00	5.8	PennCorp Finl Inc	NYSE	5.75	0.0	6.5	0.16	2.8	5.75	5.50*	162.3
Equifax Inc	NYSE	24.50	-2.0	7.5	2.40	9.8	24.88	24.50	19.7	Roe & Assoc Inc	OTC	11.00	-4.3	9.7	0.80	7.3	11.50	11.00*	0.5
Excelsior Ins Co	OTC	16.00	1.6	32.7	0.70	4.4	16.00	15.75	5.2	Reed Stenhouse Cos Ltd	OTC	11.88	-3.1	11.3	0.56	4.7	12.00	11.88	37.7
Farmers Group Inc	OTC	32.13	-0.4	10.2	1.12	3.5	32.25	31.88	183.9	Hollins Burdick Hunter Co	OTC	23.50	-1.1	12.2	1.24	5.3	23.50	23.50	8.3
First Colony Life Ins Co	OTC	43.00	1.2	14.1	0.80	1.9	43.00	42.50	14.9	AGENTS/BROKERS									
Foremost Corp Amer	OTC	27.75	0.0	8.6	0.80	2.9	28.00	27.75	18.8	AVERAGE									
Great West Life Assurn Co	OTC	250.00	-2.0	10.3	10.00	4.0	255.00	250.00	0.0	9.4									
Hanover Ins Co	OTC	28.25	-0.9	3.8	0.72	2.5	28.75	27.75	34.8	5.0									
Hartford Steam Boiler Insptn	OTC	48.00	7.9	9.7	2.60	5.4	48.00*	44.50	20.4	Conglomerates/Holding Cos.									
Jefferson Natl Life Ins Co	OTC	39.00	-1.3	35.1	0.64	1.6	40.00	39.00*	2.2	American Express(Fireman's Pd)	NYSE	42.38	-1.7	8.0	2.00	4.7	42.38	41.50	1,475.8
Kemper Corp	OTC	32.75	-1.5	5.1	1.60	4.9	32.75	32.63	26.0	Anderson Clayton (Ranger/PanAm)	NYSE	21.50	-3.4	5.9	1.20	5.6	22.38	21.38	56.7
Lincoln Natl Corp Ind	NYSE	41.50	-0.6	5.9	3.00	7.2	41.88	41.50	51.8	Arco Inc	NYSE	35.13	-1.4	9.0	1.64	4.7	35.75	35.13	131.5
Magic Inv Corp	NYSE	35.00	-2.8	9.4	1.28	3.7	35.00	34.38	455.6	City Investing Co. (Home Ins.)	NYSE	27.00	0.5	7.6	1.60	5.9	27.38	26.25	371.8
Mission Ins Group Inc	NYSE	45.88	-5.8	8.6	1.00	2.2	45.88*	43.25	56.9	CNA Finl Corp (CNA)	NYSE	15.63	-6.7	6.1	0.00	0.0	16.25	15.63	23.9
Nationwide Corp Ohio	OTC	24.00	-0.5	6.8	0.70	2.9	24.00	24.00	10.6	Control Data (Comm. Credit)	NYSE	72.75	-2.3	8.6	0.90	1.2	75.25	72.00	591.3
Northwestern Natl Life Ins	OTC	30.13	-0.8	6.7	1.25	4.1	30.13	30.13	25.5	General Re Corp	NYSE	65.50	-9.2	8.9	1.76	2.7	70.00	65.50	85.7
Ohio Cas Corp	OTC	38.50	-5.5	6.6	2.04	5.3	40.00	38.50	88.7	INA Corp (Ins. Co. of NA)	NYSE	41.13	-2.1	5.8	2.40	5.8	42.63	40.63	362.7
Old Rep Intl Corp	OTC	16.25	-0.8	4.4	0.92	5.7	16.63	16.00	61.1	ITT (Hartford Group)	NYSE	33.63	0.0	5.5	2.60	7.7	33.63	32.63	1,077.9
Pinehurst Corp	OTC	6.38	-1.9	0.0	0.00	0.0	6.88	6.25	23.4	Reliance Group Inc	NYSE	79.00	2.6	6.5	3.00	3.8	79.50	77.00	11.1
Preferred Risk Life Ins Co	OTC	19.50	-0.6	6.5	0.80	4.1	19.50	19.38	27.8	Sears Roebuck & Co. (Allstate)	NYSE	38.88	0.0	9.8	1.36	7.2	18.88	18.50	2,073.0
Provident Life & Acc Ins Co	OTC	45.00	-2.2	6.7	2.20	4.9	46.00	45.00	27.3	S & H Co. (Bayly Martin & Fay)	NYSE	33.25	-0.7	14.3	1.00	3.0	33.38	33.25	44.4
Republic Natl Life Ins Co	OTC	28.50	0.0	17.2	0.70	2.5	0.00	0.00	0.0	Teledyne Inc (Argonaut)	NYSE	147.25	-1.3	9.0	0.00	0.0	149.25	144.75	253.5
Ryan Ins Group Inc	OTC	21.25	-1.2	8.4	0.12	0.6	21.50	21.00	8.7	Transamerica Corp (Occidental)	NYSE	20.63	1.2	5.6	1.28	6.2	20.63	20.25	403.7
St Paul Cos Inc	OTC	43.63	-2.2	8.2	2.32	5.3	44.00	43.63	193.1	CONGLOMERATES/HOLDING COS.									
Safeco Corp	OTC	37.75	-1.3	7.0	2.00	5.3	38.13	37.75	66.4	AVERAGE									
Sri Corp	OTC	25.75	-3.0	5.9	0.80	3.1	25.75*	25.25	45.8	7.7									
Seibels Bruce Group Inc	OTC	21.13	-2.3	11.4	0.80	3.8	21.13	21.13	34.0	3.2									
Statesman Group Inc	OTC	5.88	2.2	4.5	0.15	2.6	6.00	5.75	35.6	System design: Altman Information Systems									

How The Hartford protects your world.

"Our Group Life volume rose almost 500% in the last 10 years—to a current \$10 billion."

**An interview with
Larry Lance,
Senior Vice President,
Group Department**

Q. How do you explain The Hartford's growth in Group Life?

A. Our growth to \$10 billion in Group Life volume is the result of a long-standing commitment to meeting customer needs in this area. We've built up a skilled, experienced field staff and a full range of flexible and responsive Group products.

Q. Can you give an example of flexibility and responsiveness?

A. For one thing, we can meet the needs of just about any group—small as well as large. Unlike many carriers, for example, The Hartford will write Life, LTD, Dental and other coverages on a mono-line basis. In fact, we'll write Life or LTD on as few as 10 lives without evidence of good health.



Q. Has The Hartford been an innovator in Group Insurance?

A. Yes. One example is The Hartford's unique LTD coverage that pays full benefits to age 70 as long as the insured cannot engage in his or her regular occupation. Other companies' plans may terminate benefits after a certain period if the insured can function in some other job.

Q. What special services does The Hartford offer Group accounts?

A. Our field staff and underwriters can help tailor Group coverages to each customer's needs. In addition, we're now completing implementation of a computerized claim handling system and also developing a computer system which will automate pricing, proposals and policy issuance. Once fully operational, these systems will give us the opportunity to be of even greater service to our clients.

Q. How can companies take advantage of Hartford Group Insurance expertise?

A. By contacting their insurance agent or broker. Our field group sales personnel work closely with agents and brokers in designing group insurance plans to meet an employer's needs. Or call us directly—we welcome inquiries at any time. Call Foster R. Drury, Assistant Vice President and Director of Sales—(203) 547-2599.

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