Week of May 19, 1980

business insurance

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

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Buying power

A Massachusetts employer sweetens its employes' compensation with a new group-buying benefit tapping the manufacturer's prestige: **Page 12.**

Bully-proof

A new insurance policy pays the cost of fighting unfriendly takeovers: **Page 55.**

Shape pension policy

The President's Pension Commission needs your estimates of what faster vesting would cost: **Page 54.**

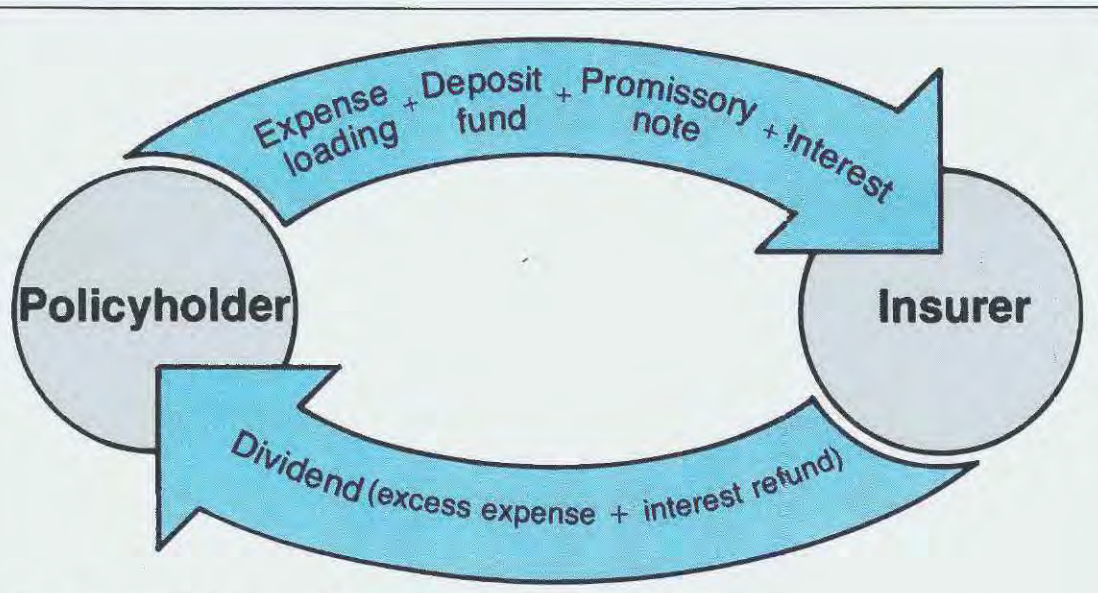


Chart: Toby Roberts

How a cash-flow plan works

For a corporate insurance buyer whose standard workers compensation premium would be $1 million, the initial cost of a paid-loss retro plan would be about $55,000.

The standard premium, of course, is calculated using the manual rate multiplied by the experience modification factor(s).

The $55,000 upfront cost of a paid-loss retro plan includes a monthly expense loading charge of $25,000 (one-twelfth of the $300,000 expense loading for this size policy) and a deposit fund of two months' estimated paid losses—$30,000 required at policy inception—from which losses are paid.

Expected losses are based on an estimated incurred loss ratio of 60%, or $600,000, of which 30% is calculated to be paid in losses during the first year.

These first-year costs of $180,000, divided into equal monthly installments, are used to derive the deposit fund payment.

The policyholder then must provide a promissory note to the insurer equal to $670,000 (standard premium less expense loading and deposit).

Six months after the policy expires, the insurer either levies an additional charge or pays a dividend to the policyholder, depending on what losses actually have been paid. If actual paid losses for the year were $180,000, equal to the estimated expected losses, the insurer limits the dividend to the amount of excess expense loading initially paid by the policyholder. In this example, the excess expense dividend would approximate $100,000, the difference between the statutory expense loading charge of $300,000 and the actual loss administration expenses of $200,000.

Under the California commissioner's recent ruling, the insurers providing these plans must charge interest for the cost of the money which is, in effect, loaned to the policyholder from the time the policy is written until the policy expires. At the prime rate of 16% on the balance of $670,000, the policyholder would pay $107,200 to the insurer, increasing the annual cost of the paid-loss retro plan to $587,200.

All other things being equal, in the months following the policy expiration, the policyholder who paid this interest charge could receive a dividend of the $100,000 excess expense refund and a refund of as much as the entire $107,200 in interest expense paid, equalizing the net cost of the program.

Insurers might hike dividends to save retros

By RHONDA L. RUNDLE

LOS ANGELES—Wheeling and dealing over interest rates and dividend payments might rescue cash-flow insurance contracts for California workers compensation risks from the sting of new state rules.

Negotiating a high dividend at the end of the policy period and a low interest rate that must be paid on the deferred premium balance could compensate for the cost of lost cash flow under the new regulation, industry sources say.

To comply with the California insurance department decision late last month, the paid-loss retro policyholder must give the insurer an interest-bearing promissory note for the amount of the deferred premium (*BI*, May 5).



"There's not much attraction left," says Bob Butler.

Under paid-loss retro plans still available in other states, the policyholder keeps his cash until claims are paid, without any formal charge for the use of money. Insurers, however, are known to factor a charge into the premium for their loss of use of the money.

Loopholes in the California regulation, which effectively transforms the deferred premiums into a commercial loan, will be sought by risk managers and insurers alike who are concerned that the new rules take the luster out of cash-flow plans.

"There's not much attraction left in these plans under the new rules," observes Bob Butler, corporate director of insurance and risk management at Lockheed Corp., who recently acquired a paid-loss retro for risks outside California through Aetna Insurance Co. "Most of our California

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IRS spares some from vesting rule

By JERRY GEISEL

WASHINGTON—Companies that honestly earned determination letters from the Internal Revenue Service certifying their pension plans comply with ERISA standards will be shielded from proposed IRS regulations requiring faster vesting.

An employer armed with a determination letter who accurately described the facts and circumstances of the pension plan's operation when applying for tax qualification is protected from the new IRS proposal, the Treasury Department says.

However, a company that received a determination letter but misrepresented the facts—for example, incorrectly reporting its employe turnover rate—would fall under the gun of the IRS's proposed vesting regulation.

The IRS has announced it will examine employe turnover rate, average vesting of employes, average vesting of terminating employes and average time remaining for full vesting of current em-

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Balloon ransom
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Safety/Security

OSHA takes critical look at its operations, image

By STUART EMMRICH

NEW YORK—The Occupational Safety and Health Administration, a watchdog over the nation's workplaces for the past 10 years, says it must take a closer and more critical look at its own operations.

That should come as good news to corporate risk and safety managers. Many executives complain that they have been harassed, picked on and just plain infuriated by the huge federal agency's bark and bite.

But a variety of risk managers, many of whom would only comment on OSHA off the record, say the agency has inspired an ambivalent attitude among the people it oversees. They acknowledge there is a reason for OSHA's existence, but they are not always crazy about the way it does its job.

"The overall concept behind OSHA is good," says one risk manager at a large Pennsylvania firm, "but the execution has been poor."

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Photo: U.S. Dept. of Labor

Safety/security special report: Pages 15-40.

Employers criticize mandatory plans

By JERRY GEISEL

WASHINGTON—Employers who already sponsor pension plans aren't buying the proposition that the best way to boost retirement income is through mandatory private plans.

Mandatory pension coverage could lead to further federal involvement in other benefits, rob companies of the traditional freedom to select the compensation program best suited to meet their needs and saddle smaller firms with crippling costs, employers worry.

But among benefit consultants, mandatory coverage has a measure of support. Consultants say mandatory coverage would take the pressure off the financially strapped Social Security system and encourage capital formation—a key ingredient of industrial expansion.

These virtues and vices ascribed to mandatory pension coverage by employers and consultants mirror the deep divisions on the controversial issue among members of the President's Commission on Pension Policy. Despite the commission's public recommendation that "serious consideration" be given to the establishment of a universal private pension plan system (*BI*, May 12), commission members are divided over the wisdom of the recommendation.

Panel chairman Peter McColough, chairman of the board at Xerox Corp., is the commission's most vocal advocate of mandatory coverage. Mandated plans could take some of the burden off Social Security in providing retirement income. Already employers and employes are rebelling against higher payroll taxes, Mr. McColough said.

But commission member Martha Griffiths, a former congresswoman, says smaller firms simply cannot afford to set up pension plans. Her fear is widely shared among employers regardless of their size.

"To make a pension plan mandatory becomes extremely difficult for smaller firms," said V.B. White, secretary of the Howard Miller Clock Co. of Zeeland, Mich. Mandatory coverage "opens the door to a lot of problems. It scares us to death," added the secretary of the 400-employe company.

"This is a strike in the wrong direction. It would be a very drastic action to take," said Robert King, president of William H. Taylor Co. Inc., a Lehigh Valley, Pa., distributor with 38 employes. "Paying for pensions on top of Social Security taxes could drive some firms out of business."

"I think that anything of a mandatory nature would be burdensome for smaller employers that now don't have plans and would have to start them," observed Ann Wrenn, treasurer of Knight-Ridder Newspapers in Miami.

"A mandatory private pension plan system could work to the detriment of employes," worries Linda Mathison, manager of employe benefits at Foremost-McKesson Inc. in San Francisco. The mandate "could put some smaller firms out of business," said the manager at the company with $3.6 billion in sales and 17,000 employes.

Other benefit managers warn that mandatory private pensions—however well-intentioned—would set an undesirable precedent. "If pensions were mandated, the government might next mandate other benefits," said Dick Spitznass, director of personnel administration at Weyerhaeuser Co. in Tacoma, Wash. "It's the first step in the door."

But other benefit managers say it is too soon to decide on the mandatory pension issue. Before passing judgment, they want to see what kind of employer-sponsored plan the commission recommends. Mandatory plans can work beautifully or they can

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for your information

FASB rule to help explain unfunded pension liabilities

NEW YORK—Unfunded pension liabilities, an item of dubious meaning on corporate financial statements, will be better explained as corporations comply with Financial Accounting Standards Board Statement No. 36.

The new disclosure rule, issued May 12, requires employers to reveal in their financial statements the actuarial present value of vested and nonvested plan benefits accumulated by employes, net assets available to pay benefits, interest rate assumptions used in determining actuarial present values and the date when the benefit information was determined.

This information is to be generated in accordance with FASB Statement No. 35, released in late March, which covers accounting and reporting by the pension plans (*BI*, March 31).

Until now, many publicly held companies merely disclosed their unfunded prior service costs in accordance with SEC requirements. But this figure varied widely, depending on the actuarial costing method chosen. No standards existed for valuing pension plan assets. FASB now requires they be stated at market value.

Compliance with the statement is required for fiscal years beginning after Dec. 15, 1979, and for interim reports within those years after June 30, 1980.

Statement 36 is a temporary measure. Work on a major statement on corporate accounting for pensions began May 13 at FASB's Stamford headquarters with a task force meeting to consider elements to be contained in a discussion memorandum. Issuance of a final statement is not expected until 1982.

Trial to determine trust status

LOS ANGELES—A trial will be necessary to determine if the self-funded Insurance & Prepaid Benefits Trust of Tustin, Calif., is an employe benefit plan under ERISA and thus exempt from state regulation, a U.S. District Court judge here has ruled.

Judge Robert M. Takasugi denied a motion by the multiple employer trust for a summary judgment declaring IBT an ERISA plan. The judge indicated that a trial will so decide.

IBT had earlier filed suit here against the U.S. Department of Labor, asking the court to order the department to recognize that IBT is an employe benefit plan under ERISA.

In deciding the issue, Judge Takasugi said he will consider whether the participating employers' committees have control over IBT, among other issues.

Panel approves clean-up fund

WASHINGTON—The House Commerce Committee has approved legislation (H.R. 7020) that would establish a $600 million "superfund" to clean up hazardous chemical waste sites.

The bulk of the funds would come from fees paid by chemical, pesticide, fertilizer and petrochemical companies.

The Environmental Protection Agency would choose the 100 most hazardous dumps and start cleaning up.

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Insurers brace for claims in Florida bridge tragedy

By ELLIS SIMON

TAMPA—Insurers from Omaha to London are bracing for claims from the tragic accident here in which a cargo ship rammed one span of the Sunshine Skyway Bridge, killing 35 people.

Already the state of Florida has filed a $75 million suit against the ship owner for damage to the bridge and lost toll revenues.

A quarter-mile section of the main southbound span of the 15-mile bridge-causeway system collapsed into Tampa Bay when the Summit Venture, a 608-foot bulk carrier of Liberian registry, struck a supporting pier May 9.

Plunging with the bridge were five private vehicles and a Greyhound bus en route from Chicago to Miami carrying 23 people.

The accident clogged Tampa Harbor, the nation's eighth busiest, and will continue to disrupt shipping for several weeks while the channel is cleared. Two years will be required to rebuild the bridge, one of two spans linking St. Petersburg and Bradenton.

Liability coverage for the Summit Venture, which is owned by Hercules Carriers, a division of the Nan Kwong group of Hong Kong, is with the London Steamship-Owners Mutual Protection & Indemnity Club. The ship's insured value is $16 million, 40% of which is placed in London.

A Greyhound spokesman in Phoenix said the company's buses are insured in excess of the ICC minimum coverage requirement of $100,000 per passenger and $500,000 per occurrence, but would not disclose the actual limits or the insurers.

The Summit Venture's owner filed suit May 13 in federal court here to be absolved of blame, asserting the accident resulted from "sudden violent thunderstorms."

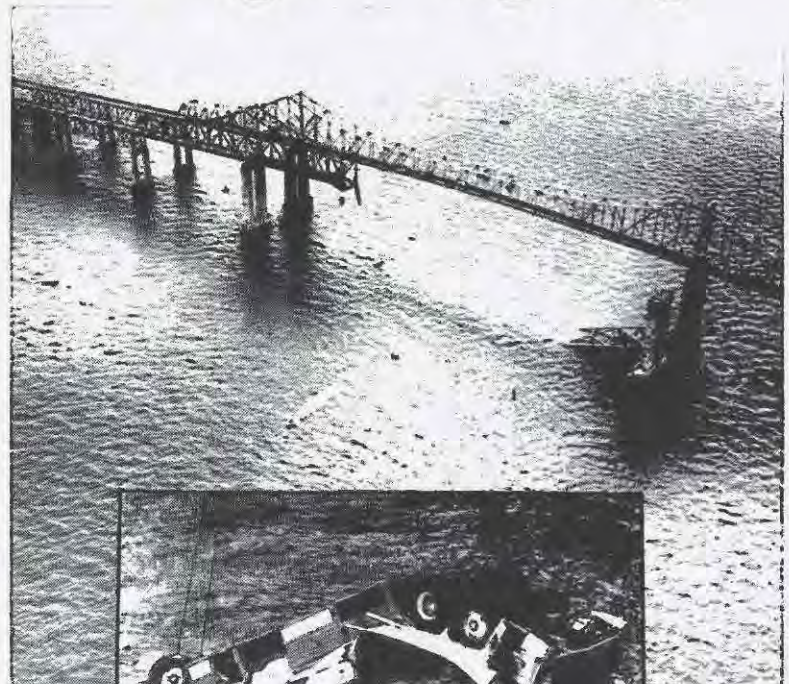
National American Insurance Co. of Omaha insures the state of Florida against physical damage to the bridge and loss of toll revenues. The insured value for each span was $57 million. Wright & Seaton of West Palm Beach placed the coverage.

Florida is self-insured for any liability arising out of the catastrophe. State sovereign immunity law limits its normal liability to $50,000 per person and $100,000 per occurrence. Claim payments in excess of that amount would have to be authorized by the state legislature through a claim bill, said James Beardon, director of the state division of risk management.

It is doubtful Summit Venture pilot John Lerro was insured since Florida doesn't require pilots to have insurance.

St Petersburg excess and surplus lines insurance broker William DeYoung told *Business Insurance* that he tried to offer pilots errors and omissions coverage

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Photos: Wide World

Tampa tragedy

Thirty-five persons were killed when a cargo ship rammed the Skyway Bridge. Several insurers may be involved in claims.

errors & omissions

• A May 12 For your information item incorrectly reported a pension rule from the Labor Department. The Labor Department exemption said employe pension and welfare plans may now obtain interest-free loans from their employer and union sponsors to meet plan operating expenses.

Calling agents and brokers

For your listing in the *Business Insurance* annual directory of commercial insurance agents and brokers to be published July 28, you must complete a questionnaire.

The *BI* annual Agent/Broker Profiles issue is the only comprehensive directory of North American agents and brokers published. It is used by commercial insurance buyers as a guide to available brokerage services.

Questionnaires have been sent to agents and brokers listed in last year's directory to be returned by June 13.

To receive a questionnaire, write *Business Insurance*, 740 N. Rush St., Chicago, Ill. 60611; 312-649-5398.

Wyo. files suit against insurers to recoup taxes

CHEYENNE, Wyo.—The Wyoming insurance department has filed what may be a landmark civil suit against out-of-state insurance companies to correct what one official called a "premium tax scam" involving group trusts.

The suit will attempt to force the insurers to pay Wyoming taxes on group life and health premiums, deputy commissioner Glenn Smith said.

Though buyers and trade groups offering the group trusts will not be directly challenged, the suit may affect the amount of premium paid and the way employers allocate payment.

The insurance department expects to name "virtually the top 200 life and health insurers" as defendants, said Mr. Smith, focusing only on insured trusts.

"We haven't found much problem with self-insured trusts, workers compensation trusts or other plans like this," he said, "but if we feel we are being deprived of premium tax we will eventually go against them, too."

Many insurers pay the taxes to other states with less stringent insurance regulations or more favorable corporation laws by issuing master policies to employers or specially formed trusts based in other states.

The trusts or employers then issue certificates of coverage to Wyoming premium holders and the insurers pay taxes on the premiums in the state where the trust or employer is established he said.

Delaware, which has favorable corporation laws, often collects the taxes because many employers are headquartered there. "The state that is an absolute haven is Missouri because Missouri has no group health-life laws," Mr. Smith said.

Many insurers set up the special trusts in Missouri to avoid regulation, he said. "We take the position this whole scam is a way to avoid regulation" he added.

State officials are not sure how much tax revenue is lost because the insurance companies do not report premiums issued in that manner to Wyoming officials, Mr. Smith said.

The state should get 2.5% of the premiums, he said. ■

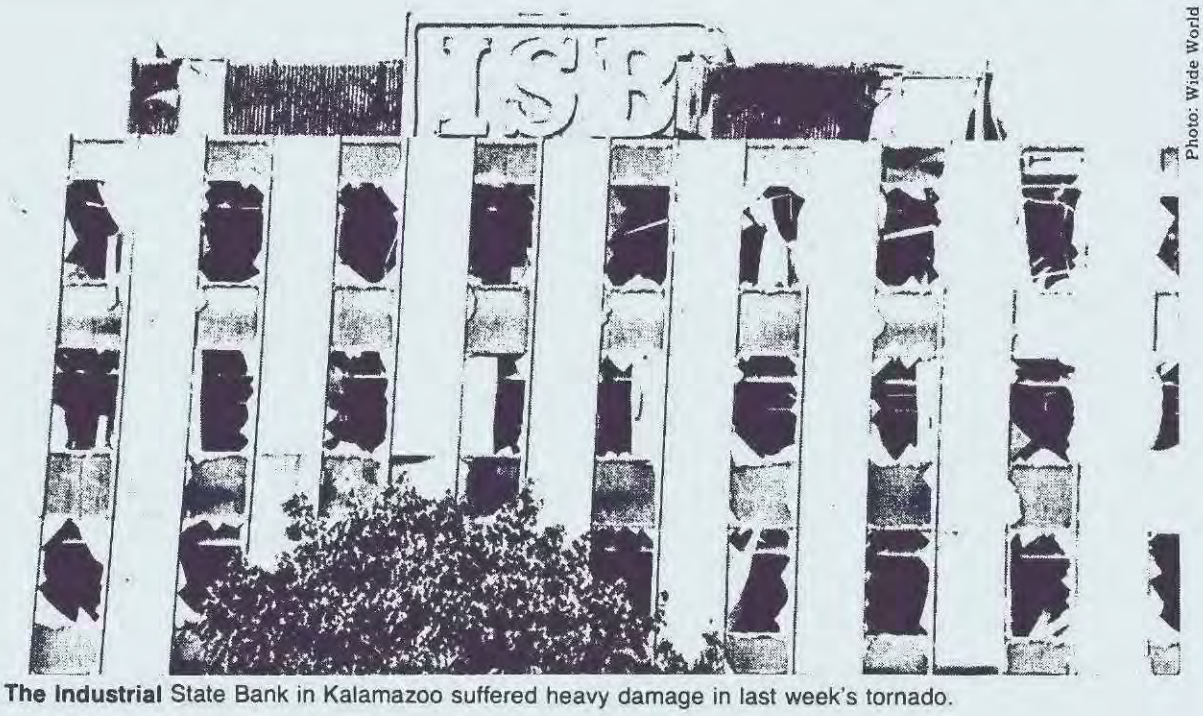


Photo: Wide World

The Industrial State Bank in Kalamazoo suffered heavy damage in last week's tornado.

Twisters take $60 million toll

A rash of tornadoes sweeping across the nation's heartland last week caused more than $60 million in commercial property damage, killed several persons and injured dozens, according to local reports.

In Kalamazoo, Mich., commercial losses in the downtown area—hit by the twister at the height of rush hour—were estimated to be $30 million to $40 million. Among those hardest hit were the Industrial State Bank, which had the top of its 10 stories ripped off, and Gilmore's Department Store, where a rear wall collapsed.

Employers of Wausau estimated its potential losses at $100,000, with six of its policyholders involved. The Hartford Group also estimated its losses at $100,000 on six properties.

Aetna and Allendale reported negligible losses and other insurers said estimates were unavailable.

In Sedalia, Mo., a twister struck the day before the Kalamazoo disaster, causing about $21 million in commercial property damage. A facility belonging to the Kelsey-Hayes Co., a manufacturer of auto wheels, was destroyed by the tornado, with damage estimated at $15 million. The tornado also hit the warehouse of Cooper Industries.

Approximately 200 persons are jobless as the result of the Sedalia twister.

Twisters also roared through several Pennsylvania communities, causing over $1 million in property damage. ■

Calif. plans reform of workers comp

California is cooking up a sweeping workers compensation reform program that promises to substantially increase benefits and reduce costly litigation in the state's $2.9 billion workers compensation system.

Although the plan is still in the draft stages, industry observers believe its chances for passage are good, since Gov. Jerry Brown hopes to present lawmakers with an "agreed bill" that carries the support of insurance companies, labor unions and major employers.

The package reform program may be grafted onto S.B. 375, another workers compensation bill that has already passed the senate. If the amended measure passes the assembly it would then require only a vote of concurrence in the senate.

Opposition to the plan stems primarily from workers compensation applicants and defense attorneys who stand to be largely elbowed out of the system if the program is enacted. ■

Brilab: Grand jury might indict the Texas house speaker

By SHARON WATSON

HOUSTON—The Texas speaker of the house may be the most prominent Texas figure indicted next month by a federal grand jury here investigating kickbacks involving the state employe health benefit plan.

The prosecutor in the FBI's so-called Brilab "sting" will seek several indictments, including one naming Texas speaker Billy Clayton, according to a copyrighted story in the Dallas Times Herald quoting an unnamed Brilab source.

Mr. Clayton, several Houston public officials and state union leaders have been named by the U.S. attorney general in connection with bribery for political favor and misapproriation of labor union contract funds.

The FBI charges that Mr. Clayton accepted a $5,000 cash gift and a promise of $600,000 over a 12-month period from an informant who posed as a representative from Prudential Insurance Co. seeking inside information on the state health insurance contract (*BI*, Feb. 18).

Mr. Clayton, who is up for reelection, allegedly took the $5,000

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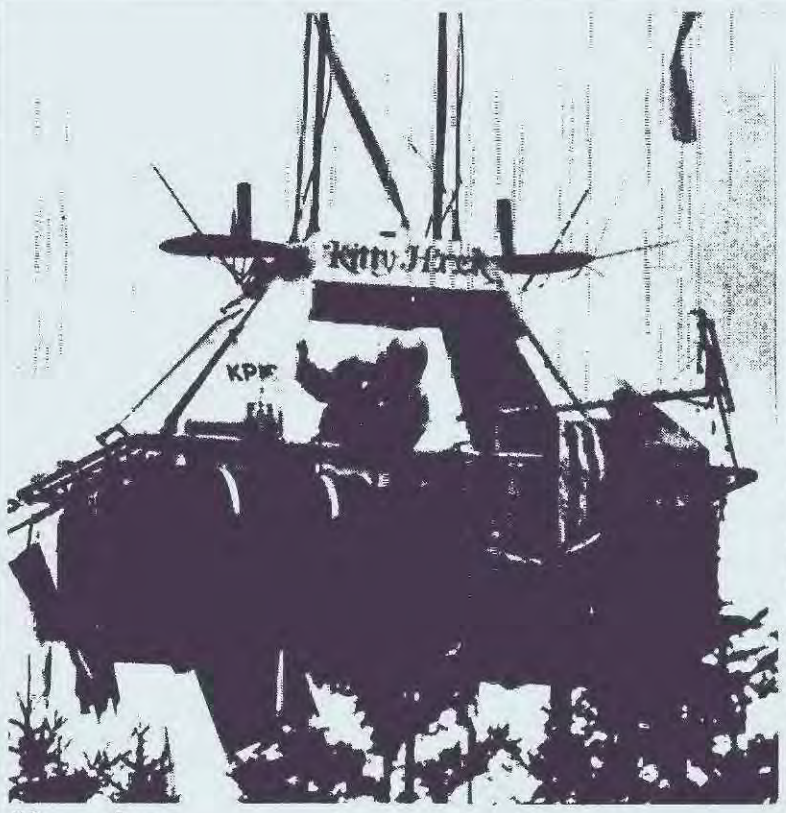


Photo: Wide World

Up a tree

Kris Anderson inspects the Kitty Hawk after it crashed in Quebec last week, ending the first transcontinental balloon flight.

Coverage frees kidnapped balloon

By LEN STRAZEWSKI

GASPE PENINSULA, Quebec—Famed transcontinental balloonist Maxie Anderson ransomed his record-breaking airship from the clutches of an angry Canadian farmer with coverage from the London insurance market and translations through local police.

Mr. Anderson's victorious landing in a clearing on the land of local farmer Rosaire Plouard was celebrated with international press coverage, but his problems began when the TV cameras left.

"I sent my assistant David Sipple into our landing site to get our balloon out and gave him a couple of hundred dollars to pay for storage, road grating and a little tip for the landowner," Mr. Anderson told *Business Insurance*. "But when Dave got there, the guy wanted $3,500!"

Mr. Plouard charged that the Anderson balloon Kitty Hawk landed in a clearing used for growing new trees for the Canadian lumber industry and that Mr. Anderson owed him for damages.

The complaint took a while to explain. Mr. Sipple doesn't speak French and Mr. Plouard doesn't speak English. The police helped.

"If the guy would've asked for $500, I would've groaned but paid it anyway. The $3,500 is ridiculous," Mr. Anderson related from a Massachusetts hotel room. "There couldn't have been more than 20 little trees in the clearing and we couldn't have broken more than eight," he added.

The ransom request/liability claim was settled, however, while a *BI* reporter waited on another telephone line. Ed Rickard, assistant vp for Alexander & Alexander Inc. of Denver, which placed the risk, helped Mr. Sipple and George Jaeger, an official from the U.S. Consul General's Office, settle the claim.

"We agreed to settle by paying for storage and transportation of the balloon and any real damage they can document," Mr. Rickard explained. "We don't know how much that will be yet, but it should be less than $3,500."

The claim is covered under a $5 million aviation hull and liability policy placed with Lloyd's of London and "a list of London market companies as long as your arm," Mr. Rickard said. The premium Mr. Anderson paid for his special flight was only $153.

"We negotiated the package five years ago because we do hundreds of balloonists and needed some direct underwriting authority for a plan to cover them," Mr. Rickard explained. "Maxie (Anderson) just had to pay an additional premium on his standing policy."

A new balloonist needing coverage for a similar flight would have to pay about $2,000 for liability and hull coverage, Mr. Rickard said.

Though the broker and insurers are happy with the settlement, aeronaut Mr. Anderson still isn't sure he is to blame for any damages. The Canadian military may share the responsibility, he suggested.

"We were hanging over some treetops with our ropes and weights kind of pulling an Indian rope trick on us," he related to *BI*. "We couldn't move until a Canadian Air Force helicopter blew us toward the clearing away from the trees. It was some tricky flying, but they put us in the clearing, thank goodness."

Convicted exec stays in post

By STACY SHAPIRO

MINNEAPOLIS—Delta Dental's Board of directors voted 12-8 to allow Onan A. Thompson to remain as president, but then promptly resigned.

Mr. Thompson, convicted April 28 on charges of forgery by a grand jury here, will remain as president of Delta Dental of Minnesota, the company announced May 13.

Delta's board of directors decided in executive session that Mr. Thompson would remain as president pending a July 15 appeal of the charges to the Minnesota supreme court.

The board resignations are to allow election of a new board June 25, a spokesman said.

Mr. Thompson was convicted of forgery for altering loss ratios of the Virginia, Minn., School District from $29,000 to $12,000 in bidding on an employe dental benefit plan.

"My salesman noticed the falsified loss ratios," says Robert Ulsaker, then director of marketing for Delta. "He pointed that out to me and I took it to Arthur Gillen, Delta's corporate attorney, and he said it should be brought to the board of directors."

Mr. Thompson was fired on June 12, 1979, by the board, but was reinstated one month later to the president's position. The Minnesota attorney general brought charges against Mr. Thompson before the grand jury in October.

Mr. Ulsaker said he told John Hohl, vp of finance and underwriting, that he wanted nothing but the true claims figures presented to Delta's clients. "I want no hanky panky," he said.

Mr. Hohl told the grand jury that he knew about the forged loss ratios.

Insurance executives are outraged by Mr. Thompson's actions and their effect on the Minnesota insurance industry.

"The brokers and accounts want nothing to do with Delta Dental," says Mr. Ulsaker, now group insurance manager for Security Life of America in Minneapolis.

Mr. Thompson didn t return calls from *Business Insurance*.

Philip Morris Inc. raises the curtain on opera offer

benefit beat

WHEN THE CURTAIN goes up on the New York City Opera's season next fall, Philip Morris Inc. may also rate a few bravos from New York employes who are taking advantage of company-subsidized opera subscriptions.

Philip Morris will pay half the cost of a subscription for any of the 1,200 employes in the New York office. The employe will choose the price of seats and the performance dates.

"It's an attempt on our part to help the New York City Opera and to increase its audience," said Barbara Reuter, manager of consumer affairs and corporate support programs for the company, which has been active in support of the arts.

Some employes have purchased subscriptions in the past, but the company hopes more will do so. Philip Morris does not yet know how many employes will take advantage of the offer or how much the program will cost the company, Ms. Reuter said. She added that the company is treating the offer as a corporate contribution to the opera company rather than an employe benefit because it is only offered to employes in New York. Philip Morris attorneys believe it is not taxable as a benefit.

Life policy

More than 37,000 small businesses insured by the Beneficial Employes Security Trust, a multiemployer trust headquartered in Newport Beach, Calif., may choose to be covered by a $5,000 one-year group term life insurance policy at no extra charge. The policy, underwritten by Pacific Mutual Life, is available to all active employes of a participating company as of May 1, 1980.

"Because the Beneficial Employe Security Trust has been prudently managed, we are able to provide this $5,000 one-year term life insurance policy or its monetary equivalent to all participating members who want it, regardless of age and health," said Don Lawrenz, chief executive officer of B.E.S.T. Plan Cos. Interest earnings in excess of the liquidity needs of the trust are being used to purchase the life insurance policies for members.

The life insurance policy benefit is effective from May 1, 1980, through April 30, 1981, and the trust hopes to offer the policy again the following year.

Pension goal

The Graphic Arts International Union with 110,000 members is targeting a retirement benefit of 65% of members' income, according to the Union Tabloid.

"We should be looking for a contribution from employers based on gross earnings, not just straight time," says GAIU vp Joseph H. Gast.

"Five percent of gross as against 3% of straight time will increase the basic early retirement benefit 124.5% over 30 years, assuming an average 15% overtime work. You should propose 5% of gross earnings for early retirement at the bargaining table," Mr. Gast told delegates in a workshop at the 1980 bargaining conference.

Under recent changes in the union's early retirement program, the minimum early retirement benefit is $300 and the maximum is $400 for new retirees. Present pensioners received a 7% increase in their early retirement benefit.

The basic retirement benefit was increased 6% for all participants.

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

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Case in point.



Bucyrus-Erie Company serves world-wide markets and is a leading manufacturer of mining and construction equipment. End-products range in size up to a 30,000,000 pound walking dragline, the largest mobile land machine in the world. With annual sales now exceeding a half-billion dollars, this policyholder has experienced tremendous growth over the past six years.

Director of Risk Management and Insurance for Bucyrus-Erie, C. R. Revie, says, "The dollar we save is just as important as the dollar we earn. Naturally, we regard business insurance as one of our most important risk-management tools. But we want the *claims* feature of insurance to be the tool of last resort. We place a very high priority on loss *avoidance*."

That's the Wausau story, too. We know the best way to keep insurance costs down is to keep losses down. So, our job is to help policyholders control losses and costs. But unless the policyholder is willing to turn good intentions into action, he's settling for wishful thinking instead of effective loss control.

Roger Leto, Wausau Insurance sales representative, says, "The conscientious attitude at Bucyrus-Erie is one part of what makes this insurance partnership work. Understanding the responsibilities and needs of the risk manager and being able to provide the quality services he requests of us — anywhere — is the other part. That's the way good partners can make business insurance work."

Chuck Revie sums it up like this: "We feel that because of Wausau's broad experience in serving a number of companies in our field, they are able to do an overall fine job for us."



WAUSAU INSURANCE COMPANIES

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OSHA takes critical look at its role

Continued from page 1

That complaint comes as no surprise to Basil Whiting, deputy assistant secretary of labor for OSHA, who says there is "clearly a mixed feeling about the agency."

The negative feelings are holdovers from its early days, he says, and they are gradually being corrected.

"We spend a lot of time chasing ghosts from the past. We got a bad reputation very fast of being nitpicking, of almost harassing people," Mr. Whiting said. "I think we are doing much better these days, however."

OSHA has begun a major plan to reorient itself to its original purpose: policing the nation's workplaces and helping employers identify and deal with potential problems before they turn into work hazards, Mr. Whiting said.

It has also eliminated almost 1,000 obscure requirements that employers had called "just nuisances."

The revamp is designed to convince employers that although they may not want to greet future OSHA inspectors with open arms, they shouldn't view them as an avenging army of a police state, either.

Sneering execs

That may take some doing, say risk execs who sneer when they talk about OSHA inspectors. One source swears that inspectors leave Washington with violation quotas to fill.

Others take the more moderate attitude of James Newton, director

Safety/Security

of loss administration at Fuqua Industries, who says: "We comply with the majority of OSHA regulations. The unjust rules or requirements we fight. And I think we prevail on many of them."

The company had a problem several years ago with OSHA inspectors at one of its California mobile home plants. OSHA complained that the noise level of nail guns was too high and posed a hazard to workers.

But the firm fought the complaint, arguing that the noise generated by the guns was only sporadic and, more importantly, there had never been a hearing loss claim at the plant.

"Did they ever check to see if there had been a hearing loss claim? No, they didn't," Mr. Newton said.

The company won on that point, leaving Fuqua officials with the feeling that they may not exactly be working against OSHA. They may be wary allies in the battle for worker safety.

"Our attitude is, 'let's make this a safe place to work.' We should listen to them and let them help us point out problems that might exist. But we are going to challenge them if we think they are wrong," he said.

"There is enough good that they have done to justify their existence," Mr. Newton says of OSHA, "provided they come in to help, rather than to fine the hell out of you."

For some employers, OSHA is more of a nuisance than a problem.

The risk manager of a diversified Northeastern manufacturer says OSHA recommendations are "just a part of what we are doing anyway."

"Very few times have they pointed out things to us that we weren't already aware of and working on already," he said. "They are almost always several steps behind us."

On other occasions, he added, the company has "gone to bat against them when we think they are wrong or have overstepped their bounds. We usually win."

Some ignored

Employer complaints about OSHA often include arguments that the agency spends too much time investigating large firms that already have well-established safety programs and not enough on the small ones that often go unregulated.

"I don't think it makes any difference to an employe whether he works for a firm that employs five people or 500. If his life is in danger, his life is in danger," said one risk manager.

The agency has since made a point of targeting the most hazardous industries, noted OSHA's Mr. Whiting. It has also boosted service programs.

OSHA consultation visits, for example, are free to any small or medium-sized business. Inspectors come into the workplace and make out a "mock" report that will identify hazards and suggest ways to correct them.

Mr. Whiting said 25% of the agency's 60,000 inspections last year were these solicited visits, which have proven to be "very, very popular."

The agency also sponsors educational and informational programs that provide safety booklets and pamphlets to employers.

Trade groups can also tap OSHA aid. The agency provides grants each year to trade associations, colleges and trade unions—$11 million this year and $14 million next—to help employers improve safety and health performances.

Disappointing results

Although increasing in popularity these past two years, this program has been a disappointment, Mr. Whiting said. Trade associations have been particularly reluctant to stop fighting OSHA long enough to take this money, he charged.

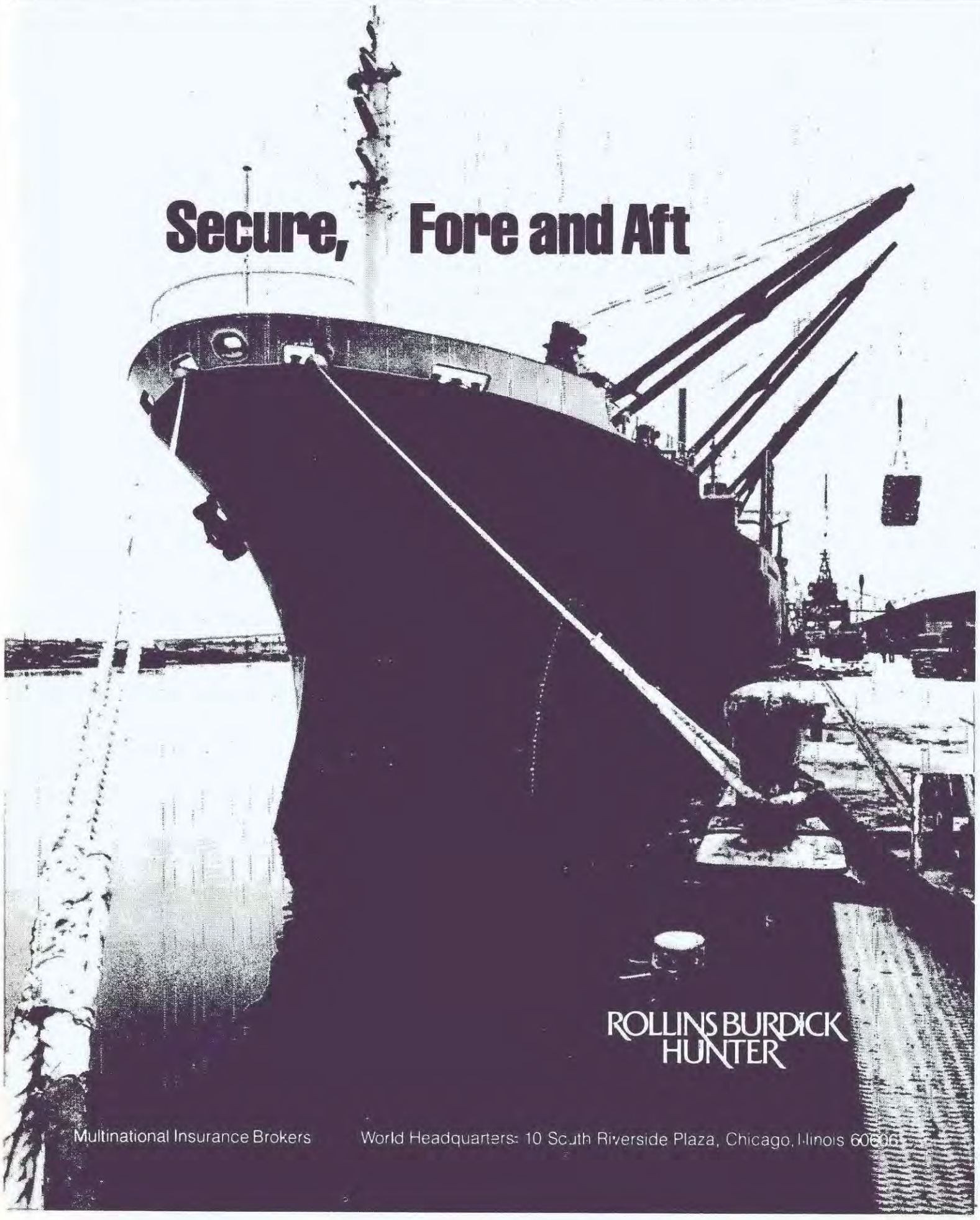
But total "helping programs," which take up about $40 million of the agency's $200 million 1980 budget, have been a success for OSHA, he added.

"I have seen a definite improvement in the public's perception of OSHA in the past couple of years. The mail we get is much different than it was four years ago. There are much fewer complaints of nitpicking or harassment, for instance," Mr. Whiting said.

The agency faces two problems in the immediate future, however, Mr. Whiting explained.

It needs to convince Washington offices of trade associations and business groups that OSHA is a good thing, he said. It also needs to fight a bill being proposed in Congress that would greatly change and reduce its powers.

"There is a natural tension between OSHA and the businesses it has to regulate," Mr. Whiting says. "No one likes to be made to change. But people must realize—and I think most do—that a well-managed and profitable enterprise must also be a safe one." ■



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editorial opinions

Frightening prospect

THERE'S NOTHING new in the warnings that inflation is endangering pensions, and indeed, may force employers to revamp benefit plans entirely.

What's new is that the warnings are coming more frequently. And the experts are predicting that the consequences of sustained high rates of inflation on benefit plans and on corporate sponsors will be disastrous.

Some benefit experts caution against indexing pension plans, providing increased benefits hooked in some way to the cost-of-living index; even the most stable company, they say, would have a heap of trouble over the long term paying for indexed retirement benefits.

Put these warnings alongside the predictions that pensions may become mandatory over the next few years and you have a truly frightening prospect.

It looks to us as if too many "experts" in Washington are looking to take the pressure off the financially strapped Social Security system by requiring all employers to provide pension plans, shifting at least part of the burden for retirement income replacement to the private sector.

There's no better way to drive unemployment up in this country than by mandating some level of income replacement with minimum pensions. We're supposed to be thinking of ways to improve worker productivity; instead, some of the people on the President's Commission on Pension Policy are leaning toward expensive programs that would eliminate some of the productivity incentives inherent in such defined contribution plans as profit-sharing and thrift programs.

The private pension umbrella may be disappointingly small, but the way to change that is not by mandating employer-paid pensions. Members of the President's commission should offer better tax incentives for employers and employes alike to contribute and save money so a combination of employer and individual funds will be accumulated to replace income during retirement.

Buyers, beware

EVERY FEW YEARS there are scandals involving performance bond vendors, quick-buck operators who jump into a big-money business using forged documents and no capital to back up the policies they write.

What's more surprising than the existence of sleazy operators is that government bodies and corporations buy bonds from these guys, apparently ignoring the rating of the firm and the presence of a license to underwrite insurance.

The New Jersey insurance department has unearthed the latest instance of underhanded performance bond activity, taking action that resulted in the indictment of six people associated with a bonding company chartered in the Virgin Islands and apparently not licensed to do business anywhere.

An agent or broker owes it to a buyer to check out the rating and license status of any insurer offering coverage, particularly performance bonds. But even more important, the insurance buyer should make a quick check with the state insurance department to ascertain the legitimacy of any company that's a relative unknown.

In the New Jersey case, Somerset Insurance Co. was into bonding in a major way, writing more than $90 million in bonds from early 1978 to late 1979. And the customers for its questionable services weren't only the small, less-sophisticated variety; they included HUD and Continental Grain Co. Buyers, beware.

business insurance

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Can it hold?

letters

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

Listing sought

To the editor: We note in the May 12 issue of *Business Insurance* that the President's Commission on Pension Policy may be recommending mandatory pensions and some other specifications which in our opinion could well create a maze of problems which would simply be insurmountable. We would be interested to receive a listing of the individuals who comprise this commission, so that our views may be expressed to them.

We are a "small business," and we offer a good standard pension retirement program, which is, of course, very costly to us. We would, however, vehemently oppose any mandatory programs and also believe that loose portability would be very detrimental.

V.B. White
Senior vp-finance
Howard Miller Clock Co.
Zeeland, Mich.

■ *A story on page 25 of the May 12 issue identifies the members of the commission.*

Coordinate efforts

To the editor: As one of your regular readers, a columnist on pensions, a pension practitioner and a consultant to small business, I was shocked to read the stories on page 1 of the April 21 issue regarding the IRS proposals on vesting ("IRS vesting proposal may raise costs 20%").

I am shocked that you are not taking leadership to motivate your readers to fight the IRS attempt to ignore the legislative mandate of ERISA which proposed three types of vesting, none of which is 100% in three years.

Why don't we coordinate efforts in the interest of small business in America?

Are we going to permit an administrative agency to bull its own way on the vital matter of vesting? Surely men like Rep. John Erlenborn of Illinois and Sen. Richard Lugar of Indiana and others will not tolerate such high-handed attempts, but we must furnish the impetus.

Treasury's is one more step toward further destruction of private pensions.

William Harmelin, CLU
Business & Estate Planning Consultants Inc.
New York, N.Y.

■ *See our editorial, May 5, for our position opposing this IRS regulatory move.*

New breed

To the editor: As a long-time horse enthusiast, I read with interest the article "Derby results breed stud market race" in the May 5 *Business Insurance*.

I would be most interested in a follow-up article on the results of Rockhill Native's fertility tests, in light of the fact that he is a gelding. Positive results would create a whole new set of underwriting criteria!

Kathleen K. Momot
Farmington Hills, Mich.

Thanks for letter

To the editor: My thanks to Raymond Kemp for writing his rather complimentary letter to *Business Insurance* on my efforts in developing a financially sound product liability market for a manufacturer of hovercraft and thus restoring a consumer's faith in the American brokerage system ("Hobbling hovercraft," April 2, 1979; "Getting results," April 21, 1980).

It is important for me and my colleagues alike to meet the challenges rather than wait for the next person to find the solution.

I would appreciate your mentioning Davis, Dorland & Co. as the firm I represent, so that your readership at large can correspond if a similar marketing problem exists.

Thanks again for proving that your "Letters" column does generate interest and is surely a catalyst in creating results.

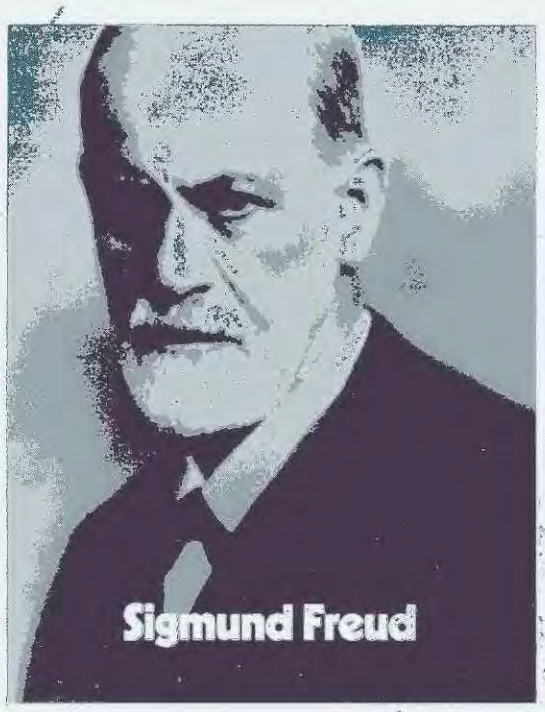
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Benefit 'glitch'

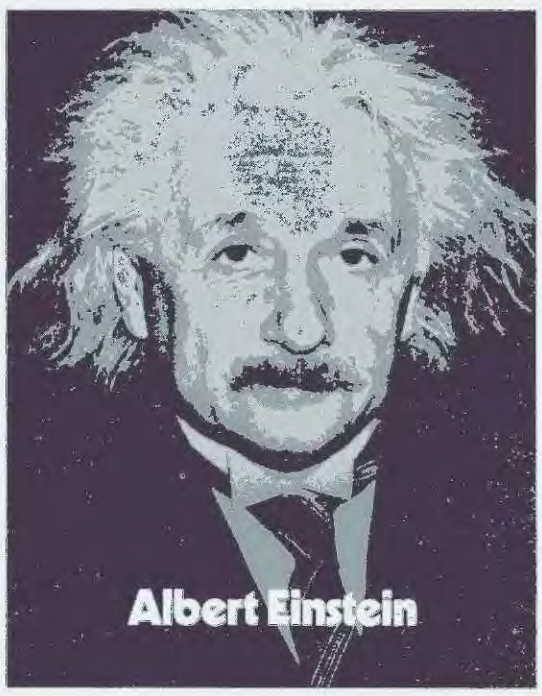
To the editor: There was a "glitch" in your description of the Johnson & Higgins study of employe benefit plans in Puerto Rico (May 5).

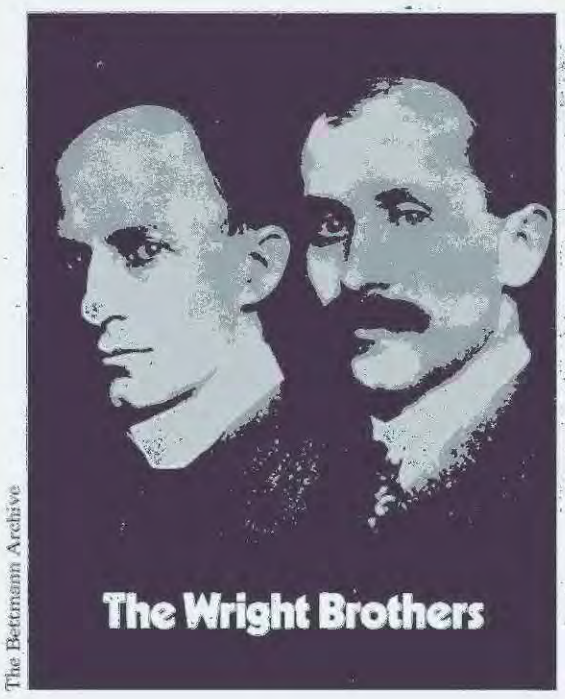
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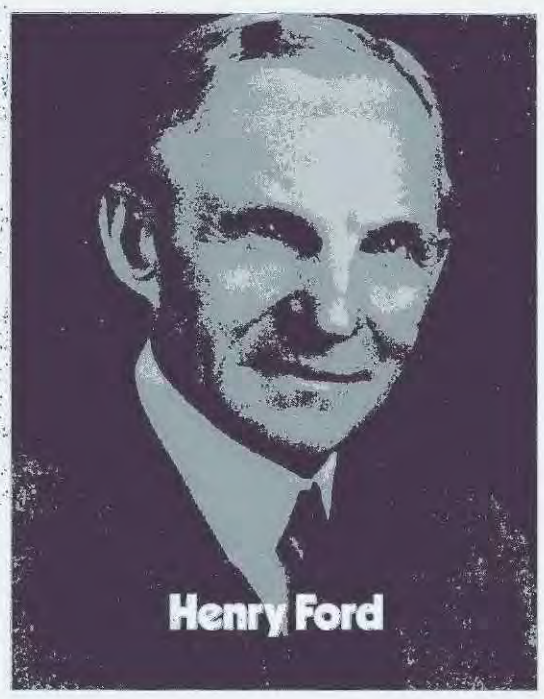
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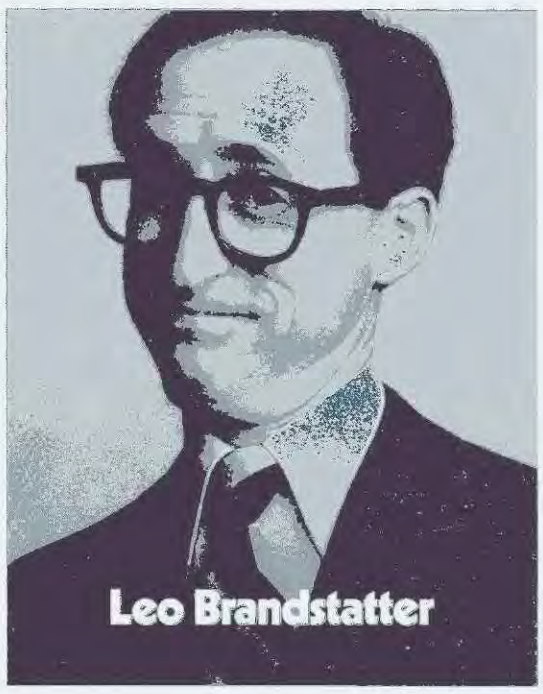

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Two face a trial in a $1.8 million jewel claim fraud

By JOHN H. MILLER

london line

LONDON—Two U.K. businessmen have been charged with trying to cheat Lloyd's underwriters out of a $1.8 million claim for jewelry stolen last February from the famous Hatton Garden diamond center in London.

Court hearings have been set in mid-July for Wilfred Hogg, 37, and John Heath, 44, who are charged with plotting to cheat Lloyd's after being involved in the theft.

The jewelry was supposed to be on its way to representatives of King Khalid of Saudi Arabia when the courier carrying it was robbed by an armed gang. Special crime investigators from Scotland Yard uncovered the reported plot to swindle the Heath underwriting syndicate at Lloyd's.

Surcharge reaction

The recently imposed surcharges on hull insurance for tankers are drawing mixed reactions from London observers (*BI*, May 5).

"We've been trying to get insurers to cooperate with us before revising their conditions, but they've failed to do so," said Harry Beazley, chairman of the International Chamber of Shipping. Mr. Beazley contends the Joint Hull Committee made the move without discussing it with his organization, even though the chamber is beginning a probe into recent tanker explosions.

"We fully support the fitting and correct use of inert gas systems, but the wording used in the new insurance conditions suggests lack of understanding of the practicalities of the problem."

Lloyd's underwriter A. Henry Chester, an expert on tanker losses, said, "A substantial rise in premiums will naturally be welcome to underwriters. But I fear it will have no effect at all in the present economy of shipowning as far as some of the cheaper tankers are concerned, as their costs arise from various sources of which insurance may play only a small part in some cases compared with taxation and other factors.

"The use of premiums to improve safety by economic pressures is in any case doubtful, as most of the recent tanker losses have occurred with vessels which meet the highest safety standards."

Similarly, Neil Hudson, chairman of the Salvage Assn., which represents insurer interests in the event of loss, said: "Human error is still the main cause of many losses.

"Even when it isn't the prime factor, there are many occasions when damage would have been much less if ships' crews had reacted differently to the situation," he continued.

"So crew selection and training is clearly still of the greatest importance."

Tighter conditions

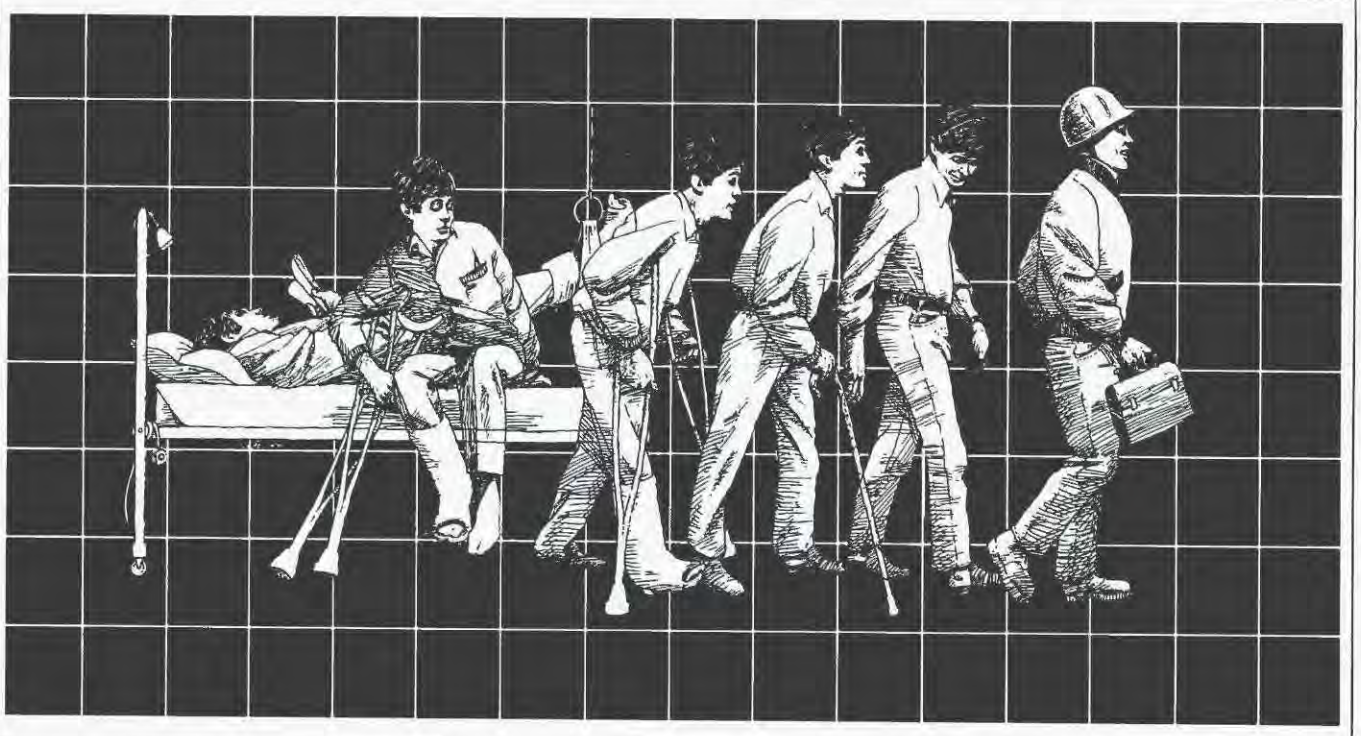
New policy conditions may be introduced to tighten up the operation of tankers by improving crew efficiency, risk management and safety measures after the colossal losses of recent months (*BI*, May 5).

Marine insurers with Lloyd's and the U.K. market also are seeking a review of inert gas systems on tankers and are consulting the Salvage Assn. and Lloyd's Register. "We're very concerned about these big losses, especially the explosions which have occurred on a number of tankers lately," said John Russell-Taylor of the Institute of London Underwriters.

In the past 15 months, $500 million in casualties have been reported on 14 jumbo ships, including an ultra-large crude carrier, two combination carriers and various types of supertankers. ■

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Sweetheart deal wins worker discount

By ELLIS SIMON

WILMINGTON, Mass.—Sweetheart Plastics Inc. is harnessing the buying leverage of its 1,400-person workforce to help employes recapture some of the purchasing power their paychecks have lost to inflation.

The firm's Tycoon program enables workers to purchase small- and big-ticket items at discount prices and provides financial counseling services and an in-house market through which staffers can buy, sell and swap products and services.

For minimal overhead costs, the program has produced strong positive feelings among employes toward the company and enhances Sweetheart's competitive posture in the local labor market, contends D. Richard Tufenkjian, vp-administration for the subsidiary of Maryland Cup Corp. Mr. Tufenkjian conceived Tycoon, a novel employe benefit.

Employe discounts at local stores are the cornerstone of the program begun in February. Participating stores offer discounts ranging from 10% to 40% and averaging 15%, Mr. Tufenkjian said.

In return for offering the discounts, local stores get free in-house advertising and a recommendation from Sweetheart management that employes use their services. The Tycoon program also gives the stores a degree of exclusivity for the type of products they offer, Mr. Tufenkjian maintained.

Sweetheart also offers a buying service for its employes that enables them to buy big-ticket items at wholesale cost.

"As a company, we have a lot of buying power," Mr. Tufenkjian said. In a typical week, the company places 15 to 20 orders for its employes.

The big business available is not lost on wholesalers. "Over the course of a year, we'll probably buy as many television sets as many small stores," he said.

Sweetheart orders appliances for employes through a single wholesale distributor. Orders are delivered to the factory, rather than employes' homes, and payment is strictly cash on delivery. In addition to appliances, television sets and stereos, employes can purchase furniture and jewelery through the plan.

Internal bartering also has been developing as part of the program. Employes not only can swap coupons and paperback books with one another, but can also exchange services they perform on the side, such as carpentry work, for products like homegrown produce.

Sweetheart wanted to open a gas station for its employes, but was stopped from doing so by the U.S. Department of Energy, Mr. Tufenkjian said.

Sweetheart's Tycoon program was a response to spiraling inflation and its impact on employes, Mr. Tufenkjian said. The company recognizes it must continue giving salary increases to remain competitive, but it wanted to do more to help the buying power of its employes that was being eroded by inflation, he explained.

"With Tycoon, an employe working for us has more purchasing power than the person across the street bringing home the same paycheck," Mr. Tufenkjian says.

Administering the program requires minimal investment, Mr. Tufenkjian said. Paula J. Faria, a company employe communications specialist, took about six weeks to set up the program and contact stores. She publishes a weekly newsletter letting employes know about additional discounts and handles other administrative chores as they arise.

The plant purchasing department places big-ticket orders for employes. This does not take up much time, since it only involves placing 15 to 20 orders a week, Mr. Tufenkjian added. ■

Sweetheart TYCOON

Sweet deal
Sweetheart's Tycoon program was a corporate response to the ravages of spiraling inflation.

IRMC elects new president

ATLANTA—The Institute of Risk Management Consultants Inc. elected Bernard A. Salwen of S. B. Ackerman Associates president, replacing Donn P. McVeigh, who left the consulting business to join Insurance Services Unlimited, as reported.

Assuming the office of vp of IRMC is John Hayes of T.E. Brennan Co. Moving into the post of a director of IRMC is Mitchell Cole, a consultant with Risk Planning Group Inc.

Two consultants were elected to membership in IRMC at its mid-year meeting. They are Charles F. Moody Jr. of Risk Planning Group and Michael G. Haske of The Wyatt Co. ■

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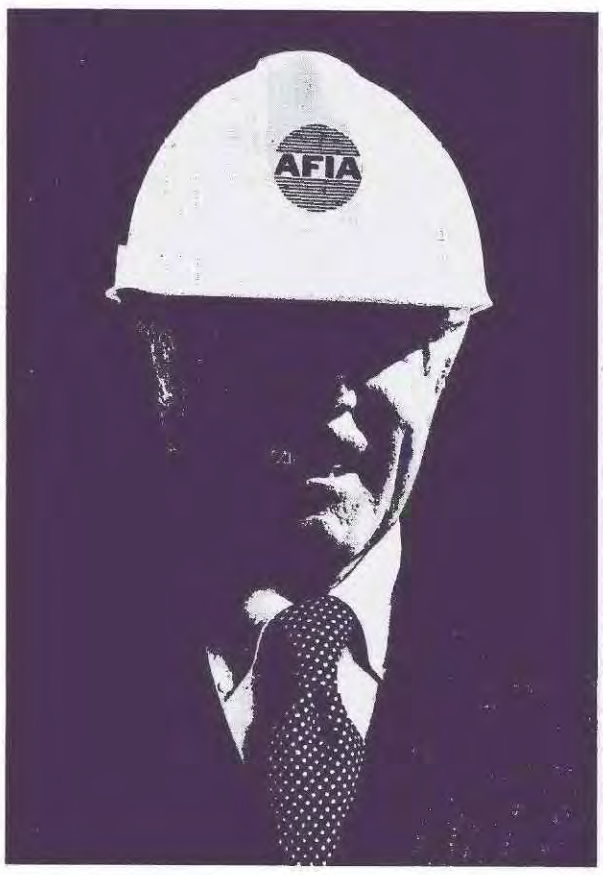
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Safety/Security

Loss prevention on patrol

Two ex-cops raid corporate security

By JOHN MAES

ST. LOUIS, Mo.—Two ex-cops pound the beat for private firms because their employers think crime against corporations is a problem.

Both are convinced their employers are right.

Robert T. Nischwitz, a former FBI agent, and Odell W. Sheriff, an Atlanta ex-police officer, speak from experience when they say thieves, pilferers, shoplifters and embezzlers are eating away millions of dollars from the assets of corporations each year.

Some firms make little effort to control crime, they say, but others have taken an aggressive stand, creating a new breed of corporate security directors that emerge from the ranks of professional law enforcement.

Mr. Nischwitz, manager of corporate security for Kellwood Co. of St. Louis, spent 24 years with the FBI in general criminal investigations and worked as legal attache to U.S. embassies in several nations.

Mr. Sheriff, security manager for the Southeastern region of Cluett-Peabody Corp., spent nine years with the Atlanta police department as a patrolman, investigator and crime prevention officer.

Both men claim to face two kinds of corporate criminals: those who plan and plot their thefts with ingenious, creative methods and otherwise honest employes who pilfer a box of pens here or a clipboard there only because the opportunity presents itself.

The task, therefore, especially for clothing firms like Kellwood and Cluett-Peabody "where everything is attractive to thieves," is to stay one step ahead of the plotters and keep other employes honest, Mr. Nischwitz says.

The ex-FBI agent says the master-plotters are fewer but harder to catch than pilferers.

"It's a never-ending battle because given time, they'll find a way to beat you. So you try to stay one step ahead of them," he said.

"A fence or a gate will keep out

Continued on page 18



Robert T. Nischwitz

ST. LOUIS—It's been five years since Robert T. Nischwitz hung up his FBI agent's badge, but he still finds himself working hard to outrace crooks.

In his office at Kellwood's headquarters here, Mr. Nischwitz spends much of his time on the telephone fielding queries from managers of the firm's 90 retail outlets and 72 factories in the U.S., Hong Kong, Thailand and Nicaragua. Kellwood manufactures men's and women's clothing sold in Sears and other large department stores and some lines of recreational equipment.

If Mr. Nischwitz can't help over the telephone, he'll hop aboard an airplane and solve the problem.

Fast action became his trademark and corporate security became his profession after he returned to his native St. Louis following retirement from the

Continued on page 18



Photos: John Maes

Odell Sheriff

ATLANTA—Odell Sheriff made the jump easily from police officer to corporate security executive because during his days with the Atlanta police, he was kept hopping with more than chasing street criminals and directing traffic.

He spent nearly five of his more than nine police years as the business crime specialist, planning security programs and practicing polygraph techniques.

"I've probably surveyed every major business in the city of Atlanta, from the 'Mom and Pop' grocery to the large shopping centers," he said. "That gives a lot of insight into how to do a security program."

As a policeman, Mr. Sheriff designed a security program for Atlanta's Omni-complex, a downtown business, shopping and cultural complex, and a special security project for the state. He also wrote

Continued on page 16

Roving agent pursues unsafe truckers

"Traveling southbound on U.S. Interstate 294, the time is 1:58 p.m. We're near Oak Lawn. We have a tanker, license number 20238 ST, Illinois plate . . ."

I hit the road recently with Markel Service Inc. regional manager Robert Lash to find out exactly how the safety patrol unit operates. It was an educational journey.

Safety patrol engineers carry tape recorders on the seat alongside them and hit the "on" switch the moment they spot a client for whom they need to fill a report quota.

". . .The driver is moving into the right lane. Change of lane without signaling, flaps have too much sail, both are defective. He's doing 64 miles per hour. . ."

The safety engineers use a calibrated speedometer, or in some cases radar, to clock the speed of truckers. "We'll follow them three or four miles if necessary to monitor speed," Mr. Lash said.

Most Markel agents are authorized by clients to stop drivers in case of a violation or for a check of safety equipment and the driver's log. A vehicle can only be stopped, however, if there is a safe place to pull over, a weigh station or rest stop.

". . .The driver is cutting in too sharply, his hoses are off the deck. The tractor number is T632. The driver is alone. . ."

The driver we trailed was aware of our presence, yet refused to slow down and even reached a top cruising speed of 68 miles per hour.

"Under normal circumstances I would've pulled him in because he's really doing some bad things," Mr. Lash said. "He keeps weaving in and out of traffic, doesn't change lanes properly, is speeding and tailgating—he's doing everything wrong."

Most of the truckers we followed complied with the rules of the road, however.

"Sure, drivers change their road conduct when they know they're being observed," Mr. Lash said. "But they never know when the next patrolman is going to come up. If we've stopped them long enough to prevent an accident, we've done our job."

Jill Kaplan



Photo: Jill Kaplan

By JILL KAPLAN

RICHMOND, Va.—A flashing hand waving down a cargo carrier may flash dollar signs to transporters if the hand belongs to a road service safety patrol agent.

And it may also signal a corporate commitment to safer driving.

Monitoring the driving habits, equipment and records of a cargo carrier can save an employer money, contends the Markel Service road patrol, a national patrolling firm, but safety comes first.

"Our accident frequency rate has come down 25% over the past three years," said Robert Mupo, safety and leasing manager at the Continental Group, a packaging materials carrier in Chicago with 165 to 170 units monitored by the firm.

"Our insurance premium has gone down $48,000 over a one-year period," Mr. Mupo added. Continental's premium paid to Covent Insurance Co., a captive, is based on the past three years of experience, beginning from about the time the carrier hooked up with Markel.

Clients contract Markel to follow their vehicles on the highways and to report on a driver's road conduct, speed, physical condition of the carrier, safety equipment, road conditions and weather.

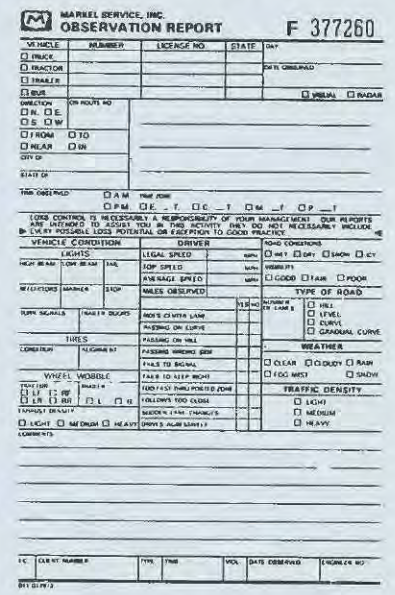
A driver can be stopped and warned for a safety violation, if the employer desires.

Safety engineers are usually authorized by clients to make stop checks of the vehicles to determine whether the driver's log, health card and safety equipment meet department of transportation standards.

Most of the other clients interviewed by *Business Insurance* denied having substantial cost savings or fewer accidents since joining the service. There are other reasons for subscribing to the outfit, however, they report.

"We feel that we're satisfying the department of transportation by showing that we're doing something about bad driving," said Lawrence Ingalls, fleet administrator for metal building products transporters, CECO Corp. in Cicero, Ill.

"All they've done is to keep our


MARKEL SERVICE, INC.
OBSERVATION REPORT F 377260

Markel reports on the road conduct of cargo carriers.

drivers honest," Mr. Ingalls maintains. "I hired Markel six or seven years ago because I was a one-man operation with no way to observe the drivers. In no way are we saving money."

"They haven't improved our accident rate," echoed M.A. Martin, driver safety supervisor for Jack Gray Transport Inc. in Gary, Ind., a hauler of bulk commodities with

Continued on page 16

Markel patrol pursues highway safety

Continued from page 15
500 units under patrol. The firm's accident rate has actually increased since hiring the patrol service, Mr. Martin said.

Log and speeding abuses are problems the service helps correct, Mr. Martin said. "They keep drivers legal. We hired them as part of a compliance order with the DOT."

Employers agree the patrol service is effective in controlling speeding, but not all accidents are caused by gunning the gas pedal.

Safety/Security

In addition, employers either reward the good reports or reprimand the violators.

"It's as much our fault as it is theirs because we haven't done anything to discipline the drivers yet," said Norman C. Tullock, manager of corporate fleets at Clark Equipment Co. in Battle Creek, Mich.

Clark is just beginning to take action against those who receive bad reports, Mr. Tullock said. A first-time offender will receive a verbal warning, but an employe could conceivably be fired for receiving repeated violations, Mr. Tullock said.

"The big problem is enforcement," Mr. Tullock said. "It's pretty hard for me to enforce the drivers if the police officers won't discipline them."

Carriers also have problems with intransigent drivers.

"Drivers don't like it, they have no use for the system," Mr. Tullock said. "A good many refuse to stop when ordered to stop. They pretend they don't have the CB on. A driver wants to run and run as fast as he wants to run."

Markel does not work in conjunction with the police and does not pride itself on confrontation.

"We don't try to act like TV police people," said Chester Wright, manager of the Richmond branch. "Our job is to help the driver and equipment arrive at a destination safely."

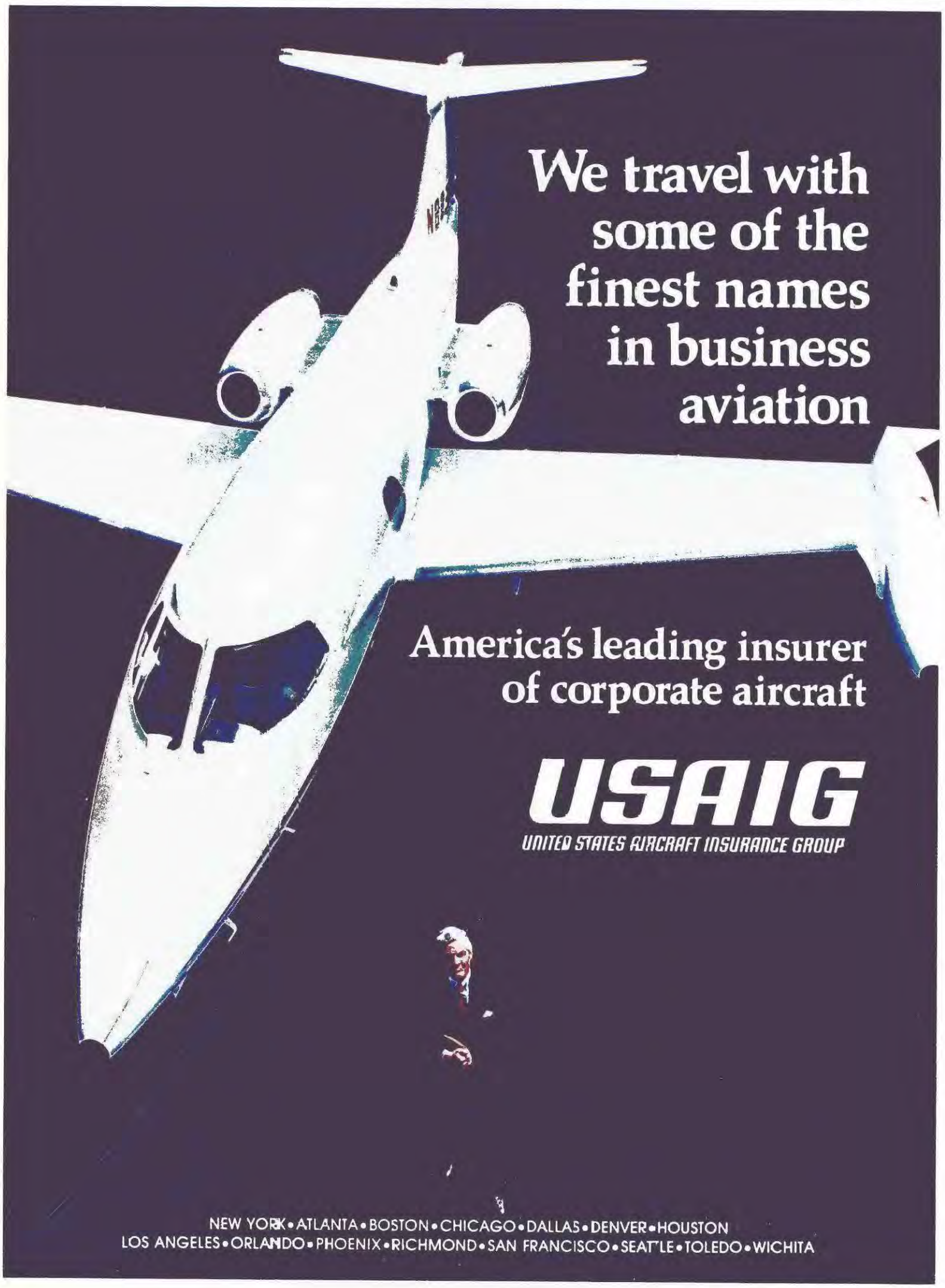
Markel operates in the 48 continental states and deploys a staff of 100 to 125 safety engineers to service its 480 to 550 clients. Clients range in fleet size from 25 to 1,000 units.

Fees are determined by the number of reports written each month. The service costs $11.85 per report if a client requests 50 or more reports each month and $12.95 per report if less than 50 are desired. Markel writes 160,000 to 180,000 reports each year.

The majority of Markel's reports, 60% to 70%, are favorable. "It's just as important to praise a man as to cut him down," said Midwest regional manager Robert Lash. Speeding and tailgating are the most common problems reported, he said.

"In essence, we're an aid to the sales of the client," Mr. Lash said. Billboard accounts—firms having the names of their products plastered on the side of their trucks—can lose impact if a reckless driver alienates potential customers in the surrounding cars, Mr. Lash said.

"If we can prevent the client from making a fool of himself, we're going to prevent the customer from having a bad attitude against that company." ■



Sheriff polices company

Continued from page 15
Atlanta's security ordinance for all newly constructed buildings.

As a crime prevention officer, he learned a lot of companies don't pay proper attention to security. "A lot of companies aren't concerned with security because unless their losses are over a certain percentage, they take it as a tax write-off and they're not concerned about it."

Now Mr. Sheriff is southeast security manager for Cluett-Peabody Corp., a clothing firm that owns Arrow Shirt Co. and retail clothing stores and manufacturing firms across the U.S. and overseas. Based in Atlanta, Mr. Sheriff is part of a four-person security staff that reports to corporate risk manager J. Kirk Barefoot in New York.

"A company has got to accept that there is a problem and they must implement measures to deal with it, be it hiring a security consultant, a guard agency or full-time security personnel," he said.

Protecting Cluett-Peabody facilities requires Mr. Sheriff to travel about 70% of the time over his territory of Georgia, North and South Carolina, Alabama, Tennessee and Florida, investigating losses and doing routine inspections. Mr. Sheriff specializes in manufacturing plants and warehouses; another security staff member handles retail outlets.

Mr. Sheriff says he has the backing of management in enforcing security regulations but prefers to use the salesman approach to execute security measures. He wants to help the branch manager see how adherence to security rules can enhance efficiency.

The policeman in him still dominates his spirit, though. He still feels throbs of sentiment each time he sees a police squad car.

"My heart still flutters a bit when I see the old black-and-white." ■



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Two ex-cops pound a corporate beat

Continued from page 15

petty thieves but it won't stop the professionals. If you've got something of value, they'll come and get you if it's worthwhile."

Organized theft gangs aren't common at Kellwood, but firms should watch for organized rings who hire on at firms as dockhands, shipping clerks or janitors and steal goods later sold to professional fences, he said.

One copper tubing company in St. Louis lost large amounts of its finished product, he noted, and later discovered that groups of employes were grinding the tubing up with hand tools and carting it to a scrap metal dealer for sale. They hid the metal in vacuum bottles and in their clothes, he said.

Mr. Sheriff recently unraveled a ring at Cluett-Peabody's Arrow

Safety/Security

Shirt Works in Atlanta, where a group of 17 workers doctored piece rate tickets and defrauded the company of $12,000 to $13,000.

When clerks noticed the piece rate tickets being submitted were for much higher amounts than normal, Mr. Sheriff interviewed some of the workers and uncovered the scheme.

"Most of the people we talked to were very cooperative with us and told us the truth," he said.

Tighter hiring practices and employe supervision is the key to dealing with the theft problem, both men agree.

To weed out the potential big-time thieves, companies should check backgrounds of applicants and references, Mr. Nischwitz said.

"You want to find out just who are the people you have working for you," Mr. Nischwitz preaches when he meets with Kellwood's new store managers during their training period.

Applicants at Cluett-Peabody are also screened to determine if they are security or safety risks. Employes promoted to "sensitive" positions in the company have their applications reviewed and some are even polygraphed by Mr. Sheriff.

If the applicant has a criminal history, Mr. Sheriff recommends that he or she not be hired as a truck driver, warehouse worker, janitor or other job with access to many areas of a company "because they can steal from us and sabotage us," he said.

Frequent drug users are also not recommended for employment. "We're very concerned about drug use not only because it cuts into productivity, but because it could lead to injuries on the job and large workers compensation claims."

The pilferage problem is easier. Mr. Nischwitz says that once you eliminate the opportunity to steal, you eliminate the temptation.

Employe education, inventory control and restricted building access can help deal with the problem.

Managers, he said, should communicate to employes that stealing from the company hurts them by cutting into company profits and hampers opportunities for raises and advancement.

"If you enlist the aid of your employes at all levels, it can be simple," he said. "You must convince them that it's to their advantage to be honest and follow the rules of propriety. You won't have half of the problem."

Both directors do not hesitate to travel hundreds of miles to investigate a single loss.

"I'll drive all the way to Alabama to investigate a $25 theft if I can't solve it over the phone," Mr. Sheriff said. Both rely on local police agencies as much as possible for investigation and prosecution, but in some cases they must do the interviewing and evidence gathering themselves.

In some of the small towns, the local sheriff or police department doesn't have the proper expertise to investigate a $500,000 misappropriation or embezzlement, Mr. Sheriff noted.

But catching thieves from inside or outside the firm is only one part of the job, they say. Prevention is also a goal.

That's why the directors spend many hours on the telephone answering questions about security problems from branch plants and stores. "And if it doesn't sound like I can help them over the phone, I'll go out there, " Mr. Nischwitz said.

Recently, a manager at a Kellwood-owned facility reported a break-in and stolen typewriters. After surveying the installation, Mr. Nischwitz suggested they place the remaining machines in a refrigerator and raise it to the ceiling on a forklift to deter repeat incidents.

To complete the anti-theft measure, the manager was advised to take the forklift locking mechanism home with him.

The measure was effective and cost nothing, which for a security director is a shining victory. Good security chiefs, he added, should always strive to solve a security problem without spending large sums of money on expensive guard services, alarms or fences.

"A lot of security is common sense. If you don't have the resources in-house, then you can go to a guard service or alarm company."

The typewriter incident, he chuckled, "is the ultimate in cost effective security." ■

Nischwitz works fast

Continued from page 15

FBI. He started in industrial relations at Hussmann Refrigerator Co., a firm owned by Pet Inc.

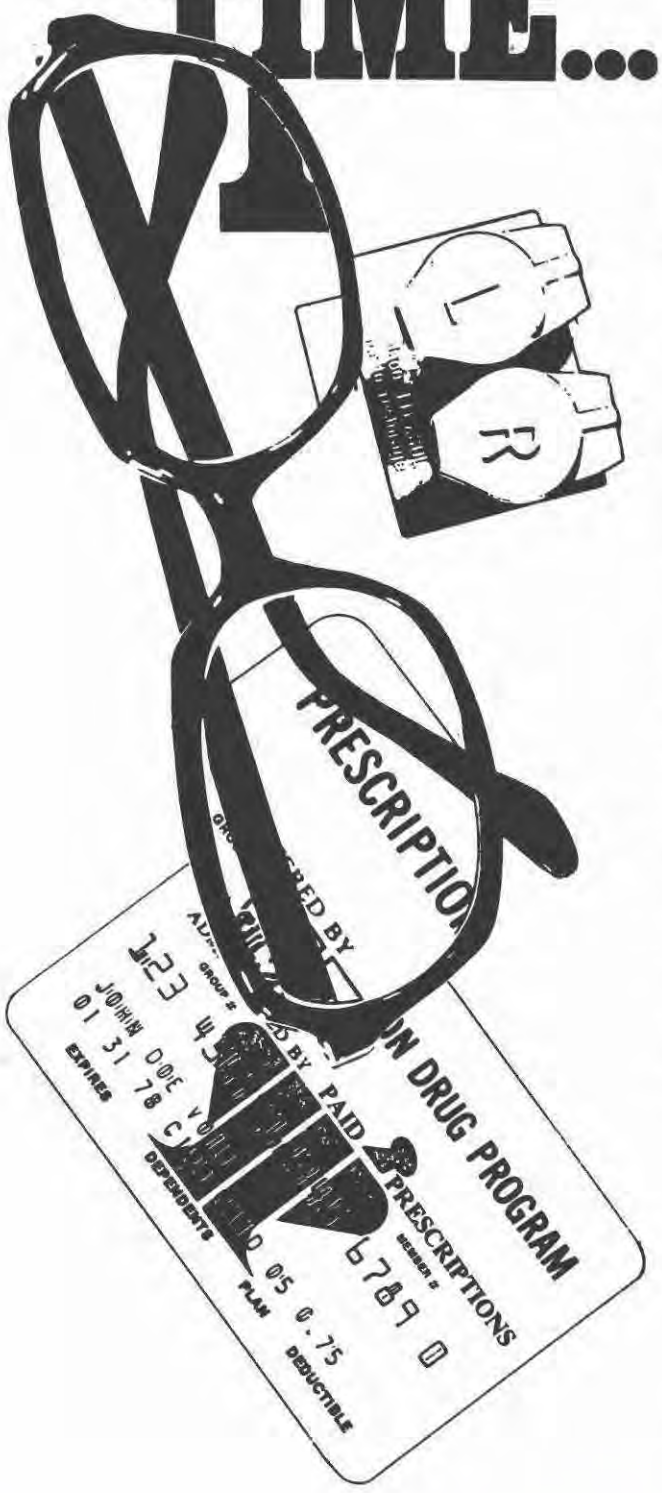
"It was interesting work but I didn't feel it was my cup of tea," he said. He was swiftly promoted to safety and security director and developed Hussmann's first loss prevention program. He joined Kellwood early this year after the position at Hussmann was discontinued.

At Kellwood, Mr. Nischwitz, a Certified Protection Professional, also focuses on safety. When he inspects a plant or store, he checks to see whether a facility has adequate fire suppression systems, evacuation plans and enforces hard hat rules in designated areas.

Theft is the biggest security problem at Kellwood, however, because its line of products is attractive to thieves. Executive kidnaps are not a big risk as in other industries operating overseas.

"Ours is a tame industry," he said, but adds the company does have a plan for dealing with abductions of employes. ■

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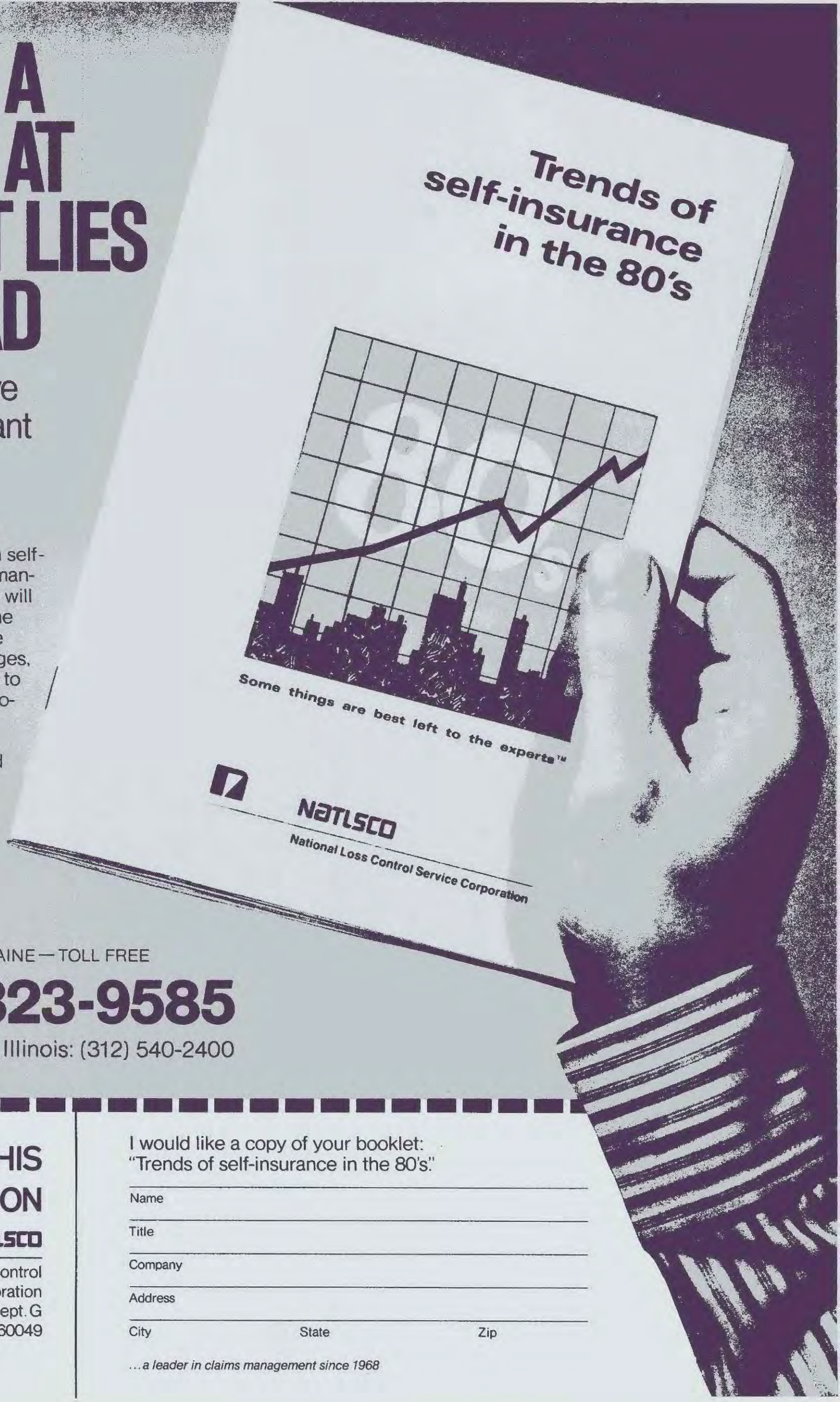
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Photo: The Standard Register Co.

Warnings of proper lifting procedures have helped reduce back injuries among workers at Standard Register Co.

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Safety/Security

Firm lifts safety record

DAYTON, Ohio—The Standard Register Co. is bending over forwards to eliminate improper lifting of cartons and boxes.

The firm, which makes business forms and ships more than 10 million cartons to customers annually, has started a program to inform workers that they risk serious, costly back injuries if they don't bend their knees when lifting.



Donald G. Eggenschwiller, corporate safety manager, says back problems account for 33% of employe time, the largest single cause. Each back injury costs the company an average of $2,068, he said.

"People simply are not aware of how the back works and how such injuries can be avoided with a little common sense at work or at home," he explained.

The firm is telling workers they should lift heavy parcels only with their knees bent, not by bending straight over.

The program is already showing results, Mr. Eggenschwiller said. Back injuries have dropped by 30% for the first quarter of 1980 as compared with a similar period last year.

To convey the message, all 4,332 Standard Register employes across the country are watching the film, "Bend Your Knees," which explains the mechanics of back movements and shows how bending knees when lifting can help avoid injury.

Posters are advising workers to observe proper lifting practices. In addition, the message "bend knees when lifting" is being printed on all cartons of Standard Register's products, with a picture of proper lifting procedure.

"Statements such as 'use no hooks' and 'this end up' are most often heeded. When you pick up one of our cartons, the directions are vividly printed there on how to achieve the lifting task safely," Mr. Eggenschwiller said. ■

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Photo: Ellis Simon



Low-key program
Most companies prefer security techniques that are less nerve-wracking than armed guards. A building's lobbies and executive floors may be monitored by closed-circuit television.

Subtle security program works best, experts say

By ELLIS SIMON

Safety/Security

NEW YORK—Corporations that closely control the movement of employes and visitors in their headquarters could be sacrificing worker creativity and efficiency and scaring guests.

"There has to be a delicate balance in a corporate security program between freedom and control," says New York security consultant Norman Jaspan of Norman Jaspan Associates. "You're not running a prison."

Security at the headquarters of major U.S. firms may take on high or low visibility, depending on corporate philosophy. At some firms, visitors move relatively freely; other firms rely on armed guards, floor passes, package searches and visitor escorts.

Targets of public criticism, such as the oil companies or defense contractors during the Vietnam War, are among those most likely to take a high visibility approach to security, Mr. Jaspan notes.

Overseas, the political climate of a country will dictate the degree of physical protection needed. Carlo Caci, who designed security systems for Citicorp facilities worldwide, noted that stronger measures were required for the banking company's headquarters in Milan than in Zurich because of the terrorist threat in the Italian city.

Best approach
'Low-key is easier to sell. It doesn't intimidate the employe and it's gotten results,' one director says.

But armed guards do not always security make. Most companies prefer less nerve-wracking techniques.

The security message can be delivered in a more subtle fashion. "One thing you don't want to do is cause a feeling of paranoia on the part of the visitor," Mr. Jaspan continued. "But security can't be so subtle that the message is lost."

Peddlers, drifters and drug dealers have been cleared out of the lobbies and hallways of a major financial institution in Lower Manhattan that implemented a low-key, in-house security program three years ago.

Gun-toting uniformed personnel from a guard firm were replaced with unarmed, in-house trained employes wearing blazers. Visitors are no longer required to secure a pass from a central reception desk in the lobby before proceeding upstairs to conduct business.

Instead, the building's lobbies and executive floors are monitored by closed-circuit television cameras watched from a central control panel.

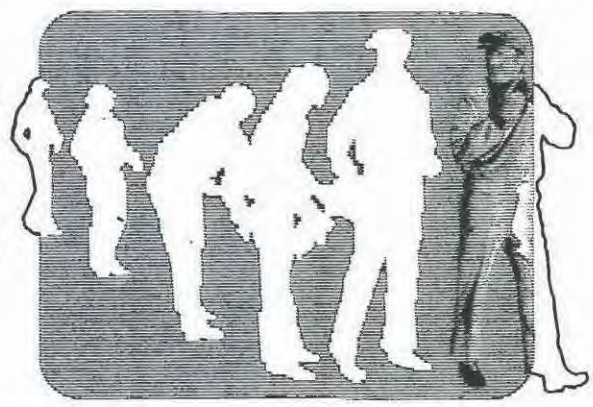
"Low-key is easier to sell," the firm's security director says. "It doesn't intimidate the employe and it's gotten us results. People are not hesitant about reporting unusual events or persons on the premises so we can take proper action, including arrest, if necessary."

The firm augments the efforts of its security department with annual security orientation sessions for employes and a mandate for supervisors to monitor their own operations. "When incidents occur,

Continued on page 24

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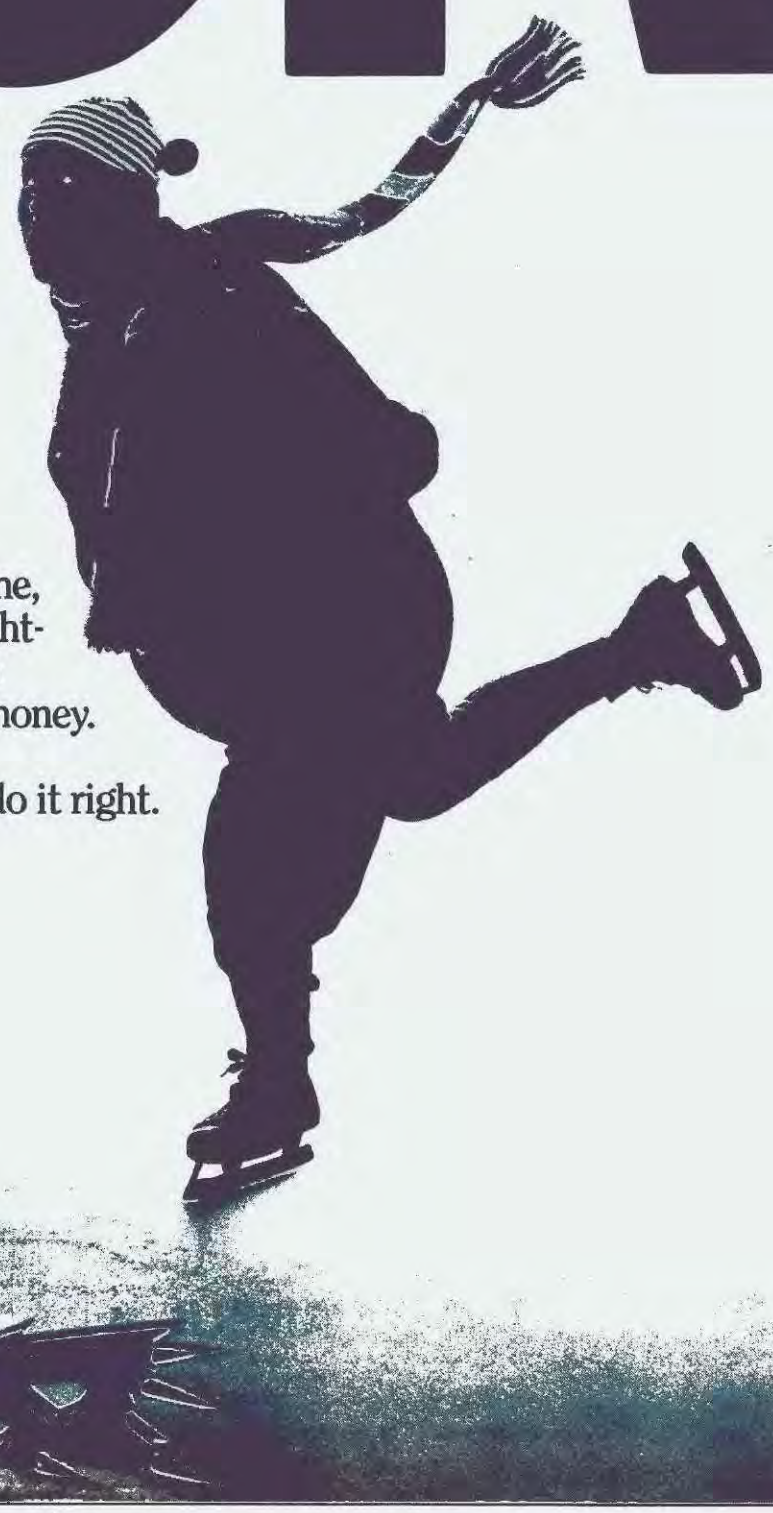
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Subtle security works best: Experts



Photo: Honeywell

Continued from page 22

we leave a reminder for department managers to respond with whatever corrective measures they deem necessary," he said.

Headquarters security programs strive to protect firms' employes, executives and confidential data as well as guard against theft, vandalism and sabotage. The objectives are deterrence rather than apprehension.

Movement control and restricting access to sensitive areas are key ingredients in a successful security recipe, but should not inhibit worker efficiency. "The key to keeping the system running is building security around the operation," said Mr. Caci, now a principal in Commtrol Systems & Design, a New Jersey security consulting firm.

"Never modify operation for the sake of security. If you force someone to do something different, they'll go back to their old ways."

A floor sweeper will unlock the doors to a stairway if it's easier for him to do his job that way, he explained.

Security system design should provide levels of security, Mr. Caci explains. Perimeter protection should be like a screen that will keep out amateurs and most professional intruders. "Nobody can afford to make it foolproof."

Key to security

Access control systems are key ingredients in a successful corporate security program.

Critical areas, such as data processing centers and vaults, require greater protection, he adds. The system works like a filter, he explained, with tighter security around smaller areas. "If the perimeter system will keep 50% of the intruders out, the next system will keep 50% of that 50% out and so on."

Plastic card access systems are used by the New York financial institution to control access to its data processing facilities and executive suites, said the firm's security director. In addition, several top executives have plainclothes bodyguards.

"You can give a chief executive officer a secretary who has great steno skills but also happens to be a judo expert," Mr. Jaspan said.

Protection of key executives must be tailored to the person's needs, he stresses. "You must understand the individual's work habits and personality before dealing with him as an individual. He must also be willing to be helped. Even the individual who doesn't want to feel constrained and confined can be protected as long as he's cooperative enough."

Regardless of the security system, it is only as effective as the efforts a corporation puts into maintaining its reliability. "You don't want to fall into the trap of saying we've done it through the system," Mr. Jaspan said. "Any system we can design can be penetrated without much information.

"Security can look good on paper or read good in a manual, but unless conscious efforts are made to ensure safeguards are functioning, we're living in a fool's world."

Intelligence gathered by security systems—for example, the times key doors were opened or closed—is only as good as the person who uses it, Mr. Jaspan continued. Some firms direct this type of data to the wrong people or to too many people, he said. Alarm systems sometimes go months without getting needed repairs.

"Employes knew something was not working, but management did not know," he said.

Many corporations fail to check out who a guard firm employs at their headquarters, Mr. Jaspan said. "What assures that you're getting the best the guard agency has?"

Few companies bother to get reports on the persons assigned by these agencies, although they would carefully check out someone they hire directly, he explained.

Security system effectiveness can be tested by creating a deliberate error, Mr. Jaspan says. "Do something out of the ordinary. Penetrate the premises to see if it's caught at the first line of defense, second line of defense or not caught at all."

Security breakdowns result from poorly trained personnel, mental lapses, indifference and/or lack of staffing, Mr. Jaspan notes. However, even proper training has its limits.

"You can train people to a degree, but other things have to be experienced or developed through intuition. Not everyone can be a corporate security director. The person has to have informal intuitiveness," he explained.

"If people using sophisticated security technology don't understand the objectives and risks involved, the system will collapse," he continued. "It's an imperfect process. You can set goals and objectives before you, but after all that's said and done, the bottom line rests with the human beings who carry it out." ■

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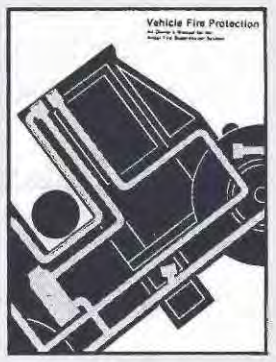
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SECURITY FOR THE SECURITY INDUSTRY

Companies make color copiers nearly con-proof

Safety/Security

By STACY SHAPIRO

CHICAGO—Corporations that fear a flood of counterfeit documents will come spilling out of their color copying machines can stop worrying—as long as they follow good security procedures.

Color copiers are con-proof through concise color coding of negotiable documents, says the leading color copier company, but as more of the products get into circulation, more firms and law enforcement officials fear a growing opportunity for fraud or counterfeiting.

"The Xerox-6500 color copier is good, but not that good," says Alan Morganstein, product marketing manager-color for Xerox, the only American manufacturer of color copiers.

But just in case it is "that good," Xerox doesn't want to be liable for forgery. Xerox tries to minimize color copier fraud by issuing pamphlets with security tips and conducting seminars on the prevention and detection of color duplicates.

The campaign has been successful so far. Color copier fraud is a minimal risk for the more than 2,000 companies that own or lease the Xerox-6500 color copier, say law enforcement groups.

"The Xerox color copying machine has not had a significant impact on enforcement efforts of the U.S. Secret Service. Only a few counterfeits made by the color copier have surfaced in circulation," said John W. Warner Jr., assistant to the director of the Treasury Department.

Most security people, including William Mickle, training programs manager of the National Crime Prevention Institute, agree there are fewer than 100 cases nationwide in the past two years involving copier fraud. And few if any of these showed significant losses.

Firms that use color copiers, however, follow a series of precautions including some general tips from Xerox and some plans they invented themselves.

Documents that have commercial value are copied only if absolutely necessary and properly rendered nonnegotiable, as Xerox suggests.

Built-in machine safeguards also discourage color copier fraud. A key operator controls the use of the color adjustment control dials. The on-off switch is inside the door panel and is locked by key. There is also an optional copy counter that locks into the 6500's memory and controls,and/or records copier use.

Companies also combat reproduction of negotiable forms by printing their documents beyond the normal spectral range of the 6500.

The McDonald's Corp. camouflages its 50-cent gift certificate coupons by printing them beyond the color range of the 6500 to prevent any forgeries. The duplicates come out with contaminated coloring that can easily be detected as fake.

McDonald's also double screens the 50-cent denomination to make it too light for the copier to pick up so the 50-cent symbol does not appear on a duplicate.

A "latent image" can be used like invisible ink for color documents. When copied, the word VOID crosses the document or the prefix "NON" appears before the word "negotiable" on a document.

The Burroughs Corp. manufactures a paper firms can buy to prevent copier fraud. For 20% to 50% higher cost, Burroughs prints finished documents with the latent images only visible on the Xerox copy.

"We know this to be a viable safeguard," says Howard Webb, Burroughs' Louisville branch manager. Thus far Burroughs has had 80 to 100 companies interested in using this precaution, Mr. Webb says. "Xerox is an excellent product. But there are users who abuse it just as they abuse rifles," he says.

Some firms have invested in buying or leasing the Xerox-6500 color copier just to fight fraud.

The Treasury Department owns a 6500 to "make sure that bills that we print can't be reproduced on the color copier," says H.T. Krisak, special assistant to the director of the Bureau of Engraving and Printing.

"It's very difficult to reproduce American currency, but foreign currency is very easy to reproduce," he says. Countries like Canada are worried about future complications with color copiers. ■

Tips for detection

Simple detection methods distinguish a color duplicate from an original. Rub a tissue over any black area on the suspect document. If the color image that rubs off is light blue, it is most likely a color copy.

Another method is to drop a few dabs of typing correction thinner on the suspect document. "If it smears very distinctly there's a high probability that it's a Xerox-6500 copy," says Alan Morganstein of Xerox.

A document may also be a color duplicate if the type seems raised considerably or if the black type isn't pure. The color process consists of three tones: magenta, yellow and cyan—which mix to form red, green and "process black." The machine cannot produce a pure black.

A color duplicate can be detected if it has "a definite glossy look," Mr. Morganstein says. It can also be detected by "fingerprints" of the copier, such as scratches that may be on the glass or the drum that are reproduced.

But most fakes are easily detected because the Xerox-6500 is not designed for two-sided color copying. The image of the first side can show up on the second side, making the eye of the dollar bill look bloodshot.

Art galleries take classic precautions

By JILL KAPLAN

Safety/Security

BOSTON—An original Rembrandt isn't worth a dime these days, say knowledgeable art collectors—unless the art is protected by a good security system.

With a growing public interest in art and a dramatic upsurge in thefts, art dealers and gallery owners are installing security measures they wouldn't have considered 10 years ago.

Security systems available to gallery owners and art dealers are much the same as those available to the general business community: sophisticated electronics to old-fashioned crowd control.

"We have loaded firearms in every room," said Robert C. Vose Jr., owner of the nation's oldest gallery, Vose Galleries in Boston.

"We have a big, mean dog and nobody ever leaves the house empty," confided one Connecticut antique dealer.

Most owners, however, can select products from sophisticated electronic systems, digital access devices and pressure mats under the rug to the standard shatterproof glass.

Electronic devices—ultrasonic, microwave and infrared systems—monitor motion over broad regions. A photoelectric system signals the penetration of an invisible beam of light.

Capacitance alarms are triggered by a copper screen placed on the reverse side of a painting and hooked up to a remote or local alarm system.

Many dealers, though, believe the old ways, like classic art, are the best. Some complain that electronic systems send out a high number of false alarms. Gallery owners are also concerned that ultrasonic and microwave techniques may damage delicate artwork.

Guards are the best protection for fine art, says security expert Donald Mason, a fine arts consultant in Haworth, N.J., who recently wrote a book on the subject. "Electronic systems report invasions of a particular area, but a guard can respond to that alarm," he said.

Both guards and electronics systems are not feasible for many, however, because of high costs. Closed-circuit TVs are often effective in deterring criminals, but these, too, are expensive.

"We have closed-circuit TV screens in the entrance halls, but that doesn't take care of all the rooms in the place," said Harold Sack, president of Israel Sack, Inc., a prestigious gallery in New York.

"It's too expensive and there still has to be somebody to watch all of the circuits," he added. "It isn't foolproof."

While electronic systems are mainly used for detecting burglaries at night, closed-circuit TV and guards are helpful in daytime protection.

A cheaper form of daytime security also exists for fine arts dealers: traffic control.

"Know your clientele, limit traffic flow and make sure visitors are never left alone," advised Bonnie Burnham, executive director of the International Foundation for Art Research in New York.

An increasing number of galleries, including Vose Galleries in Boston, are closing their doors to

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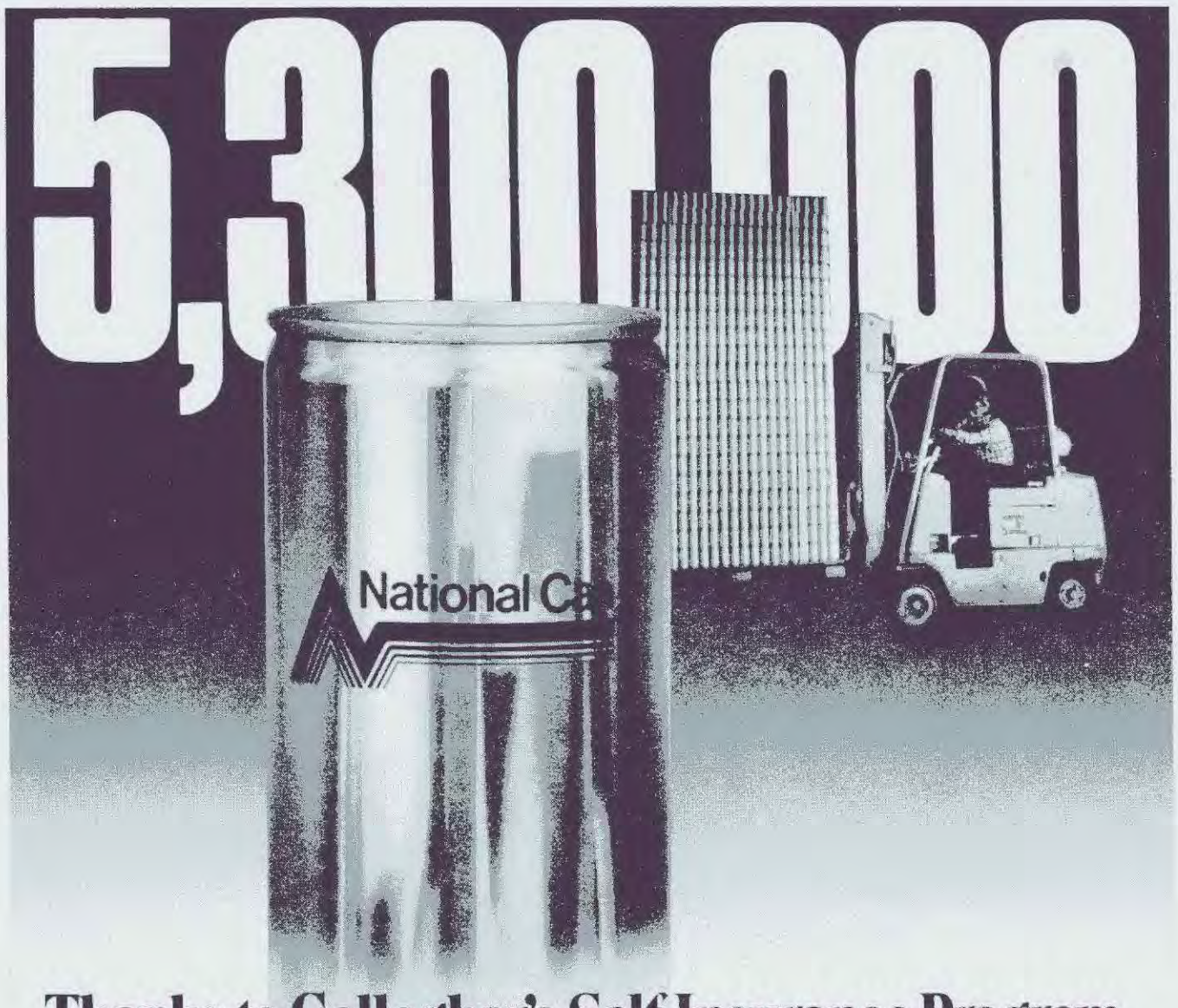


Art of security

After two works of art were stolen from the Russell Gallery in Montana, the gallery installed a closed-circuit television security system consisting of two mirrored globes that conceal TV cameras (left). The cameras are monitored on screens in the gallery manager's office (right).

Traditionalists

Many dealers believe the old ways, like classic art, are the best. Some complain that electric systems send out a high number of false alarms.



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Galleries prefer classics

Continued from previous page
the public and requiring visitors to buzz in and sign a guest register.

"A major weakness within gallery and museum security is the temporary partitions for exhibits that don't allow a guard to keep the visitor within easy view," Mr. Mason said.

He urges gallery owners to keep display areas well lit so a visitor's actions can be observed at all times.

Conduct a thorough background check on personnel, security experts also warn.

"Who are the maintenance people? Who picks up the garbage?" asked Robert Volpe, detective for the New York City police department. Dealers should know.

Steel grates, gates and other physical screens are obvious forms of protection that many art owners overlook, too.

"A maintenance man stole $2,500 worth of goods in five minutes because we never locked the back screen door," said gallery owner Mr. Vose. "We now have a steel grate that slides across and locks the door."

Mr. Vose said he receives word of more than 90% of the thefts in his area, and that helps security.

"Word-of-mouth knowledge is one of the most important aids because the same people seem to hit all of the galleries," Ms. Burnham said. "Gallery owners can keep abreast of who might be working in the area, learn how thieves operate and when the risks are greatest."

Pass the word
Word-of-mouth knowledge is a most important aid, says Ms. Burnham.

Mr. Vose said he was able to avert a possible crime when he recognized a thief who appraoched his door late one night.

"I opened the door, took out a gun and another man pretending to be tying his shoe stood up from behind," Mr. Vose said. "I'm sure they would have tried something."

Instead, the suspected robber said, "Just wanted to say hello."

By documenting collections very carefully, gallery owners can make it much more difficult for thieves to place their goods.

"Let the world know when something happens," Ms. Burnham urged. "Most people think it's just not going to happen to them. On Tuesday morning when gallery owners turn up at work and find a wall missing, it's a rather astonishing fact." ■

Up-to-date listings

You can learn more about available security devices and receive a current listing of stolen decorative and fine art pieces by subscribing to the "Stolen Art Alert."

"Stolen Art Alert" is a monthly newsletter written by the International Foundation for Art Research in New York and costs $12 annually. The "Stolen Art Annual" compiles and expands upon the 1978-1979 newsletters and is available for $40, $30 to subscribers.

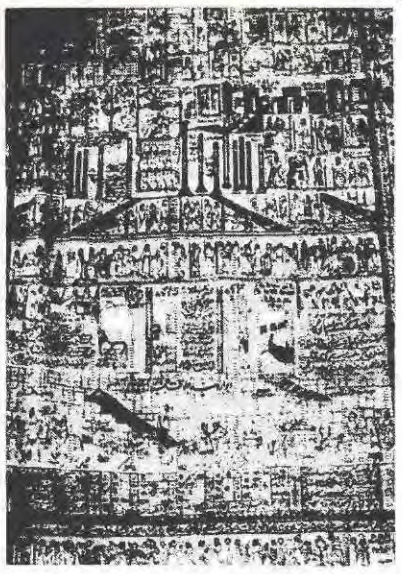
To order either publication write: R. R. Bowker Co., 1180 Avenue of the Americas, New York, N.Y. 10036. Attention: Peter Simon.

The international foundation is a nonprofit organization offering authentication services and collection cataloging for private organizations. For information on membership and services write: Lucy Evans, International Foundation for Art Research, 46 E. 70th St., New York, N.Y. 10021.

Bulletins mailed monthly by the Art Dealers Assn. of America describe stolen fine arts. Information about the association's services is available by writing Donna Carlson, Art Dealers Assn. of America, 575 Madison Ave., New York, N.Y. 10022.



"Young Girl with Doves" was stolen from a Chicago dealer.



This Persian wool rug was stolen from a church.

Photos: FBI

OSHA plans more probes

WASHINGTON—Total federal and state OSHA inspections will increase in fiscal 1980 and 1981, said Eula Bingham, assistant secretary of labor for occupational safety and health.

In fiscal 1979, OSHA conducted 170,925 workplace inspections. The agency plans to conduct 182,900 in 1980 and 198,400 in 1981. ■

EVERYBODY'S TALKING ABOUT HEALTH CARE COST PROBLEMS. WE THOUGHT YOU'D LIKE TO HEAR A FEW SOLUTIONS.



Awards play token role in safety try

By MARY ANN MATLOCK

NEW YORK—If you're pitching safety to employes, don't rely only on safety award programs to strike out all work-related accidents. The results may be strictly minor league.

But safety managers agree that an award program as encouragement for team effort, not bribery, may help develop a winning safety record.

"Overall, incentives are a minor part of a safety program," said Michael Stumpf, corporate safety director for J. P. Stevens & Co. "We'd rather have people feel good knowing they work in a safe environment than knowing they qualify for a prize."

At his firm, certificates are presented to workers without an OSHA reportable accident during a five-year period. Workers at plants going one million worker hours without a lost workday case win a free dinner.

At DuPont, Donald G. Windsor, manager of safety and fire protection, added, "We don't believe in paying people for being safe. Safety is just as much a part of the job as getting to work on time."

But every few years his firm does give prizes valued at $11 to employes without a serious accident.

"The awards are not something valuable, they're merely token awards. They foster the team unit," Mr. Windsor said.

Because the prizes have limited worth, he said, they shouldn't encourage accident cover-ups.

Safety/Security

Though the actual value of the awards is hard to measure, Mr. Windsor doesn't foresee them being discontinued in the near future.

"A combination of techniques go into safety," said Jack Stevens, director of safety and insurance at Mid-American Lines Inc.

"The companies that don't recognize the employe seem to have a little higher loss ratio and more accident frequency, but to make a program work you have to communicate to the worker," he added.

Communication may not mean an expensive prize, however. Sometimes rich gifts may detract from the call to safety.

Expensive distraction

Goals are important, safety managers agree, but awards may or may not make the best goals. Sometimes expensive gifts rewarding good records may distract from the call to safety, corporate managers report.

Mr. Stevens discontinued an expensive award program that gave away wristwatches and diamond rings because "overall the program was very costly and we were not getting mileage out of it. The message wasn't being communicated."

The replacement, Mr. Stevens said, is an all-expense-paid trip to Las Vegas or Acapulco awarded to a worker whose name is drawn from a list of employes without a preventable accident or on-the-job injury during each quarter of the year.

Supplementing this incentive trip, Mr. Stevens also initiated a communications program that tells the worker the cost of accidents and injuries.

"You have to communicate," he said, and it works. In the past eight months, the firm has reduced accidents by 50%.

"We could have gone into this whole program without any incentive and done just as well. It's just something the workers have to shoot for," he said.

Goals are important, safety managers agree, but awards may or may not make the best goals. Sev-

Continued on next page

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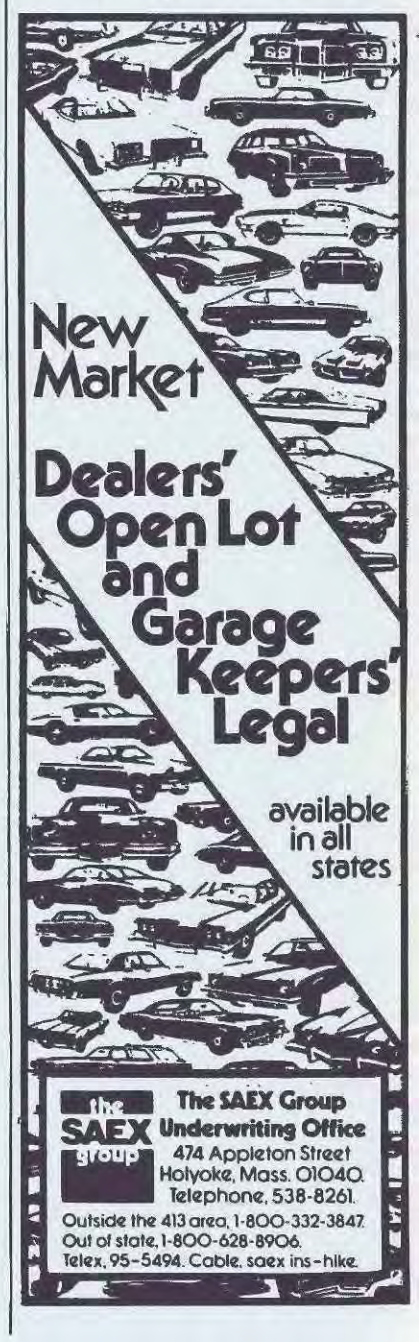
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Small awards may encourage safety

Continued from previous page
eral experts deny prizes help.

"We don't advocate incentives in the form of prizes. We don't feel they are necessary in order to have an effective safety program," explained Robert Vanderberg, director of safety at General Mills Inc.

"We feel good training, supervision and human relations motivate people more than the awards."

Because each General Mills plant tailors a safety program to its own needs, some divisions do offer token awards to create a safety interest.

"But if they do, the prizes are a short-term deal to create interest. It's not an ongoing type incentive," Mr. Vanderberg said. "You have to be very judicious in their use."

"I've never been too enthused with awards programs," agreed Donald Koester, risk manager for Orange County, N.Y., and formerly with Studebaker-Worthington Inc.

"You'd do better putting the money into more safety programs, but awards can have some effect as long as they're continuous."

Continuity, he said, deters people from delaying the reporting of accidents to obtain a prize. ■

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riskWatch

Safety awareness spans 2 generations

By LEN STRAZEWSKI and KATHRYN J. McINTYRE

The heroes of this story are named McIntyre and Strazewski. Not the ones who work for *Business Insurance,* but the gentlemen who had the foresight to sire your editors. They were heroes in the battle for safety awareness.

Their weapons were simple: a hair dryer and a cigarette lighter.

Not terribly sophisticated, you might charge, especially compared with the products, techniques and problems recounted in this special issue. The problems of safety, security and loss prevention are serious and require serious solutions.



Giving safety awards, small prizes or tokens to reward good safety records or suggestions, is hardly a sophisticated technique. As the experts frequently say, safety awards aren't a panacea for safety problems. What's more, firms have to be careful not to encourage employes to cover up accidents just to win a prize.

But safety awards have a personal impact that isn't very visible in safety studies. The personal impact lasts a long time, too.

William McIntyre won his safety battle with his daughter Kathryn when she was 12 years old. Yerkes Lab in Buffalo, N.Y., hit a new high of exposure hours without an accident and the staff scientist brought home a prize list. Ms. McIntyre picked the hair dryer—and an electric can opener, a sleeping bag, toaster and other appliances in later years.

When the string of accident-free hour hours was broken by a careless press operator, stopping the string of awards, the blow hit home for everyone.

In college, Ms. McIntyre was one of few students who didn't have to be reminded to wear safety glasses. She is careful to unplug toasters before digging out burning toast with a knife. She does not mix cleaning chemicals. Her neatness is legend at *Business Insurance.*

The safety prize program continues at DuPont and Mr. McIntyre is still bringing home more prizes from the Circleville, Ohio, plant where he now works as a senior research chemist.

Leonard Strazewski won his battle with his son Len the year his child was born. Walking into a General Motors/Buick plant warehouse, Mr. Strazewski spotted storage racks that weren't properly placed. The floor plan was correct, but employes kept whacking themsleves on the corners of racks.

He wasn't supposed to notice. He was a clerk, an upper-level blue-collar worker, but the racks were in his way. His suggestion for rearranging the racks won a $25 bonus and a commemorative cigarette lighter.

The money went quickly, but the lighter lasted through three apartments and a house and 25 years. His son has the lighter now.

Len Strazewski is not neat; his sloppy desk is legend at *BI.* But 25 years worth of a symbol is enough to remind him that safety and efficiency planning is part of his job. He doesn't work in a vacuum. He works in an environment that he shares with others. Safety is everyone's responsibility.

The elder Strazewski is a traffic manager for Paccar Inc. and supervises blue-collar workers who load trucks, pack boxes and route trailers. He still changes whatever gets in the way of his workers.

Safety awards are not sophisticated loss prevention plans, but for blue- and white-collar workers alike, these awards are something to hold and remember. They can remind workers that safety is part of the job, too.

Accident records change every year, but positive reinforcement lasts a long time. Our experience tells us that.

Data survey

Many firms fail to plan for computer failure

By ELLIS SIMON

Safety/Security

FORT WORTH, Tex.—Nearly one corporation in four does not have a plan to cope with a destroyed or vandalized center, a recent survey reveals.

Of 1,000 large corporations surveyed by Kirby & Associates, a market research firm, for Data Processing Security Inc., computer security consultants, 21.2% said they had no contingency plans for recovery from a computer disaster. Chief financial officers and data processing managers were polled for the study.

Approximately one-third of the respondents said their companies had not conducted any studies. Only 2% of these firms had studies in planning stages.

Of the firms that had conducted or are conducting security surveys, physical and data security have been the areas of greatest concern.

Preventive measures keep confidential data transmission safe: Perspective, page 38.

Earlier studies indicate that loss of business because of computer failure is a real threat. The typical manufacturer would lose 93% of its business if its computer system were out of order for 10.5 days, according to a University of Minnesota report (*BI*, Aug. 20, 1979).

In the event of a computer center disaster, 29.8% of the responding firms said they had other company facilities they could use, 41.4% said they had reciprocal agreements with another firm and 21.2% said they had no alternative computer facility arrangements. The remaining 7.6% said they would turn to a service bureau to continue business operations.

Data processing security, however, was a top priority concern with 34.8 % of the respondents and an additional 42.9% rated it an area of "significant concern." The balance said data processing security was of average or no concern.

Data processing managers were apparently less concerned with security than chief financial officers. More than twice as many data processing chiefs rated computer security as an average or negligible concern than did financial officers.

Ironically, most of those polled said the responsibility for data processing security lies with the data processing manager.

Data Processing Security officials attributed the difference in attitudes to the financial officers' broader perspective of corporate operations.

Computer dependence was cited by 35.4% of those polled as the reason for concern about data processing security.

Fear of industrial espionage or confidential information leaks to competitors was cited by 31.3% of those polled and 29.3% suggested employe dishonesty and computer crime are reasons for concern. Safety and loss of records were reported by 25.3% of survey participants as a reason for concern.

The lack of computer security and disaster planning is "most surprising," remarked Louis Scoma Jr., president of Data Processing Security.

Mr. Scoma, whose firm is constructing recovery operation centers across the country, where clients can rent computer equipment in the event of a disaster, warned that reciprocal agreements could prove unworkable.

"The complexity of recovery planning for modern computer operations creates the problems of availability of time, compatibility and communication. With computers running almost 'round the clock, seven days a week, there is precious little time to spare to run another company's operations ■



Photo: United Pacific Insurance Cos.

More than one-fifth of the firms surveyed said they have no contingency plans to cope with a computer disaster.





Employers report few swing shift ills

By SHARON WATSON

Safety/Security

DALLAS,Tex.—Do rotating shifts make workers dizzy?

A major safety study says rotating or swing shift workers do indeed experience more accidents and health problems, but employers don't agree.

- "The issue is a transparent thing to us," reports Electronic Data Systems, a Dallas-based multinational data processing company that works many of its people on 12-hour rotating, or swing shifts.
- Recent studies produce "nothing significant," notes Jones & Laughlin Steel Co.'s safety manager in Pittsburgh.
- "Our cafeteria reports vastly different eating habits on our three shifts, but no significant differences in accident rates," says a spokesman at Western Electric's Indiana manufacturing plant.

No conclusions

Few statistics are available to measure health and safety on the swing shift.

Health and safety among swing shift workers are becoming controversial, but few statistics are available to provide solid answers.

In 1978, Stanford Research Institute published results of a 30-month study done for the National Institute for Occupational Safety and Health. The report concluded that people who work rotating and/or night shifts experience more health problems, more dissatisfaction with their jobs, more alcoholism and more accidents.

The SRI study, one of few quantitative studies, suggests risk and safety managers might well look into problems inherent with swing and odd-hour shifts.

Yet a *Business Insurance* survey of about 20 companies found most were interested in the health and safety of their employes, but few believe swing shifts need study. Reliable conclusions would be difficult to reach, they said.

Spokesmen for more than a dozen traditional blue-collar industries say that although there may be some problem with "unsynchronized workweeks," current practice fails to isolate and quantify such problems.

Even if the statistics could be isolated, most say that change, in the form of eliminating shift rotation, is not likely.

Rotating shifts is "a way of life," says Wayne Parker, personnel manager at Boise-Southern in DeRidder, La. "It's traditional in the paper industry. A lot of guys really like it."

If anything, accidents are fewer on the evening shifts, he says, because there are fewer people around.

"In general terms, there are so many variables between different kinds of shifts and jobs," says a Dow Chemical spokesman in Plaquemine, La. Dow has 18 production units.

"There's just no way to compare. Nor could you take one production unit and follow different shifts," he said.

Jones & Laughlin Steel looked at the swing shift issue, but also said comparisons were difficult.

Even DuPont, with the best safety record of any American industrial company and aggressive safety and health programs for its employes, finds it is difficult to capture statistics related specifically to rotating work weeks.

"Our approach is a system of prevention," whether it be accidents or health problems, a DuPont spokesman said. The company has a well-known program to combat alcoholism and strong rehabilitation plans.

Shift practices vary from plant to plant, with local DuPont plants specifying local preference for hours and workweeks.

Nearly all capital-intensive companies work 24-hour day and rotating shifts, firms say.

As companies have become more pressed for higher productivity in the 1970s, a new breed of shift worker, "the elite blue-collar" and white-collar shift-work employe, has emerged, executives note.

Computers, they say, run 24 hours a day, just as boilers do.

Experimentation on what type of workweek works best, however, is common.

In 1977, another Stanford Research Institute study on shift work practices predicted more experimentation with shift work, using such catch phrases as flexitime

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Photo: International Polymer

Shift practices vary from plant to plant. Nearly all capital-intensive companies work 24 hours a day with rotating shifts.

Veteran workers find swing shifts get easier

By SHARON WATSON

Safety/Security

LAKE CHARLES, La.—John R. Cannon works a rotating shift schedule by choice. After 29 years, it's a way of life.

He likes the long weekends and flexibility involved.

An operator at the Continental Oil Co. refinery, one of several petrochemical plants in this highly unionized part of southwest Louisiana. Mr. Cannon says swing shifts have gotten easier for him through the years.

Hired during the early 1950s when the plant was expanding, Mr. Cannon reflects an attitude shared by other veteran shift workers.

Allen Janies has been on similar shift schedules for 17 years. He stays where he is, he says, because he likes operations rather than crafts.

"I enjoy putting a unit in and seeing that it works."

Because he holds seniority, Mr. Janies could "bid off" the rotating shifts onto a permanent one. "I've never had a desire to bid off," he says.

Both men say their attitudes are not shared by all who begin work by working swing shifts and doing "graveyards" (late evening) and "turnarounds" (going from nights to days).

"A lot of people bid off the first chance they get," Mr. Cannon says.

"It (working rotating shifts) seems harder on the young; they just don't realize that you have to sleep when you're off during the day."

Both men say they observe no more accidents and perhaps fewer accidents on the evening and late night shifts.

Everybody works safely—you have to, they both remarked.

Personal adjustments come with practice, though. Mr. Cannon, for instance, has begun swimming at a local health spa after a hard evening shift. The exercise helps him relax.

"I plan my activities around my job," his coworker says. "Some people try to plan their job around their other activities. It doesn't work. Your family has to adjust, too." ■

Personal view

Both men say they observe no more accidents and perhaps fewer accidents on the evening and late night shifts at Continental Oil.

Severe weather

A severe weather system with high winds, thunderstorms and hail caused an estimated $3.5 million in insured property damage April 18 in Louisiana, according to the American Insurance Assn. The Insurance Services Office has assigned the storms Catastrophe No. 55.

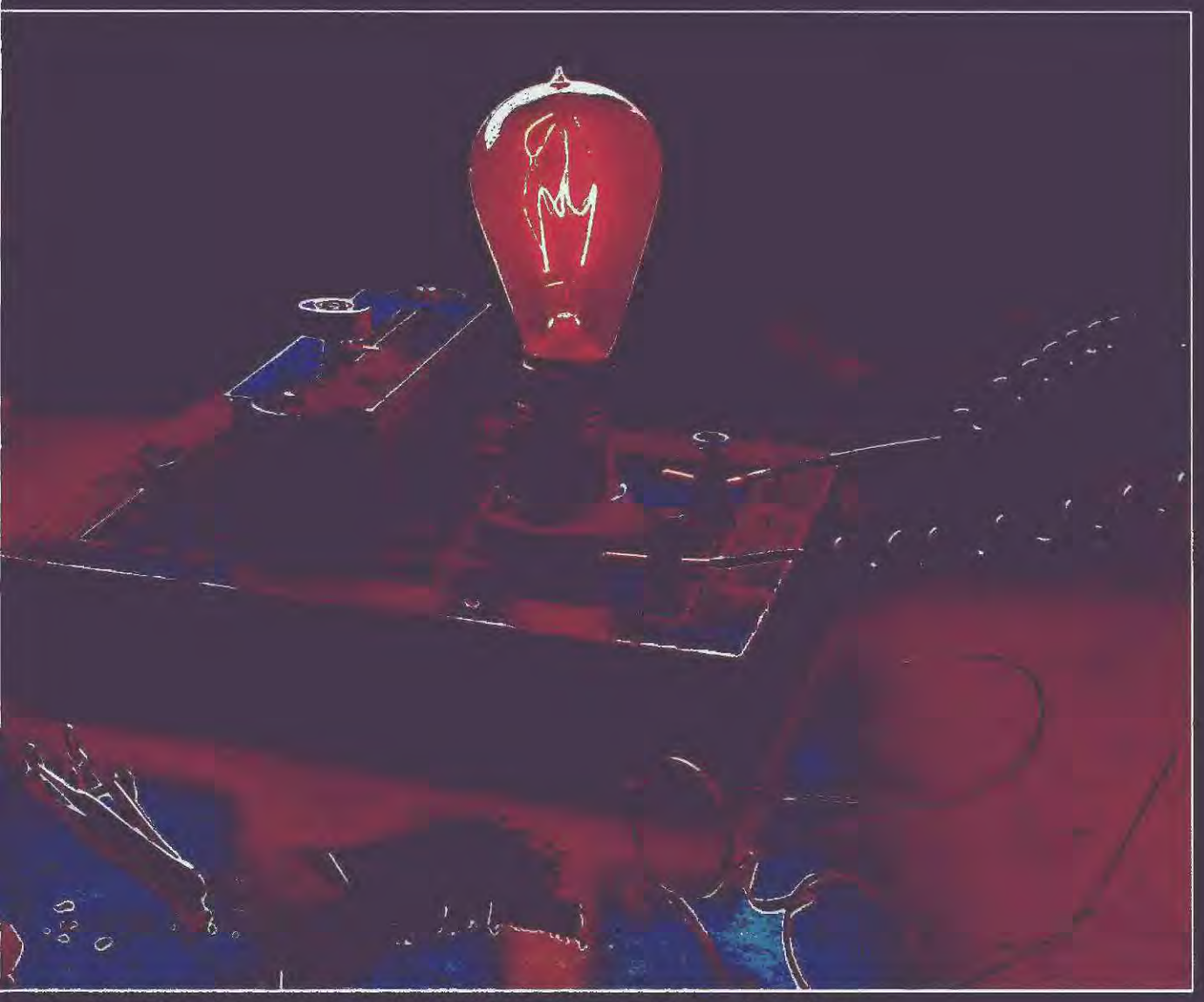
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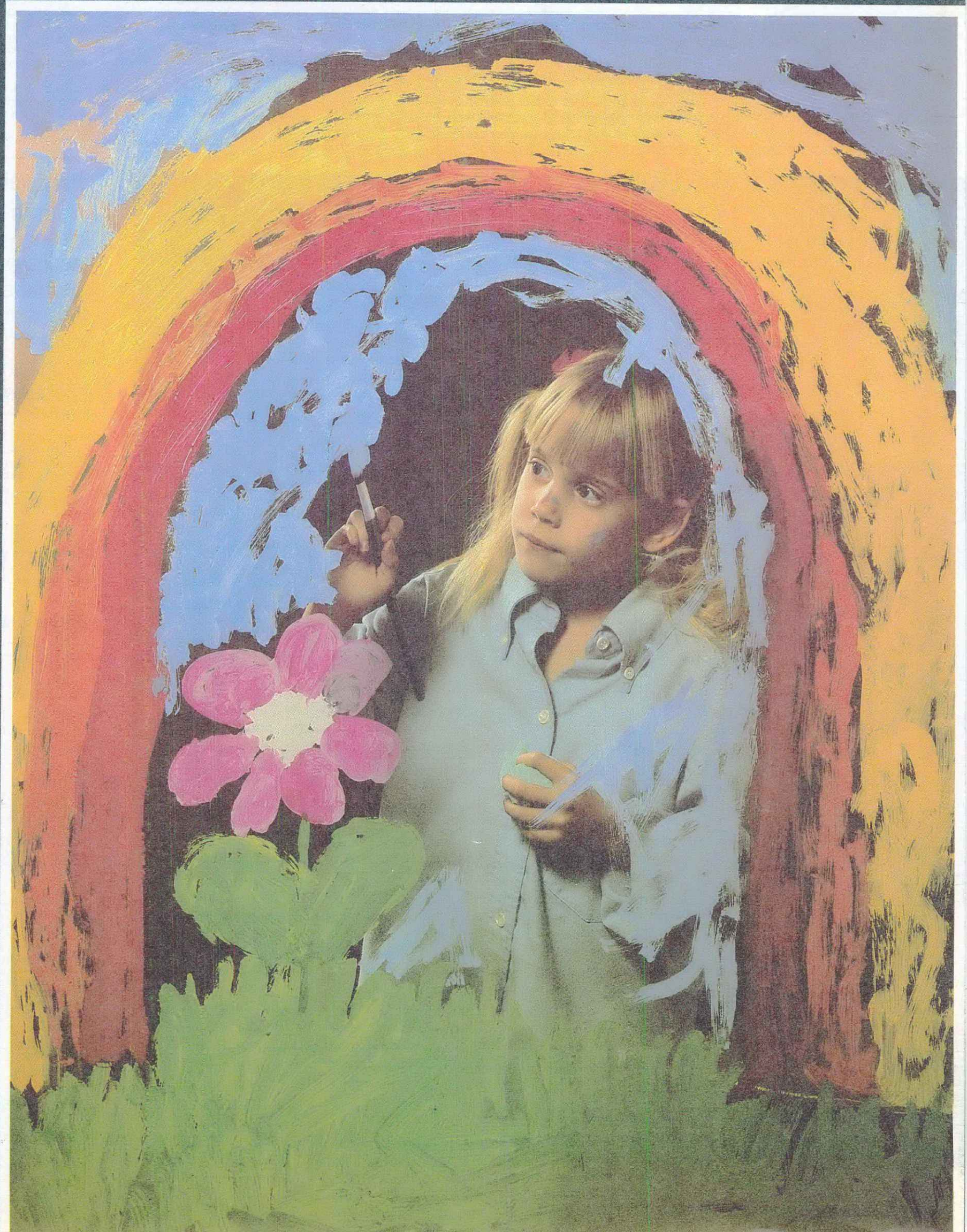
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The first thing that Fiat needed was a complete orientation to the Allendale approach to modern fire protection.

In developing this program, we utilized all the professional and technical resources available at Allendale and the Factory Mutual System. Including the new Training Resources Center, which customized the program to fit Fiat's needs. Even fine points such as cultural differences and attitudes were addressed.

When the program was ready, nine of our people presented it to Fiat people in their Training Center, located in the old Martini and Rossi Villa near Turin. When the program was finished, Mr. Salaroli, Fiat's Director of Corporate Risk Management, said, "You did the impossible."

We wouldn't say that what we are doing for Fiat is routine, but we don't think it was extraordinary, either. After all, when you've been working on loss prevention for as long as we have, you learn to speak a lot of different languages.

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perspective

Occupational safety

Manager approach offers help

By H.V. Hodnick

FOR THE PAST 10 YEARS, the injury and occupational illness rates in the U.S. have steadily increased. Presently the rate for the public sector is 9.4. That means out of every 100 workers, nearly 10 of them have sustained an occupational injury or illness. These statistics have been developed by our Department of Labor and the Occupational Health and Safety Administration.

Currently, too many industries are trying to adhere to the OSHA approach to safety, thinking that complying with OSHA rules and regulations will provide a safe workplace.

Industry is spending billions of dollars each year to comply with the OSHA regulations but is still confronted with the inexorable fact that injury rates are increasing. Also, far too many industrial organizations are following the traditional approach to safety, which is realizing that the accident that causes an injury is invariably caused by an unsafe personal act or an existing hazardous condition.

Under the traditional method you find an unsafe act or condition, correct it and the recurrence is prevented.

If these premises were true, the U.S. frequency rate should be at the optimum low level. But it isn't.

It is rather apparent the present day tenets as promulgated by OSHA and the safety traditionalists are obsolete. Injury statistics substantiate this. I believe progressive and concerned industries should adopt some of the new methods of safety management systems that are emerging from the studies and practices of our leading safety authorities. A few are:

H.V. Hodnick is vp of safety services for Reed Stenhouse Inc. in San Francisco, Calif. His remarks are taken from a presentation to the Ninth World Safety Congress in Amsterdam, Holland, earlier this month.



Photo: Monsanto

Changing times

Safety has come a long way in the last few decades, but a management system of safety may eliminate the need for many extraordinary precautions.

- An unsafe act, an unsafe condition or an accident are symptoms of something wrong in the management system. Every accident or incident has to be analyzed from the viewpoint, "Where did management fail?"
- Safety has to be managed like all other company operations and placed on the same level as production, quality control, maintenance, etc.
- Management should actively direct and participate in the safety program by setting achievable goals, by planning, controlling and holding responsible personnel accountable.
- The supervisor is still the key man in the management systems safety program. But there has to be a procedure to fix his accountability, a method of measurement.

To illustrate the difference between a traditional and management systems approach to accident cause analysis, consider the following incident: "An employe has his fingers caught in the feed rollers of a molding machine."

Traditional approach

- Unsafe act: Worker putting fingers too close to the feed rollers.
- Unsafe condition: Pinch point was exposed to fingers.
- Correction: Discuss with worker, place a guard over the feed rollers to eliminate pinch point hazards.

Management system

- Purchasing department practices that allowed this machine to enter the plant.
- The plant inspection program that allowed this condition to go uncorrected. Are there other machines with similar conditions in the plant, and what is being done to correct the hazards?
- Should the manufacturer become involved in correcting the pinch points?
- Is the maintenance department involved in this accident?
- Extent of training practices: Why weren't they effective at the: Operator level? Middle management level? Safety staff level?

The solution would involve checking plant policy on safeguarding, upgrading education/training programs for all involved personnel, and inspecting machine guarding as part of the maintenance program. Would an automatic feed to the molding machine eliminate the problem?

The safety department should coordinate with purchasing the specifications for all future machinery and equipment and discuss with management.

Some of our university safety authorities envision some improvements in safety programs:

- Better ways of measuring supervisors in safety so they can be held accountable for both their results and their actions.
- Job enrichment: Building safety into each job by assigning the worker the task of problem solving. Developing measurement criteria, deciding what controls are needed for job safety analysis and allowing workers to develop the safety rules.
- Accident investigation systems that look for multiple causes and system errors rather than merely identifying an unsafe act or condition.
- Involving employes in safety decisions.
- Method of identifying safety training needs rather than using training as a solution for all safety problems.
- Determining management credibility in safety before trying various types of safety media on the employes. Are the employes listening?

A management systems approach to safety is rewarding, from a financial and humanitarian viewpoint, and preserves integrity in the public sector. ■



Gratifying approach

A management systems approach to occupational safety is rewarding, both from a financial and humanitarian viewpoint, and preserves integrity in the public sector, writes H.V. Hodnick.

perspective

Preventive steps keep communications safe

By Robert Rycroft

"RISK MANAGEMENT" is taking on an added meaning in boardrooms across the country. Traditionally, risk management has referred to protection of tangible corporate assets: inventories, physical plant and equipment.

As a result, a great segment of the insurance industry is dedicated to reducing the risk and minimizing the effect of a loss of corporate assets. This is done by combining preventive measures and compensation in case a loss is experienced. The actuary has played a major role in establishing equitable premiums based upon the preventive measures taken, probability and asset value.

The new problem in risk management is the "sensitive information" assets; the kind of corporate information that, if lost to competitive corporations, nations or individuals, could seriously impair the firm's ability to achieve its objectives. In fact, depending upon the nature of the information, such a loss could reasonably cause the organization's demise as an effective participant in a given market or business. It is an asset that is intangible and as yet uninsurable.

Information has traditionally been protected in a physical sense by document control and physical access procedures. But these measures are not enough. It is unlikely any other corporate asset with so much value and potential for loss has so little protection.

The value of sensitive corporate information being so freely placed on unprotected communications channels is incalculable. This is especially true when it falls into the hands of competitive corporations, nations or individuals.

Consider, for example, the amount of sensitive confidential corporate information being transmitted at any given moment, information pertaining to:

- Contracts with the Department of Defense.
- High technology R & D.
- Fund transfers.
- Discoveries and supplies of natural resources.
- Nonclassified, yet sensitive planning among governmental agencies and between them and the private sector.
- Corporate strategies/capacities/data regarding: marketing, finances, manufacturing, legal, labor negotiations, acquisitions and contract bidding on federal monetary policies.

Once this information leaves a controlled environment, its delivery depends upon a variety of unprotected public and private carriers. The resources and skill to implement a wiretap are trivial in our present electronic age. The advent of sophisticated microwave and satellite communication facilities has only made unauthorized interception easier to do and more difficult to detect.



Electronic communication security products are available to protect nearly any form of transmission.

The concept of risk assumes a threat. Many companies are concerned about exposure within their own organization. Highly sensitive information can be attractive targets for disgruntled employes, for example.

There is also concern about individuals outside the company who would attempt such intervention for economic gain. This is particularly true in such businesses as banking, where the value of electronic fund transfer transactions is in the billions of dollars per day.

Finally, the intensity of international competition for world markets—highlighted by the economic partnership of the private and public sectors of many nations—has created an environment in which economic success is becoming equivalent to world political power, a matter of national security. The stakes may be too high for traditional ethics to preclude surreptitious activities.

It is clear then, that opportunity, technology and motive exist for interception of sensitive information and that losses can occur without detection. What practical alternatives exist for private companies to meet this challenge? How can the risk be managed?

No approach can be undertaken until management evaluates the degree and types of risks to which the firms are exposed. This implies a thorough understanding of the existing communications network and includes a thorough study of:

- The existing communications facilities.
- The information being transmitted.
- The types of possible threats.
- The probability of loss.

The first three tasks suggest a total communications network audit is required. It underlines the fact that communications security is a system issue. No one remedy, of itself, is likely to bring about acceptable security. Instead, an audit may indicate several steps within the organization that can lead to increased security.

Initiating policy changes that tighten internal procedures might include such ideas as improved access security to certain areas and communications equipment, or better screening of personnel. These steps can be an integral part of an overall communications security program. However, there remain two major obstacles in evaluating the risk associated with this asset.

First is the difficulty, if not the impossibility, of accurately quantifying the value of "sensitive information." The second is establishing a reliable probability of loss. It is patently impossible to develop statistics on incidences that are, of necessity, clandestine and thus go undetected.

It is easy then to see why traditional forms of insurance are not applicable to this asset. Yet the risk remains: sensitive information does in fact have great value, whether or not it can be quantified exactly. It is, furthermore, at an increasingly high level of risk whether or not loss probability can be established. And, finally, its loss can have disastrous effects on the corporation or in some cases on the nation itself.

How then, can these obstacles be overcome?

It is true, first of all, that preventive measures can provide cost-effective solutions to risk management problems. An investment by a corporation in physical security measures such as alarms, sprinkler systems, cameras and security guards, is a good investment in its own right. They provide a means to reduce both the probability and the magnitude of a loss.

The solution to the problem of managing the risk of the "information asset" is also preventive in nature. It is the implementation of quality communications security equipment designed to encrypt or scramble information as it leaves the sender's/caller's communicating instrument (telephone, telex machine, computer, fax machine). A comparably synchronized unit at the other end of the communication link decrypts or unscrambles the information so that only the intended recipient understands it. Any attempt to monitor such a communication will render useless, garbled information.

Today electronic communication security products are available to protect nearly any known form of voice, message, image or data transmission over any type of communication network. Even portable, calculator-size devices, which can be conveniently carried in a standard attache case, are available so secure messages can be prepared off-line and transmitted from any part of the world over any available communication channel.

As governmental concern increases and as industry becomes more aware of its vulnerability, the risk associated with the "sensitive information" asset will receive a great deal of visibility in the years ahead. As a result, the implementation of secure communication networks may become one of the foremost loss prevention techniques employed in the 1980s. ■

Robert Rycroft is an executive with Datotek Inc., a communications security consultant in Dallas.

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perspective

Ski center operators groom safer standards

By Michael Beebe

THANKS TO THE continuing efforts of state and national ski area associations, general liability insurance rates are stabilizing in much of ski country. They have accomplished this by changing state laws, adopting risk management techniques and developing an ongoing consumer safety education effort.

Here's how the New Hampshire Ski Area Operators Assn. tackled the liability insurance crisis. Its attack plan should serve as a blueprint for other industries that may need to change laws to cope with a liability insurance crunch.

During the winter and spring of 1978, panic was widespread in the U.S. ski industry over a growing liability insurance crisis. A Vermont judge in the now-famous Sunday vs. Stratton case knocked down the assumption of risk doctrine and ordered Stratton Mountain to pay $1.5 million in damages.

The American Home Insurance Co., one of only two ski liability policy writers left in the market, made public its intentions to cancel all Vermont coverage unless remedial legislation were enacted. Ski areas across the country quickly began worrying about their future insurability.

In New Hampshire, ski operators carefully examined existing laws, which in 1957 had become the first U.S. passenger tramway safety code. Thanks to this pioneering legislation, the New Hampshire ski area operators developed a good safety record and thus enjoyed relatively low insurance rates over the years.

However, a crisis was brewing with rising court costs and astronomical settlements. This hit New Hampshire with rate increases of 50% to 400% over a four-year period.

The New Hampshire Ski Area Operators Assn. responded with new legislation and ongoing risk management. A small committee of high-energy ski operators donated more than four months of effort to solving this problem.

The existing law, RSA 225:A, was carefully studied and compared with model legislation suggested by the National Ski Areas Assn. legal counsel. Changes were needed to expand the policy section of the law to include Nordic skiing, clarify the responsibilities of both skiers and ski operators, focus definitions and spell out more clearly the assumption of risk.

The ski operators sold their ideas to a legislative leader who sponsored the bill (H.B. 39) through the legislative process. A ski country representative, Howard Dickinson from Center Conway, provided this key support and formed a strong group of cosponsors.

Another vital approach required qualified legal counsel to monitor all wordings throughout the course of the bill. The National Ski Areas Assn. provided David Cleary, who proved most valuable as the ski area attorney.

Before the legislative hearings, all the various interest groups were brought together to provide opinions during the planning phase and critique the draft. A working committee was formed to represent all parties.

One of the most important groups was the skiing public represented by the U.S. Ski Assn.'s eastern division. Through a series of meetings, the consumer interests and the ski operators came to mutual agreement on the wording of H.B. 39. By joining forces, these groups made an impressive presentation at the hearings and during the lobbying.

The press coverage was nonexistent at this stage to prevent lawyers and other opponents from being tipped off, making the pending legislation a political football.

Hearing testimony was carefully prepared. A folder full of facts, including a detailed ski industry economic study and typed copies of all testimony, was given to each committee member. The testimony began with background and an outline of the problems followed by suggested changes. A single representative from each interest group made a brief report so the issues would remain clear. Legal counsel was held in reserve to answer technical questions and counter opposition.

Since the bill went to the judiciary committee, where the lawyers changed key words, a house floor debate over the amendments was necessary. The ski operators had done their homework, which included detailed economic facts and figures. Thus armed, the bill cosponsors hammered away on the importance of a healthy ski industry in New Hampshire.

Lawmakers were made aware of the price tag on consumerism and the "sue them!" mentality. A strong reaction developed against lawyers and inflationary insurance costs.

The lobbying plan relied upon the ski businessmen representing themselves rather than using professional lobbyists. Sample letters to legislators were sent to all state ski interests. By mobilizing employes, suppliers and customers, the ski resorts increased the power of their voice on the local legislative levels. Wise employers today spend time developing this rapport.

The consumer ski association, USSA, was helpful in getting ski racers, ski clubs and recreational skiers to contact lawmakers, especially in non-ski country parts of New Hampshire.

Tape recordings of all hearings and floor debates were made so presentations to the other legislative branch and the governor could be improved.

The legislative process—especially with New Hampshire's large house—looks impenetrable from the outside. But the system does work for those people willing to spend the effort and work as a team.

Besides changing the law, the New Hampshire ski operators have developed an ongoing risk reduction program. Thanks to the original tramway code of 1957 and the national standards that have since evolved, the design and construction of ski lifts have steadily improved.

Human error, in the maintenance or operating staff or the skiing public, causes more than 85% of the lift-related injuries. Thus the recent focus of state inspectors, ski area personnel and insurance people is on staff training and consumer education.

From a ski area mountain managers' study on staffing, the state ski association now prints a lift training manual and hosts annual fall ski lift operators seminars.

The national operators association, working with Kendall Insurance of Rochester, N.H., the agent for the NSAA insurance plan, has developed several training films, a risk management and insurance manual and an industry newsletter. Insurance inspectors now do a total ski area site evaluation to help reduce both skiing and non-skiing accidents.

As part of the skier education process, the New Hampshire ski laws are posted at all areas to spell out clearly the duties of the skiing public. Various brochures also advise the skiers. Ski schools have developed new ways of incorporating the safety message. And more ski areas are using slope courtesy patrols to help reduce accidents.

By minimizing injuries, fewer skiers drop out of the sport. Although less than 1% of the ski accidents bring legal action, it certainly behooves the ski industry at all levels to continually work on skiing safety. The efforts do pay dividends. Improvements in ski slope design and grooming and changes in ski binding technology have reduced injury rates steadily over the past 10 years.

Enlightened self-interest of the New Hampshire ski operators has brought stability to the ski liability insurance market. In fact, through a continuing effort, several Granite State ski areas have reduced their insurance rates while other operating costs have increased with inflation. ■

Michael Beebe is the author of a weekly column on skiing for the Peterborough, N.H., Transcript and a member of the Professional Ski Instructors of America.



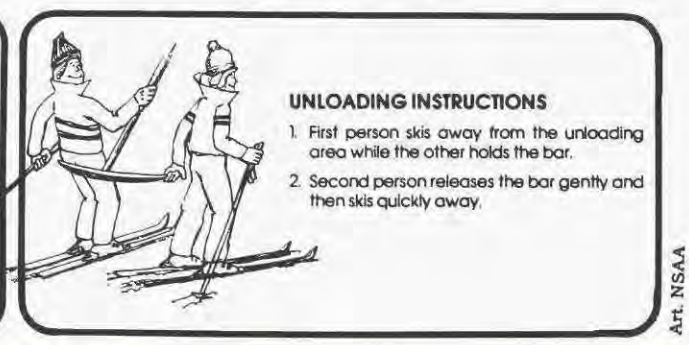
Photo: USF&G

Slope safety

As part of the skier education program, laws are posted to spell out the duties of the skiing public.







Art: NSAA

Floorstand signs help to convey safety message



A NEW 20- by 12-inch floorstand sign from Direct Safety Co. in Shawnee Mission, Kan., will get your safety message across.

The polyethylene sign is printed on two sides and folds on heavy-duty hinges. Fourteen warning messages are available.

Ten- by 14-inch signs are also available for handicapped persons area identification and for general warning messages, each with appropriate symbols. In addition, 7- by 17-inch international symbol signs are available in 24 safety messages.

Hospital liability

Hull & Co. of Santa Ana, Calif., is offering a new general liability program for hospitals, including malpractice liability.

Coverage is available for employes as well as radiology, anesthesiology and emergency room services. These provisions may be deleted, with credit, when the service is subcontracted and the subcontractor carries liability limits equal to those provided by Hull & Co.

Claims carry a minimum deductible of $1,000, including loss adjustment expenses, and rates have been developed for deductibles as high as $25,000.

More information is available from Hull & Co. (California) Inc., 1441 E. 17th St., Santa Ana, Calif. 92701; 714-547-0793.

'Lemon-Aid'

A new American Home Assurance Co. policy for new car dealers will sweeten auto sales deals that go sour.

When a dealer is confronted with a demand for a refund, the "Lemon-Aid" protection will cover 85% of the loss in value of a returned vehicle and 100% of legal expenses, including all attorney fees, up to a $25,000 limit per policy a year.

More information is available from the Merz Group Inc., managing general agent, 2137 Deer Park Ave., Deer Park, N.Y. 11729; 800-645-5516.

Floor coating

Hazardous slipping problems can be eliminated with the EPOXY WP 70 abrasive anti-slip floor and deck coating. The aluminum-oxide grit coating can be applied to almost any surface, including loading platforms, ramps and warehouses.

EPOXY WP 70 is available in one- or two-gallon kits that include floor prep, mixing rod and squeegee applicator. Various colors are available.

Information and samples are available from the manufacturer, Wooster Products Inc., in Wooster, Ohio. ■

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'Funds handled' refers to assets: DOL

Action line: It is my understanding that according to ERISA, employe benefit plans must have a fidelity bond not less than 10% of the amount of "funds handled." My question concerns the definition of "funds handled."

I have been told by bond underwriters that funds handled would be the total assets of a particular employe benefit plan, and on the other hand, I have been told that funds handled represent the amount contributed and/or dispersed annually to/from these plans.

I would appreciate any clarification you give me.

Chris Roth, CPCU
Seymour Insurance Agency Inc.
Monroe, La.

action line

Representatives of the U.S. Department of Labor in Washington agree with your first definition of "funds handled," but say there is no specific definition in the books.

When ERISA was passed in 1974, it was on the condition that there would be no change in the bonding requirements for the moment. Thus, ERISA is operating under temporary bonding regulations enforced by the earlier Welfare and Pension Plans Disclosure Act.

"Funds handled is a general definition that refers to the handling of any assets," says Bill Russell, chief of the Division of Pension Information and Publications of the Department of Labor. Included in the definition are cash disbursements, physical contact with cash, counting, tabulating—anything to do with funds and property in an employe benefit plan—by persons who are bonded, such as plan administrators, fiduciaries or any employe so designated to handle assets.

Dan O'Neil, employe benefits specialist of DOL's Office of Fiduciary Standards, agrees with Mr. Russell. This definition can be found under the Code of Federal Regulations' definition of "handling" (Section 464.7, Part 464 of 29 CFR).

There are exceptions to this rule, however, if "there is some sort of limitation agreement built into the plan instrument" such as fiscal controls, Mr. O'Neil said. Perhaps, he says, an individual is only bonded for investment authority. Then he only has to be bonded for 10% of what he puts his hands on.

If you are interested in learning more about bonding regulation, write to the Office of Fiduciary Standards, Pension and Welfare Benefits Program, Room C-4526, U.S. Department of Labor, Washington, D.C. 20216.

Achieving ARM

Action line: I am interested in the ARM designation, but have not found a clue as to how one goes about achieving the designation. Can you enlighten me?

J.D. Towey
Canteen Co. of Minnesota
Richfield, Minn.

It takes three courses and three exams to obtain an Associate in Risk Management, or ARM, says a spokesman for the American Institute for Property & Liability Underwriters, which sponsors the program.

The first course, offered in December and May (RM 54), is Structure of Risk Management Decision Making Process. The 13-week course focuses on identifying and analyzing loss exposures, developing alternative techniques for treating each exposure and introducing the financial management foundation for choosing the best risk management alternative methods. An exam follows the course. It is suggested that this course be taken before the others in order to set a foundation.

The other two courses are Risk Control (RM 55), offered in May and lasting 12 weeks, and Risk Financing (RM 56), offered in December and lasting 13 weeks.

The ARM designation is recommended for persons controlling and managing risks for institutions, corporations or for the government, including safety personnel, insurance agents/brokers and consultants who want to broaden their services to include complete risk management counseling. It is also recommended for underwriters seeking to sharpen the risk selection and loss control offers.

If you would like to obtain the ARM designation, contact Alyce Gross of the Votec Institute, 612-348-4145; in Minneapolis. Cost of the program is $45. Ms. Gross is the representative in your area and may know of somewhere nearby where you can take the courses.

If interested in self-study for the ARM or any other information on the courses around the country, contact Dr. George L. Head, CPCU, CLU, director of risk management and loss control education at the Insurance Institute of America, Providence Road, Malvern, Pa. 19355; 215-644-2100.

IIA also offers other designations, including: Associate in Claims (AIC), Associate in Management (AIM) and Associate in Underwriting (AIU), among others. Contact the IIA for any information on these.

ERISA plans

Action line: Please refer to attached copy of an article by Jerry Geisel in which he states: "Under ERISA, pension plans must offer a minimum of 100% vesting to employes after 10 years of service." I would like to know if this is a change in ERISA. We are on the 15-year plan which was an option at the time of enactment of ERISA.

Paul H. Snyder
Assistant secretary
Maryland & Virginia Milk
Producers Assn. Inc.
Arlington, Va.

The vesting schedule Mr. Geisel referred to is one of three options, says a spokesman at the Department of Labor in Washington. It is called "cliff vesting," in which a plan participant is 100% vested within 10 years.

The second option, called "graded vesting," is 25% vesting after five years, plus 5% for every year up to 10 years (50%), then an additional 10% for each year up to 15 years, which totals 100% vesting. This is probably the option your plan is following.

The third option, says the Department of Labor, is called the "Rule of 45," in which DOL com-



bines your age and years of service. Under this pension plan, there is 50% vesting within five years of service if you are 45 years of age or over, plus 10% for each year after that.

The Department of Labor points out that these are three types of schedules offered for pension plans, but not necessarily the minimum requirement. Under ERISA you must at least be 50% vested after 10 years of service and 100% vested after 15 years of service, no matter what your age.

Mr. Giesel just described one of the options, not the minimum requirement.

Book info

Action line: In your March 10 issue, Gerald S. Burko referred (page 19) to a book "Product Liability and Safety" by George Peters. Could you get me information as to publisher and date?

Bob A. Hedges
Professor of insurance and risk
Temple University
Philadelphia, Pa.

Chicago Public Library informed us that the book "Product Liability and Safety," written by George Peters, was published in 1971 by Coiner Publications of Washington, D.C. Unfortunately, the book is no longer in print, nor is the publishing company in business.

A library spokesman, however, suggested contacting your local library and telling it about the book. The library will then acquire the book through the process of an interlibrary loan. The process may take anywhere from one week to several months.

If you're interested in more information written about product liability by George Peters, contact the American Society of Safety Engineers.

ASSE will send you a copy of a 1977 article written by Mr. Peters called "Problems in Product Liability."

Write to American Society of Safety Engineers, 850 Busse Highway, Park Ridge, Ill. 60068 and enclose $2.50 for the five-page article.

Mr. Peters also has a few other pans in the fire. He just completed a new book called "A Source Book to Asbestos Diseases" for those involved in asbestos litigation, published by Garland Publishing Co. in New York. He is also a technical adviser for a forthcoming ASSE publication on expert witness testimony in a product liability suit.

Mr. Peters is a trial lawyer in Los Angeles, a registered professional engineer in safety and quality engineering in California, a certified safety professional, former vp of ASSE and a licensed psychologist.

Good reading

Action line: I have recently taken over the insurance management function of a smaller manufacturing company. Could you furnish me with the names of two or three good books on general insurance for manufacturing companies?

Randy Sircle
Manager of accounting, finance and personnel
Jordan Valve
Cincinnati, Ohio

Narrowing our recommendations down to two or three good references on general insurance is almost as difficult as suggesting two or three great American novels. You can start your library, however, with two good textbooks *Business Insurance* wouldn't be without.

The Property and Liability Insurance Handbook by John D. Long and Davis W. Gregg is the textbook used in courses leading to the Chartered Property Casualty Underwriter designation. The handbook, published by Richard D. Irwin Inc. in Homewood, Ill., discusses types of insurance policies risk managers should be concerned with, plus the policy forms used and the risks that should or should not be covered. Definition of terms is also included to help you decode policies.

Unfortunately, this reference has just gone out of print. But we contacted Richard D. Irwin Inc. and it's saving you one pending your call.

Another textbook similar to this and in print is called Property and Liability Insurance by S.S. Huebner and Kenneth Black Jr. The reference can be ordered by contacting Prentice-Hall Inc. in Englewood Cliffs, N.J. 07632; 201-767-5049, #730960. Price is $17.95.

You might be interested in two newsletters that are very informative and readable for the novice risk manager.

David Warren, CPCU, publishes a two-volume reference manual called Practical Risk Management, the Professional's Handbook. The manual covers all types of insurance, plus a list of other publications, references and manuals covering general insurance. The cost is $150 for the two volumes and one year of services.

Mr. Warren also publishes Practical Risk Management for Public Agencies. "We have designed it to be useful to all public agency risk managers, but it is particularly aimed at the part-time manager—city manager, finance officer or other who is saddled with insurance as just one of his normally crushing burdens," Mr. Warren says. The price is $49 initially and $19 for annual updating.

If interested in either of these, contact Mr. Warren, 58 Diablo View Drive, Orinda, Calif. 94563; 415-254-9472.

The John Liner Letter offers a range of topics for the risk manager. The letter's 1980 Editor's Choice included new commercial auto policies, self-insurance of workers compensation, difference-in-conditions insurance and property insurance for highly protected risks, among others. For further information on these letters and services, contact Robert Sanders, The John Liner Letter, 555 Washington St., Wellesley Common at the Square, Wellesley, Mass. 02181; 617-235-8450.

Work comp help

Action line: Do you have information on brokers, agents or companies that specialize in difficult workers compensation risks, perhaps involving self-retention of risk with excess insurance?

C. Dean Christelis
Boulevard Insurance Center
Cranston, R.I.

You can cull the articles appearing regularly in *BI* about companies that have solved workers compensation insurance problems for the names of the brokers on the account as a way to find the brokers you seek.

In addition, *BI* publishes two directories of brokers each year. The Excess/Surplus special issue to be published June 23 will identify more than 100 E/S brokers, many of whom would be interested in helping you. The annual Agent/Broker Profiles issue to be published July 28 will list more than 300 retail brokers, many of whom would also want to help you.

•

Action line will answer readers' requests for information. Have a question regarding insurance or your profession? Write Action line, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611.



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EEOC seeks pension accrual after 65

By JERRY GEISEL

washington

THE EQUAL Employment Opportunity Commission, in a draft proposal circulating within the federal government, is recommending employers be required to allow workers who stay on the job past age 65 to continue to accrue pension benefits.

This proposal goes far beyond an earlier Labor Department interpretative bulletin (*BI*, June 11, 1979) that said employers could stop adding to pension benefits for years of service after an employe reaches normal retirement age.

The EEOC plan would require defined benefit plans to give credit for every year of service after normal retirement age.

The EEOC, which last year took over responsibility for enforcement of the Age Discrimination in Employment Act, says it will review comments it receives from other federal agencies this month. It intends to publish proposed regulations at the end of June.

PBGC delay

President Carter has signed into law a bill that delays the Pension Benefit Guaranty Corp.'s mandatory coverage of terminating multiemployer pension plans until July 1.

The delay will give Congress additional time to consider pending legislation (H.R. 3904) that would give the PBGC more assets and reduce its liability to cope with a predicted rash of multiemployer terminations.

Hearing on vesting

The Internal Revenue Service will hold a public hearing July 10 on proposed regulations that would force corporations to provide 100% vesting in their pension plans after just three years of service (*BI*, April 21).

The proposal includes two "safe harbor" tests that "would insulate a plan against a finding of discriminatory vesting under the plan."

The hearing will be at 10 a.m. in the Internal Revenue Service's seventh floor auditorium, 1111 Constitution Ave. N.W., Washington, D.C.

Outlines of oral comments should be submitted by June 26 to the Commissioner of Internal Revenue Service, Attention: CC:LR:T:EE-164-78., Washington, D.C. 20224.

Pension incentives

Private pension plans should be encouraged and expanded through new tax incentives, says the ERISA Industry Committee, a benefits lobbying organization representing most of the nation's 100 largest employers.

In a statement filed with the President's Commission on Pension Policy, ERIC recommends tax deductions for employe contributions to private plans and universal eligibility for Individual Retirement Accounts.

ERIC urged the commission to adopt a national policy that encourages the creation and growth of private pension plans.

Official leaves

Barbara Boyle Torrey, deputy director of the President's Commission on Pension Policy, will leave the commission this month to become deputy assistant secretary for planning and evaluation for income security programs at the Department of Health and Human Services.

Ms. Torrey will be replaced by Phil Sparks, the commission's current public affairs director, and Barbara Bowers, a consultant at the Employe Benefit Research Institute.

Group legal plans

Newly proposed Internal Revenue Service regulations say an employer-sponsored group legal insurance plan will receive tax qualification status only if less than 25% of the amount contributed by the employer is made on behalf of the shareholders, owners and their spouses and dependents.

The group legal services plan must be written separately from other employer-sponsored plans, and there must be nondiscrimination in benefits and eligibility for participation.

Transport report

The U.S. Coast Guard has released an updated report describing its practices and policies for the safe transport over water of liquefied natural gas and liquefied petroleum gas.

The report answers frequently-asked questions on the shipment of hazardous cargoes. Copies of the report "Liquefied Natural Gas and Liquefied Petroleum Gas—Views and Practices" may be obtained by writing: Commandant (G-MHM-3/14), U.S. Coast Guard Headquarters, Washington, D.C. 20953. ■

N.M. requests liability cap

SANTA FE—The state of New Mexico has asked Santa Fe district court to limit total liability to $500,000 if the state is found liable for deaths and injuries in the Feb. 2 riot at New Mexico State Prison.

The suit asks the court to rule that the riot was a single occurrence under the state tort claims act, which limits the state's liability to $500,000 per occurrence, and asks that all inmates or their surviving relatives who have claims against the state be made parties to the state's suit.

To date, 26 inmates or relatives of slain inmates have filed claims, said state finance secretary David King. "Five of these claims have demanded specific sums totaling about $2.5 million," he said.

Meanwhile, the state has received $1 million from the Insurance Co. of North America as partial payment for damages to the penitentiary. RIMCO Inc. of Dallas, the adjuster, is developing an estimate of the total cost, which should be completed within 90 days.

INA underwrites a $19.5 million property policy for all property owned by the state department of corrections. The state self-insures liability for its guards, but a general liability policy from Compass Insurance Co. covers the liability set by law (*BI*, March 3). ■

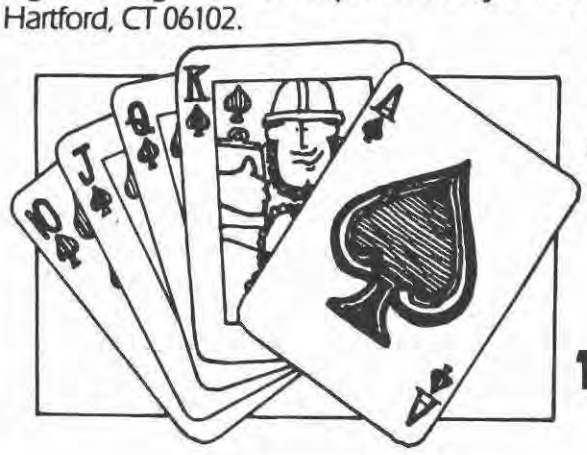
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Industrial Risk Insurers

BECAUSE THE STAKES ARE HIGH.

AVEMCO readies move into world aviation market

AVEMCO INSURANCE Co. is planning to move into the worldwide aviation market. Immediate plans call for expansion of the company's reinsurance activities with future entry into the international airline market and development of other profitable aviation coverages. AVEMCO in the past has exclusively written insurance in the general aviation market.

Dan K. Jonson has been elected vp-underwriting for AVEMCO and will be responsible for the expansion activities.

markets

Line dropped

St. Paul Fire & Marine Insurance Co. will no longer sell crop-hail insurance after the 1980 growing season.

Unsatisfactory crop-hail results over several years were the major reason for the company's decision to withdraw, said Richard J. Diedrich, vp-commercial property underwriting. A company study launched two years ago concluded that crop-hail insurance was not contributing satisfactorily to company results and that company resources should be redirected elsewhere.

St. Paul anticipates little noticeable market adjustment as a result of its withdrawal. Its written premiums in 1979 were $11.6 million, or about 3% of the entire market, Mr. Diedrich said.

Divisions merge

American International Group Inc. has merged two of its major divisions. The management, personnel services and branch operations of American International Life Assurance Co. of New York have been combined with the accident and health division of American Home Assurance Co. and National Union Fire Insurance Co. of Pittsburgh.

The new single division will offer brokers "one-stop shopping," eliminating the duplication in products and services that existed in the past.

$5.5 million refund

CNA Insurance is returning $5.5 million in premiums to more than 1,200 California physicians of the San Diego County Medical Society and Riverside County Medical Assn. for their effort in controlling malpractice claims.

The payment is the first return to physicians under the SDCMS/RCMA Physicians Protection Program. Malpractice claims are evaluated through a formula and returns are declared under the profit sharing provisions that return unused basic premium, reserve premium and the interest earned on reserve premium.

Automotive unit

Industrial Risk Insurers has formed a new, Chicago-based account group in its Western regional office to concentrate on automotive business. Staffing the new division are Norbert J. Patek, manager; Edgar E. Dulli, account executive; Thomas J. Summins, underwriting service supervisor, and Raymond A. Beilfuss, account engineer.

Adjusting firm

A new independently owned multiline property/casualty adjusting firm has entered the international adjusting field.

Adjusting Systems International has more than 300 offices offering custom-designed claims service facilities for most of the U.S., Canada, Mexico and Central and South Americas. The company is also developing engineering and statistical service facilities as well as catastrophe ca-

Continued on next page

Coming Up! Excess/Surplus

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GROUP DEPARTMENT
CHATTANOOGA, TN 37402

Independent P/C adjuster enters field

Continued from previous page
pability. Its corporate headquarters is in Chicago.

markets

Claims processing

Paid Prescriptions Inc., an independent third-party processor of drug claims in Paramus, N.J., has added vision and hearing aid benefits to its services through acquiring the operations of Advanced Computer Techniques Corp. in New York.

The transaction is part of Paid Prescriptions' expansion plan to provide total health benefit claims processing, said Robert W. Forsyth, president.

Paid Prescriptions will service claims from ophthalmologists and opticians as well as optometrists, he said.

Premium refund

Sixty-nine New Jersey hospitals that obtain malpractice insurance from the Health Care Insurance Exchange will share a $7.1 million premium refund for 1976 and 1977.

The refund brings to $10.6 million the amount returned to HCIE-insured hospitals for the two years HCIE was in business. The nonprofit exchange was formed in 1976 by the New Jersey Hospital Assn. in response to problems of availability and affordability that beset the private commercial malpractice insurance market.

In 1978, New Jersey insurance commissioner James J. Sheeran approved a $3.5 million refund and reduced premium rates about 68%.

Captive department

Prudential Reinsurance Co. has formed a captive department to be headed by vp Lawrence L. Kosnett.

The new unit stems from Prudential Re's desire to "explore fully the opportunities available in this rapidly expanding and increasingly competitive market," said senior vp Paul B. Ingrey.

"We have decided to be more responsive in seeking business from captive insurers, and the new alignment is well suited to that purpose," he said.

Prudential Re's existing captive business, which had been handled by the facultative and treaty departments, has been transferred to the new department.

U.S. office

U.K. pension consulting firm Noble Lowndes is opening a New York office in response to multinational corporations' growing interests in acquiring major financial stockholdings in U.S. firms.

"Currently the dollar exchange rate is an encouraging incentive for overseas companies to bid for control of U.S. corporations of many kinds," says Stuart Irvine, Noble Lowndes director. "International corporations take a close interest in how their employe benefit packages are financed by subsidiary offshoots. We think the time and conditions are right to test this expanding market."

Noble Lowndes already offers services to corporations around the world, including more than 300 U.S. companies with overseas interests. "U.S. consultants have a virtual monopoly in their own field, but we think we can do well in the services we offer," Mr. Irvine said.

Merger planned

U.K. brokers Hartley Cooper Holdings and Benfield Lovick & Rees, both of which have Lloyd's interests, are planning to merge if they can agree on terms. The Chubb Corp. holds 25.5% of the equity in Hartley Cooper. More than $2 million in pre-tax profits are anticipated if the merger goes through.

Rating upgraded

Zurich Insurance Co. and American Guarantee & Liability Insurance Co. have been given an A rating in the soon-to-be-published 1980 edition of Best's Key Rating Guide of property/casualty companies.

"The Best policyholder rating of A is a significant improvement over the B+ very good rating which the companies received in 1979," said R.M. Jamieson, U.S. manager of Zurich Insurance.

Profit center

The Continental Insurance Cos. has formed a new profit center within the property/casualty division, Continental Technical Services.

Ctek, which incorporates Continental's loss control and engineering department with its environmental health division, will provide risk evaluation and improvement services to Continental customers and other business concerns.

New offices

Frontier Adjusters Inc. has opened new offices at P.O. Box 1455, Sterling, Colo. 80751; 303-522-0510, and P.O. Box 657, Stevens Point, Wis. 54481; 715-341-5297.

C.G. Thatcher & Associates Inc. benefit consultants and actuaries, has relocated to 41 E. 42nd St., New York, N.Y. 10017; 212-949-1344.

Kroll, Killarney, Pomerantz & Cameron has opened an office at 37/39 Eastcheap St., London EC3, England; 01-621-1142.

Public Entity Underwriters Ltd. has relocated to Suite 120, 441 Wadsworth Blvd., Denver, Colo. 80226; 303-237-8817.

Acquisitions

Tenneco Inc. in Houston has completed its acquisition of **Southwestern Life Corp.**

Zurich-American Insurance Cos. has acquired the business of the Atlas General Insurance Agencies of Miami and the $12 million book of Florida workers compensation business from **Cosmopolitan Mutual Insurance Co.** in New York. Atlas General Insurance will operate as a managing general agency.

The Hartford Steam Boiler Inspection & Insurance Co. has agreed to purchase consulting firm **A.E. International Inc.** of Richland, Wash.

INA Corp. has agreed to acquire **Standard Life Insurance Co. of Indiana.** ■

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Door-opening agreement

Fireman's to reinsure Chinese cargo

PEKING—Fireman's Fund Insurance Cos. has agreed to reinsure cargo shipments for the People's Insurance Co. of China.

Fireman's Fund will also help the Chinese insurer's branch office system expand to 1,000 from 61 over the next five years and act as managing underwriter in the U.S. for People's Insurance.

The state-owned insurer underwrites ocean and inland marine, hull and aviation coverage, along with foreign reinsurance. Its premium volume is about $250 million annually.

The Chinese will act as survey and settlement agents for the U.S. firm in return for Fireman's Fund services.

The agreement is a door-opener to expanded dealings between the two firms, Fireman's Fund said. "There's enormous insurance potential in China," a spokesman said.

Takeover feared

ATHENS—The purchase of a large Greek underwriter by a Dutch insurance group has touched off a wave of fear that the Greek insurance industry may fall victim to foreign control.

The Greek insurer Proodos, a large domestic company, was acquired by Nationale Nederlanden, a giant Dutch insurance group.

Greece's membership in the European Economic Community paved the way for the Dutch acquisition.

A Greek insurance newspaper reports that while some members of the country's insurance industry view the sale as a favorable development that will enhance the reputation of Proodos and open up new markets in Africa and the Mideast, others are fearful of the consequences.

Before the Proodos sale last March, Greek companies were collecting about 80% of all net premiums written in the country. Some companies are now concerned that other domestic companies may also sell out to foreign interests, shifting the premium balance away from local firms, reports the Greek newspaper, Financial Asfalistiki.

Concerned Greek insurance companies have reportedly met to discuss the possible methods of competing with European interests for control of the domestic insurance market.

Druggists overpaid

CANBERRA—Errors in computer programming have caused Australian pharmacists to be overpaid as much as $235 million by the government for prescription drug programs, according to the office of the Australian national health minister.

No evidence of fraud by the pharmacists in submitting claims information has been found.

New coverage

AMSTERDAM—A Dutch insurer is providing coverage for persons who seek treatment from acupuncturists and nontraditional medical practitioners. The company marketing the coverage estimates thousands would seek alternative types of therapy if they had health insurance that paid the fees.

Bargaining urged

PHILADELPHIA—State insurance commissioners should band together and attempt to induce foreign nations to lower trade restrictions on the overseas underwriting operation of U.S. insurers, said John R. Cox, president of Insurance Co. of North America.

Speaking to the International Chamber of Commerce here, Mr. Cox said state commissioners should collect information indicating the ease or difficulty with which U.S. insurers are admitted to do business in foreign countries.

Commissioners should then try to bargain for fewer restrictions in nations where admission to insurance markets is deemed most difficult. "I believe that they can make a valuable contribution to negotiations addressing the problem of trade barriers," he said.

Mr. Cox pointed out, however, that the role of state commissioners is preferable to a centralized federal authority in regulation of foreign insurers' activities here.

worldwide

New AFIA office

NAIROBI—The American Foreign Insurance Assn. and other insurers are forming a new large-capacity full-line insurance company to operate here.

The company, to be called Taisho-Monarch Insurance Co., has been formed by AFIA, the Taisho Fire & Marine Insurance Co. Ltd. of Tokyo, Heri Ltd. of Nairobi and Clarksons Ltd. of London. Taisho and AFIA have previously operated branch offices in Kenya.

P&I club

STOCKHOLM—The Swedish Club for protection and indemnity coverage of marine risks reports its direct insurance premiums rose by $1 million in 1979 compared with 1978. Premiums rose to $33 million from $32 million for the period.

Policyholders will not face premium increases on hull coverage this year but the 10% refund they had been given for the last five consecutive years won't be granted.

The club now insures some 500 oceangoing vessels.

Conference set

MONTE CARLO—A lecture/debate on political risks will highlight a five-day conference on brokers and insurers to be held here Sept. 8-13. The session is being sponsored by the bureau of tourism and conventions of the principality of Monaco. ■

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Georgia issues regulations on HMOs

ATLANTA—Health maintenance organizations operating in Georgia have been brought under state regulation with rules announced by the Georgia insurance department.

Under the rules, HMOs must file detailed information describing qualifications of administrators, benefits and operations and must provide for member representation on its board of directors.

In addition, no HMO will be allowed to terminate individual coverage without 30 days written notice and may not cease a service without a rate adjustment or substituting a similar service.

The rules also require a plan to set up a system for fielding and resolving enrollee complaints and further stipulates that all agents of the plan must pass the examination required of insurance agents selling sickness and accident coverage.

around the states

Court ruling

AUSTIN—The Texas supreme court will render a decision on a lower court ruling that awarded $2.26 million to the surviving family of a woman who was killed in September 1976 when she drove past a collapsing wall in downtown San Antonio.

The case was argued before the high court April 16 by attorneys for the woman, Nancy Kraus of San Antonio, and the defendant, Alamo National Bank.

The woman was killed Sept. 14 as the wall of a building slated for demolition collapsed on her as she drove by. The building was owned by Alamo National Bank, which had hired a salvage company to raze the structure.

Her husband, John Kraus, sued the bank and the salvage company, contending they were responsible for allowing dangerous conditions to exist, and a local court awarded Mr. Kraus and his son $1.6 million. An appeals court added another $1 million.

Rate reduction

New Jersey psychiatrists insured for malpractice by Vigilant Insurance Co., a member of the Chubb group, will benefit from a 20% rate reduction recently approved by the state insurance department.

The rate for basic $100,000 per occurrence and $300,000 aggregate coverage was reduced May 1 to $543 from $679. In 1979, a 19.9% reduction brought the rate down from $848. Vigilant insures 422 psychiatrists in New Jersey.

Lower rates

ATLANTA—Georgia Insurance Co., an Atlanta based firm, has filed for a 12% reduction in the premium rates it charges for workers compensation insurance. The company is a wholly owned subsidiary of Argonaut Insurance Co.

The 12% reduction would apply to rates in effect as of Oct. 15, 1978, and to all new and renewal policies written on a nonparticipating basis after June 1, 1980.

In 1978 the Georgia legislature passed a law permitting independent rate filings by insurers and in 1979 insurance commissioner Johnnie L. Caldwell issued a bulletin requiring insurers to file rates based on their own actual claims experience.

Georgia Insurance Co. has a loss and expense ratio significantly lower than the industry average, Mr. Caldwell said.

Insurers fined

TALLAHASSEE—Four insurance companies have been fined $4,500 each for alleged violations of state law including using unapproved policy forms and unlicensed adjusters to process claims, the Florida insurance department reports.

The companies are: South Carolina Insurance Co.; Consolidated American Insurance Co.; Atlas Assurance Co. of America, and Catawba Insurance Co.

Baby coverage

NASHVILLE—Health insurance policies substantially amended after July 1 must cover newborn babies for illness and birth defects if the children are covered under their parents' policy as dependents, under a new law signed by Tennessee Gov. Lamar Alexander.

The previous law required that health policies renewed or delivered more than 120 days after July 1, 1974, provide such coverage. Many large group insurers refused to do so, maintaining that a group contract is never renewed, the insurance department contended in proposing the new law.

Brokers fined

ALBANY—Three insurance agents/brokers/excess line brokers have been fined $500 each by the New York insurance department.

Thomas J. Dietz of Katonah and Robert J. Moore of Carmel acknowledged that in 1979, as sublicensees of Dietz & Moore Inc. excess brokerage, they had improperly submitted affidavits of placements on risks that the firm itself did not place in the excess market.

Jolyon Stern of New York was fined after the agency/brokerage/excess brokerage of which he is an officer and sublicensee failed to file affidavits in connection with placing excess lines. The affidavits have since been filed.

Van pooling

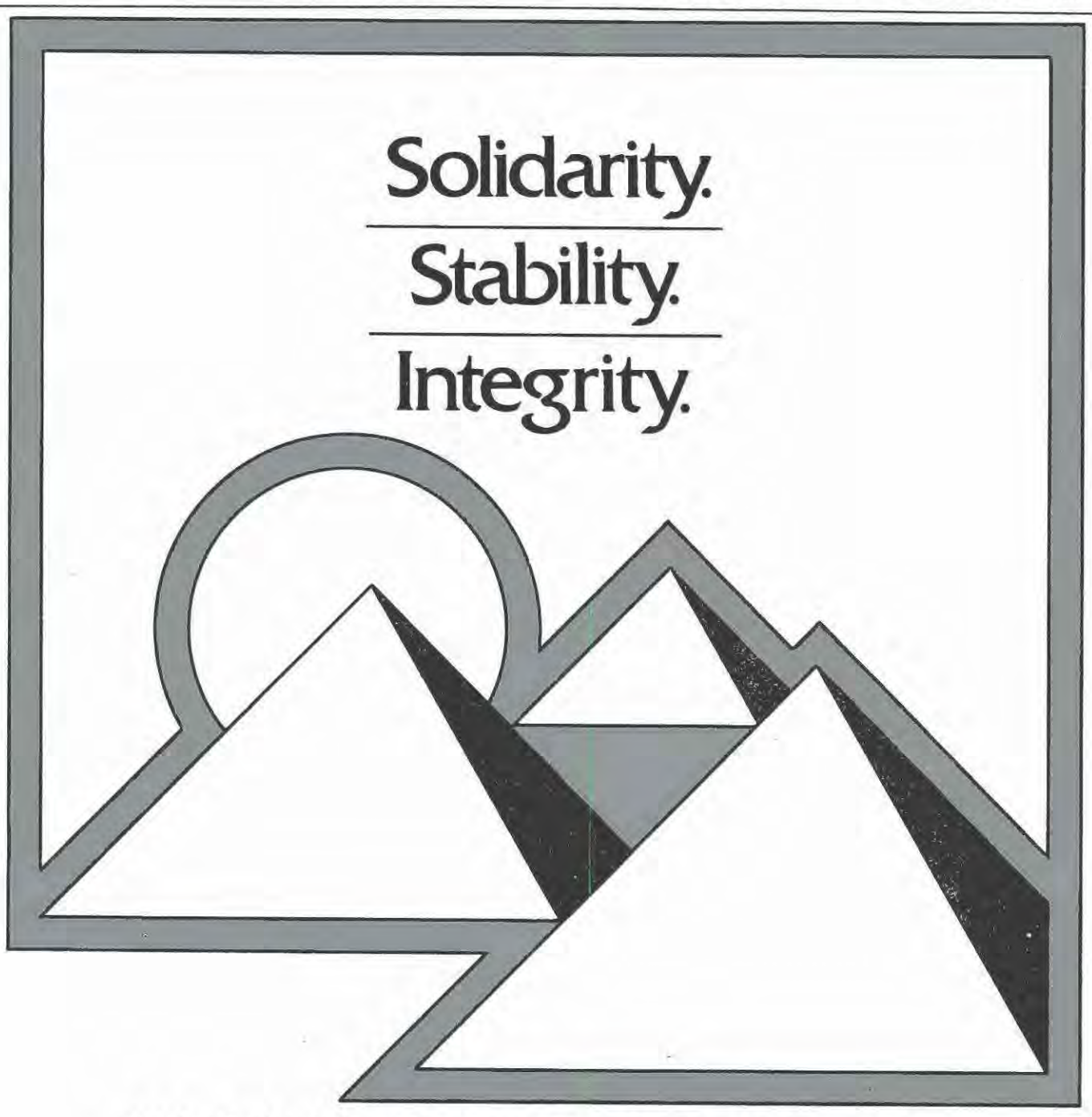
BOISE—The Idaho insurance department will hold a public hearing on June 2 in the state office building here to accept comments on the new proposed regulation governing insurance requirements for van pools.

The proposed regulation No. 38 will add a new regulation defining "ridesharing vehicle" and "van pool," provide guidelines concerning insurance availability and provide for collecting statistics on ridesharing agreements.

If adopted, the regulation will prohibit insurers from canceling a policy or increasing the premium just because the vehicle is used for a van pool. If rated as a commercial vehicle, the vehicle is to be given the lowest classification.

Insurers collecting statistics on the loss experience of van pools are asked to report them.

The proposed regulation is to become effective July 1. ■



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• A series of promotional brochures on the **workers compensation** services of Gates, McDonald & Co. is available free by writing C.S. Jenks, assistant vp, Gates, McDonald & Co., One Nationwide Plaza, P.O. Box 1944, Columbus, Ohio 43216.

• The Houston Rehabilitation Group describes its comprehensive **rehabilitation** services in a 12-page booklet. The booklet outlines the rehabilitation process, discusses the need for rehabilitation facilities and presents a policy statement of what the Houston Rehabilitation Group. For a free copy, write Larry A. Feigenbaum. The Houston Rehabilitation Group, 6100 Richmond Ave., Houston, Tex. 77507.

• A pamphlet published by Underwriters Marine Services Inc. contains information on **how to choose a marine insurance underwriter.** For a free copy, write Underwriter Marine Services Inc., Suite 1516, One Shell Square, New Orleans, La. 70139.

• A brochure describing Claimfacts, an on-line **health claims** processing system of health claims administrator ERISCO Inc., is available. For a free copy, write Barbara Bondy, vp, ERISCO Inc., 1700 Broadway, New York, N.Y. 10019.

• "ADT High Technology Security for People, Premises and Profits" is a booklet showing nearly every **electronic protection product and service** available from ADT. The booklet features the latest in microwave, ultrasonic, card access and closed-circuit TV systems. Single copies of the booklet are available free. Write for form 948-00 to ADT, One World Trade Center, 92nd floor, New York, N.Y. 10048.

• "Behind the Scenes of Tamarack Self-Funding" offers an introduction to **self-funded health care.** The brochure details the advantages and flexibility of self-funding. For a free copy write Tamarack Management Corp., Standish Plaza, 243 Church St., Pembroke, Mass. 02359.

• Edwin M. Rollins Inc., managing general agents in North Carolina, is offering a pocket guide of its specialty **excess and surplus lines.** For a free copy write Edwin M. Rollins Inc., P.O. Box 4563, 511 Cecil St., Charlotte, N.C. 28204.

• Notifier Co. has published a guide showing the latest methods for using electrical detection and alarm equipment to prevent accidental water damage and to guard against shutoff of a **sprinkler system.** For a free copy, write Notifier Guide of More Effective Supervision of Sprinkler Systems, The Notifier Co., 3700 N. 56th St., Lincoln, Nebraska 68504.

• Swiss Life network has published a booklet describing **international group life and pension services.** For a free copy, write George G. Smyth, International Benefit Associate, Swiss International Services, Inc., 560 Sylvan Ave., Englewood Cliffs, N.J. 07632.

• Brochures describing **risk management services** such as stop-loss planning, claims handling and counseling services, loss control and employe benefit services are available from Scott Wetzel Services Inc. For free copies, write Robert F. Benson, sales director, Scott Wetzel Services Inc., 500 Pacific Ave., seventh floor, P.O. Box 418, Bremerton, Wash. 98310.

• Hartford Steam Boiler's "Quick Reference Guide to the ASME Boiler and Pressure Vessel Code" has been revised. The guide illustrates types of **boiler and pressure vessel construction,** and composite drawings refer the user to the applicable rules in the code. For a free copy, write to the customer service department, Hartford Steam Boiler Inspection & Insurance Co., 56 Prospect St., Hartford, Conn. 06102. Specify Section VIII, Unfired Vessels.

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

• Equifax Services has published a brochure describing a **systematic approach to renewal automobile underwriting.** For a free copy, write Linda J. Bellinger, Equifax Services Inc., 1600 Peachtree St. N.W., P.O. Box 4081, Atlanta Ga. 30302.

• The Ohio Bureau of Workers Compensation has published three pamphlets explaining different phases of the **workers compensation program.** "You've Filed an Occupational Disease Claim; What Now?" explains the procedures and benefits available for occupational disease claims. "Workers Compensation on the Farm" explains how the workers compensation laws apply to farm labor. "The Handicapped Employe" explains the advantage of a program to reimburse employers for the cost of job injuries to handicapped workers. For free copies, write to the Publication Center Bureau of Workers Compensation, 246 N. High St., Columbus, Ohio 43215.

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

• **Employer Options in Dealing with HMOs:** Is Minimum Compliance Always Best? is the name of a newsletter from Kwasha Lipton. For a free copy, write Department M, Kwasha Lipton, 429 Sylvan Ave., Englewood Cliffs, N.J. 07632.

• The 1980-81 edition of the **Little Red Book** from GAB Business Services Inc. is available to all insurance companies, agents, brokers and self-insureds. The directory provides a complete roster of addresses as well as day and night telephone numbers for each of GAB's more than 700 offices in the U.S. and the Caribbean. Also included are all Intermodal Trans-

Continued on next page



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portation Services Inc. offices, along with telex numbers for overseas sites, INS Investigations, Bureau Inc. and key staff members. Free copies are available by writing to R.H. Hopkins, vp-marketing, GAB Business Services Inc., 123 William St., New York, N.Y. 10038.

• Inflation and its impact on employe benefit costs was covered at a series of seminars sponsored by Meidinger & Associates Inc. A text of the speeches delivered is available free in the publication **Controlling Benefit Costs.** Write Roy Zander, Meidinger & Associates Inc., Suite 1800, 20 North Wacker Drive, Chicago, Ill. 60606.

• The Ohio Bureau of Workers Compensation is offering a publication entitled **An Employer's Guide for Protection for You and Your Employes.** The guide describes how to control workers compensation costs without denying legitimate benefits to injured workers. For a free copy of the guide write directly to publications center, Bureau of Workers Compensation, 246 N. High St., Columbus, Ohio 43215.

• Have you ever installed a fire detection and control system only to have it removed months later because the fire code changed? If so, Johnson Controls is offering a booklet that could help you meet the new fire codes without getting burned. The booklet provides guidelines on how to choose the best **fire safety system** for a building and how to ensure it works properly. For a free copy, write Johnson Controls, 507 E. Michigan St., Milwaukee, Wis. 53202.

• A newsletter discussing minimum funding requirements, **mergers and spinoffs** and lump-sum distributions is available from Pension Planning Co. Inc. For a free copy, write communications department, Pension Planning Co. Inc., 355 Lexington Ave., New York, N.Y. 10017.

• St. Paul Risk Services Inc. is offering a brochure kit describing its services and answering questions often asked of **self-insurers.** A smaller brochure is designed specifically for hospitals. To receive these materials at no cost, write Jon A. Roeder, marketing officer, St. Paul Risk Services Inc., 424 Hamm Building, 408 St. Peter St., St. Paul, Minn. 55102.

• A newsletter entitled **Formulating a Retirement Policy for the '80s: A New Ballgame** is available from Kwasha Lipton, consulting actuaries and employe benefit services firm. For a free copy, write Department M, Kwasha Lipton, 429 Sylvan Ave., Englewood Cliffs, N.J. 07632.

• A **Claims Administration System** brochure is available free from the System Development Corp. Write Arthur L. Slotkin, vp and general manager, SDC Corporate Services, 2500 Colorado Ave., Santa Monica, Calif. 90406.

• Examining an **Employer's Financial Capacity to Self-Insure** Under Workmen's Compensation Statutes is a booklet developed by the Center for Insurance Research at Georgia State University. The booklet presents a methodology for measuring potential financial obligations on future claims and outstanding obligations on claims that have already occurred. Price is $7.95. Write Publishing Services, School of Business Administration, Georgia State University, University Plaza, Atlanta, Ga. 30303.

• "The Standard for Safety for the Rating and Fire Testing of Fire Extinguishers" describes the **requirements of fire extinguishers** intended for use in attacking class A, B, C and D fires. Cost is $3 per copy. Write Underwriters Laboratories Inc., Publications Stock Dept., 333 Pfingsten Rd., Northbrook, Ill. 60002.

• The new **Workman's Compensation Analysis** published by the Chamber of Commerce provides information on individual states including: coverage of laws, benefits provided and administration of laws. The 48-page compilation is available for $6 with reduced individiual costs for bulk orders. Write for publication #5690, Chamber of Commerce of the United States, 1615 H St., N.W., Washington D.C. 20062.

• **What's Happening in Product Liability? Some Recent Studies in the Field** is available for purchase. The publication consists mainly of papers presented at the fall 1979 meeting of the Machinery and Allied Products Institute. It is available to MAPI member companies for $4 and $6 for all others. Write Charles Derr, senior vp, Machinery and Allied Products Institute, 1200 18th St. N.W., Washington, D.C. 20036.

• The New York workers compensation board is offering a compilation of all workers compensation and disability benefits legislation enacted in New York from 1975 to 1979. **Legislation 1975-1979** is available for $6.50 from the office of administrative management, workers compensation board, 1949 North Broadway, Albany, N.Y. 12241. Make checks payable to: chairman, workers compensation board.

• Small businesses can review exposures and insurance coverage with the Insurance Buyer's **Checklist for Small Business** published by International Risk Management Institute. Copies of the checklist are available for $10 each from International Risk Management Institute, 10300 North Central Expressway, Suite 350, Dallas, Texas 75231.

• The Employe Benefit Research Institute is adding six pamphlets to its **employe benefit** pamphlet series. Pamphlets describe group life insurance plans, health maintenance organizations, medical care plans, pension plans, Social Security and survivor income plans. Cost is $1 each. Contact EBRI, 1800 M Street N.W., Washington, D.C. 20036. ■

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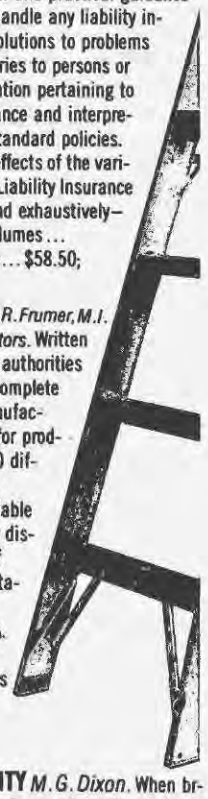
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PRODUCTS LIABILITY *L.R. Frumer, M.I. Friedman and other contributors.* Written by two of the most respected authorities in the field, here's the only complete statement of law on the Manufacturer's and Seller's liability for products causing harm. Over 700 different products and product categories are covered in a table of cases by product. In-depth discussions include: Theories of liability; parties liable; the statute of limitations; product liability legislation and UPLA. With full indexing and a 41-question checklist. 6 volumes ... $350.00 (Upkeep Cost: 1978... $147.50; 1979... $167.50)



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JUNE 9-13. Risk Management in Practice Course in London, sponsored by Risk Research Group Ltd.; £661.25. Elaine R. Cumberland, course coordinator, Risk Research Group Ltd., Bridge House, 181 Queen Victoria St., London EC4V 4DD; 01-236-2175.

JUNE 12. Risk Management: Today's Techniques vs. Tomorrow's Risks Conference in Hartford, sponsored by the Connecticut Valley chapter of the Risk & Insurance Management Society; $50. M.J. Sullivan, RIMS, Connecticut Bank & Trust Co., 1 Constitution Plaza, Hartford, Conn. 06115; 203-244-5000.

JUNE 12. 1980 Risk Management Conference in Millbrae, Calif., sponsored by the California Certified Public Accountants Foundation; $65. Also **June 13** in Los Angeles. California CPA Foundation, P.O. Box 44364, San Francisco, Calif. 94144; 415-321-9545.

JUNE 12-13. Society of Actuaries spring meeting in San Diego; $55 for members, $65 for nonmembers. Society of Actuaries, 208 S. La Salle St., Room 650, Chicago, Ill. 60604; 312-236-3833.

JUNE 13-14. Product Liability Update Seminar in San Francisco, sponsored by the Practising Law Institute; $225. Practising Law Institute, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700.

JUNE 13-14. Emergency Forces Training Workshops in Detroit, sponsored by the National Fire Protection Assn.; $30 for members, $35 for nonmembers for one half-day workshop; $50 for members, $60 for nonmembers for two half-day workshops or one full-day workshop; $90 for members, $110 for nonmembers for two full days of instruction. NFPA seminars, continuing education division, 470 Atlantic Ave., Boston, Mass. 02210; 617-482-8755.

JUNE 16-18. International Security Conference in Chicago, sponsored by Security World Magazine; $75 for one day of three seminars; $175 for three days; exhibition free if preregistered two weeks before. Executive director, ISC, The Show Co. International, 8687 Melrose Ave., Los Angeles, Calif. 90069; 213-659-2050.

JUNE 16-20. Loss Control Management Seminar in Atlanta, sponsored by the International Loss Control Institute; $450. ILCI, P.O. Box 345, Loganville, Ga. 30249; 404-466-2208.

JUNE 17-18. Health Care Workshop in Austin, Tex., sponsored by the National Fire Protection Assn.; $175 for members, $185 for nonmembers. Also **June 23-24** in Seattle. Ina L. Miller, NFPA, division for continuing education, 470 Atlantic Ave., Boston, Mass. 02210; 617-482-8755.

JUNE 19-20. Self Insurance and the Use of Captive Insurance Cos. Seminar in Chicago, sponsored by New York University's school of continuing education; $640 per person plus $75 registration fee per organization per seminar. Information Services, University Conference Center, 20th floor, 360 Lexington Ave., New York, N.Y. 10017; 212-953-7272.

JUNE 22-25. Professional Development Conference in Houston, sponsored by the American Society of Safety Engineers; $245 for members, $295 for nonmembers. American Society of Safety Engineers, 850 Busse Hwy., Park Ridge, Ill. 60068; 312-692-4121.

JUNE 22-25. Strategies for the '80s Conference in Memphis, sponsored by Public Risk & Insurance Management Assn.; $225 for members, $275 for nonmembers. Public Risk & Insurance Management Assn., 1140 Connecticut Ave. N.W., Suite 210, Washington, D.C. 20036; 202-828-3614.

JUNE 23-25. Safety Management for Line Supervisors Seminar in Atlanta, sponsored by the International Loss Control Institute; $325. International Loss Control Institute, P.O. Box 345, Loganville, Ga. 30249; 404-466-2208.

JUNE 26-28. System Safety Course in Houston, sponsored by the American Society of Safety Engineers; $225 for members, $275 for nonmembers. ASSE, 850 Busse Hwy., Park Ridge, Ill. 60068; 312-692-4121.

JULY 6-10. International Insurance Seminar in Paris; $600 per person, $825 per couple. John S. Bickley, P.O. Box J, University of Alabama, Tuscaloosa, Ala. 35486; 205-348-6094.

JULY 7-11. Industrial Product Noise Control Institute in Schenectady, N.Y., sponsored by Union College; $595. Graduate studies and continuing education, Union College, Wells House, 1 Union Ave., Schenectady, N.Y. 12308; 518-370-6288.

JULY 14-18. Auditing Safety Program Management Seminar for corporate safety directors only, in Atlanta, sponsored by the International Loss Control Institute; $575. ILCI, P.O. Box 345, Loganville, Ga. 30249; 404-466-2208.

JULY 14-18. Fundamentals of Modern Safety Management Seminar in Atlanta, sponsored by the International Loss Control Institute; $425. ILCI, P.O. Box 345, Loganville, Ga. 30249; 404-466-2208.

JULY 19-20. Fireground Commander Seminar in Toronto, sponsored by the National Fire Protection Assn.; $70 for members, $80 for nonmembers. Also **August 2-3** in Minneapolis, NFPA, Ina L. Miller, division for continuing education, 470 Atlantic Ave., Boston. Mass. 02210; 617-482-8755.

JULY 21-22. Fundamentals of Pension Design and Funding Seminar in Atlanta, sponsored by the Wharton School: $670. Heidi E. Kaplan, Dept. 20NR, university conference center, 360 Lexington Ave., New York, N.Y. 10017; 800-223-7450.

JULY 21-25. The Development and Growth of a Modern Safety Program Seminar in Houston, sponsored by the International Loss Control Institute; $525. ILCI, P.O. Box 345, Loganville, Ga. 30249; 404-466-2208.

JULY 28-30. Testing and Measurement in the Hydraulics Laboratory Seminar in Milwaukee, sponsored by the Milwaukee School of Engineering; $295. Ken Rosenbecker, Fluid Power Institute, MSOE, P.O. Box 644, Milwaukee, Wis. 53201; 414-272-8720 ext. 206.

AUGUST 4-8. Loss Control Management Seminar in Atlanta, sponsored by the International Loss Control Institute: $450. ILCI, P.O. Box 345, Loganville, Ga. 30249; 404-466-2208.

AUG. 18-22. The Development and Growth of a Modern Safety Program Seminar in Sacramento, sponsored by the International Loss Control Institute; $525. ILCI, P.O. Box 345, Loganville, Ga. 30249; 404-466-2208. ■

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For chief executive officer

North American Re taps Thompson

NEW YORK—N. David Thompson, president of North American Reinsurance Corp., has been named chief executive officer. Mr. Thompson succeeds Paul E. Christen, vice chairman, who also serves as deputy general manager of Swiss Reinsurance Co., parent company of North American Re.

Mr. Thompson joined North American Re as executive vp in 1977 and became president and chief operating officer in 1979. Before joining North American Re, he had 15 years experience with the General Reinsurance Corp.

comings & goings: industry

Other insurer changes:

Lawrence C. Magnant Jr. appointed senior vp of John F. Sullivan Co. reinsurance intermediary in Seattle

James F. Zagorski and **Peter Larsen** appointed vps of Continental Reed Stenhouse Management Co., Mr. Zagorski in casualty underwriting and Mr. Larsen in property underwriting for the Maiden Lane Syndicate Inc.

Wayne Gregory named manager of the aviation department of Cravens, Dargan & Co. Special Risks.

Ronald C. Ade appointed executive vp-property and casualty operations and member of the executive committee of Benico Insurance Co. in Morristown, N.J.

Barbara J. Lautzenheiser named senior vp of Phoenix Mutual Life Insurance Co. in Hartford, Conn.


Lautzenheiser

James H. Potter named executive vp of Insurance Systems of America Inc. in Atlanta, in charge of all product lines.

John Jaquith named manager of property underwriting for the Puritan Insurance Co. in Stamford, Conn.; **Stanley F. Knowles** named assistant vp for reinsurance, also for Puritan Insurance.

Thomas C. DiGangi named manager of commercial casualty underwriting for the New York metropolitan region of the U.S. Insurance Group; **Peter D. Katauskas** named property underwriting manager for the same region.

Robert M. Campbell and **James J. Fleming Jr.** named directors of major account development for Pennsylvania Manufacturers Assn. Insurance Co.

Carol Ann Rennie named senior vp and **Edward W. Frye Jr.** elected to the board of directors of E.W. Blanch Co. Reinsurance Services in Minneapolis.

Langdon S. Flowers elected to the board of directors of American Heritage Life Insurance Co.

Robert H. Short appointed to the Western advisory board of Arkwright-Boston Manufacturers Mutual Insurance Co.


Short

David W. Nelson named resident vp and manager of the Santa Ana, Calif., branch of Fireman's Fund Insurance Cos.; **James A. Abbott** named resident vp and manager of the Portland, Ore., branch.

Stephen J. Paris elected a director of American Union Insurance Co. of New York.

Kent D. Urness elected marketing officer-operations for St. Paul Fire & Marine Insurance Co.

Jerry Mazone named loss control manager of Fremont Indemnity Co.'s Glendale, Calif., division.

Phillip N. Ben Zvi named vp and senior actuary of The Continental Insurance Cos.

David A. Gortz named president and chief executive officer of The Leterman-Gortz Corp., group insurance specialists. Mr. Gortz takes over from Norman B. Gortz, founder of the corporation who remains chairman.


Gortz

Norman J. Goeltz, named vp and production director of Powell & Co. Insurance. Mr. Goeltz will be responsible for the management of the company's commercial sales department.

Margaret L. Pariso named vp of Insurance Management of Washington Inc; **Carol S. Jackson** named assistant secretary and **Samuel B. Adams** named assistant treasurer of the same firm, headquartered in Chevy Chase, Md.


Pariso

G. Randall Wada and **Martin M. Miyaychi** named account executives of Bayly, Martin and Fay's Los Angeles division.


Miyaychi

Harold N. Hoback named executive vp of Chas. Lunsford Sons & Associates, a Roanoke, Va., agency. Newly appointed vps are **James I. Slaydon Jr., Thomas W. Jamison** and **Don S. Hayes; G. Logan Forsyth** promoted to assistant general manager.

Martin P. Hughes named vp of Mack & Parker Inc. in Chicago, with continuing responsibilities as manager of the property/casualty department.

Joseph Caruso named casualty underwriting manager of David C. White Agency and Lawrence Excess Ltd. of Lynbrook, N.Y., formerly casualty underwriting manager of Jefferson Insurance Co.

Broker changes

John Searles, executive vp of marketing and technical services for Frank B. Hall & Co. of California, has been named president and chief operating officer of the southern division of the same operation.


Searles

Mr. Searles has been connected with the insurance industry since 1948 and was president of Behrendt-Levy Insurance Agency at the time of its purchase by Hall in 1973. The southern division of Frank B. Hall of California encompasses Los Angeles, Orange County, Oxnard and San Diego.

Other broker changes:

Richard H. Pierpoint, 35, joined Reed Stenhouse Co. Inc. as senior vp and branch manager of the Boston office, replacing **Peter Godfrey,** 40, who was promoted to senior vp of the company in charge of national sales and marketing in the U.S. corporate offices in New York. Mr. Godfrey had been in charge of Reed's Boston office since it was opened in 1975, concentrating on national accounts and new business development. Mr. Pierpoint had been with Marsh & McLennan since 1975 and was named a vp in 1976.

Robert G. Mortimer named resident vp of Paul Arnold Associates Insurance Agency in Waltham, Mass., specialists in trucking and bus industry insurance.

Other suppliers

Thomas B. Eckert named vp and **Fred E. Brown** named secretary-planning and development for ESIS Inc.; **Edward G. Troy** elected president and a director of Robert F. Coleman Inc.

Thomas M. Morrison named assistant vp-group benefit consulting for Edward H. Friend & Co. of Washington, D.C.

Richard L. Maloney promoted to executive vp of Equifax Risk Management Systems.

David T. Cederholm elected vp-underwriting for Crum & Forster Managers Corp.

Robert J. Greene named managing principal of the Atlanta office of A.S. Hansen Inc.

Henry von Wodtke named director of the group services department of Buck Consultants Inc.


von Wodtke

Frederick I. Schick named senior consultant in the Chicago office of the Hay Group.

Daniel G. Tracy promoted to consultant at D.A. Betterley Risk Consultants Inc. ■

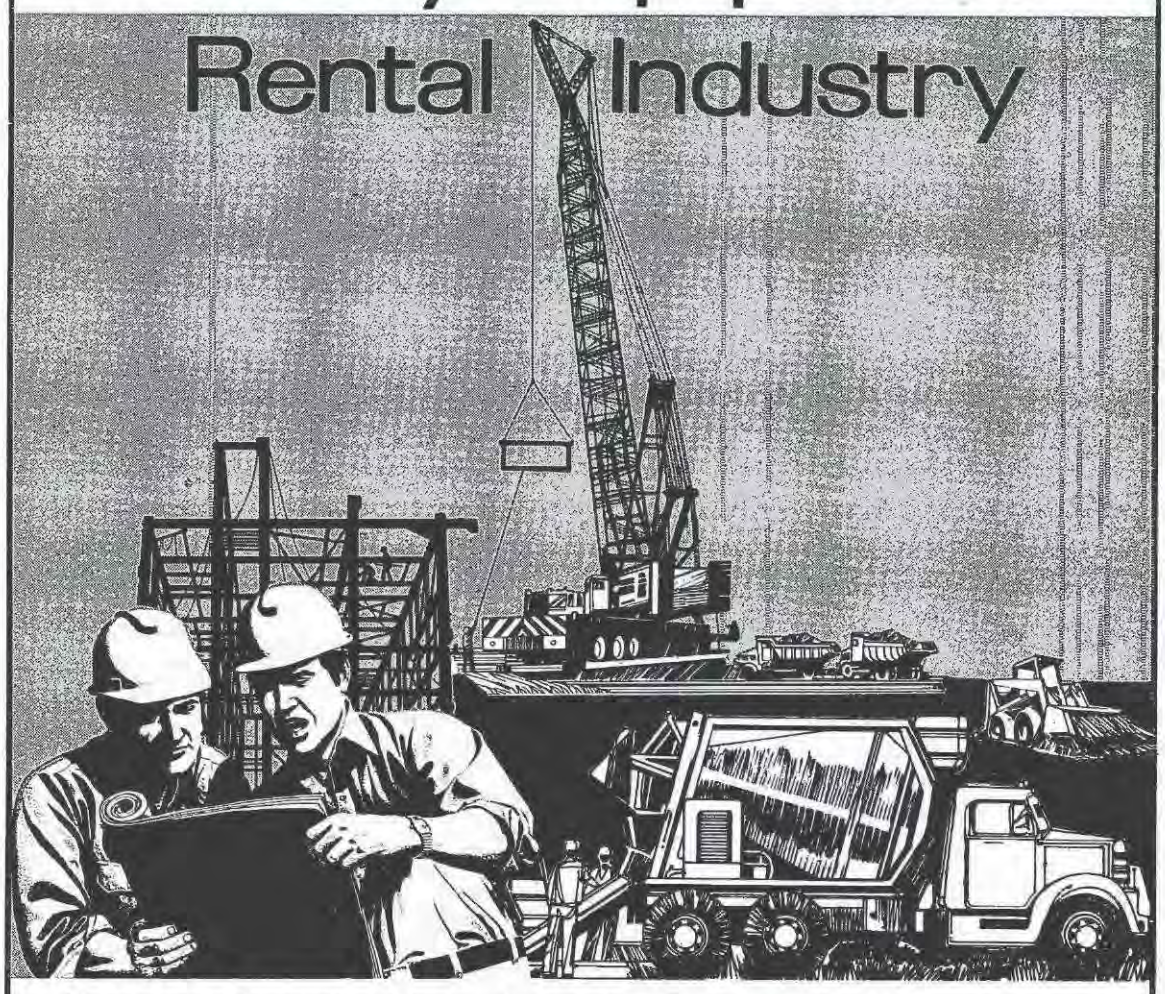
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Goodman fills position as manager of safety

comings & goings: buyers

Hazeltine Corp. in Greenlawn, N.Y., has named **Rodney Goodman** to the new position of safety manager. Mr. Goodman, who reports to director of security Jim McSloy, was previously director of safety at Alco Gravure Inc. in New York. No replacement has been named for him there. Mr. Goodman has an industrial engineering degree from the State University of New York at Buffalo.

* * *

Clorox Corp. in Oakland, Calif., has named **John P. Grotts,** 28, risk management claims administrator. Mr. Grotts, who reports to corporate risk manager Glen Roberts, was previously risk manager for Fresno Unified School District in Fresno, a position now vacant. He has a B.A. degree from California State University at Fresno and is working toward a master's in public administration and an ARM.

* * *

Robert F. Healey, 49, has been named risk manager for the city of Duluth, Minn. Mr. Healy, CPCU, previously worked as a commercial marketing supervisor at BHK & R brokerage firm in Minneapolis and before that was vp of marketing at IPS in Bemidji, Minn. He was educated at The College of Insurance. In this newly created position, Mr. Healey reports to city treasurer Chester Johnson.

* * *

Pauline Scott has been named to the newly created position of assistant risk manager at Fisher Brothers in New York. Ms. Scott, who previously was secretary to risk manager Elliot E. Cohen, will work in the employe benefits and property/casualty areas. She has a bachelor's degree in English from Cambridge University, took real estate courses at New York University and a risk management seminar at the American Management Assns. and is a licensed life insurance agent. Ms. Scott, who belongs to the New York RIMS chapter, reports to Mr. Cohen.



Scott

* * *

Irving Trust Co. in New York has filled two newly created positions by hiring **Ola Pratt,** 26, as employe benefit risk financing analyst and **Leo Bressman,** 27, as contingency planner in the data security department. Ms. Pratt, who reports to Vinnie Oliva, assistant vp in the corporate insurance department, was formerly a credit analyst with Banker's Trust in New York. She has a bachelor's degree in economics from Hunter College and an M.B.A. from Pace University. Mr. Bressman, who reports to Steve Ross, vp of the data security department, was previously a management engineer with the Port Authority of New York and New Jersey. He has a bachelor's degree in math from the State University of New York and a master's in operations research from the Polytechnic Institute of New York. Managers of the insurance and data departments report to bank vp Burton J. Carbino Jr., in charge of risk management.

•

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

UOP must pay IRI

TULSA, Okla.—A federal court jury here will decide how much Universal Oil Products must pay to Industrial Risk Insurers in a subrogation case stemming from an $11.5 million oil rig loss in 1973.

Federal judge H. Dale Cook has already found UOP, a Des Plaines, Ill., firm, liable for subrogation payments to IRI. A jury in the two-phase trial must now determine the amount to be paid, said Margaret Orbon, an attorney with a Chicago law firm representing the insurer.

IRI began subrogation proceedings against UOP in 1975, about two years after an explosion and fire caused $11.5 million in damage to an oil desulfurization unit owned by Hess Oil Virgin Islands Corp. and insured by IRI.

Hess had purchased a patented process from UOP. UOP had also prepared engineering and design specifications for the unit and had sent a "start-up" team of specialists to assist Hess personnel in putting the desulfurization unit into operation, Ms. Orbon said.

On Aug. 24, 1973, pipes carrying oil to the unit began vibrating because of fluid vapors and exploded. No one was killed or injured in the blast or the subsequent fire, but the installation had to be rebuilt.

Illinois governor seeks revisions in work comp bill

SPRINGFIELD, Ill.—A key two-bill package that would overhaul the Illinois workers compensation system should be revised to require the industrial commission to develop disability standards, Gov. James Thompson said in a letter to the sponsors of the package.

The bills (S.B. 1739, S.B. 1740) would change the administration of the state workers compensation program and would offer employers alternative forms of insurance (*BI*, April 14).

Illinois employers have been clamoring for workers compensation reform for the past five years. Legislators have until June 30 to pass a reform measure this session.

Injuries are now considered on a case-by-case basis, which Gov. Thompson and others charge increases litigation, deprives some workers of benefits and raises costs for some employers. An amendment to the bills originally called for the development of standards that would determine the extent of a worker's disability, but it was stricken in committee.

The workers compensation package now before the state senate would:

- No longer require employers to pay for pre-existing disabilities when a second injury is incurred. Workers with a subsequent injury resulting in total or complete disability would receive compensation from a subsequent injury fund supported by employers and the state.
- Provide an impartial medical panel to review cases at the request of employers or workers.
- Require arbitrators to submit written decisions.
- Require all settlements to be reported to the industrial commission.
- Permit group self-insurance.
- Allow firms to band together to buy casualty insurance as a group, based on pooled experience.
- Require insurance companies to offer an employer a minimum deductible of $1,000 per incident for medical expenses.

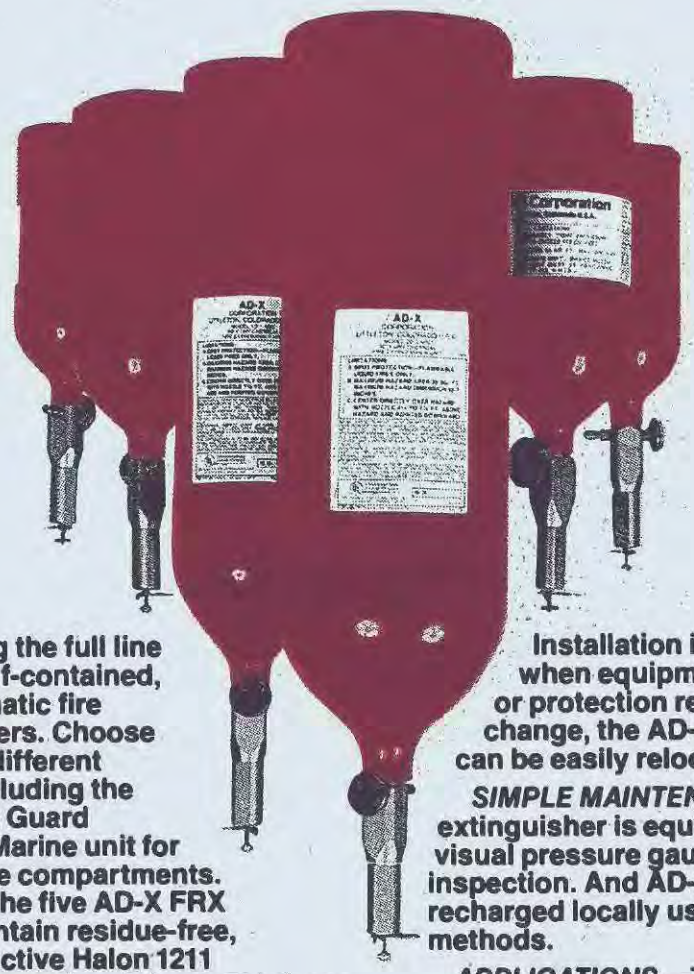
Although the governor said the legislation offers some meaningful reforms, he has not decided if he will endorse the plan if revisions are not made, administrative sources say.

Sen. Aldo A. DeAngelis, the legislation's chief sponsor, is convinced a better bill could be presented to the senate. "I will battle on the senate floor to restore the disability standards," he said.

But cosponsor and senate president Philip J. Rock warned that such a move would kill the bill.

Sen. DeAngelis said he will also work for an amendment that would eliminate a worker's free choice of physicians, and would offer no compensation to a worker injured while voluntarily attending a recreational event. ■

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Conference on pensions

Private plans should expand: Speaker

Group opposition

One week after the President's Commission on Pension Policy recommended that mandating private pension plans be seriously considered, a major pension trade association threw cold water on the proposal.

The Assn. of Private Pensions & Welfare Plans, whose 600 members cut across the lines of the entire pension community, voted at its annual meeting in Washington to oppose a universal private pension plan system.

The association, however, did recommend that the tax code be changed to allow employes to deduct payments they make to employer-sponsored plans from their tax bills.

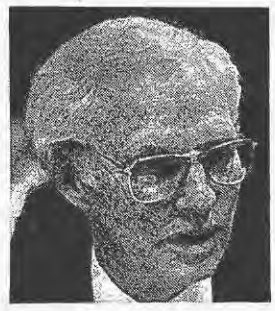
Such a tax incentive would encourage employers to start new plans and expand existing plans, said APPWP chairman William Bret.

By JERRY GEISEL

WASHINGTON—Private pension plans are far better equipped than Social Security to take on an expanded role in providing retirement income, a member of the President's Commission on Pension Policy argues.

There is a limit to what the working generation can afford to pay in benefits for the retired generation through Social Security payroll taxes, said commission member William C. Greenough.

As a pre-funded system, private plans ensure a massive accumulation of capital, which is necessary for continued industrial expansion, he noted. The pay-as-you-go Social Security system doesn't accumulate capital.



Call for change

There are great political pressures to expand the nation's retirement income system, says William C. Greenough.

There are great political pressures to expand the nation's retirement income system, Mr. Greenough told the annual Washington conference of the Assn. of Private Pension & Welfare Plans here two weeks ago.

The root of the political pressure is that only about half of the working population participates in a private plan and only about half of the participants have earned a vested benefit, Mr. Greenough said, citing the results of a massive commission-ordered survey (*BI*, May 12).

One way of expanding private pensions is to make them mandatory, which the commission has recommended in an interim report. Legislators give serious consideration to the report, Mr. Greenough said.

To encourage lower-income persons to save for their retirement the commission also has suggested that tax credits be given for pension contributions made by those in lower-income tax brackets.

Other suggestions that the commission will make in its interim report include:

- Universal Social Security coverage for new public employes. "You'll recognize that as a very moderate proposal," said Mr. Greenough, who recently retired as president of Teachers Insurance & Annuity Assn. and College Retirement Equities Fund.
- Pensions should be considered property to facilitate proper division in a divorce.
- Survivor protection, either in the form of life insurance or pension benefits, should be provided by employers to the surviving spouse.
- Individuals in different pension plans should be treated equally. For example, an individual may now only contribute $1,500 annually to an Individual Retirement Account, while the annual limit for Keogh plans, which are primarily used by professionals, is $7,500.
- The earnings test for Social Security should be eliminated and the benefits taxed, at least for those with taxable income. "We want to encourage people to work if they are able" and this could be accomplished by removing the earnings test, Mr. Greenough said.
- The age at which retirees can collect full Social Security benefits should be raised gradually. The new higher age would be based on studies indicating how many years a person can expect to live after retirement.
- The feasibility of having one public disability program to replace the myriad and often overlapping federal and state programs should be explored.

Mr. Greenough cautioned that the commission's recommendations are only tentative. "We reserve the full right to change our minds" in the final report, which is expected to be on the President's desk in February 1981.

The commission, headed by C. Peter McColough, the chairman of Xerox Corp., is making the most thorough review of pension systems in U.S. history. ■

Business can help shape pension policy



Salisbury

Employers can play a key role in helping the President's Commission on Pension Policy map out a national retirement income policy, a top benefit expert says.

The commission has tentatively concluded that vesting requirements should be shortened to expand the net of pension coverage. But it won't make a final recommendation until it has estimates on what faster vesting would cost.

To help the commission make a decision in this key area, employers should provide information on how faster vesting would affect their plans, Dallas Salisbury, executive director of Employe Benefit Research Institute, told the annual conference of the Assn. of Private Pension & Welfare Plans.

Areas where employers can supply badly needed information on the cost implications of faster vesting include:

- How much would contributions have to rise to maintain benefit levels?
- How much would administrative costs jump?
- How much would benefits have to drop to maintain the current rate of contributions?

"If each of you could provide information on what the effect of new vesting standards would be on just one plan, you would make a substantial contribution," Mr. Salisbury said.

Photos: Jerry Geisel

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SEC studies pension adviser liability

By LES STERN
and LEN STRAZEWSKI

New rush

Meeting new financial responsibility requirements could send pension consultants and actuaries scrambling for investment adviser professional liability insurance policies.

WASHINGTON—The Securities and Exchange Commission is in the midst of a major study that could lead to increased regulation of investment advisers and pension consultants.

After examining the Investment Advisers Act of 1940, the SEC could ask Congress for authority to establish self-regulatory organizations, minimum professional standards and financial responsibility requirements.

The SEC attempted this in 1976, but a bill seeking similar authority never reached the Senate floor.

"It has become apparent over the last number of years that there has been growth in the number of advisers and in the types of advisers," said Joel Goldberg, associate director of the SEC division of investment management.

Much growth has been in the areas of pension advisers, pension consultants and financial planners to corporations, he noted. The SEC wants the clients' financial interests to be protected.

Meeting new financial responsibility requirements could send pension consultants and actuaries scrambling for investment advisers' professional liability policies, coverage primarily underwritten by First State Insurance Co. of Boston and reinsured with Lloyd's.

The coverage, though, is currently not required and in little demand, industry sources say. Most consultants with large firms seek larger deductibles and greater control of claims defense than the insurer is willing to give.

More underwriters may jump into the business, however. INAX Underwriters Inc. already provides errors and omissions coverage for pension consultants and actuaries that excludes investment advice. INAX would consider expanding its plan, says president John Van Cleave.

"This proposal could be just like ERISA," he noted. "Many of our client consultants would probably want to meet financial responsibility with insurance rather than a bond or self-insurance. We would probably add that cover to our existing plans."

The SEC's examination is on two fronts. The agency is in the preliminary stages of analyzing data compiled from the more detailed forms which advisers were required to file last year.

The commission also asked for public comment on the issues. Comments will be received until Aug. 4.

Perhaps the most significant step the commission is considering is whether one or more self-regulatory organizations should be established.

The commission is considering how many should be established and whether membership should be made mandatory.

"It is clear that we contemplate more than one SRO for advisers," Mr. Goldberg noted.

For example, one SRO could be for pension advisers, one for investment company advisers and one for financial planners.

Pension consultants who make asset allocation recommendations and money manager selections could also be included as investment advisers, Mr. Goldberg said.

These firms should be registered now, "But my instinct is to say that a lot of pension consultants who should be registered are not," he added.

The SEC also wants to know if different requirements should be established for advisers who directly invest money and for those advisers who only provide impersonal services such as advisory newsletters.

Additionally, the SEC is asking whether private suits for damages because of antifraud breaches should be allowed; whether exclusions from the definition of investment advisers should be modified; whether exceptions for registration requirements should be modified, and what measures should be taken to eliminate unnecessary regulatory burdens.

Insurance companies and bank trust departments may be exempt from more regulation, however.

Banks and insurance companies are regulated through various banking agencies and insurance companies through state insurance law, Mr. Goldberg noted.

No timetable has been set for finishing the study or making recommendations. ■

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New policy will cover fighting tender offers

By STACY SHAPIRO

SANTA MONICA—A middle-sized business can now fight off a takeover by a big conglomerate and be reimbursed for the battle if it wins.

Lloyd's of London syndicate Cassidy Davis Ltd. is the lead underwriter for a new policy reimbursing a company for defense expenses in resisting an unfriendly tender offer, but only if it wins the fight.

Limits of coverage will be increased shortly to $5 million from $1 million because of the large demand for the new policy, says Sydney Aronson, chairman of NAS Insurance Services here, the acting agents in the U.S.

Tender offer defense expense insurance "relates to the dilemma that boards of directors have in looking at tender offers," Mr. Aronson said. "Fighting the offer can have a measurable effect on earnings."

Calls haven't stopped since NAS announced the tender offer defense expense insurance on May 13. "In this market, every firm is worried about a takeover and they need protection from it," says Leonard Nelson, marketing director for NAS.

The current takeover wave by tender offers to corporate stockholders began in 1974 and has been building ever since, Mr. Nelson says. Coca-Cola of Los Angeles fought off MCA film studios and paid $2.5 million in public relations, banker/investment and litigation costs.

Marshall Field & Co., a department store in Chicago, fought off the multi-chained Carter Hawley Hale Stores Inc. (Neimann Marcus) for $3.5 million, not including litigation costs. Both these firms had to pay these costs.

Tender offer defense expense insurance was inspired by an inquiry from broker Frank B. Hall & Co. for this coverage, Mr. Aronson says.

The cost of the insurance will vary according to the company, but will average $50,000 for $1 million of coverage for outside expenses—public relations, investment bankers, litigation. There is a $50,000 deductible per tender offer and the policy pays 80% of defense expenses after the deductible.

Mr. Aronson emphasizes that claims will only be paid if the policyholder wins. If it doesn't, the buying company will pay for expenses anyway, so the issue becomes moot. There is no coverage for in-house services. ■

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ADEA impact report:

Many firms give pension increases . . .

LINCOLNSHIRE, Ill.—Nearly 50% of the companies with defined benefit pension plans for salaried employes provide benefit increases for employes who work past age 65, a survey of 497 such firms shows.

Although not required to do so, many firms are awarding benefit increases to employes who stay on past age 65, reports Hewitt Associates, benefit consultants in Lincolnshire, Ill.

Hewitt recently surveyed more than 900 U.S. firms to find out how companies are responding to the Age Discrimination in Employment Act amendment passed in 1978. The amendment raises the mandatory retirement age to 70 from 65.

Among the 497 participants with defined benefit pension plans, 48.5% or 241 provide some benefit increases for employes working beyond age 65; 51.5% or 256 do not.

Four general types of benefit increases were reported among the 497 participants:

- 27.6% provide for service credits beyond normal retirement age.
- 29.6% provide for recognition of pay increases.
- 28.4% provide for future benefit improvements granted other active employes.
- 14.1% provide actuarial increases for later commencement of benefits.

Most of the companies typically combined two or more types of increases.

The most common combination, provided by almost one-third of the companies that award benefit increases, grouped together service credits beyond normal retirement age, recognition of increases in pay and future benefit improvements granted other active employes.

The ADEA amendment allows companies to reduce group life insurance coverage for active employes, but only to the extent justified by cost increases because of age.

A flat, one-time reduction for active employes at age 65 is levied by about one-fourth or 26.2% of the companies. Most of these reductions range from 35% to 32%, with 35% being the most common.

A graduated reduction is provided by another 19% of the companies. An 8% reduction per year, beginning at age 65, is most common. Graduated reductions begin before age 65 at 13 companies and four other firms begin at age 66.

The ADEA requires employers, under certain conditions, to pay for or contribute to the Medicare Part B premiums for employes who continue to work beyond age 65.

Of the 399 companies that pay or contribute to Part B premiums:

- 64% or 217 issue a separate reimbursement check to employes.
- 3.8% or 13 also handle it through payroll, but by reducing the employe's payroll deductions.
- 3.8% or 13 pay a group billing from the Social Security Administration for each employe separately.
- 4.4% or 15 use some other approach, the most notable of which is reimbursing Part B premiums through the group medical plan, but not subject to a deductible or coinsurance.

Employers are somewhat uncertain about whether Medicare reimbursements are taxable income to employes.

Some lawyers say reimbursement paid directly to an employe may be considered taxable income. Several companies noted they chose not to make direct payments for tax reasons.

Thirty-one companies indicated they are undecided on the reimbursement method to be used.

The Hewitt survey shows that although companies generally have complied with the ADEA amendment of 1978, many are still weighing the alternatives.

The 1978 amendment will have a gradual impact, the study noted. In most cases it will take at least five years to see how long and to what extent employes will work beyond age 65.

At present, almost two-thirds or 64.1% of the surveyed companies specify age 70 as the mandatory retirement age. There is no mandatory retirement age for the other one-third or 32.9%.

Because of the newness of the amendment prohibiting mandatory retirement before age 70, many firms reported they had not yet had applicable data. But 45% of the salaried employes continued to work past age 65 at the 429 firms able to respond.

Smaller companies or those with experience limited to a few employes tended to report a high percentage of their age-65 employes continuing to work.

Although the ADEA amendments generally prohibit mandatory retirement before age 70, the executive exemption allows companies to retire certain executives who are eligible for retirement benefits totaling $27,000 a year. Executives may be required to retire anytime from age 65 to 70.

Nearly one out of five surveyed companies, or 18.6%, is still undecided about whether to use this exemption.

Plans to use the exemption vary significantly with company size. While 44.3% of the manufacturing companies with annual sales of $500 million or more indicated they will use the executive exemption, only 8.8% with annual sales of less than $100 million indicated they will use the exemption.

But because executive pay—and therefore retirement benefits—is related to company size, smaller companies will have fewer executives covered by the exemption.

Most of the companies responding to the Hewitt survey, or 64.8%, are manufacturers ranging in annual sales from $7 million to $15 billion.

Among the 377 manufacturers, 105 have annual sales of less than $100 million, 130 have annual sales of $100 million to $499 million and 142 have annual sales of $500 million or more.

Nonmanufacturers comprise the remaining 205 participants or 35.2%. These include banks, insurance companies, hospitals, wholesalers and retailers. ■

. . . and revise long-term disability plans

NEW YORK—A disabled employe is covered by both an employer's retirement plan and a long-term disability plan. According to the ADEA amendments, which benefit is paid first? Or are both paid?

Final ADEA regulations are unclear on this, reports broker Johnson & Higgins here in commenting on a survey regarding the 1978 amendments. The J & H survey findings are almost identical to those published in a Hewitt Associates report. (See related story.)

Three solutions to the pension versus disability benefit issue are almost equally popular with employers, the J & H survey shows. Of the 72 responding companies, 24% defer retirement benefits at the disabled employe's option while continuing LTD benefits. Retirement benefits are paid automatically, with LTD benefits terminating, by 22% of the companies. In another 19%, retirement benefits beginning at normal retirement age are offset against LTD benefits. Four percent of the firms pay both LTD and retirement benefits to an employe with a long-term disability.

The ADEA amendments prompted changes in long-term disability plan design for 79% of the 85 survey respondents. Previously, LTD coverage or benefits ceased at age 65 at most corporations. Now 70% of the companies sponsoring LTD palns follow examples laid out in the Department of Labor's final interpretations:

- 33% of the plans pay benefits to age 65 for a worker disabled before 61 and for five years or to age 70 if disabled at age 61 or older; another 4% adopted a variation of this formula.
- 26% reduce the duration of LTD payments for employes disabled after a specific age.
- 7% continue LTD coverage to age 70.

Less than half of those surveyed provide retirement benefit increases for employes working beyond age 65, as indicated in the Hewitt report. Percentages of companies offering benefit increases are almost identical in the two studies.

Although employe benefit plans had to be changed to comply with the ADEA amendments, 38% of the employers stated the cost did not go up because of compliance.

Of the 47% which noted that their cost did go up, 13% said the cost increases were insignificant.

Another 15% experiencing ADEA-related benefit cost increases saw a one-tenth of 1% to 5% increase, 5% saw a 6% to 10% cost increase, 2.5% said costs increased 11% to 20%. ■

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Inflation emphasizes need for savings plan: Expert

NEW YORK—Employer-sponsored savings plans in which an employe's contribution is matched or supplemented by an employer should be viewed as a necessity and not a frill during upcoming years of predicted high inflation, advises one consultant.

A savings plan can arrest the ill effects of inflation on workers and retirees alike, said Kwasha Lipton partner Deborah M. Fishman.

For the worker, savings plans can provide a way to finance a house or other major purchase; for the retiree, the plans can provide a pension supplement. All this is possible at a cost of 2% of payroll if the employer contribution is 50 cents for each employe dollar saved, Mr. Fishman told participants at a recent seminar here on inflation.

"Inflation emphasizes the employes' need for a savings plan. Don't call it a frill now," she noted. The objectives of the plans must be restated to stress their potential as a hedge against inflation.

If a savings plan participant retires at age 65 and keeps his savings invested at 9%, an 11% inflation rate can be offset. If the investment return is 6%, a 7% to 8% inflation rate can be offset, she added.

In terms of capital accumulation, a participant reaching 65 would have a lump sum equal to 170% of salary at age 65 if he or she enrolled in a savings program at age 50. This assumes an employe savings rate of 6% of pay, a company matching rate of 3% , annual salary increases of 6% and an investment return of 9%.

Under the same assumptions, an employe joining the savings plan at age 30 and completely withdrawing his own contributions at age 40 and again at age 50 would have a lump sum of 380% of salary at age 65.

This lump sum then, could be turned into a pension supplement that would circumvent the need for indexing pensions to inflation. Indexing is too costly and inflationary, Ms. Fishman said.

The worker joining the savings plan at age 50 could expect a retirement supplement of 21% of a five-year final average pay while the worker who joined the savings plan at 30 could expect a 48% supplement.

"Savings plans have always been a high-mileage benefit," Ms. Fishman said. A savings plan is perhaps the only benefit that doesn't depend on demographics, family structure or disaster for an employe to take advantage of it, she added. ■

Competition may be downfall

Fire/boiler plan may backfire: Insurers

By ELLIS SIMON

NEW YORK—Buyers may be pleased as punch that they've finally succeeded in wrangling combination fire and boiler policies out of underwriters, but the suppliers of these packages aren't as confident that what they're doing is right.

The same competition among property insurers that brought about these package policies may be their downfall, worry some industry experts who don't condone the kind of big rate discounts being given to corporate buyers who are demanding combined coverage.

Failure to rate the component parts of the exposures being combined could come back to haunt the insurers so willing to accommodate buyers' desires and the need to be rate-competitive right now, warned both proponents and detractors of the programs speaking at a Boiler & Machinery Assn. seminar here.

Boiler and machinery statistics and loss data can't be ignored simply to give a low overall insurance rate, everybody agreed.

"It's easy to include boiler and machinery coverage in another policy and be successful because of the low loss frequency," said William Boyle, a former boiler underwriter for Royal Insurance Co. "But the cover is a sleeping monster."

"I question the validity of the approach" that the mere fact of joining several coverages justifies a total premium lower than the combined premium for the individual coverages would have been, he stated.

Harriet Sporn, facultative property underwriter for Skandia Re, is even more critical. "I don't believe any named-peril or difference-in-conditions cover should be extended to include boiler and machinery risks," she maintains.

These critical views are contrary to current trends, however. "There is an increasing tendency in large-risk insurance to consolidate coverages in fewer policies," acknowledged Nick Sherman, vp of INA Special Risk Facilities. "The concepts are coming from the risk manager."

Combined property packages offer risk managers the same coverages, limits and deductibles for boiler and machinery risks as for fire and other risks, said Johnson & Higgins vp Jack Casey. What's more, these policies are typically manuscripted by the buyer and seller, so they provide the flexibility a corporation wants and needs within a tailor-made form, he added.

Property insurers who don't deal frequently with boiler and machinery risks too often view these exposures as "just another peril," charged Ms. Sporn of Skandia. Inexperienced people underwriting boiler exposures this way could mean a "loss of statistical integrity on boiler and machinery incidents," she said.

"Can the perils of technology be integrated with the perils of nature?" she wondered. "The boiler and machinery account will suffer by going to a nonboiler and machinery market just as a highly protected risk account can lose by going to an excess and surplus market."

Growth of package policies could result in the boiler and machinery underwriter's demise Ms. Sporn warned. "I don't think separate boiler and machinery underwriting will last forever. You don't have separate underwriters for fire, riot and windstorm perils."

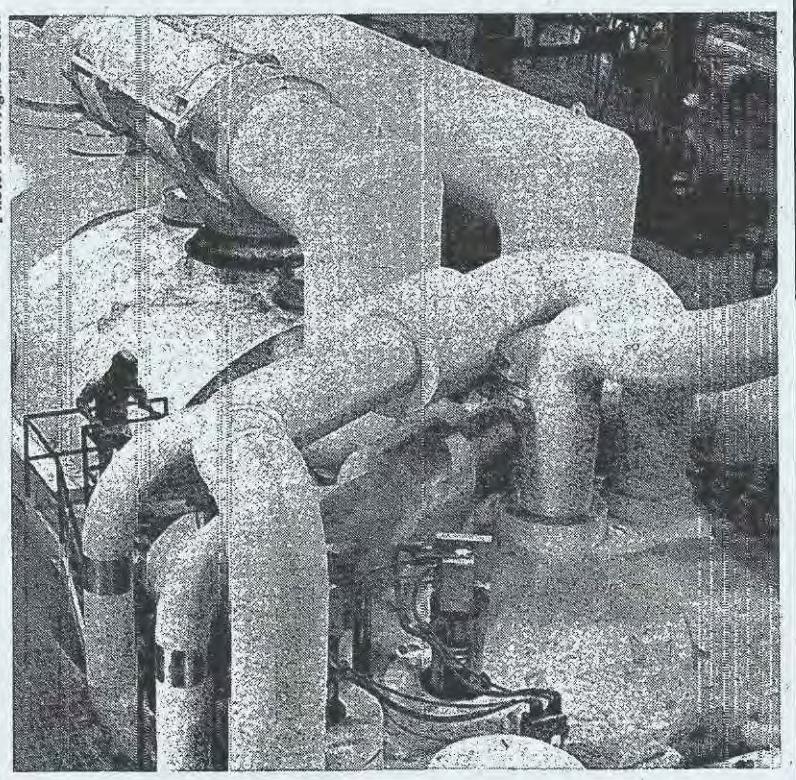
To counter the trend toward combining property and boiler risks in all-risk property policies, boiler and machinery insurers should be less restrictive in their underwriting, Ms. Sporn urged. Boiler and machinery insurers should consider changing rating systems and should reconsider their refusals to include earthquake coverage, she said.

INA's Mr. Sherman agreed with Ms. Sporn that boiler and machinery is "not just another peril," but pointed out that separate underwriters continue to thrive for risks such as construction, builders risk and utility coverages.

"The history of (boiler and machinery) requires specialized engineering, underwriting and pricing," he continued. Insurance companies writing package policies must have this expertise either through in-house boiler and machinery departments or by purchasing reinsurance from other boiler and machinery markets, he added.

"Too many specialists use their knowledge to be negative, rather than to do things in a constructive way," Mr. Sherman said.

"Restrictive boiler and machinery underwriting has been an impetus for the package policies," added Mr. Casey of J & H. "When an insured wants coverage and the boiler and machinery market won't write, we go to the all-risk market."



Trouble brewing

Property insurers who don't deal frequently with boiler and machinery risks too often view these exposures as "just another peril," contends one facultative property underwriter.

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Forced experience-rating spurs fight

By STUART EMMRICH

NEW YORK—State insurance regulators here intend to enforce a law requiring all product liability insurers to experience-rate the policies they write, which could drive down the prices some commercial buyers pay for coverage.

But the insurance industry is fighting the proposed requirement, arguing the opposite will happen. Mandatory experience-rating of product liability policies, they howl, could result in wholesale rejections of some risks by insurers and could make product liability insurance much less available overall.

Moreover, say insurance industry representatives, the proposed rules are unnecessarily rigid

Foes of the legislation were highly vocal at hearings held here May 8, proposing that an amendment be added to the law that would leave insurers more flexibility in determining rates. But the law was passed in the last legislative session and the insurance department is now being told to enforce the measure.

"Mandatory application of experience-rating plans, an idea sometimes advanced, accomplishes nothing but the transformation of a flexible, competitive procedure into a rigid algorithm with indeterminable effect on actual overall premium levels," argued Carol Banfield, vp of the Insurance Services Office.

Robert Young, vp of Utica Mutual Insurance Co., contended that because most product liability risks are written as part of a general liability package—which already carries with it an experience-rating plan—it would be unproductive to add another layer of regulation.

And Henry Katz, vp of The Hartford Group, added that New York already has "one of the healthiest markets for product liability insurance. There is no severe pricing problem and no capacity problem."

"Mandatory experience-rating plans would result in risk rejections, " he argued.

The move by New York to formally impose mandatory loss-sensitive rating methods on the state's insurers is an out-of-the-ordinary step that could ultimately result in "chaos" if some flexibility isn't written into the new experience rating law, a spokesman for the National Assn. of Insurance Commissioners said.

"I have a real problem with this," said David Brummond, an NAIC lawyer who specializes in product liability insurance.

Industry view

Mandatory experience-rating of product liability policies could result in wholesale rejections of some risks and an overall shortage of product liability coverage, insurers argue.

"Experience rating may not always be good for the client and does not mean that he will be getting a cheaper rate. It also doesn't fit every manufacturer or product that is made."

"I know of no other state that mandates product liability experience-ratings," he said. "I think this is a case of New York rushing ahead with a solution that is too broad for whatever problems there might be."

Although Mr. Brummond said that experience-rating should be used "wherever and whenever possible," he argued the state should allow the insurers to make that determination.

Speakers at the New York hearing on the law complained that a mandated experience-rating plan, besides taking away this flexibility, also would not always accurately reflect the current exposure of the potential client.

"There are genuine cases where the output of an experience-rating plan is totally at odds with the risk as it exists at time of rating," Ms. Banfield said. "The business may have been sold to new owners who have a vastly different attitude toward loss control. It may have expanded greatly into more or less hazardous conditions. It may have remedied or exaggerated hazardous conditions which existed in the past."

She also complained that mandatory experience-rating would also require an insurer to use loss experience data generated when the risk was insured by another company, forcing it to rely on information provided by a competitor.

The amendment proposed by ISO and others opposed to the mandatory plan calls for insurers to follow the plan where possible, but if they see cause to do so, they can deviate from it and determine their own methods for setting a rate.

If the insurer does deviate from the plan, it would be required to file the reasons for doing so and and make that file available to the state insurance department, according to the proposed amendment.

Officials of the state insurance department said they would consider the amendment before formally implementing the new law at the end of the month. ■

Cab firm finds liability coverage, averts shutdown

By WILLIAM ECENBARGER

HARRISBURG, Pa.—Yellow Cab Co. of Philadelphia says it can avoid being shut down now that it has new liability insurance.

The coverage for the 300 Yellow cabs operating daily is being underwritten by Paxton National Insurance Co. in Harrisburg and expires June 8, the company said.

A spokesman for the state public utility commission said Yellow had filed the necessary proof of insurance and that it seemed to be in order.

In a complaint still pending in the commonwealth court, the commission had contended Yellow's vehicles were not insured. The agency had demanded the cab company either prove the cars were insured or pull them off the street.

The dispute over the company's insurance status arose after Yellow's former insurer, Liberty Mutual, canceled the cab company's policy April 2 because of nonpayment of about $166,000 in premiums.

Yellow Cab applied to the state's assigned-risk plan and contended that coverage under the plan began as soon as its broker accepted the application and a partial payment of $25,000. The commission, however, argued that because of the debt to Liberty, state law required Yellow to pay $600,000 for an entire year's coverage before it could be accepted into the plan.

The assigned-risk plan is for high-risk companies and individuals who cannot get insurance elsewhere.

During a recent court hearing about the insurance matter, an official of the plan testified that Yellow was in fact not insured by it. After the testimony, an attorney for Yellow promised the court the company would obtain insurance from other sources.

The company took out the 45-day policy with Paxton because it could not afford to pay for a year's coverage, said Yellow Cab chairman Stanton Miller. "Very few people can lay out $600,000 to $700,000 for an entire year," Mr. Miller said. "The important thing is that we have insurance. We have complied with every Pennsylvania law."

He would not reveal the cost of the coverage. ■

Safety council says 1979 mishaps costly

CHICAGO—Accidents of all types cost $15.3 billion in insurance administration and claim settlement costs in 1979 and $20.8 billion in lost wages, the National Safety Council reports.

Work-related accidents caused 2.3 million disabling injuries and 13,100 fatalities, 100 more fatalities than in 1978, according to the council's Accident Facts publication. About 1,900 of those deaths were in agriculture and 1,800 in manufacturing industries. The total cost, including fire losses, was $26.7 billion.

In addition to the 13,100 killed at work, 42,300 workers died in off-the-job accidents. About 5.5 million workers were injured in both types of accidents.

Regarding other types of accidents, the council found that in 1979:

- Motor vehicle accidents caused 51,900 deaths, two million disabling injuries and $37 billion in lost wages, medical expenses, property damage and insurance administration and claims settlement.
- Home accidents caused 22,000 deaths, 3.3 million disabling injuries and $7.5 billion in costs.
- Public nonmotor vehicle accidents caused 21,000 deaths, 2.6 million disabling injuries and $5.7 billion in costs. ■

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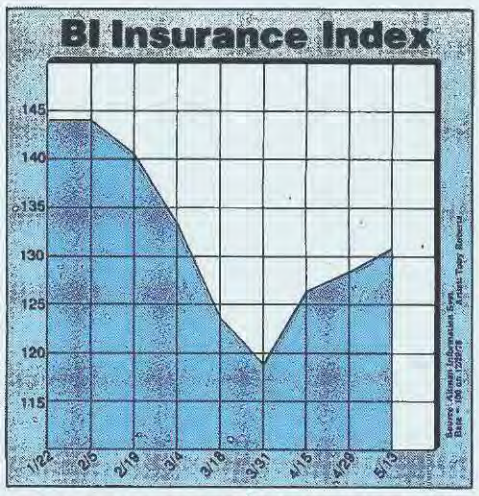
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Leading insurance industry stocks took a turn for the better in the last two weeks, with 57 of the firms on the *BI* Insurance Index rising, eight remaining unchanged and 10 falling. The index rose 3.6% to 133.196. (The base of 100 was at year-end 1978.) Biggest gains were registered in the shares of Jefferson National Life, up 17.7%; Washington National Corp., up 15.6%; Integon, up 14.6%; Penncorp Financial, up 13.3%, and Crawford & Co., up 13.2%. Companies whose stocks dipped the most included Corroon & Black, down 7.4%; Provident Life & Accident, down 3.9%, and Employers Casualty Co., down 3.5%. The *BI* index's rise outpaced the minimal gains registered on the three leading stock indexes in the same two-week period, including the Big Board Composite, S&P 500 and Dow Jones Industrials, all up less than 1%.

British Issues

5/13 Companies	Price pence	P/E	Div. pence	Yield %	2 Week High—Low pence	pence
Comml Union	133	6.0	14.00	10.5	134—	131
Eagle Star	184	7.1	12.64	6.9	188—	183
Genl Accident	256	7.1	17.14	6.7	262—	252
Gdn Royal Exch	262	8.2	19.28	7.4	262—	252
Phoenix	212	7.1	19.00	9.0	226—	214
Royal	348	7.1	30.71	8.8	348—	334
Sun Alliance	592	9.4	40.00	6.8	610—	594
Brokers:						
CT Bowring	154	10.8	8.57	5.6	154—	152
CE Heath	218	9.3	11.83	5.4	218—	210
Hogg Robinson	104	9.4	7.48	7.2	107—	103
Alex Howden	104	8.1	10.00	9.6	105—	104
JH Minet	99	10.8	6.38	6.4	101—	97
Sedg Grp	103	9.0	7.14	6.9	103—	102
Stenhouse Hldg	76	6.8	6.46	8.5	76—	74
Stew Wrightson	203	7.2	17.14	8.6	210—	200
Willis Faber	218	10.7	15.71	7.1	228—	213

Source: Kitcat & Aitken, London

Stagflation may distort the underwriting cycle

By STUART EMMRICH

ATTEMPTING TO predict an industry's earnings potential is at best an imprecise science, but one respected insurance analyst envisions a scenario that could challenge the notion of the regular-as-clockwork underwriting cycle.

Buyers accustomed to reaping the benefits of low prices and increased capacity during competitive times and then correspondingly facing tight and expensive markets during lean periods might find during the next two or three years that the old rules don't apply any more, says Allerton J. Cushman, an analyst with Morgan Stanley.

The reason: a likely case of economic stagflation over the next few years.

Arguing there are three likely directions for the nation's economy—stagflation, disinflation or accelerating inflation—Mr. Cushman says the most probable case is stagflation, one that will have great impact on the insurance industry.

Calling it "learning to live with high but constant inflation," Mr. Cushman says stagflation will have two major impacts on the industry. The investment return on premium dollars invested will remain high enough to prevent any "significant contraction of competitive pressure," while sustained high inflation will "prevent managements from committing irrationally huge underwriting excesses and yet. . .permit pricing and reserving decisions appropriate to such an environment," Mr. Cushman says in a recent industry report.

He predicts earnings of property/casualty insurers will dip about 3% to 4% in 1980, then rise 8% to 9% in 1981. Between now and 1983, he says, it is likely annual premium volume will grow about 13%, investment income by 16%, operating income by 11% and dividends by 15%, while the industry combined ratio will slightly deteriorate to 106.6% in 1983 from the predicted 1980 figure of 104.1%.

Much of what Mr. Cushman suggests contradicts other industry observers who have predicted a natural, long-term slump in earnings following a competitive cycle, a fact he acknowledges.

"Such a forecast goes against the grain of our traditional notions of an entire six-year underwriting cycle, complete with a three-year down phase followed by a three-year up phase," he says. "Under stagflation, competitive pressures and still-high long-term investment yields prevent any major cyclical recovery in underwriting results, as was the case following the 1974-75 underwriting 'supercycle.' Alternatively, concerns about persisting inflation will force managements to maintain underwriting vigilance and loss-reserving discipline."

He adds that paid losses and loss expenses will probably grow at an annual rate of almost 15% and loss reserves will most likely advance at the same rate.

If the current inflation suddenly abates, however—which Mr. Cushman sees as highly unlikely—insurance buyers would be blessed with even more competitive prices and insurers would experience a rise in earnings of about 30% and 28% in 1982 and 1983 respectively.

The opposite—even worse inflation, also not considered likely—would bring "apocalyptic results" for the property/casualty industry. The combined ratio would climb to 117% in 1983, paid losses would surge by an annual rate of more than 22% and earnings would go "right down the tubes," dropping more than 26% in 1982 followed by a skid of almost 67% in 1983.

"Bankruptcies, 'shotgun mergers,' prospects of federal regulation and participation and a diminished role for the industry as both corporate risk-bearer and financial intermediary would seem the likely legacies of this worst-case environment," Mr. Cushman says.

Switching from long-range predictions to some immediate concerns, Mr. Cushman said he and other analysts have been surprised by the recent resiliency and earning power of the insurance industry.

Final quarter results for 1979 were much better than anticipated and first-period figures for 1980 were equally as good, he said.

"For a quarter this far along in the industry's underwriting down cycle, a year-to-year earnings gain of almost 11% may seem fortuitous, serendipitous or well-nigh impossible. Nevertheless, that is what we project for the stock companies' first-half 1980 period," he says.

Premium volume should rise more than the 13% standard from last year and catastrophe losses will have only a negligible effect on earnings, compared with the significant costs of winter storms and the Three Mile Island loss a year ago, Mr. Cushman says.

He predicts that the first quarter of 1980 will be the year's strongest, with earnings results gradually declining.

Among the companies Mr. Cushman says should be particularly attractive to investors because they offer the most stability to buyers during the next year are Aetna Life & Casualty, American International Group, Crum & Forster and American Express, parent company of Fireman's Fund.

BI ticker

AIG

American International Group Inc. boosted its first-quarter after-tax operating income by 20%, earning $67 million compared with the $56 million recorded during the same three months in 1979.

General insurance gross premiums for the period totaled $920 million, up 14% from $807 million, while net premiums increased 12% during the quarter to $472 million. The underwriting profit for the quarter, however, dropped 16% to $21 million from $25 million.

Although the company's combined ratio for the quarter went up to 93.76% from 92.85%, the expense part of that formula actually decreased to 21.47 % from 22.20%. Industry analysts have been stressing for several months that insurers have to keep a tight rein on their expense costs if they intend to successfully weather the current slump in prices.

Connecticut General

Net income dropped 16% for Connecticut General Insurance Corp. during the year's first quarter—to $44.5 million from $52.7 million—while the company's operating income went up 4%, to $47 million from $45 million.

Although combined earnings from health, life and annuities went up 4% to $31.4 million, group health and life earnings declined to $1.3 million from $6.2 million a year ago, a drop of almost 80%. The quarterly report to stockholders acknowledged that higher claims levels, reflecting what it said were greater utilization of medical facilities and the impact of inflation, contributed to the huge decreases. But it said company officials were not too concerned about the first-quarter figures.

"First-quarter results in the group business are normally volatile and current results are not expected to be of significant concern," the report said.

Better news was found in the 150% jump in new group sales of dental insurance, with annualized premiums reaching $161.8 million. New dental sales amounted to $86.8 million, compared with the $12.7 million recorded in the first quarter of 1979.

The combined property/casualty expense and loss ratio climbed to 109% from last year's first-quarter mark of 105.5%, and net premiums written dropped 3% to $218 million.

Kemper

Kemper Corp. recorded a 14% gain in operating income during the first quarter of 1980, to $18 million from $15.7 million, while sales for the same period jumped 25% to $302.5 million. Operating earnings for the property/casualty division totaled $9.7 million, 15% more than 1979's $8.4 million. ■

BI Industry Stock Report

Insurance Cos.		May 13, 1980 Price	% Chg.	P/E	$ Div.	%Yld.	4/30/80 thru 5/13/80 High	Low	Vol. (000)
Aetna Life & Cas Co	NYSE	35.00	2.2	4.8	2.12	6.1	35.00	33.88	931.5
American Bankers Ins Co Fla	OTC	7.38	1.7	5.0	0.44	6.0	7.38	6.88	140.3
American Finl Corp Ohio	OTC	28.75	5.5	3.1	0.04	0.1	28.75	27.00	69.2
American Gen Ins Co	NYSE	30.50	0.8	4.6	1.00	3.3	30.88	30.00	113.4
American Indty Finl Corp	OTC	14.63	4.5	4.2	1.12	7.7	14.63	14.00	25.4
American Intl Group Inc	OTC	58.50	2.6	9.5	0.50	0.9	58.50	57.00	189.6
American Natl Ins Co	OTC	13.37	11.5	5.1	0.62	4.6	13.38	11.75	272.9
American Sts Life Ins Co	OTC	16.50	-2.9	6.8	0.64	3.9	16.50	16.50	2.9
Aneco Reins Ltd	OTC	5.25	5.0	40.4	0.00	0.0	5.25	4.75*	104.2
Appalachian Natl Corp	OTC	2.00	0.0	5.7	0.16	8.0	2.00	2.00	0.0
Avemco Corp	AMEX	10.25	3.8	6.8	0.50	4.9	10.38	10.13	13.6
Banks Iowa Inc	OTC	24.00	2.1	5.0	1.32	5.5	24.00	23.50	1.7
Bitco Corp	OTC	24.00	0.0	3.6	1.68	7.0	24.00	23.50	12.8
Carolina Cas Ins Co	OTC	6.37	0.0	3.7	0.32	5.0	6.38	6.38	0.4
Central Natl Finl Corp	OTC	7.00	-3.4	2.8	0.50	7.1	7.00	7.00	3.3
Chubb Corp	OTC	38.50	0.7	5.1	2.40	6.2	38.63	37.63	187.8
Combined Ins Co Amer	OTC	18.25	1.4	5.4	1.40	7.7	18.50	17.75	399.4
Connecticut Gen Ins Corp	NYSE	33.00	0.8	5.0	1.52	4.6	33.38	32.00	797.0
Continental Corp	NYSE	25.25	-2.9	4.9	2.20	8.7	26.00	25.00	563.6
Crawford & Co	OTC	15.00	13.2	12.6	0.54	3.6	15.00	13.50	20.4
Crown Life Ins Co	OTC	63.50	2.0	46.0	2.40	3.8	63.50	62.25	25.3
Crum & Forster	NYSE	51.00	6.8	4.6	2.52	4.9	51.00	48.75	119.3
Employers Cas Co	OTC	27.50	-3.5	5.0	1.20	4.4	28.00	27.50*	4.1
Erc Corp	OTC	62.00	8.8	6.9	1.40	2.3	64.25	53.50	359.1
Equifax Inc	NYSE	21.37	11.0	6.8	2.40	11.2	22.00*	19.88	21.6
Farmers Group Inc	OTC	26.50	1.9	8.7	1.00	3.8	27.00	25.75	378.1
First Colony Life Ins Co	OTC	29.00	-3.3	10.7	0.76	2.6	30.50*	29.00	6.1
Foremost Corp Amer	OTC	16.00	2.4	6.5	0.60	3.8	16.00	15.63	52.3
General Reins Corp Del	OTC	82.00	1.2	6.5	2.80	3.4	83.00	80.00	89.0
Globe Life & Acc Ins Co	OTC	30.37	4.7	11.3	0.40	1.3	30.88*	29.00	65.1
Great West Life Assurn Co	OTC	141.00	0.0	7.0	8.00	5.7	141.00	141.00	3.0
Hanover Ins Co	OTC	34.75	6.9	3.6	0.72	2.1	35.00	32.50	40.1
Hartford Steam Boiler Insptn	OTC	28.50	3.6	6.0	2.20	7.7	29.00	27.00	16.5
Integon Corp	NYSE	22.63	14.6	8.3	0.48	2.1	22.88	19.38	88.5
Jefferson Natl Life Ins Co	OTC	36.50	17.7	8.8	0.64	1.8	36.50*	31.00	44.6
Kemper Corp	OTC	26.13	6.1	3.8	1.40	5.4	26.13	23.88	124.0
Lincoln Natl Corp Ind	NYSE	36.25	-0.3	5.1	2.80	7.7	38.25	35.63	164.7
Mgic Invt Corp	NYSE	22.88	4.0	6.8	1.12	4.9	23.88	21.00	747.6
Mission Ins Group Inc	NYSE	30.00	7.1	7.2	0.80	2.7	30.00	27.63	61.8
Nationwide Corp Ohio	OTC	15.75	1.6	4.5	0.66	4.2	16.00	15.50	0.6
Nn Corp	OTC	34.50	1.5	7.4	2.00	5.8	36.75	34.00	154.5
Northwestern Natl Life Ins	OTC	26.63	7.6	5.3	1.25	4.7	26.63	24.50	84.5
Ohio Cas Corp	OTC	35.50	0.7	5.0	1.76	5.0	35.63	34.38	122.9
Old Rep Intl Corp	OTC	14.75	9.3	3.4	0.92	6.2	14.75	13.00	174.3
Pinehurst Corp	OTC	6.00	11.6	7.1	0.00	0.0	6.50	5.88	61.1
Preferred Risk Life Ins Co	OTC	16.75	4.7	6.1	0.64	3.8	17.00	16.00	6.9
Provident Life & Acc Ins Co	OTC	37.00	-3.9	4.8	1.88	5.1	38.50	37.00	21.9
Republic Natl Life Ins Co	OTC	20.00	6.0	11.4	0.70	3.5	20.00	18.88	379.7
Ryan Ins Group Inc	OTC	18.00	0.0	4.4	0.16	0.9	18.00	18.00	2.9
St Paul Cos Inc	OTC	35.25	0.0	4.8	2.00	5.7	35.25	34.38	185.1
Safeco Corp	OTC	33.87	5.4	4.7	1.80	5.3	33.88	32.13	168.7
Sri Corp	OTC	16.50	6.5	3.3	1.00	6.1	17.50	15.50	25.1
Seibels Bruce Group Inc	OTC	13.75	5.8	5.4	0.80	5.8	13.75	13.00	70.9
Southwestern Life Corp	OTC	42.00	0.0	15.2	1.00	2.4	42.50	42.25	510.0
Standard Life Ins Co Ind	OTC	27.75	2.8	15.2	0.44	1.6	28.00*	27.00	19.2
Statesman Group Inc	OTC	4.75	11.8	3.7	0.15	3.2	4.88	4.25	29.3
Tokio Marine & Fire Ins Co	OTC	129.75	4.4	13.8	0.00	0.0	129.75	121.50	9.7
Travelers Corp	NYSE	38.00	2.0	4.2	2.48	6.5	38.50	36.63	403.8
United Fire & Cas Co	OTC	26.25	0.0	7.7	0.90	3.4	26.25	26.25	1.8
United States Fid & Gty Co	NYSE	40.00	1.6	4.8	2.80	7.0	40.00	38.25	237.1
United Svcs Life Ins Co	OTC	14.00	1.8	5.0	0.96	6.9	14.00	13.63	59.3
Uslife Corp	NYSE	21.50	4.2	5.4	0.70	3.3	21.75	20.13	277.5
Washington Natl Corp	NYSE	24.00	15.7	4.9	1.50	6.3	24.25	20.50	86.9
Zenith Natl Ins Corp	OTC	14.25	3.6	8.7	0.40	2.8	15.00	14.00	20.0
INSURANCE COMPANIES	AVERAGE			6.1		4.2			
Agents/Brokers									
Alexander & Alexander Svcs	OTC	30.50	6.1	10.2	1.64	5.4	30.75	28.50	276.3
Baldwin & Lyons Inc	OTC	24.12	5.5	4.4	0.80	3.3	24.13	22.75	18.6
Corroon & Black Corp	NYSE	21.87	-7.4	8.2	1.72	7.9	23.63	21.88	20.1
Crump E H Cos Inc	OTC	8.87	1.4	8.1	0.36	4.1	8.88	8.75	8.7
Hall Frank B & Co Inc	NYSE	23.88	1.6	7.9	1.44	6.0	23.88	22.88	105.8
Integrated Res Inc	AMEX	12.50	6.4	8.0	0.00	0.0	13.25	11.88	108.4
James Fred S & Co Inc	NYSE	20.88	-0.6	7.6	1.40	6.7	21.25	20.88	59.2
Marsh & Mclennan Cos Inc	NYSE	56.00	-1.3	9.1	3.60	6.4	56.63	55.88	159.8
Penncorp Fincl Inc	NYSE	8.50	13.3	5.2	0.16	1.9	8.50*	7.00	338.1
Reed Stenhouse Cos Ltd	OTC	8.00	1.6	6.2	0.48	6.0	8.25	8.00	19.0
Rollins Burdick Hunter Co	OTC	18.00	1.4	7.9	1.24	6.9	18.50	18.00	29.1
AGENTS/BROKERS	AVERAGE			7.6		5.5			
Congiomerates/Holding Cos.									
American Express(Fireman's Fd)	NYSE	33.00	-3.6	6.7	2.00	6.1	33.88	32.50	1,141.3
Anderson Clayton(Ranger/PanAm)	NYSE	21.00	1.8	5.5	1.12	5.3	21.25	20.38	47.9
City Investing Co. (Home Ins.)	NYSE	20.25	9.5	3.9	1.50	7.4	20.25*	18.63	1,286.7
CNA Finl Corp (CNA)	NYSE	15.00	5.3	3.4	0.00	0.0	15.38	14.38	57.3
Control Data (Comml. Credit)	NYSE	47.75	-9.5	6.5	0.60	1.3	52.00	47.75	839.8
INA Corp (Ins. Co. of NA)	NYSE	32.00	4.1	4.9	2.20	6.9	32.50	30.88	741.3
ITT (Hartford Group)	NYSE	27.62	5.7	10.4	2.40	8.7	27.63	26.00	1,787.3
Reliance Group Inc	NYSE	67.50	8.2	2.8	2.00	3.0	67.50	62.50	84.4
Sears Roebuck & Co. (Allstate)	NYSE	17.50	9.4	6.9	1.36	7.8	17.50	16.00	2,066.8
S & H Co. (Bayly Martin & Fay)	NYSE	13.50	9.1	4.9	1.00	7.4	13.50	12.38	74.9
Teledyne Inc (Argonaut)	NYSE	120.75	27.6	5.4	10.00	8.3	122.00*	95.13	1,438.8
Transamerica Corp (Occidental)	NYSE	17.00	4.6	4.7	1.12	6.6	17.25	16.25	667.4
CONGLOMERATES/HOLDING COS.	AVERAGE			4.8		5.8			

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Dividend changes could save retros

Continued from page 1

operations are self-insured," he said.

"The new approach is not nearly as attractive as the old one," agrees Alan Pearce, assistant treasurer in charge of risk management at Foremost-McKesson Inc., a California company that had used paid-loss retros.

"But these plans will still be attractive to companies whose cost of capital or internal rate of return is greater than the interest rate," he said. "Some cash-poor companies may also welcome a loan source alternative to banks."

Although the cash-flow benefits offered by paid-loss retros may have been eroded by the California decision, the ruling confers a legitimacy on cash-flow plans they didn't have before, points out Glen S. Roberts, risk manager at Clorox Co.

"We had discounted these plans before now," he says. "Now we'll take a look at them." Now that the rules are spelled out, other companies may do the same.

Effect unknown

Norman Metcalfe, vp and treasurer at Kaufman & Broad, a large home building company headquartered in Los Angeles, is currently using cash-flow programs in California, but does not know what effect the recent decision will have on his company

"Limiting the cash-flow benefits of insured programs merely forces more companies into self-insurance," he noted. "But if insurance companies will be willing to deal, such plans may continue to have some utility."

Negotiations over the dividend payments and interest rates to improve the advantage of the plans to buyers with California risks are possible, industry sources say.

Since the insurance department does not regulate dividends, some industry sources have suggested to *Business Insurance* that insurers could merely refund to policyholders the interest charges on the promissory note.

The structure of the interest charges raises questions among insurers and risk managers alike. The insurance department bulletin was extremely vague on this point, saying only that the promissory note must bear "the going (current) money market interest rate."

It indeed appears likely insurers may try to compete among themselves as well as with the banks to offer policyholders an attractively low interest rate on loaned premium dollars.

Initially, at least one insurance company sought clarification from the department's rate regulation bureau on the proper interest rates to be charged, but it appears that company has since rethought its position and decided to reserve this judgment to itself.

Future revisions

"We'll live with the bulletin as it stands," sums up a senior spokesman at Fireman's Fund Insurance Cos. The company will begin implementing revised paid-loss retro plans with July 1 renewals, said the spokesman. Fireman's Fund is thought to have 10 or 11 such plans in force on California risks.

"If insurers comply with the bulletin, I don't think they will sell very many of these plans," declared Lawrence C. Baker Jr., president of Argonaut Insurance Co., a California-domiciled specialty insurer that writes workers compensation risks nationwide.

"The paid-loss retro is really an artificial device to try to do for large customers what the law prohibits you from doing," he explained. If the minimum rate law were repealed, he says, insurers would have enough flexibility in underwriting to give large accounts the proper consideration from the start.

Wesley Kinder, California insurance commissioner, also strongly favors elimination of the minimum rate law. "A lot of market pressures make the minimum rate law anachronistic," he says.

Suggested solution

Mr. Kinder says repeal of that law would solve the paid-loss retro problem because "the minimum rate law sets up conditions that make paid-loss retros necessary." In other words, large accounts increasingly prefer to self-insure because the minimum rate law prohibits insurers from offering more attractive terms to big risks.

Repeal of the minimum rate law is vehemently opposed by nearly all of California's workers compensation insurers, however, who perceive rate regulation as essential to the soundness and continued profitability of the system. ■

Cayman reinsurer seeks U.S. business: Director

GRAND CAYMAN—The Cayman Islands' first reinsurer will have to tap more than local captive insurance companies to succeed, says a director of the new firm.

Although more than 200 active captive insurers are based in the Caymans, a large reinsurance company cannot exist on that business alone, explained Klaus J. Gebhardt, director of Cayman Islands Reinsurance Corp. Ltd.

He expects the firm will provide reinsurance primarily for U.S. insurers.

The firm is seeking more than $11 million in capital from a stock offering managed by John Muir & Co., the same investment firm that capitalized Aneco Reinsurance Ltd., Bermuda's first publicly financed reinsurer.

SEC approval and over-the-counter trading in Cayman Re stock is expected by mid-June. If the stock offering is successful, Cayman Re capacity should top $30 million.

The new reinsurer will concentrate on excess property/casualty lines, although it is prepared to write life, accident and health reinsurance if property/casualty markets do not improve, Mr. Gebhardt said.

The firm will not seek admitted status in the U.S., but has had discussions with Continental Bank of Illinois regarding issuance of letters of credit to induce business from admitted U.S. insurers.

One of the fledgling company's principal selling points will be the reputation and experience of its president, former ERC Corp. vp Paul V. Miller.

Underwriting services for the new firm will be performed by Reinsurance Services Co. Ltd., and Insurance Services International Ltd. will provide administration. Both firms are controlled by principals of Cayman Islands Re. ■

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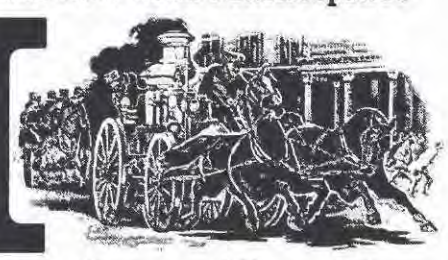
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Employers criticize forced pensions

Continued from page 2

fail, said Gene McGarrah, corporate benefit manager at Dallas-based Texas Instruments Inc. "It all depends on how it is designed."

Some benefit consultants, however, view mandatory coverage as a way of preventing expansion of Social Security to provide a retirement umbrella to the 50% of the working population not covered by private plans.

Consultants' view

"In the long run, the answer is mandatory pensions," contends Richard Sears, a partner at Kwasha Lipton, the national benefits consulting firm in Englewood Cliffs, N.J. "If we don't get mandatory coverage, we are going to get more government in a worse way—expansion of Social Security. And that would be a disaster because the more you transfer into Social Security, the less capital you will have to stimulate the economy."

Donald Grubbs of George B. Buck Consulting Actuaries in Washington agrees. A mandatory pension program would generate "huge amounts" of investment capital, he noted. A shortage of investment capital is one reason America's productivity lags behind that of Japan and some Western European countries, Mr. Grubbs said.

As a pay-as-you-go income transfer system, Social Security does not result in the accumulation of capital.

Other consultants, though, oppose mandatory pensions because of fears that they would hamper economic productivity. "How many different requirements can you impose on employers?" pondered Steve Schanes, president of the San Diego-based consulting firm bearing his name. "You create a 1% cost increase here and 2% there. None of the proposals may be necessarily bad, but cumulatively the requirements result in the system reaching a point where it is no longer productive."

Mandatory pensions might force smaller companies to hire fewer employes because of higher costs, said Lloyd Kaye, vp at William M. Mercer Inc. in New York. As a result, unemployment might increase, he argued.

Tax incentives

A major pension trade association—The Assn. of Private Pension & Welfare Plans—already has publicly opposed mandatory pension plans. Its members suggest the net of pension coverage could be broadened by new tax incentives, such as tax deductions for employe payments to employer-sponsored plans.

But one pension activist, who declined to be identified, worries that the controversy over mandatory private pensions could take attention away from what he sees as the real issue facing the pension commission: reforming ERISA to give workers a better chance of receiving a pension.

The commission is studying faster vesting and intends to make a recommendation in its final report pending the results of a cost study now underway. ■

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Suit asks $6 million payment

PHILADELPHIA—A former Amtrak reservations clerk seeks more than $6 million in damages for a daughter's birth defects, allegedly caused during the clerk's pregnancy by the spraying of insecticide at the Amtrak reservations computer center in Cornwells Heights, Pa., in 1979.

The suit was filed in U.S. District Court in Philadelphia by Thomas J. McConnell, 26, and his wife, Diane, 27, of Levittown, Pa., against Ciba-Geigy Corp. of Summit, N.J., and Orkin Exterminating Co. Inc. of Atlanta, Ga.

Swiss-based Ciba-Geigy Corp. could be insured by Chemical Insurance Co. Ltd. of Bermuda, a captive insurance company under the firm's direct management. Orkin has large self-insured retentions for product liability.

Ciba-Geigy Corp. sells an insecticide, Diazinon.

The McConnells are the parents of a healthy son, Thomas, 4. A daughter, Kristine, born last July 29, has a complete unilateral cleft lip and cleft palate.

On March 26, 1979, according to the suit, the Orkin spray fumes were so intense that 40 workers became sick and were taken to area hospitals. Ms. McConnell, five months pregnant, was advised by the supervisor to go home.

The lawsuit charges that Diazinon, the insecticide sprayed by the exterminators, is related to various nerve gases manufactured for use in chemical warfare. ■

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26.		JUN 30	Jun 18
27.		JUL 7	Jun 25
28.	Spotlight Report: Fidelity & Surety Bonds	JUL 14	Jul 1
29.		JUL 21	Jul 9
30.	AGENT/BROKER PROFILES	JUL 28	Jul 15
31.		AUG 4	Jul 23
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33.		AUG 18	Aug 6

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Insurers anticipate bridge disaster claims

Continued from page 2

written in London, to the Tampa Harbor Pilots Assn. and other pilot groups around the nation about four years ago. Only one group, in Port Everglades, Fla., purchased the coverage, and did not renew, he said.

National American, the state's insurer for the bridge, is investigating the loss and considering a suit against the ship's owners to recover its liability under the state's insurance policy, said National American vp-claims George J. Schmitz.

One of National American's first objectives will be to prevent the ship's owners from successfully fixing limits of liability, Mr. Schmitz said. Under U.S. law, a ship's liability is normally limited to the value of the hull plus "pending cargo," less damage incurred.

Bridge repair cost

The definition of pending cargo could be subject to court interpretation in this case. Although the Summit Venture was empty at the time of the collision, it was to load a cargo of phosphate at Tampa before heading for South Korea.

If Summit Venture succeeds in limiting its liability for the loss, National American and its reinsurers would probably have to pay most of the cost of repairing the bridge and any lost toll revenues.

Repair cost estimates have not been completed. It could cost $20 million to restore the missing section of bridge, guessed Thomas Alberdi, a bridge engineer with the state department of transportation.

National American is "heavily reinsured," mostly with domestic reinsurers, for claims arising from the Sunshine Skyway Bridge disaster, Mr. Schmitz added.

Although the accident will disrupt shipping for several weeks, "it will be a livable situation," said a spokesman for the Tampa Port Authority. A 23-foot deep bypass channel, capable of handling almost two-thirds of the vessels calling on Tampa, has been marked with buoys. Officials hoped to have the main channel cleared of debris to allow operation in one direction by May 18, he said.

At the time of the accident, there was hardly any visibility and winds were gusting to 90 mph, newspaper accounts said. Port sources said ships move in such conditions at the discretion of the pilot.

The Coast Guard and National Transportation Safety Board are conducting a joint inquiry into the cause of the accident. The Florida board of pilot commissioners, which licenses the state's harbor pilots, is conducting a separate inquiry, which it routinely does in all marine accidents involving pilots.

License in jeopardy

Mr. Lerro, the pilot on the Summit Venture, could lose his state license and be fined if his actions are found to have been negligent.

He was at the helm of another freighter that struck the bridge Feb. 16 while trying to steer clear of the wreckage of the Coast Guard cutter Blackthorn and was involved in six other reportable incidents during his four-year career in Tampa Bay.

The Blackthorn sank Jan. 28 with 23 of its crew after being struck by the tanker Capricorn (*BI*, Feb. 4).

Three other ships hit the bridge or ran aground while maneuvering around the Coast Guard vessel before it was raised in late February. ■

letters

Continued from page 8

Your article stated, "Among other findings are that basic surgical benefits are provided by 70% of the plans, with two-thirds of those plans covering 100% of the costs." This paragraph went on to say, "Benefits usually range from $35 to $60 per day for 31 to 120 days." The latter sentence obviously referred to hospital benefits and not surgical benefits.

Marshall P. Stuart
Senior vp
Clifton & Co.
San Francisco, Calif.

Prevalent naivete

To the editor: The posturing of the risk manager described in the "Seize loss control duties for risk department: Execs" article in your April 28 issue is disturbing. It portrays an unbelievable but obviously prevalent naivete and parochialism among so-called risk managers.

Peter Drucker has said that one of the five columns upon which corporate success is built is the conservation of physical and human assets. This is clearly a complex task that requires engineering, management, behavioral, medical, fire protection and prevention, industrial hygiene, legal, financial, insurance, claims handling, security, environmental, etc., know-how.

Operating unit efforts to achieve Drucker's stated objective will be optimized if the functions cooperate or are integrated.

Clearly, the big dollars are to be saved by preventing (cost avoidance) and not by adroit indemnification. This field is so sophisticated that many of the largest exposures are either uninsurable at any price or have prohibitive conditions or premiums. (John) Morse (director of corporate insurance, Textron Inc.) almost seems to recognize these facts. Failure to assimilate them by the key executive with responsibility for loss prevention is an inexcusable error.

If a single individual is to be responsible for the conservation and preservation of a unit's physical and human resources, it clearly does not matter if he or she comes from an industrial hygiene, safety, loss prevention, fire protection, insurance or even general management background, as long as the objectives are kept in clear view.

The viewpoint expressed here is a personal one resulting from 17 years of industrial experience and eight years of professional society experience and does not necessarily reflect the attitudes of Chesebrough-Pond's Inc. or the American Society of Safety Engineers.

Donald J. Eckenfelder, CSP, PE
Manager of Loss Prevention
Chesebrough-Pond's Inc.
Greenwich, Conn.

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IRS to grant reprieves to some firms

Continued from page 1
ployes to determine whether discrimination exists favoring highly compensated employes (*BI*, April 21). A plan found to be discriminatory cannot receive favorable tax status.

For example, employers that use cliff vesting providing 100% vesting after 10 years of service and that have a high turnover rate among employes who have worked less than three years may be found to be unreasonably discriminating in favor of highly compensated managers and executives.

Vesting options

But in the new IRS proposal, employers could opt for one of two "safe harbors" to protect them from any finding of discriminatory vesting in their pension plans.

The first option would require 100% vesting after three years of service. The second option essentially would require 20% vesting for each year of service. Currently, under one ERISA option, most employers provide 100% vesting after 10 years of service.

Consultants have argued that under ERISA, the most rapid vesting the government can impose on a plan if too few participants vest because of high employe turnover is the so-called 4-40 schedule.

Under the 4-40 schedule, which the government has frequently mandated for profit sharing plans, a plan must offer 40% vesting after four years of service and 10% vesting for each year of service until 100% vesting is reached in the employe's 10th year of service.

But an IRS attorney, in an interview with *Business Insurance*, said the tax code gives the agency authority to require faster vesting if there has been a pattern of abuse, such as firing employes before they have accrued vested benefits, or if benefit accruals tend to favor highly compensated employes.

"Section 411 (d) (1) (b) is telling us if you have turnover and people are leaving and not getting the vested benefit, you lose," the IRS attorney explained.

"If the nature of the industry is such that you have a high turnover, then you either better not have a plan or you better be able to set up a vesting schedule where the rank-and-file get more than insignificant benefits. That is what the statute is telling us," he warned.

The factors the IRS will consider to determine if a plan discriminates in favor of the highly compensated are not new, the IRS attorney argued. "For the last 30 years the concept of discrimination has been applied at the field level. We're now trying to cut out the discretion of the field agents and be a little more clear in what the discrimination principles are."

The tests

The factors—employe turnover rate, average vesting of employes, average vesting of terminating employes and average time remaining for full vesting of current employes—have historically been used by the IRS to test for discrimination. "It's not an exclusive list and additional factors are expected to be added," the IRS attorney said.

Pressed for a specific example on what constitutes discrimination, the IRS attorney said a plan in which 20% of the low-paid workers were vested and 50% of the highly compensated employes were vested probably would pass the IRS muster.

However, if no one in the rank-and-file were vested and everyone in the highly compensated group earned a pension benefit, "that's a problem plan." Such a plan doesn't seem to be operated on the exclusive behalf of the employes as ERISA requires, he said.

•

The IRS will hold a public hearing on its new vesting proposal at 10 a.m. July 10 in the IRS's seventh-floor auditorium, 1111 Constitution Ave. N.W., Washington, D.C.

Cause for action

An IRS attorney said the tax code gives the agency authority to require faster vesting if there has been a pattern of abuse, such as firing employes before they have accrued vested benefits or if benefit accruals tend to favor highly compensated employes.

Grand jury to indict officials

Continued from page 3
cash at a Nov. 11, 1979, meeting in his Austin office. The meeting included L.G. Moore, a former political supporter and Houston area union leader, and FBI informant Joseph Hauser, posing as the Prudential agent.

Appearing before the Houston grand jury, Mr. Clayton presented $5,000 in cash, which he said is the money he received in November and had kept in his office, planning to return it to Mr. Moore. He told the jury he accepted the money because he "did not want to create a scene" and embarrass Mr. Moore in front of Mr. Hauser.

Mr. Hauser, a California insurance promoter charged in a 10-count federal indictment for racketeering and conspiracy to misapply funds from multimillion-dollar labor union contracts, had agreed to assist the FBI in uncovering links between politicians, union officials and organized crime in the Southwest.

Charges dropped

On May 5, the Justice Department asked a U.S. District Court in Phoenix to drop seven of the 10 charges against Mr. Hauser and for leniency on the remaining three. The 48-year-old Mr. Hauser was then assessed a two-year sentence to run concurrently with a 30-month sentence he is now serving in connection with a similar kickback deal in California.

Prudential Insurance Co. has denied any knowledge of the FBI's investigations and any connection with wrong dealings.

J.A. "Tony" Canales, U.S. attorney in Houston, said the grand jury's actions were delayed until after the May 3 Texas primary to avoid charges of political motivation. Mr. Clayton has asked for a speedy trial if he is indicted so the issue will not cloud the November general election.

The earliest reconvening could be the week of May 27, but most probably it would be the week of June 2. ■

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