

business insurance

update

NAIC, employers negotiate Risk Retention Act accord

WASHINGTON—Attorneys representing the National Assn. of Insurance Commissioners and employers were meeting last week to try to reach agreement on legislation to expand the federal Risk Retention Act.

The legislation, S. 2129, approved by the Senate Commerce Committee, would make it easier for buyers to set up risk retention groups—a kind of captive insurance company to cover

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W.Va. lawmakers seek liability crisis remedy

By CAROL CAIN

CHARLESTON, W.Va.—The West Virginia Legislature may still be in special session this week, debating what to do about new tort reform legislation that prompted at least five property/casualty insurers to issue notices of professional liability policy cancellations.

Meanwhile, the state Supreme Court, acting on a motion by Attorney General Charlie Brown, granted a temporary injunction May 9 enjoining the five insurers from carrying out their intended cancellation of medical malpractice policies.

Among items the Legislature was expected to consider were two measures Gov. Arch A. Moore Jr. drafted that call for the creation of state funds that exclusively would provide liability insurance to health care providers, non-health care professionals and local governments.

When lawmakers returned to Charleston on May 15 for the session, they also were expected to consider legislation drafted by the leadership of both houses, which would eliminate or amend language in S.B. 714—the tort reform measure.

Insurers have indicated that if the measure were amended, they would not cancel professional liability insurance policies (BI, April 28).

Capital observers were unable to predict how long the special session would last, but noted there were some 22 other items on the agenda. "It could take two days or two weeks," one observer said.

The insurers affected by the Supreme Court temporary injunction are three underwriting units of CNA Insurance Cos. in Chicago—American Casualty Co. of Reading, Pa.; National Fire Insurance Co. of Hartford, and Continental Casualty Co., all based in Chicago—St. Paul Fire & Marine Insurance Co. in St. Paul, Minn.; and Ohio Hospital Insurance Co. in Columbus.

The temporary injunction is believed to be the first of its kind in an antitrust suit.

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Gov. Moore

Five-year pension vesting seen likely in final tax bill

By JERRY GEISEL

WASHINGTON—The rapid five-year pension vesting requirement approved by the Senate Finance Committee will be in the final tax overhaul legislation that Congress is likely to approve this year, experts predict.

In addition, provisions boosting the taxes paid by property/casualty insurers will be in the final bill, though no one can predict the final form the property/casualty tax provisions will take.

Congress also is expected to approve:

- A much lower maximum annual 401(k) salary deferral limit, probably around \$7,000, compared with \$30,000 under current law.

- An excise tax imposed on reversions employers recover from terminated overfunded pension plans, since both the Finance Committee bill and a tax overhaul measure, H.R. 3838, approved last year by the House contain similar provisions.

- The Finance Committee provision that permanently extends the tax-favored status of employer-provided group legal and educational assistance benefits.

However, the shape of other benefit provisions remains in doubt.

But, experts say it is almost a sure thing that Congress will pass a major tax overhaul bill.

"A few weeks ago, you couldn't get odds on passage of a tax bill. Now, there is a real good chance a bill will be passed," said Theresa Stuchiner, a partner at Kwasha Lipton in Fort Lee, N.J.

The odds changed so much in favor of enactment of tax legislation because the Senate Finance Committee

this month approved a radical tax bill that lowers the highest corporate rate to 33% from the current 46% and slashes the maximum personal tax rate to 27% from 50%.

"With the new lower tax rates, there is a lot of momentum for a bill. The lower rates are very seductive," said Frederick Rumack, director of taxes and legal services for Buck Consultants Inc. in New York.

But, tax legislation still must clear several major hurdles before it can become law. The full Senate must approve the Finance Committee bill, which is expected to come up for a vote early next month. If the Senate passes a bill, a congressional conference committee would iron out differences between the House and Senate bills and draft a final bill.

The House and Senate would then have to approve the conference committee bill before it is sent to President Reagan for his signature.

Experts doubt that battles on the property/casualty and benefit provisions—with the exception of tax deductions for contributions to Individual Retirement Accounts—will be

fought there. Instead, the property/casualty and benefit provisions are likely to be settled in the conference committee.

"This tax bill will be written in conference," says Sylvester Schieber, director of The Wyatt Co.'s research and information center in Washington.

But, a fierce battle, led by the financial services industry, is expected on the Senate floor to restore the deduction for contributions to IRAs.

And, there are worries that some employer-sponsored plans, like 401(k) salary reduction plans, could be bloodied if the IRA deduction is restored (see story on page 6).

In the conference committee, many expect House

Continued on page 4

THE NEW TAX BILL

Companies disclose insurance problems

By STEPHEN TARNOFF

DEARBORN, Mich.—The widely publicized disclosure last week by Ford Motor Co. that it has "little or no" product liability insurance this year could signal a trend toward many more similar disclosures by U.S. companies.

Already, at least six other companies, primarily pharmaceutical manufacturers, have made similar disclosures.

And, concerned that shareholders have a right to know when companies lack liability insurance and that financial statements might be deemed misleading if they do not include such information, auditors are now studying whether to develop rules governing when disclosures about insurance problems should be made.

Preliminary guidelines on some form of disclosure about an absence of insurance could be issued by year-end by an American Institute of Certified Public Accountants task force.

"I think we will see more and more companies making these disclosures," said

"I think we will see more and more companies making these disclosures," says Wayne Kolins of auditors Seidman & Seidman. "If the insurance problem does not go away, companies will be hard-pressed to answer to shareholders on why they are not disclosing the information."

Wayne Kolins, a national director of Seidman & Seidman in New York.

"If the insurance problem does not go away, companies will be hard-pressed to answer to shareholders on why they are not disclosing the information," he said.

In today's market, where insurance capacity is scarce and rates are high, major U.S. corporations either can't find the limits of liability insurance they have purchased in the past or are reducing the amount of liability insurance they buy because they consider the premiums too expensive.

Ford disclosed in its 10-K for 1985 filed with the Securities & Exchange Commission

that it "has little or no product liability insurance for incidents that might occur in 1986 because of the limited availability of such insurance at reasonable premiums."

Ford does have some product liability coverage of overseas operations, for which liability insurance is easier to obtain, a company spokesman said.

"In the U.S., coverage is about zilch right now," the spokesman said.

However, he pointed to the words "reasonable premiums" in Ford's disclosure, suggesting that Ford could have purchased insurance but chose not to pay the price.

"The key word is reasonable," he said, de-

clining to be any more specific about the product liability insurance available to Ford or its prior insurance program.

In the late 1970s, Ford maintained a \$2 million self-insured retention for product liability losses involving its automobiles and had \$100 million of excess liability insurance, according to documents then filed in court.

Today, an automaker would have to assume a \$10 million to \$20 million self-insured retention before it could obtain any excess product liability insurance, one reinsurance underwriter estimated.

In addition to Ford, other companies that have made similar disclosures to their shareholders and in filings with the SEC include: Browning-Ferris Industries Inc. in Houston; SmithKline Beckman Corp. in Philadelphia; Johnson & Johnson Inc. in New Brunswick, N.J.; Abbott Laboratories in North Chicago, Ill.; Squibb Corp. in Princeton, N.J.; and Bristol-Myers Co. in New York.

Most of these companies merely disclose the fact they lack some insurance and cite the general unavailability of coverage as the reason.

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Senate committee members divided over federal product liability legislation

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Tillinghast, TPF&C merger viewed as winning consultant combination

Page 3

Tax bill

Continued from page 1

members to quickly accept the Finance proposal to impose much faster vesting requirements on pension and savings plans.

Under that proposal, employers would have to offer one of two rapid vesting schedules: 100% vesting after five years of service, or 20% vesting after three years, with vesting continuing at an annual rate of 20% until a worker was 100% vested after seven years.

Most pension plans now offer first and full vesting after 10 years. Ten-year vesting still would be allowed for multiemployer pension plans.

Faster vesting would significantly increase pension costs for some employers. The exact amount of increased expense would depend on the rate of employee turnover at a company.

Despite higher costs, few expect to see much opposition to faster

vesting.

"I can't imagine opposition from the House on vesting," said Mr. Rumack of Buck Consultants.

"Many members would think that a vote against faster vesting would be a vote against women," said Kwasha Lipton's Ms. Stuchiner.

Pension activists have charged that long vesting schedules discriminate against women who they say, are much more likely to leave the workforce after a few years than men because of family responsibilities.

Employers also are unlikely to fight faster vesting since "there is a sense of realism on the part of the business community that five-year vesting is a concept whose time has come," said Stuart J. Brahs, executive director of the Assn. of Private Pension and Welfare Plans in Washington.

Unlike most of the other provisions in the Finance Committee bill that have effective dates of Jan. 1,

1987, the faster vesting rule would not go into effect until Jan. 1, 1989.

It also is likely that the House will accept new, more expensive pension integration rules contained in the Finance Committee bill, experts say. These new rules, which also would go into effect on Jan. 1, 1989, will reduce an employer's ability to cut workers' pension benefits by the Social Security benefits workers receive (BI, April 28).

"I wouldn't expect House opposition on the integration rule changes," said Buck's Mr. Rumack. Consultants say current integration rules are too complex, while pension activists charge that integration rules allow too great a reduction in workers' pension benefits.

Both the House and Senate Finance Committee bills call for a \$7,000 maximum salary deferral to a 401(k) plan, so the odds favor that a \$7,000 limit will stick in conference, said Mr. Rumack.

The 401(k) limit, though, could be further chopped if the tax de-

duction for most IRA contributions is restored, an issue that is almost certain to first come up on the Senate floor.

Both the House and Finance Committee tax bills propose different non-discrimination rules for 401(k) plans (BI, April 28).

Under the Finance Committee proposal, plan discrimination would be tested by comparing deferrals made by a newly defined group of highly compensated employees with deferrals made by lower-paid employees. Highly-paid employees would include:

- Employees who own 5% or more of a company.
- Employees earning more than \$100,000 annually.
- Employees earning more than \$50,000 annually who also are among the top-paid 20% of employees.
- Officers who earn at least 1½ times the defined contribution maximum—currently, \$45,000.

The House definition of who is a

highly compensated employee is more restrictive (BI, Nov. 11, 1985).

The Finance Committee bill also would retain the current actual deferral percentage for 401(k) plans to compare deferrals by the highly compensated to the lower-paid two-thirds. The deferral tests in the House bill are much stricter.

Experts believe that staff will settle on final rules because members lack the technical expertise in that area.

Because 401(k) non-discrimination rules lack such a high visibility, experts say it is difficult to predict the outcome. But some experts believe the Finance Committee 401(k) non-discrimination rules are more likely to be accepted in conference because of greater employer support for them.

Both the House and Finance Committee tax bills call for a 10% excise tax on reversions employers recover when they terminate overfunded pension plans. This tax would be retroactive to Jan. 1, 1986. However, under the Finance bill, no excise tax would be imposed on reversions transferred to an Employee Stock Ownership Plan.

Experts agree that an excise tax will be part of a final tax bill, though it isn't clear whether it will be the Finance Committee or House version that will fly.

An excise tax is seen as a way of recouping a portion of the tax benefits employers obtain when they set up and contribute to pension plans, said Frank McArdle, director of communications and educational programs at the Employee Benefit Research Institute in Washington.

It also is likely that the House members of a conference committee will accept the Finance Committee provision to permanently extend the tax-favored status of group legal and educational assistance benefits. The House bill calls for an extension of these benefits until Jan. 1, 1987.

Mr. McArdle says a permanent extension is more likely because of strong union pressure and because Congress wants to settle the tax status of these benefits.

Significant differences also must be resolved in caps on maximum pension benefits and contributions, and the outcome is not yet clear.

For example, the House bill calls for lowering the maximum annual benefit under a defined benefit plan to \$77,000 from \$90,000 and cutting the maximum annual contribution to a defined contribution plan to \$25,000 from \$30,000.

The defined contribution limit would not be increased until the defined benefit limit hit \$100,000. Maximum benefit increases would continue to be linked to annual increases in the Consumer Price Index.

Under the Finance Committee package, the maximum defined benefit and contribution limits would remain at the current \$90,000 and \$30,000 limits, respectively. These limits would be indexed to increases in the Social Security wage base.

The \$30,000 defined contribution limit would be frozen until the defined benefit limit reaches \$120,000. After that, the maximum defined contribution limit would be held at 25% of the maximum defined benefit limit.

On the property/casualty side, the only thing that is certain about a final bill is that it will include provisions hitting the industry with higher taxes, a cost that will be passed onto buyers, insurers have warned.

While the Finance Committee and House tax bills both call for multi-billion dollar tax increases on property/casualty insurers, the provisions are very different and no one can say what shape the final provisions will take.

A final resolution on these provisions "will depend on who

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opinions

A judicious decision

PLENTY OF CRITICISM is leveled at judges in the U.S. court system today for expanding current law and making new law that broadens liability for injuries, so it's a welcome opportunity to praise a judge.

U.S. District Court Judge John F. Keenan deserves praise for his opinion handed down last week that dismisses from U.S. courts in favor of Indian courts the litigation over the December 1984 Bhopal disastrous gas leak (see story, page 2).

Maybe now plaintiffs attorneys won't be so quick to rush into U.S. courts with cases that are the proper jurisdiction of other countries' courts.

Judge Keenan's decision, significantly, is not a cold-hearted opinion. Throughout the 63-page opinion, Judge Keenan's deep concern for the victims of the disaster and their survivors is obvious. Indeed, his opinion opens with the statement: "On the night of Dec. 2-3, 1984, the most tragic industrial disaster in history occurred in the city of Bhopal."

But, after considering the evidence, the arguments and the applicable law, Judge Keenan concluded, "the Indian legal system is in a far better position than the American courts to determine the cause of the tragic event and thereby fix liability. Further, the Indian courts have greater access to all the information needed to arrive at the amount of the compensation to

be awarded the victims."

And, on the important issue of the public interest, Judge Keenan ruled, "The administrative burden of this immense litigation would unfairly tax this or any American tribunal. The cost to American taxpayers of supporting the litigation in the United States would be excessive. When another, adequate and more convenient forum so clearly exists, there is no reason to press the United States judiciary to the limits of its capacity. No American interest in the outcome of the litigation outweighs the interest of India in applying Indian law and Indian values to the task of resolving this case."

Further, the judge observed, "The Union of India is a world power in 1986, and its courts have the proven capacity to mete out fair and equal justice. To deprive the Indian judiciary of this opportunity to stand tall before the world and to pass judgment on behalf of its own people would be to revive a history of subservience and subjugation from which India has emerged."

Judge Keenan also earns praise for a particular footnote in which he commented on the behavior of many American lawyers who went to Bhopal, during December 1984 and January 1985. "Those members of the American bar who traveled the 8,200 miles to Bhopal in those months did little to better the American image in the Third World—or anywhere else."

letters

Ferraro's 'left wing' comments not worth the ink

To the editor: You printed a very offensive article on comments by the "Far Left" defeated Democratic vice presidential candidate Geraldine Ferraro (*BI*, April 28).

I still am unable to figure out what possible relevance her destructive, left-wing political comments had to do with "business insurance."

So far as I am concerned, Ms. Ferraro's comments would be best "kept to herself."

Don't forget these choice guidelines

To the editor: We read with interest "Several Points to Weigh in Choosing Broker" (*BI*, April 28). However, though the list was long and formidable, a couple of points were missed.

They are:

- A broker's ability to be faster than a speeding bullet.
- A broker must be more powerful than a locomotive.
- A broker must be able to leap tall buildings in a single bound.

These points I think complete the list.

Corrie Foos
Vp

Micor Insurance Brokers Inc.
San Jose, Calif.

Put your RICO carrier on notice

To the editor: An observation on Bob Wilson's April 28 advocacy, "Let's use RICO as a weapon against lawyers." Sounds like a conspiracy to me; put your RICO carrier on notice, Mr. Wilson.

Richard S. Bakka
Senior Vp
American Mutual Reinsurance Co.
Lisle, Ill.

Business Insurance welcomes letters from its readers. Please keep your comments as brief as possible. We reserve the right to edit letters for clarity or space. We will not publish unsigned letters. Send your comments to Letters to the Editor, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611.

Willard H. Coryell
Branch Manager
Liberty Mutual Insurance Co.
Sacramento, Calif.

• • •

To the editor: Dare you to publish this! It's hard enough to comprehend why anyone would ever invite former Democratic vice presidential candidate Geraldine Ferraro to speak at a Risk & Insurance Management Society conference.

It's harder still to imagine that your

publication is so hard-up for material that it would bother to quote from her irrelevant rantings against the "far right" (*BI*, April 28).

How can anyone stand to stomach all this, especially after seeing and feeling all the effects that have come from all of the foolishness from Ferraro and all her buddies out in left field?

You really ought to dig deeper for meaningful things to publish.

T.J. Taylor
Salt Lake City

Naming Aetna in Dalkon suit is 'insanity'

To the editor: Your front page article, "Dalkon shield suit charges Aetna with concealing facts" (*BI*, April 21) at first glance had me chuckling.

I thought it was a belated April Fools' Day joke.

Obviously plaintiffs counsel is quite serious! When will this insanity stop?

I'm putting my attorneys on notice in the event I am named in this action. After

all, like most people, I have at least once been insured by Aetna and it is possible I may also be named in this action.

Help! My attorney just advised me he doesn't do defense work any longer, only plaintiff cases these days.

James H. Pair Jr.
President
Pair Insurance Agency Inc.
Atlanta

Perspective fits underwriter's experience

To the editor: John Long's perspective "Misplaced blame—Cash-flow underwriting is not the culprit for today's hard market" (*BI*, April 28) is the best discussion I've read on the subject of the current market.

His comments regarding buyer price-consciousness, expected investment gain included in pricing and insurer willingness to pay claims fit my 20 years' experi-

ence as a desk underwriter.

He is certainly correct to point out that insurers would have been soundly thrashed by the press and regulators for passing along "unconscionable" investment income to shareholders.

Michel Dunia
Underwriting manager
Fireman's Fund Insurance Cos.
San Rafael, Calif.

Insurance industry is both culprit and victim

To the editor: The Perspective article by John D. Long (*BI*, April 28) really took me aback! If the companies didn't shoot themselves in the foot, then who in the world was the mugger?

When you ask yourself what would have happened to the industry if the stock market had gone down the same amount as it had gone up in the last three years, you wind up with a case of the terminal shakes. The spectacular stock market rise has literally been the salvation of untold numbers of those "blameless" companies.

If not the companies, then the regulators are surely at fault. Anyone with a modicum of common sense and a few years in the industry could have foretold

(and probably did) what the "soft market" was going to bring in terms of loss ratios and skyrocketing rates.

As to the changing environment being something over which the companies had no control, certainly the companies and the regulators are well stocked with actuaries who are experts at predicting what will happen in the future based on what's been happening in the past.

In short, my opinion is that the industry (companies and regulators alike) is both the mugger and mugged. They'd better get their act together or the next episode could be fatal.

George R. Nash
Long Beach, Calif.

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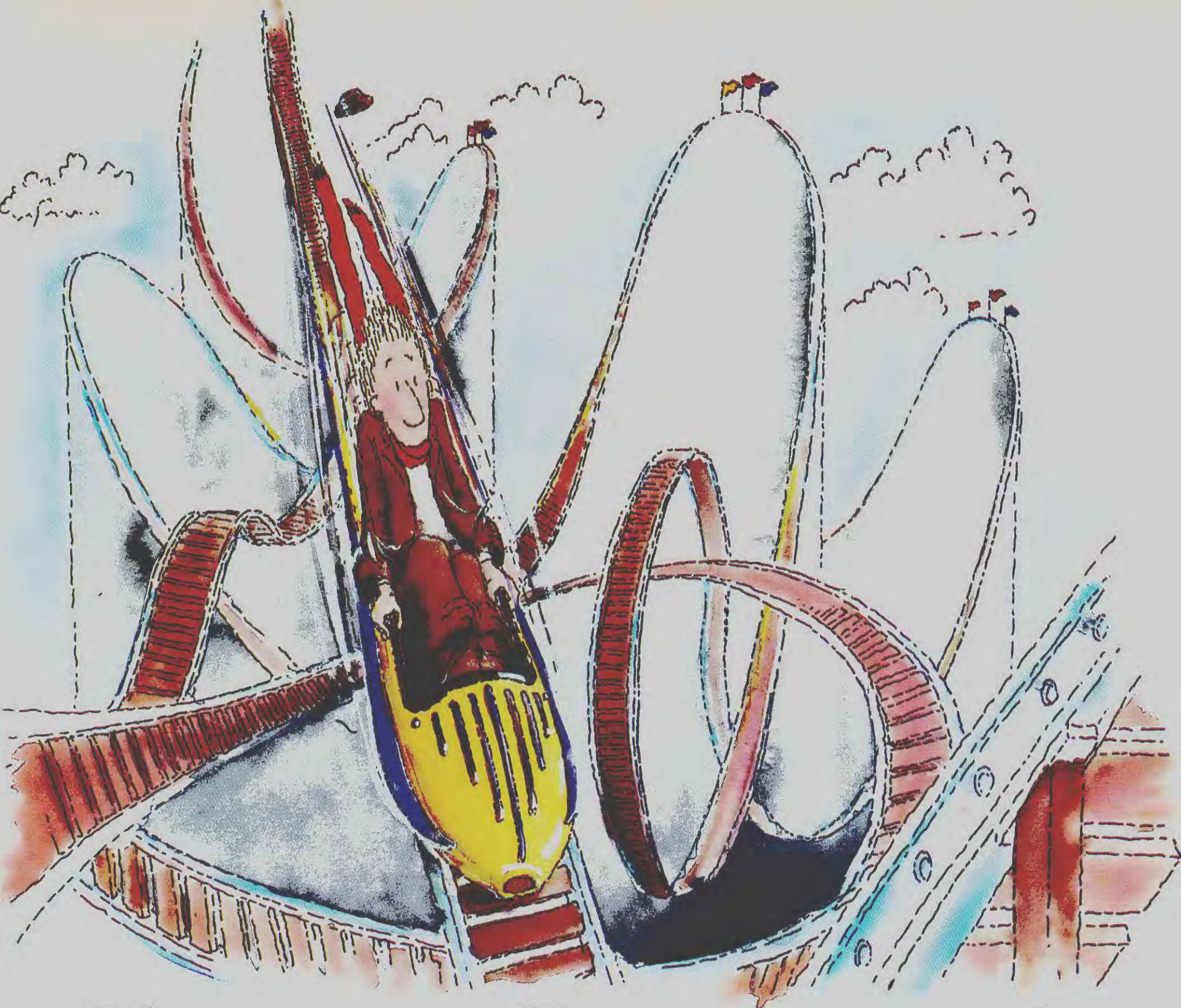
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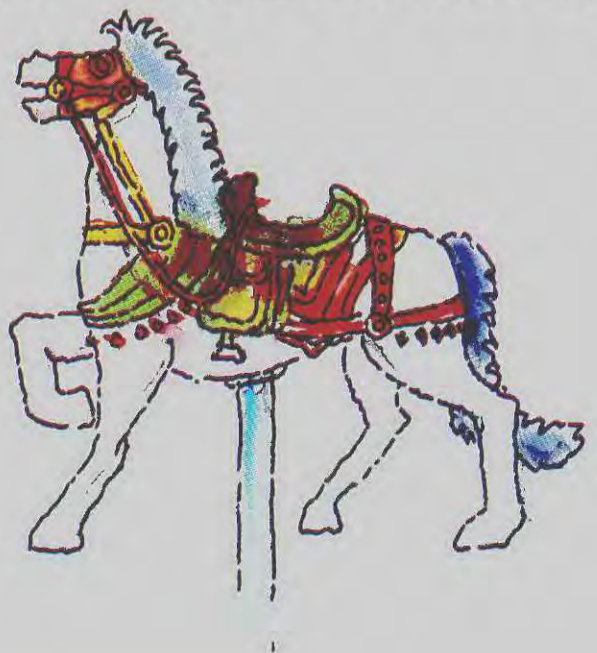


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Kansas law restricts policy cancellations

around the states

TOPEKA, Kan.—A new state law will restrict property/casualty policy cancellations and require insurers to give policyholders a written explanation if they plan to cancel or not renew an existing policy.

Meanwhile, a recently appointed citizens committee is studying the liability insurance market in Kansas and is expected to make recommendations to the Legislature.

The recently enacted measure—S.B. 512, expected to take effect by July 1—prohibits cancellation of property/casualty policies that have been in effect for 90 days or more, except for certain reasons,

including:

- Non-payment of premium.
- An issuance of the policy because of a material misrepresentation.
- Policyholder violation of any of the material terms and conditions of the policy.
- Unfavorable underwriting factors, specific to the policyholder, that were not present at the inception of the policy.
- A determination by the insurance commissioner that continuation of coverage could place the insurer in a hazardous financial condition or in violation of Kansas law.
- A determination by the insurance commissioner that the insurer no longer has adequate reinsurance to meet the policyholder's needs.

The legislation also requires an insurer to provide policyholders with at least 60 days' written notice if it doesn't intend to renew a policy or will provide substitution of similar coverage for the same exposures.

Initially, the Kansas Insurance Department, which recommended the legislation, wanted a 90-day written notice, but the Legislature amended it to 60 days, said Richard Brock, administrative assistant to Kansas Insurance Commissioner Fletcher Bell.

The Legislature also further amended the bill to add a provision that requires insurers to give policyholders a written explanation specifically detailing reasons for canceling or non-renewing a policy.

The legislation follows a bulletin issued by Commissioner Bell in August 1985, in which he threatened to take action to block midterm cancellations (*BI*, Sept. 16, 1985).

"If midterm cancellations and non-renewals of Kansas policyholders continue, I will have no choice but to seek restrictions on insurers' ability to cancel or non-renew insurance contracts or take such other actions as seem appropriate," Mr. Bell said in the bulletin.

S.B. 512 was signed by Gov. John Carlin in April and will take effect after publication in the statute book, which should be accomplished by July 1, Mr. Brock said.

It also is expected that a joint interim legislative committee will be formed to further look into the commercial liability insurance market, Mr. Brock said. If such a panel is formed, it probably will work with any recommendations developed by the citizens committee, he added.

Iowa regulator quits

DES MOINES, Iowa—Bruce W. Foudree, who has been the Iowa insurance commissioner for the past six years, is returning to private law practice.

"I have accomplished pretty much what I set out to," said Mr. Foudree, who also is the immediate past president of the National Assn. of Insurance Commissioners.

Mr. Foudree, like other insurance regulators throughout the country, in recent years has faced an increasing number of insurer insolvency situations and the crunch in the commercial liability insurance market.

"I didn't believe in 1980 I would be faced with the problems we now have," he said.

Mr. Foudree left his post with the Insurance Department on May 16

Continued on page 14

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Continued from page 12

to become counsel to the law firm of Mitchell, Williams, Selig, Jackson & Tucker, which has its principal office in Little Rock, Ark. The senior insurance partner in the law firm is William H.L. Woodyard III, a former Arkansas insurance commissioner and past NAIC president.

Mr. Foudree, 39 and an Iowa native, will be moving to Chicago to establish a branch office of the Mitchell law firm and will practice law in Iowa and Illinois.

"The opening of the Chicago office will expand the firm's insurance-related practice on a national basis," Mr. Foudree said.

Prior to being appointed Iowa commissioner, Mr. Foudree was chief counsel to the Iowa Insurance Department and an assistant attorney general.

The governor is expected to name an interim insurance commissioner.



Mr. Foudree

Pfeiffer appointed

PROVIDENCE, R.I.—Mark A. Pfeiffer recently became Rhode Island's director of business regulation and assumed several other titles as well, including insurance commissioner and banking commissioner.

Mr. Pfeiffer replaces Clifton A. Moore, who resigned April 18 for personal reasons after serving in the post since February 1985 (BI, Feb. 4, 1985).

Prior to his state appointment, Mr. Pfeiffer, 37, had been senior vp with the Bank of New England-Old Colony in Providence. Before joining the bank in 1982, Mr. Pfeiffer was in private law practice in Providence. During that time, he also served part time as legal counsel to the minority Republican Party in the Rhode Island state Senate.

Mr. Pfeiffer has an undergraduate degree in government from Dartmouth College and a law degree from Cornell Law School.

In addition to his state position, Mr. Pfeiffer, a resident of Bristol, also is a member of the Bristol School Committee, an appointed post that expires in December.

Bernard seeks post

BATON ROUGE, La.—Louisiana Insurance Commissioner Sherman A. Bernard "put his name in the pot" by recently announcing his candidacy for the U.S. Senate seat being vacated by Russell Long.

Mr. Bernard is one of the few state insurance commissioners who is elected, rather than appointed, to the regulatory post. He has been in office for 14 years, following an election upset in which he unseated the incumbent commissioner, Dudley Guglielmo.

The oil industry dominates Louisiana's business climate and Mr. Bernard was called upon in recent years by employers in the oil patch to help find liability insurance coverage, especially workers compensation insurance.

During his campaign for the Senate post, Mr. Bernard will remain in office as insurance commissioner. The state's primary election is Sept. 27. Two U.S. congressmen also have announced their candidacy for the Senate seat—Rep. John Breaux, a Democrat, and Rep. W. Henson Moore, a Republican.

In Louisiana, all candidates run in a single primary. If one candidate gets more than 50 percent of

the vote, he or she wins the election. But if no one gets more than half, the top two vote-getters face off in the November election.

If his Senate bid is unsuccessful, Mr. Bernard said he plans to seek a fifth term as insurance commissioner next year.

ACIC slams Bradley

SACRAMENTO, Calif.—The Assn. of California Insurance Cos. is criticizing Los Angeles Mayor Tom Bradley's proposals for dealing with the insurance crunch as

"dangerously radical and destructive."

Mr. Bradley is proposing a 14-point plan, including capping rate increases at the rise in the consumer price index for one year and a one-year across-the-board ban on policy cancellations to take effect immediately (BI, May 12). The mayor has no regulatory authority over insurance, but is a candidate for governor.

In a letter to Mr. Bradley, ACIC President Thomas R. Brown said the mayor's plan would "do nothing to reduce insurance losses; rather, it offers only the promise of a large bureaucracy and expensive, non-stop regulatory hearings. Your plan would dramatically alter a

regulatory system that, over the past 40 years, has served the public well under both Democratic and Republican administrations."

The ACIC represents about 40 insurers in the state.

Work comp law

FRANKFORT, Ky.—Amending Kentucky's workers compensation law to make it more compatible with both business and labor interests is the charge facing a recently appointed 16-member task force.

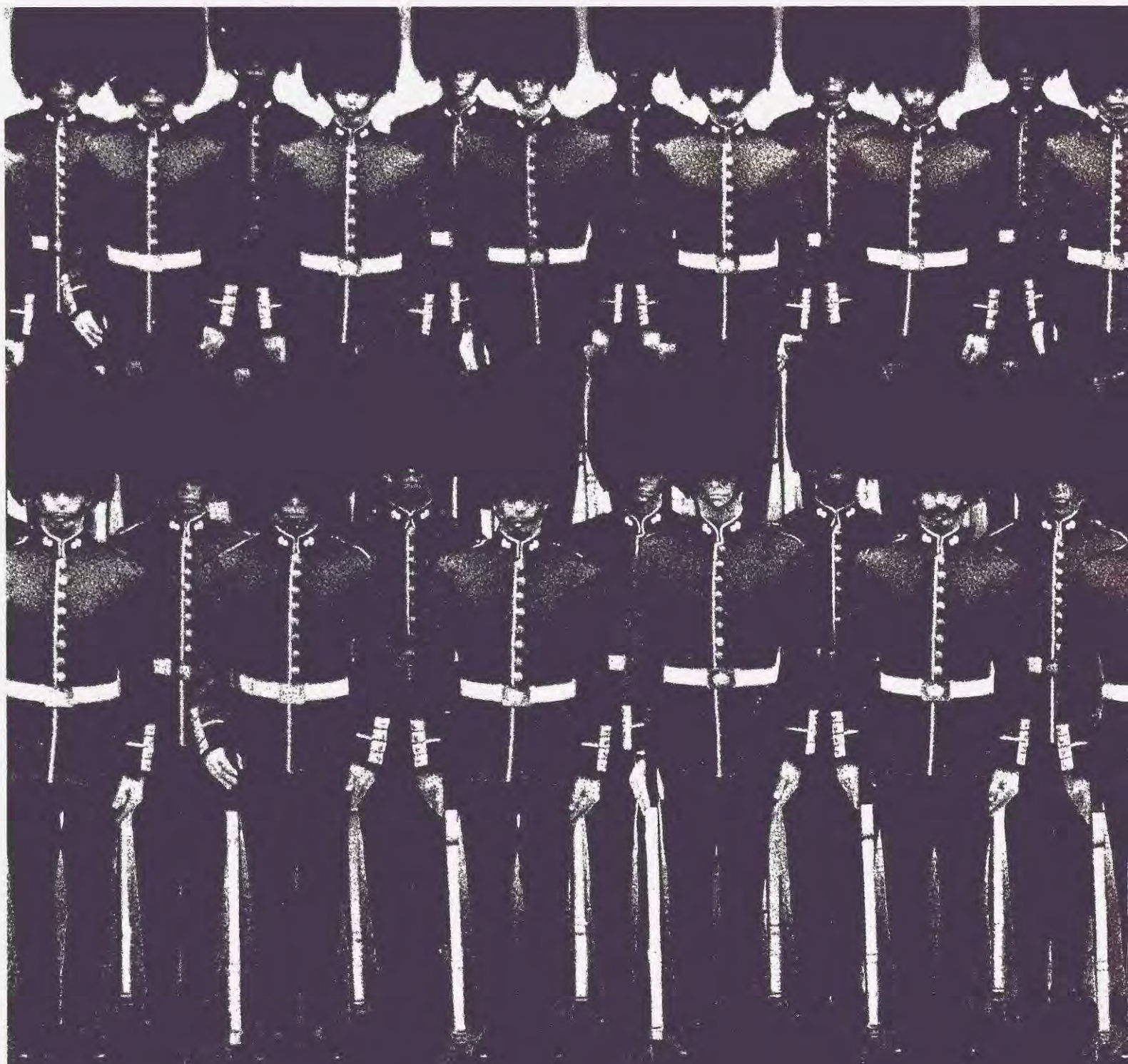
Gov. Martha Layne Collins named the task force earlier this month in response to HJR 78, legislation calling for the study that was adopted by the Kentucky General

Assembly during its spring session.

The task force is expected to report back to the General Assembly by Oct. 1, making recommendations to improve the workers compensation system, said Rep. Ronald R. Cyrus, D-Flatwoods, a co-sponsor of the measure.

Mr. Cyrus, who also is the executive secretary/treasurer of the Kentucky State AFL-CIO, was named to the panel, as well as the other co-sponsor of the bill, Rep. Edward L. Holloway, R-Louisville, who is resigning from his legislative post to become president of the Associated Industries of Kentucky.

The governor is expected to call a special session early next year to deal with work comp issues.



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Three insurers to invest in joint venture

Three major insurance companies are planning to invest about \$100 million during the next three years in a joint venture that would own and manage alternative health care systems.

The venture would be a company developed by John Hancock Mutual Life Insurance Co. in Boston; Hartford Insurance Group in Hartford, Conn.; and Northwestern National Life Insurance Co. in Minneapolis.

According to a spokesman for Northwestern, the venture is in the

"very preliminary stages" and could possibly include at least two other large insurers.

He said the venture is a way for the insurers to "bring the expertise of the three companies and perhaps one or two others together to look at the future of health care delivery systems and see what we can do about high health care costs."

Although the insurers involved in the venture would share responsibility in managing and developing delivery systems, they would continue to compete in separate

markets

product lines.

The Northwestern spokesman pointed out that no decisions have been made as to what kind of delivery systems the new company would develop and manage. "It could be HMOs, PPOs or systems that have yet to be developed."

The spokesman did say that John Hancock has agreed "as part of its contribution, to contribute some of

the PPOs it currently manages." Developers of the venture say it could be operating by Jan. 1.

Loss control services

The Management Systems Group has been formed in Evanston, Ill., to provide employers in the Midwest with loss control and "communications services," according to one of the company's founders.

Apart from traditional loss control services, the company aims to improve communications among

insurance buyers, agents and insurance companies, said Marlene McManus, a principal with Management Systems.

Ms. McManus explained that the company will "package a risk" to present it to the agent or insurer, so that "we will all be communicating from the beginning on exactly what the risk is."

She said part of Management Systems' duties will be to complete a 10-point profile for the insurance buyer by evaluating areas of its risk management operation that include claims management, pre-hiring practices and accident investigation.

"We will evaluate how they are doing in each area," she noted. "Then we will tell them which ones they need to improve on and which ones are strong, that they can build on."

The new firm is located at 2530 Crawford Ave., Evanston, Ill., 60201; 312-864-6464.

Aetna forms PPA

Aetna Life Insurance Co. has formed PREFER, one of California's largest preferred provider arrangements with 31 hospitals and 3,000 affiliated physicians in Los Angeles and Orange counties.

"We're offering Southern California businesses with two or more employees a PPA that provides control over health care costs without sacrificing quality care," said John F. Greulich, general manager of Aetna's employee benefits operations in Los Angeles.

Hospitals and physicians affiliated with PREFER have agreed to negotiated charges for inpatient and outpatient services in exchange for the anticipated increase in patient volume. The program can be tailored to meet specific needs for employers and employees.

PREFER provides utilization review, hospital pre-admission and employee advisory services designed to reduce the number of unnecessary admissions. Employers can select from a variety of plans aimed at reducing out-of-pocket expenses for workers.

Aetna plans this year to expand the program into San Bernadino, Santa Barbara, Riverside and Ventura counties.

Mergers/acquisitions

The merger of Toledo Blue Cross & Cleveland Blue Cross & Blue Shield has been approved by the Ohio Department of Insurance. The merged operations are known as Blue Cross & Blue Shield Mutual of Northern Ohio.

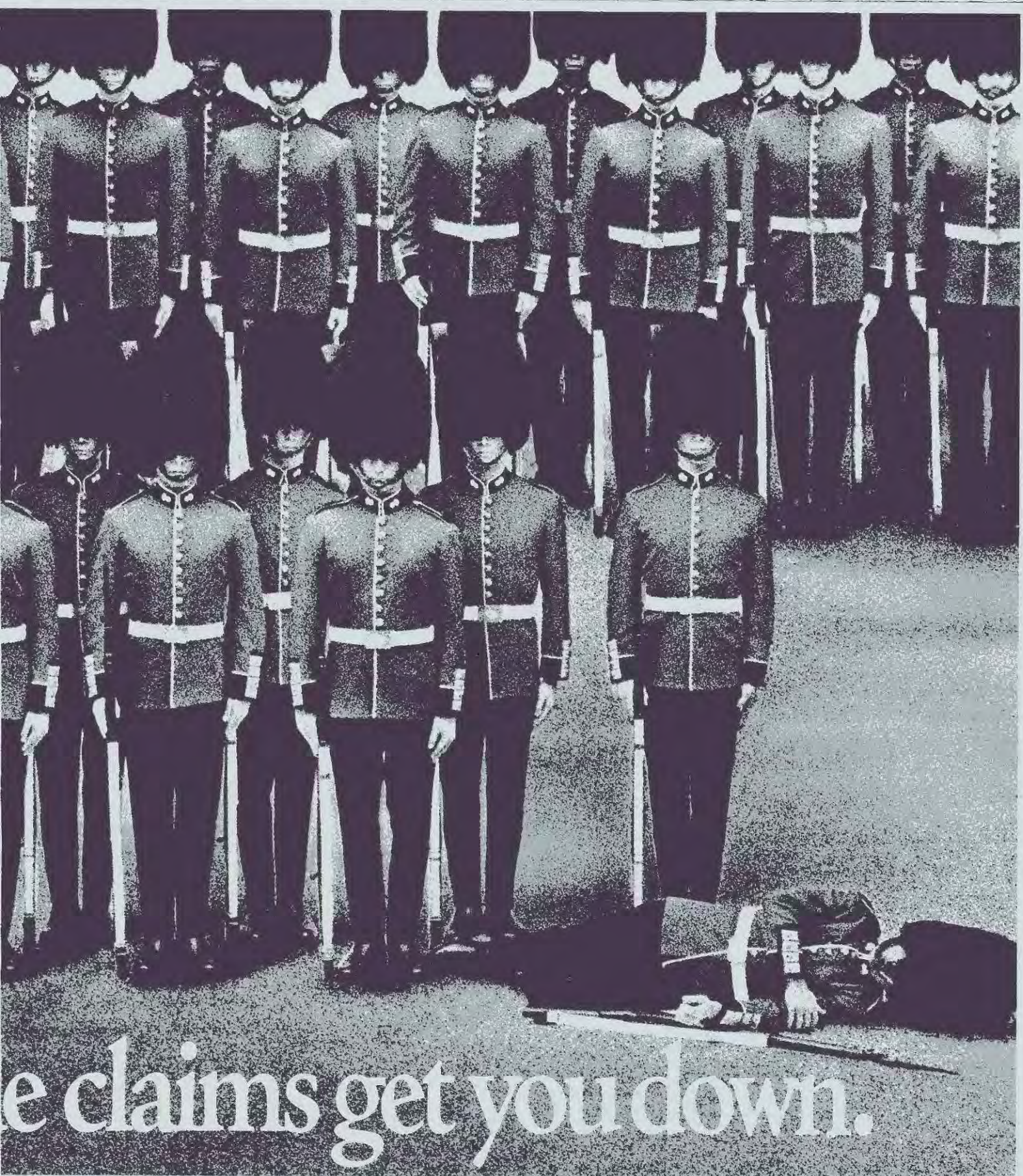
Old Republic International Corp. has agreed to acquire Northwestern National Surety Co. and subsidiaries Lawyers Surety Corp. and State Surety Co. from Northwestern National Insurance Co., a subsidiary of Armeo Insurance Group Inc.

New offices

Frontier Adjusters Inc. has opened an office in the Chicago area. The address is P.O. Box 382, Oak Lawn, Ill., 60454; 312-599-7878.

Name change

Green, Martin & Miles Agency Inc. in Dallas has changed its name to Miles & West Agency Inc. ■



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Picking up the LTD tab

American businesses are paying too much for coverage

By Peter B. O'Brien

AMERICAN BUSINESS is paying too much for long-term disability coverage for two reasons. First, because LTD appears to be a simple benefit and doesn't cost that much, the coverage is considered a "second-class citizen" in most employee benefit packages. Therefore, it does not demand the buyers' attention that it deserves.

Second, there is a great lack of expertise among benefit managers concerning the competitiveness of the LTD marketplace and the funding options available for LTD policies. This situation is a boon to insurers when writing new policies and renewing existing programs.

Let's explore the situation. In the first instance, even though the typical corporate buyer's attention is now focused on costly issues like health care cost containment, flexible benefits programs, "window" pension options and Financial Accounting Standards Board pension accounting requirements, there is no reason why LTD premiums should be left on the plate for lack of priority.

The chart shows the average annual cost for each benefit in a typical employer-sponsored benefit program.

Each benefit cost illustrated is composed of both employer and employee contributions.

The chart confirms human nature: The more it costs, the more attention and fine-tuning it receives and rightfully deserves.

Unless management has enough time to properly assess each individual benefit program, the smaller plans suffer.

But, even if benefit managers have the opportunity to properly explore all the mysterious and sometimes vague and confusing language of LTD policies, they seldom are equipped to follow the ever-changing marketplace or come to grips with the difficult world of LTD funding.

For example, benefit managers must decide whether "fund balance" interest credits are now superior to the cost of funding the benefit through a Voluntary Employee Beneficiary Assn. Do benefit managers know that a major LTD insurer now offers a minimum premium plan?

It's difficult to keep track of the vast number of rating schemes and new insurers vying for LTD business unless you make it a full-time job. As a consequence, buyers on the average are paying 19% too much for the LTD benefits. This is especially true for those that deal directly with insurers without the help of a professional adviser.

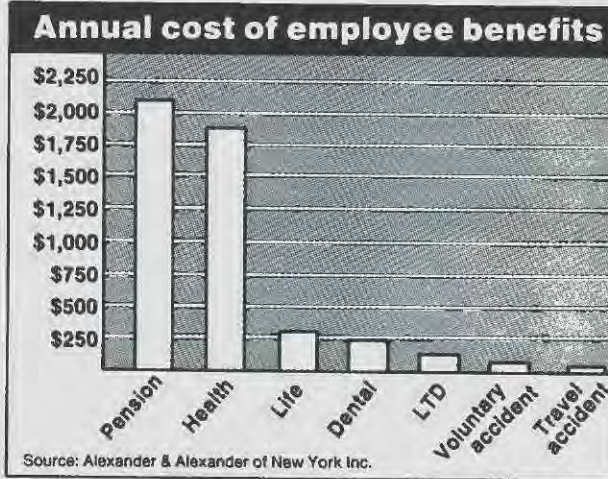
Where does this 19% figure come from? This is the average amount saved from a professional study of the latest market prices, existing rates, claims, reserves, expenses and administrative procedures. A professional study is a comprehensive analysis of all areas of the LTD package coupled with comparison of the most competitive practices of some selected LTD insurers.

In short, the 19% surplus is commonly found after a thorough examination shows that premiums are not being used as efficiently as they might be in all the key funding slots.

It really doesn't matter whether an LTD program is 100% pooled, experience rated, part of a minimum premium plan, written on an administrative services only basis, funded through a 501(c)(9) trust or exists on a pay-as-you-go basis.

Overcosts and "slippage" can be present in any plan. This is especially true in claims processing, integration techniques and administrative procedures.

Most of the fat is usually found in reserves.



speaking out

Understanding the reserving techniques for LTD payments can be exasperating. The continuous shifting foundation upon which LTD reserves are built is probably the most significant and difficult part of analyzing LTD costs.

For example, which statistical disability data are preferable? Railroad Retirement Act, Social Security, intercompany disability experience, workers compensation, an individual insurer's or group's data or certain blends of the above sources?

Even the history of disability is inconsistent. Historically, claims have increased during recessions. The classic case is the Great Depression of the early 1930s. Disability claims increased so much that most underwriters overreacted by "ridering out" disability clauses in group life insurance policies so that disability payments became non-existent.

Before the Depression, claimants could collect the face value of their life insurance policies if they became disabled. When there were no jobs, workers began to realize how bad their sore back, heart, rheumatism or hernia really was.

It wasn't long before thousands of borderline claims were presented and insurers started to encounter terrible claims loads.

To prevent insolvency, life insurance policies were amended so that it became impossible to collect the face value upon disability. No longer was death and disability considered the same for claims purposes.

Group LTD plans as we know them today were not around in the 1930s. Therefore, it's hard to make accurate comparisons. But we can compare the same insurers that provide today's LTD coverage with the profile of employees covered for the group life disability benefits

available in the '30s.

When making this comparison, it's surprising to note that LTD claims in the last 60 years have followed the recessionary unemployment curve with one big exception—the economic downturn from 1981 to 1983.

Underwriters in the early 1980s didn't cut back on benefits like they did 55 years ago; in fact, they were happy to increase benefits.

Why? Because they were making so much money. Didn't claims go through the roof with high unemployment? No, in most cases claims dropped. What happened to reserve levels? They were reduced, but they are still too high—about 19% too high.

To add to this puzzle, let's look at what is happening to Social Security disability benefits.

When President Reagan took office, his administration severed more than a half-million recipients from the Social Security disability roles. That was a particularly unique situation because no modifications in the payment procedure language were made.

It was simply a question of stricter policing of

borderline claims and eliminating fraud and malingering.

But there was a backlash. This was unpopular duty—especially during hard times.

Thousands of people complained and now the administration is reinstating or approving some 600,000 claimants.

New Social Security rules require proof of medical "improvement" before disability benefit payments can be cut off.

What's more, last fall Margaret M. Heckler, the former health and human services secretary, said Social Security Administration staff members will conduct more personal interviews and more investigative research to ease the trauma involved before claimants are dropped from the disability roles.

The administration's earlier "meat cleaver" approach has backfired and given way to the "focused scalpel" approach, coupled with some liberalizations in benefit provisions for existing claimants.

How does this affect LTD prices? Part of the fat in LTD rates is the result of the fickle, ambiguous federal disability benefit program. Because LTD payments are offset by Social Security and other employer-sponsored disability payments, it has been like following a roller coaster in an attempt to establish predictable offsets, which are an essential ingredient in setting rates and reserves.

It was simply a question of stricter policing of borderline claims and eliminating fraud and malingering.

A professional study of a given LTD plan can forecast the extent of integration from "other sources" and predict the particular plan's own economic destiny. To the extent these

influences can be favorably estimated is ammunition to negotiate more desirable funding terms.

The message is clear. The professional LTD consultant has to be endowed with a good deal of up-to-date street smarts as well as "art form underwriting" expertise because of the LTD market's unusual general characteristics, uncertain Social Security offsets and difficulties in forecasting the overall economy.

What's "art form underwriting"? It's the intuitive, "seat of the pants" feeling an expert gets when sizing up a given LTD buyer.

It's understanding the buyer's business, knowing what insurer is aggressively seeking to be paired with that particular employer and recommending the most favorable deal.

Do you know that some long-term disability underwriters are beating the bushes for blue-collar groups?

The bottom line is that after all the alternatives are explored, a strategic solution should be plotted to capture favorable results and deliver them to buyers.

To reap greater benefits from LTD plans, benefit managers must increase the priority they give the heretofore lowly LTD program. LTD plans are not as simple as they appear.

An outside professional study of new markets and funding options is a cost-effective, time-saving aid that brings to the table experience that the average insurance buyer doesn't have the opportunity to accumulate.

Peter B. O'Brien is senior vp and senior employee benefits coordinator at Alexander & Alexander of New York Inc. in New York City.



Conferences provide RMIS marketplace

BECAUSE OF LAST month's national Risk & Insurance Management Society conference in Toronto, I wanted to interrupt the sequence of articles on the design and implementation of a risk management information system and focus instead on the unique opportunity such a conference provides for RMIS buyers, vendors and consultants to come together and evaluate one another.

For the buyers (actual or potential), the national RIMS conference provides a time-efficient opportunity to evaluate some of the leading systems and vendors within a short time span. For the vendors, it offers a forum to extol their particular virtues and advantages over their competition (oftentimes in the next booth).

For consultants, it gives an opportunity to watch this interesting exchange between buyers and sellers. It also provides a breeding ground for developing hypotheses on where this particular market is heading (i.e., is the hard market really impacting a demand for RMIS?).

Rumors abound such as which vendor is having financial problems and why, which vendors are not here this year and possible speculations for that absence, etc.

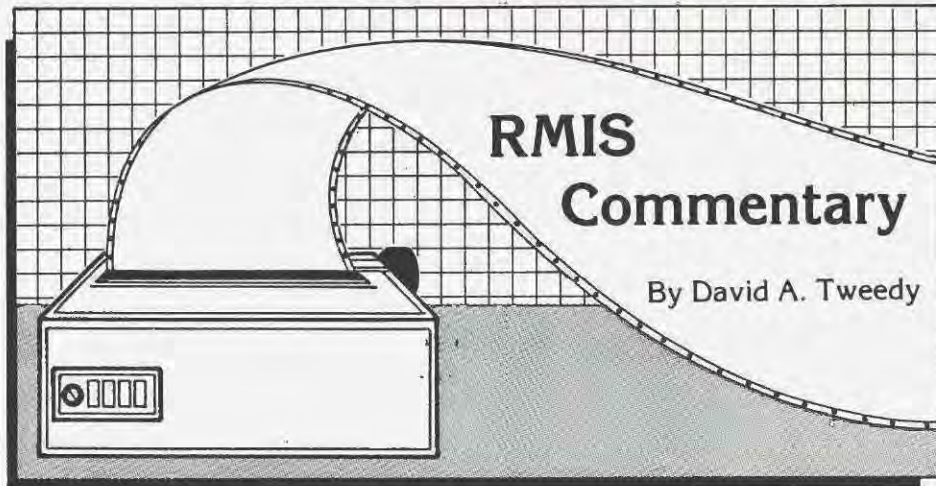
In short, it is a most educational experience and is probably the best single indicator of the direction of the risk management information systems industry.

Here are some of my perceptions based on my visit and participation as a speaker in last month's conference:

- Less overall emphasis on risk management information systems.

As can be expected, the primary focus of the risk manager is within the current state of the market. This is understandably so. RMIS has been a very popular subject of national RIMS conferences for the past few years and it continues to be this year.

However, the overwhelming emphasis was on the state of the market and what



buyers and sellers alike can do about it.

From the RMIS industry perspective, the focus was on how such a system could assist a risk manager in presenting his or her case to an underwriter on renewal, identify problem areas through a computerized system and so forth. I discussed this issue in more detail in my column "Hard Market Fuels Demand for RMIS" (BI, Dec. 30, 1985).

Further, I do not believe that risk management information systems have lost their appeal in any way; six workshops were presented in the RIMS track program and there was the usual preponderance of vendors on the exhibition floor.

A steady stream of conference attendees visited the computer show throughout the conference and the vendors themselves reported that interest remained as high as in past years, judging by the number of people stopping by their booths to discuss problems and their potential solutions.

Nonetheless, the problems of the hard commercial liability insurance market were the No. 1 topic of discussion.

- Balanced presentations.

Whereas last year there was a greater emphasis on the microcomputer—a standalone RMIS—this year there was much more of a balance between the

mainframe and micro-based systems.

Further, there was more evidence of a combined systems approach/solution to client problems by utilizing mainframe systems and personal computers in tandem to solve specific needs.

There was also a marked increase in the usage of microcomputer standalone systems to fill the perceived gap (from both price, capacity and speed perspectives) between the mainframe and microcomputer environments.

This is a good sign because it does give the buyer many options when he or she considers how to solve systems problems. It also emphasizes the need for the buyer to carefully determine his or her requirements before investing in such a system.

- New players.

There was an increased representation by Big 8 accounting firms providing risk management information systems as well as other services.

Also, more employee benefits-oriented systems were available for review and, by the same token, some of the larger players from years past, such as Marsh & McLennan, were no longer focusing on their information system capabilities.

- Market driven system emphasis.

Obviously, the hard insurance market has caused system vendors to alter their

marketing approach to coincide with the perceived needs of buyers.

For example, in a seminar I conducted at the Risk & Insurance Management Society conference in Toronto, "How to Design a System Utilizing Data Base," we discussed how an RMIS could be instrumental in assisting a risk manager to chart various claims-made intricacies such as laser-endorsements, retroactive dates, aggregate exhaustion, etc.

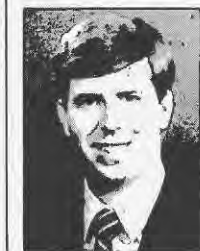
Also, assuming the accuracy of the data within the system, how important would statistics on losses be in a renewal situation?

So, rather than emphasize the analytical capabilities of an RMIS to compare different proposals or financing options, effective and comprehensive policy management modules, good solid loss control and claims monitoring features are the principal advantages of an RMIS today.

In summary, there were no dramatic changes from the 1985 conference in New Orleans. Risk management information systems continue to be of great interest to the risk management community.

Although the focus of this year's conference was on the difficult market, sophisticated risk management professionals recognize the value of an RMIS in assisting them to cope with the hard market of today and the eventual soft market of tomorrow.

David A. Tweedy is a risk management consultant for D.A. Betterley Risk Consultants Inc. in Worcester, Mass. He is the assistant editor of *Betterley Risk Management Commentary* and the author of



RMIS Update, a yearly publication analyzing major risk management information systems and vendors. His column on risk management information systems appears the third Monday of every month.

Insect bite compensable under work comp law

An employee suffered an accidental injury that arose out of, and in the course of, her employment when she was stung by an insect while working in a fresh vegetable plant, according to an Arkansas appellate court.

While working on the squash line at a fresh vegetable processing plant owned and operated by Gerber Products, Dortha McDonald was stung on the ankle by a spider or other insect. The fact that insects, snakes, birds and small animals could be found inside the plant was uncontradicted.

After the injury, McDonald experienced pain, a red bump and the aggravation of a pre-existing chronic circulatory condition in her leg. The injury left her permanently and totally disabled. The commission awarded her full benefits.

The issue on appeal was whether McDonald had suffered a compensable injury within the terms of the compensation law. The employer argued that her injury lacked the requisite employment connection because the risk of insect bites was not a natural and probable consequence of her employment.

However, the appellate court noted that it was policy that compensation laws be interpreted liberally in favor of claimants. Because the commission was required to draw all legitimate inferences in favor of the worker and give her the benefit of the doubt, the court concluded that an insect bite suffered by an employee working on a fresh vegetable food processing line was a

legal briefs

natural and probable incident of the employee's work. *Gerber Products vs. McDonald*, Court of Appeals of Arkansas, June 19, 1985 (BI/01/Ju.-\$5).

Claim limitation

A group life insurance policy's requirement that death occur within 90 days of an accident in order for accidental death benefits to be paid was valid and not void for reasons of public policy, the Court of Appeals of North Carolina ruled.

Kenneth Brendle was covered under his employer's group life policy, which contained accidental death and dismemberment coverage. The policy was issued by Shenandoah Insurance Co.

He was seriously injured in a truck accident on May 30, 1980, which eventually brought about his death 34 months later on April 3, 1983.

The policy paid benefits for injury or death within 90 days thereafter.

On Sept. 3, 1980, 96 days after the accident, Brendle's left eye was surgically closed because of his injuries. Loss of an eye was compensable under the policy.

The employer discontinued paying premiums on the policy on June 1, 1981, and Shenandoah notified Brendle that his group life insurance coverage would be extended for one year.

Brendle filed a claim on Sept. 30, 1981, for the loss of his eye. Shenandoah paid \$12,150 on that claim even though more than 90 days had elapsed.

Thereafter, Brendle died. Shenandoah paid his wife, as beneficiary, \$27,000, in ordinary life insurance but refused to pay any sum under the accidental death provision. She sued. The trial court dismissed her suit.

On appeal, the widow argued, in part, that the requirement that accidental death benefits were payable only if death occurred within 90 days of the accident was void for reasons of public policy. The court declined to rule the 90-day limit void.

According to the court, an insurer must set out specific types of loss covered and the time limit within which the loss must occur in order to determine reasonable premium rates.

However, the court reversed the trial court decision and awarded a new trial to determine whether Shenandoah's payment of the loss-of-eye claim outside the 90-day limit for the loss constituted a waiver of the 90-day clause in the policy. *Brendle vs. Shenandoah Life Ins. Co.*, Court of Appeals of North Carolina, Aug. 6, 1985 (BI/02/Ju.-\$5).

These abstracts were prepared by Cases Unlimited Inc. A copy of an entire decision may be obtained by sending a check for \$5 made out to Cases Unlimited to Business Insurance, 740 N. Rush St., Chicago, Ill. 60611. List the number for each opinion.

N.C. state employees offered HMO option

State employees in North Carolina are being offered the option of enrollment in health maintenance organizations for the first time.

About 170,000 employees have the choice of enrolling in one of three HMOs: Blue Cross and Blue Shield of North Carolina, Prudential Health Care Plan Inc. and Kaiser Foundation Health Plan of North Carolina, said Allen J. Feezor, deputy insurance commissioner for the state. Coverage under the plans is effective July 1, he said.

Employees also have the option of remaining in the state's group health plan, which is self-insured with claims administered by EDS Federal Corp., Mr. Feezor said.

Under the current plan, employees pay a \$100 individual deductible, a \$300 family deductible and a 5% copayment on the first \$6,000, up to a maximum out-of-pocket expense of \$400 for individual coverage and \$600 for family coverage.

And, employees contribute 26 cents per month toward the premium for individual coverage and \$89.54 per month for family coverage.

They also pay a \$75 deductible per hospital admission. There is a \$500,000 lifetime maximum under the plan.

On July 1, the deductibles will increase to \$150 for individual coverage and \$450 for family coverage, Mr. Feezor said.

There are no deductibles or copayments under the HMO plans.

Under the Blue Cross/Blue Shield HMO, employees will not pay for individual coverage, but family coverage will cost \$85.29 per month, he said.

The plan covers office visits, outpatient care, hospital care and routine vision screening.

Employees will pay \$3.40 per month for individual coverage and \$104.22 per month for family coverage under the Prudential Care HMO. The plan also covers office visits, outpatient care, hospital care and routine vision screening for members under age 18, he said.

Under the Kaiser plan, employees will pay \$8.58 per month for individual coverage and \$109.48 per month for family coverage, he said. The plan covers office visits, outpatient care, hospital care and eye exams, eye injuries and diseases, plus a portion of the cost of eyeglass frames and contact lenses.

"We're guessing that between 12% and 22% of the employees in the service areas of the HMOs will choose HMO coverage," said Mr. Feezor.

Contributions hiked

A new three-year contract between Rhinelander Paper Co. Inc. and two locals of the United Paperworkers International Union calls for increased employee contributions to medical benefits.

Under the new contract, effective Jan. 1 to Dec. 31, 1988, employees' monthly premium contributions to the company's group health plan increased to \$15 from \$10 for single coverage, and to \$20 from \$15 for family coverage, according to Tom Howatt, director of administration for the Rhinelander, Wis.-based paper manufacturer.

The plan is self-insured, with claims administered by Wausau Insurance Cos., he said.

In addition to the premium increases, employees also must pay a \$50 deductible toward individual or family expenses under the basic medical plan, said Mary Tess, senior employee relations specialist. Employees did not pay a deductible before the new contract. The plan continues to cover hospital inpa-

benefit beat

tient charges at 100%, she said.

The company also has a major medical plan, under which employees pay a \$100 deductible for individual expenses and a \$200 deductible for family expenses. And, a 20% copayment is required on all services, she said. This plan was not affected by the contract.

Along with these increases, the contract also calls for implementing a basic dental plan in the third year of the contract, said Ms. Tess.

The contract affects about 625 employees of Local No. 15 and Local No. 1778. It was ratified Dec. 27, 1985, Ms. Tess said.

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Employee Benefit Communications: A

It's becoming increasingly clear that employers must effectively communicate benefit programs so that employees can make informed choices.

This Conference focuses on the changing healthcare environment and the communication alternatives available to employers.

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Director, Employee Benefits U.S.
NCR CORPORATION
Panelist, *Computer Communications*
Case Study: Computer Communications
in conjunction with Hewitt Associates

Mario B. Caldarone
Director, Product Marketing
HUMANA INC., Group Health Division
Panelist, *Communicating Healthcare Alternatives: The PPO*

Kathryn Collura
Communications Consultant,
HEWITT ASSOCIATES
Case Study: Computer Communications
in conjunction with NCR Corporation.

Michael J. DiStefano
Manager, Domestic Benefits
COLGATE-PALMOLIVE COMPANY
Case Study: Print & AV Go Hand In Hand

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SARA LEE CORPORATION
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Pamela Keeler
Director, Advanced Benefit Communications
METROPOLITAN LIFE INSURANCE COMPANY
Panelist, *Computer Communications*
Case Study: Computer Communications

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Case Study: Print & AV Go Hand In Hand

Kathryn McIntyre, A.R.M.
Editor
BUSINESS INSURANCE
Opening Remarks

Dennis B. McKoy
Senior Vice President
JOHNSON & HIGGINS
Case Study: Computer Communications
in conjunction with RCA Corporation

Alfred Malecki
Publisher
BUSINESS INSURANCE
EBC Awards Luncheon

John D. Moynahan, Jr.
Executive Vice President
METROPOLITAN LIFE INSURANCE COMPANY
Keynote Speaker
Moderator: *Communicating Healthcare Alternatives*

Robert Normyle
VP, Sales & Marketing
US HEALTHCARE, NEW YORK
Panelist, *Communicating Healthcare Alternatives: The HMO*

Eileen Nash
Director, External Communications
EQUITABLE GROUP & HEALTH INSURANCE COMPANY
Panelist, *Communicating Healthcare Alternatives: The Indemnity Plan*

• AGENDA • AGENDA • AGENDA • AGENDA • AGENDA • AGENDA • AGENDA

Keynote Address

Mr. Moynahan's dynamic address will set the tone for the *Business Insurance* 1986 Conference, as he describes today's changing healthcare environment and the developing trends in the marketplace.

Panel: *Communicating Healthcare Alternatives*

This three part panel will discuss how to best communicate the unique features of a particular type of healthcare plan so that employees can make informed choices. Speakers will point out weaknesses in how employers communicate alternative plans and how alternatives can be effectively communicated.

The Indemnity Plan: The changing healthcare environment has transformed the traditional plan to include innovative cost containment programs. *Equitable* suggests that as employees become active healthcare consumers, employers must develop comprehensive communication programs that motivate employees to get involved with their healthcare choices.

The PPO: The entry of preferred insurance into the marketplace requires the employee to have a greater understanding of the services provided. *Humana* stresses that while effective communications are essential for the total understanding of the plan, the employer must also assure employees that the quality of services has not been sacrificed for a lower cost plan.

The HMO: Healthcare management in the form of HMOs is in an evolutionary stage, suggests *US Healthcare*. The widening range of benefits — health programs such as health check and dental plans — point toward the need for increased communication by employers so that employees can make educated choices.

Panel: *Computer Communications*

This panel consists of employee benefit specialists whose companies are on the cutting edge of communications technology. Discussions will focus on why their companies opted for computer communications and how they combined market trends with technological innovations to implement state-of-the-art interactive communication vehicles.

Metropolitan Life blended the skills of benefits, technological and communication experts to develop an employee communications program called "SHOWCASE." Employees can directly access information about their benefits from interactive computer terminals housed in kiosks in the company lunchroom and lobby.

NCR Corporation is using NCR pc's as communication vehicles and interactive decision aids in employee retirement planning. NCR developed "EstiMATE," a software package that enables employees to do long-range forecasting of their future retirement income.

RCA Corporation's interactive communication system is tapped by employees for benefits data approximately 7,000 times a month. The system is designed to expand the applications to include interactive video, job postings, local health provider information and more.

Hanes Group, a subsidiary of Sara Lee Corp., developed a program using microcomputer disks to introduce a new 401(k) feature to their Retirement Savings Plan. In one-on-one meetings, employees were able to experiment with the percent of deferred pay and immediately see the impact of their decisions on take-home pay and benefit projections.

EBC Awards Luncheon

Recognizing outstanding communications programs, Alfred Malecki, Publisher, Business Insurance, presents the 14th Annual EBC Awards.

Case Study Sessions

Informal workshops will be presented as concurrents giving you the opportunity to attend all sessions.

Total Benefits Communication

Bell Atlantic Enterprises' communication program, "A Wave in Benefits," is a 1985 award winning example of a total communication effort, effectively communicating the full range of benefits. Mr. Olsen will review the program, including such aspects as management objectives, budgetary considerations and strategies.

Print & AV Go Hand In Hand

This session will focus on how *Colgate-Palmolive* combined audio-visual and unique print to build a 1985 EBC award winning communications program, "More Financial Power." They chose a marketing approach to introduce a new 401(k) feature to their employee savings plan, by using identifiable packaging and slogans. Mr. DiStefano and Ms. Kekich will explain why Colgate chose this approach and will give an overview of the components of the program.

Computer Communications Workshops

The Computer Communications panelists, along with their consultant or marketing firm, will provide personal computers so that attendees may have an unprecedented opportunity to experiment with these communications vehicles.

Changing Environment Offers New Choices

Come to the BI Conference ... listen, learn and contribute. The choice is yours!

August 4 and 5
The Marriott Marquis Hotel, New York City

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 RCA CORPORATION
 Panelist, *Computer Communications*
 Case Study: *Computer Communications*
 in conjunction with Johnson & Higgins

Don Olsen
 Manager, Benefit Plans
 BELL ATLANTIC ENTERPRISES CORPORATION
 Case Study: *Total Benefits Communication*

Frank Pirrone
 Assistant Vice President
 JOHNSON & HIGGINS
 Case Study: *Computer Communications*
 in conjunction with RCA Corporation

Steve Ramsey
 Communications Consultant
 HEWITT ASSOCIATES
 Case Study: *Computer Communications*
 in conjunction with NCR Corporation

Herb Zeltner
 President
 HERBERT ZELTNER CONSULTING INC.
You Be The Judge

The BI Conference opens Sunday, August 3, with registration check-in and a cocktail reception from 5-7pm. Sessions begin Monday, August 4 at 8:30am. The conference adjourns Tuesday, August 5 at 3:45pm. The cost is \$625. A 10% discount is offered to additional registrants from the same company. The fee includes sessions, workbook, and educational materials, and scheduled functions.

Payment required with registration. All registrations will be confirmed.

Cancellations must be received in writing. A refund will be made on cancellations received prior to July 1. A \$100 service charge will apply to cancellations received after July 1. No refund will be made on cancellations received less than 5 business days prior to the conference. If your plans change, you may substitute the name of another person from your company without penalty.

To register, complete the form and send it with your payment to:

**Business Insurance, Communication Services Department,
 220 E. 42nd St., Suite 930, New York City, NY 10017
 For information call: Ann Vazquez, Registrar, at (212)210-0137.**

HOTEL ACCOMMODATIONS

We have set aside a block of rooms at a special \$125 room rate at the new Marriott Marquis Hotel in New York City. These rates are available to Conference Registrants only, and will be honored until July 14.

You must mention the *Business Insurance Benefits Conference* when making your reservations. Hotel cards will be included with your Conference Registration Confirmation. Or call the Marriott Marquis Hotel at (212)704-8700; or toll free at (800)228-9290.

Awards Luncheon

A luncheon ticket is included with your Conference registration. A limited number of additional seats are available for the EBC Awards Presentation Luncheon.

Tickets are \$60 each, available on a first come-first serve basis; **reservations required.** Contact Registrar.

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Task Force Sessions

In an all new format, this session provides a challenging forum for attendees. You can select employer specific task force units to discuss and evaluate proposed communications problems, and then present your findings to all. Use the registration form to pre-select one of these communication issues:

- Communicate plan changes from first-dollar medical coverage to co-payment with deductible.
- Improve participation in a two-year old 401(k) program.
- Introduce a flexible employee benefits program.
- Induce part of your employee population to take early retirement.
- Update a long standing, but not very effective communications program.
- Design a communications program for top level executives only.

Pre-Retirement Counseling Programs: New Approaches

Rather than designing a pre-retirement counseling program, Mr. Esteban proposes that 'retirement planning education' be presented as a 'life planning' vehicle built into a company's total benefits package. He suggests that employee groups be broken down by age periods and that the design of such programs fit the specific needs of each group.

You Be The Judge

Mr. Zeltner returns to the BI Conference to lead attendees in an energetic session. He will introduce selected audio-visual programs submitted to the EBC Competition, offering insight as to what other industry professionals are doing in this medium.

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*The size of each session is limited, each Task Force will be filled on a first-come, first-serve basis

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Risk manager captures insurance woman title

By JOANNE WOJCIK O'HARE

The concept of risk management was as new to American industry when Edith Lichota entered the field as was her intent to blend career with motherhood.

And because she was one of the first to manage risks both on the job and at home, she didn't have any guides to show her the way.

"I came into the field at a time when there weren't very many risk managers," she said. As a result, Ms. Lichota received her training "in the trenches."

Now, that pioneering effort has been recognized. For the first time since its founding in 1976, APIW Inc. has named a risk manager Insurance Woman of the Year.

Ms. Lichota, senior vp-risk management at Irving Trust Co. in New York, is the 10th person to receive the annual merit award from the professional association of women in the insurance and reinsurance industries.

A reception in her honor will be held at the Wall Street Club in New York May 29.

When Ms. Lichota landed her first insurance-related position at Work Wear Corp. in Cleveland in 1966, she discovered the bachelor's and law degrees she earned at Western Reserve University in Cleveland did not adequately prepare her for the challenges her new job presented.

So she studied hard "from anybody who would teach me anything" for eight years, asking a lot of questions and devouring whatever reading materials she could find on the subject.

The experience proved valuable for Ms. Lichota and others who laid the groundwork for what since has become an integral business practice.

"We were writing the book and a lot of us realized what we were doing," she said in retrospect.

After her initial self-training at Work Wear, Ms. Lichota continued her "education" at several manufacturing firms, serving variously as director of insurance, personnel and benefits and manager of insurance and risk management.

In 1980, she joined the Insurance Co. of North America in New York as vp-government affairs and special marketing, and in 1984, she was elected to a seat on the Board of Trustees of the College of Insurance.

Ms. Lichota also was one of the principal architects of the now 6-year-old New York Insurance Exchange, which recently moved into its first owned headquarters (BI, May 5).

More recently, Ms. Lichota has been closely involved with the formation of Bankers' Insurance Co. Ltd., a Bermuda-domiciled bank-funded mutual insurer, which was approved by the Board of Governors of the Federal Reserve on Jan. 22 and held its first full membership meeting April 4 (BI, Jan. 27).

The captive, which has been incorporated by 28 banks, will provide bankers blanket bond and directors and officers liability coverage with primary or excess limits of \$10 million.

Ms. Lichota chaired the task force that conducted the captive feasibility study, and currently is serving as chairwoman of the new insurer's board.

"It was an exciting challenge," Ms. Lichota says of her involvement in BICL's formation.

"It was the first time I ever put an insurance company together." She is grateful for the assistance she received from Sidney R. Pine, whom she dubbed "the grandfather of the captive insurance industry."

Mr. Pine is an attorney with the law firm of LeBoeuf, Lamb, Leiby & McRae in New York, who served as legal and tax adviser on the captive project.

Risk management consultants at The Wyatt Co. in Chicago also were retained to study the options available for banks to obtain desired limits at reasonable prices (BI, July 22, 1985).

The company's first binders were issued May 2, Ms. Lichota said.

Ms. Lichota admits that the extracurricular activities in which she has been involved over the course of her career have presented a few scheduling conflicts.

But the support she receives from her employer and family help her maintain the balance, she says.

"I did what I did because it was what I honestly wanted to do," she said.

Apparently Ms. Lichota's current employer realized the value of the experience she was deriving from her involvement in this latest outside project.

Irving Trust's "management was very supportive" and considered the corporation's priorities as well as those of the industry as a whole, she said.

Still, the demands on her time were considerable. "I've been literally doing two jobs," she remarked.

"Fortunately, I have a very good, professional staff at Irving Trust."

Ms. Lichota also receives encouragement from her husband and five children, who said, "It's about time," when they learned she would receive the citation for her commendable career, she said.

Ms. Lichota attributes much of her success to that family support: "I have my own private cheering section."

And although her career demanded much of her time and attention, she still was a full-time mother while her children were young, employing the services of a live-in companion—a sort of "nanny"—to help her keep things running smoothly while she was away on business.

Her husband, William, a portfolio manager who maintained an office in Cleveland throughout Ms. Lichota's job moves, views her career as "one of his favorite spectator sports."

"We had a commuter marriage long before it became an accepted pattern," she said.



Ms. Lichota

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West Virginia

Continued from page 1

While the temporary injunction is in force, the antitrust suit it stemmed from is pending in Kanawha County Circuit Court in Charleston.

Since the state Supreme Court issued the temporary injunction against any medical malpractice policy cancellations, one of the insurers said it would file a motion in the Circuit Court to have the injunction dissolved and another insurer said it will not renew its license in West Virginia.

"CNA will move for a dissolution of the (Supreme Court) order," said a spokeswoman for the company.

Early last month, CNA mailed cancellation notices to about 5,300 professional liability policyholders, which include some 5,000 health care providers.

CNA said it took the step to cancel policies because it believes the new law has "intolerable consequences . . . (that) severely restrict the pricing and underwriting rights of malpractice insurers."

OHIC also will do everything it can to dissolve the Supreme Court injunction, but in the meantime, it decided not to renew its license in West Virginia, which was scheduled for renewal June 1, said Thomas E. Gallagher, executive vp.

Mr. Gallagher said it is unclear whether the decision not to renew its license means OHIC will be able to pull out of West Virginia, but he asserted: "We'll try to."

The insurers decision to issue policy cancellations, the state's subsequent antitrust suit against them and the temporary injunction issued by the state Supreme Court followed the enactment of S.B. 714. The measure was signed March 26 and its provisions are scheduled to go into effect June 6.

Among its provisions, S.B. 714 sets a \$1 million cap on non-economic damages in medical malpractice cases. It also lists only five reasons under which an insurer can cancel or non-renew a malpractice policy:

- Non-payment of premium within a reasonable time of the due date.
- The policy was obtained through material misrepresentation.
- The policyholder violates any of the material terms and conditions of the policy.
- The policyholder's experiences render it an increased risk.
- The unavailability of reinsurance, with sufficient proof supplied to the commissioner of insurance.

Several states have enacted tort reform legislation this year, but "in no other state did legislators pass and enact and do to us what West Virginia did to us," said A. Kent Shamblin, vp of corporate affairs for St. Paul. He said the new law, in effect, tells an insurer that once it's on a policy, it's on it perpetually, unless the policyholder cancels.

Following the signing of S.B. 714, St. Paul sent cancellation notices April 7 to both medical and non-medical professional liability policyholders, which include physicians, attorneys, bankers, beauticians, real estate agents and insurance agents. The insurer estimates the policies to be cancelled represent \$4.7 million in premiums.

CNA cites similar reasons for sending out its cancellation notices. "The law has inflicted unreasonable restrictions on how insurance companies conduct business by mandating who will be insured under what conditions and by imposing punitive and unproductive procedures on pricing and underwriting," said Kevin J. McHugh, CNA vp for specialty operations.

Attorney General Brown contends that all three insurers—CNA, St. Paul and OHIC—took the action to cancel policies on the same day, and therefore, violated the state's antitrust act.

The attorney general's assertion is "absolutely untrue," said St. Paul's Mr. Shamblin, who added that the actions by the insurers were "purely coincidental."

The actions by insurers prompted doctors to advertise that they were losing their insurance. Mr. Brown requested the injunction from the Supreme Court because there was a public panic and a potential for a medical crisis in the state if physicians and hospitals stopped providing services.

"We filed for the injunction (citing) a medical state of emergency," Mr. Brown said. "The lack of social responsibility (by the insurers) was evident."

The motion for an injunction was filed with the Supreme Court on April 29 and granted nine days later. Mr. Brown noted that the injunction applies only to these five insurers and only for medical malpractice insurance. Other insurers also have sent out notices of cancellation, but they are not barred by this Supreme Court order, he said.

And, the order also does not apply to cancellation notices of other types of professional liability. Mr. Brown explained that it was the "medical emergency" he was trying to prevent.

Some have wondered whether the antitrust case, now in the Circuit Court, will proceed if the Legislature amends the law and insurers revoke their cancellation notices.

"We will proceed with this trial . . . There are civil penalties under the antitrust law," said Walt Auvil, an assistant attorney general.

Meanwhile, the governor's bills still were being drafted on the eve of the special session. His press secretary, John Price, said one bill will call for the creation of a state-operated and -administered insurance fund to provide coverage for health care providers, such as physicians and hospitals, as well as other state licensed individuals, such as architects, attorneys and engineers.

According to the governor's plan, only the state fund would be allowed to insure these risks. In addition, businesses that have a business franchise tax certificate would be able to apply for insurance from the state fund, but they would not be entitled to automatic coverage. Businesses' applications for coverage could be turned down, Mr. Price said.

Financial institutions also could apply for directors and officers coverage, he added.

The governor said the fund would immediately give a 20% reduction in premiums and would generate \$50 million the first year.

In a second measure, the governor is calling for a separate exclusive state fund to provide liability insurance to local governments.

Details of the bills were unavailable. Both Senate President Dan Tonkovich, D-Benwood, and House Speaker Joseph Albright, D-Parkersburg, previously announced three proposed changes to the new law:

- The prohibition against non-renewals would be eliminated. However, the prohibition against cancellation would remain.
- Insurers would be required to annually file disclosures of reserves and settlements in the aggregate, rather than on a case-by-case basis, as stipulated in the new law.
- Public hearings for malpractice insurance rate increases of 10% or more must be held with 60 days of the filing. The new law requires that hearings be held but does not include a timetable.

New tort law

Continued from page 3

- Modification of the doctrine of joint and several liability as applied to non-economic damages.

The new measure limits a defendant's liability for pain and suffering to the percentage of its fault.

The only exceptions allowing joint and several liability for pain and suffering is when the injured party is totally without fault for his or her injury and in cases involving hazardous wastes.

Under current state law, a plaintiff can collect full damages for pain and suffering from one of several defendants, even if that defendant is judged to be only partly at fault.

- Use of periodic payment of awards for future economic damages.

Any such award exceeding \$100,000 could be paid periodically if requested by either party. Currently only if both parties agree can damage payments be structured for periodic payment.

- Authorization for a market assistance plan to be formed by the insurance commissioner to assist individuals or entities that are unable to purchase liability insurance from either the admitted or non-admitted markets.

The insurance department met earlier this month with insurers to

discuss the formation of a MAP for such risks as directors and officers, day-care centers and possibly nurse midwives, Mr. Rodgers said.

- The release from liability of directors and officers of non-profit corporations and school directors and superintendents—unless they act with gross negligence. This section of the bill took effect immediately upon the governor's signature, but other sections of the bill will apply to lawsuits filed on or after Aug. 1.

Meanwhile, a seven-member task force, appointed by the insurance commissioner last fall to study the state's liability law, has disbanded.

Originally, the task force was to submit recommendations to be considered in 1987 by the Legislature. "No one anticipated that such a bill would pass this year during a special session," Mr. Rodgers said.

With the adoption of S.B. 4630, the task force decided to disband. However, Commissioner Marquardt has indicated he will appoint four or five smaller task forces to study other insurance issues and to monitor the effects of the new law.

And, although the task force has disbanded, the Liability Reform Coalition is remaining intact to support lawmakers who voted for tort reform, said coalition consultant Barbara Worley. ■



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update

Allis-Chalmers, PBGC settle

Continued from page 2

the spokeswoman. In addition, the PBGC also will be able to purchase 1.5 million shares of common stock under warrants that guarantee a purchase price of \$7.50, she said.

One large pension plan covered about 8,600 United Auto Workers employees. "The plan was terminated on July 26, 1985, because of unfunded vested benefits of \$173 million on Jan. 1, 1983," said the spokeswoman. In addition, 10 smaller plans covered about 600 retirees. "Those plans covered retirees who had worked at plants that have been closed down for several years," she said.

The smaller plans were terminated on Oct. 31, 1985, and were underfunded by about \$5.5 million, said Royal Dellinger, deputy executive director of the PBGC.

"The total liabilities to the PBGC are about \$180 million," he said. "And, the PBGC received about \$12 million in assets from the plans when they were terminated—about \$7.8 million from the 10 smaller plans and about \$5 million from the large plan," he added.

Vaccine coverage may expire

NEW YORK—Lederle Laboratories says it probably will not be able to renew product liability insurance coverage for its combined diphtheria, tetanus and pertussis vaccine. "All indications are that Lederle may not be able to get any liability insurance coverage for our DTP vaccine after July 1," a Lederle spokeswoman said.

Lederle—now in the process of negotiating the renewal with insurers—was hit last year with 109 lawsuits seeking \$3 billion in damages for alleged injuries resulting from its DTP and polio vaccines, the spokeswoman said. She added that the number of insurers willing to discuss coverage of vaccine-related liabilities has dropped from 26 to eight.

If Lederle can't renew its coverage, it may continue to produce the vaccine but distribute it through other entities—possibly government agencies—that would assume liability, the spokeswoman said. The company also may elect to self-insure the exposure while raising the price of the vaccine to cover costs, she added.

Lederle, a unit of Wayne, N.J.-based American Cyanamid Co., and Connaught Laboratories Inc. of Swiftwater, Pa., are the only two companies still producing the vaccine. Several other producers have pulled out of the market since 1983 citing an explosion of lawsuits (BI, July 2, 1984; Dec. 17, 1984).

Connaught—which temporarily stopped distributing DTP vaccine under new sales contracts in late 1984—is now "responding to all orders" and has "acceptable" insurance coverage, according to David J. Williams, vp and general manager.

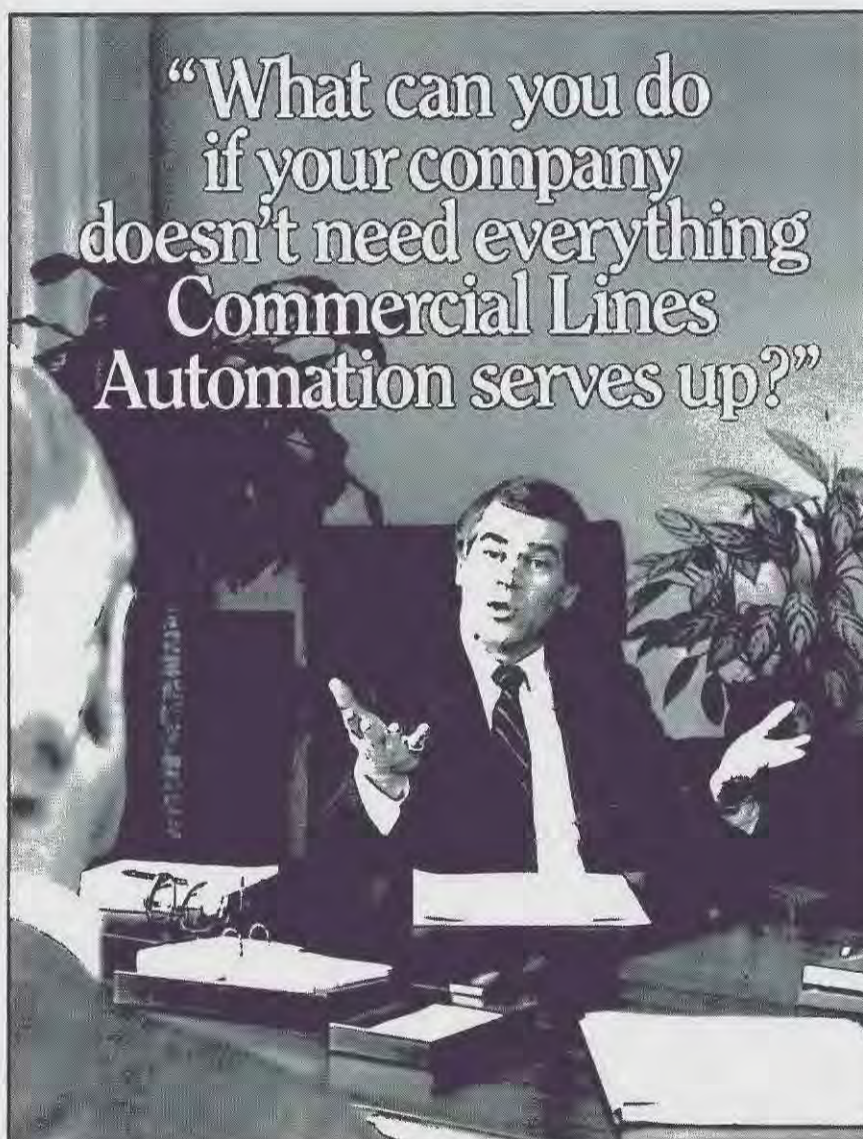
Connaught is facing more than 70 vaccine-related lawsuits seeking \$1 billion in damages, Mr. Williams said.

Simon sponsors antitrust bill

WASHINGTON—Sen. Paul Simon, D-Ill., is sponsoring legislation to scale back the McCarran-Ferguson Act.

The measure would bar insurers—for the purposes of federal antitrust law—from exchanging data concerning each company's cost of doing business. It also would pre-empt any state law that allows insurers to jointly set rates.

"This 'overhead' factor represents between 25-45% of the final premium charged to consumers. Insurance companies do not need to exchange such information to price their products knowledgeably and this added competition will promote industry efficiency and help keep insurance rates reasonable," according to the senator's office.



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Business Insurance Circulation Breakdown* Commercial Consumers

Administrative:	
CEO's presidents and owners...	2,983
Vice-presidents, general managers and other administrative personnel	2,758
Financial:	
Chief financial officers and vice-presidents of finance	2,018
Secretaries, treasurers, controllers and other financial personnel	6,484
Risk/employee benefits:	
Vice-presidents, directors, managers, and other related department personnel of: insurance, risk, employee benefits, personnel, compensation, pension, safety, security, industrial relations, human resources and employee/labor relations	8,111
Sub-total	22,354
Associations	483
Government, unions and educational institutions	1,252
Commercial Consumers	
Sub-total	24,089
Insurance agents and brokers	10,285
Insurance companies	6,739
Financial institutions	748
Actuaries, attorneys, adjusters, appraisers and consultants	3,808
Others allied to the field	1,308
TOTAL	46,977
* Source: Business/Occupational breakdown of qualified circulation, Nov. 25, 1985 issue, as submitted to BPA for December 1985 BPA Publisher's Statement.	

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Consultant merger

Continued from page 3

past 10 years. Tillinghast is the largest and its size was initially a source of concern, Mr. Smith said. However, the "unusually good fit" means that "everybody should win," he said.

An attractive feature of the Tillinghast practice is its foreign risk management and insurance consulting operations and employee benefits practice, including offices in London and Sydney, Australia, he added.

Guiding the new TPF&C will be a recently expanded 28-member board of directors. Four new seats have been added for Tillinghast officials: Mr. MacGinnitie, who will act as managing director of the Tillinghast insurance consulting services unit within TPF&C; James C.H. Anderson, Tillinghast's president, who will become a TPF&C director; Randall P. Mire, managing principal of Tillinghast's life and health division; and Robert W. Sturgis, managing principal of the risk management and casualty division.

The TPF&C board may be expanded to add a fifth Tillinghast representative, but that has not been assured, according to company officials.

TPF&C officials have promised to review how the new firm will be governed in light of the different approach used in managing the two firms.

At Tillinghast, the board was elected on the basis of one-person, one-vote, and service limitations forced a rotation of members, Mr. MacGinnitie said. "Historically, (TPF&C's) culture has been somewhat less democratic," he said, and there has been little rotation of board members.

While TPF&C officials have agreed to discuss the matter, "no one can guess what can come out of the study," said TPF&C president James E. Kielley. However, a promise to meld management style was not a condition of the merger, he pointed out.

"While there is some loss of autonomy, we satisfied ourselves that the cultures were very similar and we would be happy to adopt and work in their culture," said Tillinghast's Mr. MacGinnitie.

Product liability

Continued from page 3

while manufacturers and insurers said it would have exposed them to thousands of claims with little or no merit.

Sen. Danforth says his new approach is much simpler than no-fault, but it still gives manufacturers and consumers incentives to settle without extensive litigation.

Under the proposed new expedited settlement system, which would be an alternative to traditional litigation, a manufacturer's liability would be limited.

For example, a manufacturer could offer to settle a claim by paying for a plaintiff's economic losses, like uncovered medical bills, and any "dignitary losses." Dignitary losses are defined as: mental anguish associated with the death of a parent, child or spouse; permanent and gross disfigurement; permanent loss of a limb or organ, or serious and permanent impairment of a bodily function.

If the plaintiff rejected the settlement offer and sued, the plaintiff's maximum recovery would be economic losses plus up to \$250,000 in pain and suffering damages.

On the other side of the coin, a plaintiff could offer to settle a claim by asking a manufacturer to pay economic losses and up to \$250,000 in pain and suffering damages for severe and permanent injuries.

If a manufacturer agreed to pay the claim but disputed the amount, the claim would go into binding arbitration.

And, if the manufacturer spurned the settlement offer and the plaintiff sued and won, the manufacturer would have to pay awarded damages, plus a 25% penalty and interest payments starting from the time the claim was filed.

Sen. Danforth says this expedited claims procedure could ensure speedy settlements and reduce the number of cases filed in courts. "The basic idea remains to get as many people as possible out of courts and into a simpler alternative settlement system that makes injured persons whole on an expedited basis and without the costs associated with prolonged litigation."

Similarities between the firms include private rather than public ownership, an emphasis on quality service, "reasonable" autonomy for individual professionals, profitable growth and the opportunity for persons to develop and grow professionally within the firm, Mr. MacGinnitie said.

The merger was "a natural thing" growing out of a long-standing, friendly relationship between the two consulting firms, Mr. Kielley said. TPF&C made the first "low key" suggestion, he added.

"We feel we paid a fair price and will create a combined company where everyone can be comfortable," Mr. Smith said. He declined to reveal the purchase price.

The new TPF&C has no plans to go public and continues to stress the importance of private ownership to protect the consultants' independence, Mr. Smith said. "We have only one master, the client," he said.

As a result of the merger, TPF&C, the second-largest employee benefits consulting firm, is predicting booming growth this year with annualized revenues nearing \$400 million. Of that, \$360 million will be generated by consulting and about \$40 million from reinsurance brokerage, Mr. Kielley said. TPF&C's reinsurance brokerage operation is the fourth largest in the country based on 1985 revenues (BI, Nov. 11, 1985).

The 1986 projected consulting revenues anticipate a 20% increase from the combined consulting revenues of the two firms in 1985, which totaled about \$300 million. The projected reinsurance brokerage revenues anticipate a 33% increase from 1985 revenues of \$30 million.

Separately, in 1985, TPF&C generated \$272 million in total revenues, including reinsurance brokerage, while Tillinghast generated about \$58 million, Mr. Kielley said.

While Tillinghast will remain the largest independent risk management consultant in the country, the merger is not expected to unseat William M. Mercer-Meidinger Inc., a subsidiary

of Marsh & McLennan Cos. Inc., as the largest employee benefit consultant.

Based on figures previously reported separately by TPF&C and Tillinghast, their combined risk management consulting revenues in 1985 totaled \$10.6 million—\$9.8 million from Tillinghast and \$750,000 from TPF&C (BI, March 17).

Their combined employee benefit consulting revenues totaled \$195 million—\$180 million from TPF&C and \$15 million from Tillinghast (BI, Dec. 23, 1985).

Mercer-Meidinger reported \$226 million in revenues from employee benefit consulting in 1985.

When compared with the new TPF&C, Mercer-Meidinger, with 86 locations, operates from 40 more locations than TPF&C. And Mercer-Meidinger's 3,980 staff members number 480 more than TPF&C's.

However, TPF&C's 530 actuaries in the merged practice is slightly more than Mercer-Meidinger's 514 professionally accredited actuaries, excluding enrolled ones.

Mercer-Meidinger included in those figures actuaries from the United Kingdom-based Duncan C. Fraser & Co. actuarial consulting firm that it acquired May 1, noted Diljit S. Juneja, president.

Both TPF&C and Mercer-Meidinger say they serve about 10,000 clients.

Mr. Kielley last week broke down the percentage of 1985 revenues of \$300 million generated by each of the firms in five consulting disciplines and estimated how those revenues combine in the new TPF&C. He estimated that 55% of combined 1985 revenues were generated by employee benefits consulting; 16% from insurance consulting other than risk management; 4% from risk management consulting; 12% from general management consulting; and 13% from compensation consulting.

(Due to different reporting methods, applying these percentages to \$300 million does not produce the same revenues for risk management and employee benefit consulting as previously reported to BI.)

St. Paul invites tort debate

ST. PAUL, Minn.—The St. Paul Insurance Cos. is inviting those concerned about the U.S. civil justice system to meet face-to-face in an effort to sort out society's priorities and agree on a solution.

Robert J. Haugh, chairman and chief executive officer of the firm, extended the invitation during the annual shareholders meeting May 6 in St. Paul. Mr. Haugh added that the insurer is willing to act as a host.

"We pledge to all that we will not dictate solutions," but "we will make a good faith effort to bring all parties together," he said.

Mr. Haugh said society is "torn between two perspectives" on the current state of the civil justice system: those who seek monetary recovery for injuries and believe there is nothing wrong with the current system, and those who think the frequency and amount of recoveries threaten the U.S. economy.

"The advocates of each perspective throw around statistics with wild abandon and they succeed in confusing everyone else," said Mr. Haugh. "In this environment, even objective people have trouble separating fact from fiction."

"The real issue is the frequency of claims, the expense of moving those claims through the civil justice system and the amount of the recoveries," he contended, adding that the increase in the number and amount of those recoveries is what causes premium hikes.

St. Paul is concerned "about the increased loss costs being borne by our customers... about the growing divisiveness in our society and about making sure we do our part to resolve this issue," he said.

"We have a duty not only to share our knowledge, but to be a constructive adviser to the various groups concerned about the tort system," Mr. Haugh said.

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May 12	Apr 29
May 19	May 7
May 26	May 14
Jun 2	May 20
Jun 9	May 28
Jun 16	Jun 4
Jun 23	Jun 10
Jun 30	Jun 18
Jul 7	Jun 24
Jul 14	Jul 1
Jul 21	Jul 8
Jul 28	Jul 16
Aug 4	Jul 23
Aug 11	Jul 29
Aug 18	Aug 6
Aug 25	Aug 13
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New disclosures

Continued from page 1

However, hazardous waste disposal operator Browning-Ferris was much more detailed about its insurance problems. It reported that when its umbrella liability coverage expired on Oct. 1, 1985, it was "forced to accept substantially reduced policy limits."

Browning-Ferris reported it now self-insures the first \$1 million of automobile and general liability losses and the first \$500,000 of workers compensation and property losses. The first layer is a \$5 million limit umbrella policy, which is subject to prospective premium adjustments based on losses paid, the company said.

"The final layer of umbrella insurance is for an additional \$20 million, with a 60% coinsurance formula for any losses falling within that layer of coverage being borne by the company," the company also said.

Browning-Ferris is continuing to try to obtain umbrella liability insurance and environmental impairment liability insurance, but "no assurance can be given that such coverage can be obtained upon reasonable terms or upon any terms," the company added.

SmithKline Beckman, meanwhile, disclosed that the company's liability insurance was substantially reduced in 1985 due to a general decrease of available coverage.

Johnson & Johnson reported that because of the unavailability of conventional liability insurance, it is substantially uninsured for injuries occurring after Jan. 1, 1986, but that it is pursuing efforts to replace the coverage and is establishing reserves based on claims experience.

Abbott reported that its insurance, including product liability coverage for events on or after Jan. 1, 1986, is substantially less than that it had previously.

In its annual report, Squibb says its coverage after Jan. 1, 1985, is substantially less than the amount available in the recent past and, consequently, it is now primarily self-insured.

Bristol-Myers says its coverage, including product liability coverage, is substantially less than it had before June 30, 1985.

"Overall limits of the coverage have been materially reduced and deductibles have been substantially increased," it says. Environmental impairment liability insurance is not available, the company added.

Among the other automakers, only American Motors Corp. refers to insurance problems and potential claims costs in its reports to

Ancon

Continued from page 3

miums reported in 1985—as a result of late reporting of premiums—totaled \$18.9 million in 1985, compared with \$40.3 million in 1984 and \$38 million in 1983.

The higher loss on unrelated business reflects reserve strengthening and higher than expected settlements, said the annual report.

Had it not been for this \$22.8 million charge, Ancon would have come close to its 1984 net income of \$132.5 million.

The Ancon report notes that in calculating losses from discontinued operations last year, the estimated cost of incurred but not reported claims and reported but not settled claims against Ancon's U.K. subsidiary have been reported on a present value basis.

It says that the full estimated costs of such reserves is discounted using an 8% rate of interest to account for the delay in settling such claims. And, it adds, "if this provision were not made on a present value basis, there would have been an additional charge to income of \$10.3 million in 1985 and the reserve for outstanding losses, net of recoveries, of \$18 million would have increased by a similar amount."

When the company discontinued writing unrelated risks in 1984, Exxon Holding's then-president, Clayton P. Cormier, said the decision was not based on the combined ratio produced by the non-related business. Exxon Insurance's three underwriting operations had made a "modest profit" on unrelated risk business, he said then (BI, Oct. 8, 1984).

Ancon had reported its results on non-related reinsurance business from 1979 through 1981, a practice it stopped in 1982. Unrelated business was reported as producing a 78.9% loss ratio on net premiums of \$1.3 million in 1979; 110.1% on net premiums of \$3.4 million in 1980; and 83.6% on net premiums of \$10 million in 1981.

Earlier this year, Ancon's management company, Exxon Insurance Services, announced it was winding down its Bermuda operations and would transfer most of its work to newly formed Exxon Risk Financing in New Jersey by the end of June (BI, Feb. 24).

shareholders.

In its 1985 10-K, American Motors says that it has insurance to cover the approximately \$1.8 billion in damage claims in connection with Jeep CJ vehicles, but that it is uncertain if it will be able to maintain its insurance.

Reserves have been established based on the company's estimate of its exposure to settlements and judgments due to accidents that have occurred, the Southfield, Mich.-based company says.

"Although the company has product liability insurance, it is possible that the disposition of existing and future claims could be very costly to the company over a period of time, particularly if there were to be substantial punitive damage awards (as to which insurance recoveries may not be permitted in many states) or if the company were unable to maintain adequate insurance," it added.

Ford disclosed that it faces about \$4 billion in damage claims arising from lawsuits filed by individuals.

However, Ford and AMC say that the litigation should not have a material effect on their companies.

Neither Chrysler Corp. nor General Motors Corp. refer to liability insurance problems in their 10-Ks. And, they only refer to pending litigation. Both companies assert that the litigation will not have a material effect on their companies.

Currently, there are no specific requirements that companies disclose information to shareholders about whether they have lost liability insurance, but auditors are encouraging them to do so.

"Our firm encourages our clients who have much less insurance coverage than in previous years to disclose that fact," said Benjamin Neuhausen, a partner with Arthur Andersen in Chicago.

"There's no explicit requirement, but it is clear to a lot of auditors it should be disclosed in financial statements—particularly when it presents a specific risk to the company," says John Ellingsen, who is in charge of auditing policies and procedure for auditor Deloitte, Haskins & Sells in New York.

"Auditors have it under intense scrutiny. This is on the forefront of everybody's mind."

In addition to a commitment to better inform shareholders, the significant increase in litigation against companies and auditors citing misleading financial statements also is contributing to more disclosures about the lack of insurance, some say.

There is some concern by auditors and companies that if a company can't purchase adequate insurance and later suffers an unin-

sured loss, the auditors and/or the company will be sued by angry shareholders, Mr. Neuhausen explained.

Disclosing information today "is protection against being second-guessed tomorrow," he explained.

But currently, whether companies include information about insurance problems—or potential liability from damage claims—depends on management's assessment of the seriousness of the problems and its attitude toward disclosure, Mr. Ellingsen says.

Some will only disclose the bare minimum while others will make a complete disclosure, he points out.

Adopting rules requiring disclosures about insurance problems would build upon current accounting rules, some point out.

Currently, the Financial Accounting Standards Board Statement of Financial Accounting No. 5—Accounting for Contingencies—deals with disclosing contingent liabilities.

FASB No. 5 requires that a company accrue for a loss, if it is probable a liability has been incurred and the amount of the loss can be reasonably estimated. If a reasonable estimate cannot be made, or if a loss is reasonably possible but not probable, then the company should disclose the liability.

According to Mr. Neuhausen of Arthur Andersen, this disclosure requirement is similar to requiring a company to disclose that it chose not to buy insurance for uninsured losses that could reasonably occur.

It would be only a small step from FASB No. 5 toward requiring disclosure of information on a company's insurance problems, he said.

Currently, at least two AICPA task forces are looking at the problem of companies disclosing risks and uncertainties associated with their business.

One deals specifically with disclosure of insurance or lack of insurance. The other is looking more broadly at the disclosures of risks and uncertainties that businesses face and whether these risks should be disclosed in financial statements.

The task force on insurance was carved out of the broader task force because of the present concern over the unavailability and unaffordability

of insurance, said Arthur Siegel, a national director at Price Waterhouse in New York, who chairs the broader task force.

Mr. Kolins of Seidman & Seidman, who chairs the task force on insurance, said the "threshold issue" under consideration is whether there should be disclosure of a lack of insurance by companies that have not transferred risk by conventional insurance mechanisms and could face uninsured losses as a result.

Although it is still early in its deliberations, the task force is leaning toward recommending some kind of broad disclosure when insurance is lacking, he said. Companies probably would not have to provide detailed information, but only enough information to put the reader on notice that the company might be at risk, he said.

Among the other issues the task force is considering include how much of a risk is necessary before disclosure is required, where in the financial statements the information should be disclosed, and whether disclosures should be limited to publicly held companies.

If a criterion for disclosure is that the company has not transferred risk, companies that have self-insured in the past might not have to make any disclosures, because it may not be facing as great a risk as one that recently lost its insurance.

Any task force recommendations will be made to the AICPA's Accounting Standards Executive Committee, Mr. Kolins said.

Noting the need to work quickly because of current insurance problems companies are facing, Mr. Kolins said it is possible that task force recommendations could be circulated by year-end. Companies then would be expected to follow the recommendations in next year's financial statements.

Even if recommendations are not formally circulated by year-end, Mr. Kolins said he hopes something could be circulated to companies indicating the task force's preliminary position. That would encourage firms to make the disclosures if they were warranted, he said.

It is also possible that the FASB eventually will adopt the task force's recommendations as mandatory.

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First-quarter prosperity surpasses '75-'77 gains

By LEONARD M. WILSON

Special to Business Insurance

The times are smiling on insurance brokerage.

First-quarter results attest unequivocally to the industry's mushrooming prosperity. Gains surpass the dimly remembered momentum of 1975-1977 when rising premium rates last generated a surge in profitability.

We have compiled a set of performance yardsticks for the publicly owned brokers Marsh & McLennan Cos., Alexander & Alexander Services, Frank B. Hall & Co. Inc., Corroon & Black Corp., E.H. Crump Cos. and Arthur J. Gallagher Co.

In the important realm of domestic insurance brokerage, we estimate that the group's average gain in commissions and fees for the quarter amounted to 24% year-over-year. Marsh & McLennan Cos. garnered the largest advance at 36%, with Corroon & Black likely occupying second spot.

Differences in quarterly commission growth can essentially be ascribed to new business generation. We think that Marsh & McLennan led in this category, expressed as a percentage of the prior year's renewal base.

International insurance brokerage, excluding the generally beneficial effects of strong currencies against a weaker dollar, did not fare as well as domestic insurance brokerage.

By our calculations, gains for international brokerage in local currencies probably ranged from flat to up to 25%, depending upon the broker.

Differences in proportions of retail vs. wholesale brokerage and geographical spread account for the wide disparity in international results.

Not all brokers, though, have a meaningful stake outside the United States.

Reinsurance brokerage benefitted from steeply rising rates in what seems to be a

Leonard M. Wilson, a special limited partner at L.F. Rothschild, Unterberg, Towbin in New York, specializes in insurance brokerage stocks. He is a member of the New York Society of Security Analysts.



Mr. Wilson

seller's market. Since Marsh & McLennan is the leader in this sector domestically, one could not help but be impressed with a commissions increase that quite likely exceeded 40% by our estimate.

Investment income was surprisingly strong, given the slide in interest rates and yields. We calculate an average advance of 35% for the quarter's investment income. Expanding premium throughout lifted available funds for investment and more than offset the drop in yields.

New business production is always difficult to determine for the public brokers, beyond the generality that production flowed copiously, spurred by the tight markets. Pressed to make an estimate, we would opt for an average figure of 15% or thereabouts. That is, new business provided 15 percentage points of incremental commissions in domestic primary brokerage for the typical public broker.

In the realm of self-insurance, only Arthur J. Gallagher publicly segregates revenues for this important phase of its operations. The company's self-insurance increased about 20%, a rise of significance that testifies to client receptivity in the face of tight markets that dictate closer scrutiny of the self-insurance alternative.

Expenses in insurance brokerage tend to move with revenues. The first quarter was no exception to this rule. Employment costs advanced 22% on average, but for several brokers the increase was in the area of 30%.

The jump in employment costs reflects the linkage to good top-line performance in the form of incentives for production and profitability. Headcount also has begun to expand as brokers respond to greater volume and heavier demands on the marketing staff.

If we exclude Frank B. Hall & Co. Inc., with an exemplary 7% increase in other operating expense, the average rise in this category was about 30%. Most explanations for the jump cite the costs of placing in a tight market and much heavier budgets in data processing. The brokers' own insurance premiums also account for an important portion of additional expense.

We think that incremental profits on incremental sales is an important measure of performance. For the brokers as a group, the pre-tax profit margin on incremental revenues in the quarter was about 35%. Four brokers, however, achieved profit margins on incremental revenues of 40% despite the

marked rise in expenses already cited.

This incremental profitability translates into higher overall pretax margins. We have maintained in prior columns that profitability in insurance brokerage would recover to levels approaching those of the mid-1970s, notwithstanding the changes in business since then. Evidence for this viewpoint is in hand, based on first-quarter results, and prospects for the balance of the year.

Not all public brokers participated equally in the general buoyancy. Mix of business had something to do with differential performance. Marsh & McLennan, for example, posted strong gains in virtually all of its activities. Other brokers lagged in one or another area such as employee benefits, reinsurance brokerage, or international. There were, as a consequence, disparities in revenues and earnings growth.

Special charges were notably not a feature of this quarter. Thus, earning comparisons reflected operations, and were not distorted by lingering problems in the area of underwriting, as was the case in the fourth quarter for Frank B. Hall & Co.

The first quarter, as a forerunner to the full year, is telling a positive story. No one doubts that investors already have taken note of the rosy prospects. Price to earnings ratios are quite generous, and indeed may already have begun to take into account potential gains in 1987.

Whatever else may be said about the present phase of the insurance cycle, it is well on the road to restoring the profitability of insurance brokerage.

Even if competition returns to underwriting, as it inevitably must, perhaps as early as 1988, profit margins in insurance brokerage should have staying power and are not likely to undergo the retreat witnessed in the last cycle.

Arthur J. Gallagher & Co.

Shareholders of Arthur J. Gallagher & Co. of Rolling Meadows, Ill., have approved an increase in the number of its shares of common stock to 25 million from 10 million.

President Robert E. Gallagher told shareholders at the annual meeting last week that the additional shares will be used for a 2-for-1 stock split that will go forward July 15. The additional money will be used to broaden the broker's market and for greater liquidity, Mr. Gallagher said.

Currently, there are 4,265,198 shares of common stock.

The company also will eliminate its preference stock, which would leave only common stock and preferred stock authorized, Mr. Gallagher said.

Liberty Mutual

BOSTON—Liberty Mutual Insurance Co., a Boston-based insurer, has agreed in principle to acquire 80% interest in Stein Roe & Farnham, a Chicago-based investment counseling and mutual fund management company, the firms have announced.

The partners of Stein Roe & Farnham will retain the remaining 20%.

Stein Roe & Farnham, founded in Chicago in 1932, manages a total of \$12 billion in assets for individuals, institutions and a family of 14 Stein Roe mutual funds.

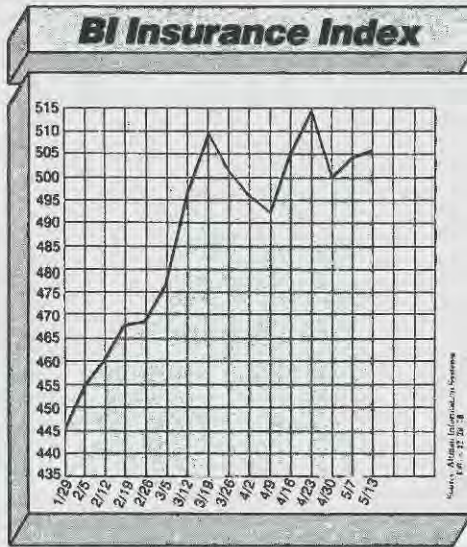
Stein Roe & Farnham has regional offices located in New York, Cleveland, Minneapolis, Fort Lauderdale, Los Angeles and Puerto Rico.

Stein Roe & Farnham will continue to operate in the same manner as it has in the past, according to Liberty Mutual Chairman Melvin B. Bradshaw.

The Liberty Mutual Group is the seventh-largest property/casualty insurance company in the United States.

It has more than \$10 billion in assets, more than \$4.6 billion in annual premium sales and more than 250 offices throughout the United States and Canada, employing nearly 20,000 people.

The acquisition is subject to the signing of a definitive agreement and a number of other conditions. The transaction is expected to be completed sometime this summer.



The Business Insurance stock index closed at 506.1 on May 13, up 1.6 points from 504.5 points recorded on May 7. A total of 23 insurance industry stocks posted gains, while 29 fell and eight remained unchanged at the end of the weeklong trading period. The advancing stocks were led by Aneco Reinsurance Ltd., up 41.2%, followed by Northwestern National Life Insurance Co., up 7.5%, Frank B. Hall & Co. Inc., up 6.3%, Crown Life Insurance Co., up 5.3%, and Statesman Group Inc. and United Fire & Casualty Co., which both posted gains of 3.9%. The big losers during the trading period were Business Mens Assurance Co. of America, down 6.2%, Poe & Assoc. Inc., down 5.8%, NAC Re Corp., down 5.4%, CNA Financial Corp., down 5.1%, and Liberty Corp. S.C., down 4.9%. The Business Insurance index climbed 0.3% during the most recent trading period. The BI stock index gain was slightly better the advances two of the other three market averages made. The Standard & Poor's 500 average climbed just 0.1%, while the New York Stock Exchange composite rose 0.2% and the Dow Jones 30 industrials climbed 0.6%.

British Issues

13 May Companies	Price pence	P/E	Div. pence	Yield %	1 Week High-Low pence
Comm Union	318	29.8	16.9	5.1	328-319
Genl Accident	852	15.5	31.4	3.6	874-848
Gdn Royal Exch	896	19.5	40.7	4.5	923-890
Royal	948	17.2	36.7	3.8	948-909
Sun Alliance	740	24.7	23.6	3.3	745-735

Brokers	Price pence	P/E	Div. pence	Yield %	1 Week High-Low pence
CE Heath	609	8.2	36.0	5.8	635-609
Hogg Robinson	296	9.9	13.4	4.5	306-296
JH Minet	230	8.8	10.7	4.9	246-230
Sedg Grp	347	12.9	15.7	4.5	366-347
Stew Wrightson	387	12.3	15.7	4.0	403-387
Willis Faber	445	16.5	12.5	2.8	453-432

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

BI Industry Stock Report

May 13, 1986

5/8/86 thru 5/13/86

Brokers	Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol.(000)	Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol.(000)	
Alexander & Alexander Svcs	NYSE	37.75	3.4	0.4	1.00	2.6	37.75	36.88	239.2	NYSE	46.13	0.5	0.0	2.60	5.6	46.75	1,067.0
Baldwin & Lyons Inc	OTC	108.00	1.9	54.3	0.80	0.7	108.00*	105.00	4.2	OTC	300.00	5.3	18.1	0.00	0.0	300.00	285.00
Corroon & Black Corp	NYSE	68.50	-0.7	21.7	1.30	1.9	69.63	68.50	37.7	OTC	46.50	-3.1	12.8	1.36	2.9	47.25	46.00
Crump E H Cos Inc	OTC	24.50	-1.5	20.8	0.25	1.0	25.25	24.50	40.9	OTC	81.50	-0.3	14.6	2.00	2.5	82.00	81.50
Emett & Chandler Cos Inc	OTC	18.75	0.0	25.3	0.00	0.0	18.75	18.75	1.0	AMEX	25.38	2.5	21.1	0.00	0.0	25.38	25.00
Gallagher Arthur J & Co	OTC	48.00	2.1	20.7	0.40	0.8	48.50	47.50	110.2	NYSE	36.38	-4.9	0.4	0.30	0.8	38.00	36.38
Hall Frank B & Co Inc	NYSE	23.25	6.3	0.0	0.00	0.0	23.25	22.38	358.8	OTC	27.38	-1.4	0.0	0.48	1.8	28.13	27.38
Marsh & McLennan Cos Inc	NYSE	110.25	2.7	24.7	3.00	2.7	110.38	109.38	151.3	OTC	650.00	0.0	6.5	18.00	2.8	650.00	650.00
Poe & Assoc Inc	OTC	12.25	-5.8	0.0	0.53	4.4	13.00	12.00	4.0	AMEX	28.38	3.2	0.0	0.00	0.0	28.38	27.13
AGENTS/BROKERS	AVERAGE		4.5		1.6												
Conglomerates & Holding Cos.																	
American Express(Fireman's Fd)	NYSE	59.38	0.0	13.9	1.36	2.3	59.38	58.00	3,522.7	NYSE	36.38	-4.9	0.4	0.30	0.8	38.00	36.38
Anderson Clayton(Ranger/PanAm)	NYSE	51.13	1.2	29.2	0.00	0.0	51.63	50.13*	372.5	OTC	27.38	-1.4	0.0	0.48	1.8	28.13	27.38
Arco Inc	NYSE	9.88	1.3	0.0	0.00	0.0	10.13	9.88	1,176.1	OTC	94.50	0.8	16.7	1.80	1.9	94.50	93.50
Berkley W R Corp	OTC	47.00	-2.3	36.3	0.36	0.8	48.25	47.00	219.6	NYSE	38.75	-4.9	16.4	0.72	1.9	40.25	38.75
CIGNA Corp	NYSE	62.88	-1.4	0.0	2.60	4.1	63.75	62.88	875.8	NYSE	56.63	2.5	12.8	2.00	3.5	57.00	55.75
CNA Finl Corp (CNA)	NYSE	60.50	-5.1	20.1	0.00	0.0	63.00	60.50	306.6	PAC	2.88	0.0	0.0	0.00	0.0	4.38	2.88
General Re Corp	NYSE	115.88	-1.4	35.7	1.76	1.5	116.88	114.50	361.9	OTC	39.25	-0.3	14.0	1.40	3.6	39.50	39.25
ITT (Hartford Group)	NYSE	47.00	-1.1	25.5	1.00	2.1	47.50	47.00	1,192.7	OTC	35.25	-5.4	0.0	0.00	0.0	37.25	35.25
Sears Roebuck & Co. (Allstate)	NYSE	44.63	0.0	12.9	1.76	3.9	45.88	44.63	3,017.3	OTC	16.38	-3.7	21.5	0.25	1.5	17.25	16.38
Teledyne Inc (Argonaut)	NYSE	341.88	0.5	8.2	0.00	0.0	341.88	336.63	54.5	OTC	32.13	7.5	15.9	0.86	2.7	32.38*	30.75
Transamerica Corp (Occidental)	NYSE	33.25	-1.5	15.9	1.68	5.1	33.63	33.25	1,251.2	OTC	81.50	2.5	12.9	2.00	2.5	81.50*	79.88
CONGLOMERATES/HOLDING COS.	AVERAGE		17.3		1.2					OTC	32.75	-1.5	12.9	0.87	2.6	33.00	32.75
Insurers										OTC	94.50	0.8	16.7	1.80	1.9	94.50	93.50
Aetna Life & Cas Co	NYSE	59.25	-1.9	13.1	2.64	4.5	60.50	59.25	1,539.0	NYSE	38.75	-4.9	16.4	0.72	1.9	40.25	38.75
American General Corp	NYSE	38.13	-3.2	11.8	1.12	2.9	39.00	38.13	873.8	NYSE	56.63	2.5	12.8	2.00	3.5	57.00	55.75
Amern Heritage Life Invt Co	NYSE	41.13	1.2	15.1	1.32	3.2	41.25	41.00	2.0	NYSE	36.38	-4.9	0.4	0.30	0.8	38.00	36.38
American Indty Finl Corp	OTC	20.25	0.0	0.0	1.12	5.5	20.75	20.25	17.8	NYSE	23.00	1.1	12.6	0.70	3.0	23.00	22.75
American Intl Group Inc	NYSE	120.38	-3.1	24.6	0.44	0.4	122.75	119.50	768.9	OTC	28.25	0.0	9.8	0.84	3.0	28.75	28.25
Aneco Reins Ltd	OTC	3.00	41.2	0.0	0.00	0.0	3.00	2.13	18.5	OTC	90.75	-1.8	27.4	3.00	3.3	91.63	90.50
Aveco Corp	NYSE	42.25	2.4	15.6	0.75	1.8	42.63*	42.00	11.9	OTC	57.00	-2.6	15.4	1.70	3.0	59.25	57.00
Business Mens Assurn Co Amer	OTC	26.50	-6.2	12.3	1.10	4.2	28.25	26.50*	101.9	OTC	21.50	-2.3	0.0	0.80	3.7	22.00	21.50
Chubb Corp	NYSE	69.88	-4.4	137.0	1.56	2.2	72.00	69.88	460.7	OTC	19.75	0.6	0.0	0.80	4.1	20.25	19.50
Combined Intl Corp	NYSE	59.00	-2.9	12.2	2.24	3.8	60.25	59.00	183.4	OTC	6.75	3.8	0.0	0.05	0.7	7.00	6.63
Continental Corp	NYSE	46.13	0.5	0.0	2.60	5.6	46.75	46.13	1,067.0	OTC	32.75	-1.5	12.9	0.87	2.6	33.00	32.75
Crown Life Ins Co	OTC	300.00	5.3	18.1	0.00	0.0	300.00	285.00	0.0	OTC	94.50	0.8	16.7	1.80	1.9	94.50	93.50
Durham Corp	OTC	46.50	-3.1	12.8	1.36	2.9	47.25	46.00	1.8	NYSE	38.75	-4.9	16.4	0.72	1.9	40.25	38.75
Farmers Group Inc	OTC	81.50	-0.3	14.6	2.00	2.5	82.00	81.50	451.7	NYSE	56.63	2.5	12.8	2.00	3.5	57.00	55.75
Fairmont Finl Inc	AMEX	25.38	2.5	21.1	0.00	0.0	25.38	25.00	81.2	NYSE	36.38	-4.9	0.4	0.30	0.8	38.00	36.38
Fireman Fd Corp	NYSE	36.38	-4.9	0.4	0.30	0.8	38.00	36.38	3,967.0	OTC	27.38	-1.4	0.0	0.48			

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