

AIG opposes brokers in proposed N.Y. exchange

By ELLIS SIMON

NEW YORK—This city's leading brokers and American International Group president Maurice R. Greenberg are at odds over suggested state legislation that would permit establishment here of a central market facility similar to Lloyd's of London.

In testimony before a hearing called by Sen. John Dunne, chairman of the Senate Insurance

Committee, Mr. Greenberg argued that permitting brokers to serve as underwriters in the syndicates operating within the proposed New York Reinsurance Exchange could disrupt the traditional broker/underwriter relationship.

Further, he charged that insurance companies would not receive tax equality with syndicates and their members.

Enabling legislation for creation of the Reinsurance Exchange and a

second bill creating an insurance free trade zone for commercial insurance generating high premiums and for certain designated special risks were the topic of Sen. Dunne's hearing.

At presstime, only the free trade zone bill had been introduced and representatives of Gov. Carey's office had concluded a meeting with Mr. Greenberg and members of the brokerage community to resolve questions about the broker's role

in the reinsurance exchange.

Although no decision was reached by the governor's office, an official there said a middle ground had been worked out by the parties. But another source said the bill would not be introduced this session.

Differences of opinion center on how much control a brokerage firm could have in a syndicate, whether a broker could place business in its own syndicate and

whether representing both the buyer and the seller in exchange transactions would be a conflict of interest.

If the enabling legislation is passed, it will permit the Reinsurance Exchange to be set up as a corporation that would serve as a central marketplace for a minimum of 20 underwriting syndicates. The syndicates could be organized only by member bro-

Continued on page 93

Risk Management Services

Increasingly sophisticated employe benefit and risk management programs are spurring greater demand for tailored services. What the independents, brokers and insurers have to offer is detailed in our special report on pages 11 through 57.

Benefits consultants

Mercer and nine independents head the field of employe benefits consultants who may charge up to \$200 an hour for their expertise. Page 11. But some assignments can be filled for as low as \$20 an hour, reveals a guide to 18 consulting firms beginning on page 52. One big ticket item in high demand is communications counseling. Page 42.

Captive managers

Phrases such as "professional insurance company management" and "operating profit centers" crop up in discussions with captive managers who are basking in a boom. Page 11.

Product testing

Manufacturers are tapping a field of product testing specialists to ferret out potential triggers of liability suits before the consumer finds them. Page 11.

Claims administrators

The growing number of self-insurers of group benefits is touching off an explosion of claims administrators that could include brokers. Page 46.

Other services stories

- BROKERS are creating new divisions and polishing their services wares. Page 17.
- CLAIMS adjusters rush to the disaster, even on the holidays. Page 23.
- GUARDS are still essential to security, but without the guns. Page 26.
- FIRE protection consultants answer the alarms of the self-insured. Page 27.
- SECURITY at Signetics Corp. in Sunnyvale, Calif., is out of George Orwell's "1984." Page 28.
- RISK MANAGEMENT consultants are working harder and charging more, but they could run into more competition from brokers and insurers. Page 32. Ebasco, the largest, is profiled on page 39.
- REHABILITATION specialists in California have their work handed to them by a public law. Page 36.

Elsewhere:

- LITTLE AETNA and American Home argue settlement tab as excess and primary insurers. Page 2.
- KODAK institutes a dental assistance plan underwritten by Travelers for 90,000 workers. Page 3.
- ANNUITY settlement of a liability suit against the YMCA includes an inflation factor. Page 6.
- ERISA will do better offering a carrot than it did applying the stick. Editorial, page 8.
- PRODUCT liability tort reform measure is adopted in Rhode Island. Connecticut is next. Page 57.
- BART, the space-age San Francisco train system, runs a good safety record. Page 58.
- ESOP's goods and ills are identified from first-hand experience (page 69) and from a survey (page 71). Weyerhaeuser suspends its ESOP in a dispute with the SEC. Page 72.
- LLOYD'S Sasse syndicate was burned by arsonists, its reinsurer charges. London line, page 85.
- TREASURER of a clothing manufacturer cuts a piece out of the pattern of rising insurance costs. Page 87.
- CAPTIVES are for rent in Bermuda to firms that want the facility without ownership worries. Page 91.

The people column
pages 92 & 94

Week of May 29, 1978

business insurance

the national newsmagazine of loss prevention,
risk financing and employe benefit management

Entire contents copyright 1978 by
Crain Communications Inc. All rights reserved.
75¢ a copy; \$15 a year

Insurers fight tax breaks for self-insured reserves

By JERRY GEISEL

WASHINGTON — Insurance trade associations have denounced legislative proposals that would permit tax deductions for self-insurance funds that businesses set aside in a special reserve to pay product liability claims.

In letters filed with the Commerce Department last month, the Alliance of American Insurers, the American Insurance Assn. and the National Assn. of Independent Insurers charged that the proposals could lead to tax abuse and blunt the drive toward the real solution to product liability—tort reform.

The impact of the opposition cannot be measured. The Treasury Department, which is expected to develop the Administration's position on the tax-deduction concept, still has an "open mind" on the idea, according to Donald Lubick, acting assistant secretary of the Treasury for tax policy.

The insurance trade associations appear very concerned that tax deductions for product liability reserves would lead to abuses, but observers believe the industry is really more concerned about losing more business to self-insurance.

"I just think the insurance industry doesn't want the competition. They really don't like the idea of anybody getting into the insurance business other than insurance companies," said Rep. John LaFalce (D-N.Y.).

The Alliance of American Insurers, in a position paper prepared by vp Don Jordan, contended "the self-insured reserve trust for product liability would be subject to substantial tax abuse."

In order to prevent possible abuses, the Treasury Department would be "saddled with the responsibility of developing complex and lengthy regulations... such complexity runs counter to the Administration's pledge to simplify the tax code..." Mr. Jordan added.

But Mr. Lubick of the Treasury



Rep. John LaFalce

Department said tax abuse is not an issue. It's "a charge someone makes at a tax provision he doesn't like," he said.

The insurance industry's concern about tax abuse is only "an excuse," said Edith Lichota, assis-

tant treasurer of the Carborundum Corp. in Niagara Falls, N.Y.

"They are trying to preserve the capacity for future insurance industry application when they want it," Mrs. Lichota said. She accused insurance companies of wanting to preserve their markets for first-dollar liability coverage, by making sure the customers are still available to them if insurers change their minds about providing that coverage in the future.

The American Insurance Assn. (AIA) maintains that corporate tax deductions for product liability reserves would not assist those it is designed to help—small businesses.

"If a firm cannot afford to pay increasing product liability premiums, it cannot afford to properly fund its self-insurance fund," said AIA counsel Dennis R. Connolly.

Continued on page 90

\$62 million handed out in wake of DC10 crash

By JOANNE GAMLIN

LOS ANGELES—An exact total of \$62,268,750 in settlements has been paid to 1,123 claimants worldwide from the lawsuits in U.S. District Court here for the deaths of 340 persons in the 1974 crash of a Turkish Airlines DC10 near Paris.

The 1,123 claimants received a net sum of \$49,204,771 in the highly publicized lawsuits stemming from the crash, which until the collision last year of two Boeing 747s on the Spanish island of Santa Cruz de Tenerife, was regarded as the world's worst air disaster. The total number of dead in the March 3 Paris crash was 346, all but six of whom were involved in the 211 separate lawsuits.

Total plaintiffs' costs amounted to \$2,218,381, while total plaintiffs' attorneys' fees came to \$10,847,303.

This information, plus much more, is revealed in an unprecedented, 43-page, semifinal report issued by U.S. District Court Judge Peirson M. Hall to judicial officials. A pre-eminent judicial expert on air crash litigation, Judge Hall was the chief justice to preside over the cases that featured three defendants, McDonnell Douglas Corp., General Dynamics Corp. and Turkish Airlines.

As of last November, all of the separate suits for compensatory damages had been settled at the trial level. (Business Insurance, Dec. 12, 1977).

According to the judge's report, there are at present four cases on appeal, involving five descendants. One of these is the Kween

Continued on page 65

Insurers argue liability in \$2 million settlement

NEW YORK—Although American Home Insurance Co. and the Aetna Insurance Co. (Little Aetna) each contributed \$1 million toward an out-of-court settlement in a suit brought against a policyholder, a dispute between the insurers has arisen over whether Aetna should have paid anything on the claim.

The New York Methodist Conference filed suit in 1974 against Richards, Ganley, Fries and Preusch, a New York accounting firm, and Robert W. Preusch for breach of fiduciary duty and fraud during a five-year period in which Mr. Preusch was the conference's treasurer and the firm handled the church group's internal account-

ing. The defendants were charged with diverting \$5 million in church pension funds into shaky business ventures.

The two insurance companies each agreed to contribute \$1 million toward the \$2 million out-of-court settlement with the church group.

However, Aetna, which wrote the excess layer, turned around and said that it was not responsible for any part of the claim since the limit of American Home's primary limit was not reached.

The American Home professional liability policy was written with a \$1 million per occurrence and \$2 million aggregate limit.

Aetna has charged that since the case involved more than one loan, the claim was not a single occurrence, said Peter M. Brown, attorney for the New York Conference. The church, in its case, cited 292 specific incidents of loans being made by Mr. Preusch with the accounting firm's knowledge, he added.

Officials from the two insurance companies are meeting to iron out their differences.

In a lawsuit relating to the original case, the New York Conference is seeking \$4 million from Coopers & Lybrand, the church group's external auditor, for failure to report that as early as 1970 it "knew or should have known a critical situation existed requiring immediate action." That case is expected to come before New York supreme court in two months, Mr. Brown said.

for your information...

Ford and the IRS are still in court over Bermuda captive transactions

DETROIT—Ford Motor Co. and the Internal Revenue Service still haven't submitted to the tax court their settlement of the dispute over transactions involving Ford's Bermuda captive insurance company.

Contrary to recently published reports, nothing has developed since last winter when *Business Insurance* reported that Ford and the IRS had reached an agreement in principle to settle the case pending in tax court here. IRS inaction is holding up resolution of the case.

At issue is the nature of \$5.7 million paid in 1970 for insurance by Ford's foreign subsidiaries to Ford's Bermuda insurance company. The IRS said that the payments were equivalent to constructive dividends paid to the parent company and that Ford owed additional taxes, even though all the money remained offshore.

Ford argued in its petition to the court in 1975 that the IRS erred by including the \$5.7 million in its taxable income for 1970, because Trans-Global had been established to provide otherwise unavailable insurance protection for foreign subsidiaries and premiums "were based on arms' length amounts."

Ford's attorney, John S. Nolan of Washington, D.C., said he still cannot disclose the terms of the agreement until it is presented to the tax court. The parties have a June reporting date and if the IRS still isn't prepared to submit the settlement, pressure from the court to do so is expected.

Tax authorities have said repeatedly that a settlement of the Ford case would not set any formal precedent since only a tax court decision can do that.

Lawn mower story retold, unproven

WASHINGTON—Old myths die hard.

U.S. News and World Report was the latest victim of that legendary lawn mower case. As an example of how companies are being held responsible for injuries that result from misuse of products, the magazine in a three-page article about product liability cited the case of a retailer who had to pay damages to two men hurt by a lawn mower they hoisted to trim a hedge.

The U.S. News reporter who wrote the story was unable to give a legal citation when *Business Insurance* called the magazine for more details. The reporter said he read of the case in a press release put out by a trade association.

The article, which appeared in the May 22 issue, also contains other doubtful information, including the assertion that product liability claims leaped from 50,000 in 1960 to one million last year. The American Insurance Assn. has branded the million-claims estimate "ridiculous." The real figure probably is under 100,000, according to the Insurance Services Office.

Tenn. clarifies captive law

NASHVILLE—The Tennessee insurance department is advising companies that inquire about its captive insurance company law that it intends to be more liberal in its interpretation of the law than it may have appeared.

The law says that to acquire a license for a captive insurance company, the parent company must first prove that it cannot purchase primary professional liability or comprehensive general liability in the standard market, or that the insurance is available only at excessive premiums or with unreasonable deductibles.

However, because the law prohibits reinsurance to the captive of only personal auto and homeowners insurance, "we take that to mean it leaves (that route) open, on lines other than life," said assistant director of insurance Paul J. Tidwell.

Once a parent company has satisfied the insurance department that it needs the captive for professional or comprehensive general liability coverage, it can ask insurers to reinsure other risks with its Tennessee captive, he confirmed.

The department has also recently adopted the form for the irrevocable letter of credit that can be provided by a bank to satisfy the capital and surplus requirement of \$750,000 for a pure captive or \$1 million for an association captive.

N.Y. delays decision on fronting

NEW YORK—The New York state insurance department has postponed until June its decision on a proposed regulation to prohibit fronting arrangements. Deputy Superintendent Mike Curan said the decision has been delayed because superintendent of insurance Albert L. Lewis is out of the state.

Risk managers and brokers testified at an earlier public hearing that the regulation would seriously hamper the operation of captives, which have helped insurance buyers obtain affordable coverage. Approximately 700 captives use fronting arrangements.

New market for hard-to-place risks

LOS ANGELES—A new liability market for primary and excess, non-standard liability has been made available through Catalina General Agency, an excess and surplus broker specializing in umbrellas and hard-to-place liability and property coverage.

"The facility will be available to California brokers for all classes of liability coverage up to \$500,000 combined single limit because primary liability coverage will be afforded by a Best's 'A' rated carrier," said Raymond S. Cowan, vp underwriting.

Mr. Cowan said the type of exposures his agency will write are non-standard risks, including hotels, motels, apartments, condominiums, union halls, contractors and hard-to-place product liability.

Catalina General Agency will be able to provide additional limits to \$1,000,000 combined single limit and this can be written as a separate policy in the form of a gap, buffer or excess on all general liability, products and both public and private schools.

FACTFINDERS CORPORATION

FACTFINDERS PROTECTS YOUR COMPANY'S INTEREST!

WE PROVIDE INVESTIGATIVE SERVICES TO THE INSURANCE CARRIER, SELF INSURED AND THE CORPORATE CLIENT. **FACTFINDERS** DELIVERS THE PERTINENT MISSING FACTS OF ANY QUESTIONABLE CLAIM, WHETHER IN LIABILITY CASUALTY, WORKMANS' COMPENSATION, LONG TERM DISABILITY, LIFE OR HEALTH. **FACTFINDERS GETS THE JOB DONE**

Please have a representative telephone me at:

I would like to know more about **FACTFINDERS**. Please send me your literature.

Name _____

Company _____

Title _____

Address _____

City _____ State _____ Zip _____

mail to P.O. Box 1284, Englewood Cliffs, N.J. 07632
or call us at 212-226-2100

GUIDE TO FEATURES

| | |
|--------------------------|----|
| Editorial opinions | 8 |
| Perspective | 61 |
| Info for buyers | 66 |
| Legal briefs | 77 |
| Benefit tax slants | 79 |
| Dates | 82 |
| London line | 85 |

Vol. 12 No. 11—Business Insurance is published every other Monday at 740 Rush St., Chicago, Ill. 60611. Controlled circulation postage paid at Brookfield, Wis., Chicago, Ill. and New York, N.Y. Copyright 1978 by Crain Communications Inc.

YOU DO HAVE AN ALTERNATIVE



INTERNATIONAL INSURANCE

Exclusive representatives of
HIGHLANDS INSURANCE COMPANY
600 Jefferson Street, Houston, Texas

TELEPHONE: 212-943-8100 • TELEX: WU 126586 • RCA 235466
127 John Street, New York, N.Y. 10038

the benefit beat

Kodak launches dental plan for 90,000 employes

EASTMAN KODAK Co. institutes June 1 a company-paid dental assistance plan for 90,000 active and retired workers. The plan is underwritten by The Travelers Insurance Cos. for \$5.48 a month for a single person and \$14.20 a month for a family. After Jan. 1, 1980, the company will split any cost increases with its workers 50-50. The plan covers "practically everything on a schedule basis," said director of corporate benefits Martin E. Bael. Cleaning, emergency treatment, floride treatments, restorations, oral surgery, gum diseases, dentures and orthodontia are provided for in the schedules. In Rochester, for example, a cleaning for an adult will be paid to \$10, a surface filling to \$7, a porcelain with gold crown to \$112 and a root canal to \$67.

The plan design is according to corporate philosophies that medical coverages should be broad-based to provide for preventive as well as complicated corrective procedures and that employes should pay a share of their health care costs, Mr. Bael said. All employes with one year of service or more plus retired and disabled workers are included in the plan. Kodak had considered proposals from the eight major dental plan underwriters after deciding "the time had come" to provide workers with dental insurance. To introduce providers in the Rochester community to the plan, Kodak hosted a cocktail reception at which the slide/tape presentation about the benefit prepared for employes was shown to the dentists.

CROUSE-HINDS CO. is providing dental insurance for 1,900 employes at its main plant in Syracuse, N.Y. Local union members also won improved group health and pension benefits in the settlement of a six-week strike. The dental plan pays up to \$300 per year per family member, above a \$25 deductible on all treatments except x-rays, cleanings and examinations. Coinsurance varies with the procedure. Major medical benefits were raised to a maximum of \$100,000 per illness from the previous level of \$25,000 per illness. Maternity benefits are now \$1,250, up from \$900. A \$900 maximum on surgical schedules was eliminated in favor of coverage for usual, reasonable and customary charges. Pension benefits were raised \$3 per month per year of service to \$10, with another increase to \$12 due in April 1980. At that time, employes will also be able to elect a spouse's death benefit without a reduction in pension payments. Employes are eligible for early retirement at age 62 with 25 years of service without benefit reductions. For those retiring early with less than 25 years, the benefits are reduced 5%, a change from the previous 8% reduction.

KANSAS AWARDED a contract to Blue Cross/Blue Shield to cover state employes under a group health insurance plan. In announcing the award, the state used language that indicated Blue Cross/Blue Shield won by default, since 50 insurance companies had been invited to bid but only one—the Blues—responded. Rates remain unchanged, at \$33.72 per month for single employes under 65 and \$15.47 for single employes 65 and over. Family rates also remain the same, with dependent coverage costing \$55.56 for dependents under 65; \$15.47 for a dependent spouse 65 or over, and \$33.72 for a dependent spouse under 65. Maximum major medical benefits were increased to \$250,000 from

\$50,000. Treatment for alcoholism, drug addiction, nervous conditions and mental conditions was added, to comply with a law recently passed in the state requiring 30 days coverage on an inpatient basis and full outpatient coverage for the first \$100 and 80% of the next \$500 in any one year.

ROLLBACK of Social Security taxes was killed for this year when the House Ways and Means Committee this month reversed an earlier decision to cut the scheduled tax increases. The reversal of the earlier vote was led by Rep. Al Ullman (D-Ore.) who changed his vote to send the rollback bill to the House floor. The committee action followed President Carter's threat

to veto any election year cut in Social Security taxes, which are scheduled to increase to 6.13% of salary in 1979 on a maximum salary base of \$22,900 in 1979 and \$25,900 in 1980. The earlier committee vote would have rolled the tax rate back to the 1977 level of 5.85% and cut the wage base to \$21,900 and \$23,900 for the two years.

HMO amendments of 1978 were cleared by a Senate committee, heading to the floor for a vote. The amendments would place tough restrictions on HMO activity, requiring stricter monitoring of federal funding and reimbursements. A government report warning of the potential for fraud spurred the amendments, which also recognize

the flurry of unethical activity by prepaid health plans in California in the early 1970s. The bill also contains disclosure provisions for prepaid plans, measures supported by the Group Health Assn. of America Inc. The abuses may still be occurring, even since the completion of the General Accounting Office report, warned a Senate staff member. Another GAO report on HMOs in Salt Lake City and Rock Springs, Wyo., is to be issued this month and may also indicate problems, the Senate aide said.

HEALTH INSURANCE premiums paid by employers for workers who opt out of the national health insurance plan proposed by Sen.

Russell Long (D-La.) would be deducted from the employer payroll tax that he proposes for financing his plan. In a bill introduced by Sen. Long last month, employers would be taxed one cent on every \$2 of payroll to finance national health insurance. The legislation provides for universal catastrophic health protection that will pay family medical expenses exceeding \$2,000 in a year and hospital bills incurred after the first 60 days of confinement. In addition, the bill would replace the state-federal Medicaid program with a new system of medical benefits for all low-income persons regardless of whether they received welfare benefits.

Continued on following page

When Risk Managers talk,
we listen.

**ROLLINS BURDICK
HUNTER**

Multinational Insurance Brokers

World Headquarters

10 South Riverside Plaza

Chicago, Illinois 60606

benefit beat

Continued from preceding page
501 (c)(9) TRUSTS are becoming more popular among employers interested in saving money on their benefit programs, says Towers, Perrin, Forster & Crosby. Long term disability has most frequently been put into trusts in the past, but there's growing interest in funding medical and dental benefits and post-retirement death benefits through trusts, especially when employee contributions are required, says TPF&C. A survey of 43 of the consulting firm's clients showed that 26 firms already use trusts for LTD, while the remaining firms use trusts for LTD as well as other benefits. Trusts offer employers an opportunity to provide higher paid employees with LTD benefits more nearly related to pay, says TPF&C, pointing out that in-

surance contracts usually have a maximum benefit that bears little relationship to an executive's actual compensation. But, one disadvantage of using trusts is that the company invites IRS scrutiny, warns the consultant. Moreover, the tax status of death benefits paid from a benefit trust is still murky and some change is likely.

EMPLOYERS COULD be on the winning end if a New York health care reform proposal becomes law and generates the predicted savings. The legislative program would apply uniform hospital reimbursement formulas to private health insurance plans, to Blue Cross and to state-funded programs like Medicare and Medicaid. Insurers would be prohibited from making payments to hospitals that provide "unnecessary, incompetent or otherwise substandard care." The law would establish a board of professionals who would set standards for hospi-

tal care and who would make reports to the public on a comparative performance of hospitals. This information, said one proponent of the system, would enable patients, their physicians and presumably employers to learn what hospitals rank among the best and worst in treating various ailments. The law would also require insurers to cover outpatient care. Hospitals that provide the highest standards of quality control and which reduce their average length of stay per patient would receive a premium in addition to the reimbursement formula.

Benefit Beat keeps insurance managers and employe benefit managers and brokers informed of changes in programs around the nation. We'd like to know if you've made any changes or know of any important developments. Write Greg David, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611 or call 312-649-5279.

Calif. voters to resolve public pooling issue

By JOANNE GAMLIN

SACRAMENTO—Proposition 7 on the California June 6 ballot amends the state constitution to permit two or more local governmental agencies to form insurance pools.

The insurance pools would pay for claims in four areas: workers compensation, tort liability, public liability and unemployment compensation.

The proposition was placed on the June ballot by three public bodies: the city and county of Los Angeles and the County Supervisors Assn.

In January 1977, senate bill 2054 became effective, permitting pub-

lic agencies to form or participate in joint powers authorities (JPAs) for the pooling of specified insurance coverage and administration.

However, according to an analysis by the legislative analyst in the voters' handbook for the June election, questions then arose over whether a county that contributes to the payment of a claim against another county is, in effect, making a gift of public funds. If the payment is a gift of public funds, the legislative analyst believes, the contribution would be unconstitutional. It is understood that by amending the constitution the proposition would clear up these questions.

The analyst further states that while the proposition will have no fiscal impact on the state, its effect on local governments is uncertain.

State senator Alan Robbins (D-20th district), in urging a "yes" vote on the proposition in the voters' handbook, states that most counties and cities have been unable to implement SB 2054 "because of constitutional questions raised by local county counsel." Proposition 7, he writes, will not only eliminate these concerns, but will also permit local government to obtain the "best protection at the most economical rates."

The senator says there is no known opposition to the proposition.

However, Hal M. Rogers, president of Taxpayers Unanimous, and Joseph H. Donohue, founder, Voters Including Concerned Taxpayers Offering Real Savings, (VICTORS), assert opposition in the voters' handbook. They argue that in a public liability pool in which only one of five counties suffers large losses, either the insurance rate or the deductible (or both) will increase drastically once the pool expires.

"Therefore, the taxpayer in four counties would be underwriting losses incurred by the fifth county and thus paying for losses that they were not responsible for in the first place," the taxpayer protest groups argue.

Urging a "no" vote on proposition 7, they maintain that every county should assume its own risk and consequent liabilities.

G. David Marceau, who has his own company in Los Angeles that services public agencies with risk management problems, told *Business Insurance* that he strongly endorses the proposition.

"Pooling permits public bodies to make sound insurance decisions," he asserted.

Options available for life payouts

WASHINGTON—In the early stages of grief, surviving spouses sometimes make decisions they would not make later on. For example, a widow might be persuaded by acquaintances to make investments that are not really suitable for her needs.

For survivors who want a little time to adjust, reports the American Council of Life Insurance, some life insurance companies issue a small cash settlement within a day or two of notification of death to cover immediate needs, then issue the remainder of the benefits when the beneficiary says things are more settled.

Beneficiaries say this has kept them from making mistakes in judgment they might have made if they had received all of the benefits before they had worked out plans for their use.

"Piper has been able to hold its products liability insurance costs steady for the past three years despite a nationwide rise in such costs and the more than doubling of Piper's sales."



DAVID W. WALLACE

Chairman of the Board and Chairman of the Executive Committee; Piper Aircraft Corporation.

Chairman of the Board and President; Bangor Punta Corporation.

Who are Piper's insurance brokers? We are.

Schiff Terhune.

Write or call any of our offices or contact Frank Schiff, Chairman, Schiff Terhune International, at Executive Offices: 100 William St., NY, NY 10038. 212/425-3010.

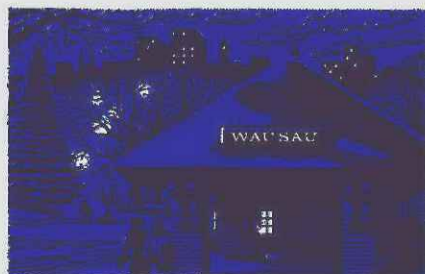
Not just another pretty railroad station.

This little depot represents the insurance company that enjoys a special reputation. We're known as the people who know business insurance like nobody else in the business.

Our story is as simple and direct as our trademark. Business insurance is a *partnership*—with responsibilities on both sides. If you're our policyholder, we'll work hard to help you prevent losses. But we expect you to work just as hard—to be our willing partner in loss control. Because that's the best way to hold down insurance *costs*.

We want business insurance to earn its keep. So do you. Good insurance partners can make it happen. That's the whole idea behind the company behind the little train station. That's the Wausau story.

Come to the source



The Wausau depot—one of America's best-known trademarks for 25 years.

Employers Insurance of Wausau

Wausau Wisconsin



Dale & Company Limited

For complete insurance planning & protection from coast to coast in Canada
 Vancouver · Edmonton · Calgary · Winnipeg · Toronto · Hamilton · London · Ottawa · Montreal · Halifax
 St. John's · Corner Brook · Grand Falls

For more facts circle 20 on reply card

Inflation factor joined to annuity settlement

By KATHRYN J. McINTYRE

VINCENNES, Ind.—A lawsuit brought against the local YMCA here and the national YMCA board for the near drowning of a four-year-old girl in 1976 was settled this month for \$821,000 and an annuity which will increase its payment each year.

The annuity will provide six-year-old Jodie Patrick, left semicomatose by the accident, with \$4,000 a month during the first year of payments which begin in June. Every year thereafter, the monthly benefit will be increased by 8% of the previous year's benefit.

It's the first such compounded

interest settlement that the attorney for Jodie's parents, Thomas H. Hicks, had ever seen.

If Jodie lives to the average age of 71, she will receive \$147 million from the annuity, Mr. Hicks said. The annuity guarantees it will pay at least \$300,000, even if Jodie should die before receiving that benefit. Her parents, therefore, settled for at least \$1.1 million.

The annuity will be purchased by The Home Insurance Co., the national board's liability insurer, from National Fidelity Life Insurance Co. of Kansas City, Mo., said Mr. Hicks. The liability policy written by The Home Insurance Co. is for \$5 million, *Business Insurance* learned, but the cost of the annuity is not believed to even approach the limit of liability. No one would disclose the cost of the annuity to the Patricks or their attorney.

However, a leading life insurance company priced for *Business Insurance* a comparable annuity, excluding the 8% interest, at \$1 million.

The Vincennes YMCA has a \$300,000 liability insurance policy underwritten by United States Fidelity & Guaranty Co. USF&G contributed an unspecified amount to the settlement, which was reached on May 15, the day the trial was to have begun.

The Patrick's attorney explained he negotiated for a settlement that will provide for an increasing payment because "everyone in the courtroom would be dead by the time that little girl grows up, and \$4,000 a month isn't enough."

Jodie Patrick was four years old in the summer of 1976 when she was learning to swim at the Vincennes YMCA. The day she was found on the bottom of the pool only two instructors were on duty with a group of 20 children when there were supposed to have been five instructors, the suit had charged.

Jodie was revived at the hospital but has been semicomatose ever since. Doctors say there is no hope for any rehabilitative therapy.

The Patricks named the national YMCA board in their suit, arguing that the national board encourages parents to enroll their children in local YMCA swimming programs but does not inspect programs to be sure they are safely run.

A spokesman for the national board would not concede that the national board had admitted its liability in the case with the settlement. "The national board is not in a position to run the activities of a local Y on a day-to-day basis. There are almost 2,000 member Y's," he said.

Mr. Hicks predicted the national board will adopt an inspection program. "It's like the flasher at the railroad crossing. You don't put it up until the lawsuit is over," the Terre Haute attorney suggested.

"No one knows if \$4,000 a month will be enough to provide for the constant medical attention Jodie requires," Mr. Hicks said. Jodie was in the hospital for the first year after the accident. She has been in and out of the hospital since then and must breathe and be fed through tubes. Though she has never fully regained consciousness, she appears to distinguish her parents and doctor from strangers, Mr. Hicks said.

The suit against the local YMCA and national board did not request any specific damages but Mr. Hicks was prepared to put an economist on the stand who would have testified that Jodie needed \$14 million to provide for her life-long medical care needs.

how to handle it.

Over-all knowledge of risk management is the mark of a good broker.

Assurex International brokers and agents field some pretty hot risks. With ease. They've been at it long enough to have a broad, comprehensive understanding of risk management... funding alternatives... market capacity... loss control. If they do run into something new or unusual they can quickly



call on any of their 59 partner firms for ideas. Independent, experienced, professional home offices in major cities in the U.S., Canada, Mexico, and 15 other nations. Call the home office nearest you and see if you can throw them a curve. Toss 'em your hottest risk. They'll know how to handle it.

ASSUREX INTERNATIONAL

For more facts circle 7 on reply card



We look, but do we see?

What you see here is sand. What you don't see is water. The fact is, nearly all of the sand in this photo is under water.

This sand bar, off the coast of McKay, Australia, looks like any sand bar, anywhere in the world. But if one were to examine the chemical makeup of the sand and water, one would find elements characteristic of that area exclusively.

The same type of close examination is necessary when evaluating the protection of industrial properties. On the surface, a warehouse in Little Rock, for instance, looks no different than a warehouse in Sydney. But subtle differences do exist. Local considerations that must be dealt with on an individual basis when it comes to protection requirements.

Allendale International brings loss prevention philosophy and techniques to foreign lands, tailoring protection to conform with local restrictions and conditions.

It's not coincidental that we chose this photo to exemplify our foreign interest, since Australia represents one of our newest areas of activity.

**Factory
Mutual
System**

Allendale Insurance

Allendale Park, Johnston, Rhode Island 02919

editorial opinions

Tax breaks for reserves can only help

UNBEKNOWN TO many risk managers, the insurance industry is quietly pouring loads of money into a massive lobbying effort to thwart a proposal which would give corporations tax breaks for self-insurance reserves.

The need for such a measure became patently clear as the product liability problems of this country have come into focus in recent months. Corporate America was faced with product liability risks of a magnitude that caused insurance companies to begin charging high prices for their policies covering these losses. Thus, commercial insurance buyers reported facing another very real problem: not being able to afford to buy product liability insurance.

Yet, recognizing that there was no other feasible way for them to prepare ahead of time for these losses, by pre-funding them using tax-free dollars, buyers of insurance got behind a legislative plan that would help solve the insurance affordability problems. The proposed law would enable companies to build internal product liability loss reserves, while taking tax deductions for the funds they set aside for this purpose.

At the same time, the insurance industry has been equally vocal about the "product liability crisis" and the need for tort reform limiting corporate liability for product injuries.

Though it appeared insurance buyers and underwriters were on the same side of the fence on this issue, at second glance it becomes evident this is far from true.

The insurance industry, recognizing it stands to lose what amounts to a lucrative market should their customers suddenly find it advantageous to build internal self-insurance reserves for product liability losses, has swung its massive bulk behind the opposition to the bill.

Risk managers, if they are to convince Congress that there is indeed a product liability problem, must move

now to counteract the insurers' lobbying. Tax breaks are necessary for companies which want to build self-insurance reserves against liability losses and which are willing to get actuarial certification that these reserves are reasonable and warranted. This annual actuarial or independent assessment of reserving practices would go a long way toward preventing abuses of such a tax loophole, a major reason why the insurance industry says it is opposing the bill.

Why is the industry so concerned that small businesses won't be able to adequately fund their self-insurance reserves, leaving some injured person uncompensated or under-compensated for an injury? Though the industry steadfastly maintains there's plenty of product liability insurance available—albeit at a steep price—there's evidence a growing number of businesses are going without any coverage at all, because they either can't afford the premiums or don't think the insurance offers enough value for the price. Since there's not now and not likely to be any legislation requiring companies to buy product liability insurance, it seems much more important at this juncture to assure that companies without insurance have an incentive to fund their future liabilities another way, lest they be unable to compensate injured parties for damage done.

■ There's another glaring inconsistency here. Insurers have maintained for years that there's inadequate financial capacity for them to underwrite all of the liability coverage being demanded. Now to have them turn around and oppose a measure which would actually help to alleviate this capacity shortage—if there is one, and we think there is—leaves us baffled. Do we or do we not want to encourage companies to pay their own losses at the lower levels, to free up underwriting capacity for catastrophic coverage?

Employers deserve pension incentives

RECOGNIZING THE unpleasant outcome of the Employee Retirement Income Security Act of 1974, Senators Williams and Javits—who were the original sponsors of pension reform—have come forward with their proposals to amend the law.

It's about time. There is already a broad-based move by many companies to either freeze their pension plans or terminate them altogether. And we'd like to think it's not because of a reaction to pension reform, per se. Instead, we believe that the backlash by employers is a response to the bureaucratic morass that grew out of well-intentioned efforts to assure that employers stood by their pension promises.

Employers were suddenly faced not only with tougher requirements for vesting and benefit participation, but also with mountains of costly paperwork and equally

confused jurisdiction over the law. A carrot and stick approach to motivation generally works better, most managers understand, than the application of the stick by itself. In the case of pension reform, there was no carrot for employers sponsoring generous pension plans, only a stick to prod them into compliance with the law.

The best part of Williams's and Javits's proposed reform of the reform law is a tax credit that would be allowed for employers who offer earlier participation and faster vesting than the law requires. A carrot emerges . . .

Employers who start up new pension plans would also be allowed tax credits for five years, equal to 5% of the pension deduction in the first year and scaled down credits after that. Another carrot. . .

letters

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

No monopoly

To the editor: I don't know any risk managers who have been placed by Robert Murphy Associates, but if I did I would be very embarrassed for them if the comment attributed to Mr. Murphy in the May 1st riskWatch column is truly representative of his views (i.e., "It's the brokers who are the brains, although the risk managers don't want to admit it").

In my view, the generalization attributed to Mr. Murphy is patently ridiculous.

Over the past 18 years, I worked for a few years as a large risk underwriter and later as a manager of corporate insurance, risk and benefits. During that time, I have dealt all over the globe with some very talented brokers, consultants, and risk managers—and some very untalented ones, too. I have found that no one of these groups has a corner on either brains or boobyery.

William T. Howard Jr.

Director of corporate insurance, Forest Oil Corp., Bradford, Pa.

What a pitch

The following letter, addressed to executive recruiter Robert Murphy, is in response to Mr. Murphy's comments in a May 1 riskWatch column by Rebecca Fannin.

Dear Mr. Murphy: It is refreshing indeed to find that your firm has placed risk managers in positions earning in excess of \$60,000. This, I am sure, is a combination of your own marketing expertise as well as the individual talent of the risk managers placed in these positions.

I take rather strong exception, however, to your inference that RIMS is not the organization for "super" risk managers earning top dollar. This is obviously a sales pitch for your firm and totally disregards the continual educational opportunities and availability through the Risk & Insurance Management Society.

Equally strong exception is taken to your comment "it's the brokers who are the brains, although the risk managers do not want to admit it." If you had witnessed the program in force for our company and the proposed new consolidated program from our broker (now former broker) you might not make such a statement.

I will agree that most brokerage

Continued on page 90

business insurance

the national newsmagazine of loss prevention, risk financing and employee benefit management

G.D. CRAIN JR.
founder (1885-1973)

MRS. G. D. CRAIN JR.
chairman of the board
RANCE CRAIN
president and editorial director
DAVID J. CLEARY JR.
senior vp-group publisher

S. R. BERNSTEIN
chairman, executive committee
KEITH E. CRAIN
secretary-treasurer
ALFRED MALECKI
vp-publisher (New York)

SUSAN ALT, editor (Chicago)
GREG DAVID, managing editor (Chicago)

Associates: New York—REBECCA A. FANNIN, ELLIS SIMON, Washington—JERRY GEISEL, Los Angeles—JOANNE GAMLIN, Chicago—BARBARA JEAN GRAY, KATHRYN J. McINTYRE, Editorial production chief, Chicago—MERRILL SALTZMAN, Art director: JOE FARACI, Correspondents: London—JOHN MILLER (01) 946-4215, Seattle—HARRIET KING (206-888-2340), San Francisco—MARGARET LeROUX (415-525-5082).

DONALD A. WALSH, Advertising director (New York)

Advertising district managers: New York—CHARLES A. HORVATH, JACK FORREST; Chicago—ROBERT L. NIESSE, THOMAS N. WALLIN. Production manager: Chicago—FRAN PRYBYLO. Promotion manager: New York—RONNIE I. DRACHMAN. Assistant to the publisher: Chicago—CELIA MALOUHOS; New York—HOLLIS PIVOR.

Published by Crain Communications Inc., Chicago, publisher of Advertising Age, Pensions & Investments, Industrial Marketing. KEITH E. CRAIN, secretary-treasurer; M.A. HARTENFELD, executive vice president; D. J. CLEARY JR., senior vice president; ALFRED MALECKI, J. J. GRAHAM, J. V. O'GARA, S.E. COHEN, LOUIS F. DEMARCO, WILLIAM STRONG, ROBERT W. KRAFT, STEPHEN D. GILKINSON, vice presidents; JAMES M. FRANKLIN, vp-finance and administration; MERRILEE P. CRAIN, assistant secretary.

Published biweekly at 740 Rush St., Chicago, Ill. 60611 (312-649-5200). Offices at 708 Third Ave., New York, N.Y. 10017 (212-986-5050); Suite 1253 National Press Building, Washington, D.C. 20004 (202-638-5300); 6404 Wilshire Blvd., Los Angeles, Ca. 90048 (213-651-3710). 75 cents a copy. \$15 a year in U.S. Foreign \$5 a year additional. WILLIAM STRONG, vp-circulation. PAMELA JANOUSEK, circulation manager; ROGER DIGREGORIO, fulfillment director. Four weeks' notice required for change of address. Address all subscription correspondence to Circulation Department, Business Insurance, 740 Rush St., Chicago, Ill. 60611. Telex number 25-4248; Cable address: CRAINCOM. Microfilm copies are available from University Microfilms, 300 Zeeb Rd., Ann Arbor, Mich. 48013. Microfiche copies are available from Bell & Howell, Micro Photo Division, Old Mansfield Rd., Wooster, Ohio 44691.



Member of Business Publications Audit of Circulation



59 years ago AIU began developing a network to sell and service insurance all over the world.

Today, it's a vital part of an organization selling more international insurance, employing more people overseas, and maintaining offices in more countries, than any other insurance group in the world.

That organization is **AIG.**

 American International Group

Dept. A

102 Maiden Lane, New York, N.Y. 10005

Please send me more information about your organization and services.

Name/Title _____

Company _____

Address _____

City _____

State _____

Zip _____

Phone _____

Retreat? Never.

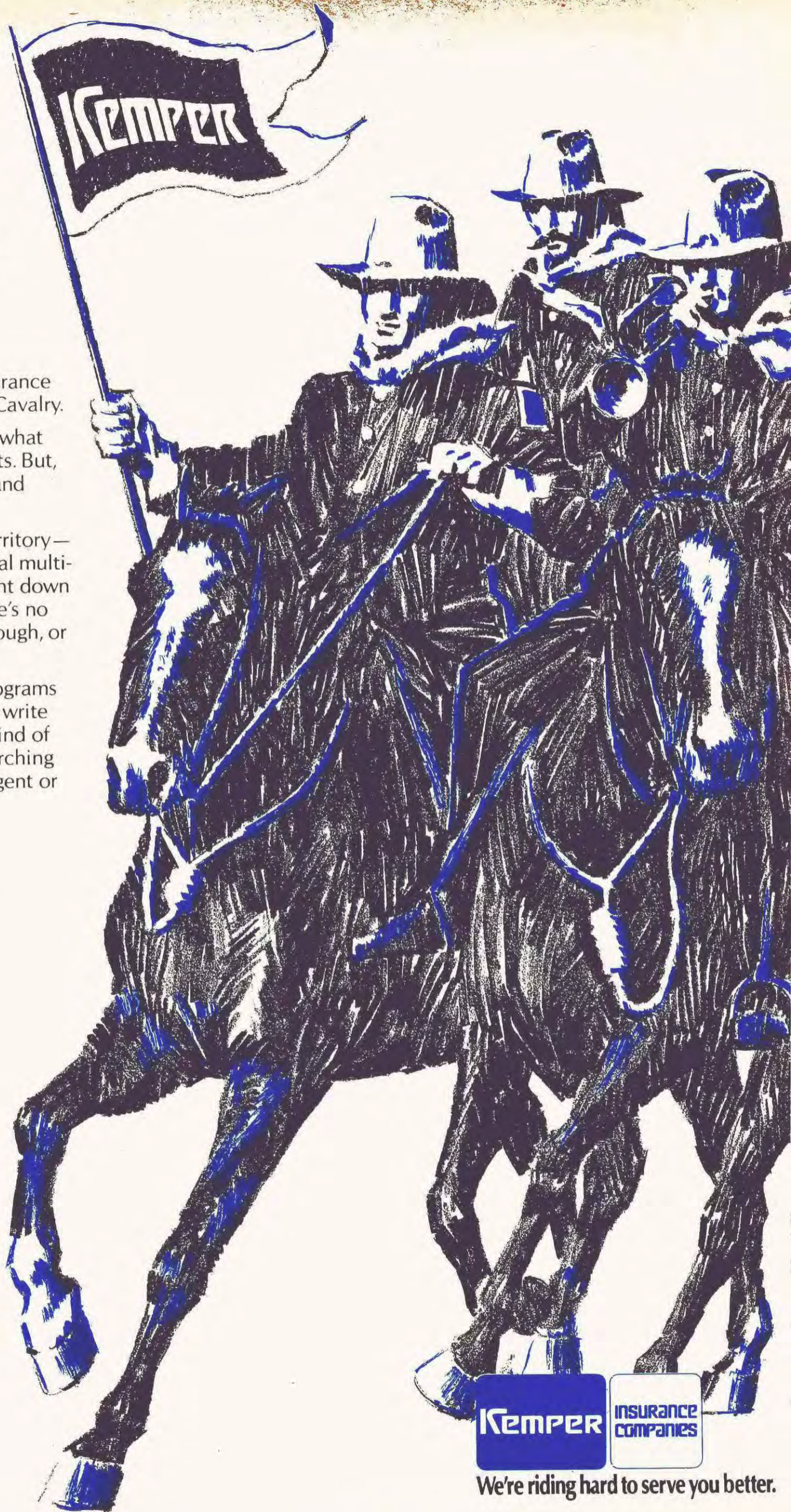
Kemper still rides for the corporate risk manager.

Some outfits are pulling out of insurance for the larger corporation. Not the Cavalry.

Kemper is large enough to provide what the corporate insurance buyer wants. But, we're still small enough to be fast and flexible.

Our experience spans the whole territory—from high-valued property, to special multi-peril policies, to worker's comp, right down to boilers and machinery. And there's no corporate insurance program too tough, or too complicated, for our outfit.

Kemper is a leader in insurance programs for business. Because we don't just write you up, then write you off. If this kind of leadership is what you've been searching for, contact your nearby Kemper agent or broker.



KEMPER

INSURANCE
COMPANIES

We're riding hard to serve you better.

Risk Management Services

Benefit consulting: 'Big 9' and Mercer

By ELLIS SIMON

NEW YORK—Just as the accounting profession has its "Big Eight," the largest firms in the field, employe benefit consulting has its "Big Nine."

The Big Nine is an informal grouping of the chief executive officers of the largest independent consulting firms. They gather monthly to discuss problems common to the field.

Brokerage firms active in benefit consulting—such as Alexander & Alexander, Johnson & Higgins, Frank B. Hall and Marsh & McLennan's Mercer division—are excluded from this elite. So are public accounting firms like Peat, Marwick, Mitchell & Co. and Coopers & Lybrand.

Thus, they exclude William M. Mercer, the nation's largest benefit consulting organization.

The Big Nine are A.S. Hansen of Lake Bluff, Ill.; George B. Buck of New York; Hewitt Associates of Lincolnshire, Ill.; Kwasha Lipton of Englewood Cliffs, N.J.; Martin E. Segal of New York; Meidinger & Associates of Louisville; Milliman & Robertson of Seattle; Towers, Perrin, Forster & Crosby of New York, and Wyatt Co. of Cleveland.

Of this group, TPF&C is the largest, admitting to revenues of about \$60 million, 75% from benefit consulting fees. This trails Mercer's 1977 revenues of \$82 million, the majority of which came from fees.

Second among the Big Nine in size is Wyatt Co., believed to have volume in excess of \$30 million. Wyatt president Clifford R. Sims claimed his firm does a larger business in the U. S. and Canada than TPF&C, but said the latter firm's large international business accounts for its greater overall size.

The independent consultants and public accounting firms are privately held corporations or partnerships and, with the exception of TPF&C, declined to reveal revenues.

However, a management consultant told *Business Insurance* that the

Profiles of 18 employe benefit consulting firms begin on page 52.

number of employes was the best measure of a consulting firm's size. Revenues for the consulting firms range from \$40,000 to \$60,000 per employe with most firms being around \$50,000, he said.

Among the Big Nine, several firms are involved in activities outside the "pure" benefits consulting area. Reinsurance brokering accounts for about one-fourth of TPF&C's business and compensation consulting is about half of Hewitt's business and is growing.

Further, Wyatt operates a risk management consulting practice and Milliman & Robertson does actuarial consulting for life insurance companies.

TPF&C's employment is in excess of 1,000 and Wyatt has a staff of around 700. Following them come George B. Buck, Milliman & Robertson and Hewitt, each at around 500; Hansen at 475; Meidinger at 450; Martin E. Segal at 409, and Kwasha Lipton at 180.

Employment in the benefit units of the various brokerage firms numbered

Continued on page 50



Risk management consulting is thriving on the woes of the commercial buyer, say George Betterley (left) and Warren Brockmeier (right) on page 32. Ebasco is the largest. Page 39.

Captive managing: Basking in boom

By KATHRYN J. McINTYRE

CHICAGO—Ask J. H. Blades about his captive management business in Bermuda and he will correct you, with all due respect, that his firm "is not necessarily trying to manage captives per se. We're interested in subsidiary insurance companies operated as profit centers."

Though not quite as forceful as Mr. Blades, other Bermuda captive managers communicate a chauvinism about captives and their work rivaled only by the pride of Colorado captive managers and the excitement for the future of a captive manager who has the corner on Tennessee with its new captive insurance company law.

Considering the growth of the captive insurance company business in this decade, one can understand why captive managers are so enthusiastic.

David Vaughan, managing director of Marsh & McLennan's Bermuda captive management subsidiary, opened the office in 1970 with three people. Today, 42 people manage 59 captives with annual premiums that range from \$500,000 to \$15 million.

There's continued interest and activity in captives expanding their books of business beyond the risks of their parents, though managers see varying degrees of commitment to the venture by their clients. Mr. Blades, chairman of the Blades Group, maintains, "Captive management is not the thing in Bermuda. What's exciting is the second step—to real insurance companies and the regular markets going into Bermuda." American International Group, INA and Continental maintain underwriting operations in Bermuda, he said, and Kemper is moving in soon.

Even the advent of constant insurance regulation in Bermuda has only enhanced the captive managers'



Blades Group chairman J. H. Blades is more interested in managing insurance companies operated as profit centers in Bermuda than he is in managing captives.

Captive manager David Vaughan never imagined the Bermuda captive industry would flourish as it has when he opened M&M's management office there eight years ago.



spirits. That the government is expected to hold them responsible for operating solvent companies—and reporting companies that may be facing insolvency—is welcomed by the captive managers.

"We welcome the regulation and part of the reason is the professionals want to prove their credentials," said Robert Whiting, managing director of the aggressive Pinehurst Management Co. Ltd. in Bermuda. Everyone contended that they are sure they are already complying with whatever the specifics of the regulations may be. Proving that they operate within a law will only enhance their stature in the worldwide insurance marketplace, the managers chimed.

Bermuda captive managers also said they weren't surprised to hear the premier of Bermuda tell the American Management Assn. meeting there earlier this month that the number of companies registering in Bermuda is up 40% over last year and that 700 insurance companies are now operating there. Their own increased busi-

Continued on following page

Product testers prescribe dose of defense

By JERRY GEISEL

WASHINGTON—The clothes dryer manufacturer and its insurance carrier faced a big product liability suit after a housewife was injured when her clothes caught on fire while they whirled around in the dryer.

The woman, who said she only put wet towels in the machine, said a defect in the dryer caused the fire.

But thanks to a little known Michigan testing laboratory, the clothes dryer manufacturer was able to shoot down the claim. By analyzing the burned remnants, the lab was able to prove that the high plastic content of the clothes—not a defect in the dryer—led to the fire.

The clothes dryer caper is just one of hundreds of product liability cases that the Michigan National Testing Laboratory in Troy,



Gaynes Testing Laboratories simulates the life of a product on an accelerated basis and can alert the manufacturer to potentials for product liability suits if the product doesn't hold up.

Mich., has handled in the last five years.

The demand for product liability testing services has been so explosive that Michigan National project director Joseph Ryan says, "There

aren't enough hours in a day to get all the work done."

Nationwide, the boom in services is on as manufacturers try to practice a little defensive medicine to cope with the increasing size and

number of product liability suits.

Fortunately, that demand for services is being met by product liability testing labs that are popping up like blades of grass on the first warm days of spring.

Some labs will test your insulating wire to see if it really insulates, check your advertising to see that you aren't promising more than you can deliver, or put the match to the clothes your factory weaves to see that articles provide only covering and not fodder for a fire.

Some product liability testing services will do even more. NATLSO, a subsidiary of Kemper Insurance Cos., will examine a company's manufacturing, engineering, quality control and distribution systems and will recommend a comprehensive product safety program to hold down losses.

And if a claim is filed, ESIS Inc., INA's subsidiary for self-insurers, has trained staffers who can hammer out an agreement with plaintiffs attorneys on behalf of clients to prevent the claim from escalating.

Continued on page 20

Captives aren't plunging in

BERMUDA—The facilities certainly exist in Bermuda for captive insurance companies to expand their underwriting operations beyond the risks of their parents. But captive managers have differing views on how much the facilities are being used.

"There's a lot more interest than activity in third-party business," says William Scaff, newly appointed managing director of Alexander International Ltd. A joint venture established this year of Alexander Howden in London and Alexander & Alexander allows clients to participate in a pool of reinsurance business, but so far only a few are taking advantage of the facilities of the Alexander Underwriting Agency.

J.H. Blades, chairman of the Blades Group, sees "reinsurance growing at a rapid rate in Bermuda." J.H. Blades & Co. (International) Ltd., a member of the

Blades Group, is a reinsurance intermediary that arranges reinsurance for Blades Management clients and others.

Blades Management also operates two pools—one for U.S. risks and the other for international risks—which this year wrote \$30 million in premiums, up from \$22 million last year.

American International Group found a hungry market when it offered a special underwriting management insurance treaty (SUMIT) writing \$10 million in premiums. With AIG taking 10%, the treaty was quickly closed with nine other participants each taking 10%.

Richard J. Williams, director of captive operations for American International in Bermuda, observed, "Our clients prefer the company placing the outside business take a share, as in SUMIT. Otherwise they are afraid of outside business." ■

Captive managers . . .

Continued from preceding page
ness activity told them that the anti-captive Internal Revenue Ruling last summer and the civil disturbances in Bermuda last December had not curtailed captive formation on the island.

Apparently benefiting most from the continued chartering of new captive insurers are the management subsidiaries of the national alphabet brokers, particularly Johnson & Higgins. J&H Ltd. is being pegged as the largest Bermuda captive manager, even surpassing Fred Reiss's island activities in some people's minds, though not Mr. Reiss's worldwide ventures.

As in the past, no one from American Risk Management Inc., International Risk Management Ltd.'s parent, would discuss the company's large operations, which

Risk Management Services

are particularly renowned for expertise in property risks.

David Winton, senior vp and director of J&H in New York, wouldn't claim J&H Ltd. is the largest captive manager with 80 clients now and another 20 under study, "but we're the best, I'm confident," he boasted. J&H actually contracts with Inter-Ocean Management Ltd. and its 35-person staff for captive management services, similar to its approach in many overseas brokering operations.

As with other subsidiaries of national U.S. brokers, at least 80% of J&H's captive management business has been generated by standing J&H accounts opting for a captive with much of the remaining business association accounts. None of the broker subsidiaries actively solicit their own business.

J&H has also conducted the feasibility studies on 80% to 90% of the captives it manages, Mr. Winton said. He "categorically" denies that there is a conflict of interest inherent in that arrangement. "We have no bias toward the captive route," Mr. Winton said, maintaining that J&H does not stand to gain revenues by the formation of a captive compared to placing the insurance in the standard markets.

"The net result to the broker is probably a diminution of income, but nothing material," he said. That opinion was endorsed by other captive managers, including independents who observed that primarily a large national broker is concerned with holding onto his account.

Bermuda captives managed by J&H range in size from \$800,000 to \$20 million in annual premiums and are running up management fees as high as \$45,000 or more in the case of "tremendous activity," Mr. Winton said. Among J&H clients is 3M Co. with two active captives.

M&M's Mr. Vaughan was the only captive manager interviewed who would not disclose the range of his management fees, saying only that M&M is competitive with others on the island. He did, however, criticize the repeatedly mentioned \$15,000 average annual management fee as "far too low for an active company." M&M clients include SmithKline, Transamerica, DuPont and Uniroyal.

William Scaff, newly appointed managing director of Alexander International Ltd. in Bermuda, is stepping in to direct a 24-person staff that now manages more than 30 captives. Management fees range from \$15,000 to \$30,000, he said. Clients of the A&A affiliate reportedly include Allied Chemical.

Mr. Blades conceded that with 24 "subsidiary insurance companies" under Blades Management Co.'s wing, it isn't the largest, "but we have the largest percent of companies operating as insurance subsidiaries" as opposed to underwriting only parent company risks. For instance, Blades recommended that H & R Block not form a captive, but a subsidiary insurance company was formed to write a worldwide book of business excluding not only H&R Block risks but also all U.S. risks.

Companies managed by Blades's staff of 22, such as subsidiaries of Empire Co. Ltd. and Panhandle Eastern Gas & Pipeline, range in size from \$250,000 to \$6 million in annual premium volume. Management fees run \$3,500 to \$4,500 a quarter, "depending on the work involved," Mr. Blades said. On out-

Continued on page 14

**A SELF-INSURED
\$93,000 LOSS** **AN INSURANCE
COMPANY'S
\$68,000 LOSS**



The \$25,000 potential difference in this example is the way the insurance company reacts internally to the disaster. They paid the \$93,000 claim, and USCC recovered \$25,000 through the merchandising of salvable materials.

Because of the insurance industry's years of involvement in claims adjusting, they have come to rely heavily on our loss recovery services to minimize their losses and protect their cash flow by achieving what is known as a high net recovery dollar.

Since your company has assumed a risk retention profile through higher deductibles, self-insurance programs or a captive insurance company, you will need to use the same techniques

the insurance companies use to protect their cash flow.

If your company experiences a loss, the temptation may be to declare it a total loss and replenish it from your self-insured resources. Then write it off. This type of action can have a severe impact on your cash flow picture—unnecessarily.

USCC can come in and do for your cash flow what we've done for the insurance companies for years.

We will identify the salvable merchandise and its current market value, market it to our network of known buyers and return a significant sum of money to your cash flow or risk reserve, thus enhancing your total cash flow picture. At the same time, we will react quickly, maintain-

ing product integrity, protection for products liability and documentation of the unique program we develop for your specific needs.

We are not new. We have been serving the insurance industry for more than 80 years, recovering millions of dollars for them each year. And we are anxious to do the same for your company.

Write for our corporate services brochure. "The USCC way to increased cash flow protection and asset conservation."

USCC

24 hour number: 312-437-8181

National Executive Offices • Risk Management Services
1400 Busse Road • Elk Grove Village, Illinois 60007
(Chicago)

Endorse your U.S. policy at your own risk.

If you have exposures abroad and are endorsing your U.S. domestic policies, you're taking an unnecessary risk. Here's why.

Example: Assume a manufacturer wanted to sell his product in Europe but manufacture it in the U.S. and planned to endorse the domestic product liability policy for worldwide coverage. Should the product's failure be the cause of a lawsuit, the foreign country's non-admitted laws, which may call for insurance, would be violated and the company could be in danger of losing an important market, the suit, or both.

Example: Or assume a U.S. manufacturer wanted his domestic general liability policy endorsed worldwide. And assume his salesman was demonstrating the product in a remote factory in the Far East and inadvertently injured an employee. Without having local facilities, it would take several days before a bond could be posted and the salesman be permitted to leave.

Example: Or suppose a U.S. manufacturer was covered by the workmen's compensation laws of his state and sent one of his able

executives to the Middle East. While there a plant accident hospitalized the executive. Who would he turn to for help who knew the language, the doctors, or could provide needed services immediately?

Example: One last example. In South America, a consumer brings a complaint against a U.S. company which has its domestic liability policy endorsed. Obviously it would take some time for the insurer to locate facilities, to investigate the claim, obtain legal counsel and protect the insured. In the meantime, the consumer's attorney, noting the company was foreign and could walk away from the case, could obtain a court order to impound the company's merchandise until the claim was settled.

You can avoid these hazards by doing what

90 of the top 100 U.S. companies operating abroad do. Insure with AFIA.

AFIA has offices and claims facilities in every part of the world because in foreign insurance, there's more to protection than endorsing a U.S. domestic policy.



COME TO AFIA. THE WORLD'S INSURANCE COUNTRY.



WORLDWIDE INSURANCE World Headquarters: 1700 Valley Road • Wayne, N.J. 07470

U.S. branch offices: New York • Chicago • Cleveland • Dallas • Houston • Los Angeles • Miami • San Francisco • Seattle • Wash., D.C.

For more facts circle 1 on reply card



Some different approaches to lumber exposures.

Captive managers . . .

Continued from page 12
side business, Blades Management takes 4% of earned premium and 15% of profit, with net profits on unrelated risk assumption averaging 5% and 10%.

Blades attracts a number of accounts because it is an independent manager rather than a subsidiary of a U.S. broker. "But we don't compete with the brokers because the major brokers are our clients," said the chairman of the group of insurance companies.

Another major force on the island is American International Co. with 70 to 80 fronting and management clients. "The bulk of income is from fronting," said Richard J. Williams, director of captive operations. American International is approaching a couple hundred million in fronting premiums now, with the fronting fee

Risk Management Services

ranging from 5% to 10% of premium.

Captive management is provided along with the front when the client's broker doesn't have a facility in Bermuda or when the client requests it. Management fees vary, of course, but Mr. Williams agreed \$15,000 is close to the average annual cost. He stressed that American International "does not compete with the broker facilities. We don't insist on the management contract with the big houses because the broker would place the front somewhere else."

Pinehurst Management, with 25 captives now, is aggressively seeking new business, said managing director Mr. Whiting. The subsidiary of Pinehurst Corp., an insurance underwriting and service corporation, added 11 new accounts in the last year and intends to double its business in the next two years.

The bulk of its business is sent to the island by its sister U.S. company, Risk Management Inc., after a feasibility study has shown the captive to be worthwhile. Some business has recently also come through regional brokers.

Pinehurst's success has been "in competing with the alphabet brokers in the casualty area," Mr. Whiting said, claiming to be the best casualty captive manager on the island with 60% of Pinehurst clients in casualty risks. Clients include FMC Corp., Holiday Inns, Marriott and Montgomery Drilling.

Management fees can be established with Pinehurst one of three ways: By time and expense with staff logging their work on half-hour allotments, purely negotiated annual fees or on a percent of premium. It's up to the client. Mr. Whiting said an annual \$15,000 management fee is "close to the target," but noted that it would not include such services as loss runs, loss projection, general client counseling, reinsurance negotiation or dealing with the fronting company.

BF&M Management Ltd., a wholly owned subsidiary of Bermuda Fire & Marine Insurance Co. Ltd., manages 28 captives with annual premiums ranging from \$500,000 to \$3 million. Management fees charged by the eight-person operation are no lower than \$5,000 annually and normally \$10,000 or more, said treasurer John A. Wilkins. Clients reportedly include Royal Crown Corp. and Ward Foods Inc.

As with other independent management companies, BF&M acquires new business by referral. Mr. Wilkins noted that contracting with an independent manager precludes the necessity of moving the captive to a new manager if the parent company changes brokers in the U.S. That's generally the only time a parent changes captive managers, it was agreed.

Armco Insurance Management Ltd. (AIM), a subsidiary of Bellefonte Insurance Co., is aggressively seeking captives to manage now that operations for the Bellefonte International Insurance Co. have been streamlined and can be sold to others, said general manager Clive Himsforth.

Three new captives were added this year for a total of 10 clients, he said, and another five "are in the pipeline." Management fees are well within the publicly quoted range for other managers of \$10,000 to \$15,000.

Though established captive managers suggest they will serve

Continued on page 16

Announcing

A NEW PREMIUM MANAGEMENT PROGRAM

which allocates premiums or self insurance budgets to profit centers using both

Experience & Exposure

and allows you to use a different experience/exposure ratio for each type of risk with any combination of stop losses needed for catastrophe protection.

A new service we now provide to:

RISK MANAGERS who are genuinely concerned about an equitable and understandable premium allocation, and
FINANCIAL OFFICERS who can't wait six months after a policy year to get risk costs into the cost of producing a product.

**corporate
systems**

Write to: Corporate Systems, P. O. Box 2827, Amarillo, Texas 79105

Or Phone: 800 858-4160 — Toll free from outside the State of Texas
(from Texas call 806 376-4223)

Corporate Systems Australia, "Holland House," 492 St. Kilda Road, Melbourne Australia

For more facts circle 63 on reply card

A MOST UNUSUAL

COMPANY



**ARKWRIGHT-
BOSTON
INSURANCE**

There are a lot of advantages in locating certain operations overseas. Insurance coverage isn't one of them.

In fact, most insurance companies can't begin to duplicate the property coverage they provide in North America. But we can.

We can cover all your operations in fifty coun-

tries around the world with a single fire, boiler and machinery policy. We'll give you a blanket limit worldwide. That's protection that is protection.

Talk to us. The tougher the problem, the more we can help.

Regional Offices: Boston, Cleveland, New York, Chicago, Atlanta, San Francisco.



Captive managers . . .

Continued from page 14
 the new captive business that will continue to blossom on the island, new management ventures are being planted. The Landmark Insurance Group operating out of Oklahoma City, for example, organized Landmark International Management (Bermuda) Ltd. last year. The company is managed by Stuart Grayston, formerly of Blades Management, who heads his own company that now manages nine captives.

So far Landmark has three potential captive clients with its feasibility studies recommending captives for two corporations and still underway for the third. Landmark Insurance Group president William E. Thompson said six of his 43 agency employees are engaged in captive work. He has expanded his excess/surplus and managing general agency business, which writes \$15 million annually, into captives to "serve the Midwest market." Management fees will range from \$5,000 to \$7,500 a quarter, he said.

Not to be ignored are Colorado captive managers. Frank B. Hall Management Co. in Englewood, with 13 clients and Glendale Risk Management Co. in Glendale, with five captives, manage 18 of the state's 26 captives and are gung ho about their business. They are also a little smug about the regulations they must contend with compared to their Bermudian counterparts.

"Our operations are much more complex than in Bermuda," said James A. Jaeger, president of the Hall management company. "We have more technical requirements to comply with, such as filing rates and policies for prior approval and the annual convention statements. It's very time consuming." In addition, all books and records are subject to examination by the insurance commissioner.

Captive management fees charged by Hall, with a staff of nine, range from 1% to 10% of premium, with the smallest annual fee around \$24,000. The normal fee—exclusive of such additional services as actuarial work, claims review and evaluation and loss prevention and engineering—is \$24,000 to \$50,000. The highest expense ratio, including taxes but excluding loss adjustment and claims defense services, is 13% of premium with larger captives paying less than 5% of premium.

Hall's clients, among them Royal Industries, Whittaker Corp. and Chatham Super Markets Inc., op-

erate subsidiaries with premium volumes between \$400,000 and \$10 million. Two clients, however, recently left Hall's management: Hospital Corp. of America and Amfac Inc.

Robert Reeves of Hospital Corp. said he moved the account to two

Risk Management Services

lawyers "because we felt we could purchase services more tailored to our specific needs at less cost but still fully complying with the laws of the state of Colorado to have a bona fide principal and home office in Colorado." Principals in the

Amfac move declined to discuss why Amfac went to Glendale Risk Management, except that it was by mutual consent of the three parties.

Glendale, with the arrival of Amfac, is managing five captives with premium volumes of \$2 million to \$7 million. President William Kersten stresses the firm's expertise in the association captive having formed Wescap as the first

one in Colorado and working on the feasibility of a second one now.

Twelve persons work on captive management at Glendale. Fees range from 1% to 4% of premium with a minimum fee of \$10,000 for pure management. The firm can also provide full claims service, but it contracts out for safety engineering and actuarial services, he said.

Mr. Kersten finds that those who don't want a national broker knock

Focus UAC's powerful claims handling



Perhaps you need claims service in only one area. One state. Or even a single city. We can supply it promptly. Professionally.

We are a national organization of over 4,000 dedicated claims people. You can plug us in wherever you need us: in areas where your present staff is spread too thin. Or where a sudden increase in activity has created a crunch. We'll jump in on a short-term basis. Or for the long haul.

Whether you're an agent or broker, insurance company or self-insurer, think UAC. Nationally. Regionally. Locally. We are where you need us.

Learn more about how you can benefit from UAC's country-wide capability. Contact: J. A. McLain, Jr., National Marketing Manager, Underwriters Adjusting Company, 80 Maiden Lane, New York, New York 10038. (Tel: 212 374-2251).



The people who know how to handle it in

DES MOINES

are

LA MAIR-MULOCK-CONDON CO.

906 Walnut Street

244-0166

SEE OUR AD ON PAGE 6

on his door for captive management while Hall accounts naturally land with Mr. Jaeger. Others shop for a manager, he said, noting that a former employe of his, Thomas Lill, heads up M&M's Colorado captive management company in Denver.

In Tennessee, the newest captive haven, Corroon & Black is standing ready to serve the first captive formed. Jake Wallace, senior vp of

Corroon & Black Corp., explained, "We already have a captive management company operating in Nashville running the doctor-owned insurance company here." The systems are all in place and to handle a new operation Corroon & Black would have to simply add to its 16 person management staff.

"We're sold on the long term future of captives in our state," said

Mr. Wallace.

Corroon & Black also went into Bermuda captive management a year ago in a joint venture with Alex Cockburn & Co. and has 20 clients now.

In Bermuda, Colorado, and now Tennessee, captive managers are predicting fantastic growth of the captive insurance company industry, and consequently, fantastic growth of their own. ■

Brokers continue to expand their services

By REBECCA A. FANNIN

NEW YORK—To meet the growing demand for specialized skills in

Risk Management Services

administering self-insurance programs, brokers are offering increasingly sophisticated technical services and are regionalizing these services further.

Revenues from technical services continue to expand as well. Fred S. James's technical services revenues have increased 200% since last year and Alexander & Alexander's revenues also doubled from last year.

"Technical services are the fastest growing part of our company," said Robert L. Young, vp of the self-insurance services division at Fred S. James.

Technical services at Marsh & McLennan Inc. account for an estimated 5% to 7% of M&M's total revenues.

Of the three brokers, Marsh & McLennan offers the most exhaustive supply of services, with divisions broken down into loss control under senior vp Alonzo C. Rand and risk management under senior vp David M. Evans. The service division is headed by executive vp Phillip J. Brown Jr.

Under the risk management division are four services: M&M Risk Management Services, Marsh & McLennan (Bermuda), Ltd., Multinational Insurance Services and Claims Management Services. The loss control portion is broken down into three services: M&M Protection Consultants, Clayton Environmental Consultants and Nuclear Insurance Consultants.

A new service under risk management is claims management services for self-insured programs, captives, excess and reinsurance carriers, headed by vp James F. Lee.

Multinational insurance services has recently expanded its offices in New York and Los Angeles to include Detroit.

M&M Risk Management Consultants has changed its name to M&M Risk Management Services as it broadened its services in this area. The consulting services group has expanded into a management services group, which provides self-insurance administrative management for captives, and M&M Insurance Man-

Continued on following page

strength wherever you need it.



Buy Us Nationally, Regionally or Locally

JAC has hundreds of service locations with thousands of adjusters countrywide. For more information, call our Regional Marketing Manager nearest you:

Livingston, New Jersey—Peter A. Baldassaro (201) 533-4684

Atlanta, Georgia—J. C. Moye (404) 581-7888

Columbus, Ohio—Ray M. Tatum (614) 253-0871

Chicago, Illinois—Lawrence J. Doherty (312) 341-5474

Dallas, Texas—John O. Mitchell (214) 747-8161

San Francisco, California—G. Roger Eiler (415) 576-8338

Or call any of our local Branch Managers.

UAC

a subsidiary of The Continental Corporation

We are where you need us.

For more facts circle 16 on reply card



The people who know how to handle it in

HARTFORD

are

ALLEN, RUSSELL & ALLEN, INC.

799 Main Street
522-3245

SEE OUR AD ON PAGE 6



HERBERT L. JAMISON & CO.

90 Park Avenue New York, New York 10016 Area Code 212—490-7660

ASSOCIATION GROUP INSURANCE PLANS

Design - Marketing - Administration

- Professional Associations
- Trade Associations
- Multiple Employer Trusts
- Third Party Claim Facilities

Broker services . . .

Continued from preceding page
agement Services, Inc., which provides organization and administration for Colorado captives.

The remaining service within the risk management division is Marsh & McLennan (Bermuda) Ltd., which offers a range of insurance management services for captives. This service has grown from managing some 30-odd captives two years ago to 65 currently—59 in Bermuda, three in Denver, two in California and one in Arizona.

"Our particular expertise in this area is feasibility studies for the formation of association captives," said Mr. Evans.

A new project that M&M has recently completed is the formation of its own London insurance company, called Tower Hill Ltd., to reinsure captives and to allow captives to take unrelated business, a

Risk Management Services

change from the previous captive treaty arrangement it used for reinsurance.

Tower Hill is "growing very satisfactorily and has been accepted by the producers in London," Mr. Evans said.

M&M has also completed a risk analysis simulation model called Gensim, which forecasts losses for specific exposures and then applies those probabilities of loss on a broader scale.

In the loss control division, which includes M&M Protection Consultants, Clayton Environmental Consultants and Nuclear Insurance Consultants, expansion has been underway as well.

The Clayton service division has added new equipment that allows for their own lab testing for hazardous levels of chemicals. In the loss control division, a business interruption interdependency study has been completed, which allows multiple locations to determine how much they will be affected by a loss in one location.

M&M's technical services group has grown from approximately 400 employees two years ago to 493 today, out of a total 7,507 employees.

Fred S. James has also expanded its services, primarily by expanding its self-insurance services for workers compensation to some auto and general liability insurance as well, Mr. Young said.

Risk analysis services are expanding at James with the near completion of an accident profile system, which analyzes losses for specific industries.

Out of James's 2,100 employees, approximately 180 work in services.

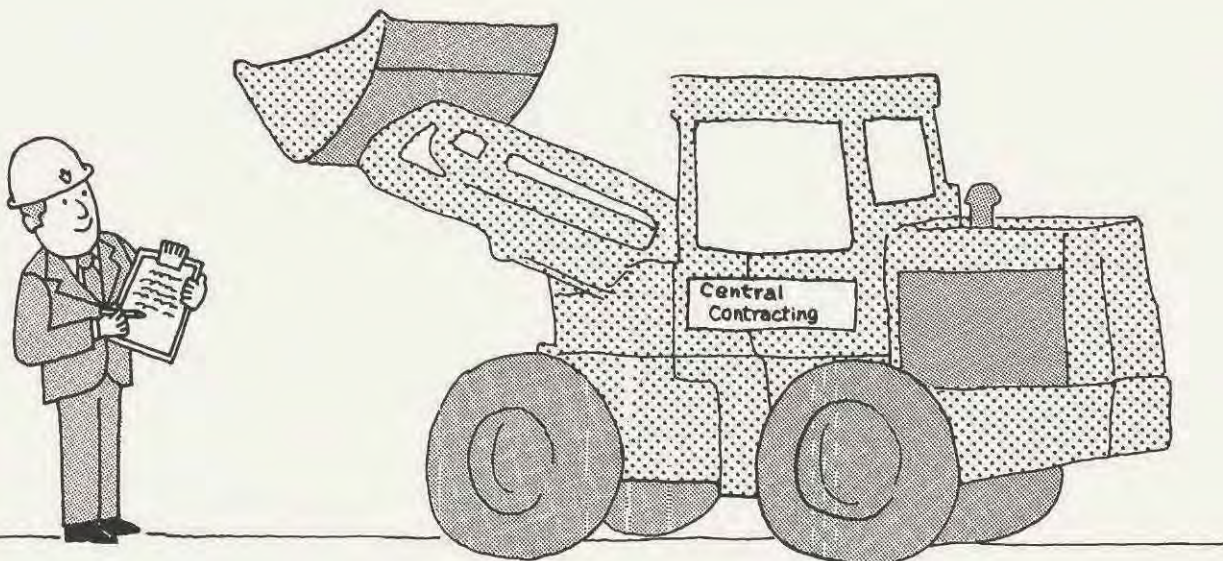
At Alexander & Alexander, services are broken down into four divisions: Alexander Underwriting Agencies, Anistics, Alexis and Alexander International Ltd., a Bermuda management company for captives.

Anistics, which has expanded its offices to Palo Alto, Denver and New York, concentrates on sophisticated computer programs that analyze risks.

The newest member to the service group is Alexander Underwriting Agencies, which became operational the first of this year.

Out of A & A's 5,000 employees, 135 employees work in technical services.

The ROYAL treatment.



It goes beyond offering you a complete line of inland marine.

We cover goods and property in transit; construction equipment; data processing equipment; personal floaters; Bailees' customers; installation risks; accounts receivable, and more.

Specialists in our regional offices nationwide are always available to help you write, service and customize coverage precisely to your customers' needs.

Royal-Globe offers you an unusual opportunity to improve the quality and

profitability of your business.

Ask some of the independent agencies who have been with us for over a century. Or our newer ones.

Or call Joseph M. Wallace, Assistant Secretary, Inland Marine Dept., Royal-Globe Insurance Companies, 150 William Street, New York, N.Y. 10038. (212) 732-8400.



Royal-Globe Insurance Companies, for unrivaled service here and abroad.

For more facts circle 42 on reply card

with Delta...
Everybody Benefits



Delta Dental Plans Association
211 East Chicago Avenue
Chicago, Illinois 60611
(312) 337-4707

reed shaw stenhouse... the risk management professionals

In today's complex and increasingly costly insurance market, intelligent risk management and loss prevention engineering are absolutely vital elements of sound fiscal planning. Now, more than ever, it is necessary to design and implement coverages tailored to meet the exact needs of the situations involved.

At Reed Shaw Stenhouse we use computer based techniques to compile detailed studies of our clients insurance needs. By building accurate mathematical models we can analyze in depth the financial statistics relating to risk exposure and loss experience, both actual and theoretical, together with other relevant

data that enables us to determine the most economic retention levels. In this way, we can select the best mix of insurance with the other elements of total risk management.

We do this with the aid of our wholly owned subsidiary, Reed Risk Management, Inc. And, we call upon our worldwide team of loss prevention engineers to help our clients minimize exposures wherever and whenever possible.

So, when your risk management needs go beyond mere insurance, call your Reed Shaw representative. He'll put the risk management pros on your team.

REED SHAW STENHOUSE INTERNATIONAL INSURANCE BROKERS

With offices in Boca Raton, Boston, Chicago, Denver, Ft. Lauderdale, Honolulu, Houston, Kansas City, Los Angeles, New York, Orlando, Pittsburgh, Portland, St. Louis, San Francisco, Seattle, Washington, D.C. and one hundred and six other cities around the world.



Product liability . . .

Continued from page 11

ing into a damaging lawsuit.

"It does little good to have all the facts if you don't have anyone who is able to negotiate with those crafty and clever people—the plaintiffs lawyers," said ESIS president Paul Meek.

Product liability testing services don't come cheap. Fees start at \$25 an hour and move up fast. While the initial costs may seem high, the savings can be enormous.

"An ounce of prevention is a lot better than a million dollar damage settlement," said Van A. May, president of Bancroft Testing Laboratory, a Raleigh, N. C., firm that tests textiles for possible product liability exposures.

On one level, NATLSCO offers a consulting service to guide clients to meet safety codes. Going up several notches, NATLSCO will

Risk Management Services

develop a loss control program to control customers' present and future exposures, explained NATLSCO vp Daniel F. Benevich, who heads the product safety division in Long Grove, Ill.

The heart of any testing service is its laboratory. Gaynes Testing Laboratories Inc. in Chicago has the facilities to test products for resistance to heat, pressure, vibration, stress and shock to name only a handful of testing services.

While the lab may be the heart of a testing service, the staff is the brain. At Michigan National, staffers have earned degrees in mechanical, chemical and electrical engineering and physics. Other

labs report a similar concentration of talent in the hard sciences.

While a big chunk of lab business comes from testing products that are blamed as culprits in personal injury suits, the shift is on to testing products before they reach the marketplace.

Premarketing testing often means simulating the life of a product on an accelerated basis or as Mr. Gaynes calls it: "life cycle tests."

Another integral part of product liability testing is the examination of product labeling and advertising. For example, a gas torch may be advertised as being able to cut through pipes. Some pipes, though, might contain chemicals or gases and if a gas torch were used an explosion might be touched off.

A natural complement to a product liability testing service is an efficient claims handling system. Such a service is crucial to com-

panies taking the self-insurance route and that no longer can rely on their insurance carrier to handle their claims.

For self-insured companies, Countrywide Service Corp. in St. Louis, a subsidiary of Employers Insurance of Wausau, offers investigative services: recommendations for defense counsel and expert witness selection and claims handling management.

Investigation isn't just a word at Countrywide. Rather, it symbolizes a compulsive drive to gather all the facts that will strengthen a client's defense against a claim.

Asked how Countrywide would investigate a claim involving an auto manufacturer that was accused of producing a defective part, Ronald Nichols, assistant vp in charge of claims, reeled off an impressive series of steps in the investigation process of an accident:

Obtain the driving records of those involved in the accident;

canvass the neighborhood for witnesses to the accident and interview them; interview the police officers involved; take photos of the accident scene; locate and if possible purchase the vehicle involved in the crash; check the car to see if modifications were made. . . .

Aside from purchasing services, companies are beefing up their in-house safety efforts to win the war against product liability claims.

For example, when Charles R. Revie, director of risk management and insurance of Bucyrus-Erie Co. asked participants at a Risk & Insurance Management Society New Orleans conference seminar if their companies had set up safety committees, about one-third of the 80 men and women in the room raised their hands.

"Ten years ago, I guess the response might only have been one or two companies," Mr. Revie observed. ■

MORE PEOPLE ARE PROTECTED BY DELTA THAN ANY OTHER GROUP DENTAL CARE PROGRAM.

AND FOR GOOD REASON.

There are a lot of good reasons why one out of every three Americans with group dental benefits is covered by a Delta Plan.

Informed group purchasers know that all dental programs

are not alike: not only in benefits provided, but in cost control mechanisms and quality assurance procedures—where it really counts.

Such mechanisms are an integral part of the Delta system in covering 14 million people under pro-

grams for private industry as well as state and federal agencies.

Why do groups turn to us? Because whether you are statewide or nationwide, whether you have only 10 employees or 50,000, we apply the same

quality assurance and cost containment mechanisms to make certain that groups receive the services for which they have contracted.

And we've been doing it for nearly 25 years.

With Delta...
Everybody Benefits!



Delta Dental Plans Association
211 East Chicago Avenue/Chicago, Illinois 60611
312/337-4707

Write or call for our informational booklet

For information on Delta Programs in your area . . . Call:

Alabama
Delta Dental Plan of Alabama, Montgomery. 205/265-1277

Alaska
Delta Dental Plan of Alaska, Anchorage. 907/274-4828

Arizona
Arizona Dental Service, Phoenix. 602/265-5858

California
California Dental Service, San Francisco. 415/864-9800

Colorado
Colorado Dental Service, Denver. 303/832-1111

Delaware
Delta Dental of Delaware, Wilmington. 302/475-8400

Washington, D.C.
Dental Health Service Corporation of the District of Columbia, Washington, D.C. 202/688-1980

Florida
Delta Dental Plan of Florida, South Miami. 305/667-1106

Georgia
Delta Dental Plan of Georgia, Atlanta. 404/231-8762

Hawaii
Hawaii Dental Service, Honolulu. 808/521-1431

Idaho
Delta Dental Plan of Idaho, Boise. 208/245-7107

Illinois
Illinois Dental Service, Chicago. 312/664-7355

Iowa
Delta Dental Plan of Iowa, Des Moines. 515/245-4535

Kansas
Delta Dental Plan of Kansas, Wichita. 316/263-0165

Kentucky
Delta Dental Plan of Kentucky, Louisville. 502/423-2529

Louisiana
Louisiana Dental Care Corporation, Baton Rouge. 504/926-4738

Maine
Maine Dental Service Corporation, Westbrook. 207/854-4660

Maryland
Maryland Dental Service Corporation, Towson. 301/296-8005

Massachusetts
Massachusetts Dental Service, Boston. 617/956-3412

Michigan
Delta Dental Plan of Michigan, Lansing. 517/321-1600

Minnesota
Delta Dental Plan of Minnesota, Minneapolis. 612/831-3525

Mississippi
Mississippi Dental Services, Inc., Jackson. 601/922-6107

Missouri
Missouri Dental Service, St. Louis. 314/576-5340

Montana, Nevada, Utah
Delta Plan (Montana, Nevada, Utah), Salt Lake City, Utah. 801/487-8804

Nebraska
Nebraska Dental Service Corporation, York. 402/362-3311

New Hampshire
New Hampshire Dental Service Corporation, Concord. 603/228-0531

New Jersey
New Jersey Dental Service Plan, East Orange. 201/674-6500

New Mexico
Delta Dental Plan of New Mexico, Albuquerque. 505/292-1551

New York
New York Dental Service Corporation, Maspeth. 212/898-1400

North Carolina
Delta Dental Plan of North Carolina, Raleigh. 919/787-8243

Ohio
Delta Dental Plan of Ohio, Columbus. 614/268-3561

Oklahoma
Delta Dental Plan of Oklahoma, Oklahoma City. 405/525-8122

Oregon
Oregon Dental Service, Portland. 503/228-6554

Pennsylvania
Delta Dental of Pennsylvania, New Cumberland. 717/774-4610

Rhode Island
Delta Dental of Rhode Island, Providence. 401/272-8500 x 239

South Carolina
South Carolina Dental Health, Inc., Greenville. 803/268-4378

South Dakota
Delta Dental Plan of South Dakota, Pierre. 605/224-7345

Tennessee
Delta Dental Plan of Tennessee, Nashville. 615/329-1627

Vermont
Vermont Dental Service, Burlington. 802/862-7900

Virginia
Virginia Dental Service Plan, Inc., Roanoke. 703/343-8009

Washington
Washington Dental Service, Seattle. 206/367-1100

West Virginia
Delta Dental Plan of West Virginia, Charleston. 304/344-8802

Wisconsin
Wisconsin Dental Service, Stevens Point. 715/344-6087

Wyoming
Wyoming Dental Service, Cheyenne. 307/632-6463

Holiday in the trenches, just another adjustment

SAN FRANCISCO — Sloshing through puddles and sticky mud isn't most peoples' idea of how to spend Christmas Eve, but that's exactly what insurance adjusters did in Bakersfield, Calif., to assess damages caused by severe wind and rain storms in December.

While rain and wind whipped through Southern California, many adjusters were catching planes to the scene of the \$4 million disaster. Like the Red Cross or the Salvation Army, adjusting firms build their reputations on getting to the scene as quickly as possible after a disaster strikes.

"We like to say we can be there before it happens," Jim Gardner, manager of the San Francisco-based special risks division of Brown Brothers Adjusting Co.

For Kip Hoch, assistant to the senior vp in charge of the CAT (for catastrophe) division of Crawford & Co. claims adjusters, the Bakersfield storms meant cutting short a holiday celebration with her family to set up temporary office accommodations at the Rodeway Inn in Bakersfield.

"During some of the storms we've all been right down the hall from each other—us, the GAB and UAC," she said. "We're competitors, but we're all in it together."

The General Adjustment Bureau (GAB), oldest and largest of adjusting firms, quite often leases a warehouse in locations where the company doesn't have a branch office—there are more than 600 of them in the U.S., the Caribbean and Europe.

GAB also has a van, a self-contained disaster vehicle, that can be driven into remote disaster areas.

"For a small town where a tornado has wiped out all the buildings, the van is ideal," says J.H. Baird Jr., district manager at the San Francisco branch of GAB. The van has its own generator and mobile phones, enabling six adjusters to work out of it.

The GAB and Underwriters Adjusting Co. (UAC) have disaster kits prepared ahead of time that

Risk Management Services

can be shipped by air freight to the scene of a disaster. They contain everything from office supplies, clip boards and claims forms to sample press releases.

But the basis for handling disasters is each firm's roster of adjusters. Among the 3,000 adjusters employed by GAB is a crisis squad of 400 on 24-hour alert to fly to any part of the country. At UAC "we have 4,000 of our own employees that we utilize in catastrophe situations," says a spokesman. Crawford & Co.'s CAT squad numbers 130. Brown Brother's Adjusters, with offices in six western states and Hawaii, has 100 adjusters on call for its special risk division.

Disaster squads of adjusters are "a special breed," Mrs. Hoch noted. "They're trained specialists, but they like the adventure." Sometimes it's the adjusters who contact adjusting firms when news of a storm or other catastrophe strikes.

Most adjusters who work the catastrophe circuit have years of experience or are trained by the firms that employ them. GAB operates a training school in Englewood, Colo., which is also utilized by insurance companies and self-insured companies to train their employees. The UAC training center is in New York.

Most adjusters work for insurance companies or assist underwriters when there's a need for additional personnel. However, the increase in self-insurance has brought corporate and municipal clients to adjusting firms for their direct services on a fee basis.

Brown Brothers, for example, handles claims for the Bay Area Rapid Transit (BART) transit system.

Though contracts with self-insureds are negotiable, adjusters bill clients involved in large commercial losses on a time plus expense basis. Fees range from \$18 to \$20 per hour.

Announcing a new capability in Claim Management Audits

Tailored particularly to the corporate or governmental entity which is self-insured or insured in liability or workers' compensation. No assignments accepted from insurance companies, brokers or claim adjusters.

Services include
objective evaluation of:

Claim administration personnel
Case handling
Reserves
Procedures
Propriety of settlements
Computer system
Expense



Kenneth J. Savage

Warren, McVeigh, Griffin & Savage
Managing Partner: Kenneth J. Savage
200 Newport Center Drive
Newport Beach, California 92660
Telephone: (714) 644-4862

For more facts circle 49 on reply card

Attention! Consultants · Administrators · Agents · Brokers

STOP LOSS PROTECTION

for
CORPORATIONS AND TRUSTEED HEALTH & WELFARE FUNDS
THAT HAVE OR ARE CONSIDERING A
SELF INSURED GROUP HEALTH PLAN

AGGREGATE AND SPECIFIC EXCESS COVERAGE AVAILABLE FOR QUALIFIED
GROUPS WITH AS FEW AS 150 EMPLOYEES

CONTACT STEVEN P. STUCKY, C.L.U.
GROUP VICE PRESIDENT
THE LAFAYETTE LIFE INSURANCE COMPANY
LAFAYETTE, IN. 47902 (317) 474-3416



For more facts circle 56 on reply card



*Picking up this box will cost
\$3,522.*

REACT can analyze the frequency, severity and costs of back strain, or any other job related incident, in terms of any and all causal and classification categories. REACT reports pertinent data on those involved employees for your immediate and general use.

REACT is a vital information system designed by risk management professionals for risk managers.

REACT reports tell the story of very real people in very real places. The financial figures involve very real money. And, because data is dynamic, the decisions and conclusions you draw from this data will have visible and measurable effects.

REACT gives you more than data. The REACT system incorporates the most sophisticated risk management concepts and gives you the information you need to effectively evaluate, support, control, communicate and stimulate your risk management program.

Please send me your brochure detailing the REACT total information system for managing risk.

Name: _____

Street: _____

City: _____ State: _____ Zip: _____

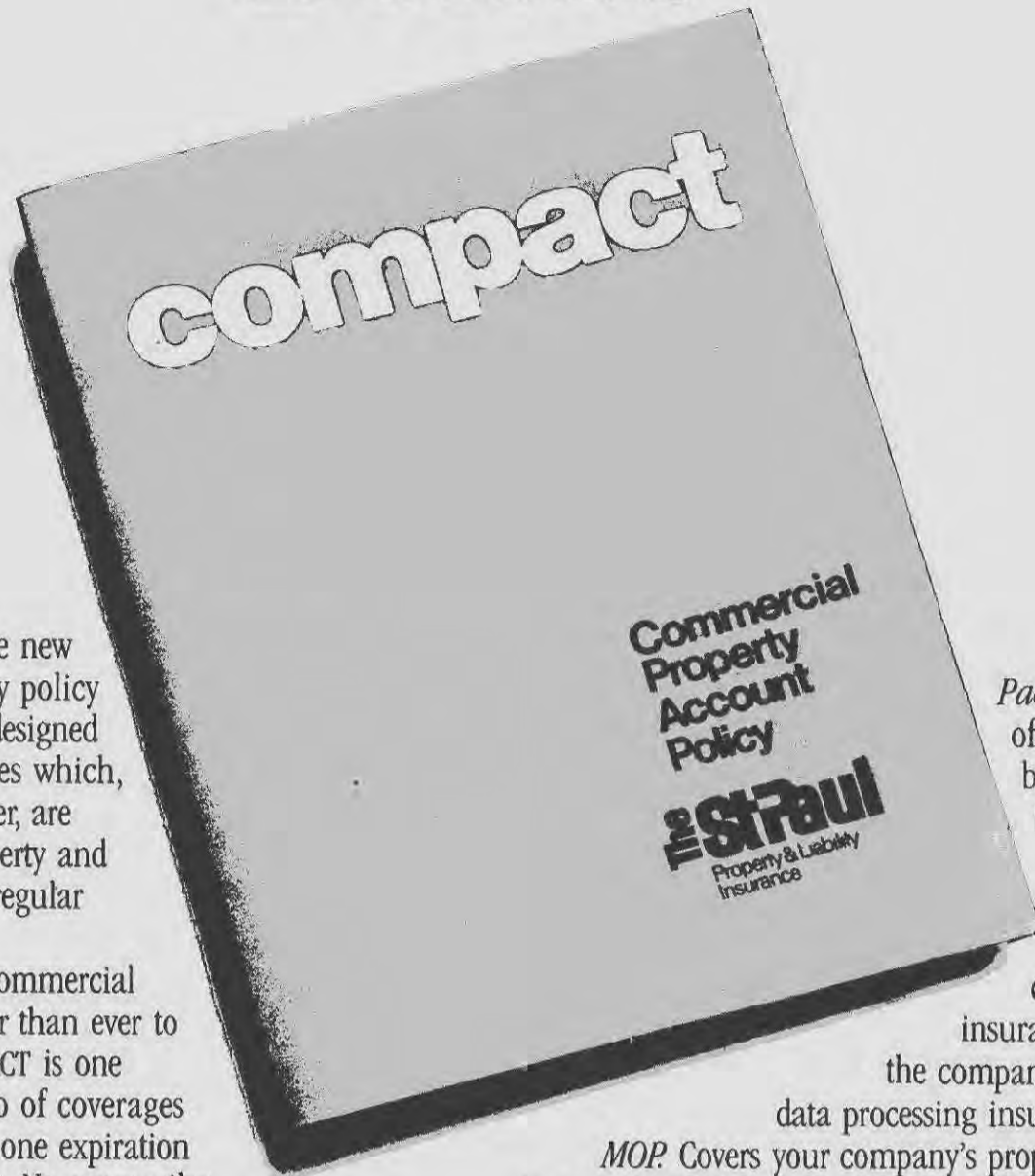


Risk Information Services
a Division of Corroon & Black
301 Plus Park Blvd.
P.O. Box 1371
Nashville, Tennessee 37202
(615) 242-2601

For more facts circle 57 on reply card

**What would you call
a new policy that
covers your building,
all of its contents
and can include
inland marine exposures,
business interruption
and glass
in one simple
portfolio?**

Better.



Introducing COMPACT, the new simplified, property-only policy from The St. Paul. It's designed specifically for businesses which, for one reason or another, are unable to combine property and liability coverages in a regular package policy.

COMPACT makes commercial property insurance easier than ever to manage. Because COMPACT is one simple, flexible portfolio of coverages with one premium and one expiration date from one company. No more piles of policy paperwork, expiration dates and several different insurance companies to keep track of.

COMPACT can be tailored to fit your needs. Buildings only or contents only can be insured. Or, you can cover both together. Basic coverage can include named peril or all risk on real and personal property. You can expand your COMPACT coverages to include time element, inland marine and glass.

An optional single occurrence account deductible from \$250 to \$75,000 is available for all perils covered. And \$1,000 transit and \$1,000 extra expense are included automatically.

Want more information? Get in touch with your Independent Insurance Agent representing The St. Paul. He's listed in the Yellow Pages.

Here's more business insurance we've made better:

Plain English Package. A variety of property/liability business coverages in one policy, without all the gobbledegook.

EDP. All-risk computer insurance from the company that originated data processing insurance.

MOP. Covers your company's property exposures in transit, in storage or in-plant, all in one policy.

Umbrella Excess Liability. One million dollars excess liability coverage on small businesses for as little as \$200 per year. Can also handle larger accounts with limits up to \$20 million.

Commercial Auto. The St. Paul has the expertise, people, resources and stability to back you strong in this coverage.

Inland Marine. We're one of the largest across the board writers. We've built expertise since 1853.

We keep making insurance better.



Serving you through Independent Agents. St. Paul Fire and Marine Insurance Company/St. Paul Mercury Insurance Company/The St. Paul Insurance Company/St. Paul Guardian Insurance Company/The St. Paul Insurance Company of Illinois: Property and Liability Affiliates of The St. Paul Companies Inc., Saint Paul, Minnesota 55102.

For more facts circle 59 on reply card

Security guard firms sling protection, not guns

By REBECCA A. FANNIN

NEW YORK—Security firms are responding to the corporate demand for better protection against rapidly rising crimes by offering increasingly sophisticated electronic equipment and better trained guards.

The increased need for security has spurred the security industry's growth rate to 8% to 10% a year.

While security firms said demand for electronic devices such as closed circuit television, motion detectors and access control systems is growing faster than requests for guards, guards will remain the primary means of protection.

John R. Hitt, vp of security at Pinkerton's Inc. in New York, said 95% of the firm's revenues come from guard services, although the company also offers patrol and inspection equipment, electronic systems, employe identification and investigative services.

The use of armed guards, however, is declining. "Our clients used to automatically assume that guards needed guns, but now they're realizing that weapons could cause more trouble than they're worth," said Vince Ruffalo, president of A & R Security in Chicago.

Ira A. Lipman, president of Memphis-based Guardsmark Inc., reported that only 3% of his guards are armed. Five years ago that percentage was 35%.

Security firms said corporations are becoming more sophisticated about proper use of guards, and are beginning to question whether guards need guns.

Reports of armed guards using their weapons without proper training and shooting someone by mistake have been widespread, especially incidents in fast-food restaurants and department stores.

As a result, some guard companies have refused to take business when the client demands armed service in retail establishments.

Security firms are able to hold down their cost of insurance by offering only unarmed guards. Liability insurance rates for security companies reportedly have jumped from 1% to 2% of payroll five years ago to 4% to 5% now.

By using only unarmed guards in retail outlets, A & R's Mr. Ruffalo said his company has decreased its insurance cost by \$120,000 annually. He added that A & R's insurance claims have de-

clined from 12 to 13 claims a year to only one claim a year.

Seaway Patrol Inc. in Cleveland refuses to take any armed business from clients. "In 20 years, I haven't had a single insurance claim," said Seaway president Alex A. Konya, adding, "I only

Risk Management Services

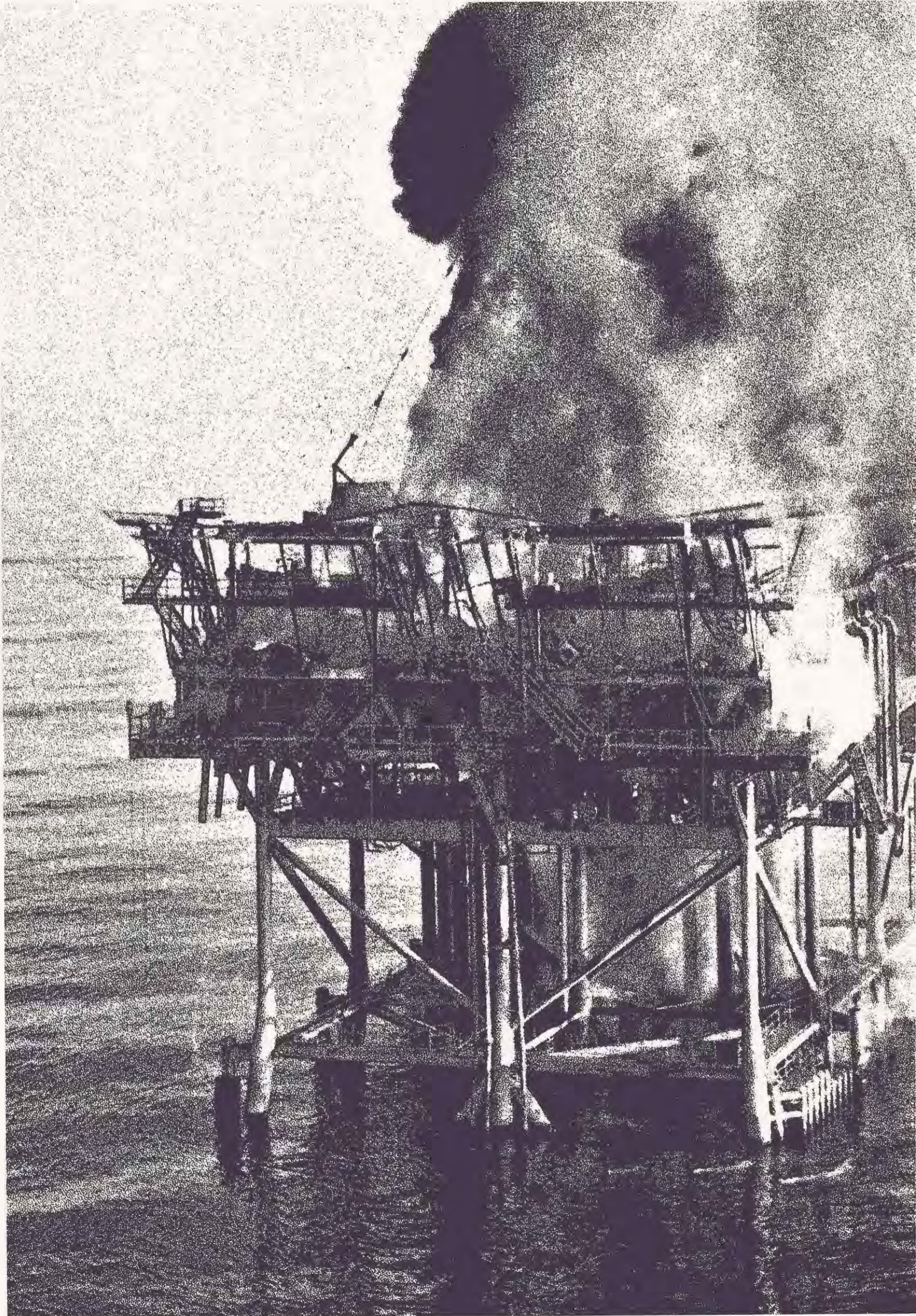
take the blue-chip risks such as large industrial firms and hospitals where the men don't need to carry

weapons."

Security firms that have offered clients specially trained guards have grown at a rapid pace. Guardsmark's Mr. Lipman said his company's revenues have increased from \$9 million five years ago to \$30 million today. He credits

that growth to Guardsmark's policy of requiring that guards undergo a polygraph test as well as a psychological test containing 566 questions.

Other security firms have also experienced good growth rates. A & R Security's revenues have in-



The people who know
how to handle it in

SAVANNAH

are

PALMER & CAY
622 Drayton Street
234-6621

SEE OUR AD ON PAGE 6

creased 35% over the last three years and expects to add \$600,000 worth of new business this year. Pinkerton's reports that its revenues have climbed from \$174.7 million in 1973 to \$219.6 million in 1977. Five years ago, Seaway's revenues were \$700,000 but have since grown to \$1,850,000.

Security firms said that by using their contract services rather than in-house guards, a company can

shave approximately \$1 an hour for a security guard.

Fees for a contract guard generally range \$5.50 to \$6.50 an hour, which includes guard salary, training and uniforms. Seaway's Mr. Konya, who previously supervised security at General Motors, said in-house guards, by comparison, would cost approximately \$14 an hour because of the overhead expenses of employe benefits. ■

Engineers douse fire risks

WASHINGTON—The soybean processor had an explosive problem on its hands.

During the delicate oil extraction process from the soybean plant, highly flammable hexane vapors develop. Company officials feared the vapors might escape from the

processing room and drift into the factory's manufacturing section where a spark from machinery could ignite the hexane. The result would be a catastrophic explosion.

The alarm was sounded for fire protection consultants Rolf Jensen & Associates Inc. of Deerfield, Ill.

Risk Management Services

Jensen consultants quickly came up with the solution to the potentially perilous situation.

Using a basic law of physics as their guide, Jensen consultants recommended increasing the air pressure in the adjacent machinery rooms where the explosion could be touched off. That way the hexane stays in the processing room where the air pressure is lower and out of harm's way.

Fire consulting firms such as Rolf Jensen are becoming increasingly important as more corporations self-insure or turn to captives to handle their property risks and thus no longer have access to the property protection services supplied by the big traditional carriers like the members of the Factory Mutual System.

In addition, protection consultants report an improved attitude among companies toward property conservation.

The demand for the whole gamut of property protection services—inspections, recommendations for sprinkler systems, building code consultations—has been a boon for the consultants.

In 1969, Rolf Jensen started with a staff of three in Deerfield. Eight years later, the number of staffers has jumped to 45 with loss control experts now working out of offices in San Francisco, Annandale, Va., Toronto and Deerfield.

Similarly, Schirmer Engineering Corp. in Niles, Ill., has doubled its staff since 1972 and president Chet Schirmer anticipates expansion.

Fees for fire protection services vary depending on the services purchased and the experience of the personnel who do the consulting. The basic hourly rate for a consultant's time ranges from \$25 to \$60 an hour.

While consultants report a big demand for their services, the granddaddy of fire protection, the Factory Mutual Research Corp. in Norwood, Mass., continues to try to even the odds in battling blazes through its intense efforts.

Right now, a "large drop head" sprinkling system is in the final stages of development. It releases much bigger drops of water than conventional systems. The larger, heavier water droplet will be especially effective in extinguishing fires where rolled paper, plastics and wood pallets are stored. ■

AAMS eases the blow.

When disaster strikes, AAMS strikes back with a prompt claims settlement.

A blowout puts the heat on everyone. Management is confronted with a whole range of critical problems all at once. At a time like this, you need an insurer who will react quickly.

At All American Marine Slip, we've earned a reputation for prompt claims settlements. We have the capacity to handle large losses and we're at your service right here in the U.S.A.

Managed by Marine Office of America Corporation (MOAC), we are a syndicate of 24 American insurance companies providing coverage for high-value, high-risk marine exposures anywhere in the world.

For your extraordinary marine exposures, consider the American alternative.

Have your agent or broker contact the Manager, All American Marine Slip, 80 Maiden Lane, New York, N.Y. 10038. Phone: (212) 374-2667.

The American alternative

All American Marine Slip 



The people who know how to handle it in

DETROIT

are

GENERAL UNDERWRITERS, INC.

730 Buhl Building

963-5240

SEE OUR AD ON PAGE 6

For more facts circle 14 on reply card

Control Risk

WITH CREATIVE MANAGEMENT AND UNIQUE TECHNICAL SERVICE FROM CURM.

You must decide who can provide the risk management services you require. But before you make that decision, talk with our staff. For information or a copy of our new brochures, contact Jack Kennedy, CU Risk Management, Inc., One Beacon Street, Boston, Mass. 02108. Telephone (617)725-6013.

**CU RISK
MANAGEMENT**

For more facts circle 12 on reply card

Electronics are basis for space-age security

SUNNYVALE, Calif.—The security system at Signetics Corp. here is like something out of George Orwell's 1984.

To enter a Signetics building, you push a button, which sends a tone to a manned access control center among the company's 15 buildings. The guard at the center admits you to a spacious booth. Inside, a mirror rests with hidden cameras below and above. You place a badge with your picture on a shelf so that the camera can transmit the image to the guard. Simultaneously, the camera flashes your mirrored image to compare with the badge picture. The whole process is called the mardix access system.

Risk Management Services

If you pass that test, then you must place a card in a reader and punch a combination, which activates the door. That system is known as the rusco card system.

"We're so far ahead of other security systems that it just can't compare," said Ray Vaden, Signetics director of security.

Mr. Vaden said the advanced electronic security system has saved the company \$1.7 million in 54 months by reducing guard overhead costs. "Many other companies as well as moving into electronic systems because guards are costly with very little return other than the control function," he said. Signetics has \$200,000 invested in security equipment.

With the system's installation, Signetics was able to cut its guard force to 22 from 39 in five years. Its plans now call for marrying guards with the electronic devices. "If we used guards at every building, then the guard would just find a good place to sleep," the security director said. "There's some companies the size of mine that have triple the number of guards we have and that's ludicrous."

Signetics' reevaluation of its security program appears to be a trend among corporations, which have become concerned about whether they are adequately protected in the face of increasing crime rates.

Arthur Belik, director of corporate security for CFS Continental Inc. in Chicago, recently completed an extensive security audit.

Mr. Belik said the company divided the realistic assessment of security into three steps: first an analysis of known security losses and incidents, second a prediction of probable security risks and last a summary of its current security system.

"Then, we tried to design a program that's responsive, that's cost effective and target efficient," Mr. Belik said.

Among the changes the company made was a switch from incandescent lights to pinkish high pressure sodium lights that use half of the energy and light the area more brightly. The company dismissed guards at some places and hired more for other locations. CFS also purchased removable core padlocks that allow guards to change locks within seconds rather than buying new padlocks.

CFS also uses closed circuit television, which is visible to employees at entrances, and an electrified fence, which triggers an alarm when tampered with.

The changes helped the company reach two goals: save money and provide better protection.

"The whole security program has been designed to prevent security incidents," Mr. Belik said. "When a guard has to apprehend someone, then the security program has failed."

Central to CFS's prevention objectives is its policy of training guards thoroughly and keeping them unarmed except for in a few high-risk areas.

"Armed guards create a figure of an enemy rather than a positive feeling. Also, with guns, there is the danger of fire arms," said the experienced security director, who has served as the chairman of the task force on private security of the Federal Law Enforcement Assistance Administration. Mr. Belik

Continued on page 30

Anticipation is the mark of an experienced crew.
And so it is at The Atlantic Companies.



COURAGEOUS... 1977 AMERICA'S CUP WINNER/PHOTO BY STANLEY ROSENFELD

At The Atlantic Companies we take pride in our quick and thorough service, prompt and ungrudging settlement of claims and in anticipating the type of insurance coverage your business may require. For example, The Atlantic Mutual or Centennial "Safeguard" policy. An adaptable package that provides the coverages needed in business. Our "Safeguard's" flexibility of form and rate allows selected independent agents and brokers to tailor it to your precise business needs.

Take advantage of our skilled crew. We've been running a taut ship for 135 years.



The Atlantic Companies

Atlantic Mutual Insurance Company • Centennial Insurance Company

Insurance in the seafaring tradition since 1842.

Home Office: The Atlantic Building, 45 Wall Street, New York, N.Y. 10005

GAB introduces a breakthrough in employee benefits claims administration.

GAB's Group Claims Processing System (GCPS) is a breakthrough in cost efficient administration of large employee benefits programs. It offers unique advantages to corporations of all sizes:

- Reduced administrative costs
- Total flexibility enables tailoring to clients' needs
- Adaptability to any size employee benefits program
- Improved accuracy, speed and frequency of reporting

Professional claims examiners, supported by GAB's new group claims administration systems, provide on-line history and eligibility verification, coverage information, benefit calculation, and updating of history and eligibility together with automated draft, EOB, draft register and report production.

Group Claims Reporting System (GCRS), is GAB's intermediate, semi-automated system designed to give employee benefits managers of smaller companies the same advantages. In addition, GCRS can be used to produce management reports for corporations with examiners.

GAB delivers total professional employee benefits administration capabilities. Nationwide!

GCRS and GCPS systems are a part of GAB's total nationwide network of 650 offices and 5,000 employees. Regional employee benefits service offices and professional staffs can assist in the review and updating of existing plans, provide claims adjudication and prompt, accurate payments. GAB delivers tested cost control information and communication services essential to effective program management and compliance mandates.

If your employee benefits program has a problem with costs, controls, communications, or compliance, GAB can provide responsible answers.

We have the answer.

GAB

123 William Street
New York, N.Y. 10038

Mr. Joseph J. Nigro
Secretary, Marketing & Sales Division
GAB, 123 William Street, New York, N.Y. 10038

- Please send me additional information on GAB's approach to employee benefits claims administration.
- I would like a demonstration of your new computerized reporting systems.
- I am interested in the semi-automated Group Claims Reporting System.

Name _____
Title _____ Company _____
Address _____
City _____ State _____ Zip _____



For more facts circle 28 on reply card

IN MICHIGAN

WORKERS' COMPENSATION**SELF-INSURANCE PROGRAMS**

Significant savings along with good Safety and Claims controls are attractive features available to any business or institution in Michigan, developing an annual premium of \$100,000 or more. Liability is limited with reinsurance.

Let us quote you a tailored program for your operations. (Individual or Groups). Agent inquiries invited.

**YEAGER and COMPANY, Inc.**

26250 Northwestern Hwy. Southfield, Michigan 48034 313/353-3000

SINCE 1967

Work hazards spur hygienists' opportunities

By JOANNE GAMLIN

LOS ANGELES—Industrial hygienists have a bright future as society becomes ever concerned about the environment and fears that industrial materials are causing cancer.

There is a bright future, that is, everywhere but in California.

"Industrial hygienists who insist on living in California end up working for the state government or for the aerospace industry," insists Eugene Port, a partner in Health Science Associates in Los Alamitos, Calif., and an independent safety/industrial hygiene consultant with 25 years in the business.

Risk Management Services

"But if they are willing to leave California, they will encounter no trouble finding work."

Mr. Port indicated that the survival of his firm in the last few years depended on his consulting work in the safety field, which in the past has accounted for as much as 75% of his firm's revenues.

The role of the independent consultant, even in a booming field like industrial hygiene, does not bestow the solid security that being an in-house employee generates, according to industrial hygienists. These experts said that the future lies with being a member of an in-house team.

The fact that insurers, large and small, and units of huge corporations, particularly utilities, are hiring industrial hygienists in record numbers means that things are good and will get even better, asserts Raymond Campbell, manager of environmental health for Hughes Aircraft in Los Angeles.

But like Richard Warner, a safety engineer for Ford Aerospace in Irvine, Calif., Mr. Campbell agrees with the majority that industrial hygienists had best seek their fortune in terms of an in-house role.

Joe Lipera, group leader in industrial hygiene and the toxicology group for Lawrence Livermore Laboratory in the San Francisco area, pointed out that not just the mammoth companies are hiring industrial hygienists. Concerned about the scares over carcinogenic materials and other new hazards, smaller firms are eyeing the industrial hygienist as a desirable employee.

However, in California, things are different. If the state has not been a leader in recognizing the worth of independent counselors, it also has not created many good paying, on-staff positions, said Mr. Port.

The difficulty is the dearth of large corporations which traditionally have created jobs for industrial hygienists, both on an in-house and outside consulting basis.

"To afford a full-time industrial

Signetics . . .

Continued from page 28

has also served as chairman of the National Private Security Advisory Council, which reported on security to the Justice Department.

Mr. Belik said his company's philosophy about guards is that they are part of an employe team, to assist employes.

While he noted that the vast majority of private security guards aren't trained, Mr. Belik said his guards are drilled about how to respond in crisis situations and are even given written instructions about how to control them.

"Above all else, we tell them to protect the life of the employe and themselves," Mr. Belik added. "They are to call the police first unless a human life is immediately involved."

Mr. Belik foresees that other companies will take a "more sophisticated, more professional approach to the prevention of crime," using more electronic systems and at the same time increasing the number of guards as crimes mount.

For now, locks and guards remain the most common types of protection, he said. ■

One of your biggest risks could be what happens in the State House.

Almost daily, new state and federal legislation occurs that could affect your company's risk management programs.

How do you stay abreast of these changes? How do you keep up with every bill that could affect your company's programs in the areas of employee benefits planning, products liability, self-insurance, or the like?

Where can you go for answers?

Try us.

R. B. Jones is a national broker. We've been providing major corporations with solid, up-to-date recommendations in all areas of risk management since 1889. Property. Casualty. Marine. Surety. Employee benefits. You don't have to be a client to call.

When it comes to the effects of legislation on insurance and risk management, we believe you can never ask too many questions.

Our experienced staff will be happy to supply the answers.

We have offices in Atlanta, Boston, Chattanooga, Chicago, Dallas, Ft. Worth, Houston, Jefferson City, Kansas City, Los Angeles, New Orleans, New York, St. Louis, Tulsa, Waterloo, and Wichita.

Or call our corporate headquarters in Kansas City, 816/391-1000.

R.B. Jones Insurance.

hygienist in the past or even to hire a consultant at my rate of \$30 to \$50 an hour, a company had to be huge with a herd of employees," he went on, noting that today in California only the aerospace industry fits those demands.

Yet a key disadvantage of employment in aerospace is that the industry is relatively clean and thus fails to provide the challenging work, he contends.

Under a federal Occupational Safety & Health Agency program (called 7C 1), CAL-OSHA, the state counterpart to the federal agency, has been expanding its staff of industrial hygienist consultants. According to Hamilton Fairburn, assistant regional administrator of federal OSHA, the program will hire 16 to 18 consultants by the end of September and will have a total of 30 by the end of the next 12 months.

The budget for such employes will rocket to \$1.9 million this year from \$300,000 in 1977.

The federal government pays for 90% of the cost of the consultation program and 50% of the enforcement side in states that have the program, explained Larry Krakover, federal OSHA's coordinator on onsite consultation programs in Washington.

The new California industrial hygiene consultants are employes of CAL-OSHA; the policies they follow, however, are set by federal OSHA.

Prior to signing up for the program last September, CAL-OSHA's tiny band of industrial hygiene consultants were part of the agency's enforcement section.

With their new strength, the CAL-OSHA consultants could turn out to be "serious competition" for private entrepreneurs, predicts Mr. Lipera, who also works as a consultant for the Radiation Detection Co. in Sunnyvale, Calif.

But Mr. Port, who is directly affected by the CAL-OSHA consultants, isn't so sure. Although he acknowledges that he could be hurt by the small businesses that opt for a free service over paying \$500 to \$600 for his firm's expertise, he voiced reasonable confidence that his firm can hold its own with its middle-sized clients.

CAL-OSHA consultants will concentrate on smaller businesses and will not approach a company unless asked to do so, according to Mr. Fairburn of the agency's San Francisco office.

At any rate, the bleak days when industrial hygiene work was discouragingly hard to find are on the wane in the opinion of Mr. Port. Indeed, he is clearly optimistic about his future in California.

He cites two reasons for his optimism. One is the fact that in recent years major East Coast and Midwest companies have been tapping outside consultants for occupational health problems in their California divisions rather than turning to headquarters-based experts. Kimberly Clark and Monsanto, have called upon Mr. Port to evaluate threats to employee health in their plants out here. Mr. Port believes that they are merely the beginning of an exciting, new trend.

Secondly, smaller insurance companies are growing concerned about the cost of workers compensation claims and are asking Mr. Port to analyze potential hazards before they agree to underwrite a risk.

Even more work may materialize when a few companies opt to keep Mr. Port on a retainer rather than to hire an in-house hygienist.

Accordingly, Health Science Associates which is drawing 50% of its revenues from industrial hygiene today versus only 25% two years ago, is now looking forward to concentrating entirely on the occupational health area. ■

Claims Management

...when *how* you get there determines *whether* you get there.



NATLSCO

Some things are best left to the experts.

We're also experts in...

- Accredited Industrial Hygiene Laboratory Analysis
- Air and Water Pollution
- Fire Protection Engineering
- Industrial Hygiene
- Noise and Vibration

- Occupational Health
- Product Safety
- Safety
- Training and Education
- Ventilation Design

**Call NATLSCO TOLL-FREE:
800-323-9585**

Consultants to management

NATLSCO
National Loss Control Service Corporation
Long Grove, IL 60049 • 312/540-2400

a subsidiary of



Fees rise

Buyers' misfortunes are consultants' fortunes

By KATHRYN J. McINTYRE

CHICAGO—Independent risk management consultants are riding the wave of insurance buying problems that have swept the commercial consumer and they are swamped by demands for their services.

Business is up 10% to 45% compared to a year ago, say consultants from around the country. Projects run the gamut of tackling a risk funding study for a sophisticated risk manager to auditing his whole program to helping the part-time insurance buyer develop a risk management program. Assignments to explore self-insuring are proliferating, especially in the product and professional liability realms.

The consultants admit their growth is attributable to the poor insurance market conditions. "There's a direct correlation between the magnitude of problems and our work," says Warren Brockmeier of the Chicago-based Wyatt Co., who is "up to my ears in work." The director of risk management services said Wyatt has 330 active projects right now compared to 202 a year ago, keeping 16 full time professional and eight clerical employees in three cities busy.

Felix Kloman, president of Risk Planning Group in Darien, Conn., observed, "When market conditions are poor, we get more work related to a specific problem, such as setting up a trust for a hospital's malpractice insurance or a self-insurance plan for workers compensation for a municipality or a captive for product liability." With business up 30%, Mr. Kloman has added three more consultants for a staff of eight professionals.

George Betterley Consulting Group is serving 100 active clients, a third more than a year ago, and has also seen more "engagement for special assignments, particularly in self-funding," said George Betterley. But the Boston-based consultant, who handles primarily national accounts, believes the "quantum jump in the last year in demand for risk management consulting services is also a reflection of the importance of risk management. The higher the profile, the more important the function is to

Risk Management Services

senior management. And they want to know how well the risk management department is doing so they ask for an independent audit."

A broadened base of prospective clients has contributed to the growth of risk management consulting, too, said Mr. Betterley. "There's been heavy growth in the governmental sector and that relates back to the other two reasons—interest and the desire to

To charge or not to charge . . .

NEW YORK—Risk managers may soon be offered self-insurance and captive feasibility studies for free—or at least at drastically reduced prices.

Insurers and brokers are considering the move as a marketing tool to put themselves in the preferred position for providing the lucrative services needed should the client go self-insured or form a captive insurance company, said Robert J. Cymbala, principal of Booz, Allen & Hamilton Inc. here.

Over the past 18 months, his firm has handled marketing strategy assignments for insurance companies which are concerned about the growing movement to self-insurance and captive insurance companies and what it

means for the future of their industry. Free risk management consulting services, particularly self-funding feasibility studies, were raised as an issue by risk managers, brokers and insurers who were interviewed, Mr. Cymbala said.

"Risk management consultants may find they are competing with large brokers and insurers who may well offer the feasibility study at far below cost because they are more interested in selling the bigger ticket services," Mr. Cymbala said.

He granted, however, that the risk manager may still prefer to pay the money for an independent consultant who has "no ax to grind and can be more objective."

solve problems." Associations are also seeking advice on available funding arrangements to ease the cost burden to their membership of product and professional liability

insurance and workers compensation, he said.

Others have noticed the increased contact with government entities as well as smaller com-

panies. "We're getting calls from companies that are shocked at \$100,000 to \$150,000 premiums," said Wyatt's Mr. Brockmeier, who also works with companies paying

SAN FRANCISCO
(415) 391-3080

LOS ANGELES
(213) 990-3040

CHICAGO
(312) 726-7055

PHILADELPHIA
(215) 925-6070

ATLANTA
(404) 262-2240



The people who know how to handle it in

LOUISVILLE

are

NAHM, TURNER, VAUGHAN & LANDRUM

29th Floor, First National Tower
589-6070

SEE OUR AD ON PAGE 6

\$5 million to \$10 million annually for insurance.

Warren, McVeigh & Griffin on the West Coast is still heavily involved in risk management audits and has consulted on government pooling arrangements. It's also found an increasing number of special assignment requests, such as to testify in court on a technical insurance question, analyze a policy, aid in broker selection and design specifications for a new insurance program, said president David Warren.

With all the business pouring in, risk management consultants are commanding higher fees, generally \$10 to \$15 more an hour than last year when *Business Insurance* profiled 18 independent risk management consulting firms. Generally the going rate is hovering around \$75 and \$80 an hour now. The consultants say they are just keeping up with the increased cost of doing business, including rewarding their associates for de-

veloping expertise, rather than charging what the market will bear.

Crain, Langner & Co. in suburban Cleveland, for example, is raising its hourly fee to \$75 from \$60, said president David Langner. His managerial, rather than task oriented, firm is serving 60 to 70 retainer clients now, a 20% increase over last year. Another consultant has joined the firm for a staff of four and one secretary.

Insurance Audit & Inspection Co., in Indianapolis, which works on a contract basis, is also finding it more costly to service its 350 clients than it did a year ago. Its smallest retainer fee is up to \$2,000 from \$1,500 and more of its clients are paying \$7,500 to \$10,000 annually rather than the top last year of \$8,000, said executive vp Frank C. Alderson.

Risk Planning Group, which most frequently does a complete risk and insurance management

Risk Management Services

review, raised its prices \$15 for senior professionals to bill at \$60 to \$75 an hour. Wyatt Co., which is frequently taking on assignments to solve medical malpractice and product liability insurance problems as well as captive feasibility studies, increased its fees \$5 and \$10 an hour. Consultants' services range in cost from \$35 to \$110 an hour now with the average at \$70.

Fast growing RIMCO of Dallas, Tex., raised its fees about 10% on its various billing methods, said president William S. McIntyre. "It reflects inflation, higher expense levels and some of our people are even more experienced now," he explained.

S. B. Ackerman Associates in New York is still commanding the highest hourly fee of \$150 and the firm is doing less work at its lowest

fee of \$30 an hour.

Demand for their services is allowing the risk management consultants to mostly answer calls for help rather than to seek new business. "Risk Management consulting is beginning to generate some demands," observed Edward W. Siver of St. Petersburg, Fla. His business grew 25% in the last year. "Up until a couple years ago, a risk management consultant had to promote himself and create demand. But suddenly the problems have gained visibility," he said.

Though most consultants say they are too busy to solicit business, Mr. Siver suggests, "Everyone is always soliciting business one way or another. When I agree to speak to a trade association of 300 people, I'm vaguely cognizant that there are 300 possible clients there."

But Mr. Siver is concerned his business is growing too large. His staff of seven consultants and five support employees is handling 45

projects now, 30 to 35 of which are on retainers. "I may deemphasize growth and emphasize quality—and raise my rates if necessary to do so," he said. Currently Siver & Associates charges \$75 or \$45 an hour with a consultant who holds a professional designation in addition to 10 years of experience commanding more than the consultant still seeking a professional designation, a requirement at the firm.

While Mr. Siver is concerned about controlling growth, other consultants complain they can't find qualified people to expand their staffs to handle all the work. "If I could find the right people, I would hire them today," said Len Silver of First Risk Management Co., in Wyncote, Pa. His business grew 45% in 1977 over 1976 and is now running 20% ahead of last year with a staff of 11. He criticized insurance companies for over-specializing in training and not developing people with broad experience.

S.B. Ackerman Associates has added six new consultants in the past year for a staff of 30 and is "constantly hiring," said principal Bernard A. Salwen. He recalled "interviewing days here I thought we were executive recruiters." But just finding candidates is difficult. Out of 100 responses to a recent ad, only six qualified for even an interview.

George Betterley, who is also looking to add personnel, said he wants "more than a good technician. He has to be able to communicate. It takes a combination of personal and professional qualifications and a very broad background. And the person must be willing to travel 30% to 40% of the time." Mr. Betterley explained that he is very selective in hiring because "we have a professional reputation to protect."

The independent consultants agreed that their reputation as a group of objective, professionals in risk management is solidifying. "There is more awareness of the pure consultant vis-a-vis the broker consultants," said Mr. Betterley. All the independent consultants interviewed stressed they have no vested interest—such as services to sell—in what ever program they recommend.

For the most part, consultants think the growth of the past few years will continue. "It's an infant industry. It will burgeon in the next 10 years," predicted RIMCO founder and president William McIntyre. His company has been growing 40% a year the last few years to make it the second largest

Continued on following page

The industry's only

LOCAL NATIONAL

Surplus Line Broker

With our exclusive "Localnational" approach to serving independent agents and brokers, you get all the advantages of quick, local contact and service. Each local office is autonomous. And, a local company President calls the shots. He's his own top decision maker. He can give your accounts immediate attention. And, he does.

Today's excess and surplus business requires careful planning and the right markets. Only a firm with national buying power can deliver the markets necessary to do the job. On those occasions when your account requires extra effort to obtain the results you need, there's strong, national, cooperative support from the Presidents of all five locations. You can bet one of them has a solution to your problem.

It's easier to do business with the "Localnational" company. Immediate local response from a top decision maker with substantial national support. When you need us, we respond with solutions, not excuses.



H & W INSURANCE SERVICES EXCESS/SURPLUS LINE BROKERS

LOS ANGELES: 16255 Ventura Boulevard • Encino, California 91436
(213) 990-3040



The people who know
how to handle it in

LOS ANGELES
are

KINDLER & LAUCCI

1545 Wilshire Boulevard

484-0220

SEE OUR AD ON PAGE 6

Inland AND Ocean Marine

FACILITIES AVAILABLE
TO AGENTS & BROKERS OF MEMBER COMPANIES

MUTUAL MARINE OFFICE, INC.

100 PARK AVENUE, NEW YORK, N.Y. 10017 • 212-953-0580

General Managers
NEW YORK MARINE INSURANCE CO.

— Marine Managers —

ARKWRIGHT-BOSTON INSURANCE COMPANY
ARKWRIGHT-BOSTON MANUFACTURERS MUTUAL
INS. COMPANY.
EMCASCO INSURANCE COMPANY
EMPLOYERS MUTUAL CASUALTY COMPANY
GRAPHIC ARTS MUTUAL INSURANCE COMPANY

LUMBER MUTUAL FIRE INS. CO. OF BOSTON, MASS.
MERCHANTS MUTUAL INSURANCE COMPANY
MUTUAL FIRE, MARINE & INLAND INS. CO.
NEW HAMPSHIRE MERCHANTS INSURANCE COMPANY
UNION MUTUAL INS. CO. OF PROVIDENCE
UTICA MUTUAL INSURANCE COMPANY

How to shop for self insurance

Arthur J. Gallagher & Co., for more than 20 years
the leading specialist in self insurance administration,
presents a brief guide.

Look For:

- Experience in placing the excess insurance package in the World Markets. All excess writers aren't the same; carriers change regularly.
- A claim service organization capable of handling all lines, *casualty and property*.
- A Broker and Service Organization who can install and service a *Self Funded Employee Benefit* program.
- A Broker who can qualify you as a self insurer in the various states in which you operate. It's not easy; there is no simple form. Using a beginner can be costly and waste time.
- Total E.D.P. flexibility to fit your needs. After all, you are the customer. You want to diagnose your costs, not add to them. You should be able to design what you want.
- A Broker who has worked with *Captives* and who can help you establish yours.
- Experienced one-source accountability for all self insurance functions.

Look Out For:

- "Canned" self insurance plans that do not fully meet your requirements.
- A Service Fee based on the dollar amount of the claims *incurred*.
- A Service Fee that doesn't provide for the *Run Off* if you should choose to leave.
- Inspection Service masquerading as loss control service. There is a big difference.
- Adjusters with heavy case loads.
- A Service Fee based on the number of claim files opened.
- Late and untimely E.D.P. reports.
- A Service Organization with experience in only one line of coverage.

One final suggestion. When you investigate self insurance in depth, include the counsel of Arthur J. Gallagher & Co. In 1977, we handled more than 59,000 losses for our self insured clients and administered claim funds in excess of \$44 million.

Arthur J. Gallagher & Co. invites you to call for further information about self insurance.



ARTHUR J. GALLAGHER & CO.

Gould Center, Golf Road, Rolling Meadows, Illinois 60008 • Phone 312/640-8500

- An International Organization Providing Excess Coverages and All Related Services for Self Insurers
 - Brokers for Commercial, Industrial and Institutional Insurance Programs
- For more facts circle 29 on reply card

Risk consultants . . .

Continued from preceding page
consulting firm with \$1.6 million in annual billings, right behind EBASCO with estimated annual billings of \$3 million to \$4 million.

RIMCO's staff of 40 serves 150 clients, primarily in the oil, construction, manufacturing, hospital, banking and transportation fields. "We tend to work with people whose premiums represent a large percentage of income. We are geared to the heavy premium payer, but we do a great deal of work for the \$100,000 to \$500,000 premium payer; those who cannot afford to hire a full time risk manager," said Mr. McIntyre.

Though there appears to be a hungry market for risk management consultants, few new firms are forming and existing risk management consultants think they will expand to meet the growing

Risk Management Services

demand. RIMCO, for example, plans to staff its Greenwich, Conn., seminar headquarters with consultants and in the next two years open offices in Houston and Calgary, Alberta.

A few bold souls are venturing out on their own, such as Allan Waters in St. Petersburg, formerly a consultant with Siver & Associates. Newly created Waters Risk Management charges \$75 except for retainer clients who are billed \$60 an hour. Though he's optimistic with some referred leads already, his former employer observed, "It's a very long start-up period. It takes some courage to go into the consulting business." Mr. Siver started "from scratch" in 1970 after being a broker.

Neil E. Pritchard in Marquette, Mich., can testify that it takes time to "get busy enough." He's been consulting for two years now after five years with North Michigan University at Marquette and he admits "it's kind of a struggle." He has 20 clients on retainer but they do not all require continuous service.

Larry W. Buck in Houston, however, says "it's going great," with 13 active clients in less than a year. After 20 years as a broker, most recently with Alexander & Alexander, he's intrigued by the new relationship he is experiencing with clients. Now that they are paying him \$60 an hour for his advice, "they have no reason not to listen to me," compared to when he was a broker and found clients to be "somewhat suspect of recommendations from a broker."

Neither the newcomers nor the established risk management consultants find business to be very competitive. In some instances they say they may be called upon as the only choice of a client, though they also may be asked for a presentation for consideration against others.

RIMCO ponders captive service

DALLAS—William S. McIntyre, founder and president of the RIMCO consulting firm here, is faced with a tough professional problem.

He's a proponent of Texas-based captive insurance companies and can foresee recommending their formation. But there is no one in Texas who can manage one.

"We've always felt that whoever did the feasibility study should not manage the captive," Mr. McIntyre said, espousing a view firmly held by independent risk management consultants. "But we're seriously considering managing captives here. We can't recommend a captive when there's no one to manage it," he lamented.

Mr. McIntyre readily concedes that he sees a conflict of interest for a firm that conducts a captive feasibility study knowing full well it would ultimately manage the captive if it's formed. "If we do it, we will be careful there is no connection between the two segments," he said, and that includes charges for the two segments.

"As the work gets more complex, there are more inherent conflicts of interest," Mr. McIntyre reflected. "But we would explain up-front what those conflicts are."

Considering the conflict of interest issue for the consultant, Mr. McIntyre wondered, "If you do a good job and the people want you to work for them again, there could be a conflict of interest in just doing your job well."



Protecting the Retailers

Diversification, innovation and change — it's qualities like these which have made retailing one of our most unique and challenging industries.

American retailers now employ over 14 million people; operate nearly two million outlets, and ring up almost \$800 billion in annual sales. Moreover, many of these retailers have also expanded into such diverse activities as real estate, financing, construction, distribution, and more.

Providing this dynamic industry with the insurance services so vital for growth has been a Corroon & Black trademark for over 50 years.

In addition to arranging insurance plans for thousands of small

and medium size operators, we are continually developing highly sophisticated risk management programs for some of the industry's giants.

One such program helped a client slash insurance costs by implementing comprehensive loss control procedures developed by our safety engineering specialists.

Another maximized property and casualty coverage for a leading supermarket chain. Still another provided expert insurance and safety services for planning and building a mammoth warehousing and distribution center.

At Corroon & Black, our inventory of retailing insurance services is as dynamic as the industry we serve.

CORROON & BLACK

150 William Street, New York, N.Y. 10038 212-732-4900

ANNOUNCING . . . A New Publication

CAPTIVE INSURANCE COMPANY REPORTS, a bi-monthly publication of specialized topics and developments about captive insurance companies — with tax and legal news, reinsurance information, parent company developments, and the underwriting of outside business. The publisher is H. Felix Kloman, President of Risk Planning Group, Inc., independent risk and insurance management consultants. These Reports will be valuable working tools for risk and insurance managers, underwriters, agents, brokers, and others interested in the captive movement.



For more information and a FREE sample issue, call or write:
CAPTIVE INSURANCE COMPANY REPORTS

24 Old King's Highway South
Darien, Connecticut 06820
(203) 655-9791 Telex: 996358
Annual Subscription: \$100

Job rehab'ers ride crest of therapy legislation

By JOANNE GAMLIN

LOS ANGELES—The vocational rehabilitation field is booming, with competitors rushing to help companies rehabilitate their workers in expectation of high growth.

But these same companies must accept humble profits and many face the prospect of losing in an industry shake-out.

International Rehabilitation Associates of Philadelphia, a unit of INA, was founded in mid-1970 and considers itself a pioneer in the field.

"Today we have about 180 competitors," said IRA president George T. Welch. With 35 offices

Risk Management Services

around the United States and Canada, IRA is generally recognized as the largest vocational rehabilitation service firm in the country.

However, many would consider Mr. Welch's estimate of the competition too modest. Rick La Fon, president of Comprehensive Rehabilitation Services (CRS) in Arcadia, Calif., figures there are between 120 and 170 vocational rehabilitation service firms or single individuals in California alone. Mr. La Fon says CRS, founded only two years ago is the third largest vocational rehabilitation service concern in the nation.

"California has more competitors in the speciality than does any other state," Mr. La Fon said, terming the formation of so many vocational rehabilitation concerns in the state the "California gold rush."

What inspired the gold rush was the passage in 1974 of a law (AB760) requiring mandatory vocational rehabilitation for injured workers. Prior to that date, vocational rehabilitation had been on a voluntary basis. Only two other states, Georgia and Hawaii, have mandatory vocational rehabilitation laws, according to knowledgeable sources. Yet these states have not enforced the laws so far, the sources said.

Under the law, a form called RB 1 must be filed with the state's rehabilitation bureau once an injured worker is off the job for 120 days. The workers compensation insurer has the responsibility for filing these reports and should the insurer fail to act, the bureau or the injured worker's attorney must assume the role of policeman. Next comes the hiring of a vocational rehabilitation firm and the filing of a rehabilitation plan called an RB 2. This form must be signed by the injured worker, his attorney and the insurer and must be approved by the rehabilitation bureau.

The percentage of injured workers actually needing vocational rehabilitation is tiny. For the year ending Dec. 31, 1977, Mr. La Fon said there were 1.2 million industrial accidents in the state. Of these, 300,000 to 350,000 were time-loss injuries and about 150,000 found their way into court.

"Out of all these, only 8,000 to 12,000 cases required vocational rehabilitation," Mr. La Fon said. These cases must be divided up among the 120 to 170 firms and individual practitioners in the state.

"CRS is the largest firm in the state, but it has only about 8% of the business," he said, going on to predict a shake-out within the next 12 to 18 months with five to seven statewide vocational rehabilitation firms emerging as the victorious survivors.

There are five statewide firms in California now, however, according to many observers. Besides IRA and CRS, they are Diversified Vocational Services, a division of Fred S. James; Ulery, Kirkpatrick & Associates; VALPAR and Rehabilitation Consultants Inc., a part of Crawford & Co., the insurance adjusters.

All five firms, plus several others contacted by *Business Insurance*, operate their businesses in a similar manner. All charge by the hour for each activity. Professional time goes for between \$35 to \$45 an hour, depending on the firm, while subordinate activities, such as

Continued on page 38

In risk management, par for
the course isn't good enough.

These days, the course of business is lined with financial traps. Staying out of them consistently is the only way for a company to break par and stay ahead of today's tough competitive field. That's where Ebasco comes in. Strong.

Ebasco maintains the world's largest staff of top-qualified risk management specialists engaged solely in consulting and advisory services for business. They will give you an objective analysis of every shot in your company's bag — and provide professional independent guidance on how to keep those shots on the fairway.

Ebasco Risk Management Consultants, Inc., identifies your objectives... designs and implements your employee benefits program... investigates total insurance programs for large corporations and works on programs of outside carriers, as well as those of inside corporation funding... gives long-

term program guidance in loss prevention, funding, and administration... and assists in many other areas of asset protection for your company.

Ebasco is prepared to perform a comprehensive Insurance Audit to give you an objective view (we do not sell insurance) of your present risk management program. Then, we'll show you how to shave a lot of strokes (and dollars) from your company's financial scorecard. To win in the marketplace today, you can't afford to settle for just par.

EBASCO

RISK MANAGEMENT CONSULTANTS, INC.

A Subsidiary of Ebasco Services Incorporated

New York: 100 Church Street, New York, NY 10007, Tel: (212) 785-2200
Chicago: 100 South Wacker Drive, Chicago, IL 60606, Tel: (312) 346-3438
Newport Beach: Gateway Plaza, 130 Newport Center Drive, Newport Beach, CA 92660, Tel: (714) 759-7100
Bermuda: Air'ie House, P.O. Box 1617, Hamilton 5-24, Bermuda: Tel: (809) 292-0124

For more facts circle 22 on reply card



Sar-Cheshmeh isn't your run-of-the-mill mining town

for our specialists-on-the-spot,
the uncommon is commonplace

Sar-Cheshmeh is in rugged, mountainous terrain 600 miles southeast of the Iranian capital of Tehran. And well worth the trip if you want to see history in the making. The Ralph M. Parsons Company is there, working with the Iranian government to engineer and construct one of the world's largest copper mining projects. Swett & Crawford Group is there, too, working with Parsons' broker, evaluating such insurance considerations as earthquake, flood and windstorm potential. Arranging international coverages, especially in the London market. Providing blanket builder's all risk insurance for Parsons and its subsidiaries.

No, Sar-Cheshmeh isn't your run-of-the-mill mining town. But Swett & Crawford Group isn't run-of-the-mill, either. With more

than 50 years of experience, the Group is renowned for its ability to sell, service, insure and reinsure large and unusual commercial risks—in the fields of energy, transportation, construction and manufacturing. Swett & Crawford Group: a unique combination of capabilities and organizations working together to serve the domestic and international insurance and reinsurance fields.



Swett & Crawford Group
a subsidiary of The Continental Corporation

For more information about Swett & Crawford Group write our President, Mr. W. F. W. Fellows, 4201 Wilshire Boulevard, Los Angeles, California 90010

Vocational rehab . . .

Continued from page 36

travel/driving, cost less, generally anything from \$12 to \$20 an hour.

Almost all firms also work exclusively on a per-injury basis, although Mr. Welch of IRA noted that his firm has about 10 large clients for which it works on a "bulk retainer" basis. The 10 are nearly all multinational corporations.

In the same regard, Linda Abernathy, who heads Diversified Vocational Services in Los Angeles, an independent division of Fred S. James, said that her group has begun offering its clients a flat fee billing, for example, a specific fee for a low back injury that requires six months of vocational rehabilitation.

"We think this is a tremendous deal," asserted Ms. Abernathy who said she was in the rehabilitation business as long as nine years ago "before it was fashionable."

International Rehabilitation Associates which lives by the maxim that there is a \$10 savings for every \$1 spent on rehabilitation, illustrates the basic manner in which the nascent industry works to put the injured worker back on the payroll.

After receiving referrals from such varied sources as insurers, attorneys, self-insured administrators or employers, the service firm sends its rehabilitation specialists to make detailed evaluations of the injured worker. Next a battery of tests are administered to the client. IRA requests its clients to undergo medical, financial, psychological and vocational tests. In addition, it interviews the worker's last employer.

"We ask the employer such questions as how often the worker used his hands and how far he had to walk during his work day," observed Mr. Welch.

Rick La Fon of CRS pointed out that it is also necessary to interview the attending physician to obtain an estimate of how long it will be before the injured worker can be said to have a "permanent, stationary" injury, a California workers compensation term which means that the disability will not

First college pension

The first private pension plan for a college was introduced in 1892 when Columbia University adopted a plan providing a pension for professors with at least 15 years of service at age 65, says the American Council of Life Insurance.

Risk Management Services

deteriorate any further.

"We then decide whether the worker can go back to his same job, to a modification of that job or to a new job with the same employer. If none of these options are open, we decide on job placement, including short or long-term educational training," he said.

Training that lasts no longer than two years is the best, he asserted, citing statistics that show that the longer a person is off the job, the more likely it is that he will grow accustomed to living off a disability or government check and be unable to regain a place on the payroll.

Vocational Rehabilitation Asso-

ciates of Santa Ana, Calif., adds personality and IQ testing to its service array, said president Bill Roberts, who also believes educational rehabilitation should be kept as short as possible.

VALPAR, based in Tucson, Ariz., uses a group of work samples to test the potential of an injured worker to function in a number of job families, pointed out executive vp Dr. Charles Rastatter.

Linda Abernathy believes that her firm has several unique services in its program. For one thing, Diversified is using videotapes to show doctors how the job, formerly held by the injured worker, is performed by a full-bodied employee. For another, the firm has just begun to use a computer, called Vocomp, to evaluate a client's job potential. The client's job limitations, his/her testing results and the three job fields he would most like to enter are put into the computer.

"With this information, the com-

puter can spit out the best job category—say, entertainment in a three-way choice that includes medical and sales—together with the job titles that best suit the client. The names of local schools where training for these jobs can be obtained are also listed by the computer," she said.

Estimates of how much it costs to retrain a worker vary wildly, with figures ranging from \$1,000 to \$12,000.

However, if the injured worker can be returned to his/her former employer, the potential savings can be as high as \$8,000 to \$10,000, Ms. Abernathy asserted, counting the \$159 a week maximum that a worker collects in short-term disability plus the heavy cost of retaining/education for a new job.

Bill Roberts of Vocational Rehabilitation Associates was the only expert interviewed to state that there is a fairly definite price tag for a specific injury.

"For a client with a low back problem, the cost of vocational rehabilitation plus short term disability and job placement would range from \$6,000 to \$8,000," he said.

Low back pain, he added, is the most common complaint among rehabilitation clients.

But, according to Ms. Abernathy, 75% of the time firms are compelled to retrain or find on-the-job training for an injured worker. She blames labor unions which do not want to accept injured workers and upper management which are afraid to rehire them for the fact that few injured workers that reach the rehab stage ever return to their old jobs.

To counter the competitive environment in California, a number of rehabilitation firms have diversified their services. Harper & Rheinstrom of Beverly Hills, for instance, is a marriage counselor and a firm that aids older women who need to re-enter the job market. ■

MEMO FROM MARSH & McLENNAN

The squeeze on the insurance market is already too tight. Let's not make it even worse.

Today's insurance industry is hard-pressed to keep pace with growing demands in many insurance lines. Often it cannot.

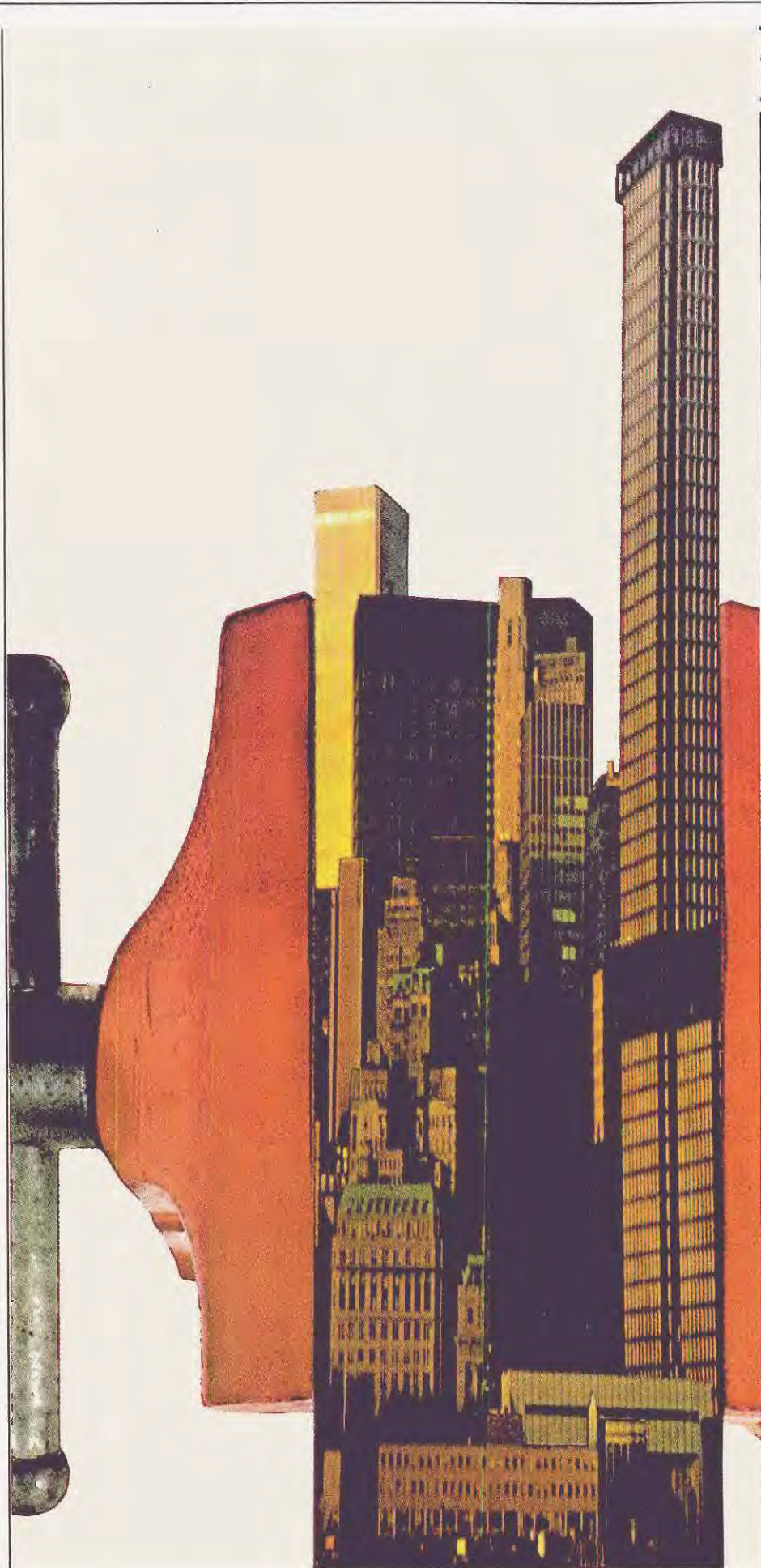
The industry simply does not have enough capital to insure the myriad risks presented to it.

Needless to say, first preference often goes to predictable risks (e.g., fire, theft) and lowest priority to those classes of risks whose premiums are least calculable.

But that is precisely the area where the insurance buyer needs most protection, those hazards of greatest uncertainty.

Consider product liability and directors' and officers' liability.

These two categories of risk dramatize the insurance capacity shortage of traditional



The people who know how to handle it in

OMAHA

are

THE HARRY A. KOCH CO.
2121 South 44th Street

558-7000
SEE OUR AD ON PAGE 6

Big, brassy Ebasco sets its own consulting pace

By KATHRYN J. McINTYRE

NEW YORK—A large volume of business provides Ebasco Risk Management Consultants Inc. with luxuries other risk management consulting concerns can't afford, says senior vp Bruce H. Suter.

The risk management consulting subsidiary of the utility construction, engineering and services firm, Ebasco Services Inc., will bill nearly \$4 million this year under the direction of president Robert Self. One of the luxuries of that kind of budget is a large diversified pool of talent.

The 81-person risk management consulting staff—plus another 15 employe benefits and pension experts—sports striking credentials, Mr. Suter boasts.

Resumes list former job titles

such as company president, insurance company secretary, head of underwriting, risk manager and safety director. Professional designations run the gamut of MD, PhD, CPCU, CPA and CSP (certified safety professional). There are attorneys on staff, as well as engineers of various disciplines and a communications specialist.

The highly specialized and experienced professionals are aided by support staff, allowing Ebasco Risk Management to bill its 350 clients anywhere from \$20 to \$80 an hour for consulting services depending on the expertise needed to handle the assignment.

"It takes a spread of business to have this wide a range," Mr. Suter said, explaining that \$20 an hour represents an analyst's time, "someone corresponding to a policy checker." Of its 350 clients,

Risk Management Services

about 115 are continuing clients on retainers, some of whom turn over the risk management function to Ebasco.

Its size also allows Ebasco to use the team approach on consulting projects. Specialists from the four sections of the risk management group—property, casualty, loss control and research and reporting—work on audits or surveys, coordinated by a project manager.

The industrial group manages the Bermuda association captive insurance companies, drawing on specialists in accounting, underwriting, claims and loss control.

"The Ebasco risk management

group offers all the services applicable to the corporate insurance function," Mr. Suter said, ticking off "insurance audits, funding arrangements, loss control, program administration, employe benefits and pensions" as typical tasks performed.

With 20% growth last year, Ebasco remains the largest and one of the oldest risk management consulting concerns. It is twice the size of the second largest risk management consulting firm, Dallas-based RIMCO Inc., which has \$1.6 million in annual billings.

Ebasco's staff is concentrated in New York City with branch offices in Chicago, Bermuda, Newport Beach and representation in the Cayman Islands. Former Illinois insurance director Bud Gibbons directs the Chicago office and

Fred Abdoo directs the eastern region. Richard Huntington, formerly of Warren, McVeigh & Griffin, opened the Ebasco West Coast office last fall.

Mr. Suter plans to open a consulting office in Atlanta but he is having as much trouble finding qualified personnel as other risk management consulting firms are which would also like to expand their staffs.

Ebasco Risk Management has served over 700 corporate clients since its start as a one-man department in the mid-1920s with the late I.M. Carpenter. Mr. Carpenter was a founder of the Insurance Buyers' Council, a forerunner of today's Risk & Insurance Management Society.

In the early days, the department functioned as the insurance department for the utilities owned by the old Electric Bond & Share Co., the corporate name from which the acronym Ebasco was derived.

The insurance and risk management consulting business flourished through the years, continuing through the parent company's first merger with Boise Cascade Corp. and later through sale of Ebasco to Halliburton Co.

Last year, Ebasco Services Inc. was sold again, apparently at the urging of a federal regulatory agency concerned about Halliburton's domination of the construction business through Brown & Root and Ebasco. Ensearch Corp., a diversified energy company based in Texas, reportedly paid \$60 million for Ebasco Services with 4,000 employes.

Today, many still relate Ebasco Risk Management with its humble beginnings and equate it with the utility industry. It's true that Associated Electric & Gas Insurance Services Ltd. (AEGIS) is the largest Bermuda insurance company managed by Ebasco. It writes general liability for 127 member utilities in 40 states.

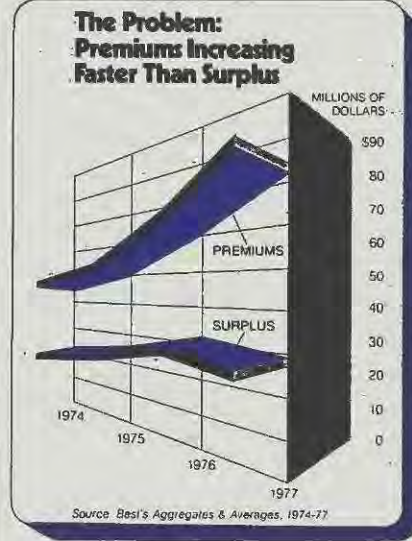
But in all, Ebasco's 100 risk management consulting utility clients occupy only 30% of the consulting staff's time and bring in a corresponding portion of income. Mr. Suter even balks at identifying Ebasco Risk Management as experts in the utility field. "We're strong there only in that it's a base—the largest single industry that we work with. But we're also involved in government, petroleum and other heavy manufacturing," he said.

In government, for example, Mr. Suter

Continued on following page

underwriting markets. In both cases, because of the potential for big claims and the unpredictability of the frequency of occurrence, underwriters have been obliged to assign very high rates for the coverage offered and for the limits of liability they are willing to accept.

Risk managers have found that one answer to this problem can be the adoption of self-insurance



plans. However, tax provisions have generally prevented a company from taking a tax deduction for monies set aside to pay for future losses—even though premiums paid to insurance companies to cover identical losses are deductible.

To remedy this inequity, many firms have gone a step further and established insurance subsidiaries or so-called "captive" insurance companies which can help to satisfy many diverse needs:

- the insured company receives coverages from the captive insurer that might otherwise be unavailable.
- captive insurance companies can gain direct access to the

efficient worldwide reinsurance markets for added protection for the risks they choose to underwrite.

- traditional underwriters now have capital freed to cover more risks for more companies, particularly the smaller companies for whom captives are not a realistic solution.

The dilemma of Revenue Ruling 77-316.

Now, however, the Internal Revenue Service has ruled that certain captive companies are, by definition, not insurance subsidiaries of the parent company but, rather, merely repositories for self-insurance funds, and should hereafter be treated accordingly for tax purposes.

This decision appears to compound the inequitable situation, i.e., the non-deductibility of self-insurance funding, that prevailed before the advent of captives. As the ruling stands, a captive may lose the equitable treatment that helps make it a viable risk management vehicle, thus forcing a firm back into the already compressed insurance market.

In other words, precisely when the market needs expansion, it may be squeezed even more. By seeking to solve one problem, the IRS may have unwittingly helped to create a larger one.

We have no axe to grind.

Marsh & McLennan works in the conventional insurance market. We also organize and manage captives. Our interest is based solely on the principle that has guided all our actions for 107 years: selecting the best risk management alternative from the widest possible choices for the benefit of our clients.

With this in mind, we view Revenue Ruling 77-316 as a step

backward. The fact that the IRS has authority to interpret existing Federal law itself highlights the need for a legislative reform.

Beyond that, we have helped to draft a bill which, potentially, could allow the IRS to discharge its responsibilities, without bias to businesses whose risk management needs are better served by their owning or operating a captive insurer.

Meanwhile, it is imperative for the entire business community to be made aware of the possible consequences if this ruling should prevail.

If you would like additional information on this subject and a copy of "our bill," write to Dept. 500 BI, Marsh & McLennan, Incorporated, 1221 Avenue of the Americas, New York, N.Y. 10020.

Every client is assured of professional risk and insurance management services—in depth.



When it comes to insurance, come to the leader.

Marsh & McLennan



The people who know how to handle it in

CINCINNATI

are

KREIDLER-SHELL, INC.
250 Central Trust Building
381-0500

SEE OUR AD ON PAGE 6

Ebasco's pace . . .

Continued from preceding page
Huntington of the Newport Beach office recently landed the City of Aurora, Col., as a client. He had worked with Aurora while at Warren, McVeigh and his maximum bid of \$6,750 for fees and expenses on the project came in well under the \$9,000 bid by Risk Planning Group of Darien, Conn., and the \$10,000 maximum bill quoted by Warren, McVeigh.

Aurora risk manager Judith Schroeder stressed that "we do not

necessarily take the lowest bid. We chose Ebasco because they came in with the lowest bid and quality work." Ebasco will assist Ms. Schroeder in analyzing the city's self-insured programs, losses, contracts, and purchase agreements. Specifications for insurance will also be developed and offered for bid to test the insurance market. The project is expected to take eight months to complete.

Ebasco Risk Management also works with hospitals, which is

Risk Management Services

where the expertise of the staff MD is applied. It manages the Multi-Hospital Mutual Insurance Co., owned by 60 hospitals in 18 states, and handles the claim coordination for the Hospital Mutual Insurance Co., owned by four Nebraska hospitals.

The Bermuda office, which manages six association captives, is directed by vp William Boyle, former secretary of The Royal Globe Insurance Co. The six as-

sociation captives, which Ebasco prefers to call industrial mutual companies, have combined assets of over \$70 million. Mr. Suter declined to discuss management fees.

Although risk management consultants as a rule decry any involvement with the sale of anything other than pure consulting services, Mr. Suter has no qualms about Ebasco's captive management business. "We are not licensed agents or brokers. We sell objectivity and independence," he maintains.

Ebasco produced the feasibility

studies on only half the captives it manages, but in all has prepared over 100 captive feasibility studies. In over half of those, Ebasco recommended against the formation of an insurance company, Mr. Suter said.

He noted that the bulk of that work was conducted three to four years ago "when everybody was looking at captives. Today we don't run into that sort of demand."

Other risk management consultants say they seldom run into Ebasco on bids, an observation that seemed to surprise Mr. Suter. "We do about the same number of proposals as we used to," he said, "with a 50% batting average. We do attract the greater portion of larger risks and it wasn't planned that way. We would welcome a greater spread of smaller companies."

Perhaps part of the reason why other consultants say they don't recall running into Ebasco is the firm is not a member of either of the two risk management consultants' societies. "I've kept Ebasco out because we'd be an overpowering interest. We'd outnumber the entire society," Mr. Suter said. "There's very little in common interest between a two or three man shop and a large outfit."

But Ebasco isn't really a low profile company. It is one of the few risk management consulting firms that advertises. "I have put more business on competitors' books than my own with my advertising," Mr. Suter chuckles. "The advertising makes people aware of risk management consultants but then when they decide to hire one they also look around for who else is in the business."

Mr. Suter, who has been with Ebasco since 1957 and likes to characterize himself as a "jack of all trades and master of them all," has seen some former employees establish respectable reputations for themselves in risk management consulting elsewhere. Former Ebasco employees include Joseph Smetana, president of AIG Risk Management Inc., Warren Brockmeier, director of risk management services for The Wyatt Co. in Chicago, and David Warren, with his own West Coast company.

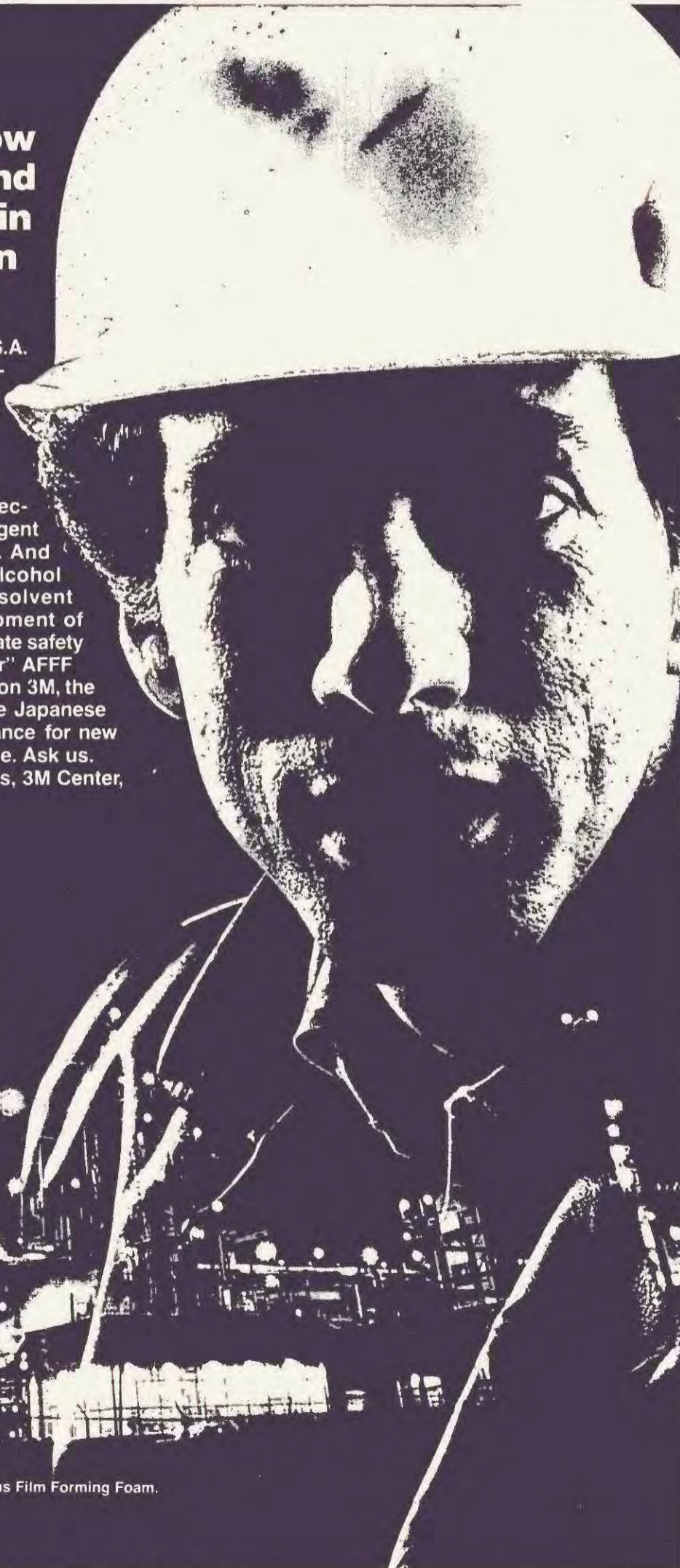
Mr. Suter denies, however, that the company has had a high turnover, suggesting that on a percentage basis the turnover of his large staff is probably lower than for the smaller consulting firms.

Though proud of the volume of business Ebasco handles, Mr. Suter admits there is at least one disadvantage to being so large. "If you don't keep busy, you go down the drain right quick." ■

Ask the experts how LIGHT WATER® brand AFFF proved itself in world-wide tests on storage tank fires.

In Japan, Sweden, the U.S.S.R. and U.S.A. . . . in independent tests using sub-surface injection systems... "Light Water" Aqueous Film Forming Foam (AFFF) injected in 2% solution knocked down fires faster than fluoroprotein in 4% solution. "Light Water" AFFF proved its overall effectiveness as a cost-efficient single agent for both fixed and mobile systems. And there's also "Light Water" AFFF/Alcohol Type Concentrate (ATC) for polar solvent hazards. 3M pioneered the development of AFFF. Municipal fire chiefs and corporate safety managers have relied on "Light Water" AFFF for years. They know they can count on 3M, the AFFF experts. Literature, films on the Japanese fire test and expert technical assistance for new plant facilities or retrofits are available. Ask us. 3M Company, Fire Protection Systems, 3M Center, St. Paul, MN 55101, Dept. 21.

The AFFF Experts



"Light Water" is the Reg. TM of 3M Co. for Aqueous Film Forming Foam.

For more facts circle 44 on reply card

with Delta...
**Everybody
Benefits**

**Delta Dental Plans
Association**
211 East Chicago Avenue
Chicago, Illinois 60611
(312) 337-4707

"AMERICA THE BEAUTIFUL" IS MORE THAN BEAUTIFUL



"... O beautiful for spacious skies"

Look up at the glorious skies of America and thrill to the shining aircraft speeding passengers and their goods to many destinations, quickly and safely. Our country is foremost in aviation, as it is in so many areas.

We at Protection Mutual have been privileged to help the aircraft industry and its related industries by planning the fire protection for the manufacturing plants and ground storage facilities.

Protection Mutual has only *one* business—the conservation of industrial and commercial property through creative loss prevention engineering.

PROTECTION MUTUAL Insurance Company

302 South Northwest Highway, Park Ridge, Illinois 60068

**Factory
Mutual
System**

WOULD A MAJOR FLOOD

SINK YOUR RM PROGRAM?

Do you know: your ability to withstand huge flood, earthquake or wind losses? The likelihood of any of these disasters?

The J.H. Wiggins Company is nationally-recognized for skill in risk and hazard analysis. And experienced at evaluating and making recommendations on catastrophic risk, business interruption and loss prevention.

Consult us. We'll use our highly-sophisticated techniques to help you keep your head above water.

j.h.wiggins company Research Engineers, 1650 S. Pacific Coast Hwy.
Redondo Beach, CA 90277 Phone: (213) 378-0257

For more facts circle 48 on reply card

Benefit messages offer broader corporate aids

By ELLIS SIMON

NEW YORK—Specialists in employe benefit communications feel their talents can be put to use inside corporate America's factories and offices to get the boss's message across, in areas other than just benefit-related matters.

And, should that come to pass, further explosions could be triggered in a field already enjoying volatile growth.

"Companies don't see ad agencies and PR firms as the tool to reach employes," said Daniel Gorney, senior vp of Benefacts, Alexander & Alexander's benefit communications subsidiary. Benefacts is trying to build an organization capable of meeting needs in all

Risk Management Services

areas of employe communications, he said.

"Corporations see the need for a well thought-out, well financed, life-cycle communications program," he added. "Such a program would cover an employe's association with a firm, from recruitment to post-retirement," Mr. Gorney explained.

Hewitt Associates spokeswoman Christine Seltz also predicted a broadening of the communications area. The firm is currently involved in producing pre-retirement communications materials and is conducting surveys and group interviews with employes on benefits and compensation issues.

Eventually, this could lead to conducting surveys and interviews on working environment issues, she said.

Towers, Perrin, Forster & Crosby is involved in such aspects of internal communications as attitude surveys and salary administration communications, said Roy G. Foltz, vp and director in charge of communications consulting services.

There is a changing concept of employe communications, he said. Whereas in the past years corporations informed employes of only what they needed to know, employes currently recognize the employe's "desire to know," he explained.

Companies are using communications to get "employes keyed to corporate goals and using employes to be their missionaries and salesmen of the company," Mr. Foltz added.

Management interest has been the biggest development in benefit communications, Mr. Foltz noted. "Down the road there is no letup in sight," he added.

ERISA has contributed to this change in attitudes. For all its headaches, ERISA did "great things for communications awareness," said William M. Mercer's George Faunce III. "Even the toughest employer had to care."

Many companies are going "beyond the letter of the law and looking at the spirit of the law," added David Keiffer, director of employe communication services at Meidinger & Associates.

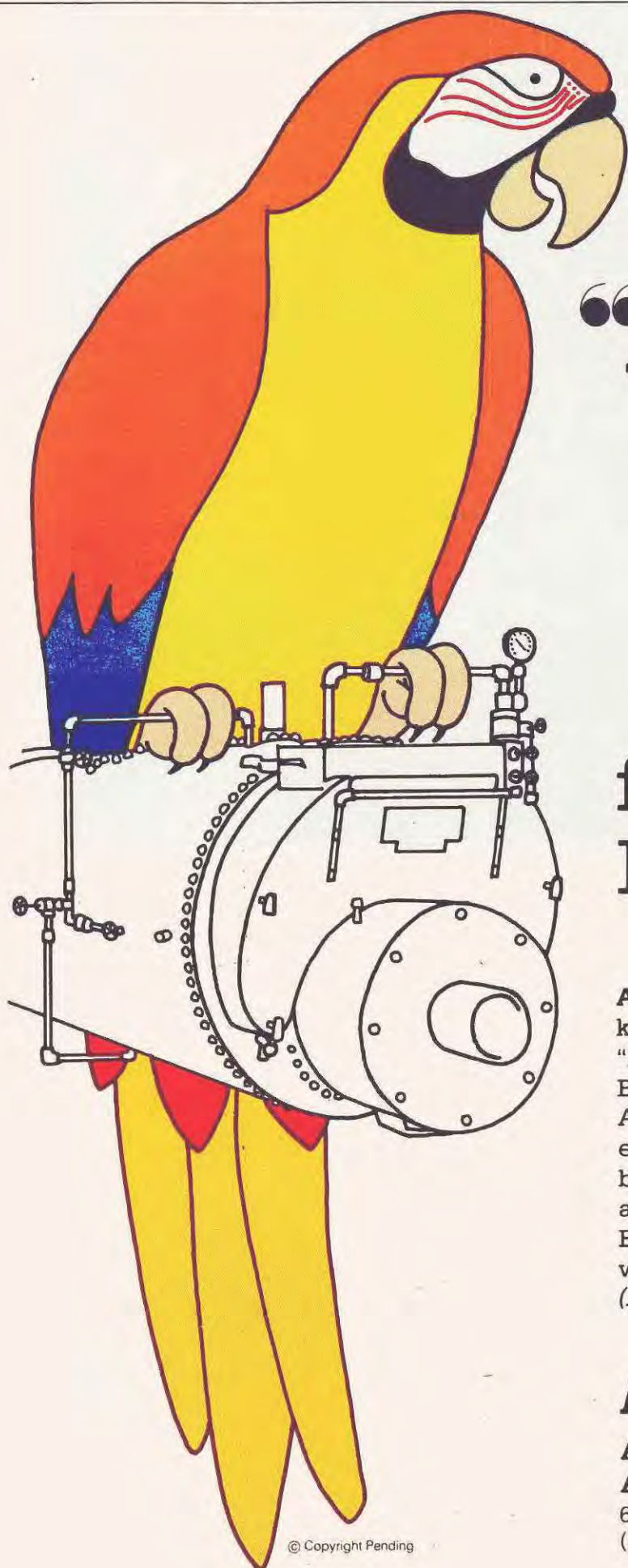
"Management has a feel for it (benefit communications)," said John D. Spinks, vp-communications at Boone & Co. "They can see the dollar results. Once it was an intangible, but they know that like ads it gets results."

Boone & Co.'s communication division, Vicom, has seen its business volume grow by "leaps and bounds," increasing by "several hundred percent" over the past five years, Mr. Spinks said.

The Winston-Salem-based firm is not alone in its phenomenal growth. During that period, Benefacts, the largest benefit communications operation in the country, increased its revenues to \$7 million from \$2.5 million. The same years saw a tripling in TPF&C's revenues from communications consulting, while William M. Mercer and Milliman & Robertson's Benfo Division both reported four-fold increases.

Most of the independent consulting firms bill over \$1 million annually for communications work. A large computerized benefits statement alone can run as high as

Continued on page 44



Say
"Ah...
Lee...
Ahnz"
for Boiler and
Machinery.

Allianz. The company everybody knows... but can't pronounce. Say "Allianz" when you want the best in Boiler and Machinery coverage. Each Allianz department is built on experienced personnel, and backed by a worldwide network of insurance professionals. When you need Boiler and Machinery coverage, we're the experts you should know. (Even if you can't pronounce our name.)

Allianz 

**Allianz Insurance Company
A Center of Excellence**

6435 Wilshire Blvd., Los Angeles, CA 90048
(213) 658-5000

Introducing a newcomer with all the right credentials.



Schinnerer and Company is pleased to introduce the Schinnerer Benefits Group, our new life, accident and health insurance division. The Group specializes in all forms of group travel accident and voluntary insurance plans — from limited coverage to broad form business and pleasure coverage. And soon we'll be introducing further product lines to form a wide range of life, accident and health benefits available through member companies.

We've staffed the Group with the best in the

industry. With the Schinnerer reputation for expertise and service paving the way — and backed by a 40-year record of leadership — our newcomer is fast becoming a familiar figure in the insurance community.

In fact, while you're thinking about it, why not get a quote? Call A.J.R. Douglas at (202) 686-2888, and find out how competitive a newcomer can be.



WASHINGTON, D.C.

VICTOR O. SCHINNERER CO., INC., 5028 WISCONSIN AVENUE, N.W. WASHINGTON, D.C. 20016 (202) 686-2888 TELEX: VOSCO D.C. 89-2340

MEMBER COMPANIES: NORTHWESTERN NATIONAL LIFE INSURANCE COMPANY/NORTH AMERICAN LIFE AND CASUALTY COMPANY/MASSACHUSETTS INDEMNITY AND LIFE INSURANCE COMPANY/WILLIAM PENN LIFE INSURANCE COMPANY OF NEW YORK

Where is Greenwood, Indiana?

The leading Benefit Consultants and Administrators know!

Greenwood is the headquarters of the Brougher Agency, Inc., the exclusive United States Representative of a leading *London Broker*, for the placement of employee benefit stop-loss reinsurance.

If your client needs aggregate stop-loss, specific stop-loss or catastrophic coverages to transfer risk on a self-funded program, call or write the Brougher Agency, Inc. We also offer a special reinsurance package for coverage of groups of 25 to 250 lives and over.

Incidentally, Indianapolis is close to Greenwood, Indiana.

Brougher Agency, Inc.

188 South Madison Avenue
Greenwood, Indiana 46142
(317) 888-3531

For more facts circle 60 on reply card

Communications . . .

Continued from page 42

\$500,000, noted A.S. Hansen president Lawrence Fisher.

Benefacts has the largest communications staff, with 200 people. TPF&C follows with 65. However, Wyatt Co., in addition to 23 full time staffers, has 100 persons involved with benefit communications on a part time basis.

Following those firms are Hewitt Associates with 50 communications employees, Meidinger with 35, William M. Mercer with 30-plus and Johnson & Higgins and Frank B. Hall, each with between 25 and 30 communications specialists.

Benefit consulting firms reported communications work represented as much as 20% of their benefits volume to less than 5%. Benefacts, A.S. Hansen, Kwasha Lipton and TPF&C attributed very substantial portions of their vol-

Risk Management Services

ume to communications. Firms with a smaller proportion of their work in communications included Johnson & Higgins, Milliman & Robertson, Martin E. Segal and Hazlehurst Associates.

Several of the firms have extensive production facilities including in-house data processing operations used to prepare computerized individual benefit statements. Such is the case with Hay Huggins, known primarily for overall compensation consulting, which also has graphics studios in its major offices.

Booke & Co. went into benefit communications in a big way by acquiring a local graphics studio in 1973. The firm is capable of doing its own typesetting, layout, artwork, writing and audiovisual production, said Mr. Spinks. It also possesses a special camera for making slides.

Although the communications firms generally have their own writing staffs, William M. Mercer hires freelancers to work on projects out of its New York office because of the ready availability of such talent in the New York market, said the firm's Mr. Faunce.

Benefacts subcontracts only for printing and is looking into purchasing its own press, noted Mr. Gorney.

It is difficult for communications specialists to say what an "average" communications project would cost. Consultants said such a figure would be meaningless because of the variables involved and the different types of projects produced.

For the most part, the firms said they charge for communications work in much the same manner as for other forms of consulting—using time and expenses as the basis for their pricing.

A communications project could range in cost from a few hundred dollars for simple benefits booklet, to the six figure-range for a complicated employe benefits statement for a large corporation, said Mercer's Mr. Faunce.

Project cost will reflect complexity and the caliber of production. "Statements can be plain manilla cookie-cutter things or four-color glossies," he said.

A 125-life account seeking a detailed and complex benefit statement could spend more than a 2,000-life firm wanting only a simple form, said Benefacts' Mr. Gorney.

Kwasha Lipton vp Harry Bremer reported a typical total communications project developed by his firm runs between \$10,000 and \$12,000, excluding production costs. Hansen's Mr. Fisher said projects done by his firm ranged in cost from \$300 to \$500,000, with most falling between \$5,000 and \$10,000.

At Benfo, Milliman & Robertson's communications division, costs for a series of plan description booklets averaged between \$4,000 and \$5,000, a summary plan description averaged between \$2,000 and \$3,000 for writing and consultation, and an audio-visual project ran between \$7,000 and \$15,000, said executive director Lee Carlson.

Computerized benefit statements ranged in cost from \$7,000 using preprinted forms to \$20,000 and up for custom designed forms, he said.

Communications specialists predicted growing importance for audio-visual projects and the benefit statement. "People realize you need a variety of media," said Meidinger's Mr. Kieffer. "The SPD

If we didn't own ourselves, maybe we wouldn't be the leading U.S. insurance broker overseas.

Until Johnson & Higgins did, no one offered American multinationals this insurance brokerage concept: our own foreign offices coordinated with exclusive correspondents in a world-wide network.

This assures the same direct service and account management control overseas that J&H provides domestically. Internationally, we can respond instantly. In 104 major cities of the world. Including such rising centers as Teheran,

Hong Kong, Singapore and Taiwan.



Bob Beane, J&H Vice President, headquartered in Madrid.

This fact alone can be vital to the conception and management of the overall risk programs of major international companies.

Just as vital, we feel, is the universal way J&H brings its specialty services to bear. Property Loss Control is an example. We perform it uniformly everywhere.

Although the idea of Loss Prevention is really beginning to blossom overseas, J&H has been advancing it for decades. Because we knew it would eventually be most cost effective for our clients.

We're a private company, the only



Hugh Hausman, left, Vice President in Teheran, can call on assistance from Joe Gaudio, J&H Loss Control Specialist in our Milan office.

major broker that is. And that helps us start things sooner. And stick with them longer. Isn't that what being a leader is really all about?

Johnson & Higgins

The private insurance broker
We answer only to you

RISK AND INSURANCE MANAGEMENT SERVICES, EMPLOYEE BENEFIT AND ACTUARIAL CONSULTING THROUGHOUT THE WORLD

For more facts circle 36 on reply card

is just a reference piece. Just to disseminate an SPD isn't effective. Dissemination is not communication."

Electronic media and audio-visuals are more effective means of reaching employes, Mr. Kieffer said, noting that the average employe watches four hours of television nightly. "This is the guy who watched Charlie's Angels last night. A well produced A/V project competes for his attention," Mr. Kieffer said.

Kwasha Lipton's Mr. Bremer also predicted greater use of audio-visuals. "The American public likes to see things instead of read them," he said.

Mr. Bremer stressed the importance of the computerized benefit statement, calling it the "most effective means of communication. It's something they (employes) look forward to. It makes them feel the company cares because they have taken the time to make it eye-appealing and personal."

Much of the benefit communications explosion reflected ERISA requirements regarding summary plan descriptions and other documents. Several firms said they had abnormally heavy demand for SPDs during 1976 and 1977.

What will happen now that the ERISA deadline for SPDs has passed remains to be seen. However, persons in the field were generally optimistic about their futures.

Some clients who already produced SPDs now want to publish updated editions, said Benfo's Mr. Carlson. Mercer's Mr. Faunce also saw continued growth, noting that there will be a continuous requirement for SPDs.

Benefit communications "won't slow down," he said. "It's an aspect of benefit consulting in relative infancy in technology and other areas. The growth potential is as great for communications as for any aspect of employe/employer consulting on compensation and benefits."

Boating fatality rate declines

WASHINGTON—The boating fatality rate dropped to an all-time low last year, the U.S. Coast Guard reports.

In 1977, there were 9.6 fatalities for every 100,000 recreational boats. In 1976, the fatality rate was 9.9 per 100,000 boats and in 1973 the fatality rate was 18 per 100,000 boats.

During the past year, there were 8,815 reported boating accidents in which 1,312 persons died.



The people who know how to handle it in

TOLEDO

are

PICTON-CAVANAUGH, INC.

Libbey-Owens-Ford Building
241-8211

SEE OUR AD ON PAGE 6



CIRCLE OF PROTECTION

As the billions of dollars invested in exploration and production of oil continue to increase, Southern Marine keeps pace in capacity, reliability and service. Top executives and tough guys in the Oil Patch tell how Southern Marine provides protection for their investment and contributes to safety through engineering. We are proud of the confidence in Southern Marine's Circle of Protection—and every day we work hard to deserve it.

**SOUTHERN
MARINE &
AVIATION**
UNDERWRITERS, INC.

610 Poydras Street • New Orleans, Louisiana 70130 • (504) 524-4131
Branch offices in Los Angeles/Houston/Atlanta/Tulsa
Serving insurance agents and brokers only—no direct business

Everybody wants a claims administrator

By ELLIS SIMON

NEW YORK—If imitation is the greatest form of flattery, then Herb Hokanson should be beaming.

An insurance broker in Marshfield, Mass., Mr. Hokanson organized Group Insurance Service Center in 1974 to provide administrative services for self-insurers of group benefits. Catering to small New England firms, he has already attracted 185 clients and grown to a 65-employee operation.

The past two years alone have seen business triple and that kind of success has spurred six new competitors within the past year, he said.

While few benefit administration firms have enjoyed this type of growth, "the field is literally exploding," said William B. Batte, president of Blomquist, Batte & Campbell of Wheaton, Ill. His firm's growth rate was recently 50% in one year.

Formed in 1976, the Society of Professional Benefit Administrators has seen its membership grow to 50 firms. Stephen Schanes, former director of the Pension Benefit Guaranty Corp., is the society's executive director.

The society's membership consists of, in addition to firms specializing in administrative services for self-insurers, Taft-Hartley and pension administration firms and firms providing administrative services for life insurance companies.

However, claims administration for self-insurers is the fastest growing area. Within the past year General Adjustment Bureau, a large insurance adjustment firm, has developed a claims administration program. The big brokerage houses are also considering entering the field or are in the process of starting up such activities.

But Robert A. Gielow, senior vp and director of Alexander & Alexander's risk analysis and management group, said brokers are waiting for the outcome of a dispute over an ERISA provision prohibiting them from accepting commissions and fees from the same account.

The greatest concentration of benefit administration firms is in the West and Midwest. Self-insuring benefits is more active in the West, said Mr. Hokanson, who found it a virtually unheard of concept in New England when he started his operation four years ago.

Mr. Batte noted there were fewer

administration firms in the East because of the prominence of Taft-Hartley plans which normally have salaried administrators.

"There is not much difference between the services provided by one claims administrator and another," said C. Robert Andrus,

Risk Management Services

national manager of employee benefit services for GAB. Mr. Andrus explained that claims adminis-

trators distinguish themselves through the quality of the services provided.

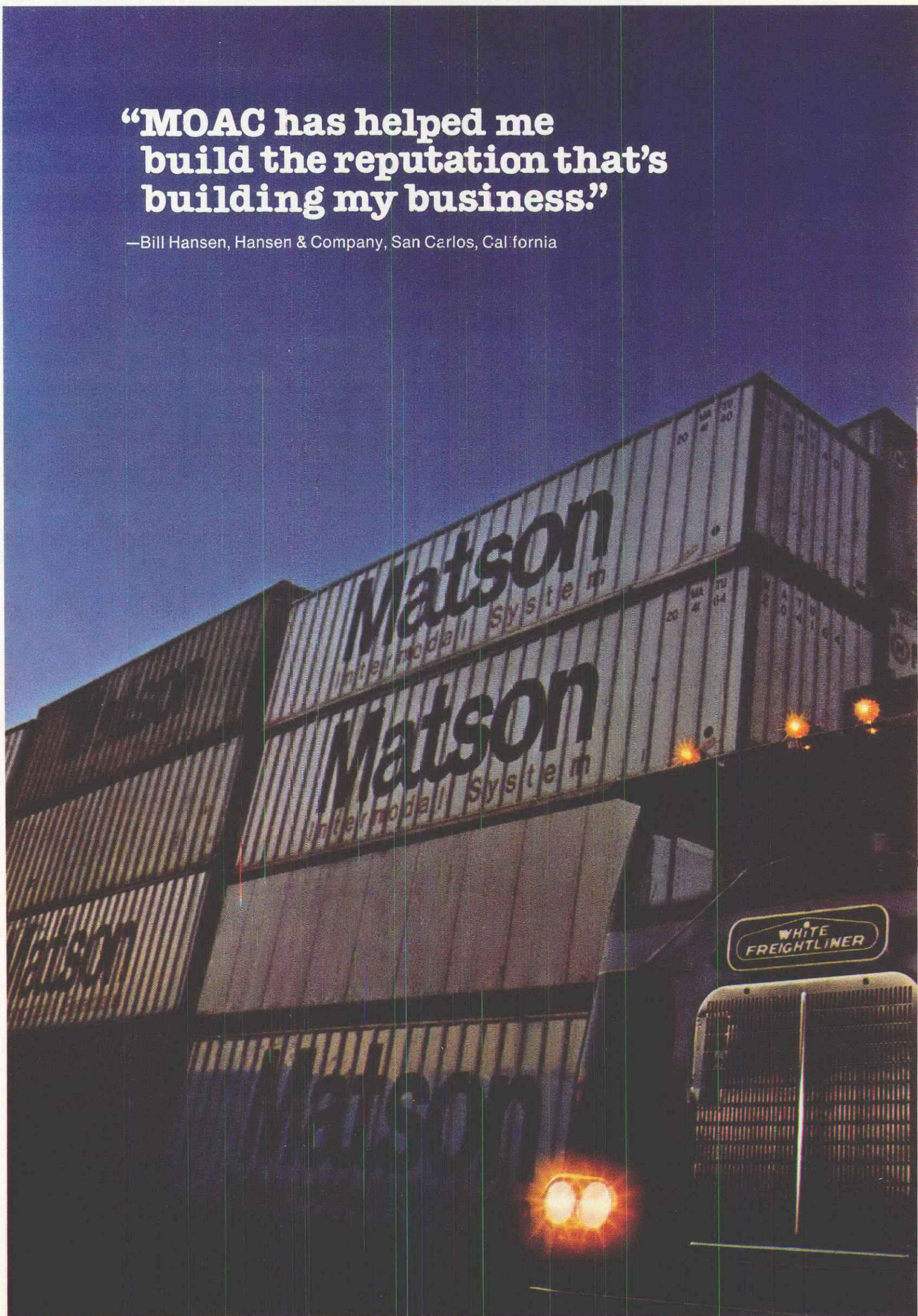
Basically, the firms provide a two-fold service, actual payment and adjustment of claims and data processing to give clients an idea of where their money is going. The

services are provided either jointly or the claims administration firm can provide data processing services for firms large enough to have their own staff of claims adjusters.

A typical claims payment service is operated by Executive & Employee Benefit Plans Inc., an Atlanta-based operation with more than 300 clients. The firm's claims processing system begins with an

"MOAC has helped me build the reputation that's building my business."

—Bill Hansen, Hansen & Company, San Carlos, California



The people who know how to handle it in

DENVER

are

WARREN & SOMMER

3955 East Exposition Avenue

744-3711

SEE OUR AD ON PAGE 6

examiner check of the claim to determine eligibility for payment. Then the claim is processed by a computer which calculates the benefit payable, taking into consideration deductibles, co-insurance and duplication of coverages.

The data processing system prepares the check, a copy of which is sent to the client along with the claims worksheet. E&E provides

clients with monthly analyses of claims broken down by line of coverage, services provided, provider (hospital, physician) of services and profit center.

Several of the firms provide services that are incidental to the actual claims payment process. Mr. Hokanson's Group Insurance Service Center prepares summary plan descriptions, provides employee ID cards and files annual re-

ports to the Department of Labor.

In addition, the firm's insurance affiliate, Hokanson/Anderson Insurance Agency, places stop-loss coverage for self-insured clients.

For clients who want to self-administer, Blomquist, Batte & Campbell will provide claims payment procedure manuals and train a firm's staff to process claims.

However, not all self-insurers can effectively take advantage of such a self-administration system. The systems are effective for firms with at least 3,500 employees, said William Robinson, eastern regional manager for Systems Development Corp. The firm has marketed its administrative software program to 22 firms including 12 self-insurers of benefits.

Claims administration firms

normally charge for their services either on a percentage of claims paid or on a per capita fee that varies with the complexity of the program. Galbraith & Green of Salt Lake City uses both approaches and also offers a formula based on percentage of anticipated contributions.

Almost 90% of Galbraith & Green's clients pay between 1.75% and 2.75% of their annual plan contributions to cover the firm's administrative charges, said president Richard J. Galbraith.

E&E Benefit Plans' fees range from \$1.20 to \$2.50 per covered employee per month with variances reflecting type of benefits offered, plan complexity, number of benefit schedules and the geographic dispersion of employees. Administration costs run 4% or less of benefits paid.

Imperial Industries of Los Angeles uses a percentage of claims paid as a basis, charging between 3½% and 6% depending on the type of program.

However, Mr. Batte was critical of the percentage formula, explaining that with health care costs rising between 15% and 20% annually, administrators would receive a windfall from this formula.

For corporate and industrial Taft-Hartley accounts, Mr. Batte's firm's administrative fees range from \$16 to \$27 on each covered employee per year, depending upon the type of benefits provided and the number of employees' dependents covered.

For Taft-Hartley trusts in the building trades, the firm uses a monthly per line item charge on each covered employee ranging from \$1 to \$2.50.

Charges for Systems Development Corp.'s software program and computer services are structured in a different way. The firm charges a flat \$10,000 to develop a proposal and charges an additional \$20,000 to \$75,000 to install and write the program, depending upon its size and complexity.

Companies leasing the software are charged a monthly service fee while the computer firm negotiates a price with clients interested in buying the software, said Mr. Robinson.

Though a newcomer to the field, GAB is targeting benefit claims administration as one of its "biggest potential growth areas," said Mr. Andrus.

The firm is going national with the service, operating separate employee benefit services offices in New York, Atlanta, Chicago and Birmingham with additional offices planned for California and the Southwest.

"My motor truck cargo business has grown dramatically in the last 5 years.

"The secret is my reputation for dependable service. MOAC has helped me build that reputation by providing underwriting capacity and claims handling second to none.

"Many of my customers handle container cargo and must carry high limits of cargo insurance to cover the cost of goods they're hauling. MOAC comes through promptly and professionally with the coverage they need.

"MOAC marine specialists know their business. And they back me up one hundred percent.

"They have helped me earn the trust of truckers in this area. And this trust is building my business."

Underwriting support you can grow on. That's what you can expect from MOAC.

Marine Office of America Corporation
a subsidiary of The Continental Corporation
80 Maiden Lane, New York, N.Y. 10038

MOAC

The marine office.

For more facts circle 15 on reply card



The people who know
how to handle it in

CHICAGO
are

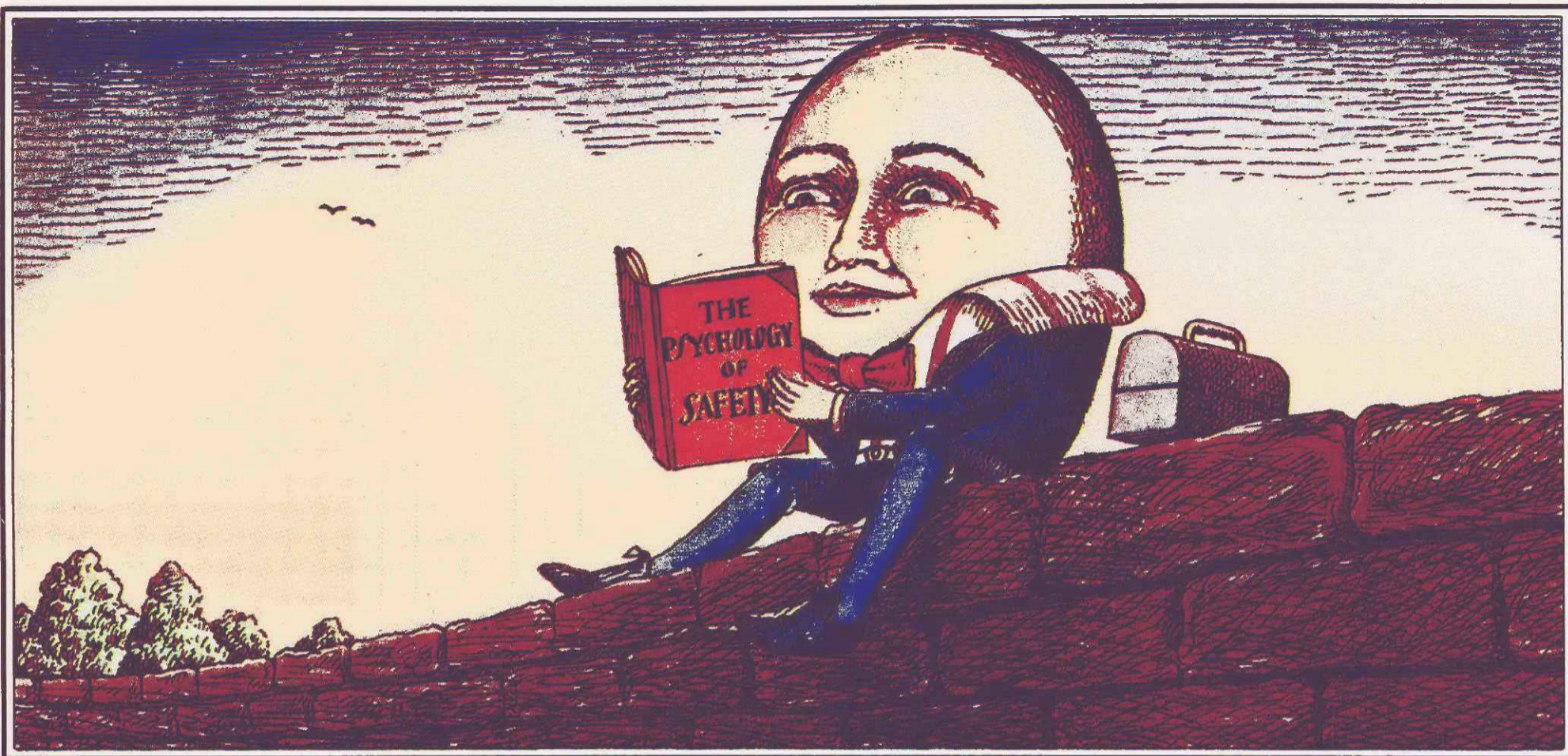
MACK & PARKER, INC.

209 South LaSalle Street

346-1221

SEE OUR AD ON PAGE 6

Containing Workers' C



While insurance strategies can provide some relief for rising workers' compensation costs, loss prevention and employee motivation are the most effective remedial measures.

A brief review by INA of an insurance topic of interest to business executives.

Early this year a major corporation closed a 1000-worker plant in California, citing a steep rise in workers' compensation costs as a principal reason.

For the nation as a whole, the cost of compensating workers for job-related injuries, illnesses and deaths has been rising at the rate of about 12% a year, far faster than the rate of inflation. Including insurance premiums and benefit payments, the figure now totals approximately \$12 billion a year.

One cause of the upward spiral is that medical costs, too, are going up more rapidly than prices generally. But another major factor is that almost every state has liberalized benefits in the past three years. Some 13 states, for example, now have cost-of-living escalators. In addition, state compensation boards and the courts are accepting more and more disabilities as job-related.

And Congress may still mandate national standards. Under

one bill that is pending, payments to disabled workers could eventually be as much as 200% of a state's average wage.

Improving cash flow

Companies trying to minimize the cost of workers' compensation are utilizing a number of insurance strategies. So-called "retrospective rating plans" with commercial insurance carriers, for example, adjust the premium during the policy period to reflect ongoing loss experience, which can help a corporation's cash flow. Other large companies retain the use of loss reserve capital through offshore captive insurance companies.

The major trend is certainly toward self-insurance, with excess coverage written by outside carriers for protection against large, unpredictable claims. In several states a third or more of employees covered by workers' compensation now work for com-

Compensation Costs

panies with self-insurance programs.

To qualify as a self-insurer, however, many states require large reserves or surety bonds, a course many smaller companies can't afford. And for those that must turn to outside carriers, premiums have increased as much as 80% over the past two years.

Prevention as the cure

The best defense for all employers against rising premium and benefit payouts is to reduce the number and size of compensable claims. For self-insurers the advantage is obvious, and while it takes several years to demonstrate an improved loss history, the resulting premium savings can be substantial.

The first step is to tighten reporting procedures. Thorough study of accurate, timely statistical reports can reveal developing trouble spots and problem employees.

When accidents do occur, on-site nursing stations and rapid access to doctors can keep many

small accidents from turning into long-term disabilities. Rehabilitation programs that return workers to their jobs faster also cut the size of disability payments.

Even when a company has complied with the Occupational Safety and Health Act (OSHA) standards, plant surveys by insurance companies and other consultants can usually suggest further improvements. But more accidents are caused by human error than by inadequate safety devices. Carelessness, fatigue, boredom and anger all take their toll.

The attitude of employees is therefore a key factor in achieving a better safety record. Good morale results in fewer accidents and illnesses and a willingness to return to work sooner. And perhaps the major element in motivating workers to care and be careful is to make them sense the commitment of management itself.

Educational programs and widely displayed posters and progress charts are only a first step. All accidents should be investigated promptly and thoroughly.

Foremen and department heads should be trained to watch for hazardous situations. Safety committees, composed of workers and supervisory personnel from all concerned departments and invested with meaningful responsibilities and authority, have proved effective in rallying worker involvement and support.

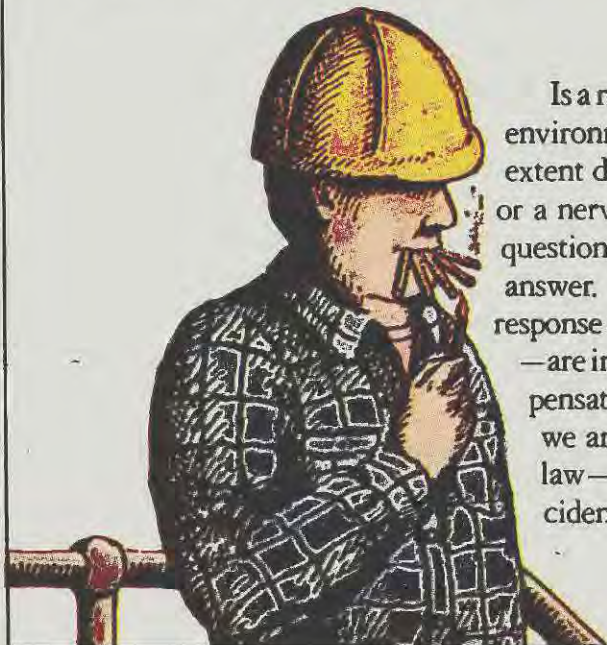
INA has formed a separate unit to handle the complex risk management needs of companies in areas like workers' compensation. This Special Risk Facility can provide primary and excess insurance as well as a wide variety of self-insurance, safety and rehabilitation services.

* * *

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

INA insurance products and services are available through selected independent agents and brokers. For an informative booklet on current trends in workers' compensation, write INA Corporation, 1600 Arch Street, Philadelphia, Pa. 19101.

"Cumulative trauma" — is the condition spreading?



Is a respiratory ailment the result of the work environment or years of heavy smoking? To what extent did job stress contribute to heart trouble or a nervous breakdown? There are many such questions that physicians themselves often can't answer. But state boards and the courts—in response to so-called "cumulative trauma" claims—are increasingly awarding claimants full compensation benefits. Some critics argue that we are drifting away from the intent of the law—compensation only for work-caused accidents and illnesses.

INA
The Professionals

For more facts circle 34 on reply card

Benefit consultants . . .

Continued from page 11

2,300 at Mercer, in excess of 500 at A&A, 500 at J&H and 300 at Hall.

A&A's human resources management group reported 1977 revenues of \$35.5 million, 75% from fees or negotiated commissions. Hall said its benefits volume was \$14 million, but would not reveal the breakdown between fees and commissions. J&H, which is also privately held, did not disclose its revenues, but said fees accounted for 60% of gross benefits consulting income with the balance coming from commissions.

ERISA requirements and the growing space that employee benefits take up in corporate ledgers have been generous to the consulting firms. Most reported at least doubling their revenues over the past five years.

In addition, the firms have branched out into new consulting areas such as executive compensation, total compensation, monitoring pension fund investment performance, manpower planning and financial forecasting.

Louisville-based Meidinger appears to be the fastest growing among all major benefit consulting firms. Since 1969 it has enjoyed a 35% annual rate of growth and its employment has soared from 30 to 450 including a professional staff of 125, said Ed Seitz, national director of marketing.

Much smaller, but perhaps growing as rapidly, is Booke & Co. of Winston-Salem, N.C., a regional firm that tripled volume since 1973 and doubled its client roll. The firm's employment rose during that period from 65 to 170 and the staff includes 60 active consultants, according to John D. Spinks, vp-communications.

Firms like J&H, A&A, Hall, TPF&C, Wyatt, Milliman & Robertson and Kwasha Lipton have enjoyed growth rates of between 20% and 25% during the five-year period. Mercer experienced a 15% annual rate of growth.

The past three years have seen a doubling of Coopers & Lybrand's benefit consulting volume as well as a twofold increase in the number of employees to 200, including 46 accredited actuaries.

While not giving his firm's rate of revenue growth, Hansen president Lawrence Fisher noted that the past five years have seen his firm's client list triple to 3,300. In addition, the number of offices increased from five to 22 and includes an overseas network that covers all parts of the globe except

Risk Management Services

China and Japan, he said.

The growth of firms like Meidinger and Milliman & Robertson has seen them evolve from regional to national forces in the field. "We're strongest on the West Coast, but we're moving East," said James A. Curtis, president of Seattle-based Milliman & Robertson.

Six of the firm's 15 offices are

east of the Mississippi River, including Chicago, Indianapolis, New York, Toronto, Wayne, Pa., Gainesville, Fla., and Brookfield, Wis.

Growth has also come from entry into new consulting fields. In some cases, these have come through acquisitions or joint ventures. In others, there has been broadening of the services offered in one area or an entry into a new field.

A&A moved into compensation consulting through the acquisition of Frank B. Manley Co. and expanded its Benefacts subsidiary from a preparer of employee benefit statements into a total communications operation.

Booke & Co. entered the communication area by acquiring a local graphic arts studio, Vicom, in 1973 and it also acquired an insurance consulting firm, McNeary Insurance Consulting Service in Charlotte.

New areas for Mercer include total and executive compensation, pension fund investment analysis services and group insurance funding studies. Manpower planning, total and executive compensation are new areas for Hansen and Buck has gone into data processing services for group insurers.

J&H entered the executive compensation area as a joint venture with Sibson & Co., the firm retained to do the recent RIMS salary

study.

Frank B. Hall is one of the first firms to offer consulting on health maintenance organizations. "We wanted to be up front on this," said Robert Adams, president of the East Coast division of Hall's benefit consulting operation. The service advises clients on how to respond should they become activated by an HMO.

Only about half of the consulting firms contacted by *Business Insurance* were willing to disclose their hourly rates. The rest either declined to comment at all or said their fees were "competitive" or "in line" with their competitors.

"Most of our clients don't even ask rates," said Jean M. Lindberg,

Now there's only one fire fighter you really need to call. Chemetron.

One of the leading designers and manufacturers of engineered fire suppression systems, Chemetron has expanded its product line dramatically. The result is a complete range of systems for industrial and commercial applications. That means Chemetron can be the one company to provide you with the ideal fire fighting system for any fire hazard.

Now, for all your fire protection needs, write Chemetron Fire Systems, 111 E. Wacker Drive, Chicago, IL 60601. Or call your local Chemetron Fire Systems distributor. He's listed in the Yellow Pages under "Fire Protection."



Star® Sprinkler. Automatic life, safety, and property protection.

For office, industrial and commercial installations, Star Sprinkler offers a complete line of standard and specialty sprinkler heads, valves and accessories. The sprinkler heads feature quick installation and come in a broad range of styles and sizes. And economically priced valves and accessories are designed for reliability and easy maintenance.



The people who know how to handle it in

PHILADELPHIA

are

H. C. KNIGHT & COMPANY

320 Walnut Street

923-5440

SEE OUR AD ON PAGE 6

vp at George B. Buck. "You're barking up the wrong tree if you think people are really interested in rates."

A.S. Hansen president Larry Fisher added that there are very few selections of consultants based on price alone.

Among the firms willing to disclose their rates, between \$60 and \$70 per hour seemed to be average although the range for the firms was much greater. Martin E. Segal's rates had the greatest spread, from \$15 per hour to \$200 per hour, depending upon the expertise of the person required, but averaged around \$60 per hour.

The \$200 rate was the highest found by Business Insurance's

study, but senior vp Howard Fluhr said it applied only to the firm's top people.

Mercer's rates ranged from \$10 per hour to \$150 per hour and A&A said its rates ran between \$20 per hour and \$150 per hour with most falling between \$50 per hour and \$125 per hour.

Both TPF&C and Hansen reported rates running from \$35 per hour to in excess of \$100 per hour, with the average being between \$65 per hour and \$70 per hour. In the lower range, Meidinger charged between \$25 and \$90 per hour while Milliman & Robertson reported a top rate of \$125 per hour but an average rate between \$40 per hour and \$45 per hour.

Pure rate quotations are deceptive, however, since some firms build the cost of secretarial and clerical support services into the consultants rate while others bill separately for these functions. In the long run, this distinction is meaningless since the client pays for such services regardless of how they are billed.

George B. Buck and J&H said they build the cost of secretarial and clerical help into their fees while Milliman & Robertson, Meidinger and Mercer said they bill separately for these services. At A&A and Frank B. Hall the practice varies from office to office and Boone & Co. will bill sepa-

rately for secretarial services upon request.

Consultants' rates are generally a function of time and expense. Normally the hourly rate reflects the consultant's salary and benefits plus overhead. Kwasha Lipton takes salary and benefits and multiplies it by 2.5 to determine its hourly rate. A&A charges between .2% and .3% of a consultant's annual income as its hourly rate.

Several firms said they assign parts of a consulting job to the lowest-paid person qualified to handle it. This way, clients get "no surprises," such as discovering that a \$150 per hour consultant had been assigned a job that could have been handled by a \$50 per

hour person, explained Barnett Berin, director of professional standards at Mercer.

Consultants normally provide clients with estimates prior to beginning a job and the accuracy of these quotes is normally a function of how well the job can be defined. Depending upon the clarity with which a problem is defined the estimate given can range from vague to precise, said Mr. Fisher of A.S. Hansen.

Quotes are normally provided either as a single figure or range fee. Martin E. Segal provides clients with a range of quotes and the actual cost of a project falls below the upper limit, that figure is what is billed for, explained Mr. Fluhr, senior vp and actuary.

Consulting firms said when costs exceed their estimates they will either absorb the extra expense or seek to pass it on to the client, depending upon whether the consultant or client is responsible.

"When cost overruns occur, we tell the client before the conclusion of a job. If it's our fault, we eat it. If the client throws something in we tell him about it and add to the charge," said Boone & Co.'s Mr. Spinks.

"Unless the ground rules have changed, we won't charge over our quote," noted James G. Harlow senior vp and director of Johnson & Higgins.

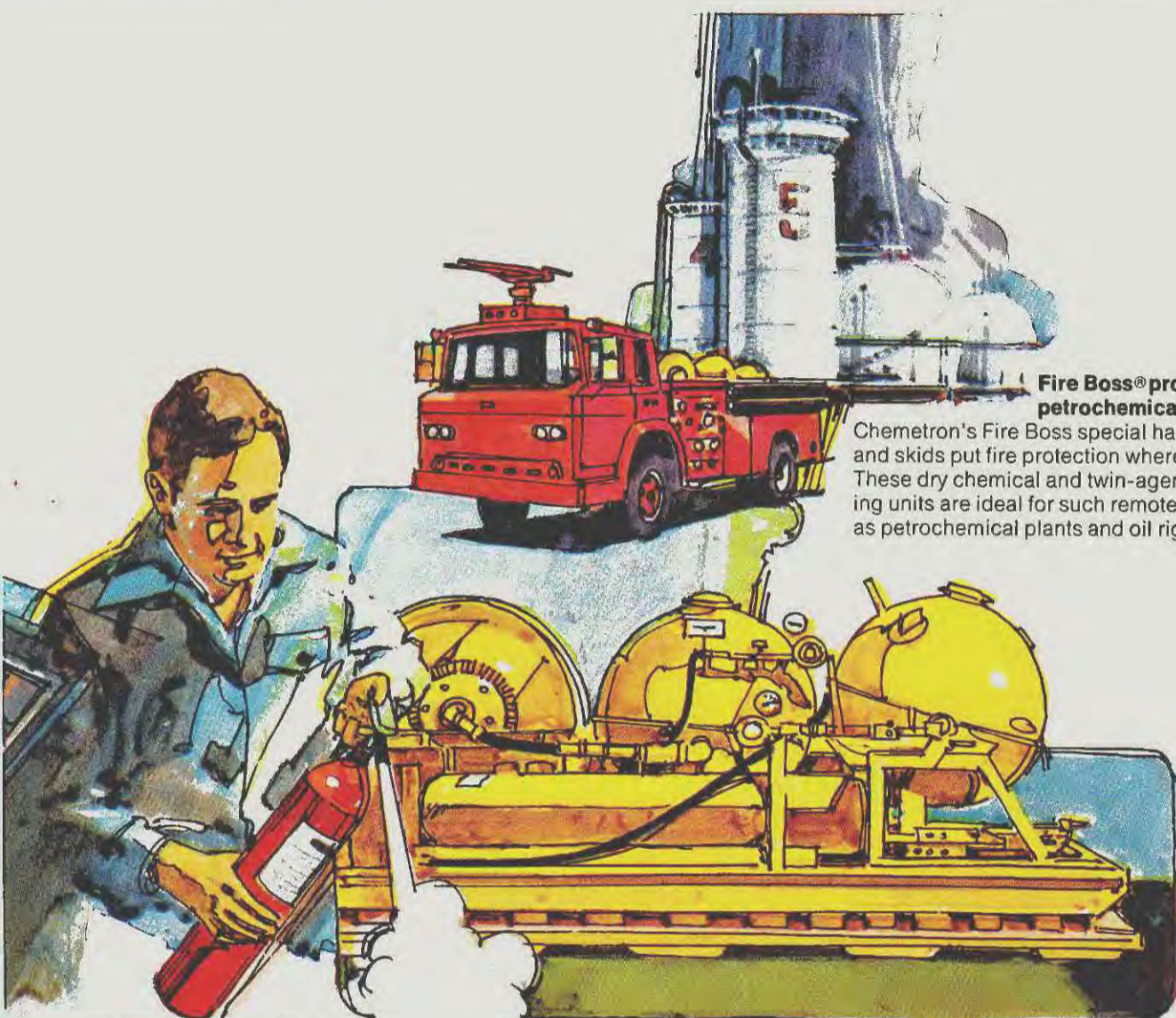
Frank B. Hall prepares estimates with the understanding that the client will be kept posted on the progress of the job and advised if fee changes are required, said East Coast division president Robert Adams. The additional charges are billed for with the client's consent.

Several of the firms reported doing small amounts of fixed fee work, usually on projects that are well defined and predictable based on past experience. Milliman & Robertson's Mr. Curtis said his firm does fixed fee work for several state groups, but prefers not to work on a fixed fee basis.

AIG unit offers new liability plan

NEW YORK—The National Union Fire Insurance Co., unit of American International Group, is now offering a primary product liability insurance policy with limits up to \$1 million.

The program is a standard occurrence policy although a claims made form will be available at lower rates. The program includes an engineering program. AIG president M.R. Greenberg said the new policy is designed to meet "contemporary market needs."

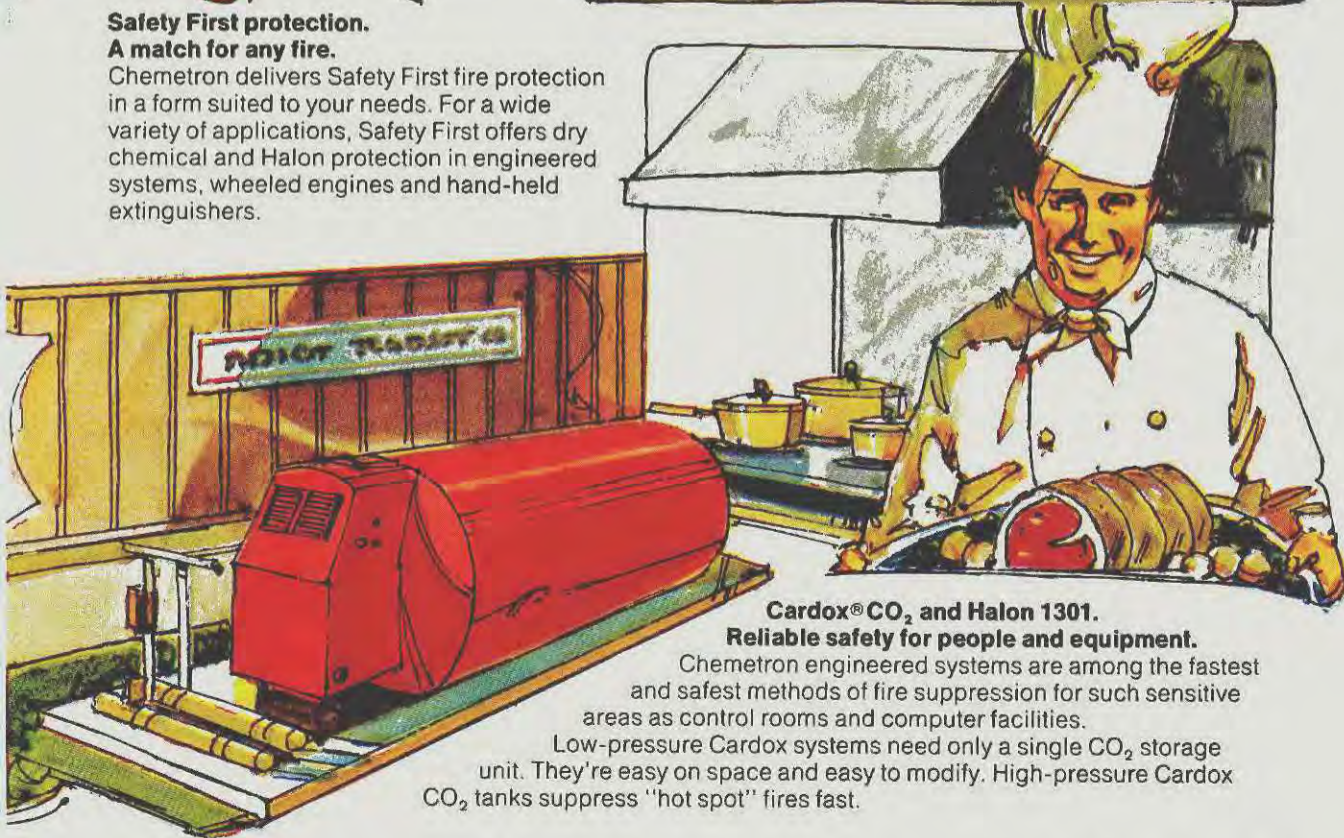


Fire Boss® protects the petrochemical industry.

Chemetron's Fire Boss special hazard trucks and skids put fire protection where it's needed. These dry chemical and twin-agent extinguishing units are ideal for such remote applications as petrochemical plants and oil rigs.

Safety First protection. A match for any fire.

Chemetron delivers Safety First fire protection in a form suited to your needs. For a wide variety of applications, Safety First offers dry chemical and Halon protection in engineered systems, wheeled engines and hand-held extinguishers.



Cardox® CO₂ and Halon 1301. Reliable safety for people and equipment.

Chemetron engineered systems are among the fastest and safest methods of fire suppression for such sensitive areas as control rooms and computer facilities. Low-pressure Cardox systems need only a single CO₂ storage unit. They're easy on space and easy to modify. High-pressure Cardox CO₂ tanks suppress "hot spot" fires fast.

CHEMETRON Fire Systems
Chemetron Corporation

For more facts circle 10 on reply card



The people who know how to handle it in

ALBUQUERQUE

are

SOUTHWEST INSURANCE AGENCY

504 Second Street, N.W.

247-1021

SEE OUR AD ON PAGE 6

Here's a list of 18 employe benefits consultants

Alexander & Alexander New York

The human resources management group has brought together all areas at Alexander & Alexander relating to actuarial services, group life, group medical, group accident, long term disability and communications. The group had 1977 revenues of \$35.5 million and a growth rate of 22% over the past five years.

Benefacts, A&A's communications subsidiary, represented \$7

million of that income and its 200-person workforce comprise about 40% of the human resource management group personnel. While the name Benefacts has been synonymous with the benefit statements that it pioneered, it has evolved into a total communications department.

A&A's clientele consists largely of companies with 1,000 to 5,000 employes with some Fortune 500 clients. It is strong among steel, aerospace and the airlines but does not concentrate on specific industries and is stronger in the large

Risk Management Services

cities such as New York, Chicago, Los Angeles and Atlanta.

Fees range from \$20 to \$150 per hour and vary among cities. Fees and negotiated commissions, commissions applied against fees, account for 75% of A&A benefit income. Group insurance accounts for a larger part of the firm's work than pensions, but pension work is larger than any single group insur-

ance area.

Booke & Co. Winston-Salem, N.C.

The firm is the largest full service actuarial organization based in the Southeast and its clientele is largely from the Carolinas, Virginia, Georgia, Tennessee, West Virginia, Alabama, Mississippi, Florida and Louisiana. It is principally involved with medium and large industrial firms with a heavy concentration in textiles.

The past five years have seen employment increase from 100 to 170, including 60 consultants, as well as a doubling of the number of clients to almost 1,000 and a tripling of revenues. The firm is divided into seven divisions: retirement services (pensions), executive financial planning, group insurance consulting, actuarial consulting to insurance companies, data processing, property and casualty insurance consulting (McNeary Insurance Consulting of Charlotte) and communications (Vicom). McNeary and Vicom were acquired during the past five years.

The firm declined to reveal its rates but said they were "competitive." Charges are based on time and secretarial services can be billed separately, if requested. Estimates are made based upon a client's description of the services required and clients are advised on cost overruns prior to the completion of a job. The company absorbs overages for which it is responsible but charges clients if they are at fault.

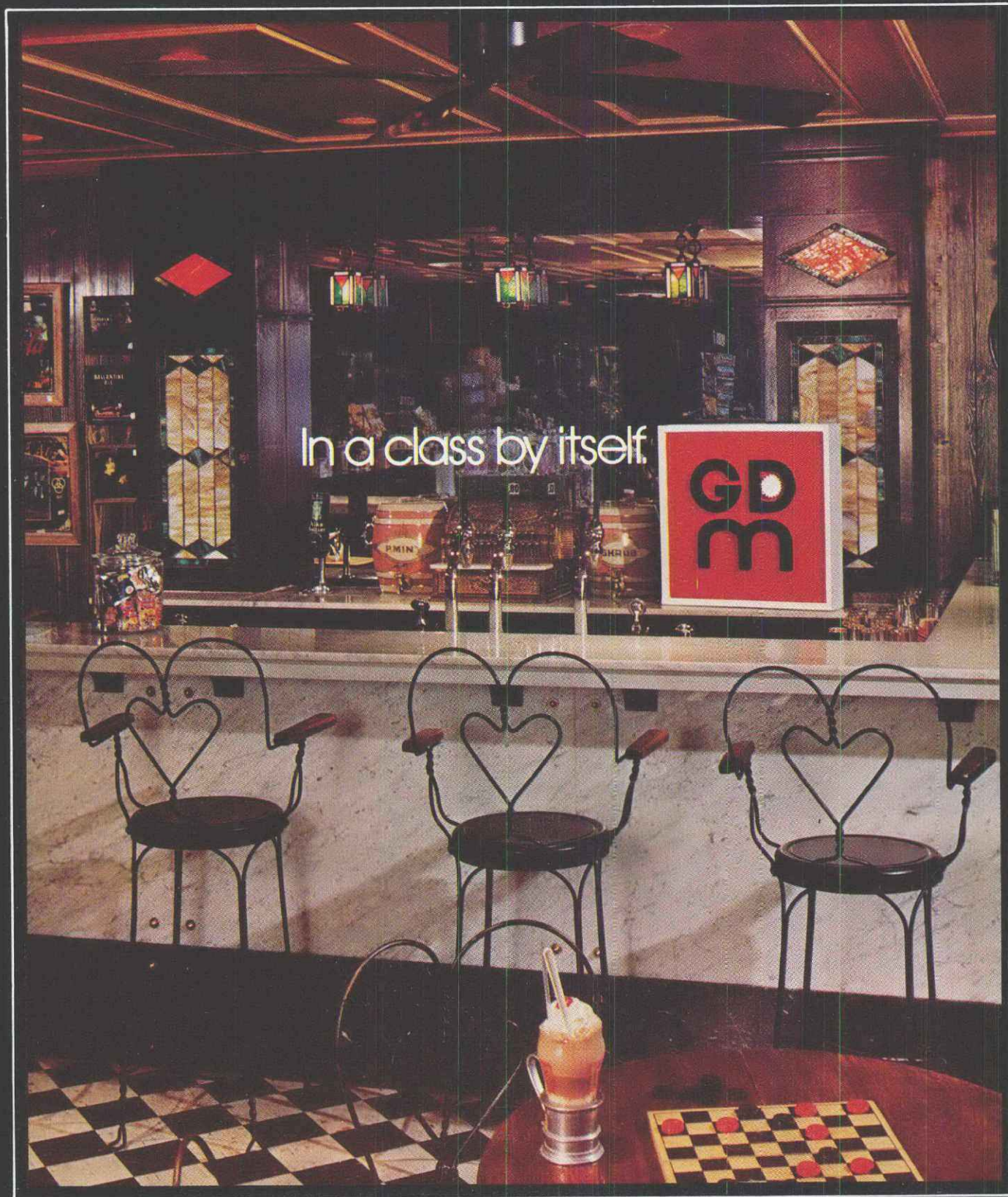
George B. Buck New York

"Buck doesn't do anything unless we can do it well," said vp Jean M. Lindberg. The firm has characteristically been strong in pensions and actuarial work. However, its group department services have expanded and its communications billings run into the seven figures. In addition, the firm has its own computer and is heavily involved in data processing.

The staff numbers about 500—including 90 actuaries, 32 of whom are consulting actuaries—and about 650 clients with 2,000 plans. Staff and billings have probably doubled over the past five years, Mr. Lindberg said. Buck has five offices plus a Canadian affiliate based in Toronto.

The firm's clients are principally large corporations and Buck is heavily involved in banking and finance, steel, glass and aluminum. It has numerous hospitals and governmental clients including the United Nations and the World Bank. The firm does not handle non-profit groups or Taft-Hartley plans.

Buck declined to reveal its fees, but said they were within range of competitors. Fees have the cost of secretarial services built into them. The firm "eats" the cost of extra charges if they are at fault but negotiates the fee with the client otherwise. Billings are quarterly.



When it comes to property casualty insurance, Grain Dealers Mutual is in a position of growth, solvency and respect unequalled in the industry. This preeminence could only be achieved through a total commitment to excellence. For more than 75 years Grain Dealers has continuously striven for quality insureds, quality agents, and quality services.

The independent insurance agents that represent Grain Dealers Mutual are carefully

chosen for their professionalism. They are our success, as we hope to be theirs. We insist that they maintain the high quality of our insureds and stay responsive to their needs. Grain Dealers supports these select independent agents with contemporary, often innovative coverages, extremely competitive rates, and fast turnarounds on claims.

If you're considering home, car, or business insurance, remember that Grain Dealers Mutual is in a class by itself.

GRAIN DEALERS MUTUAL
insurance company

Indianapolis 46202 • Omaha 68102 • Greensboro, N.C. 27405
San Francisco 94104 / Member: Improved Risk Mutuals



The people who know
how to handle it in

MILWAUKEE

are

LAUB GROUP, INC.

324 East Wisconsin Avenue

271-4292

SEE OUR AD ON PAGE 6

**Coopers & Lybrand
New York**

Coopers & Lybrand's actuarial and employe benefits consulting group (ABC) provides actuarial and consulting services on all forms of direct and indirect compensation arrangements on a national and international basis. The group has over 200 staff members including 46 accredited actuaries in 16 of the firm's larger offices throughout the nation. Offices in London and Basel, Switzerland, handle European and Middle East accounts.

Actuarial services comprise about half the group's activities. Other services include group insurance, self-insurance methods, executive compensation, cash compensation and communications. The firm also consults on insurance company operations.

The past three years have seen a doubling of billings and personnel. The group's 1,200-plus clients include corporations of all sizes and the firm is particularly strong with the petroleum industry. Other clients include non-profit, government and Taft-Hartley groups.

The firm declined to reveal its fees, saying only that it consults on a time and expense basis.

**Frank B. Hall
Briarcliff Manor, N.J.**

The firm's consulting operations are divided into three autonomous divisions serving the East, Midwest and West Coast. Employment numbers around 300 including 120 consultants. Clients number around 1,900 and the brokerage firm's revenues from consulting are about \$14 million from both commissions and fees or about 9% of the total company volume. The past five years have seen the benefits operation double in size, according to Robert Adams, president of the East Coast division.

Hall provides services in all areas including group benefits, communications and executive compensation. It has also established a special section for consulting on health maintenance organizations. International benefits and communications have been the fastest growing areas and group consulting and actuarial work comprise the largest parts of the business.

Clients are predominantly corporate and from the Fortune 500 on-down. They represent a cross-section of all industries.

The firm did not disclose its rates, explaining that they vary from office to office and are a function of salary and overhead. Some offices include secretarial services in a consultant's hourly rate while others bill separately. Estimates are given to clients with the understanding they will be kept apprised of the progress and contacted in the event that the total price must be changed. The firm works for a fixed fee on occasion.

**A.S. Hansen
Lake Bluff, Ill.**

The past 10 years have seen A.S. Hansen evolve from a pension and actuarial consulting firm into a total benefit consulting operation. Within the past five years it has ventured into manpower planning, total and executive compensation and communications. The firm's client list has tripled during that time and the number of offices has grown from five to 22. Current employment stands at 475, including 110 consultants.

The firm takes a "soup to nuts" approach in providing benefit consulting services. However, pension and actuarial services comprise the largest part of the business. Hansen is also heavily involved in communications and consulting on money manager selection and investment performance.

Its clients run the gamut including church, municipalities, Taft-Hartley plans and industrial concerns of all sizes. Clients range from as few as five to 10 employes to as many as 750,000. The firm markets primarily to concerns with more than 500 employes.

Hourly fees range from \$35 to in excess of \$100 with most falling between \$65 and \$70. Charges are based strictly on time and estimates will be made to varying degrees of preciseness depending upon how clearly the client defines the problem.

**Hay Huggins
Philadelphia**

The present firm reflects the acquisition in 1974 of 60% of the equity in Huggins & Co. by Hay Associates. It has expanded its benefit consulting activities through new offices in Atlanta, San

Continued on following page

Van Gilder: a Captive Management Company

We're the professionals in Colorado with underwriting, claims and accounting services.
For information call Henry C. Higginbottom III, (303) 837-8500

Van Gilder

CAPTIVE MANAGEMENT CO.
700 Broadway, Suite 1035, Denver, Colorado 80203



MGIC specializes in D&O insurance for financial institutions. And more of them choose us for this protection than any other insurance company. Shouldn't you find out what they already know?



For a free brochure, please send this a 1986
copy of your broker's kit on D&O
insurance. 5807

Name _____
Company _____
Address _____
City _____
State _____
Zip _____
Phone _____

MGIC Indemnity Corporation
MGIC Plaza, Milwaukee Wis. 53201 (800) 558-9900

Benefit consulting . . .

Continued from preceding page
 Francisco, Chicago, Boston, Pittsburgh and Minneapolis and has added investment services and communications divisions.

formation concerning the number of clients, number of employees, volume of business and hourly rates. A knowledgeable source estimated the company's total volume to be about \$40 million, with

about \$7 million to \$8 million in benefit consulting. Its rates are based strictly on time and it will quote estimates on jobs that basically outline what will be covered.

Industrial pension plans account for the largest part of Hay Huggins benefit consulting business. The firm also acts as consultant to numerous churches and municipalities. In addition, the firm has served as consultant to the Pension Benefit Guaranty Corp. and advises numerous insurance companies.

The firm is entrenched in compensation consulting and has developed techniques for auditing benefits and determining their case equivalent. For eight years Hay has published a survey of non-cash compensation practices.

Hazlehurst & Associates Atlanta

This young (seven years), small

Risk Management Services

(35 employees) firm has enjoyed a 25% annual growth rate over the past five years doubling both its staff and client list, now at 100, during the period. The firm considers itself to be "idea-oriented" offering consulting services in every phase of employee benefits. Among its activities are developing long-range strategies, investment performance monitoring and doing comparative benefit studies among firms.

Hazlehurst's primary market is large corporations, with 40 of its clients ranking in the Fortune 1,000. The firm is strong in the airline and chemical industries and boasts Levi-Strauss, the nation's largest apparel manufacturer, as one of its clients.

The firm declined to reveal its rates, stating only that they vary

with the task required. Clients charges reflect time and out of pocket expenses.

Hewitt Associates Lincolnshire, Ill.

Although the firm would not reveal its growth rate in terms of volume, Hewitt has grown "enormously" over the past five years. Its employment rose from 167 to 500, including 380 persons involved directly with clients. During that period, the number of offices increased from eight to 13. Hewitt has about 1,000 firms and active clients, primarily large corporations. Over the years it has worked with about 40% of the Fortune 1,000 and does a small amount of work for Taft-Hartley plans and non-profit organizations.

The firm does not consider itself a specialist in any particular area but rather a broad consulting firm relating to all areas of personnel management. Although they overlap in many areas, the firm's activities are split about evenly between benefits and direct compensation consulting. Compensation consulting has become a larger piece of the pie during the past 10 years.

Charges are based on time and broken into quarter-hour units. The firm declined to reveal its hourly fees. Estimates are made on jobs prior to the start and limits are exceeded only with written approval from the client.

Johnson & Higgins New York

While Johnson & Higgins offers an overall benefit consulting service, its greatest strength is in financial monitoring of group insurance accounts. Its approach is to view the entire perspective of a benefit program explaining, for instance, that one cannot design a long term disability program without considering the impact of Social Security and a pension plan.

The consulting area has grown over the past five years at an average annual rate of 20% and its employment roll has risen from 300 to 500 including 300 consultants. In addition, it now offers benefits service in about 30 offices, up from 22 five years ago. Three years ago, the firm entered the executive compensation field as a joint venture with Sibson & Co. The firm has moved increasingly toward fee compensation rather than commissions. Currently fees comprise 60% of revenues to 40% for commissions, reversing the ratio of a few years back. The business is split evenly between pension and group insurance business, however group insurance fees and commissions together are slightly greater than pension revenues.

Clientele is predominantly corporate with the firm heavily involved in banking and finance, manufacturing, aerospace and transportation.

The firm said fees were "in line" with competitors and secretarial services are billed into the rate. Quotes are usually made on a range basis and overages are usually absorbed unless the ground rules for a project change. A consulting job is normally broken down into its component tasks and assigned to the lowest paid person capable of performing it.

Kwasha Lipton Englewood Cliffs, N.J.

Believing that clients can best be served by having all people under one roof, Kwasha Lipton a few years ago closed a short-lived Chicago office and centralized operations across the Hudson River from New York. Its staff of 180, including 100 consultants and 30

SPECIALTY UNDERWRITERS AGENCY, INC.

UNDERWRITING MANAGERS FOR HARD TO PLACE
CASUALTY • PROPERTY • TRUCKS

122 MAIN BUILDING / MILFORD, OHIO 45150
(513) 831-RISK TELEX: TWX 810-460-8322

THIS IS THE ONLY TYPE OF SMOKE AND FIRE DETECTOR FENWAL DOESN'T MAKE.

After 40 years in the business, our experience has taught us that no one detection system or method works for every situation.

So Fenwal has pioneered and developed the broadest line of fire and smoke detectors there is.

We manufacture them all. From sensitive smoke detectors or general purpose thermal devices, to high-speed ultraviolet sensors. All with rugged construction, long-life reliability and sensitive response.

SMOKE RESPONSE DETECTORS

The Fenwal PSD-7100 detector is a photoelectric unit with a unique flow-through detection chamber (patent applied for) that's especially sensitive yet so reliable it can be used for extinguishing system release applications.

Our Fire Alert™ dual chamber ionization detectors have a field adjustment option and sense both visible and invisible combustion products before they reach a critical stage. Both self-contained relay types and low current 2-wire models are available.

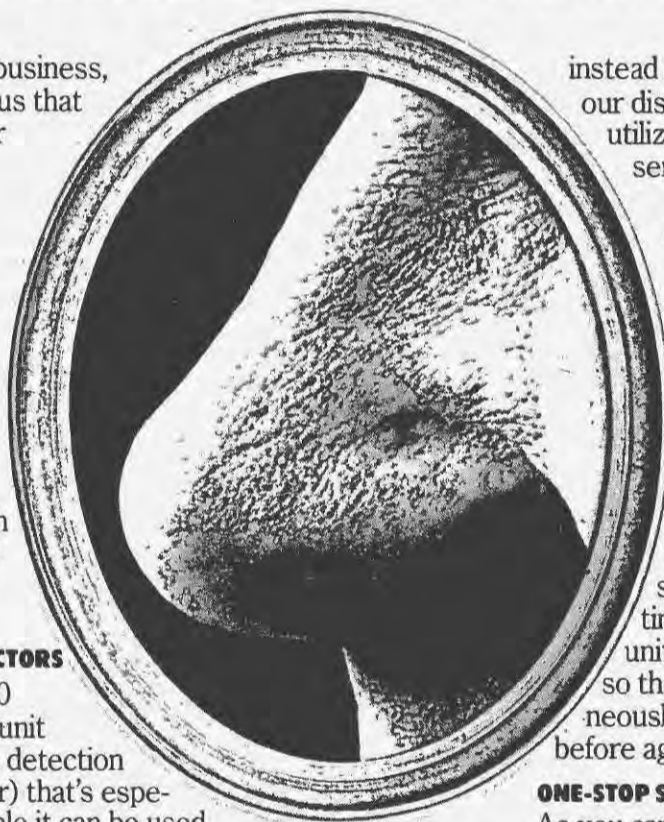
THERMAL RESPONSE DETECTORS

Fenwal, of course, also makes the highly regarded DETECT-A-FIRE® units that have a unique advantage over both fixed temperature and rate-of-rise devices.

Only our DETECT-A-FIRE units accurately sense the surrounding air temperature regardless of the fire growth rate. Then at the exact predetermined danger point, the system is activated.

This special feature greatly reduces costly false alarms. Without sacrificing sensitivity. This is why DETECT-A-FIRE units have been the industry's prime releasing device for almost 30 years.

And for special applications requiring line



instead of spot detection, there's our discrete CFD system which utilizes a unique chemical sensing principle.

ULTRAVIOLET RESPONSE DETECTORS

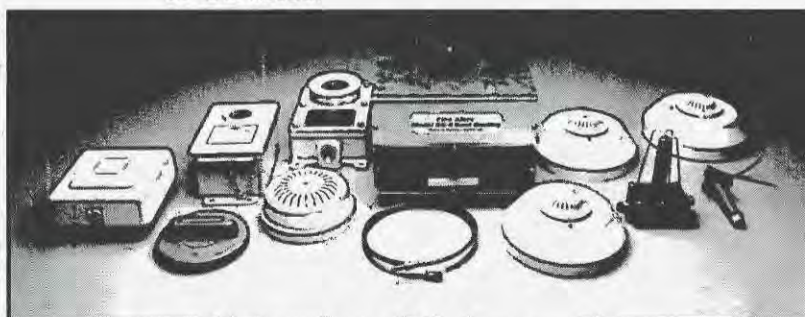
This type of Fenwal detector senses the radiation from a fire. The standard 200 series can be used singly for agent release and it's ideal for fire detection.

The 100 series is recommended for explosion detection and suppression. It has no time delay and requires two units to be wired in series so that both must simultaneously sense the radiation before agent release.

ONE-STOP SHOPPING

As you can see, Fenwal uses every detection principle there is. And the same experience, design sense, technology, and quality control goes into every unit.

Most Fenwal detectors are FM approved or UL listed.



All meet or exceed the requirements of commercial and industrial applications.

For more information about the broadest line of fire and smoke detection systems in the business, call (617) 881-2000. Or write to

FENWAL®

Fenwal Incorporated,
Ashland, MA 01721.
A Division of Walter
Kidde & Co., Inc.

Nobody in the world has more experience in fire and explosion protection systems.
For more facts circle 25 on reply card

accredited actuaries, has doubled over the past five years and its client list of 300 increased by one-third during that period. For the past two to three years the firm has enjoyed a growth rate of between 20% and 25%.

The business is strictly employee benefit consulting in five areas: actuarial, communications, defined contribution plans, international and financial services such as establishing investment policies and objectives, selection of money managers and investment performance monitoring. The clientele is predominantly medium and large corporations from all industries with some Taft-Hartley plans, hospitals and church groups.

Kwasha Lipton declined to reveal its hourly rates but said they are based on 2½ times a staffer's salary and benefits. A minimum of two consultants is normally assigned to each account and the lowest level person having competency required to perform a specific task is normally assigned to it.

Meidinger & Associates Louisville

Perhaps the fastest growing benefit consulting firm in the nation, Meidinger's staff has increased since 1969 from 30 to 450, including 125 professional staff members. Its clients now number between 2,500 and 3,000 and range in size from 10 employees to 50,000. They are from all industries but the firm is strong in health care and banking.

Meidinger considers itself a total benefits consultant involved in design, financing, communication and administration of qualified pension plans, group insurance and welfare plans. Pension and actuarial revenues comprise the greatest part of the business but pension investment and communications are the fastest growing areas.

Its fees range from \$25 to \$90 per hour and each person is billed for separately. Fees reflect strictly time and expenses.

William M. Mercer New York

A subsidiary of Marsh & McLennan Cos., Mercer believes that it is the largest benefit consulting firm in the world. Its 1977 revenues were \$82 million of which over half came from fees. Since achieving a separate identity from Marsh & McLennan in 1972, it has grown from 65 to 86 offices and has a current workforce of 2,300 including 700 consultants and 177 actuaries. Its present client list num-

Continued on following page



The people who know
how to handle it in

PORTLAND, ME.

are

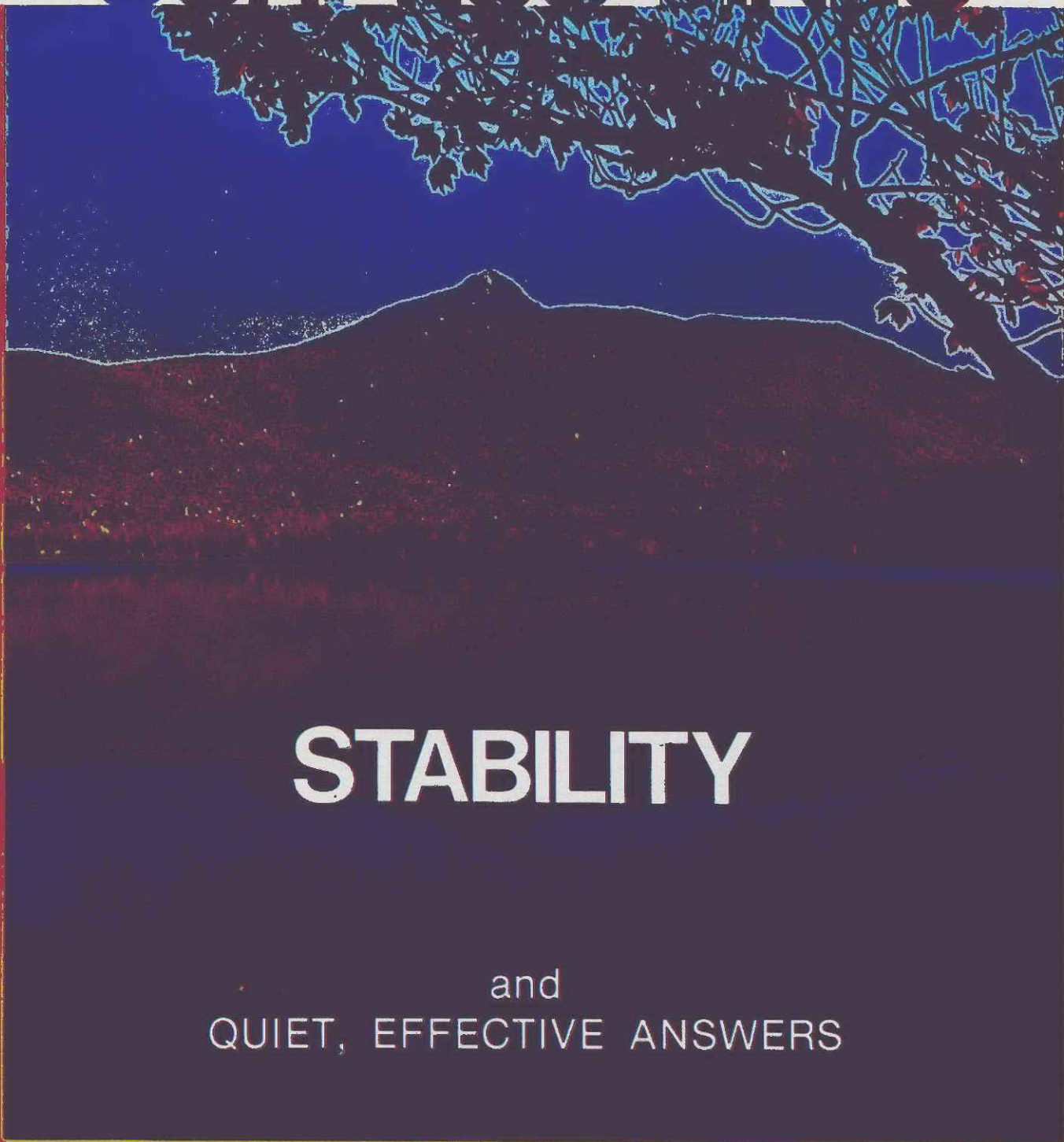
MORSE, PAYSON & NOYES

57 Exchange Street

775-7211

SEE OUR AD ON PAGE 6

SURPLUS LINES



STABILITY

and

QUIET, EFFECTIVE ANSWERS

THIRTY YEARS ...

of stability and quiet, effective answers! Clearly, First State is in the marketplace to stay. You might keep this in mind in relation to the explosive Excess-Surplus Lines growth of recent years.

Count on us. For continuity, creativity and capacity. Now and in the future.

Buffers, Umbrellas, D.I.C., All Risk Builders' Risk, Valued U. & O., Vacant Property, Special Covers are just a few of our products.

FIRST STATE, the largest and oldest domestic company formed to write Surplus Lines, Special-Purpose and Reinsurance Business.

A + :CLASS XII - A.M. Best Co.

**MULTINATIONAL, PROPERTY and LIABILITY,
MULTILINE THROUGH AGENTS AND BROKERS**

FIRST STATE

INSURANCE COMPANY

a CAMERON and COLBY activity

Cameron and Colby Co., 60 Batterymarch Street, Boston 02110 - 617/357-8400

CHICAGO, Hartford Plaza Building, 312/782-5921

ATLANTA, 3340 Peachtree Road N.E., 404/266-1480

Benefit consulting . . .

Continued from preceding page
bers 5,000 and is mostly medium and large corporations with some public employe retirement plans and union plans.

The firm is involved in all aspects of employe benefit consulting with basic pension and group insurance work comprising the largest part. Other areas include executive and total compensation, investment analyses, cash-flow studies, communications and mass merchandising of standardized plans for trade associations and others.

Fees range from \$10 to \$150 per hour and each person involved in a project is billed for separately. Consultants are assigned to specific clients and assigned tasks at the highest level of their capability. William M. Mercer's clients are billed monthly.

Risk Management Services

Milliman & Robertson Seattle

With 15 offices coast to coast, Milliman & Robertson is evolving from a regional actuarial firm into a national consulting entity. Its 2,000 clients and 500 staffers are double what it was five years ago. The firm is still strongly actuarial with an actuarial staff of 150 and actuarial work representing about 95% of volume, according to President James A. Curtis.

About three-fourths of the firm's volume comes from benefit consulting with much of the balance from consulting to life insurance companies. BENFO, the firm's

communications operation, is a separate division.

The firm is still strongest in the Pacific Northwest, but its marketing emphasis is moving East. It has numerous accounts in the wood and paper industries as well as hospitals, municipalities and Taft-Hartley plans.

Fees average between \$40 and \$45 per hour with the top rate being \$125 per hour. Each person involved in a project is billed separately and most work is based on time and expenses involved. Clients are advised of potential overages. The firm does some fixed fee work for state governments but prefers not to.

Peat, Marwick & Mitchell New York

The nation's largest public accounting firm does approximately \$15 million in benefit consulting annually. Growth has run close to

20% annually over the past five years and the firm has benefit consultants in 18 U.S. and three Canadian offices. A professional staff of 225, including 55 members of the Society of Actuaries, serves approximately 1,200 benefit clients.

Asset accumulation plans, including pension, profit sharing and thrift plans, account for the largest part of the firm's benefit consulting business. The firm is more involved in executive compensation and asset supervision than most of its competitors and less involved in Taft-Hartley work. Peat Marwick counsels group insurance clients on plan design and feasibility of self-insurance. At least one-third of total volume is in actuarial work.

Peat Marwick's clients include corporations, state and local governments, foundations, universities and Taft-Hartley plans. In line with the firm's tradition, a large part of its clientele is small or medium-sized concerns. The firm does a large amount of work for

savings and loan associations but no single industry is dominant in its client mix.

The firm declined to disclose its hourly rates, stating only that they are "competitive." Rates are a function of a consultant's compensation, with charges reflecting time and expenses. Secretarial services are billed separately.

Martin E. Segal New York

The firm has 409 employes including 150 consultants and approximately 2,200 clients. Its clientele includes a "substantial" number of medium and large corporations from all industries and it does some government work. Segal is also the largest consultant in the multi-employer field.

The firm is involved in all areas of benefit consulting and goes beyond the basics into areas such as compensation, incentive plans, stock purchase plans and thrift plans. Pension and actuarial work comprises the largest part of the business with group insurance running a close second.

Consultants fees range from \$15 to \$200 per hour with \$60 about average. The firm generally has a minimum account of \$3,000 to \$5,000 although this is not absolute. Fees are based on time and charges are quoted either as a fixed fee or a range fee, with the final bill expected to fall between two figures.

Towers, Perrin, Foster & Crosby New York

Heavily involved in international work, TPF&C ranks first in size among the independent consulting firms with a staff of more than 1,000 including 600 professionals. The past 10 years have seen a doubling of the firm's employes and its client list to in excess of 2,000 and its number of offices from 11 to 22. Overseas offices are in London, Paris, Brussels, Frankfurt, Caracas and Sao Paulo. Total volume is about \$60 million, three-fourths of which is benefit consulting, with much of the balance in reinsurance brokering.

Much of TPF&C's work comes from large corporations heavily involved in international operations. Its client list includes 60 of the Fortune 100 firms, 230 of the Fortune 500 firms and only 260 clients with less than 1,000 employes. About 100 of these clients have been with TPF&C for 25 years or more.

Pension and actuarial work accounts for the largest part of the

Continued on following page

Are your customers going overseas without you?

Over 23,000 American companies have facilities overseas. And more and more companies are going international each week.

A new plant in Hong Kong. A warehouse in Korea. A sales office in Paris. A construction crew in Saudi Arabia. Whatever the case, these exposures need insurance protection. Your customers will have to get coverage from someone. Why not you? You're already handling their domestic risks. So you've got the inside track.

With Continental to help you, international coverages are as easy to write as domestic. Maybe easier.

The Continental network extends to over 70 countries. With Continental international specialists located in over 30 offices across the U.S. ready to assist you.

Why pass up this rich source of additional premium volume? Make international insurance your business.



The Continental Insurance Companies

subsidiaries of The Continental Corporation Home Office: 8C Maiden Lane, New York, N.Y. 10038

Hometown Service. Worldwide.

For more facts circle 13 on reply card



The people who know
how to handle it in

ST. LOUIS

are

THE DANIEL AND HENRY CO.

10 Broadway

421-1525

SEE OUR AD ON PAGE 6

Rhode Island passes tort reform; Conn. is next

By JERRY GEISEL

WASHINGTON—Rhode Island has enacted a product liability bill while Connecticut is in the final stages of clearing comprehensive reform legislation.

If Connecticut Gov. Ella Grasso signs the bill, as business leaders in the state expect her to, it will mark the first time that a major industrial state on the East Coast has passed a major product liability reform measure.

The Rhode Island bill (H. 7634), which was unanimously approved by the house and senate and became law this month, establishes a 10-year statute of repose from the time a product was first purchased for use or consumption.

In addition, manufacturers are given an affirmative defense if product alteration or modification was the substantial cause of the accident.

State chamber of commerce groups spearheaded the battle in Rhode Island to get the bill passed. Business leaders believe the measure will be a good starting point for the passage of even more comprehensive legislation next year, said Frank Toole, vp of the William K. Toole Co. of Pawtucket, R.I.

The key factor in getting the bill passed was the willingness of the

business community to compromise. "We were realistic. We didn't try for everything, but went after the two reforms that we thought were the most important," said Francis Holbrook, division vp for the Blackstone Valley Chamber of Commerce in Pawtucket, R.I.

To give state legislators a better understanding of the problem, the chamber of commerce conducted a survey of state manufacturers to illustrate the chilling impact of product liability.

The Connecticut measure (S.B. 230), which cleared the legislature after bruising battles in committee and on the house floor, establishes an eight-year statute of repose from the time a product leaves the manufacturer or from the date of retail sale, whichever occurs later.

Manufacturers cannot be held liable if a product is "substantially

modified or altered after it leaves their control and the modification results in an accident.

The bill also restores comparative negligence as a partial defense in actions brought on the theory of strict liability, reversing legislative action taken last year.

During the intense debate on the measure, two key sections of the original bill were eliminated. One section would have established a state of the art defense. The other section would have prohibited introduction of evidence during a trial of post-accident product improvements.

"Passage of the bill was possible because of very strong and effective lobbying by business and industry," said Bob Chatfield, chairman of the Connecticut Product Liability Task Force.

The Rhode Island legislation goes into effect July 1. If Connecticut's bill is signed, it will take effect Oct. 1.

The action taken in Rhode Island boosts the number of states that have enacted product liability re-

form bills this year to nine. Other states are: South Dakota, Indiana, Georgia, Tennessee, Kentucky, Minnesota, Nebraska and Arizona.

In 1977, Utah, Colorado and Oregon enacted comprehensive measures.

Specializing in the establishment and management of Colorado Captive Insurance Companies.

Jim Jaeger
President

Frank B. Hall Management Co.

5555 DTC Parkway
Englewood, Colorado 80110
303/773-3433

Profiles . . .

Continued from preceding page
business with the firm also being active in direct compensation consulting, management and organization consulting and communications.

Hourly fees range from \$35 to in excess of \$100 with the average being between \$65 and \$70. Charges are based on time and services. After a prospective job is defined, the firm determines who will work on it, how long it will take and quotes an estimated fee based on this. Whatever the quoted fee is, the firm lives with it.

Wyatt Co. Cleveland

With 6,000 clients and a staff of 700, Wyatt Co. claims to be the largest independent benefit consulting organization in North America. Its staff includes 285 consultants, 155 of whom are actuaries. Over the past five years its growth rate has averaged 25% and its number of offices has grown from 14 to 22.

President and chief executive officer Clifford R. Simms, claims to employ the top people nationally in pension, actuarial and group benefit consulting. The firm was a pioneer in group dental plans and specializes in profit sharing and employe stock ownership plans. Three years ago Wyatt added a compensation consulting division involved in salary administration and executive compensation.

Employe benefit consultant accounts for three-fourths of the firm's volume and pension and related work comprises a greater part of the business than group benefits.

The firm's clients include numerous Fortune 100 firms such as General Motors, General Electric, Goodyear and IBM. However other clients have as few as 25 to 50 workers.

Mr. Simms declined to discuss his firm's rates other than to say that they were similar to competitors. Estimates are usually made before a job is begun and a specific quotation is provided. However, if the scope of a job changes the client is advised.

To err is not only human, it's expensive!

Even though you have used all your professional skill in protecting your corporation's assets, a simple clerical mistake could prove to be disastrous. Let's face it, even the best people make mistakes. After all they're only human. However, the fact remains that their mistakes can cost your corporation big dollars.

The type of error possibilities we are talking about are failure to pay premiums on a timely basis, reporting of losses and filing of claims, reporting of values or locations, compliance with warranty provisions and policy conditions. You can use your own imagination to add to the list.

Until now this exposure to loss was not insurable. CMI has changed this by offering a new and exclusive policy called Policyholders E and O. For complete details write or phone Abe Snyder at (212) 825-0218.



Managing General Agents
Excess and Surplus Lines Brokers
Dealing Exclusively with Agents and Brokers

CMI

Capacity Managers International, Inc.
160 Water Street, New York, New York 10038

AS APPLIED SCIENTIFIC TECHNIQUES

**FILLING
INSURANCE
ENGINEERING
— NEEDS —**

- Underwriting
- Eng. Studies
- Loss Prevention Programs
- Product/Property Clms. Tech. Support

— SERVING —

Santa Barbara, Ca.
Los Angeles, Ca.
San Diego, Ca.

Contact at:
P.O. Box #1162
West Covina, Ca. 91793

BART carries high limits on good record

By MARGARET LeROUX

OAKLAND, Calif.—Commuters who ride the Bay Area Rapid Transit (BART) trains are, for the most part, jaded to the system that brought mass transit into the space age. Today, it's the tourists who gasp when the sleek, computer controlled trains whoosh through the tube on the floor of San Francisco Bay at 80 miles per hour to emerge seconds later at the Embarcadero.

Though the general public tends to either take BART for granted or to complain loudly about the few bugs still present in the system, BART's manager of insurance is excited about the challenges involved in managing risks for a railroad unlike any other in the country.

Marge Layne has been involved

in BART's risk management from the beginning of construction 14 years ago when she assisted the consortium of brokers who arranged and administered insurance for the system. BART didn't have a separate insurance department until 1972; Mrs. Layne assisted Leland Hoagland who acted as both manager of insurance and broker for BART until he retired last December.

Named to succeed Mr. Hoagland as manager of insurance, Mrs. Layne has been running the department with quiet efficiency that has won her praise from her colleagues in the industry and from BART's new broker, Dinner Levison Co.

One of the biggest challenges she faces is maintaining a \$23 million excess liability limit, a limit higher



Liability insurance on the computer-run BART system now costs three times the original premiums for one-third of the coverage.

than any other transit system in the U.S. The market has been especially tight for railroads in recent

years and derailments this year have given nightmares to risk managers in that industry.

"Every time I read about another train accident I shudder for what it's going to do to the market," Mrs. Layne said.

"Our safety record has been exceptionally good," she added. "We've never had a loss that reached our excess layers." BART has a \$2 million self-insured retention and maintains a \$6 million catastrophe fund, but so far the largest reserve for a single loss has been \$30,000 and the most paid out in a single claim was \$10,000.

There have been only two fatal accidents involving BART employees since the system began operations in September 1972. During construction a vigorous safety program was put into effect, including a medical center to handle injuries to employees working underground and in the underwater tube sections of the system.

In a report to the federal Department of Transportation, Mr. Hoagland noted that BART has 19 miles of subway plus 3.6 miles of sunken tube, the longest—and at its maximum of 135 feet below the surface the deepest—vehicular tube in the world. More than 39 million work hours were devoted to the construction of BART and rule of thumb forecast would have been 20 deaths, but there were only six fatalities during BART's construction.

At the time of its conception, few insurers were prepared to assume the risks involved in pioneering mass transit of the future. It took 22 separate insurance placements with the involvement of more than 500 risk bearing facilities throughout the world to achieve the \$75 million liability limit and the \$50

MEN IN THE KNOW...

Provident's 1978 Group Field Advisory Council

It takes expertise to qualify as a Provident Group Representative, and years of experience and accumulated knowledge to earn a spot on the Group Field Advisory Council.

The elite group pictured here keep communications between the home office and the field alive with timely information on what's new in the field, and highly pertinent recommendations on what's needed by the field. Through their efforts, field representatives receive sound information and advice about new products and new service procedures.

The 1978 Group Field Advisory Council — known for helping our representatives help you.



Gordon Granger
(Chairman)
Regional Manager
Bloomfield, N. J.



Peter H. Helmer
Regional Manager
Chicago, Illinois



H. C. (Tom) Tucker, III
Regional Manager
Atlanta, Georgia



Don G. Wilkinson, CLU
Regional Manager
Savannah, Georgia

GROUP DEPARTMENT



CHATTANOOGA 37402

For more facts circle 41 on reply card



The people who know how to handle it in

NEW JERSEY
are

DE LANOY & KIPP INCORPORATED
80 Pompton Avenue
Verona, N.J. 07044
857-0700

SEE OUR AD ON PAGE 6

million property limit BART maintained during construction.

The liability underwriting crunch of the early 1970s eroded the market and BART's current \$23 million excess limit "is the most any transit system can afford," Mrs. Layne noted. "There is a market for higher limits, but no one has been able to afford the premium for it."

Even though BART's liability limits have shrunk by two-thirds, premiums have tripled and participation in the risk by London insurers has decreased. Today 68 London insurance facilities have some risk; approximately 25 U.S. underwriters participate. London has 65.5% of the first \$3 million excess of the \$2 million retention. California Union Insurance Co. has 10% and Glacier Insurance Co. has 11.16%.

Dinner Levison is currently negotiating renewal of BART's liability policy which expires July 1. Preliminary reports indicate the market is easing up a bit, Mrs. Layne said. "At least the quotes on increases we've gotten so far aren't as high as we thought they'd be."

Although liability is a top priority challenge to BART's manager of insurance, it is closely matched by administration of the system's employe benefits program. BART has one of the most liberal employe benefit plans of any public agency and therein lies the problem.

"The plan is too good—it's subject to abuse and our biggest challenge is to stop the abuse," Mrs. Layne said. "We have a short term disability plan insured with Connecticut General Insurance Co. We're the only public agency I know of that has a short term disability plan and we can't remove it without union negotiations."

Representing BART's 2,100 employes are two powerful unions, the American Transit Union and the United Public Employes Union and two associations, one for BART's police force and the other for supervisors and professional employes.

The short term disability plan covers employes for the first four weeks of disability with maximum weekly payments of \$154. For the next 22 weeks employes collect two-thirds of their salary and the long term disability plan takes over starting with the 27th week.

At present, employes pay for the short term disability plan at a rate of \$1.63 per \$100 of payroll, though renewal quotes from the insurer have been \$1.71 per \$100 of payroll.

However, BART will have to begin paying for the short term disability plan on Jan. 1 in accordance with union contracts and Mrs. Layne would like the plan to be self-insured before that happens. "As it is now, there's no incentive for an employe to go back to work if he can collect two-thirds of his salary for not working," she said.

The only real cost control measures in effect at present are attendance requirements. The insurance department is working with BART's employe relations department to spot abuses on sick leave. Union contracts allow employes one sick leave day per month and those who abuse the leave are subject to a warning by the union.

If the plan were self-insured, stricter controls such as requiring a second or in some cases a third opinion from physicians could be implemented. "As it is now, the insurance company takes the word of the first doctor the employe sees," said the manager of insurance.

"The goal is to control the short term plan to the degree that we won't have to attach to the long term plan," she added.

BART employes have a choice between using the Kaiser Plan or a

Blue Cross Plan for medical benefits, a dental plan that pays 80% of the cost of routine dental work (on July 1 the dental plan will pay 90%) and a \$10,000 life insurance policy with an option for supplemental coverage to the \$1,000 nearest the employe's salary.

Mrs. Layne heads a staff of four. One person processes employe benefit claims—there are an average 60 to 70 open claims at any given time at a cost of \$1,000 per claim per month.

BART is self-insured for the first \$500,000 of every workers com-

ensation loss and claims are administered by Brown Brothers Adjusters in San Francisco. GAB Services Inc. administers liability claims in the \$2 million self-insured retention.

"I see no reason to administer claims in-house at this point," Mrs. Layne said. "I'm not building a dynasty here. We'd need at least two adjusters for liability claims and one for workers compensation claims plus extra clerical employes to support them. Until it's more expensive to have an outside firm

do it, we'll continue to use them for claims administration."

Despite the problems involved in the employe benefits program, the manager of insurance is loath to separate it to a different department as was done with the safety and loss control function in 1973.

"If you're going to be a risk manager, you should have responsibility for all the insurance," she said emphatically. "If you're going to try to control and evaluate your insurance programs, you have to have a clear picture of the entire program."



Photo: Margaret LeRoux
Marge Layne became BART's insurance manager last December.

The Frank B. Hall of Fame. It's a world of impressive clients.

Today — indeed, since 1862 — corporations around the globe have been secure in the arms of the world's most inventive insurance broker. The one that devised the first airline protection ever. Created the first international benefits program covering employes in 87 countries. Was a pioneer in marine insurance. Led in original solutions for property-casualty risk protection. And now embraces the worldly needs of its 190,000 clients through 122 offices around the globe.

The globe features logos for the following clients:

- Auto Line
- Giants
- Jack Eckerd Corporation
- Technicolor
- AMC
- Thank you, PaineWebber.
- HERCULES
- UNITED BRANDS COMPANY
- AMERICAN EXPRESS
- HAWAIIAN AIR
- GRUMMAN
- PPC INDUSTRIES
- TOTAL TRANSPORTATION
- FRUEHAUF
- Bendix
- METHODIST CHURCH
- CONSOLIDATED NATURAL GAS COMPANY
- UPI
- AMETEK

Frank B. Hall

We make you safe.
You make us famous.

SUDBORO WELCOMES
AUNT EMMA!

AUNT EMMA'S PIES

"Somebody's going to pay for this!"

Too bad Aunt Emma didn't have Project Liability Insurance. But back in her day, building owners could never be sure if their design team was sufficiently insured for mistakes.

Things haven't changed much. Even today, with the professional liability insurance we pioneered, owners still can't always be sure their design teams have adequate protection. That's why we sat down with the experts at the Continental Casualty Co., one of the CNA insurance companies, and developed a new kind of protection for Continental Casualty insureds and their projects.

It's called Project Liability Insurance. And it's something every smart owner pays for in his design budget. Just the way he pays for Performance Bonds and Builder's Risk Cover in his construction budget. And in many cases it costs a lot less.

With Project Liability Insurance, the owner knows that the entire design team—the architect and all his consultants—is covered for the duration of the job and comfortably afterwards. And, more importantly, he knows the specific limits of coverage for his project.

Look at it this way. With all the problems a job can give an owner, at least he can be assured of errors and omissions coverage for the design team. And if you don't think that's important, ask yourself this: When's the last time you had one of Aunt Emma's pies?

Victor O.

Schinnerer
& Company, Inc.

Find out all you should know about Project Liability Insurance today. Call (202) 686-2850 and ask for Rich Walk. 5028 Wisconsin Avenue, N.W., Washington, D.C. 20016

PERSPECTIVE

Are you self-insured? Consider obligations to excess insurer

By Nino D. Crisafulli

Vp
Harbor Insurance Co.
Buffalo Reinsurance Co.

WHEN I STARTED with Swett & Crawford Group some years ago, my first job was to go out and indoctrinate various companies on the fine and not-so-fine points of excess liability insurance. To my surprise, and occasionally my horror, most of the companies knew nothing at all about that kind of coverage, absolutely nothing.

Fortunately, times have changed somewhat and most business people now realize that excess liability insurance is simply coverage above and beyond what is called primary or self-insurance. It's become a standard practice—in such fields as energy, transportation, construction and manufacturing—for companies to assume some self-insurance ranging anywhere from \$50,000 to millions of dollars and then to buy liability insurance in excess of the self-insurance.

A typical example would be a company with, say, \$1 million of self-insurance—or, as it's called, self-insured retention—and then perhaps \$10 million and more worth of excess liability insurance on top of that.

Actually, not many insurance companies write excess liability coverage these days, mainly because it's high risk insurance. Also, it takes a lot of experience, as well as strong and lasting relationships with reinsurers who are willing to share that \$10 million and more of excess liability coverage.

Excess of SIR

Swett & Crawford Group has more than 50 years of such experience, plus very strong reinsurance support with Lloyd's underwriters as well as countless domestic companies. From our vantage point, one of the biggest changes that has taken place in excess liability coverage has been the evolution and escalation of the amount of excess

liability coverage and the amounts of self-insured retention.

In the early days, when this concept was brand new, \$50,000 of self-insured retention was quite a big deal. Today, in many businesses, such a figure is tantamount to having no self-insured retention at all. One of the reasons, of course, is the size of awards that juries have been handing out in recent years. Another reason is the high cost of labor and materials.

As for the practical aspects of excess liability coverage, it's important to make a distinction between, say, your standard auto insurance coverage and excess liability coverage—which is indemnification coverage. That's the key difference—indemnity. When you get involved in a fender-bender, your insurance company takes care of the damages by paying directly for towing and auto repairs and satisfying third-party claims.

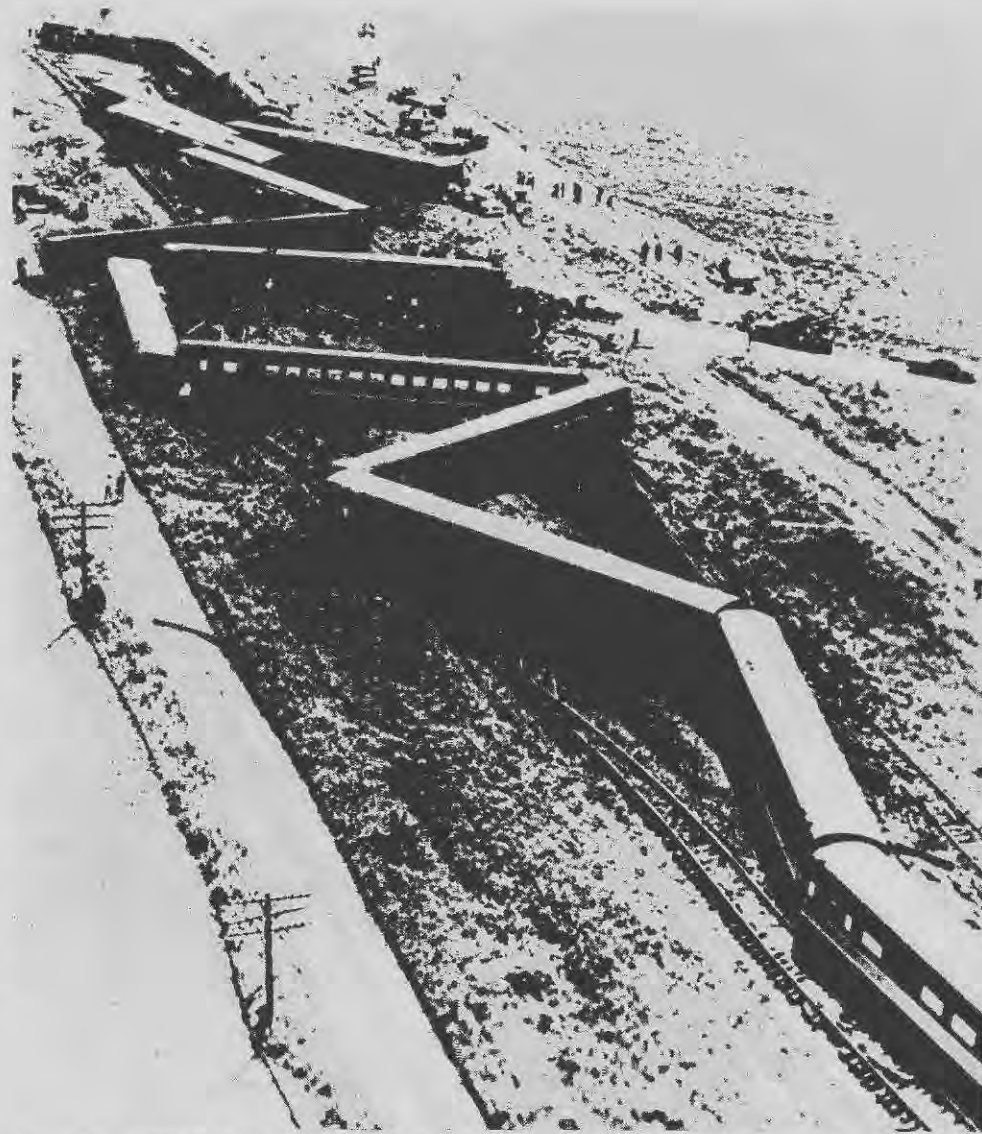
With excess liability coverage, in contrast, you the insured must first pay the loss—the amount you become legally obligated to pay as damages. Only then does the excess liability carrier pay you back or indemnify you against the loss.

Claim handling

Another difference with excess liability coverage is that the insured has the obligation of defending the claim against him. Assigning investigators, claim agents and other experts to check out the validity of the claim to determine its merit or lack of merit.

That expense is the insured's obligation. And that expense is indemnified—or paid back—by the excess liability carrier only if the total loss exceeds the amount of self-insured retention. And, at that point, the expense pay-back is pro-rated.

Of course, there are several important conditions to an excess liability policy. Perhaps the most important condition is that the self-insured client—let's call it U.S. Rail Transit—is no less obligated to the excess carrier than the excess carrier is to U.S. Rail Transit. Aside from contractual obliga-



In tragic accidents, such as train derailments, it's important that claims be handled with compassion, good faith and morality rather than leaving compassion to the judge or jury, counsels Nino D. Crisafulli.

tions, however, I believe that it really boils down to such things as morality and sincerity and good faith. Not premium dollars or settlement dollars.

I'll describe what I mean in terms of just one hypothetical example: U.S. Rail Transit, which is self-insured for \$2 million and Swett & Crawford Group carrying excess liability above that of \$5 million. There's a derailment and a bystander is critically injured—a triple amputee—and he becomes the plaintiff. The plaintiff's lawyer seeks \$3

million in damages.

Let's say—and much experience stands behind this assumption—that the case can be settled without litigation for \$1.5 million. On the other hand, if no settlement is offered or accepted and if the case goes to jury the award could go higher or as a long shot lower than \$1.5 million. After years, after enormous expense, after immeasurable anguish, that is.

As for Swett & Crawford Group's obligation...
Continued on page 62

Dialogue with workers can pay dividends

By Louis Kleber

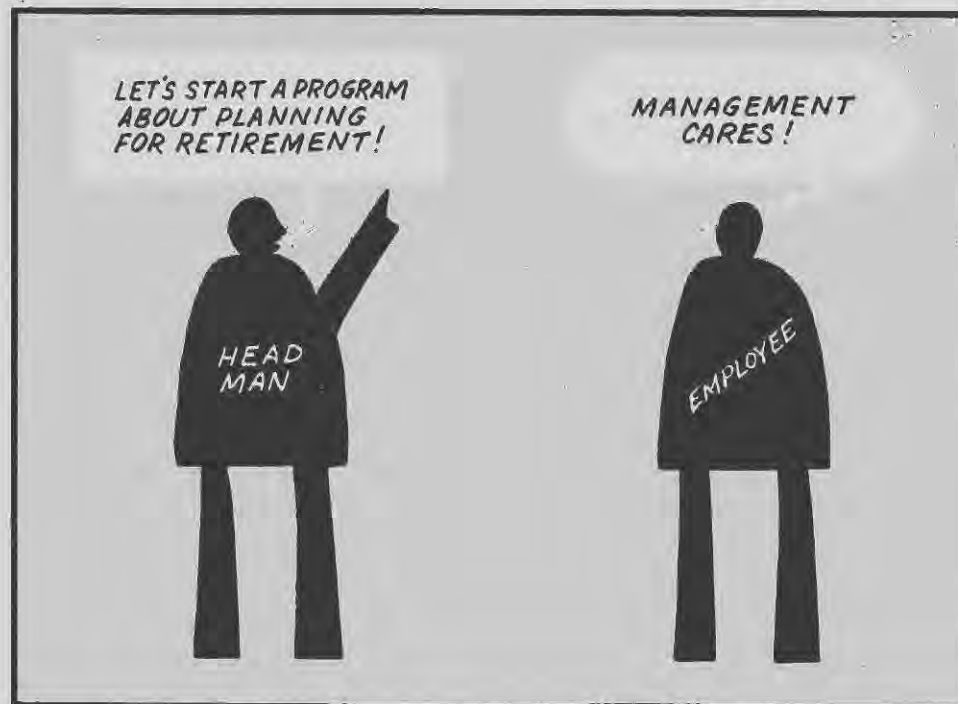
Senior consultant
Employee benefits division
Peat, Marwick, Mitchell & Co.
New York

The following article was originally published in *World*, the magazine of Peat, Marwick, Mitchell & Co.

EMPLOYEES TODAY are better educated than ever before. They do not automatically accept management policies and pronouncements as gospel. They want information about everything that affects their future and the future of their families.

At the same time, companies spend millions of dollars on such activities as advertising, public relations and stockholder relations but, as one public and employee relations executive put it, "They spend almost nothing in terms of money, time or thought on communications with the largest single force in the production of goods and services at a profit—their employees."

Therein lies the problem. This article will discuss some approaches to management communications that companies have found rewarding and the philosophy under-



lying their efforts.

Let's begin with the Prudential Insurance Co. of America. Prudential recognizes that its personnel in the field must make a con-

stant effort to keep abreast of new products and new markets and the company has made closed-circuit television and video tape mediums pillars of its internal commu-

nications program. With a staff of 21 full-time employees, the Prudential audio-visual department annually produces 40 programs, each of which runs from 30 minutes to one hour.

Prudential's electronic training network began after thorough studies and training experiments in the company's 83 district agencies. Prudential executives were convinced that the camera and video cassette monitor reduced training time and vastly increased the knowledge, skills, and independence of company agents. In fact, a 28% increase in expected agent productivity was credited in large measure to the communications system.

In-house television was also one answer to the communications problem at Ashland Oil of Kentucky. That corporation began a modest program in 1975. It first presented videotaped summaries of national network news for late-working executives. Later, the corporation added news features about its own activities. Within two years, the newscasts were mainly about Ashland Oil. They were aired on monitors at eight different corporate locations for viewing by all Ashland employees.

The presentations were not all sweetness and light; employees received bad news with the good. But they were informed employees.

The trend to electronic mediums in inter-
Continued on page 62

PERSPECTIVE

Mobile health testing units can cut costs and aid employes

By Cecil E. Kline

President

Hearex Occupational Health Services Inc.

THE RECENT SURGE OF INTEREST in preventive medicine combined with more widespread recognition that new approaches and automated techniques are required to deliver economical health care to the public has led to the creation of Hearex Occupational Health Services Inc.

The company, which was formed in 1969, is now a subsidiary of Kemper Corp. Nationwide, Hearex provides industry with medical surveillance and maintenance services through mobile units.

Hearex's network of 30 mobile units helps an employer by:

- Assuring his compliance with OSHA health standards.
- Reducing workers compensation costs.
- Reducing the time away from a job an employe needs to be adequately tested, thus increasing productivity.
- Illustrating the employer's concern for the health and welfare of his workforce.

The units, staffed by trained personnel and equipped with sophisticated medical instrumentation, travel from site to site, functioning as an extension of a fixed testing clinic. The mobile units can provide complete health maintenance and medical surveillance for employes in any area.

Hearex executives feel the mobile concept provides an excellent opportunity for management to emphasize its concerns to employes about their health and well being while standardizing its procedures and saving time off the job.

The testing, which can be done by doctors or specialists, includes lung function, audiometry, vision, EKG, tonometry, serology, specialized blood and urine testing, X-rays and virtually any specialized test which an employer may want or need.

The availability of this type of complete

medical service program to every workplace—no matter how remote—is becoming increasingly important. The Occupational Safety & Health Act of 1970 requires the development of appropriate work place health standards and their enforcement.

Recommended standards are being developed and designed to serve the compliance responsibility of OSHA. In all probability, more than 375 chemicals are likely to become subjects of OSHA health standards. Each of these standards requires, to varying degrees, certain medical surveillance techniques. Employers are required to implement techniques for both medical and industrial hygiene surveillance for all health standards.

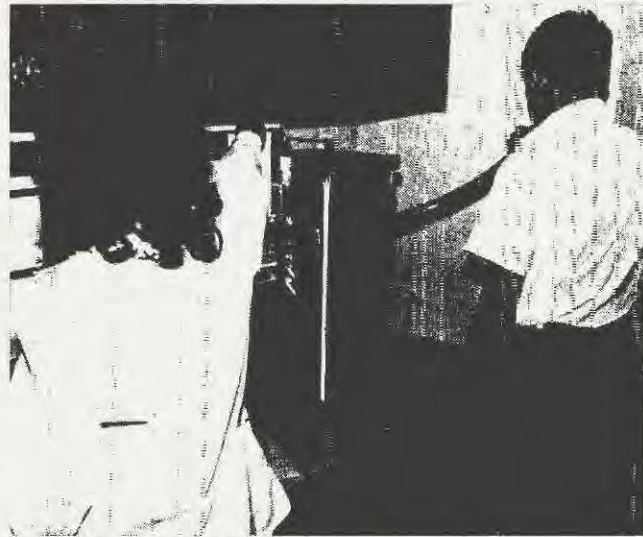
Early detection

With these requirements, it is becoming imperative that all companies construct a program to suit both their current and future needs for medical surveillance. While workers compensation laws initially had no specific provisions for occupational diseases, now all states recognize responsibility for them.

Occupational diseases usually become evident during employment or soon after exposure. However, a disease may be latent for a considerable time. Many state laws recognize this and extend the period in which claims may be filed concerning latent diseases. At present, silicosis, asbestosis, radiation and occupational loss of hearing due to noise are some of the categories cited as latent diseases.

Especially in the case of latent diseases, the application of preventive health care and medical surveillance principles to the workplace is crucial. Early detection of these diseases, and many other afflictions, results in healthier employes, a reduction in workers compensation claims, a reduction of absenteeism and higher worker productivity.

Once a program has been implemented, the basic data gathered can be updated on a



Exposure to chemicals in the workplace is detected by this pulmonary function test (left) which is conducted inside the Hearex mobile unit (below). The self-contained units can set up for multiphasic health testing of employes at the most isolated of work sites.



regular basis (usually once a year). This provides an employer with a periodic upgrading of employes's health status and enables comparisons to be made.

Acceptance predicted

The use of Hearex mobile units and highly trained staff enables management to reduce the costs of its medical programs and provides for convenient standardization of testing and record-keeping.

To assure full advantage of the programs, all data and test results are obtained in a format that permits it to be accepted by an electronic data processing system. The system is a vital and necessary tool in early detection of the latent type of occupational diseases and for future use in epidemiological studies for establishing realistic parameters for various occupational exposures.

Dr. James P. Hughes, president of the

American Academy of Occupational Medicine, feels mobile units for "multiphasic health testing" will be common in 1980. Writing as if he were looking back from 1984, Dr. Hughes said in the January issue of the American Industrial Hygiene Journal, "Early efforts to implement the medical surveillance requirements of standards soon led to the recognition of multiphasic health screening and automated laboratory procedures supported by computer scheduling and data recording as the only reasonable approach to conducting the large volume of medical tests demanded by the health standards... Actual testing became a new paramedical specialty as nurse examiners and medical technicians grew in numbers and skills... By 1980, the traditional one-to-one medical examination of the well worker by a physician had been largely replaced by mass multiphasic testing, usually conducted on plant premises in mobile units."

Excess insurance . . .

Continued from page 61

to U.S. Rail Transit, it's the excess carrier's responsibility to provide as much support and guidance as we can possibly muster. It's our responsibility to share our experience and strength with U. S. Rail Transit to help minimize time spent, expenses incurred and anguish endured.

In turn, U. S. Rail Transit's obligation to Swett & Crawford is to attempt to settle the claim as fairly and expeditiously as possible. It's U. S. Rail Transit's obligation to negotiate in good faith with the plaintiff's lawyer—to offer realistic sums and to be sincere in the finest sense of the word.

Suppose, though, that U. S. Rail doesn't do those things and takes a different view. Suppose they decide to roll the dice and go for the long shot. Suppose they decide to hang the excess carrier out to dry, so to speak, because it's become a question of dollar concern rather than ethical concern, human concern or even legal concern.

What do I mean by legal concern? Let me point to just one specific instance in cases involving primary carriers. In such cases, the phrases "primary carrier" and "insurance carrier" are comparable, if not actually synonymous, with the phrase "self-insured" as I've described it.

To be sure, this case is not exactly in point; the important thing, however, is the rationale of the court.

In *United States Fidelity and Guaranty Co. vs. Tri-State Insurance Co.*, 285 F2d 579 (10th Cir. 1960), the court stated: "An insur-

ance carrier has the duty to use the utmost good faith in the disposition of claims made against its insured... And this duty is not lessened by the existence of excess insurance but is extended to include the excess carrier within the shelter of the obligation... The obligation of the excess carrier is not contractual and is based only upon the duty of the primary carrier to perform the obligation which it alone has assumed, that is, provide primary coverage. Lack of good faith in this regard may extend the primary carrier's obligation beyond the stated policy limit—and extend the point at which the secondary liability of the excess carrier attaches." (285 F2d at 581.)

Settlement strategy

In other words, the court is saying that the primary carrier should not gamble unnecessarily with the excess carrier's money, on the chance that it will end up saving its own money. The court warns the primary carrier that if it does gamble, it may be required to pay the full judgment even if the full judgment exceeds the self-insured retention or first layer of coverage.

Coming back to the issue at hand, it becomes my job to get U. S. Rail Transit to come up with the \$1.5 million that will settle the case. In attempting to do so, I wish that I could be as persuasive and articulate as the late Jim Terry, of the Louisville & Nashville Railroad:

"Let us remember that the most common

thing overlooked in tort cases is that a question of fact is involved. This is often obscured by passion, prejudice, self-interest or by the intense studying of one side of the case without looking at the other. Let us remember that we should look with compassion upon the bereaved and injured. Don't expect juries to bail us out in cases involving extremely serious injuries; neither will judges. If compassion is not used in the handling of claims, compassion will be applied by judges and juries. Fine legal points will not prevent this..."

How, then, can we best deal with claims involving serious injuries? How can all of us come closer to fair settlements, to increased mutual obligation, to good faith among ourselves not only as insurers—insureds, plaintiffs or lawyers, but as human beings?

From Swett & Crawford Group's standpoint, I would urge several things. Regardless of what the excess liability policy states, for example, I would urge cooperation in a broader sense.

By all means, we'd like the insured, in policy language, to "use due diligence and prudence to settle all such claims which in the exercise of good judgment should be settled..."

Reporting requirements

And yes, the insured should definitely report losses and injuries immediately. With \$250,000 of self-insured retention, for example, the insured should immediately report:

- All cases involving burn injuries requiring hospitalization of 30 days or more.
- Any spinal injury involving a claim of

paraplegia, quadriplegia or surgical intervention.

- All amputations of any limb.
- All cases where brain damage is alleged to have resulted from the accident.
- All cases where there are multiple claims which in the aggregate could approach the self-insured retention.
- Any claim involving total disability of one year or more.
- Any case involving back injury requiring surgical intervention.
- All claims involving deaths unless recovery limited by statute.
- All cases that are sued where the ad damnum—the total amount sought—is equal to or in excess of the retention.

Beyond all of those things, we'd also like to see authority brought into the picture earlier rather than later. I'm talking about the person who makes the money decision—the management person who authorizes a settlement. Because, as far as I'm concerned, to send a lawyer or a claim agent out to see a triple amputee without authority is pure folly.

I could discuss the issue of good faith and morality for a very long time. However, I will summarize my feelings on this subject in the words of Paul, who said in his letter to the Romans:

"You know the time in which we are living. It is now the hour for you to wake from sleep, for our salvation is closer than when we first accepted the faith. The night is far spent; the day draws near. Let us cast off deeds of darkness and put on the armor of light. Let us live honorably as in daylight..."

For The Innocent, Risk Management Can Be A Risky Adventure.

Before you set off into the thicket in search of new ways of handling your insurance needs, maybe you should take a look at what you're getting into.

Obviously you're calling on a risk management service to save yourself, and your organization, some money. (Actually you're hoping it's going to be a lot of money.) And



The Siren Call of the Inexperienced.

if you can get the right programs set up, your dreams will be fulfilled.

But just like in any "fashionable" business, some of the people in risk management only talk a good game.

(A temptation we refer to as "the siren call of the inexperienced.") At AIG Risk Management we play a very good game. In a business that isn't very old, we have some of the most experienced people in it working for you. We're not learning as we go along.

The first thing we do when you come to AIGRM is make an in-depth analysis of your needs. Then we'll come up with a program. All this usually costs you nothing. And these programs are about the most flexible in the business. We know that every risk management situation is different.

And that getting trapped in an inflexible program that can't change with your needs is both costly and dangerous.

Once we've created the program, AIG Risk Management can do all the things other companies just talk about.

The Pitfall of the Broken Promise.

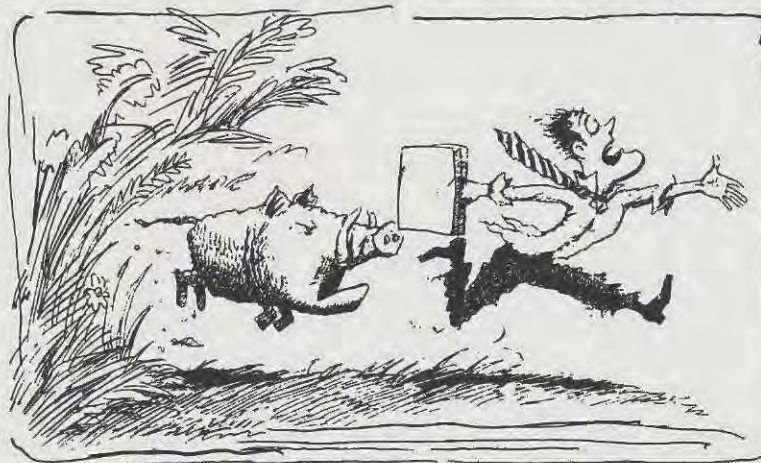
For more facts circle 5 on reply card

You're not buying the proverbial pig-in-the-poke. AIGRM can implement any program you need. We can be a lot more imaginative and creative in our approach to risk management because we have the facilities to deliver what we promise. After all we're part of one of the largest international risk and insurance organizations, American International Group.

If you decide to take advantage of our services and set up your own internal program, there's no need to add even one person to your staff. All the work is handled by us. And a staff of engineers, claim and loss control experts, actuaries, data processors and risk analyzers.



The Cage of Inflexibility.



The Charge of the Pig-In-The-Poke.

We don't think one word will convince you about AIGRM. That's why we want you to see your broker or agent. Meanwhile fill in the coupon for more information. Sort of a guide to your guide through the jungle of risk management.

We welcome inquiries from any licensed agent or broker. You don't have to be a regular producer in order to place business with an AIG company.

AIG DEPT. A
102 MAIDEN LANE, NEW YORK, N.Y. 10005
RISK MANAGEMENT
INC.

Please send me more information about AIGRM.

NAME & TITLE

COMPANY

ADDRESS

PHONE

CITY

STATE

ZIP

BSIN-5-24



PERSPECTIVE

Communication . . .

Continued from page 61

nal communications has been in large measure a result of improved—and less costly—technology. For example, the Broadband system is eliminating some of the problems of complex wiring and control arrangements common to many management information systems. This approach features a single coaxial grid which transmits voice, video and data. Among its applications is employe training and as many as 35 different channels to countless monitors and rooms may be connected to one basic system.

The Xerox Corp., for instance, has a system that connects more than 2,000 outlets in classrooms and dormitories at its training center in Leesburg, Va.

In fact, modern sophisticated technology has become so appealing that some communications planners have all but forgotten the human need for direct, personal relations. The Pillsbury Co. recognized this more than 10 years ago when a test project was launched at a flour mill in Ogden, Utah. Supervisors met with employes for just fifteen minutes out of the workday once each week to report to employes on matters of interest and to listen. A few months later the plant manager reported, "A feeling of frustration . . . is being replaced by a happier mood. I can already see a downward trend in the number of union grievances that deal with trivial issues."

What employes want

Still management all too often fails to recognize the desire of employes to be informed. A Xerox study quoted by Industry Week emphasized this point. It said that employes "want business related material that reports how Xerox is doing and what it means to their future." However, management communications programs should avoid ponderous, boring and overly statistical materials.

The Chrysler-UAW Pre-Retirement Planning Program is an outstanding example of management and union cooperation in recognizing employe needs. The program began in 1965 after major changes in pension and insurance plans had been negotiated. Both corporation and union officials sought some way to relieve employes facing retirement of their fears and insecurity about their future. Important retirement decisions had to be made by employes and their spouses, but intelligent decisions required pertinent facts, information and guidance. Chrysler and the UAW agreed to help.

After a good deal of homework and professional planning, the program was launched with two-hour weekly sessions at Chrysler facilities, union halls, public libraries and community centers. Representatives from the UAW and Chrysler act as discussion leaders at each session. The sessions are held over a seven-week period and employes and their spouses are encouraged to participate. To begin, the employes are asked: Why are you here? What are your interests? How do you view retirement?

What to communicate

Some idea of the broad and inclusive nature of the program is suggested by the following topics that are covered:

- Looking ahead to retirement and living arrangements in retirement—housing (renting or buying, moving or not moving).
- Good health in retirement—diet, exercise and dental hygiene.
- Legal affairs—wills, joint property ownership and legal contracts.
- Social Security and Medicare—Social Security benefits at age 62 versus age 65 and documents required for application. Medicare benefits.
- Retirement benefits—amount and type of benefit, the surviving spouse option and post-retirement hospitalization and insurance protection.
- Financial planning—retirement living expenses, the effect of inflation and the value of good shopping habits.
- Good use of leisure time—hobbies and community activities and services are discussed.

Each session is lively and meaningful through open discussion and the use of

films, case studies, informative handouts and a fertile exchange of ideas. The participation of professionals from specialized fields is particularly important. They are able to answer many questions on the spot.

The success of the program was cited by William Monroe, Chrysler pension plans manager. "The primary objective of the pre-retirement planning program has always been to provide employes with the information they need to better understand and plan for retirement," he said. "Our experience is that the Chrysler-UAW program is attaining that objective."

Does it pay to have well-informed employes? Back in 1939 TRW Inc. and Lincoln Electric Co. began a practice of revealing how much of their revenues went to employes and both companies have enjoyed a remarkably strike-free, high productivity record. Of course, two examples don't tell the story, but other indicators show that employes who feel they are a real part of the company's operation give superior performance.

A key factor in establishing employer credibility is regular, meaningful communications. Employes are not impressed when a company pushes the communications panic button only if a strike threatens but maintains deaf-mute status during a layoff.

"Employee involvement in the business" is how Henry Bachrach, consultant on the General Electric corporate employe communication staff, describes the central purpose of GE's communication philosophy. "If we want employes to contribute their full skill, care and effort to a company's success, we'd better communicate the information that an employe needs in order to be involved and do it in a manner that helps create involvement."

To implement this intent, GE has a multifaceted approach to communications that includes direct supervisor-employe meetings, audio-visual programs, telephone hot lines and local plant newspapers. Subject matter covers the spectrum of a major business operation.

Important issues

To achieve a genuine management/employe rapport, GE publishes a to-the-point "Report for Managers" that assists them in their communication with employes on significant issues. Being a manager does not automatically make a person an effective communicator. Clearly, managers must have both the communications tools and facts of substance. The report discusses such matters as the productivity-pay-price relationship and the performance of GE's diverse business.

Specialized groups too are emphasized by GE.

"Switchgear People," one local GE publication, recently reported a visit by a group of employes to Detroit Edison to discuss products and services directly with the customer. Individual reactions were quoted at length, in lieu of the births-and-records type of material that typically fills house organs. These headlines gleaned from different GE publications reveal the company's tell-it-like-it-is philosophy—"Fuel Economy, Availability Won the Order," "Bid Good—But Not Good Enough," "What's the Picture on Incoming Orders," "Our Market Still Depressed," "Merger to Bring GE into Whole New Area of Opportunity."

The classic definition of communications—sender-messenger-receiver—is but a framework for this complex area of human relations. Messages, of course, are far more than the mere transmittal of information. Frequently, messages are requests. And when these requests fail to achieve the results sought, corporate goals of productivity, efficiency and profit suffer.

Effective two-way communications between management and employes should be a priority item in every corporate environment. Good communications pay dividends.

Professor John E. Mee of the University of Indiana Graduate School of Business summed up a sound approach to mutual management/employe objectives to solve problems and get results: "It is an approach of power through people rather than power over people."

What's up in the industry

Insurer educates on captives

INSURANCE COMPANIES are beginning to explain to their stockholders the sometimes murky world of captives, fronting arrangements and reinsurance.

Old Republic International Corp. uses a major portion of this year's annual report detailing its "partnership or joint venture" arrangements with captive insurance companies and financial institutions. The Chicago-based holding company for a group of insurance companies calls these relationships "unusual in the insurance industry and an important component of our success."

"Approximately 50 of these captive insurers and reinsurers rely on Old Republic to lend them expertise in such areas as rate filing, claims processing, underwriting and, in most instances, to be the primary insurer," the company writes in its annual report. "Old Republic in turn gives back varying portions of this business as reinsurance to the captive companies. Thus, Old Republic is able to share risk and reward with its customers. As an alternative to using reinsurance, various premium rating plans and contingent profit or loss-sharing arrangements are agreed upon to accomplish the same goals. In either event, a great deal of Old Republic's business involves various combinations of risk bearing and risk management services . . ."

The annual report notes that Old Republic is involved in similar arrangements with commercial banks, savings and loan institutions and other financial organizations. In these cases, the bank sells its customer a credit insurance

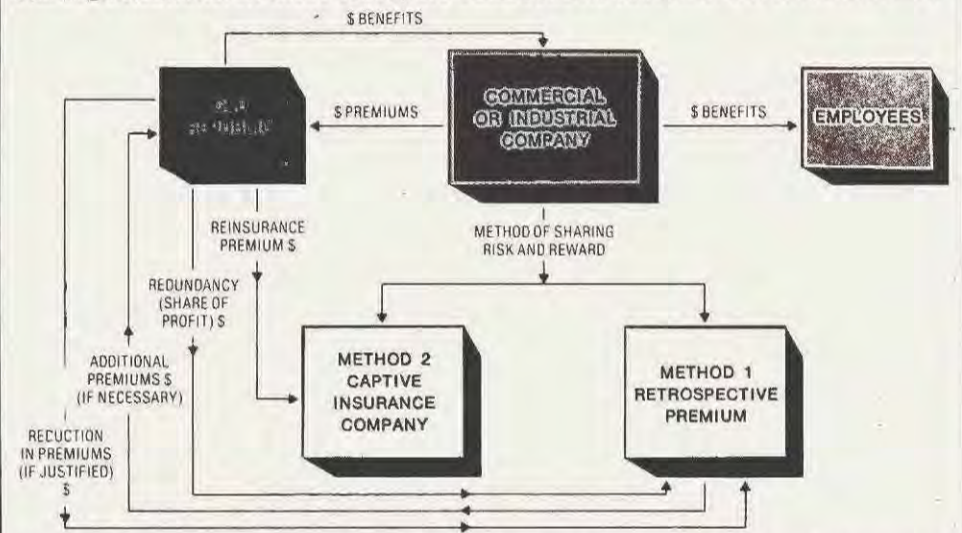
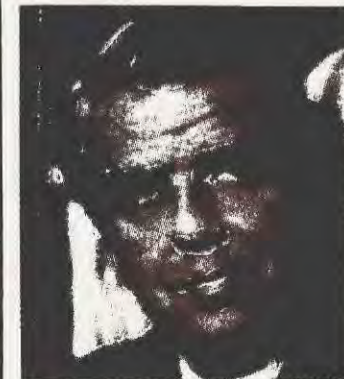


Diagram from annual report explains Old Republic-captive insurance company relationship.

policy which names Old Republic as the primary insurer. Old Republic then either reinsures all or part of the risk with a captive insurance company set up by the bank or grants the institution an after-the-fact commission based on the profitability of the business.

Old Republic notes that "personal contacts, relationships, reputations and experience of Old Republic's key executives are a vital element in obtaining business . . . Most of the company's accounts deliver millions of dollars in premiums and therefore warrant substantial levels of top executive involvement."

Old Republic says that it is the 13th largest writer of workers compensation insurance, where the firm is a specialist in the coal industry, and the 87th largest in terms of net premiums for all property/liability insurers.



James Vaughn

this year, Mr. Wilson says "powerful earnings growth continues" at Alexander & Alexander and there is "no slowdown yet" at Hall.

On the company side, Liberty Mutual Insurance Cos. report a huge underwriting gain in 1977 to \$160.5 million from \$31.3 million in 1976.

For the first three months, INA Corp. reported profits of \$44.2 million, up from \$31.3 million. Chairman Ralph S. Saul said the result reflected "strong performance in property/casualty insurance." St. Paul Fire & Marine recorded profits of \$39.4 million versus \$28.4 million. Aetna Life & Casualty net income was \$104.1 million compared with \$81.4 million based on a "very successful first quarter" for the insurance division. Aetna said profits improved in all commercial property/casualty lines except casualty lines for small and medium-sized accounts. Underwriting results improved in general and professional liability as well as bonds, property insurance and with national accounts, although experience worsened on workers compensation.

—Greg David

DC10 payouts . . .

Continued from page 1
case in which the jury verdict of \$1,509,950 is being appealed by the defendants. Another involves the rights of a so-called common-law wife. Two appellate cases concern the right to recover punitive damages in wrongful death cases under California law.

As Judge Hall relates in his report, in February, 1977, he and U.S. District Court Judge Manuel L. Real, who joined in hearing the cases in late 1976, wrote an opinion arguing that the California law denying punitive damages in wrongful death cases violates the equal protection clause of the U.S. Constitution and the California state constitution. An appeal of that decision has been filed by the defendants.

The major part of Judge Hall's report consists of pages of statistical tables which indicate age and sex of the descendant; defendants; number of claimants and relationship; those who waived all claims and relationships; date of settlement; total amount of settlement; costs; attorneys' fees; net distribution and relationship to descendant.

"I do not believe that this has been done before," Judge Hall commented.

The descendants and claimants are not identified by name, however, on the grounds that the settlements were filed privately in order to prevent the parties "from playing one settlement against the other."

Largest award \$900,000

A complex formula for working out compensatory damage settlements was established by defense attorneys. It revolves around such factors as age of the descendant, annual income, future income, and the numbers, ages and relationships of surviving family members.

From the statistical tables, it is clear that the largest settlement (outside of the Kween case) went to the heirs of a 39-year-old man with five claimants. For his death, they received a total of \$900,000, with \$28,922 going to cover attorneys costs and one-third of the amount or \$300,000 to attorneys' fees. Of the total settlement, his widow got \$190,359 and his two sisters and two minor daughters received \$95,180 each.

As that case illustrates, the largest settlements went to wives with minor children. Nevertheless, only 33 of the 211 lawsuits were set-

tled for more than \$500,000, and of these only about 12 were settled for amounts in excess of \$700,000. More than one hundred cases, by contrast, were settled for \$100,000 or less, with many of these falling in the \$50,000 to \$75,000 range. Such awards generally went to parents of single children killed in the crash.

Guide to efficiency

There was one award of only \$10,000, which was also the smallest payment. It went to the foster father and mother of a 24-year-old male. From that \$10,000, attorneys' fees of \$105 and attorneys' costs of \$1,000 must be subtracted.

That Judge Hall regards his 43-page report as a guidebook for rapid and efficient settling of com-

plex lawsuits is evident from the advice he packs into the document. The last page of the written section, for example, bids judges to take charge of difficult cases by doing "what is not prohibited as long as constitutional rights are preserved and the case moves forward."

The Paris crash case did not move forward for the first two years of its existence, the judge states. In fact, only one case was settled in that time. Consequently, he established three panels of three retired California state judges to sit as special masters. They were to evaluate the worth of plaintiffs' demands and defendants' offers.

"In three months time, the masters heard 232 cases with a total settlement figure of over \$4 million," Judge Hall wrote, adding that the cost of the panels was only \$12,500 a week for fees and expenses, costs which were advanced by the defendants.

The judge adds that the work of the panels "broke the back" for set-

tlement of the cases for which plaintiffs had waived punitive damages.

And so by early fall of 1976, he says that settlements had been reached for cases involving 241 of the 340 descendants, leaving only 99 cases to be settled. Of these, he says that 44 waived punitive damages, enabling settlements to be reached within a few months.

Lawyers praised

For a while, the remaining 55 cases persisted in their refusal to waive punitive damages. Then in 1977, Judge Real was able to persuade claimants for all 55 descendants to proceed to trial for compensatory damages, he relates.

The judge praises the plaintiffs' attorneys who held their fees to 17% of damages paid; indeed, one group of lawyers held to a uniform 12.5% fee. There were, however, a few attorneys, usually representing single plaintiffs, who took the

standard 33 1/3% of damages for fees and costs.

Judge Hall points out that the group holding their fees and costs to 17% permitted plaintiffs to receive about \$10 million more than they would have, had the standard 33% fee been exacted.

The long case prompted the judge to issue at least eight formal opinions which he describes as "novel enough to justify publication." These include rulings that only those portions of depositions used in a trial are public documents, and then, not until they are actually used; that California's law on damages applied to foreign air crashes; and that suicide from grief is not recoverable.

The issue of whether there will ever be a trial on the question of liability for the crash is left hanging by Judge Hall, who concludes in the written portion of his report:

"It has been a great experience (and, maybe I'm not through with it yet)."



"Before you give us a penny, we'll give you our two cents worth."

Don Moore, President

That's right. Before we talk about our insurance coverage and premiums, we'd like to tell you about PMMI's loss prevention philosophy. We think it's worth spending a little time at the beginning. It could save you a lot of money in the end.

Quite simply, we'd much rather help your company prevent disasters than pay for a loss after the fact. Because everyone knows that there are always some indirect costs that just can't be recovered from insurance. And it's these kinds of non-recoverable losses that affect your bottom line.

PMMI specializes in loss prevention. From employee education and training programs to engineering consultation. And, as a member of the Factory Mutual System, we're backed by the most advanced loss prevention research facilities in the world.

Naturally, we'd like to write your insurance, too. You'll find us competitive, flexible and dedicated to finding the best solution to your problems.

To find out more about what you can expect from us, just send for our little booklet called, **Loss**

Prevention: The Best Way to Protect Your Assets.

Or, if you prefer, give me a call direct and I'll be glad to answer any specific questions you may have.

Get in touch with us soon. Find out how our two cents worth could save your company a bundle.



Philadelphia Manufacturers

MUTUAL INSURANCE COMPANY

Box 824 8 Executive Mall

Valley Forge, Pa. 19482

(215) 687-8150



For more facts circle 58 on reply card



The people who know how to handle it in

MEMPHIS

are

E. H. CRUMP & COMPANY

5350 Poplar Avenue

761-1550

SEE OUR AD ON PAGE 6

info for buyers

• Have you ever considered using an insurance consultant? An article reprinted from Highway & Heavy Construction—**Why Use an Insurance Consultant**—may answer your questions. For a free copy circle 231 on the reader service card.

• It is only recently that any organizations have existed in Australia to provide comprehensive advice to companies over the whole field of risk management. Duncan Risk Management is one of the first Australian consultants to provide a full range of risk management functions. Their promotional brochure, **Risk Management: The Profit Objective**, is available without cost. For your copy circle 232 on the reader service card.

• **Building a Result-Oriented Control Program** is an article reprinted from Risk Management magazine that explains the conditions of possible trade-offs of risk control and risk financing as it relates to hospital professional liability coverage. For a free copy circle 233 on the reader service card.

• **Banker's Insurance Checklist** is a booklet from Marsh & McLennan offering brief descriptions of the major insurance coverages available to full-service banks. The purpose of the 10-page brochure is to help bank executives understand what types of insurance they should consider. The six sections are fidelity and related crime coverages, miscellaneous bond coverages including mail, directors and officers and related liabil-

ity coverages, casualty, property and miscellaneous coverages. For a free copy circle 234 on the reader service card.

• Johnson & Higgins has prepared a promotional brochure on its **nuclear loss control** technical service. The guide attempts to dispel some misconceptions about risk management of nuclear facilities, clarify some basic problems and tell about J&H's services in this unique environment. For a free copy circle 235 on the reader service card.

• Royal-Globe Insurance Cos. has published a 100-page manual **Developing an Occupational Health Program**. It contains essential information relating to the establishment and maintenance of programs designed to reduce industrial losses. Among the topics covered are OSHA requirements (with sample forms), education, treatment and counseling of

How to order info

This is the fourth of several expanded Info For Buyers sections *Business Insurance* will publish this year. To aid our readers in receiving the information they would like, the free items may be ordered by circling the appropriate number on the reader service card inserted in this issue. Please note that *Business Insurance* does not stock the items described in this column. Items that carry a charge must be ordered directly from the supplier. Many of the items in the Info for Buyers column concern risk management services, although there are items that discuss other subjects as well.

employees, guidelines for special programs and recommended sources for additional information. For a free copy circle 236 on the reader service card.

• Concerned about your **earthquake exposure**? A brochure and description of earthquake risk analysis and loss control services is

published by Seismic Engineering Associates Ltd. The brochure outlines the company's capabilities in serving as special consultants in this area of risk management. For a free copy circle 237 on the reader service card.

• Johnson & Higgins has prepared a promotional brochure on its **property loss control** technical service. For a free copy circle 238 on the reader service card.

• **Aircraft product liability insurance** and more specifically the Aircraft Builders Counsel Inc.'s program of coverage is described in a promotional booklet. The material was developed jointly between J.H. Minet & Co. Ltd. and Aircraft Builders Counsel Inc. For a free copy circle 239 on the reader service card.

• **Standard Dwelling Property Service**, a total inspection reporting system of underwriting property lines insurance is detailed in a promotional brochure from Equifax Services Inc. The 24-page brochure includes many sample reporting forms and stresses the value of inspection reports. For a free copy circle 240 on the reader service card.

• That a firm is merely a good place to work isn't enough is the point of a promotional brochure from Kwasha Lipton. It is important to communicate these benefits to employees. The **employee communication** division at Kwasha Lipton provides services in this area. For a free copy circle 241 on the reader service card.

• Johnson & Higgins has prepared a promotional brochure on its **casualty loss control** technical service. This service involves the principal areas of workers compensation, liability exposures and fleets of automobiles and trucks. For a free copy circle 242 on the reader service card.

• When revenue unexpectedly stops for a business because of insured damage to its physical plant, business interruption insurance can pay out a fixed amount to compensate for each day lost. For a discussion of this form of insurance, INA has prepared a 12-page booklet—**Business Interruption: Some Professional Considerations**. For a free copy circle 243 on the reader service card.



...is a

two-way street.

Service to you... service to our companies. By combining the ability to perceive and fulfill your needs with the ability to underwrite at a profit for our companies, we can truly perform a two-way service. This enables us to provide you with a steady continuing market.

Baccala & Shoop

Underwriting Managers

Specialists — Property: Primary, Quota Share and/or Excess on All Risks, D.I.C. and Builders Risk.
Casualty: Commercial Umbrella, Excess Liability, Gap Layer, Excess Workers' Compensation.
 Home Office: 2 Century Plaza Towers, 2049 Century Park East, Los Angeles, CA 90067 (213) 553-1333
 Southern California: 3345 Wilshire Blvd., Los Angeles, CA 90010 (213) 385-6266
 San Francisco: 1 Market Plaza, San Francisco, CA 94105 (415) 777-4300
 Houston: 9100 Southwest Freeway, Houston, TX 77074 (713) 777-4530
 New York: 88 Pine Street, New York, NY 10005 (212) 943-2070
 Seattle: Bank of California Center, Seattle, WA 98164 (206) 624-8711
 Dallas: Park Central II, 7540 L.B.J. Freeway, Dallas, TX 75251 (214) 233-0201

For more facts circle 8 on reply card

ROBERT A. KRAUSE & ASSOCIATES, INC. Risk Managers

We do not sell Insurance

18th Fl., Peachtree Center
230 Peachtree St., N.W.
Atlanta, Georgia 30303
(404) 577-4334



Suite 201
15919 W. Ten Mile Rd.
Southfield, Mich. 48075
(313) 557-2430

• Chemetron Fire Systems has published a new brochure describing its **automatic fire suppression system for self-service gasoline stations**. The system operates automatically when combustion triggers a heat detector. It also shuts-down the power to the gasoline pump when the fire suppression agent—potassium bicarbonate dry chemical—is discharged. Because the system is modular it is adaptable to a variety of requirements. For a free copy circle 244 on the reader service card.

• **PayPlus** is a program developed by Pension Planning Co. Inc. to annually give client company employees a complete individual summary annually of employee benefits in dollars and cents. The program is described in a free promotional brochure. Circle 245 on the reader service card.

• A 1978 **ERISA calendar of administration** is available from Pension Planning Co. Inc. It indicates the types of reports that must be distributed to participants and with various government agencies along with the dates by which these forms must be filed. The calendar indicates those items which the company will prepare for clients each year as well as those it will furnish upon request. For a free copy circle 246 on the reader service card.

• **Employers Save Money by Self-Insurance** is the title of a promotional brochure from Employe Service Inc. The company is a third-party employe benefit claim administrator. For a free copy circle 247 on the reader service card.

• A free bulletin is available from Pension Planning Co. Inc. describing the **amendments to age discrimination** in the employment act passed by Congress. Circle 248 on the reader service card.

• The Health Insurance Assn. of America has prepared an analysis of **national health insurance in Canada**. An 11-page pamphlet, which highlights the white paper, compares the Canadian system with the financing and delivery of care in the U.S. For a free copy of the pamphlet circle 249 on the reader service card.

• Pension Planning Co. Inc. has prepared a newsletter describing **management of health insurance costs**. For a free copy circle 250 on the reader service card.

• Have you been considering self-

insurance? If so, Jeff Brougner attempts to answer the most commonly asked questions about self-insurance in a free pamphlet. For a copy circle 251 on the reader service card.

• A newsletter **A Close Look at National Retirement Programs: U. S. vs. Canada** is available from Kwasha Lipton, consulting actuaries and employe benefit services. For a free copy circle 252 on the reader service card.

• Just starting your own business? Know someone who is? Kemper Insurance Cos.'s **Businessowners Guide To Insurance** may be a valuable explanation of the basic types of insurance that are available. For a free copy circle 253 on the reader service card.

• **Kemper Supplemental General Liability Protection** is described in a pamphlet which discusses additional liability insurance for

problem areas which might not be covered under an existing policy. For a free copy circle 254 on the reader service card.

• **ERMCI: A Participative Management Approach to Your Hospital's Insurance Program** is a promotional brochure available from Ebasco Risk Management Consultants Inc. The firm's two key services—claims administration and risk control—are pinpointed for the risk control manager interested in self-insurance for his hospital. For a free brochure circle 255 on the reader service card.

• Revised and updated, **GAB's Little Red Book 1978** is a comprehensive directory of addresses and telephone numbers for the more than 650 GAB branches throughout the U.S., Canada, Caribbean and Europe. Also listed are the company's services and key executives. The directory includes

a tear-out card with the emergency claims service telephone numbers. The 62-page booklet is available without cost by circling 256 on the reader service card.

• Thousands of restaurant fires will occur this year. Eighty percent of the restaurants as a result will not re-open their doors. In an attempt to prevent this Ansul has prepared a booklet outlining its R-101 system. The booklet is intended to help the restaurant owner understand how this system works, his responsibility for maintenance and what to do in case of fire. For a free copy of **Restaurant Fire Protection** circle 257 on the reader service card.

• **Sanders Inspections Ltd.** provides inspections, appraisals, loss control recommendations for self-insurers, insurance companies, risk managers. Its services are described in a new brochure. For a free copy circle 258 on the reader

service card.

• Two promotional brochures describe Self-Insurers Service Inc.'s **third-party administration services** for occupational and non-occupational benefit programs. For free copies circle 259 on the reader service card.

• Are your **burglar alarm systems** installed correctly? Are they maintained properly? These are a few of the questions answered by an Underwriters Laboratories brochure. For a free copy circle 260 on the reader service card.

• The advantages of incorporating **loss recovery services** into a risk management program are outlined in two 12-page promotional booklets, **The USSC Way to Increased Cash Flow Protection and Asset Conservation and There's Always Something Left**. For free copies circle 261 on the reader service
Continued on following page

FOLLOW A LEADER

In today's sophisticated employee benefits field you need a specialist to help attain your company's insurance objectives.

Crown Life has a leading team of group insurance specialists with the knowledge and experience necessary to help you choose the plan best suited to your needs.

We rank 20th in business in force among over 1,800 life insurance companies in North America, with over \$26 billion of life insurance and annuities in force, of which over \$15 billion is group.

And we've got 45 Group Offices and over 170 Agencies and Branch Offices throughout North America, the United Kingdom and the Caribbean to serve you.

So when you're in the market for a sound plan of employee benefits — life, health or pensions, or for a full range of individual plans — look to an efficient organization that's well qualified to lead you through the steps necessary to set your plan running smoothly. Look to Crown Life. Just call your local Crown Life Group Office or General Agency.


CROWN
LIFE INSURANCE COMPANY
HOME OFFICE, TORONTO, CANADA

For more facts circle 19 on reply card



The people who know how to handle it in

TORONTO

are **TOMENSON SAUNDERS WHITEHEAD LIMITED**

Toronto-Dominion Center
Ontario, Canada M5K-1M3

361-6700

SEE OUR AD ON PAGE 6

info for buyers

Continued from preceding page card.

• **Employes on strike or laid-off and social misfits** are posing an increasing **incendiary problem** for U.S. plants and facilities. Fortunately the in-plant targets that are most vulnerable to these special threats have been identified and specific proven methods for protection are available. Factory Mutual has conducted a special analysis of these incendiary targets and has prepared a list of steps that a plant can take to reduce the hazard. This information is detailed in a five-page sheet. For a free copy circle 262 on the reader service card.

• **American Insurers Administrators Inc.** offers a promotional

brochure describing its **claims administration program for insured and self-insured companies**. For a free copy circle 263 on the reader service card.

• A promotional brochure describes Hewitt, Coleman's services in workers compensation, general liability and self-insurance—**A Dialogue for Decision Makers**. For a free copy circle 264 on the reader service card.

• **Risk Management**, Some Professional Considerations is a 12-page brochure review of the topic by INA. Among the areas of concern considered are identifying the risks, risk measurement, risk handling techniques, selection of specific techniques, retention versus transfer and periodic evaluation. For a free copy circle 265 on the reader service card.

• **Industrial Risk Insurers** describes the organization which

provides specialized underwriting and engineering services for HPR industrial, oil, petrochemical and service risks. For a free copy circle 266 on the reader service card.

• A new promotional brochure that describes the services of Personnel Research Associates has been published with the **personnel/benefits** executive in mind. The services offered include research concerning such problems as absence control, management development, pre-retirement counseling, employe relocation, flextime and employe benefits. For a free copy circle 267 on the reader service card.

• A promotional brochure describes **All Risk Management Services Inc.**'s background and capabilities in assisting self-insurers. For a free copy circle 268 on the reader service card.

• A promotional brochure, **Prod-**

How to order info

This is the fourth of several expanded Info For Buyers sections *Business Insurance* will publish this year. To aid our readers in receiving the information they would like, the free items may be ordered by circling the appropriate number on the reader service card inserted in this issue. Please note that *Business Insurance* does not stock the items described in this column. Items that carry a charge must be ordered directly from the supplier. Many of the items in the Info for Buyers column concern risk management services, although there are items that discuss other subjects as well.

ucts Liability Services, describes the services of CURM, a risk management services organization. For a free copy circle 269 on the reader service card.

• **A Risk Managers Guide to Goods in Transit**, a 16-page booklet prepared by the Insurance Co. of North America for risk man-

agers of corporations that sell and ship goods domestically and overseas, discusses ways to identify, measure and handle the risk and implement a risk management program. For a free copy circle 270 on the reader service card.

• **A 10-Point Pocket Guide to Fire Protection** from Industrial Risk Insurers is a 24-page booklet covering what to do when a loss occurs and 10 rules for such concerns as fire safety education, good house-keeping, safe fuel storage and handling, controlled smoking and preparing for emergencies. For a free copy circle 271 on the reader service card.

• Could a fire interrupt your business forever? That is the question asked in a Kemper Insurance Co. brochure on **Business Interruption Protection** insurance. It explains how business interruption insurance can help safeguard earnings and pay overhead expenses when fire or other major losses occur. A worksheet is included to determine the right amount of coverage. For a free copy circle 272 on the reader service card.

• RIMCO Inc. has recently published its **Insurance Buyer's Checklist for Truckmen** which includes guidelines to help insurance buyers for truckmen. The booklet helps insureds request agents to schedule coverages presently carried as well as outlining recommendations on modifications. Copies are \$5. Write Ronald Jones, RIMCO Inc., 10300 N. Central Expressway, Suite 180, Dallas, Tex. 75231.

• A research report about group legal insurance is available from Personnel Research Associates. The 38-page report is a primer for benefit managers and others interested in **prepaid legal service plans**. Copies are \$11. Write Marilyn R. Udis, vp, Personnel Research Associates, 49 Oakridge Rd., Verona, N.J. 07044.



Before they ask you about dental care programs, ask us. Last year 4,114 benefit managers did.

Last year thousands of employee benefit managers contacted the American Dental Association for information on dental benefit plans. Why?

Dental care plans are a rapidly growing employee benefit—from two million people covered in 1965 to an estimated 48 million today. Employers and union officials recognize dental plans as a worthwhile employee benefit.

Further, the American Dental Association has experience gained from longstanding cooperation with the nation's largest carriers and purchasers of dental insurance.

We can help you better understand dental care and make the right decisions for your company and your employees.

Return this coupon, and we'll send you a package of useful background information on dental prepayment.

If you are considering a dental plan for your company, or presently have coverage, we believe you will find this information important. Please

send the coupon to: James Y. Marshall, Council on Dental Care Programs, American Dental Association, 211 East Chicago Avenue, Chicago, Illinois 60611.

For your information kit send this coupon to:

James Y. Marshall
Council on Dental Care Programs
American Dental Association
211 East Chicago Avenue
Chicago, Illinois 60611



B15/29/78

Name _____

Title _____

Phone _____

Company _____

Address _____

City _____

State _____

Zip _____

Number of employees _____

Presently have a dental plan? Yes _____

No _____

For more facts circle 3 on reply card



The people who know how to handle it in

NEW ORLEANS

are

GILLIS, HULSE & COLCOCK

135 St. Charles Avenue

581-3334

SEE OUR AD ON PAGE 6

ESOPs' goods and ills aren't just fables but facts

By JOANNE GAMLIN

LOS ANGELES—The good news about employe stock ownership plans or ESOPs might be said to be that, if everything goes smoothly, sales and net profits will head skyward while turnover and absenteeism will tumble.

The bad news about ESOPs, however, is more complicated. It involves a whole raft of things such as tension between good and poor performing units of the same company, employes who nominate themselves for the board of directors, difficulty in communicating the significance of an ESOP to its participants and much else.

This, at least, could be the impression that a listener to a candid, three-member panel discussion of company experiences with ESOPs might have gained at the first an-

nual meeting of the ESOP Council of America, held May 8 and 9 at the Bonaventure Hotel here.

Relating the good news was Joe W. Russell, vp, corporate relations, E-Systems Inc., Dallas. Revealing the less pleasant news was Bill B. Betz, executive vp and general counsel of Monolith Portland Cement Co., Glendale, Calif., and David R. Trumbull, chairman of the board of Mission Marine Associates Inc., Newport Beach, Calif.

Mr. Russell told the council that E-Systems, a publicly traded corporation with \$350 million in annual sales, adopted an ESOP in 1973 and made its first stock distribution in December 1974.

Although he is careful not to attribute all of the glowing news to the ESOP, Mr. Russell said that

Employe turnover has plummeted 64% and absenteeism has dropped 50% at E-Systems Inc. of Dallas since the company introduced an ESOP.

—Joe W. Russell
E-Systems Inc.

since 1974, E-System's sales have rocketed 80%, net profits have soared 431% and earnings per share zoomed ahead 368%.

Not only that, he went on to point out that employe turnover since 1974 has decreased by an impressive 64% and that absenteeism has declined by 50%.

Mr. Russell, later talking to

Business Insurance, underscored the fact that E-Systems can point to other reasons than the ESOP for its sales and profit growth. The company has entered new businesses since 1974 and it has also has started to sell internationally.

However, the sharp declines in turnover and absenteeism, he ack-

nnowledged, may be linked directly to the ESOP. He noted that in 1974, E-Systems's turnover was running about even with figures supplied by the Bureau of National Affairs, which supplies business with industry norms on such things as employe turnover.

Now, both turnover and absenteeism look far better for E-Systems than BNA figures show for the electronics industry, he said.

But this is not all the good news that E-Systems can report about its ESOP, which Mr. Russell said was layered on top of more conventional employe benefits. Other apparent payoffs of the plan, he said, include a sharp drop in employe grievances and decreased influence of the unions as employes

Continued on following page

Industrial Risk Insurers

REGIONAL OFFICES

Eastern Region

85 Woodland Street, Hartford, CT. 06102
C.C. George, Manager (203) 525-2601

Western Region

175 W. Jackson Blvd., Chicago, Illinois 60604
H.S. Robinson, Manager (312) 663-4050

Pacific Region

One Embarcadero Ctr., San Fran., CA. 94111
A.J. Wert, Manager (415) 434-3356

FIELD OFFICES

Atlanta, Georgia 30341
3300 Northeast Expressway (404) 451-8446
Baltimore, Maryland 21204
305 W. Chesapeake Avenue (301) 825-6676
Boston (Wellesley), Massachusetts 02181
20 William Street (617) 237-4506
Buffalo (Williamsville), New York 14221
5820 Main Street (716) 634-5900
Charlotte, North Carolina 28202
200 South College Street (704) 333-1108
Chicago, Illinois 60604
175 West Jackson Boulevard (312) 663-4050
Cincinnati, Ohio 45202
309 Vine Street (513) 241-8040
Cleveland, Ohio 44113
614 Superior Avenue, West (216) 621-9088
Columbus, Ohio 43215
394 Oak Street (614) 224-4278
Dallas, Texas 75206
8350 N. Central Expressway (214) 692-7631
Detroit (Southfield), Michigan 48075
16900 West Eight Mile Road (313) 275-5296
Grand Rapids, Michigan 49506
1331 Lake Drive, South East (616) 459-0277
Hartford, Connecticut 06102
85 Woodland Street (203) 525-2601
Houston, Texas 77024
974 Campbell Road (713) 461-1363
Indianapolis, Indiana 46204
320 North Meridian Street (317) 634-2583
Kansas City, Missouri 64111
406 West 34th Street (816) 931-5995
Los Angeles (Anaheim), California 92805
300 South Harbor Blvd. (714) 778-4580
Milwaukee, Wisconsin 53226
2401 North Mayfair Road (414) 475-1775
Minneapolis, Minnesota 55402
12 South Sixth Street (612) 339-0474
Nashville, Tennessee 37204
2934 Sidco Drive (615) 254-1658
Newark, New Jersey 07012
Gateway 1 (201) 643-1005
New York, New York 10038
85 John Street (212) 233-2495
Philadelphia, Pennsylvania 19106
Fifth and Market Streets (215) 925-5050
Pittsburgh, Pennsylvania 15220
875 Greentree Road (412) 922-6440
Richmond, Virginia 23230
4906 Fitzhugh Avenue (804) 353-8958
St. Louis, Missouri 63137
9021 Riverview Drive (314) 869-7800
San Francisco, California 94111
One Embarcadero Center (415) 434-3356
Seattle, Washington 98119
200 First Avenue, West (206) 282-4141
Syracuse, New York 13202
677 South Salina Street (315) 472-7511

Alma Mater: IRI

Industrial Risk Insurers is one of the world's finest finishing schools for people whose business is property loss prevention and control. Thousands have taken intensive courses in our Fire Safety Laboratory in Hartford, Connecticut.

Among IRI "alumni" are plant protection personnel of our policyholders; representatives of member companies; agents and brokers; inspection and rating bureau personnel; engineers; architects; federal and state fire marshals; and, of course, our own field staff and research engineers.

Industrial Risk Insurers is firmly convinced that loss prevention is an ongoing process of research, engineering and education. Plus a healthy respect by both our staff and yours for maintaining standards... for accepting only sound protection.

Since 1890, IRI has had the people and has demonstrated the ability

to deliver a better value for your insurance dollar. Such performance, however, would not exist without the commitment by our insureds, our agents and brokers, and our engineers to conserve and protect industrial resources.

An association of 45 leading insurance companies, Industrial Risk Insurers — with domestic and foreign coverage in excess of \$375,000,000,000 — offers proven stability, enlarged capacity, broad property coverage and prompt indemnification.

For more information, contact your agent or broker, or one of our offices listed adjacent to this message.

Industrial Risk Insurers



ESOPs' facts . . .

Continued from preceding page realize that there are other ways of resolving problems than by turning to the local union leader.

"We've had one negotiation since 1974 and the union never spoke of the ESOP," said Mr. Russell, who noted during a question period that E-Systems's 8,000 ESOP participants are no longer known as employees but as E-Teamers.

Bill B. Betz of Monolith Portland Cement Co. had a less optimistic perspective on his firm's ESOP, which controls 68% of the firm's voting stock. Relating that he has had to hold meetings with employees in order to squelch false rumors about the ESOP, he said that the plan's problems are the fact that the ESOP concept is difficult to communicate to workers and that management finds itself under a lot of pressure "by having all its investment eggs in one basket."

Employee motivation, moreover, is not an automatic by-product of an ESOP, either, he said, noting that there can be instances when employee motivation can become a problem, that is, when workers feel so motivated they want to take over the company.

The rising value of company stock can also present headaches, Mr. Betz said. When this occurs, key employees often leave the company five to 10 years earlier than projected, in order to collect the profits on their stock. "We found that we had to have key man insurance," he added.

The third panelist, David R. Trumbull of Mission Marine Associates, gave a mixed review of the ESOP that holds 25% of the voting stock of his \$44 million-a-year company. He said that there were three distinct stages to full implementation of his firm's ESOP. During stage one, he maintained, employees don't understand the plan no matter how hard the company tries to communicate it.

"They simply mistrust us," said Mr. Trumbull. "Everyone knows someone who has been jilted by a pension plan."

The picture brightens in stage two when workers receive documents spelling out information on their share of the ESOP. Employee motivation then improves for about two years as employees begin to grasp the correlation between their efforts and the company's profitability.

The rising goodwill toward the company can subsequently decline, according to Mr. Trumbull,

especially if one unit of the company is reporting rising profits while another is losing money. The result: A lot of tension, he said.

Now that it's in phase three, Mission Marine attributes more advantages to the ESOP than drawbacks. On the positive side, Mr. Trumbull listed the peer group pressure among employees which has upgraded performance and a generally happier workforce and cash flow.

Countering this, however, Mission Marine has found the ESOP can be regarded negatively by potential investors in the company.

The impressive news emanating from E-Systems did not come of its own accord, of course. To begin with, the company decided early not to regard its ESOP as just another employee benefit, said Mr. Russell.

"We wanted it to be the nucleus of a broad system and to create a new relationship with our workers," he elaborated. "Employees were to become involved in the company and to acquire the attitude of ownership."

Beyond this, E-Systems also resolved early that the ESOP was not to be presented in any Madison Avenue style. Rather, a thoughtful approach was adopted whereby the employees were gradually educated by means of booklets, slides and posters that they were about to adopt a new relationship with the company.

To make the workers feel genuinely involved, communication councils were established where employees were encouraged to volunteer their gripes. At first, Mr. Russell said the majority of complaints were of the expected sort such as potholes in the parking lot. Later, as they began to enter into the spirit of being part

owners of E-Systems, employees used the councils to probe more serious matters such as pilferage and product quality.

"The workers were told they had a chance to affect company stock more directly than anyone not connected with E-Systems," he said.

They were also told the facts of life about the stock market such as the irrefutable fact that E-Systems stock could decline in spite of all the quality and productivity improvements made by the E-Teamers.

Tension between good and poor performing units, furthermore, was attacked head-on, said Mr. Russell, relating that resentful employees in the profitable divisions are told "you may be the one to do poorly next year." He said that the clincher occurred "when we passed through dividends."

Panel moderator, attorney Leslie S. Klinger, also had some frank advice for the audience. In his opin-

ion, there is no way that attorneys can write summary plan descriptions (SPDs) in a manner that a lay reader can comprehend. He related that the SPDs that his law firm has worked on have been unintelligible to non-legal minds "even though we used short sentences and easy words."

"I don't have any concrete suggestions about this problem," he continued, "except to suggest that maybe workers should have a strong hand in writing SPDs, with lawyers reviewing their work."

During a question period, there was a query about whether ESOP participants have the right to see their company's balance sheets and turnover figures.

Advised attorney Klinger: "Companies sensitive about financial information should not have ESOPs. If they are not told, employees can sue, saying that had they known the company was going downhill financially, they would have quit."

How To Keep Self-Insurance From Being So

A Guide For The Experienced As Well As The Not-So-Experienced.



No matter how much (or how little) you know about self-insurance, one thing should be obvious: You can't do it by yourself.

There are just too many specialized functions that have to be handled by specialized suppliers.

And if these outside operations aren't as efficient as your internal one, you can end up with problems in determining risks, handling claims and other crucial areas.

Now problems like these can mean money down the drain, but you can avoid them. By getting the best self-insurance specialists in the business.

How can you be sure of doing that? Well, there's no foolproof way, but the following guidelines can help.

If you're new to self-insurance, choose a company that isn't. (If you're an old hand, do the same.)

The simple fact is that self-insurance has become so complex that only the most

experienced specialists are really capable of handling it for you.

Like Crawford & Co.

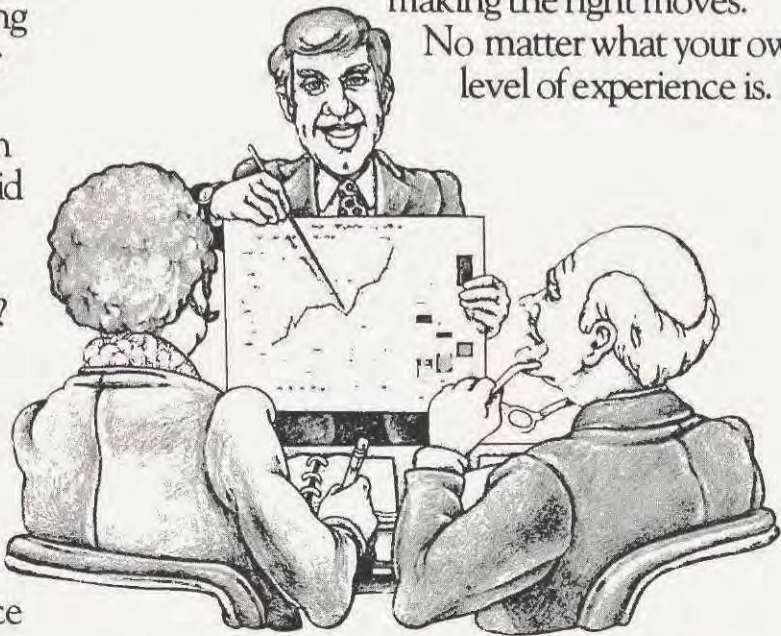
We've been in the field for over 35 years. And during that time we've learned all its ins and outs. As well as all the most efficient and economical ways to get things done.

All of which can make life a lot easier for you. Whether we're helping you set up a program to cover workmen's compensation, product liability or malpractice.

Or helping to support your existing program. With loss control claims or rehabilitation services.

After all, with this kind of experience backing you up, you can be sure you're making the right moves.

No matter what your own level of experience is.



We can help you set up a program. Or help support your existing one.

Whether your people are experienced or not, we can give them a lot of help.



The people who know how to handle it in

COLUMBUS, OHIO

are

THE McELROY-MINISTER COMPANY

141 East Town Street

228-5565

SEE OUR AD ON PAGE 6

ESOPs' impact provokes praise or disenchantment

By JOANNE GAMLIN

LOS ANGELES—Although the majority of companies with employee stock ownership plans or ESOPs are satisfied, even to the point of stating that if they installed the plan again they would make no changes, some companies grappling with problems cite an impressive array of complaints.

The disenchanting group points to problems with ever-changing government regulations, plan administration and negative employee reactions to the ESOPs.

Moreover, while improved employee motivation is often seen as a leading advantage of installing an ESOP, it also appears to be true that an ESOP by itself does not promote employee motivation unless work conditions and employer-employee communications

were good before the plan was launched.

These are a few of the conclusions of the first comprehensive study ever done on companies with existing ESOP plans. The study was sponsored by the Los Angeles-based ESOP Council of America and conducted by five members of the graduate school of management of the University of California at Los Angeles (UCLA).

The 109-page study itself was presented at the first annual meeting of The ESOP Council of America which met May 8 and 9 at the Bonaventure hotel here. The 200-member organization announced at the meeting that next year it will meet in Washington, D.C.

The study, which took seven months to complete, has as its purpose a broad-scale evaluation of

current ESOP experience. Particular emphasis was paid to whether the plans met the intended objectives of the sponsoring companies and to the problems the ESOPs generated.

An ESOP is similar to a profit-sharing plan except that its primary investment is stock of the employer company and distributions to participants must be made in that stock. A 'leveraged' ESOP can, under the tax laws, borrow money to buy employer company stock and pay off that loan out of future cash contributions.

Sheridan M. Cranmer, an attorney and one of the five authors of the study, told the ESOP Council that a total of 850 companies with ESOPs were mailed questionnaires late last year. Of that total, 180 questionnaires were satisfac-

torily completed for a 20% to 21% response.

In addition to the questionnaires, he said his group, which used the study as partial fulfillment for MBA degrees, read everything it could get its hands on in regard to ESOPs.

From the 180 companies whose questionnaires were computer tabulated, it was found that fully 60% were closely held concerns, boasting only two to five shareholders. This fact prompted Mr. Cranmer to tell the council that there is a possibility that the survey contains a selective bias.

Other characteristics of the surveyed companies include the fact that 56.8% have annual sales between \$1 million and \$30 million, that the majority have about 200 employees and that 26% have at least one labor union. All types of

industries were surveyed, although almost 30% were manufacturers.

Thirty-three states were represented in the sample, with a range of between one and eight responses from each state. With its plethora of small businesses, California was the exception; it supplied 42% of the sample.

As expected, the study also found that ESOPs are young, with the average age being only three years.

As for the type of ESOP plan, 85% were characterized as pure stock bonus plans, with the remainder as combinations of stock bonus and money purchase plans. Only seven of the plans were TRASOPs (Tax Reform Act ESOPs) which take advantage of the 1975 tax reform act permitting an additional 1% to 1.5% investment tax credit. That tax credit will be boosted to 2% if a bill, introduced by Senator Russell Long, is enacted.

Company common stock was the investment vehicle held by 93% of the ESOPs surveyed, while the remainder held company preferred stocks.

Forty-three percent of the companies included a "put" in their ESOPs. A "put" gives the employee the right to sell his stock back to the trust within a specified time period subsequent to the distribution. The average length of time for the "put" was 9.3 months from the date of stock distribution.

Only 16% of the ESOPs were leveraged, a low percentage which Mr. Cranmer said might be caused by the administrative complexity of the procedure. "We had expected more ESOPs to be leveraged," he observed.

Improved employee motivation and tax advantages emerged as the two most highly important benefits of ESOPs. Other benefits included improved liquidity, a market for closely-held stock and estate planning advantages.

Mr. Cranmer attributed the high ranking of the two last benefits to the fact that 60% of the companies surveyed were closely-held concerns.

The number one frustration for ESOP sponsors, the survey discovered, was fluctuating government regulations. Mr. Cranmer said that of 172 responses on this issue, 142 cited continually changing rules out of Washington as a major headache.

Indeed, the survey noted that

Continued on following page

Self-Insurance Self-Defeating.

Make sure you get 24-hour claims service that isn't just a claim.

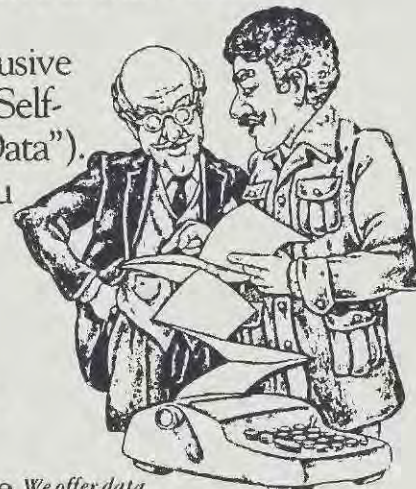
Actually, there are any number of companies who say they offer some kind of comprehensive claims service. The trick is getting the right kind. Like ours.

You see, with over 600 offices in the U.S. and a network of associates abroad, we have the manpower to provide adjusting services

loss experience and provided in a form that's totally compatible with your own internal system. So you don't have to waste time or money converting it.

We call this exclusive service SISDAT (for "Self-Insurance Statistical Data"). And it can provide you with monthly risk statistical analysis reports. Or, if you wish, form the basis for a total loss control program.

Now if you'd like to know even more about how Crawford & Co. can keep self-insurance from becoming self-defeating, just mail in our coupon. We guarantee it'll be in your best self-interest.



We offer data systems totally compatible with your own system.

Gentlemen:

I could use your knowledge of self-insurance myself. So please have your representative contact me.

Name _____

Title _____

Company _____

Address _____

Phone _____

Crawford & Company

P.O. Box 5047 Atlanta, Georgia 30302



The people who know how to handle it in

MIAMI

are

D. R. MEAD & COMPANY
1900 Biscayne Boulevard

576-1101

SEE OUR AD ON PAGE 6

Weyerhaeuser suspends ESOP

TACOMA—Weyerhaeuser Co. of Tacoma, Wa. has temporarily suspended its employee stock ownership plan pending resolution of a dispute with the Securities and Exchange Commission over financial reporting of its stock plan. The suspension affects 7,000 salaried workers, who paid approximately \$9 million to the plan last year.

The suspension means that "accounts have been frozen," said employe benefit manager Richard B. Spitznass. He said stock already purchased will "continue to be subject to vesting rules," but that employes will be offered no new stock.

"The employes are bearing the brunt of this," he added. "We're trying to communicate to them what has happened but it's a difficult subject to understand."

Weyerhaeuser's dispute with the SEC cen-

ters on the company's failure to account for income by product line in its prospectus of its investment growth plan, an SEC requirement and a generally accepted accounting principle. Weyerhaeuser has contended that breaking down earnings by product line would be "misleading since it would require subjective judgments on cost allocation and transfer pricing." The company said its integrated facilities allow raw materials to flow from one product line to another within the same plant, and that to separate these figures from the total picture would be "a fiction."

Mr. Spitznass said the company expects that the accounting issue will be "resolved in a very short time span." The employe stock ownership plan was suspended "very reluctantly" May 1. SEC staff members are reviewing the dispute.

ESOP experience . . .

Continued from preceding page
one respondent said it was thinking of abolishing its ESOP "because of red tape and too many government changes which are making the costs too high."

Next in line as a problem was administrative complexity which the survey linked to the requirements associated with stock valuation and handling. Still other problems were employe reaction to the plans and ongoing costs.

Because many of the companies had no prior experience with a benefit plan, the survey suggested that some of the concern expressed about complexity and costs may be applicable to employe benefit plans in general.

Loss of confidentiality, which numerous ESOP observers thought might be a problem, was not cited by any survey respon-

dents. In fact, 70% of them asserted that any change in confidentiality does not constitute a difficulty for them.

However, the fact that an ESOP invests almost solely in company stock, meaning a worker and his retirement fund are dependent on a company's performance, was cited as a substantial weakness by several companies.

The entire area of employe relationship with an ESOP was found to be ambiguous. For openers, while Mr. Cranmer pointed out that some firms complained that employes were motivated to leave early because of the cash they received from the sale of their company stock—in fact, sometimes to set up rival firms—he also noted that other employers considered the liquidity for departing employes as a benefit.

Further, the survey found little or no difference in the level of employe motivation resulting from the benefit plan. It pointed to the complexity of the plan and the difficulty of making an intangible benefit appear real as the reason for employe confusion and indifference.

"The effect of the ESOP on employe motivation seems to be a distinctly individual phenomenon which is related more to the company's prior condition than to the event of ESOP installation," said the study.

"Even in those companies where perceived employe response was considered good, management stressed the importance of an ongoing educational program to sell the ESOP concept. As employe understanding of the plan was rated fair to poor by 71% of the companies responding, the need for better communications is further underscored."

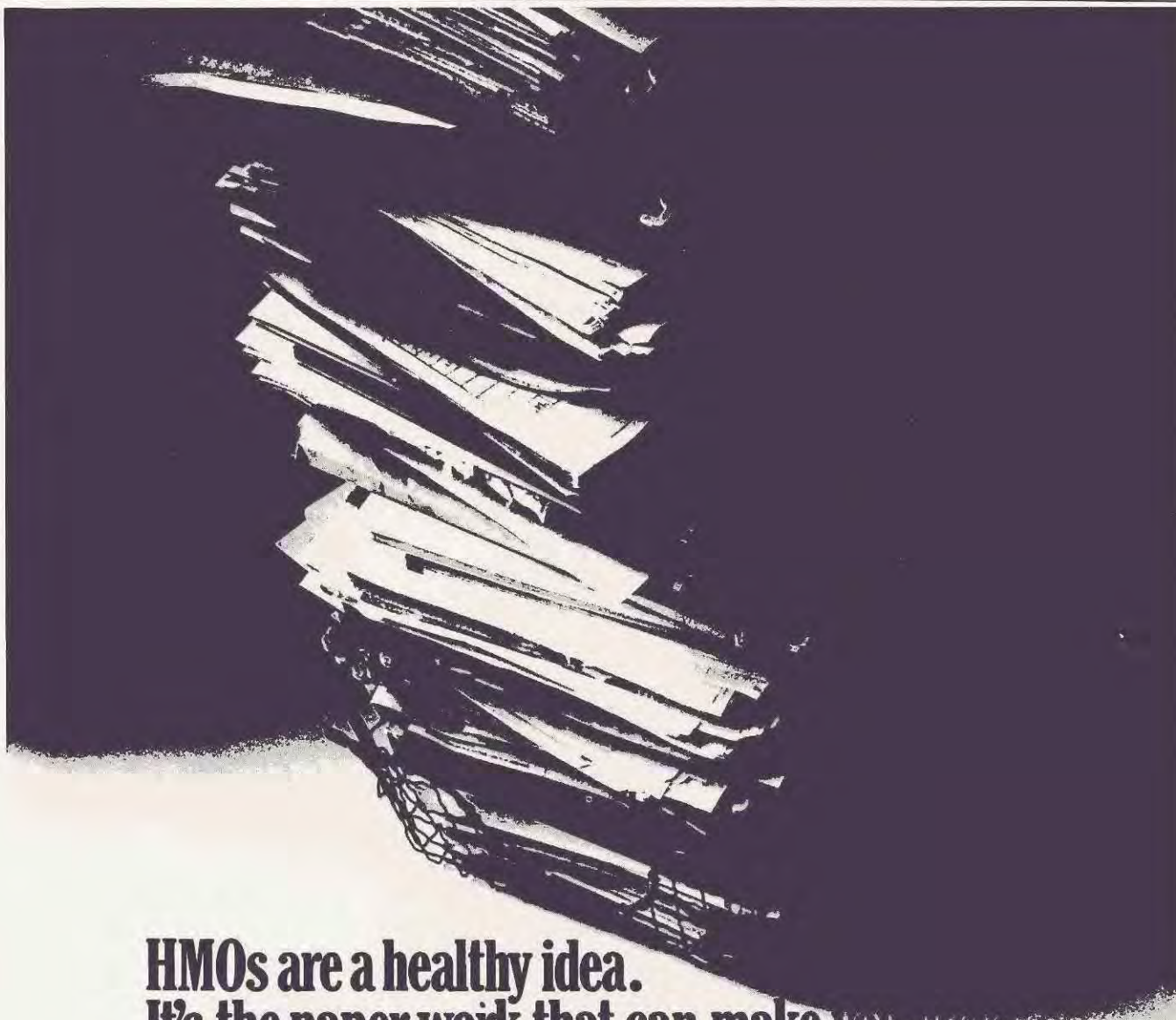
Bill to require 10-minute breaks

HARRISBURG, Pa.—Virtually all Pennsylvania employers would have to give workers paid 10-minute breaks during every four-hour period under terms of a bill approved by the House Labor Relations Committee.

The state labor and industry department is seeking passage of H.B. 2302 to end what it termed confusion over what firms and businesses are covered by federal or state wage rates. The rest and lunch period provisions in the measure are not in current U.S. law.

The bill mandates an unpaid half-hour lunch period after five hours of work, unless mutually waived by means of an agreement between employers and their employes.

However, paid 10-minute breaks in a suitable area away from work stations would be required during every four-hour period—and in the middle of such time if practicable. ■



HMOs are a healthy idea. It's the paper work that can make you sick.

Health Maintenance Organizations cover people for practically all their health care needs for a fixed monthly fee. And HMOs can help control rising health costs.

But the federal HMO law creates some new problems for employers offering HMO options to their employees. As an employer, you'll need to make a careful evaluation of any HMOs you're considering. This is vital because the HMOs you select must be able to guarantee delivery of health care services to your employees. You'll need to communicate the HMO concept and its benefits to your employees. And you'll be plagued by an epidemic of paperwork—additional forms, bills and procedures for each HMO.

To help employers, NWNL has established a unique HMO Services unit. Our specialists in HMO Services will help you evaluate specific HMOs. Then, we'll work with you to design a communications program for your employees—including a detailed Guide to HMOs and a specific Benefits Comparison. We'll eliminate most of the paperwork by coordinating the administration of *all* of your

HMO options through our unique HMO Employer Administration Service.

In a sense, we will actually become your "HMO Department."

Want more information? Send the coupon to Al Benson, Route 1153. He'll send you a booklet which details our new HMO Services. They may save you money. For sure, they'll save you some paperwork.

I'd like more information about HMO Services. Send me your booklet.

Name _____

Address _____

City _____

State _____ Zip _____



NORTHWESTERN NATIONAL
LIFE INSURANCE COMPANY
BOX 20 • MINNEAPOLIS, MINNESOTA 55440

independent
CONSULTANTS...
insurance and employee benefits

complete analysis
we do not sell or
place insurance



**CORPORATE
POLICYHOLDERS
COUNSEL, inc.**

20 North Wacker Drive
Chicago, Illinois 60606
Phone: 312-372-8225

Washington MAPs road to insurance

By HARRIET KING

SEATTLE—A collective effort is underway to bring insurance companies together with manufacturers, wholesalers and retailers here who either can't afford or can't find product liability insurance.

The program, the Washington product liability market assistance program, MAP for short, is being implemented by state insurance commissioner Dick Marquardt. It is similar to market aid programs already working in states such as Connecticut, Illinois, California and Wisconsin.

"We feel that this is a way for the industry to get involved in helping people," says Larry Kibbee, regional director of the Washington Insurance Council, which is administering the program. Officials within the state government and insurance industry have been alarmed at the number of businesses which have opted to go bare for product liability recently because of rising costs on insurance or a lack of insurance markets, he says. "We feel that no one should have to go bare—we should be able to work the problem out somehow."

Consequently, the state worked this spring to bring industry factions together in the program. "It's a temporary, all-industry voluntary program, created to respond to a perceived need to assist Washington risks in obtaining product and completed operation liability insurance coverage," says Mr. Kibbee. The program is restricted to businesses headquartered in the state.

Paul Ratliffe, the state's chief deputy insurance commissioner, was the program's catalyst. He became concerned because of the number of calls his office received in the last year.

His program was derived from guidelines set down by the National Assn. of Insurance Commissioners. Mr. Ratliffe also drew from the experience of states with similar plans. "We tried to pick the best of each state's program to make a trouble-free plan, although at best we'll probably have some problems because this is a very controversial subject. But we feel we can get things done if the problems are discussed in a calm and cool atmosphere," says Mr. Ratliffe.

The program became effective May 1 but officials say it is still too early to determine how many businessmen will come to MAP for aid. "We're just now in the process

of letting agents and brokers know that the program is available," says Mr. Kibbee. To date, six insurance companies have agreed to participate—Safeco, United Pacific, Aetna Life & Casualty, Travelers, Hartford and Allstate.

The problem is especially critical in Washington because the state's product liability law is based on the doctrine of strict liability where everyone in the chain of commerce, from the manufacturer to the distributor to the retailer, can be held equally liable "for the entire load" if a suit is brought, notes Mr. Kibbee. As elsewhere, costs and requirements for coverage have escalated recently.

"We feel that the thrust of those requesting our services will be small or medium-sized manufacturers or those who manufacture products that have an extreme po-

tential for problems, such as chemicals, etc.," says Mr. Kibbee. "We feel that the large manufacturers are already self-insuring or have placed their liability coverage regardless of the cost."

But examples abound of those who have problems. William Robinson, chairman of the Assn. of Washington Businessmen's task force on product liability, says that a Spokane ski chairlift manufacturer dropped its coverage last year after its product liability premium jumped from \$60,000 a year to \$300,000. The latter figure included a \$100,000 deductible.

"The company managers had three options: They could pay the insurance costs and have nothing left over for profits to give shareholders, the 85-year-old company could go out of business or they

could go bare," says Mr. Robinson. "We've had dozens of other companies testify at state hearings on the subject that they also intend to or already have dropped their coverage."

In another case, he notes that a Washington company has spent over \$1 million in developing a new ski binding that is safer than others on the market. "But the company managers found out that they are now in a situation where they simply can't insure their product and sell it at a cost that is competitive with European imports. So it is shelving the new product until insurance costs become more realistic," claims Mr. Robinson.

To get a handle on the extent of the problem, Mr. Robinson is sending out questionnaires to all members of his association to find out

Continued on following page



Photo: Hamet King

Larry Kibbee is trying to get a handle on Washington's liability problem.



Are you getting a grip on insurance costs?

Or is it the other way around?

Insurance should protect you against ruinous financial drains, not cause them. But, before you can control costs, you have to control exposure.

That's why so many business people, professionals, associations and self-insurers come to Poe & Associates for professional risk management. We help each client pinpoint specific risks, then reduce those risks through sound management techniques. And we write liability, property and group insurance programs tailored to each client's individual needs.

Don't let insurance costs get a stranglehold on your capital. Write or call for help today.

poe

Poe & Associates, Inc.
Florida's first publicly-held agency/OTC. Tampa, Florida 33601
You can be sure of us.

Tampa (813) 228-7361 Orlando (305) 896-7231
 Orlando (305) 273-3770 Venice (813) 488-6738
 Miami (305) 751-9765 North Port (813) 426-5001
 Ft. Lauderdale (305) 491-1080 Jacksonville (904) 398-1112 Lakeland (813) 687-0212
 Winter Haven (813) 294-7541

Toll-free service:

Orlando Area 422-3860 Pinellas County 461-2311 All other Florida cities 1-800-282-0593



The people who know how to handle it in

HOUSTON

are

JOHN L. WORTHAM & SON

2727 Allen Parkway

526-3366

SEE OUR AD ON PAGE 6

Washington MAP . . .

Continued from preceding page the status of their liability insurance coverage. "I want to find out how many don't have proper coverage that should," he says.

No one is promising that in every instance the coverage will be forthcoming, however.

First, if a businessman wishes the assistance of MAP, he files a \$50 fee with the Washington Insurance Council.

The applicant must also fill out a detailed questionnaire noting the type of company it is, its customers and markets, products and past liability history.

Then a six-person producers' committee composed of personnel from six agencies and brokerage firms statewide will try to match the businessman with an insurance company. If that fails, the matter is turned over to an under-

writers' committee which includes six senior underwriters from the insurance companies.

If the problem is one of availability, the producer may re-market the risk to the businessman's present underwriters, if he had insurance and was dropped for some reason.

"If he fails to place the coverage, then the matter goes to the underwriting committee. Then, if the underwriters can't assist, the problem is submitted to an overall, eight-person advisory committee composed of other agents and brokers and insurance company personnel. The advisory committee will see if anything else can be done. If nothing can be done, a letter is sent to the original producer and he informs the businessman that he is not a placeable risk," says

Mr. Kibbee.

If the individual filing for help does so because he cannot afford the product liability coverage, the matter automatically goes to the underwriters' subcommittee.

"In this case, the committee acts on the rule that affordability will be distinguished from cost by definition. Unaffordability is defined as the inability of the insured to pass the increased costs of coverage on to customers over a period of time because of a predetermined pricing problem," says Mr. Kibbee. The MAP committee will then initiate efforts to assist in placing the risk.

Mr. Ratliffe also notes that when it is a matter of affordability, a couple of safeguards are built in. "Our full advisory committee has as members a couple of old timers in the business, so if an insurance company is asking for an excessive premium amount, our troubleshooters may be able to say 'Hey, that is just too high of a rate.'" ■

Firm goes bare, doubts MAP can place its risks

SPOKANE, Wash.—Executives at Riblet Aerial Tramway Co. who made the decision last year to go bare on their product liability coverage fear that even the newly formed Washington market assistance program will not be able to find them affordable coverage.

"We have a competent broker who is investigating the market for us. He has investigated domestic, London and Swiss markets. But frankly, that coverage just is not out there," says Tony Sowder, president of the 82-year-old firm.

Mr. Sowder made the decision to drop the coverage after he saw his premiums "jump geometrically" from \$20,000 a year about five years ago to \$60,000 and finally to

\$300,000.

"It has left us numb—I wish I could sleep better at nights. But we had no choice—we were forced into going bare," says Mr. Sowder.

As far as Mr. Sowder can determine, awards against the company have been few and relatively small. "As nearly as we can tell, our insurance company may have made a \$50,000 settlement once in the early 1960s. But since that time, the highest award was for \$12,000. Our claims history has been good and claims payout had been nowhere near the premiums we paid," he says.

Yet, on a given winter weekend day, five million skiers ride on the 400 chairlifts that Riblet has installed over the last 30 years.

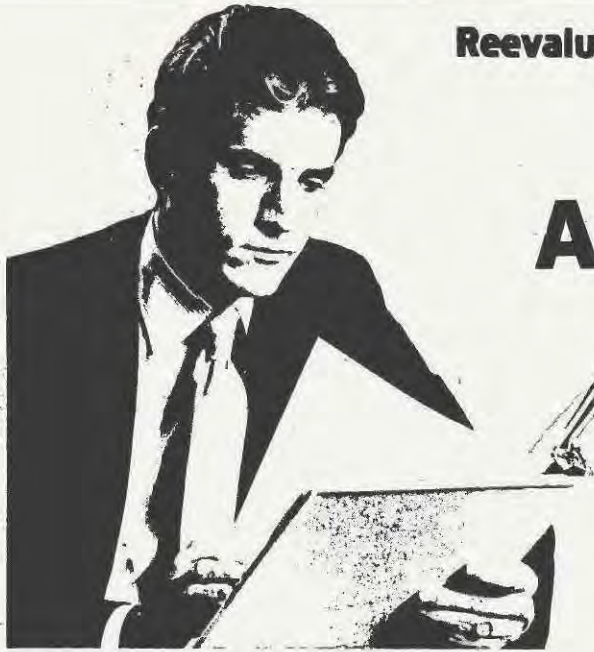
The Hartford Insurance Co. had been Riblet's insurance carrier for some 25 years, "but then I think their people just sat down and said 'we'd like to drop this company because of the potential for risks' and so they raised our insurance to the point where we couldn't afford it," says Mr. Sowder.

"We even said we'd self-insure for the first \$500,000 and we wanted a \$5 million umbrella over that. But no one would even give us that coverage. Now, after this Squaw Valley thing, it is going to be even more difficult.

"We've even been named in suits when people deliberately hit the chairlift towers. They tell the court that we put the towers in the wrong place. Luckily, we've never been successfully sued in a case of this type. And in some states like Washington, new legislation on the books makes it impossible for people to bring this type of suit."

Mr. Sowder also believes that if his company only had five chairlifts in operation and the company was only three or four years old, "then we wouldn't have all that potential for liability and we'd look better as a risk. They don't take into account that we are one of the most stable chairlift companies in the world.

"We feel that the products liability insurance problem is serious but even our own U.S. senator, Warren Magnusen, said in Senate committee hearings last year that the situation 'was not critical.' I guess the situation only reaches a critical stage after companies like us are forced to go out of business." ■



Reevaluating your safety engineering programs?

Call in your James Account Executive...

He'll put James' technical services specialists to work for you.

Introducing James' "Service-in-Depth" concept. An international corps of experts available to design, evaluate and implement modern safety engineering programs—whatever they are, wherever they are. These James specialists will help you control loss to property and earnings and, most importantly, help prevent human injury.

Available throughout the country—through your James Account Executive.

When you contact James, an Account Executive experienced in your industry is assigned to your company on a permanent basis. He becomes thoroughly familiar with your corporate structure, your operations, your unique risk management requirements.

Depending on your needs, technical services representatives make inspections for the purpose of preventing losses and producing minimum insurance rates. Loss-control systems are tested and hazards carefully checked. Written reports confirm important findings to you.

James' "Service-in-Depth"—the answer to all your safety engineering needs.

James has technical service capability in OSHA regulations, nuclear energy, products liability, automobile and truck fleet safety, and more. All are available either as part of James' insurance brokerage service, or on a fee basis as an adjunct to brokerage functions. They are also available as an independent service for which a fee is charged.

For further information on this aspect of James' "Service-in-Depth," contact your nearest James office or write Reynolds Blossom, Communications Department, Fred. S. James & Co., Inc., 230 West Monroe Street, Chicago, Illinois 60606.



James

FRED. S. JAMES & CO., INC.
Insurance Brokers Since 1858

Insurance and Risk Management Services
Through More Than 100 Offices Around The World.



The people who know how to handle it in
GREENVILLE, S.C.

are
CAINE COMPANY
111 Williams Street
242-6840

SEE OUR AD ON PAGE 6

agent/broker topics

a regular editorial section exclusively for agents and brokers

National brokers gobble local firms, carve niches to slice up Seattle's growing pie

By HARRIET KING

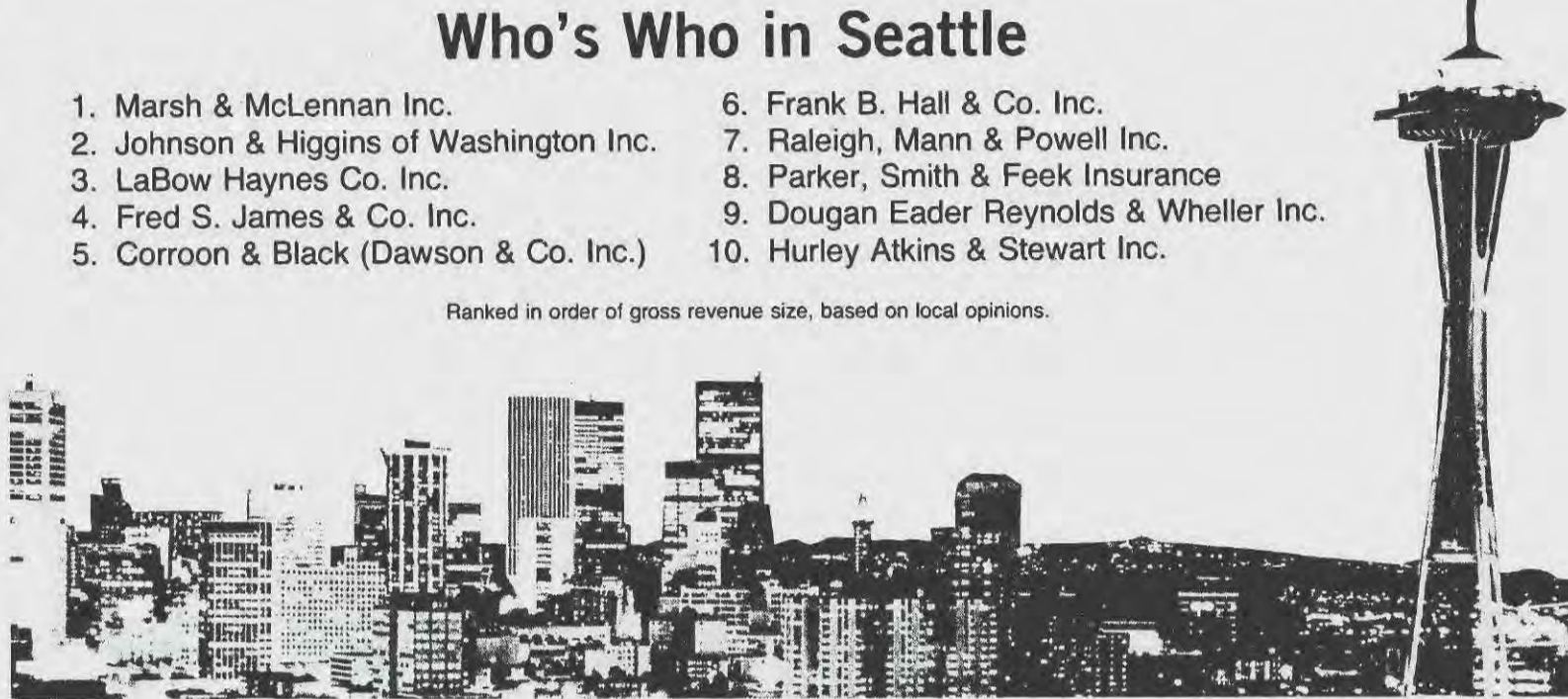
SEATTLE—This port city of hills, evergreens, lakes and mountains is the hub of commerce for the Northwest and Alaska. Yet, some insurance brokers say, Seattle's in its infancy in terms of its tremendous economic growth potential. It hasn't even started to reach a mature growth cycle.

Consequently, most national brokerage houses have positioned themselves in this market in recent years. Aided by the area's diversity, they've carved out their niches, expanded their specialties and are achieving growth that exceeds or parallels the economic growth of the region.

"The area's economic fiber is intertwined with factors that are not necessarily interrelated," observes Joseph Gregov, assistant vp of Fred S. James & Co. Inc.

One of the strongest economic influences is the Boeing Co., the giant aircraft manufacturer. Analysts note that when Boeing coughs, Seattle gets a cold. If so, Seattle currently has a clean bill of health because Boeing is working with a \$6 billion order backlog and, this year alone, will add 8,000 jobs for a total of 60,000 employees.

Adding to the diversity, millions of acres of timbered slopes support numerous forest products industries—the largest, the highly profitable Weyerhaeuser Co. The ports of Seattle and Tacoma on Puget



Who's Who in Seattle

1. Marsh & McLennan Inc.
2. Johnson & Higgins of Washington Inc.
3. LaBow Haynes Co. Inc.
4. Fred S. James & Co. Inc.
5. Corroon & Black (Dawson & Co. Inc.)
6. Frank B. Hall & Co. Inc.
7. Raleigh, Mann & Powell Inc.
8. Parker, Smith & Feek Insurance
9. Dougan Eader Reynolds & Wheller Inc.
10. Hurley Atkins & Stewart Inc.

Ranked in order of gross revenue size, based on local opinions.

Sound, too, are among the busiest in the world and are the focus of a booming import and export trade. Shipbuilding is important and the marine industry in general is becoming stronger. Also crucial are construction, agriculture and manufacturing.

Thriving in this fertile economy are the national brokerage houses

which have often outpaced the growth of the regional insurance vendors. They've gained momentum quickly by acquiring some of the leading local firms, snaring the lion's share of the jumbo accounts.

Marsh & McLennan Inc., for example, arrived 12 years ago and today reigns as the largest house in

Seattle. Its largest account is Weyerhaeuser and the office is one of the most productive of M & M's 80 offices nationally, says office manager Ron Sheron.

M & M's Seattle entry came with the outright purchase of the D. K. McDonald Co. Now, the firm employs 110, plus eight consulting engineers and a couple of nuclear

consultants.

Mr. Sheron feels that "the majority of business is going to larger brokers in the community because of their competency. I haven't noticed any smaller regional brokers making inroads today in the large accounts because they would need a tremendous staff and sup-

Continued on page 74B

MAP groups nudge insurers, achieve goals

By BARBARA JEAN GRAY

CHICAGO—When product liability markets tightened to what many insurance marketers felt was a "crisis" degree in late 1976, state-wide committees of agent/brokers and insurance company executives teamed to pry those markets open again.

An often unspoken goal was to stave off residual markets, the industry's answer to similar shortages in auto and medical malpractice in recent years to the delight of practically no one.

After nearly one-and-a-half years since the prototype market assistance program accepted its first application, a survey of 15 commercial insurance agents and brokers give the state plans mixed reviews.

Those who have made applications to MAPs reported that there have been some administrative delays, communications problems and semantical snares. But overall agents and brokers felt that MAPs are accomplishing their goal: to exist as an implicit arm twisting to insurers to "re-think" rejection of some hard-to-place risks. At the same time, agents submitting applications have their sincerity tested by comprehensive application forms and fees which may range up to \$150.

Summing up the overall impact of the country's first MAP in Connecticut, Albert Ridinger, president of Insurance Management

Inc., said, "The fact that MAP is in existence means that the insurance companies know they will be in conflict with MAP so they'll instead go along with insuring the risk, rather than go through MAP.

With no such program, they wouldn't take the risk. MAP has encouraged companies to write product liability and if anything can be done to assist the manufacturer to get coverage on a direct

basis without a joint underwriting authority, I'm all in favor of that.

"Because of MAP, insurance companies have been providing a market where there may not have been one otherwise and sometimes

at a better price than we would have been able to get otherwise." These benefits have accrued to the New Haven brokerage firm strictly as overflow since it has not had the

Continued on page 74K

Market Assistance Programs

| State | Applications sent to | Began | Fee | Applications* | Resolved | Resolution | JUA legislation |
|--------|-----------------------------|-------|---------|---------------|----------|------------|-----------------|
| Ark. | Ind. Ins. Agents of Ark. | 12/77 | \$150 | 4 | 4 | 100% | No |
| Calif. | Ind. Ins. Agents of Calif. | 3/78 | \$ 50 | 12 | 0 | 0 | No |
| Conn. | Ind. Ins. Agents of Conn. | 1/77 | \$ 25 | 115 | 110 | 96 | Yes |
| Ill. | Chgo. Bd. of Underwriters | 5/77 | \$150 | 109 (3/31) | 82 | 75 | No |
| Kan. | State insurance department | 4/77 | none | 40 | 28 | 70 | Yes |
| La. | State insurance department | 4/78 | \$ 50 | 2 | 0 | 0 | No |
| Maine | Ind. Ins. Agents of Maine | 3/77 | \$ 50 | 10 | 10 | 100 | No |
| Mass. | Chairman of Review Comm. | 6/77 | \$ 50 | 98 (2/1) | 63 | 64 | No |
| Mich. | Ind. Ins. Agents of Detroit | 6/77 | \$ 50 | 132 | 57 | 43 | No |
| Minn. | Ind. Ins. Agents of Minn. | 8/77 | \$ 75 | 25 (3/15) | 17 | 68 | No |
| Mo. | Ind. Ins. Agents of Mo. | 3/78 | \$150 | 1 | 0 | 0 | No |
| Neb. | State insurance department | 8/77 | \$ 10 | 6 | 6 | 100 | No |
| N.H. | State insurance department | 1/77 | \$ 50** | 35 approx. | 29 | 83 | Yes |
| N.J. | Ind. Ins. Agents of N.J. | 5/77 | \$ 25 | 40 | 36 | 90 | Yes |
| Ohio | State insurance department | 9/77 | none | 72 (3/10) | 60 | 83 | No |
| Pa. | Chairman of Advisory Comm. | 5/77 | \$150 | 19 (3/27) | 15 | 79 | No*** |
| S.C. | Ind. Ins. Agents of S.C. | 1/78 | \$ 25 | 3 | 0 | 0 | No |
| Tex. | State insurance department | 12/77 | \$100 | 22 | 6 | 27 | No |
| Va. | Chairman of Advisory Comm. | 5/77 | none | 18 | 17 | 94 | No |
| Wis. | Ind. Ins. Agents of Wis. | 3/77 | \$ 25 | 73 (1/11) | 53 | 73 | No |

* as of 4/10/78 unless otherwise noted

** effective 1/1/78. No fee was charged during the first year of operation

*** pending

Seattle brokers . . .

Continued from preceding page
port facilities to handle the increased amount of business that we're getting from each commercial account."

But he and others agree that there is still a place for smaller brokers. Breaking down Seattle's brokerage hierarchy, four firms in the first tier employ between 90 and 120 persons. In the second tier, five employ between 50 and 70 persons and the third level is composed of firms with around 20 employees. However, quips one broker, "there are easily 15 companies that could qualify among the top 10." In the final tier are hundreds of small agencies, often one-man operations.

There are plenty of smaller commercial accounts for smaller brokers to handle. Over 89%, or 150,000, of all business firms in Washington are small businesses, according to the Small Business Administration. They account for 90% of the wholesale-retail firms, 97% of fishing, farming and forestry operations, 93% of the service industry and 94% of the construction business. Collectively, they account for 53% of the state's gross product.

Also, new incorporations were higher in 1977 than the national rate, while the number of business failures was lower. The state posted a 27.2% increase in new firms compared to a national rate of 11.5%. The state also showed a 49.1% decrease in business failures, compared to an 18% decrease nationally.

"There is plenty of commercial business for everybody. You don't get squashed by large brokers if you do your job right," says Mr. Gregov at James. "There is plenty of room for the smaller broker if he gives service and develops good accounts. Plus, there is a growing market in this area. I feel there are more people in the market today than ever before."

Marine's sailing

Robert LaBow Jr., president of LaBow, Haynes Co. Inc., adds: "Some small firms specialize and are very good in what they do. This is a people business and they keep going because of the rapport they've built with certain clients over years and years."

"And when the markets soften, the smaller agents shoot at accounts they wouldn't normally shoot at," says Mr. LaBow. He believes that the insurance markets are still tight for some lines, like product liability coverages, "but there are signs that in other areas the market is softening."

Some brokers consider LaBow Haynes to be a regional firm, but others place the company in the national ranks. The brokerage, begun by Mr. LaBow's grandfather 48 years ago, was acquired by the Kemper Insurance Co. in January 1974. However, "we did not have a management changeover and operate totally autonomously—which is the way we wanted it," says Mr. LaBow. "Our competition is with the national houses. We're right in there with them."

LaBow Haynes employs 120 persons today, up from about 100 persons five years ago. "Our revenue gains have been healthy, but a lot has come out of rate increases. Our projections for this year, however, are that rate increases will account for a relatively insignificant part of our growth," says Mr. LaBow.

He declines to pinpoint any area of specialty, but notes that the marine business has been growing very strong in the last few years and "is having a big impact on the Seattle area . . . at least that is what the bankers say."

Mr. Gregov at James concurs.

"The fishing industry has been through a great deal of pure leap-frogging growth in the last two years. It has made great strides because of the 200-mile limit. And as food prices have risen in the last few years, fishing has become a more profitable business. Consequently, we've seen an influx of people into that industry because the returns have become more attractive. However, we don't know how long this growth will continue," Mr. Gregov explains.

James has maintained Seattle offices for over 20 years and has acquired three local brokerages in the process, over the last 10 years. Employment now rests at 90 persons.

Modern port

As a reasonably large company, James has interests in many diverse areas but is known for its experience in covering various ports. In this category, the largest is the port of Seattle, one of the important ports of the world and one of the strongest on the West Coast because of its modernization and ability to handle containers. The company also handles the port of Tacoma and many smaller ports.

James, too, is known for its expertise with school districts and has a larger number of school districts than most other local brokers. The company also is big in wood processing and log trucking.

Mr. Gregov says James doesn't favor only large accounts. "We try to emphasize profitable accounts that we can take care of, whether big or small, because we feel we have a role to fill," he says. And James has evolved with the times as insurance matters have become more complicated and competitive. "We pay a lot more attention to the customer than we used to," he says.

One of Seattle's plums, the Boeing Co., has been carefully nurtured over the years by Johnson & Higgins of Washington. Notes vp Clayton Nichols, "our biggest market is aviation."

One of Seattle's oldest brokerages, Johnson & Higgins entered the market in 1901, some 56 years after its organization in New York. The lure was the increased importance of shipping in the Pacific Northwest. In its early years, Johnson & Higgins of Washington concentrated on marine brokerage business, as did the parent company. (All hull insurance on the Titanic was placed by the J & H home office and one other firm before the liner went down on her maiden voyage in 1912.)

In 1963, J & H merged with another leading Seattle house—Horder, Jacobs and Speck Inc.—and today employment totals 94 persons. The company is represented in almost every market sector, says Mr. Nichols, who adds that J & H does "a lot of foreign business in the Orient and Europe because we have strong operations and clients that are involved in overseas business."

"We're growing quite rapidly, although we are discovering qualified employees difficult to find," says Mr. Nichols. This is a problem for a number of other brokers as well. M & M's Mr. Sheron notes, "we have a shortage in all technical positions. This is partly because insurance companies in the past have been suppliers of well trained personnel. But they have been paring their training programs in recent years." M & M recruits 50% locally and 50% nationwide.

The last person that Frank B. Hall hired was an aviation expert "from Vancouver, B.C., via England," notes Dennis Roarke, controller. Hall employs 70 persons and managers prefer to find people

Views on perennial pirates

Do you think producers should be able to take their accounts with them when and if they leave an agency? What would you do if your best producer went to your competition and took his accounts with him?

Agent/Broker Topics posed these questions to agent/brokers around the country and received these responses:

Jerry McCord, president of McCord & Holdren Inc. in North Hollywood, Calif.: "If the business is produced and serviced by an individual who is receiving pay—either in the form of commission or salary—and that business is placed and serviced by the agency, the business should be the property of the organization. Should the producer leave, he should have no legal or moral right to the business. The insured does have a right to contact the producer at his new place of business, but the producer should try to avoid that situation."

Mr. McCord said if his best producer left and took accounts with him, "I would do everything in my power, including legal action, to stop it. I would be willing to spend five times the commissions to do it." This applies to structured organizations where the producer is an employee and not to individual producers who own their own book of business, he said.

Edward G. Gilbert, president of the Gilbert-Magill Co. in Kansas City, Mo.: "I think it depends on the arrangements the people have made at the beginning of the employment. If the agency opens its files to producers then the answer is 'no.' We have a non-piracy contract valid for three years after the termination of employment which we would seek to enforce. We have had the situation come up a few times with no problems."

"If someone comes in with a book of business and things don't work out, he can take a stipulated amount with him, also based on agreement. All these things are negotiable and depend on the circumstances."

Robert C. Rust, president of the Rust Insurance Agency in Fargo, N.D.: "I don't think they should. There are a lot of costs that go into running an account and that is worth some money. A producer may handle the accounts, but the back-up people cost money and as such have a bearing on the value of the account. If the producers want to buy the business, that's a different situation."

"I have a non-piracy clause, not non-compete, in my agency contract and I would use legal means to get an injunction if my top producer joined my competition and took his accounts with him. If he wanted to buy the business, I would give him the opportunity to do so."



locally "although we find we have to pay a premium to get them."

Hall opened its Seattle office in 1969 with the acquisition of Calcott Carroll. The entire CC staff was kept on as "we've traditionally been strong in marine coverage and CC was, too. We have a healthy percent of the marine business and anticipate that we will remain strong in this field," says Mr. Roarke. "Seattle was a natural where Hall decided to go national in

1969, because of this marine business."

Stable growth

Mr. Roarke notes that Hall is also strong in aviation, general property and casualty and in employee benefits. During the 1970s, the company acquired four small firms and it now caters to medium and large sized corporate accounts.

"We've seen a pretty good

growth pattern in all areas of industry. Growth has been more stable in this region which has not had the peaks and valleys that we've found back East where you find more cyclical industries," says Mr. Roarke.

Of the remaining national firms, Corroon & Black Corp. entered the market several years ago but was not much of a factor until it recently acquired Dawson & Co.

Continued on following page



'Our competition is with the national houses. We're right in there with them.'

**—Robert LaBow Jr.
LaBow Haynes Co. Inc.**



'The majority of business is going to larger brokers in the (Seattle) community because of their competency.'

**—Ron Sheron,
Marsh & McLennan Inc.**

Seattle brokers . . .

Continued from preceding page Inc., which has over 60 employees and diverse accounts. Dawson's former managers have stayed with C & B.

But a company that has resisted all attempts to merge with big nationals is Parker, Smith & Feek. It is one of the largest independent brokerages in the Seattle area and specializes in construction, transportation and light risks.

Rather than sell out, owners of the company that was organized in 1937 elected to sell to the next generation rising within the firm. Now, the company's biggest problem is "how to handle a growing number of clients," notes a company manager, "and how to deal with all the referrals we get—although this is a beautiful problem." The company has the reputation of handling quality clients.

President Keith Douglas feels that an advantage of being locally owned is that top managers can make an important decision "within 24 hours if need be." Commercial lines account for 95% of the company's business and the firm has been involved in insuring most of the major buildings that have altered Seattle's skyline during the last decade.

Another regional brokerage firm, Dougan Eader Reynolds & Wheller Inc., has similarly resisted pressure to merge with large firms, although office manager Lillian Aardahl notes "you'll always have the big brokers trying to buy the smaller ones." Dougan Eader's growth has been strictly internal; the firm hasn't acquired other brokers. "We just don't operate that way," says Mrs. Aardahl.

DEWR employs 50 persons with four principals, putting the company in a state of continual evolution, says Mrs. Aardahl. "Everytime we get new people we change, as these people bring new ideas with them and we evolve as they attract new business."

Visible regionals

Hurley Atkins & Stewart Inc. is another growing regional that the nationals keep a close watch on. The company with four principals began in 1955 and now employs 27 persons. "We're trying to develop a fairly well-rounded staff. Our specialty is construction and we're just commencing with a marine department," says vp James Atkins. "We're active throughout the Northwest, but our center of gravity is in western Washington."

Hurley Atkins deals mainly with medium sized commercial accounts. "We've experienced very satisfactory growth, particularly in the last 10 years. We are very satisfied with the market," says Mr. Atkins. "We've found an area, a spot that makes sense for the type of accounts we're after, which is locally-owned corporations of medium size."

"But the nationals, from what I've read, will look more at our market in the future. We think we have good access to our markets and an adequate number of carriers interested in doing business with us. We add to that top talent by offering higher incomes than these people would receive in a national brokerage firm. That is a key to the success of a regional." The company acquired several small agencies in the last five years.

A number of other small but quality brokers are among the names mentioned by the national brokers as being important market factors. They include the John A. Soderberg Co. with four principals and 20 employees, which has a broad base of clients including municipalities, schools and hospitals. Others are Stanley T. Scott & Co., Hall-Conway-Jackson Inc.,

and Pettit-Morrey Co.

When brokers talk about Seattle-area peers, they also frequently include Raleigh, Mann & Powell in neighboring Tacoma. This regional employer of 51 persons had its origins in 1887 and evolved to its present form in 1956 when current chairman Jack Powell joined the firm.

"Nearly 50% of our business is with Tacoma," says Mr. Powell. Tacoma's economy is strong, too, he says. "I can look out my office window and see ships waiting to get into our ports to unload, a healthy sign for the economy of our city (one of his clients). A deluge of building is underway, too, a hotel, minidome, etc. In 10 years, you won't even recognize the downtown."

"We've also seen a diversification in the entire Puget Sound area

with hundreds of small firms that provide support for large manufacturers. Boeing slops over into everything and we write accounts on companies who manufacture for Boeing," says Mr. Powell.

He prefers medium-sized accounts and as a general broker "we write everything but are probably known for our expertise in lumber, shipping, hospitals and schools."

People place

"This is a personal business and often depends on who you know. So our people are active in civic affairs and have an ear to the people in government. But we also believe a small firm can do a better job. With local ownership (RMP has 16 principals) we can key in easier than a bigger broker, we're more pliable and versatile and can make decisions here. But we don't have some of their resources such as marketing, and some (larger houses) even own their own sur-

plus line companies.

"But people today are looking for coverage, service and cost regardless of who performs it and demands for broker expertise are increasing," says Mr. Powell. "So we emphasize education of our people. We also felt we had to have expertise in risk management and consequently, hired eight risk managers so that we can relate to our customer who often has a risk manager," says Mr. Powell.

He has lost some clients but not through his lack of expertise. "Some clients merge with national companies and then the insurance is handled in the headquarters city of the parent company," Mr. Powell says. "If we lose an account, we try to take care of our remaining firms first and then try to replace it. The loss of one account doesn't hurt you—it just hurts your ego."

New growth areas include "anything to do with shipping and accounts in Pacific rim countries. We

have to see what we can do to develop business abroad. We also see trends to more self-insured retentions to keep claims costs down—particularly with municipalities. We also see more self-insured workers compensation with our large accounts. Their only other alternative is a state program," says Mr. Powell.

They feel chauvinistic about Seattle and the amenities the Northwest offers. Seattle has often been rated as one of the most livable cities in the country because of its typically unpolluted environment and because of the lure of the mountains and the sea.

"The attractiveness and viability of the region is a benefit in attracting people to work here, no doubt about that," says Mr. Nichols of Johnson & Higgins. "We're definitely not provincial. There is as much knowledge and expertise in Seattle as you find anywhere—even in the largest traditional insurance centers in the country." ■

Announcing . . .



ARComatic

A new ARCom in-house system designed and priced specifically for agencies requiring less computer capacity.

ARComatic is the most recent addition to the ARCom family of agency minicomputers.

It is also the lowest-priced system in our in-house product line.

Yet, this new minicomputer offers the same accounting and management information package provided by the larger ARCom systems.

The difference is in computer capacity. ARComatic has the capacity to process up to 3,000 customers. This brings the cost down, and it presents two new opportunities to agencies with 3,000 customers or less:

- 1) Realistic consideration of a minicomputer from a cost/benefit standpoint.
- 2) A system that accommodates present needs and offers virtually unlimited growth by simply upgrading to larger ARCom systems. (This protects both your hardware and software investment.)

Like other ARCom minicomputers, ARComatic benefits the agency by increased personnel

efficiency, improved cash flow, better customer service, and management control.

In addition to being the leading supplier of agency in-house systems, ARC/SYSTAMS offers the most advanced automated batch system available, with processing centers located at key distribution points across the United States and in Canada.

For more information, mail the coupon below or call our **Marketing Department** toll free at 1-800-231-6943 (National WATS) or 1-800-392-2883 (Texas WATS).

ARC
SYSTEMS

a Kaneb company

Agency Records Control, Inc.

P. O. Box 1009, Bryan, Texas 77801

To: Marketing Dept. - Send material on ARCom Minicomputers Batch Processing Both

Name _____

Agency _____

Address _____

City/State/Zip _____

For more facts circle 182 on reply card

TIME FOR A VALUATION!

Do you need to know the Fair Market Value of your firm for:

- Your estate plans
- Sale to junior partners
- Legal disputes
- ESOTS
- Divorce
- Establishing bank credit
- Merger
- Purchasing another agency

- Setting a formula for buy-sell agreements

Call: (213) 413-4080

(415) 956-7474

Russell R. Miller & Co., Inc.

Specialists for the insurance industry

Corporate Headquarters:
300 Montgomery Street
San Francisco, California 94104
(415) 956-7474

Los Angeles (213) 413-4080
New York (212) 964-7373
Chicago (312) 878-4477
London (01) 588-3908

For more facts circle 190 on reply card

Brokers' perquisites: Cars and low-rate loans

CHICAGO—Management perquisites at the nation's largest brokers were primarily cars and loans, the 1977 proxy statements of the six major publicly held brokerage firms reveal. These include Marsh & McLennan Inc., Alexander & Alexander Inc., Frank B. Hall & Co. Inc., Fred S. James & Co. Inc., Corroon & Black Corp. and Rollins Burdick Hunter.

The disclosure of perquisites or personal benefits for key employees has been stressed by the Securities & Exchange Commission in two interpretive releases in the last year. The SEC wants disclosure of key officers' and directors' personal benefits including the use of corporate cars, planes, yachts, or

any living accommodations, personal travel expenses, home improvements or expenses, entertainment and the personal use of professional services and company payments for personal benefits not related to job performance.

Alexander & Alexander estimated that the aggregate value of company provided transportation and entertainment to facilitate business was less than \$30,000 in 1977 for all officers and directors, a group of 21 persons.

Corroon & Black reported that "certain of the officers and directors have the use of an automobile" and that the costs are paid by the company.

The firm also reported the elimination of a debt incurred by chairman and director Robert F. Corroon for the purchase of 20,000 shares of common stock which had been approved by the stockholders at the firm's annual meeting in 1969. The maximum amount of the debt in 1977 was \$34,000 and the debt was fully paid by March 1978. The promissory note had a 5% per annum interest and was secured by a pledge of 20% of the stock purchased. The proxy stated that the firm "generally follows a policy of not making loans to its officers and directors."

Rollins Burdick Hunter's proxy recorded that chairman and chief executive officer Charles H. Mather had an outstanding balance of \$51,473 as of March 1978 on a promissory note executed in 1974 for housing financing. A 4% annual interest rate is on the note and monthly installments are payable through August 1982.

Frank B. Hall furnished 21 of its 33 officers and directors with cars owned or leased by the company, the proxy statement detailed. The individuals were required to reimburse the company for 25% of the costs on the assumption that was the amount of use taken by the individual.

Included in the table of direct remuneration were income tax preparation and review and estate planning services provided to certain officers and directors at the request of the company.

Fourteen of Hall's officers and directors were furnished with club memberships during 1977 to assist them in transacting business, the proxy itemized. The cost of these memberships was \$61,000 to the company. Because records on the amount of personal use, if any, were not required, Hall stated it couldn't estimate the economic benefits of such memberships for non-business purposes.

Marsh & McLennan's footnote to its officers' and director's remuneration table said the "salary and miscellaneous" column reflected all remuneration "including the cash value of reportable personal benefits."

James's proxy identified incentive, compensation plans, employment agreements and legal fees incurred with a director's firm in its explanatory material, similar to most of the other brokerages.

RBH misprint

Rollins Burdick Hunter derived 41% of its income from casualty insurance in 1977, not 39% as misstated by a printer's error in the annual report. Property insurance accounted for 38% and employee benefits 7%. Chairman Adrian Palmer set the record straight at the firm's annual meeting last month.



If you had time to read them all, you wouldn't need us as much.

One of the hardest parts of any risk manager's job is keeping up with the latest information and changing trends. The sheer volume of reading required is staggering.

But you have to know. What are the newest state and federal regulations? Are there new ways to cope with products liability? What's the latest on self-insurance? How do you reduce the possibility of fire loss?

It's the single, critical piece of information you miss that could make the difference in effective decision-making.

Where can you go for answers?

Try us.

R. B. Jones is a national firm. We've been providing major corporations with solid, up-to-date recommendations in all areas of risk management since 1889. Property. Casualty.

Marine. Surety. Employee benefits. You don't have to be a client to call.

When it comes to insurance and risk management, we believe you can never ask too many questions.

Our experienced professionals will be happy to supply the answers.

We have offices in Atlanta, Boston, Chattanooga, Chicago, Dallas, Ft. Worth, Houston, Jefferson City, Kansas City, Los Angeles, New Orleans, New York, St. Louis, Tulsa, Waterloo, and Wichita.

Or call our corporate headquarters in Kansas City, 816/391-1000.

R.B. Jones Insurance.

For more facts circle 188 on reply card

OSHA concerns answered

Safety engineers complement RBH service

By BARBARA JEAN GRAY

CHICAGO—The minute a Rollins Burdick Hunter producer lands an account, the brokerage firm immediately assigns a second consultant to the account, a safety engineer. He becomes completely familiar with the strengths and weaknesses of the account's safety program.

If the client so chooses he may call his second account executive every day for advice or tips on setting up a safety program or for hand-holding when dealing with OSHA. Or the client may choose not to call at all.

The size of the account does not determine the amount of service he's entitled to receive.

"It does not have to be a DuPont or General Motors calling with a problem for us to go out," explained vp-fire protection John A. McKernan.

But, given the caliber of many of the RBH clients which include Motorola, Zenith Radio and United Air Lines, it may be.

"When I get a phone call, I never know the size of the account," said vp-loss prevention George MacDonald. "But I don't worry about it. I'm out to solve a problem."

Lately, most of the phone calls relate to industrial hygiene. "OSHA is getting very rigid about health hazards. Keeping apprised of new chemicals and new hazards is a challenge."

"If you look at the wide range of U.S. industry, you can see that compliance will be difficult," continued George S. Burrows, chairman of RBH's Illinois corporation. "The standards have been raised and keep changing."

In a typical call, the client might have just had an OSHA inspector walk in and tell the firm it has a toxic problem or might have given the firm a recommendation or citation, Mr. MacDonald said. The client might be panic-stricken and want someone to explain the problem and how to deal with OSHA. "He needs to be assured that there's a chance to go back and negotiate. We might even go with the client to talk to OSHA about the problem."

Or the client might call for advice on what kind of hygienist he needs or where he can get a hygienist.

The use of the loss prevention services is strictly at the discretion of the client. "We cannot impose this on clients. They must draw upon us for it," Mr. Burrows said.

For the most part the loss prevention services provided to the client are part and parcel of the broker's commissions and fees. In some cases, additional fees may be charged but those are the exception rather than the rule. Also, RBH will occasionally perform services for firms who aren't insurance clients but this is a matter of accommodation and is not pursued as an income generating activity, the executives said.

In the meantime, RBH's corps of about 20 safety engineers around the country stand ready. Of those, 12 are in the headquarters in Chicago.

They're educated as engineers, perform as consultants, and have engineering degrees with specialties ranging from chemical to industrial to mechanical to civil to electrical.

The "software" side of the department which zeroes in on people and products loss prevention is headed by Mr. MacDonald, an electrical engineer. The "hardware" side of the department, concentrating on property risk fire

protection, is headed by civil engineer John McKernan.

"There are two kinds of safety engineers," defined Mr. McKernan, "those freshly graduated from the Illinois Institute of Technology and those trained in the field." Rollins Burdick Hunter likes its people to be both.

Additionally, management wants someone with the ability to interpret technical principles to humans. "The most effective engineer is the one who can work well with plant personnel," Mr. Burrows observed.

Inspecting for fire hazards on property risks is just a small part of the total loss prevention program, stressed Mr. MacDonald. People safety is the most important ele-

ment of a total safety program.

This means individual physical safety and safety training. "Most accidents are people caused violations. We concentrate on developing a good corporate safety program and part of that is an inspection program."

"Loss prevention is not the total elimination of accidents but controlling the events responsible for producing those accidents."

When an RBH safety engineer goes out to inspect a loss, he attempts to learn not only where and how the loss occurred but also why.

"Fire protection is not an exact science. We go out and investi-

Continued on following page



Photo: Barbara Jean Gray

Consultants John A. McKernan (left) and George MacDonald bone up on national standards to keep RBH clients in good shape.

Rising to the occasion...



Survival, a reward Nature bestows on those species which consistently rise to meet her challenges.

Consistency . . . Meeting Challenges . . . not bad qualities to look for in selecting an excess and surplus lines broker. Think about it.

the
Crowther
People 

Minneapolis
612/333-0361

Des Moines
515/243-1221

Omaha
402/393-2040

Sioux Falls
605/336-0960

Bismarck
701/223-1112

Billings
406/248-7183

Boise
208/336-7131

Madison
608/271-6500

For more facts circle 185 on reply card

Agent who's selling out needs tax strategy

By Gerald I. Lenrow and Ralph Milo
Coopers & Lybrand
New York

AN AWARENESS by an agent of the tax factors involved in the sale of his agency will make possible a purchase and sales agreement structured to produce the optimum in actual return of investment. Generally, whether the agent is selling his business in an individual, partner or shareholder capacity, his objective is to maximize his net after tax gain. Where a price has been agreed upon, it will be to his advantage to have all or a large part of his gain treated as favorably taxed long term capital gain.

To produce long term capital gain, the property must be held in excess of twelve months. For an individual or partnership seller, capital gain is taxed at half the tax on ordinary income. In certain cases, an alternative tax rate may produce a lower tax.

For corporate sellers, the tax rate on long term capital gain is 30% as opposed to 48% on ordinary

Gerald I. Lenrow (left) is a principal at Coopers & Lybrand with extensive experience in the taxation of insurance companies at both the state and federal level. **Ralph Milo**, (right) a partner in



the New York office of Coopers & Lybrand, is a former IRS agent currently involved in revising the text "Federal Income Taxation of Insurance Companies."



income in excess of \$50,000 and an average of 21% on the first \$50,000 through 1978. However, a corporation is generally not taxed on the capital gain if the sale of its assets is pursuant to a plan of liquidation adopted before the sale and the proceeds are distributed to shareholders within twelve months. The seller's tax objective can produce negotiating

problems with the buyer. The seller's treatment means in certain instances the buyer will be foreclosed from deducting the cost of his acquisition through depreciation or amortization. Thus, the form of the contract or how the agreement is structured itself can become an item for bargaining between the seller and his purchaser.

The sale of shares in a corporate agency would result in favorable capital gain treatment. Generally sale of a partnership interest may similarly produce capital gain. However, the sale of a partnership interest in a partnership employing the cash method of accounting may involve special computations of capital gain and ordinary income to reflect the tax nature of the receivables.

Sometimes a buyer may be reluctant to purchase the shares of a corporation since this in essence would mean his assumption of the agency's unknown liabilities. This may necessitate the sale of individual assets rather than shares of stock.

When a business is sold, i.e., its assets as opposed to

shares in a corporation or partnership interest, the seller is not selling a single indivisible item that may be deemed a capital asset. Rather the transfer involves each asset of the business whose separate tax attributes must be analyzed.

It is therefore incumbent on the seller to negotiate for a favorable allocation of sales price to those items transferred that would produce capital gain. Of course the allocation must be reasonable to prevent an Internal Revenue Service challenge. The following discussion addresses the tax problems facing a seller whether sole proprietor, partnership or corporation, transferring the separate assets in the case of a sale of the entire business.

The major components of a business that are sold are its goodwill, expirations and tangible property. The buyer may also request a covenant not to compete and the transfer may also include an employment contract for the seller.

In the exchange of intangibles, such as the expirations and covenant not to compete, the allocation of an overall purchase price to these items other than goodwill calls for the greatest care, because any remaining balance will be attributed to goodwill. While goodwill would result in capital gain to the seller, it is not depreciable by the buyer of the agency.

The seller's treatment of proceeds from the sale of expirations is not affected by the structure of the contract. The expirations list will create a capital gain for the seller whether or not it is identified in the contract. However, its treatment in the contract is important to the purchaser.

If the contract establishes a separate realistic identifiable basis for the expirations and if their useful life can be established, the buyer will be permitted to amortize the cost of the expirations. Otherwise it will be deemed to be an element of non-depreciable goodwill.

Since the seller's tax treatment for expirations is identical whether treated as goodwill or as a separate capital asset, this item affords the seller negotiating flexibility. It is possible for the seller to agree without tax penalty to an identifiable basis in the contract for the expirations in exchange for the buyer's acquiescence in structuring other portions of the transaction.

Tangible items like the agency's furniture and fixtures, equipment and the building it occupies are eligible for capital gain treatment. Depreciation recapture rules, however, generally provide that to the extent the seller deducted depreciation, any gain on the sale of the asset will result in ordinary income. Gain realized in excess of

Continued on following page

You can help too. For as an Independent Agent you are a strong voice in your community. Send for information on how you can launch a local crime prevention campaign. Follow our suggestions. Send us yours. Get involved.

Help unlock America . . . and our business.



Lawson Swearingen, President

Please send me your free crime prevention kit.

Agency Name _____

Address _____

City _____

State _____

Zip _____

Mail to:

Commercial Union

Box 417, Cathedral Station
Boston, Ma. 02118



1234

LOCKING UP BUSINESS.

Tax strategy . . .

Continued from preceding page amounts depreciated would be eligible for favorable capital gain treatment.

For realty, recapture only occurs where certain accelerated depreciation methods were employed. In a case where a seller had acquired depreciable expirations and is now selling his agency, the depreciation deductions which he had been allowed are also subject to recapture as ordinary income.

Similar to depreciation recapture provisions, the seller is required to recapture the investment credit on personal property sold before the end of its estimated period of use for which the credit was based. The amount of this recapture is the difference between the credit taken and what would have been allowed had the asset's useful life for purposes of the credit been estimated as the period the property was actually held.

The covenant not to compete is an item in which the tax interests of the seller and buyer diverge. Where a realistic price is allocated to the covenant the seller will report ordinary income over the covenant's term. The buyer will have a corresponding deduction. Any payments the seller receives under the covenant are not eligible for maximum tax treatment for individuals which precludes taxation at higher than a 50% rate.

Where a separate basis is not assigned to the covenant, it becomes an element of goodwill, the sale of which produces capital gain. The buyer in contrast to the seller will not want the covenant treated as goodwill since goodwill is not depreciable.

As a consequence, although the overall sales consideration for the agency may be the same, the structure of the contract assigning a separate basis to the covenant becomes a key negotiating consideration.

BM&F paid \$18 million for Harlan

LOS ANGELES—Bayly, Martin & Fay Inc. purchased the assets and business of the Harlan Group for \$18,314,000 according to the annual report of BMF's parent company, the Sperry and Hutchinson Co. It was the first public notice of the sale price.

Agreement in principle to acquire the Houston-based brokerage firm was announced jointly by the firms one year ago.

Annual amortization of the investment over net assets acquired will be \$387,000 for 40 years.

Although the report deemed the operations of Harlan immaterial to the consolidated operations since the acquisition was completed Dec. 15, it did note that on an unaudited pro forma basis net commissions of the brokerage division would be increased by \$12,195,000 for 1977 and \$11,064,000 for 1976. ■

Aviation brokers get U.K. award

LONDON—The aviation division of Alexander Howden Insurance Brokers received the Queen's award for export achievement.

The division is one of eight of the London broker and has a premium volume of \$100 million. Its gross revenues constitute 12.5% of the broker's total revenues.

The division purchased the U.S.-based Southeastern Aviation Underwriters Inc. in Atlanta last February for \$12 million. ■

ation for the seller in determining the after tax profit from the sale. If receipts attributable to the seller's covenant are to be ordinary income, the seller may want a higher pre-tax price for his agency.

Problems similar to that incurred with a covenant not to compete arise when an employment or consulting contract is part of an individual seller's overall transaction. The seller's receipts would represent ordinary income and the buyer's expense would be deductible. Thus, the buyer may encourage part of the overall consideration to be reflected in an employment contract.

Where the remuneration for services is not reasonable, it may be viewed by the Internal Revenue Service as part of the purchase price for the agency. This could increase the seller's capital gains but

also disallow the buyer's deduction.

There may be circumstances where capital gain treatment may invoke an additional tax. Capital gains are considered one of the several items of tax preference for purposes of the minimum tax computation. The minimum tax represents an additional tax on items considered preferences. Generally these are items producing particular tax benefits such as that afforded by capital gains and certain cases of accelerated depreciation.

For a corporate seller the minimum tax resulting from capital gains is minimal. The most it would increase the effective rate on capital gains is from 30% to 31%.

For individuals, one-half of the capital gain is a tax preference, taxable at 15%. An exemption, however, of the greater of \$10,000, or 50% of the regular tax liability is allowed. Thus, where the amount

of preferences exceed the applicable exemption from minimum tax this additional charge will be imposed.

In some circumstances the minimum tax may cause the effective tax on capital gains to approximate the tax on ordinary income. This results from its interplay with the maximum tax rules.

Under the maximum tax rules personal service (earned) income of individuals is eligible for a maximum 50% rate. However they provide that eligible income is reduced by the amount of tax preferences. The amount of reduction in eligible income thus becomes taxable at rates up to 70% instead of 50% in addition to the minimum tax on the preferences.

One technique to mitigate the minimum tax burden as well as the generally high tax incurred in reporting income from the sale of a business in one year is to make the sale on the installment method.

The installment sale rules allow the seller to prorate his gain over the period of payments.

One condition to making this election is that the seller may not receive payment in excess of 30% of the selling price in the year of sale. These provisions also require payment to be spread over at least two annual installments.

This overview has been designed to acquaint an agent with those tax considerations that determine the actual after tax benefit to be recognized on the sale of his business. The rules for each tax factor abstracted are quite detailed and complex and provide many costly traps for the unwary.

To maximize his personal gain, the agent should discuss the multitude of considerations with his tax adviser. Through proper planning and structuring of his transaction, the seller will achieve tax results that produce the equivalent of a higher selling price for his agency. ■

ANNOUNCING A UNIQUE COMMERCIAL PROPERTY VALUATION SERVICE—AVAILABLE EXCLUSIVELY TO HOME KEY AGENTS.

Valumatic gives to sell insurance—on commercial

Valumatic is The Home's computer-age answer to the need for insurance-to-value on buildings covered by commercial package and commercial fire policies. It was developed by The Home in conjunction with Dodge Building Cost Services, a unit of McGraw-Hill. And it harnesses the capabilities of computer-stored data to print out estimated replacement costs and actual cash values of new and renewal commercial buildings that qualify.

Here's how it works.

A technical representative from The Home inspects your client's premises, identifies the relevant building characteristics, and completes the Valumatic input form. From this form, Dodge's computer prints out the estimated building values, which your Home Underwriter sends to you in an attractive folder for presentation to your insured.

Computer-Age sales aid.

Valumatic involves no extra expense or effort on your part. What's more, once you have established the program for your

insured, you can easily keep it up to date by using the "Automatic Increase of Insurance Provision," where approved, and by increasing renewal limits to keep pace with building construction cost factors.

The program was tested successfully for over a year with the cooperation of Home producers in six states.

For more information on this unique new sales aid for attracting and retaining desirable commercial package and commercial fire business, contact your local office of The Home.

The Home Insurance Company

A City Investing Company

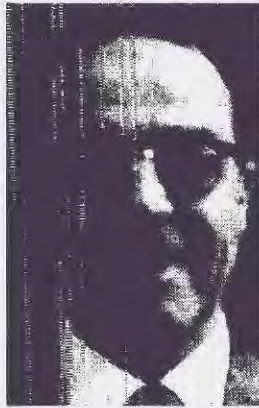


Mass marketer's system is a 'better mousetrap'

By W.E. Metzger
Director
Commercial mass marketing
Great American Insurance Cos.

GREAT AMERICAN entered the commercial mass marketing property and casualty field in the early 1970s and has maintained an aggressive posture in this field even through the trying times of the mid-1970s. Obviously we would not have continued this stance had commercial mass marketing not proved profitable for us, nor could we have continued in this position had commercial mass marketing not proved profitable for our agents.

To us commercial mass marketing is a distributional system designed to sell insurance coverages through the independent agency system to satisfy the insurance needs common to a large group of individual risks with similar exposures. So much for a definition of commercial mass marketing, but why is such a system necessary?



William E. Metzger has been the director of commercial mass marketing operations for the Great American Companies since 1976. Prior to joining the Cincinnati-based insurer, Mr. Metzger was in the commercial mass marketing departments of two other insurance companies.

Trade associations and franchisers exist to provide services for their members which would not otherwise be available or which would be prohibitively expensive if purchased individually.

The members of various associations, franchises and trade groups increasingly look to their sponsor-

ing organization for advice, counsel, benefits and special services including recommendations on insurance programs. It is a short but intricate step from the desire of the individual member for such an insurance program to the executive vice president of the association, franchiser, or sponsoring organization to an insurance agent and hence to a company to jointly devise such a program and distribute it effectively to the individual members.

The individual member expects one or several things from a commercial mass marketing program: a better price, a broader coverage form or one that will automatically include all of their common exposures, market availability, and perhaps a safety group dividend.

Any group must be adequately surveyed to determine which of the four usual primary reasons for buying is theirs and that the company is sufficiently skilled and willing to adequately protect the exposures common to the majority of the members.

Before entertaining a mass marketing account we

consider many facets including the strength of the sponsoring organization with its individual members, the company's expertise in the member's field of endeavor, the average size premium per account which we expect to be generated, the solicitation plan to be used and the servicing capabilities of the agent.

Obviously the endorsement of the association must carry a certain amount of weight with the member. If we have little knowledge of, or experience in, the class of business under consideration, we probably cannot do an adequate job and must pass the account. Each individual member's account should develop enough premium to make it economically feasible for the agent to make the solicitation and the company to provide the necessary underwriting and claim services required. A set plan of solicitation that is orderly and that can be expected to be effective and afford significant penetration must be devised. The producer must be knowledgeable and must have a capable staff to provide for the handling of the account.

If loss prevention and a safety dividend is the association's "hot button," we can generally provide a property and/or casualty and/or workers compensation safety group program.

A safety group approach permits the company to issue separate policies to each of the participant members and apply appropriate competitive rates for the individual members' policies but combine the premiums and losses of all participating members under one program for dividend computation.

Small commercial businesses usually cannot afford a safety/loss control program but can obtain one as a participant in a safety group. A loss control program must be established for each safety group!

The "fictitious group and fictitious fleet" statutes and regulations that have been enacted in some states generally have no bearing on relationship to safety group dividend programs. The fictitious group regulations usually refer to situations involving preferential rates or forms where there is no reasonable basis for granting such preference to a group of insureds. On the other hand, a loss prevention and safety program designed and administered by a safety group management committee with the assistance of an insurance company will, in most instances, result in a reduction of accidents and the improved loss experience will permit the company to declare a dividend to the participants.

Since any business, and particularly the insurance business, cannot foretell in advance the definite

Continued on following page

you a new way to-value buildings.



Home Key Agent: William B. Conner, President of Robinson-Conner, Inc., explaining the benefits of Valumatic to Ralph F. Keilch, Executive Director of the multimillion dollar Doctors Osteopathic Hospital in Erie, Pa.

For more facts circle 186 on reply card

Excising exclusions is an exasperating exercise

A fictional account may be more truth than fantasy, from what we hear about the brokerage business. This light-hearted view of the broker's work-a-day world is designed to sprinkle a little oil on the daily grind (no pun intended).

When Big Client Supreme phoned the Par Excellence Agency to check out this flap he'd heard about a punitive damages exclusion, it was George Blitz who answered the phone.

"It's been excluded," Blitz said.

"What's been excluded? My policy?" asked Big Client Supreme.

"No, the exclusion. The exclusion's been excluded. I'd like to explain, Big Client. It was like this . . ." Blitz felt a definite discomfort in the area of his wallet. Big Client was the Picasso painting on Blitz's living room wall, the Mercedes 450 SL in his driveway, the peanut butter sandwich in his brown bag lunch. Big Client was his friend.

"Does that mean punitive damages are included?"



By
**BARBARA
JEAN GRAY**

Big Client demanded.

"No, Big Client. It means the exclusion's been excluded. It was never included. You see there was a period of a few months when there was an exclusion in some states by some insurance companies. Are you still with me, Big Client?"

"Not entirely. Why didn't you notify me that my coverage was excluded? Did you try to get me coverage for punitive damages?"

"Well, we tried some insurers in some states for

some weeks. But then they excluded the exclusion. It was never really included though."

"Let me talk to somebody else!" demanded Big Client Supreme. "Who else is there?"

"Nobody excluding me . . . oh, wait, Mr. Par Excellence just walked in."

Just at that moment Producer Par Excellence walked into the office carrying his papers and briefcase in one hand and his umbrella in the other. It was his usual manner to carry the umbrella separately because he knows how difficult umbrellas are to get in place.

He picked up the phone. "It was like this, Big Client. Your carrier was excluded from the list of those who were excluding the coverage. Or, more accurately, including the endorsement to exclude. Because of that, we excluded calling you."

"Had yours been a policy where the insurer was in a state accepting the coverage and was himself choosing the endorsement to exclude, then . . ."

"Then I would have been excluded?" asked the caller with increasing exasperation.

"No, then we would have made an attempt to re-market the coverage or secure a buy-back on the coverage if they had a provision for that."

"And if you couldn't, then I would have then been excluded?"

"No. Perhaps then we would have suggested that you move to another state where the exclusion was excluded and could find coverage with an insurer who was excluding the exclusion."

George Blitz, in the next room with an inverted water glass to the wall, felt his chin begin to tremble. The muscles in his jaw tensed and the vein that cut diagonally across his forehead popped out into the third dimension.

"But you excluded doing these things?" continued the frazzled Big Client.

"Yes, because your insurer was one who never did exclude the coverage. So you see there was never anything to worry about."

"This type of shenanigans makes me think maybe I should do some excluding of my own, starting with my broker."

"Big Client, we didn't do it. Please exclude that thought. Big Client? . . . Big Client."

Metzger . . .

Continued from preceding page
amount of earnings or profits, the dividend cannot be computed or guaranteed in advance. Thus, dividends are not guaranteed and must be approved and declared by the board of directors of the company.

To initiate and maintain the necessary contact and liaison with the association executives and the membership at large, we feel that a central agency source is necessary. This central agency source may be an individual agent; a regional brokerage house; an agency marketing organization such as MMI (Marketing Management Inc.), ARM (Associated Risk Managers), AIM (American Insurance Marketing Corp.), etc, and in some instances a national brokerage house.

Conversely, we feel that the association and agency also deserve a central source; hence each of our commercial mass marketing accounts is produced through one regional office.

Using one office gives the underwriter the opportunity to become fully familiar with the particular type of business and at the same time provides a consistency of underwriting on the total account. With the premium and loss of the entire account being credited to the one office, even though the underwriter reviews one risk at a time, he is fully cognizant of the premium generated by the entire account.



"You know, Frank, I get the feeling they're really trying."

Perhaps Frank and friend don't know it yet, but Bituminous' claim service is something special. It's fast, fair and accurate. And it got that way because over the years we've not only listened to agents' ideas, but put them to work improving our services. If efficient

claims handling can give your business the helping hand it needs, call us. Bituminous, the full-line, full-service, property/liability companies. We could be one of your best business ideas yet!

 **Bituminous** INSURANCE COMPANIES

MAP's experience . . .

Continued from page 74A
need to file an application to MAP directly, he added.

"The insurance companies are in a box. They have to cooperate," said Brad Connor, MAP liaison officer for the Missouri insurance department, more bluntly.

"Product liability coverage is a national problem and MAP is solving it on a state by state basis but it does not get to the underlying problem. It's a temporary market assistance, not a solution or a change in the exposure or a change in the companies' predictions of their losses."

Missouri's insurance commissioner would need enabling legislation before he could create a joint underwriting authority, the case for 15 other states where MAPs exist. But four states do have the powers if the commissioner decides a JUA is necessary. Connecticut is such a state and "Connecticut's stick works for us," Mr. Connor said. "If the insurance companies know that 10 to 15 states can activate a JUA, that's enough."

New Hampshire also has such a "stick" but to date the strongest measure it has used is a voluntary quota sharing arrangement which a few of the other MAP states also have. The quota sharing plan applies only after the application has unsuccessfully run the course of the advisory committee and the underwriting committee.

The overall plan in New Hampshire apparently is working.

"We made one application to MAP and they placed it successfully," reported Donald H. Flanders, president of the Byse Agency Inc. in Laconia. "It was slow but that was because it was the state's first application. If the need arises, we'll use MAP again."

Echoed Robert N. Kendall, vp of Kendall Insurance Inc. in Rochester, "We had one machinery manufacturing risk we placed with MAP. They were able to arrange coverage through an insurance company even though the rate was atrocious in the customer's thinking. The process was slow and cumbersome but it did produce a quote.

"I don't think we'll have to use it again though. I think the marketplace has loosened up. We have seen an increase in capacity. The prices are high but the ability to place insurance is there and it wasn't two years ago."

What's affordable?

"MAP is a market of last resort," evaluated Randy Lanciault vp of the Sadler Insurance Agency in Nashua. "It causes the agents to do more work and forces the insurance companies to face the problem. But in the end we all profit."

MAP programs around the country address the question of availability of product liability coverages but not the affordability. Between these two terms exists a distinction which often is hard for the clients to swallow.

Representative was the experience of Walton Johnson, assistant vp of marketing for Fred S. James in Portland, Maine. "We submitted a risk to the program but the ultimate decision was that in the opinion of the company committee the insured could buy it and the committee felt the price was affordable. So the client did finally buy it." The particular primary coverage ran 6% to 7% of the company sales, Mr. Johnson added.

In a recent options paper issued by the U.S. Commerce Dept. a product liability problem was defined as "severe" if the insured couldn't obtain coverage up to \$1 million or if the price of that coverage exceeded 3% of the company's gross receipts.

Other brokers with risks in that "severe" classification include Paul Yankey, president of Insurance Management Associates Inc. The Wichita, Kan., agent said he had a number of hard to place risks where product liability costs were running as much as 5% of gross sales. The brokerage firm filed six applications with its MAP but to no avail. Eventually, the broker was able to get coverage for five of the risks on his own.

Not for shoppers

MAP administrators, usually from the state independent insurance agents association or from the insurance department aver loud and long that MAP is not meant for shopping. If a quote is obtainable, no matter how ludicrous in the

Continued on following page

Horan, Goldman Companies

Managing General Agents Excess-Surplus Underwriters

Two Bryn Mawr Avenue, Bryn Mawr, Pa. 19010 • (215) 527-4400
414 Severn Edg., 3600 LaSalle Road, Baltimore, Md. 21204 • (301) 821-5900
1020 Kings Highway North, Cherry Hill, N.J. 08034 • (609) 667-9600
105 Loudon Road, Concord, N.H. 03301 • (603) 224-4009
111 John Street, New York, N.Y. 10038 • (212) 964-4500



For more facts circle 187 on reply card

Why let price turn a hot prospect cold?

Use premium financing to help close the sale.



You know the sale we're talking about. The one where everything goes smoothly. Until the prospect hears about the cost. And starts to talk about shopping around.

That's the time to bring up AFCO premium financing. It solves a big problem for him. He ends up with the insurance protection he needs without having to use his bank or other lines of credit. And you end up with a solid sale.

The whole thing can be handled quickly and easily—usually the same day.

Serving the premium financing needs of agents and brokers has been our business—and our *only* business—for nearly a quarter of a century.

We're ready to serve you. With a network of 17 offices in the U.S. and 5 in Canada, we're able to provide local, same-day, personalized service.

For the location of the AFCO office serving your area contact: Paul M. Holland, Vice President-Marketing, AFCO, New York. (212) 233-8000.

Or call one of our Regional Vice Presidents collect:

Baltimore, Maryland—Douglas A. Falkner (301) 296-5000

Chicago, Illinois—John Hansen (312) 449-3500

Kansas City, Missouri—Gloria Lefton (913) 381-6900

Los Angeles, California—Louis P. Seidensticker (213) 703-1851

Pine Brook, New Jersey—Robert M. Breckenridge (201) 575-7770

Toronto, Ontario—Peter D. Eirkbeck (416) 868-6777

Premium financing. It's good for your business.

AFCO

For more facts circle 181 on reply card

MAP's experience . . .

Continued from preceding page
eyes of the client, it's a quote and not a contender for MAP placement.

In fact in many states, the number of applications "resolved" include a good number of cases where a quote was obtained for the client but he refused in on the grounds that it was too high. Nonetheless, the MAP purpose to seek and find a quote, regardless of price, had been achieved.

Most MAPs follow some interpretation of the multiple committee format proposed by the National Assn. of Insurance Commissioners. The process starts with a committee of agents and brokers who try to find a place for the risk. Failing that, a second committee of underwriters tries to find a place for the risk. Failing that, there may be a committee of agents, brokers,

underwriters and possibly representatives of the state insurance department. A few states use a quota sharing arrangement as a final recourse.

Indiana, Iowa and New York do not have formal MAP plans but do provide some placement assistance for product liability on an individual basis through the state insurance department.

Submissions down

A few MAP administrators have noted that lately the number of application submissions have dropped off and question whether their attempts to "spread the word" have been frequent enough.

A number of brokers claimed they have not availed themselves of MAP services mainly because they don't have clients in the high

risk district. "We have not used MAP because we have been able to solve the product liability coverages we've had," commented Paul Van Eyk, underwriting vp for DeLanoy & Kipp Inc. in Verona, N.J. "But if we had a pharmaceutical company, we would have a problem."

Another advantage the firm has is its membership in Assurex, a national network of brokers who band together for marketing assistance. This membership puts the broker in touch with counterparts all over the country on marketing problems and gives the firm leverage against the national brokers, Mr. Van Eyk claimed.

National brokers who have those networks already built in did appear to be relatively light users of the MAP programs although not totally absent.

"MAP cannot do anything more than what we ourselves can do as agents," said Richard A. Cutting, casualty account representative

for Marsh & McLennan in Stamford, Conn. "It can only use the same markets we do."

National brokers don't have an exclusive on this line of reasoning. The executive vp of the independently owned Laub Group in Milwaukee believes, "We don't see MAP being able to offer what any good professional agent shouldn't already offer—which is searching out a risk and placing it. As long as I search out the markets, I don't see how MAP can help me. There has never been a lack of coverage. There has always been a question of rating."

Impact debated

"We have not had trouble marketing product liability. I don't mean to say our clients are happy with the rating but we have been able to secure quotes," said Laub's George Stevoff.

The Illinois MAP plan received applications from a "smattering

of brokers," according to co-chairman John T. Kelly, but generally speaking the major brokerage houses didn't make submissions because they felt they could accomplish the same ends on their own.

The pooling of brokering expertise helped those with problem risks. "A good skilled submission made it easier to place when more professionals put in data. That made it easier to get better consideration at the company level."

Although problem areas still remain, "We feel there's an easing of the product liability availability problem in Illinois," the vp of Corroon & Black Corp. said. MAP of Illinois received only one application during the month of March, a signal which "we hope and believe is a slowdown of the crisis."

To what extent MAP has been instrumental for the loosening of product liability markets nationally can't be pinpointed. Other factors have come into play since the creation of MAPs which may also contribute to a recent softening, agents and administrators pointed out. Insurance companies have generally shown favorable annual figures for the past year enabling them to open up on product liability. And in at least one state, New Jersey, insurers are willing to write coverage because they feel they're getting cooperation from the legislature on tort reform, according to William J. Doyle, executive vp of the Independent Insurance Agents.

Perhaps obsolete

"What started out to look like a lot of complaints regarding placement nine months ago on product liability has turned out to be a real dud," Mr. Doyle said. After a flurry of applications at first, the association is now receiving only one per month and has refunded the \$25 application fees.

Other MAP people also reported a decline.

Among them is John Maloney, one of the drafters of the prototype Connecticut MAP, who now questions whether the program has now outlived its usefulness in that state.

"It does not seem to be necessary any more in Connecticut," said the executive who has since gone from the independent insurance agents association into the brokerage business with R.C. Knox and Co. in Hartford. "We have other problems with municipal liability and workers compensation but these don't seem to fit a MAP format. MAP was an emergency program for a short period of time. The need for it has now fallen by the wayside."

The feeling is not universal, however, and at least two more states, Tennessee and Washington, are in the process of establishing a MAP. ■

Allianz taps agent force

LOS ANGELES—Allianz Insurance Co. has launched its effort to become a nationwide insurer by handpicking agents in the Midwest, according to assistant vp James B. Kirt Jr.

Thus far, agents have been handpicked in Illinois and Nebraska, Mr. Kirt said. He said that in the near future agents will be selected for Minnesota, Mississippi, Iowa and the Southeast.

"By the end of 1978, we shall have 10 agents outside of California," he noted.

By the end of 1979, Mr. Kirt said that the young insurance company will have a total of 20 agents around the United States. In addition, he said that Allianz expects to appoint three agents in Canada. ■

Excess and surplus lines can tie up the best of agents.

That's why it's wise to work with Geo. F. Brown & Sons, Inc. on this type of business.

As a managing broker specializing in Excess and Surplus lines, GFB has served agents and brokers for more years, with more offices nationwide than anybody in the business. GFB has active involvement in over 75 top domestic and foreign markets, including Lloyd's.

As such, we have the skill and expertise to know worldwide availability and capacities on a day-to-day basis. We also utilize deductibles, self-insured retention, and layering to facilitate risk placement and assure best coverage at the lowest rates.

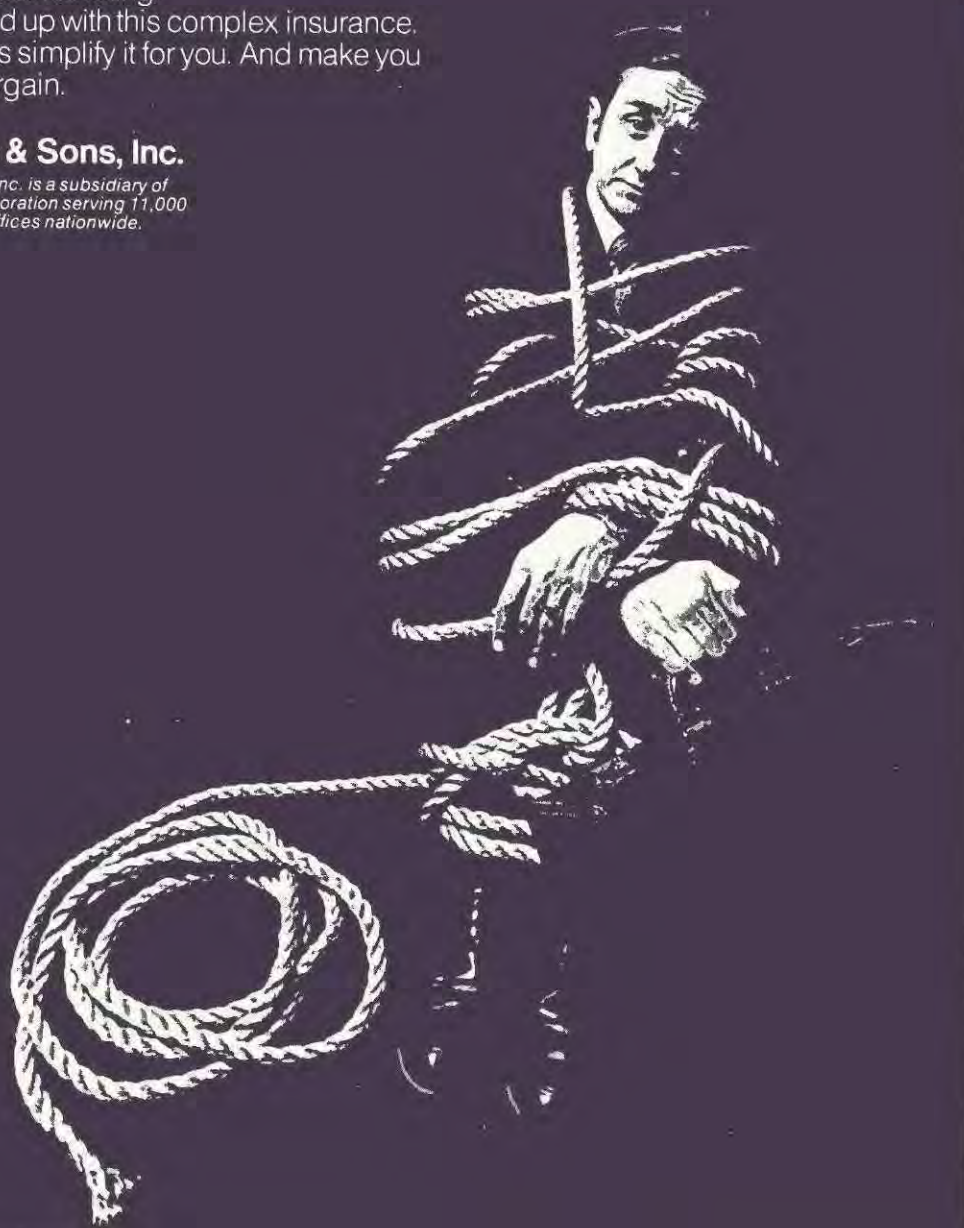
For D&O, E&O, General Liability (Excess, Primary, Product or Umbrella) as well as Property, Geo. F. Brown & Sons are the experts to call when your Excess-Surplus business needs fast, expert handling.

Don't get caught all tied up with this complex insurance. Let Geo. F. Brown & Sons simplify it for you. And make you look like a hero in the bargain.



Geo. F. Brown & Sons, Inc.

Geo. F. Brown & Sons, Inc. is a subsidiary of Interstate National Corporation serving 11,000 producers through 12 offices nationwide.



Atlanta Boston Chicago Dallas Houston Los Angeles Minneapolis New Orleans New York Philadelphia St. Petersburg San Francisco

For more facts circle 189 on reply card

Buyers bite broker's safety engineering bait

DES PLAINES, Ill.—Just as retailers in other industries promote "leader" items to attract customers into their stores, the C.J. Lauer Agency Inc. here tenders a high level of engineering expertise to its insurance brokerage customers.

Of the total staff of six, two are engineering graduates of the Illinois Institute of Technology: president T. Arthur Marow and vp Randall S. Swenson.

The safety engineering background has proven itself from a sales standpoint, Mr. Marow claimed, if not from new business directly certainly from referrals. It enables the agents to guide the client in loss prevention techniques, some of which may lower premiums.

"Take a restaurant in a multiple store shopping center," Mr. Marow explained. "We can say to the owner, 'Here's what you need to do to bring yourself up to the rating code.' Eventually the insurance company will demand the same improvements in order to even write the insurance business."

Sprinkler systems are another good example and the agents take credit for encouraging at least three of their clients to install them over the past few years.

"We know the amounts of insurance needed and what it costs to put in an automatic sprinkler system. We can tell the insured what his savings will be. We can say it will save him at least 75% on his present fire insurance rate."

The agency then puts the client in touch with a sprinkler company for an estimate. Then the agents go to ISO and find out the rate with the new proposed system.

"The more hazardous the risk, the more the insured will save with the system," Mr. Marow said. "If the insured can amortize the cost of the sprinkler system installation over six or seven years, it's a good deal."

In 94% to 96% of all fires, one sprinkler head will be sufficient to control the fire, he said. The other instances are usually explosions.

These are the types of loss prevention services that appeal to those accounts who aren't large enough to go to the major national brokerage houses, the vp said.

"We're not talking about the Fortune 500 companies or the higher than normal hazard risks when we describe our clients," Mr. Marow continued. Churches and public school districts are two types of Lauer clients.

The C.J. Lauer Agency generates about 60% of its \$220,000 gross revenues in commercial accounts.

Another service that the agency finds itself performing more these days is appraisals. In its present form, the practice is an outgrowth of a sales getter begun when inflation and insurance premium rates were less volatile.

"In the 50s when rates were static, we found we could win new accounts by doing the appraisal service," Mr. Marow related. "We would ask permission to survey the potential insured's property and in most cases we would come up with improvements that resulted in insurance cost savings."

"Originally, the idea was to use the information for new accounts. Then we realized people didn't know their property values."

Insurance companies are requiring more appraisals now as property values climb, the agents reported. And although most insurance company underwriters require appraisals from a registered appraisal company, they will in many cases honor the estimate of the Lauer agency.

One year ago a major property damage claim was filed by one of the agency's clients for over

\$100,000 and the values which had been assigned by the agency were upheld, the agents reported.

This service for the insured is a real boon, since a General Adjustment Bureau appraisal on a \$100,000 home today could run as high as \$125.

The appraisal take the Lauer agents one or two hours on the site of the property and an additional 40 minutes back in the office, they estimated. The agency does about 50 or 75 appraisals each year of which one-third to one-half are commercial property risks.

"On commercial accounts we will do an appraisal if the insured doesn't have another source but we don't write insurance without establishing a value," Mr. Swenson said.

The agency is the controlling

broker for a few public school districts and each year brings the values up to date on the contents and personal property, services which the districts would otherwise have to hire an appraiser for.

Accounts like these receive the services free although for "one-shot" deals the agents don't get as involved, the vp said.

Inflation guards built into the face value of the policy, which may typically increase the coverage by 2% quarterly, help keep values current. They are becoming increasingly important in commercial coverages, Mr. Marow said. They also supplement the agency's annual property valuations.

"Values are more crucial on partial losses where the insured may be forced to become a coinsurer if his values have not been kept current," Mr. Swenson noted. —bjg



Photo: Barbara Jean Cray

C.J. Lauer principals Randall S. Swenson (left) and T. Arthur Marow (right) use their technical backgrounds to engineer sales.

Truck Insurance PLUS!



Think...Seaboard Underwriters

Commercial Truck Coverages liability-physical damage-cargo

representing

Bankers and Shippers Insurance Co. of N.Y. and other fine domestic and foreign carriers



Seaboard Underwriters

Division of

PENN GENERAL AGENCY (INC.), INC.

P. O. Box 659 Burlington, N. C. 27215

Phone: 919/ 226-4422 - Telex 57-4498

Houston, Texas 77027
4615 Southwest Freeway
Suite 110E
(713) 627-7050

Chicago, Illinois 60611
875 North Michigan Suite 3016
(312) 664-7500 Telex 254349

Serving Agents and Brokers throughout the U.S. with Truck Insurance Plus!

For more facts circle 191 or reply card

DEADLINE
June 30, 1978

All Items
MUST Be
Filled Out

QUESTIONNAIRE FOR
SEVENTH ANNUAL AGENT/BROKER PROFILES ISSUE
AUGUST 7, 1978

business insurance

(To qualify, agents and brokers must deal DIRECTLY with insureds and must have an annual premium volume of \$1 million or more, and at least \$150,000 in gross revenues.)

PLEASE PRINT CLEARLY OR TYPE

Name of firm: _____

Home office address: _____

Zip: _____

Phone number (include area code): _____

| | 1977 | 1976 | |
|-----------------|----------|----------|-----------------------|
| Premium volume: | \$ _____ | \$ _____ | (estimate acceptable) |
| Gross revenues: | \$ _____ | \$ _____ | |

Employees: _____ (include principals or partners)

% commercial business: _____ (based on gross revenues)

(NOTE: Profile cannot be run unless gross revenues and number of employees are supplied.)

Names and titles of principal officers (list no more than five): _____

How are you compensated by your clients? Commissions Fees Both

Acquisitions and mergers in 1977 and so far in 1978: (give dates) _____

Branch offices (cities): _____

Subsidiaries (list names): _____

Parent company: _____

Explain reason(s) for any major increase or decrease in gross revenues. _____

Is your firm a licensed excess/surplus line broker? YES _____ NO _____

In what state(s)? _____

Name: _____

Title: _____

Signature: _____

(Please recheck closely for accuracy and completion of ALL items.)

Please return to:
Agent/Broker Profiles, Business Insurance,
740 Rush Street, Chicago, Illinois 60611

DEADLINE
June 30, 1978

Our Agent/Broker listing to be published Aug. 7

THE SEVENTH ANNUAL *Business Insurance* Agent/Broker Profiles issue, which contains vital information on more than 350 leading commercial insurance agents and brokers in North America, will be published August 7.

The annual Profiles issue has become a year-round reference source for corporate executives interested in services provided by insurance brokers. It is the most complete list anywhere of insurance brokers specializing in commercial accounts.

The special report will provide detailed looks at the 20 largest U.S. brokers and the largest Canadian firms. This year, in addition to information on revenues, employees, acquisitions and future plans, *Business Insurance* will publish the salaries of the chief officers of the publicly held brokers. Information on gross revenues, employees, acquisitions and officers is also provided on more than 300 other agents and brokers in the U.S. and Canada.

Many agents and brokers listed in previous Profiles issues have already received the questionnaire in the mail. The questionnaire on this page should not be filled out if you have already completed the questionnaire you received in the mail.

To qualify for the Profiles issue, an insurance broker or agent must deal directly with insureds, must have an annual premium volume of \$1 million or gross revenues of at least \$150,000 and must generate at least 50% of its business from commercial accounts. Profiles will not be included without information on gross revenues and the number of employees.

If you have any questions, call or write Greg David, Managing Editor, *Business Insurance*, 740 N. Rush St. or call 312-649-5279.

DEADLINE for returning the questionnaire is JUNE 30.

letters

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

track in converting an agent to a virtual captive.

I for one, would certainly like to see the agents association aggressively push the interfacing of the agents computers with all of the companies, rather than any one or two selective companies.

Robert P. Cowie
President, The Lasher-Cowie Agency, Phoenix, Ariz.

Captive of CRTs

To the editor: I have just read your article on agents with company CRTs (April 17) and would like to comment.

I feel the installation of company CRTs is breaking faith with the whole concept of the independent insurance agent. If one wishes to become a captive or even semi-captive agent then one can accept a company CRT. However, it seems to me, a more logical step for all independent agents to work together aggressively toward waking the companies to the economics and efficiencies of being on line to their agents through the agents own in-house computer and not having to attempt to get an inside

E & O program

To the editor: On Page 30J of your April 17 issue you printed an excellent article by Margaret LeRoux titled "New \$1 Million E & O Policy Unveiled." Please send me the mailing address of Risk Analysis and Research Corp.

Roger L. Garing
The St. Clair Agency, Worland, Wyo.

The address of Risk Analysis & Research Corp., is: Risk Analysis & Research Corporation, Union Bank Building, 50 California St., Suite 545, San Francisco, Calif. 94111.

Agents oppose rebates

TALLAHASSEE, Fla.—An independent life insurance agent represented by a Ralph Nader group will appeal to the state supreme court a circuit court judge's decision to uphold the anti-rebate section of the state's insurance code.

Joseph Blumenthal, a West Palm Beach agent for over 60 years, is being represented by the Public Citizen's Litigation Group of Washington, D.C. A friend of the court brief on behalf of the plaintiff has been filed by the Florida Consumer's Federation, a statewide group.

Circuit court judge Victor Cawthon last month upheld the validity of the state's anti-rebate law. Named as defendants are the state insurance department and the state insurance commissioner and treasurer William Gunter. Petitions to intervene for the defendant have been granted to the Independent Insurance Agents of America, the Florida Association of Insurance Agents, the Florida Association of Life Underwriters, the Florida Association of Life and Casualty Insurers Inc. and the American Council of Life Insur-

ance.

The plaintiff argued that the anti-rebate sections of the insurance code "has caused and will continue to cause economic harm to plaintiff by depriving him of his right to attract customers to his business by charging lower prices for his services than the prices charged by his competitors."

The suit requests that the anti-rebate section of the code applying to life, life annuity and disability be declared unconstitutional although the plaintiffs believe a precedent in this area could also knock down the anti-rebate provisions in property/casualty insurance.

FAIA public relations director Warren Levy said the effects of the elimination of the anti-rebate would be "fierce competition in which the bigger shops would be able to outcompete by cutting out service that the public expects from agents."

"We also anticipate that the market would contract. The number of agencies would become fewer. It would also affect service. The concept is one that's perhaps misunderstood by those pushing it. ■

Laub Group applies the principles of MBO to its brokerage business

MILWAUKEE—A lack of management tools poses an even greater threat to the future of the commercial brokerage business than the threat of federal intervention.

So believes a major brokerage firm here which has put an aggressive management by objectives program into effect to ward off that danger.

The Laub Group Inc., a commercial brokerage firm which generates \$1.75 million in gross revenues, applies its interpretation of MBO to all of its 50 employees who are scattered among six locations in Wisconsin.

Basically, it's a program designed to help individuals direct themselves and achieve their goals and thereby achieve corporate goals, explained executive vp George Stevoff.

Laub Group's strategy is two-fold: commit goals to paper and monitor the progress toward those goals. The strategy applies to all key employes (excluding clerical) and to the corporation itself.

One-year and five-year goals are written down and reviewed quarterly. As old goals are met, they're deleted from the list and replaced with new goals.

Employees list in their own handwriting their goals, including salary projections.

Mr. Stevoff sits down with each of these employes once every three months to monitor their achievements. Progress is measured by the individual and by the corporation. These goals might include calling on a given number of prospective accounts, taking a more aggressive stance in accounts receivable or completing an educational designation.

Four areas are covered in each of these conversations: products and marketing, attitude, office procedures and outside personal improvements.

The remarks of the employe and management are recorded in the employe's file which is accessible to that individual at any time.

Getting a new employe started on such a goal-oriented trail begins with the hiring process. If the firm is seeking to add an individual it might review between 50 and 100 applications before selecting 10 it wants to pursue further, Mr. Stevoff said. Of those 10, five might be chosen to take the "Personality Dynamics Inventory" created by the Marketing Survey & Research Corp. in Princeton, N.J.

"We don't rise and fall on these tests, but they help us screen people," he said.

"The selection process is a very important part of the firm's overall operation. If you don't start out with the right people, you know things will go wrong."

The broker then pays for a full medical examination and may ask that the employe go back for periodic checkups if necessary.

Physical well being is a part and parcel of Laub's MBO. The "outside personal improvements" area usually includes a physical fitness program which is encouraged by the firm.

"We don't want somebody who thinks insurance 12 hours a day, but we do believe that the most important thing to most people is their job. They want to know how they're doing. You cannot let someone go along with undesirable actions or attitudes for two years then jump all over the person for doing things wrong. He'll say 'Why the hell didn't you tell me that before?'"

they're being measured in the MBO whether they like it or not. And they know what they can expect, based on performance."

The firm's corporate long range planning is also done according to a one-year and five-year plan. Five areas are fiscal, personnel, risk management services, marketing and corporate.

"The goals are not a hard and fast commitment. They're flexible. In individual goals, I'll point out if I think it's an unreasonable goal the individual has set. As far as corporate goals, there are no sacred cows. If the goal doesn't work out, we'll drop it."

The corporate record is mixed. A

specific goal for improved fiscal reporting on a quarterly basis was met well ahead of schedule. But a dollar goal for revenue generated per employe, originally set for December of this year, was postponed to December 1982. "It does not mean we have cast the goal aside, though," Mr. Stevoff said.

"Corporate goals in themselves are not worth a dime unless the individual employe is aware of them," the executive continued.

All goals, whether individual or corporate, must be reasonable and attainable in a given period of time.

On the agenda for future corporate goals is the articulation of the purpose of the corporation, some-

Continued on following page

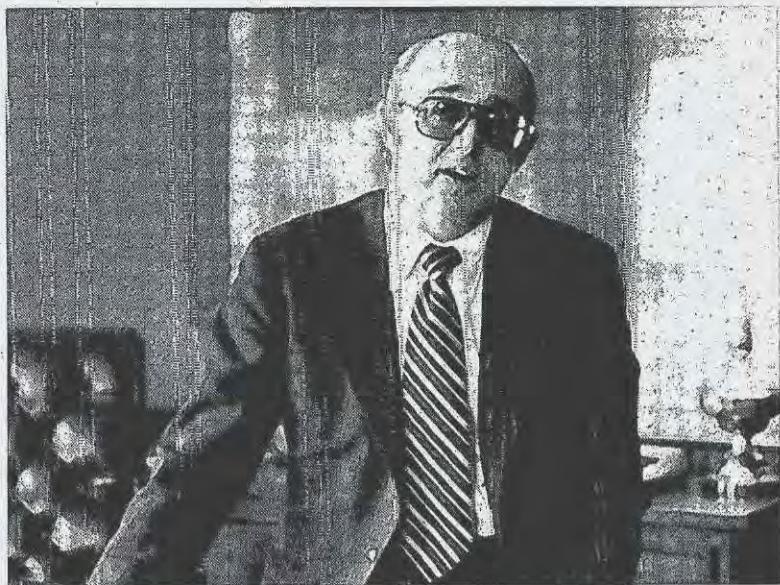
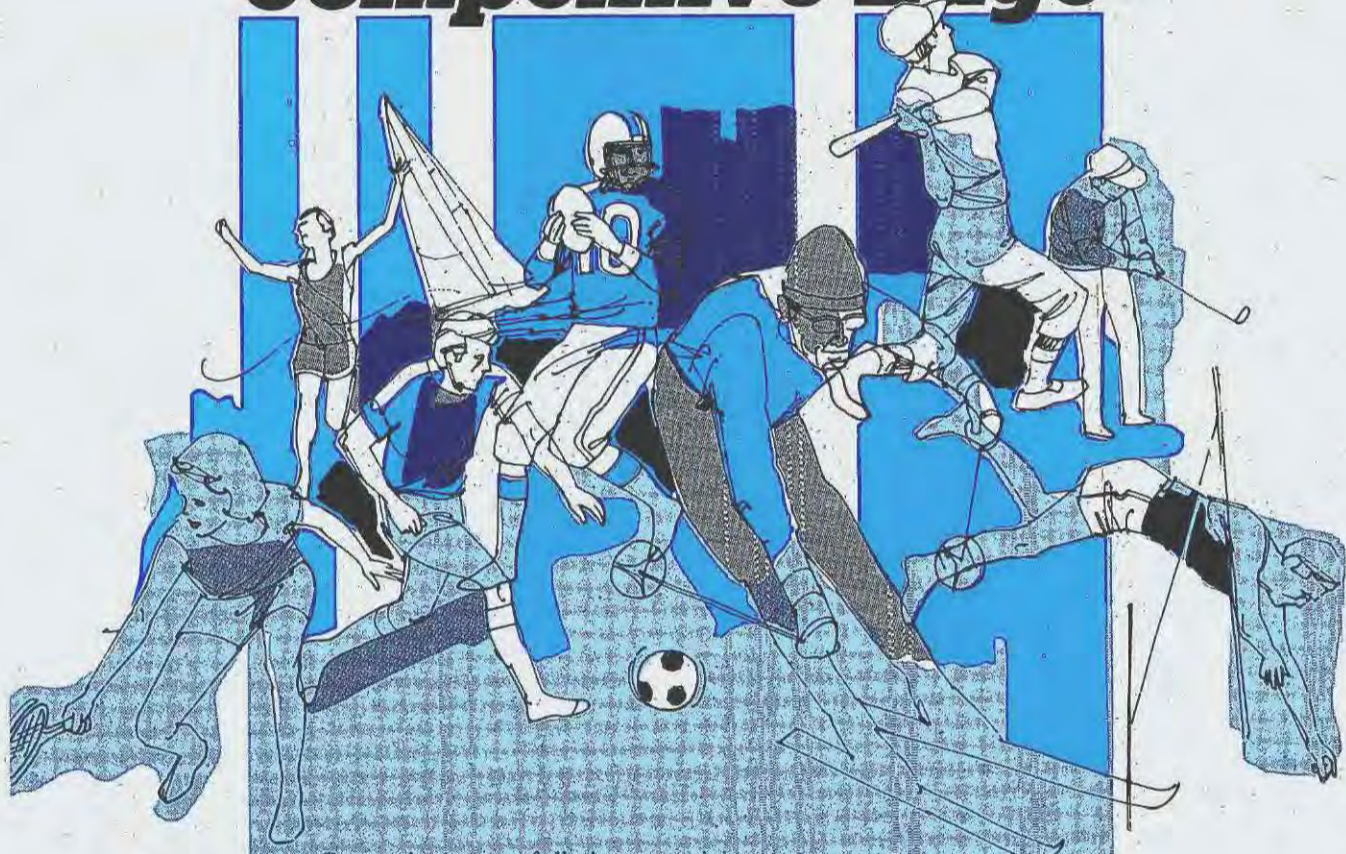


Photo: Barbara Jean Gray

Laub Group executive vp George Stevoff reviews achievements against goals with employes every three months.

The Competitive Edge



Competing successfully in any activity requires a combination of skill, experience and extra effort — those elusive qualities which go into producing a winner.

AVRECO has established itself as a consistent winner by utilizing these same traits in assisting agents and brokers worldwide in the marketing of excess and special risk insurance — only we call it professionalism.

Whether your account is property or casualty call or write "The Professionals" and we can help you find "the competitive edge."

AVRECO, INC.

200 West Monroe Street
Chicago, Illinois 60606
Phone (312) 663-1500
Telex 03-53553 Cable AVRECO

For more facts circle 183 on reply card

Minority brokers enlist insurance company participation in program

By MARGARET LeROUX

SAN FRANCISCO—In an attempt to generate job opportunities in the insurance industry for minority men and women, the Bay Area Assn. of Black Brokers and Agents and five insurance companies are sponsoring a nine-week training program for underwriters, claims adjusters and loss control engineers.

The nine-week program provides an overview of the industry with a full time schedule of classes taught by the Insurance Educational Assn. This is the third year the program has been offered, Roosevelt Carrie, president of the black brokers association said.

"We are attempting to fill a void... most insurance companies have very few blacks in underwriting and other technical positions."

Candidates for the training program were recruited from ads in area newspapers and community organizations. The Greater San Francisco Opportunities Industrialization Center did the recruiting and pre-screening of potential trainees.

For the first time in the program's three-year history, representatives of the sponsoring insurance companies participated in the final selection of five candidates for the program.

Average age of this year's group of trainees is 25, according to Mr. Carrie and most have had two years of college, though one is a college graduate.

Among the 12 trainees who completed the program in the past two years two are currently employed in senior underwriting positions.

The five sponsoring insurance companies—The Hartford, Aetna Life & Casualty, Industrial Indemnity, Fireman's Fund and Safeco—each contributed \$10,000 to the training program at its outset. Last year each company's contribution was reduced to \$5,000, according to Mr. Carrie and the program this year is being run with surplus from the previous two years.

The training program is geared to give the participants an introduction to insurance company functions, Mr. Carrie said. "They're shown the kinds of activity they can expect to get into." After completion of the program, graduates are ready to continue training in programs offered by individual insurance companies.

Mr. Carrie noted that the association of black brokers had contacted 20 other companies as potential sponsors, but were turned down. He declined to name the 20, but praised the companies that are participating in the program for "demonstrating their commitment to their social responsibilities."

The Bay Area Assn. of Black Brokers and Agents is a six-year-old organization. "We were formed to deal with the problems and questions encountered by blacks in the insurance industry, in placing their business," Mr. Carrie said. "Rather than try and combat the

discrimination that is still practiced in the industry on an individual basis, we felt there would be strength in numbers," he said. However, Mr. Carrie declined to disclose the number of members in the association.

"As far as I know we're the only organization for black brokers in California," the president continued. "We aren't aware of very many like organizations in other parts of the country."

Most members of the association write all lines of insurance, Mr. Carrie said, but the average black owned agency in the Bay Area does less than 25% commercial lines business.

MBO . . .

Continued from preceding page
thing the firm wants to put down in writing, he said.

By applying the philosophy of management by objectives to the commercial insurance brokerage industry, "We're trying to apply modern business management to an old business," Mr. Stevoff said.

"It's a two-way system of continual communication between employee and employer on what each wants to achieve and how each is faring in accomplishing those achievements."

Even clerical employees who do not have an individual file meet with corporate management on a quarterly basis. It aims to be a give and take exchange. Management reports progress toward its corporate goals and invites suggestions from the employees.

The executive also believes the program reduces general anxiety that exists in any business, especially those with branch offices. Laub Group presently uses two methods in extending its MBO program to the branches: one in which the individual employees deal directly with the headquarter office here and another in which Mr. Stevoff deals with the branch manager who in turns deals with the individuals. Eventually one system will be used for all but which of the two it will be has not yet been determined.

Mr. Stevoff estimated he spends 95% of his time in implementing the firm's management functions generally. Similarly, president Raymond Laub also spends the majority of his time managing.

Unlike many other types of businesses "insurance agencies have not been highly managed," observed Mr. Stevoff. "We want to have a program of management like any other industry."

In addition to his recent attendance at the two-week seminar at the College of Insurance in Harrison, N.Y., Mr. Stevoff also attends all-industry management conferences and seminars. At these, he noted, insurance agents and brokers are conspicuous by their absence.

The Laub Group has been practicing management by objectives on a quasi-official basis for many of its 46 years but didn't start a full-fledged program until about 18 months ago.

In the last 10 years the brokerage firm has registered a compound growth rate of nearly 30%, the executive vp reported, most of which has been internal.

"We don't always achieve everything we want to achieve. Most people do management by objectives naturally but they don't put it into writing. They succeed in spite of themselves. But when things reverse themselves, these people don't know what happened."

Prior to the firm's formalized implementation of MBO, Mr. Stevoff described his functions by saying "mostly I monitored things. But it was after the fact. It was not defined."

This year, it's all defined.



Quote Us.

Have the Group Life insurance nest-eggs you created for employers and employees a few years ago shrunk? With rising family income needs and inflation, yesterday's dollars have become today's loose change. We've been asking ourselves another serious question: "Are we short-changing the need for, and value of, good ol' basic Group Life protection?" Our answer: We need to do better, much better. So we're applying a basic "one-time earnings" test to our current business. And we're encouraging people like you to test us. We have a competitive line of 20th Century Group Life products for all size companies. They're designed for today's needs. **And you can quote us on that.**

State Mutual of America
has a lot of good Group ideas.

Totaling Financial Services: Quality employee benefit programs. Individual life, disability income with Non-Smoker Discounts. All forms of personal and business retirement income plans.

Yes, you might be able to quote me. Please deliver information about your Group:

- Life Allocated Investment Dollars
 Smile Guard Dental Pension and Profit Sharing
 Disability Income All of the above

Other: _____

Name _____

Firm Name _____

Street Address _____

City _____

State _____

Zip _____

Telephone _____

Mail to: State Mutual Life Assurance Company of America
Worcester, MA 01605. Attn: Mr. Crawford.

For more facts circle 192 on reply card

Legal brief

Loss of funds on deposit found to be partially covered under bond

ALMOST \$2 MILLION on deposit at a commercial bank in the form of certificates of deposit and in a commercial checking account was at stake in this suit brought by two savings and loan associations against their insurers under a bankers blanket bond. A federal district court ruled that the associations could recover against their insurers for losses occurring because of fraud in inducing a renewal of maturing certificates of deposit and because dishonest loans made by the bank caused it to fail.

The two savings and loan associations suffered substantial losses of funds on deposit with the San Francisco National Bank (SFNB) when the latter was closed by the Comptroller of the Currency. Part of the funds on deposit with SFNB were certificates of deposit, some of which had been reissued on the assurance that SFNB was in a sound financial condition. It was also established that SFNB had extended dishonest loans in substantial sums which triggered its closing.

Both savings and loan associations were insured under the blanket bonds which indemnified them against "loss of property through any other form of fraud or dishonesty by any person or persons whether employes or not." When SFNB was closed the associations sued their insurers under the bonds to recover their losses.

The court allowed recovery for the renewed certificates of deposit totaling \$700,000 concluding that the associations had actually relied upon the misrepresentation of the bank's president which resulted in their loss. The court agreed that SFNB had engaged in a practice of issuing large amounts of dishonest loans; however, in the opinion of the court, that did not obligate the insurers to be liable for the entire losses of the associations.

The court concluded that the bonds contemplated an apportionment of damages between dishonesty and other factors. *Fed. Sav. & Loan Ass'n. v. Aetna Life & Cas. Corp.*, U.S. District Court for the Northern District of California, Aug. 31, 1977. (BI/01/My.-\$4).

Gender distinction

The New Jersey Supreme Court has joined New York and California in ruling unconstitutional the differential treatment of widows and widowers in workers compensation acts (Act). The court ruled that the proof of dependency requirement imposed on widowers, but not on widows, in the New Jersey law violated the equal protection clause of the Fourteenth Amendment.

Vincent Tomarchio filed a dependency claim against the township of Greenwich for workers compensation death benefits under the New Jersey law, claiming he was the widower and sole dependent of his deceased wife, who sustained a fatal compensable accident. The township admitted the

The abstracts published in this column were prepared by Cases Unlimited Inc., Evanston, Ill.

employment connection, but denied that Mr. Tomarchio was a dependent of the deceased.

The New Jersey act prescribed different treatment for widows and widowers who sought death benefits. Dependency under the act was conclusively presumed for a decedent's widow, while a widower was required to prove dependency. Also, widower benefits were correlated to the degree of dependency that existed at the time of death. The judge of compensation found the dependency provision to be unconstitutional.

The appellate court agreed, emphasizing that the essential test of

constitutionality here was whether the differential classification was related substantially to the achievement of an important governmental objective. The court pointed out that the conclusive presumption of dependence provision, at the level of the wage earner, denied a female employee the same protection that a male worker received for his spouse. The statute, according to the court, also imposed an impermissible burden on the surviving widower from which a surviving widow was free.

The court emphasized that, "It is impermissible to employ gender-based distinctions premised upon 'archaic and overbroad' stereotypes regarding the economic dependency of women and thus to deny a female wage earner protection for her family equal to that afforded a comparable male wage earner."

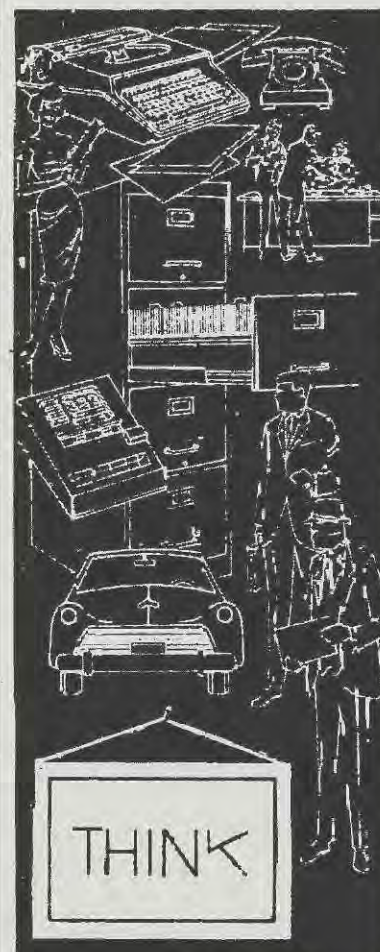
For the same reasons, the court also held unconstitutional the gender-based distinction governing the duration and computation of compensation benefits. *Tomarchio v. Township of Greenwich*, Supreme Court of New Jersey, Nov. 3, 1977. (BI/02/My.-\$4).

Group disability

The Arizona Supreme Court ruled that an insured under a group disability insurance policy, who retained the policy and paid premiums on it for six years before it became necessary to collect on it, could not complain that he did not get what he bargained for.

In 1964, when the insured was 57 years old, he purchased disability

Continued on following page



Money You Can't Overlook

When you use the fee adjuster, you can save money in many ways. For instance:

- Reduced employment-acquisition costs: advertising, physical exams, pre-employment investigations, possible reduction of personnel department overhead.
- You pay fewer salaries: less concerned with withholding and payments of state and federal taxes.
- You spend less on training and education.
- You spend less on fringe benefits (group insurance, retirement and terminal pay).
- You pay fewer expense accounts.
- You have fewer personality conflicts and personnel turnover (the latter causing a complete waste of all costs of hiring and development).
- You have less staff problems: over and/or under staffing, seeking good temporary help, vacations, illness.
- You have fewer problems arising from Labor Department inspections or union negotiations.
- You pay only for experienced personnel at competitive rates when used.
- If you're dissatisfied you can replace your representative easily.
- Your capital is not tied up in the purchase or maintenance of office space, equipment, furniture, supplies, automobiles, etc.
- You incur less costs for traveling supervisors.
- You normally maintain a combined loss and expense ratio that compares favorably with any.

Send today for your free directory of the more than 1000 offices manned by the members and International Associates

NATIONAL ASSOCIATION OF INDEPENDENT INSURANCE ADJUSTERS

175 W. JACKSON BLVD., CHICAGO, ILLINOIS 60604 (312) 427-7965



For more facts circle 39 on reply card

GRUPO SEGUROS LA COMERCIAL

THE LARGEST GROUP OF INSURANCE COMPANIES IN MEXICO

"LA COMERCIAL" IS THE FIRST AND ONLY MEXICAN INSURANCE COMPANY WITH A LIAISON OFFICE IN THE U.S.A. ALSO, ONE OF THE OLDEST AND MOST EXPERIENCED.

NATIONWIDE INSURANCE AND RISK MANAGEMENT SERVICES

INSURANCE

- Property and Casualty
- Life, Accident and Health
- Liability and Worker's Compensation
- Auto, Technical and Sundry Lines
- Inland and Ocean Marine

RISK MANAGEMENT SERVICES

- Evaluation of Current Protection
 - Financial Counseling
- Risk Management Counseling
- Loss Prevention Engineering
- Property Conservation Programs
- Group Insurance and Employee Benefits

HOME OFFICE

Seguros La Comercial, S.A.
Av. Insurgentes Sur #3900
Mexico, 22, D.F. - Mexico

U.S. LIAISON OFFICE

Seguros La Comercial
20 North Wacker Drive
Suite 1650
Chicago, Ill. 60606
Phone (312) 236-0002
Telex No. 283575

PLEASE ADDRESS ALL INQUIRIES TO EDMUNDO J. RALPH, VICE PRESIDENT AND MANAGER OF U.S. LIAISON OFFICE.

For more facts circle 52 on reply card

Shirt-Sleeve Forum

Sure You're Covered, but Does It Fit?

By Dinner Levison

(Asked in the financial district)

William Wasserman, Insurance Broker, 220 Bush St., San Francisco:

That's a timely question to ask about your insurance protection. At Dinner Levison, we not only provide modern coverages for you and your business. But we also make sure that your policies exactly fit your needs, your projected growth, and your budget. We call it our shirt-sleeve approach to risk management. Better call us today!



220 Bush St., San Francisco, CA. 94104. (415) 391-5422.

A Regional Insurance Broker Serving Business Around the World. Now More Than 100 Strong

For more facts circle 21 on reply card

legal brief

Continued from preceding page insurance from the American Casualty Co. (American) through a group policy issued to a fraternal organization. The master policy for the group provided that members could purchase certain amounts of monthly indemnity in the event of total disability ranging from \$100 to \$600 depending upon the age of the applicant.

The insured selected a \$500 monthly indemnity (with a maximum 60-month sickness period) and was issued a certificate reflecting that the indemnity reduced as shown in the schedule for disabilities commencing on or after the premium date. According to the schedule, the monthly indemnity became \$400 after the premium date following age 60. The insured became totally disabled at age 62.

American paid him \$500 per month from April 1970 to April 1974, when they realized their mistake. American then paid the insured an additional \$200 (for a total of \$24,000) and claimed they had completed their obligation to him. The insured sued for an additional \$6,000. The trial court ruled in favor of American.

The supreme court affirmed, stating that when the insured receives a policy not conforming exactly to the one desired, he may either accept or reject it, but if he desires to reject it, he must act within a reasonable time.

The court concluded the insured here waited too long and would be considered to have accepted the policy. No additional recovery against American was approved. *Parks v. American Cas. Co. of*

Reading, Pa., Supreme Court of Arizona, Dec. 5, 1977. (BI/03/My.-\$4).

"Claims made"

An engineering firm sued its professional liability insurer seeking to force it to defend the firm in two wrongful death actions. A New York court ruled that a provision in the policy that permitted the insurer, where it had notice of a potential claim, to refuse to renew the policy was unconscionable.

The engineering firm was insured by Travelers Indemnity Co. (Travelers) from May 1974 until December 1975, when Travelers decided to terminate writing professional liability policies in the state of New York. The policy was written on a "claims made" basis, meaning that coverage was afforded only when claims were made against the insured during the policy period.

In April 1975 an explosion oc-

curred in a project on which the engineering firm had served as a consultant. Travelers was advised by letter in November 1975 of potential claims arising from the explosion. It was not until April 1977 that the firm was sued in two wrongful death actions arising out of the earlier explosion.

The firm requested Travelers to defend these suits but Travelers refused. The firm then brought this suit.

One argument made by the firm was that the notice given to Travelers of the explosion constituted a "claim" and therefore a claim was made within the policy period. But the court concluded that giving this interpretation to the policy language would be "strained" and would propose "an unnatural meaning to the words used."

However, a second argument made by the firm, and accepted by the court, was that such "claims made" policies are unconscionable. The court believed they were

under the facts of this case where Travelers refused to renew the policy when it had notice of a potential claim. The court pointed out that the firm was thus placed in a position of having no coverage since no other insurer would be willing to accept the known risk.

Consequently, Travelers was ordered to defend the firm. *Heen & Flint Associates v. Travelers Indemn. Co.*, Supreme Court of New York, Dec. 8, 1977. (BI/04/My.-\$4).

Personal assault

May an injured party be compensated for injury received in the course of his employment from an assault due to personal animosity arising from work-related disputes? A Pennsylvania court ruled that, if it can be shown that the assault occurred because of the employment, it will be compensated.

Repro Products Corp. (Repro) appealed from a decision of the workers compensation appeals board (Board) granting compensation to the widow of an employe who had died of injuries sustained from a blow struck by a co-worker. Repro argued that compensation should be disallowed because the attack was the result of discordance that was personal to the deceased employe.

There was also evidence to suggest that the dispute may have arisen out of the deceased employe's representation of his assailant as union shop steward.

In sustaining the award, the court noted that the workers compensation act is traditionally given a liberal interpretation. The court emphasized that, "If animosity develops from work-related disputes, the animosity has developed because of employment and is therefore compensable."

Also, the court believed that if it can be shown that union activity which caused the employe's injury was in furtherance of the business or affairs of the employer, there was no reason why that injury also should not be compensable. *Repro Products Corp. v. Workmen's Compensation, Etc.*, Commonwealth Court of Pennsylvania, Dec. 2, 1977. (BI/05/My.-\$4).

(Copies of the entire decision of cases described may be obtained by sending a check for \$4 made out to Cases Unlimited to Legal Briefs, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611. Please list the number for each opinion requested, which is at the end of the brief.)

Florida firms self-fund comp

TALLAHASSEE—An increasing number of Florida employers are opting for self-insurance in a battle to keep the lid on rising workers compensation costs.

During the last five years, the number of companies that have chosen to self-insure their workers compensation risks has jumped 154%, according to figures released by the state department of commerce.

The commerce department says 3,527 Florida firms now self-insure for workers compensation; that number is expected to increase sharply this year. Of the 3,527 firms, the number that has joined self-insured fund groups jumped 167% in the same five-year period.

Florida law permits groups of companies to pool their workers compensation premiums and their liabilities.

Of the \$585 million paid by employers last year in workers compensation premiums, about 20% was for self-insurance, either on an individual or group fund basis.

The "offshore captive" can be a sensible, self-insurance solution

Let Armco Insurance Management, Ltd. show you how

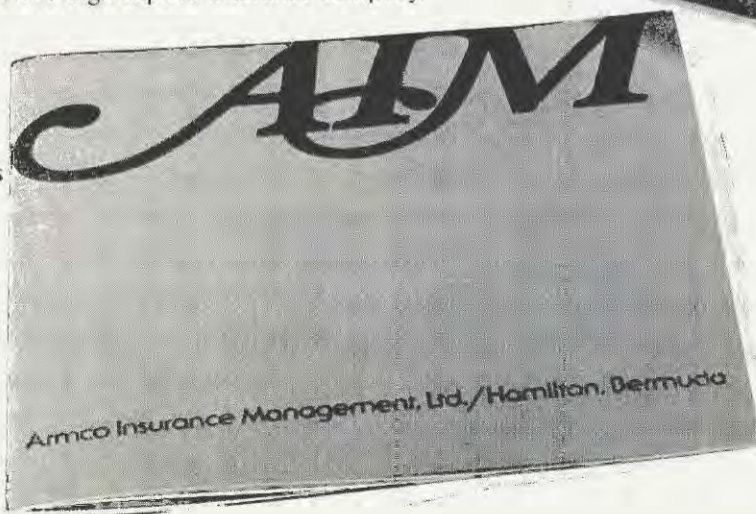
Armco Insurance Management, Ltd. (AIM) offers you an opportunity which may:

- lower your insurance costs and create better cash flow
- provide you broader forms of coverage and increased flexibility in operations
- insure your high risk exposures not available from normal commercial markets
- minimize restrictions on your portfolio investments
- generate savings through purchase of reinsurance not available through direct insurance
- establish an advantageous tax position

Quite simply, these are the basic working advantages of a foreign captive insurance company that accrue to a risk manager and his company.

What isn't so simple is establishing and managing a captive to obtain maximum benefits. That's AIM's business. Send for the booklet which shows how AIM's capabilities and Bermuda location can help provide you the maximum benefits of a foreign captive insurance company.

For your copy contact Clive Himsworth, General Manager/Chief Executive Officer, Armco Insurance Management, Ltd., Gibbons Building, P.O. Box 2004, Hamilton 5, Bermuda.



Armco Insurance Management, Ltd.
Hamilton, Bermuda

benefit tax slants

With care, deferred benefit won't go into estate

By JOSEPH S. ROBINSON
Attorney-at-Law

AS WE RECENTLY pointed out (*BI*, May 17) one of the tax shelters which the Treasury is attempting to wipe out is the use of deferred pay arrangements. Typically, such plans call for the company to promise to make continued payments to an executive after he retires or to his family in the event of death. All this is separate and apart from current salary or benefits under a qualified pension.

As a result of the threatened assault by IRS on such setups and also because the estate tax consequences can be quite onerous, more and more executives are springing for a variation of a deferred benefit that guarantees income to the beneficiary and eliminates the deferred compensation aspect for the executive.

Stripped down to its essentials, it appears that an employee will be able to exclude this benefit from his estate if:

- He enters into an agreement with his employer to pay to a stated beneficiary a certain benefit (usually "x" dollars for "y" years).
- The agreement is signed more than three years before his death.
- The employee retains no rights to change the beneficiary, alter the amount or method of payment, or other rights which would amount to a demonstrable power to exercise control over the benefit.
- The employer does not provide any other nonqualified deferred compensation benefits.

Here's a real life example:

It was reported that a \$1 million life insurance policy was taken out by a motion picture company on the life of its chief officer. The policy was payable to the company and it, in turn, agreed to pay the officer's beneficiary \$100,000 a year over a 10-year span if he died while so employed. The company stated that proceeds were tax free to the corporation in a lump sum and its liability for death benefits would be spread out over a 10-year period... a substantial economic gain to the corporation.

The spread-out of payments over 10 years simply meant that the corporation had the chance to earn interest over that period on the reduced amount of \$1 million. At a next after-tax rate of 3%, this produced a yield in excess of \$150,000

in compound interest.

But the story doesn't end here. The gain from the tax leverage is \$480,000 (48% corporate tax bracket). Since the corporation pays out \$1 million in deductible payments, its payout cost is only \$520,000 and it has a \$480,000 profit minus its total premium cost.

Here's the estate tax picture:

Where a corporation sets up a typical deferred compensation arrangement (combining retirement and death benefits) there is an estate tax impact. But absent deferred compensation tied to a straight death benefit, the executive can avoid inclusion of benefits

in his estate.

Executive perks

Awhile back IRS had agreed with Congress to defuse its explosives on executive perks until July 1978. Consequently, some tax audits and rulings have been held up. However, as things stand now, Congress is not likely to take any action until next year and all signs point to the issuance of proposed new regs by the Treasury within the next few months spelling out which fringes it will begin to tax or continue to tax and which benefits it will not tax.

Assignment benefits

In order to maintain their status as qualified plans, pension plans must provide that benefits may not be assigned, attached, garnished or otherwise transferred (*IRC Sec. 401(a)(13)*). This general rule is subject to a number of exceptions, the most important of which allows a voluntary and revocable assignment by a participant of up to 10% of each benefit payment.

IRS recently issued Regulations (*Reg. Sec. 1.401(a)(13)*) that clarify the restriction. Effective retroactively to Jan. 1, 1976, the plan documents must specify that benefits

"may not be anticipated, assigned (either at law or in equity), alienated, or subject to attachment, garnishment, levy, execution or other legal or equitable process."

An arrangement giving a non-beneficiary (including the employer) rights to receive plan benefits payable to a beneficiary is an assignment or alienation, unless it falls within the terms of the new regulations.

QUERY: Do the final regs prevent state courts from attaching an employee's pension interest as was sanctioned in New York and New Jersey recently? We believe they do.

Scarborough and Company... HAS SOME GREAT NEWS FOR BANKERS

We have designed a new Property and Casualty program that can pay participating banks a CASH DIVIDEND. As a group, banks are superior property and casualty insurance risks, producing consistently excellent loss ratios. But, you probably haven't been able to take full advantage of your good experience. Now Scarborough and Company has done something about it.

We're proud to announce Scarborough's Bankers Business Guard Insurance Plan—a custom-designed program to help you meet your property and casualty insurance needs. Scarborough's Bankers Business Guard Insurance Plan is an easy-to-administer specialized insurance program that offers comprehensive, yet flexible, coverage from a stable source and at competitive rates.

Most important, though, Scarborough's Bankers Business Guard Insurance Plan can give participating banks the chance to get something in return for their good performance. The plan allows participants in the group to receive possible CASH DIVIDENDS based upon group performance.

Write or call us.

Let us show you that when it comes to insurance for banks, Scarborough does it all—and does it better.



Scarborough and Company
the bank
insurance people

222 N. Dearborn Street, Chicago, Illinois 60601 (312) 855-3100

Please send me more information on Scarborough's Bankers Business Guard program.

Name _____

Title _____

Bank _____

Address _____

City _____ State _____ Zip _____

For more facts circle 61 on reply card



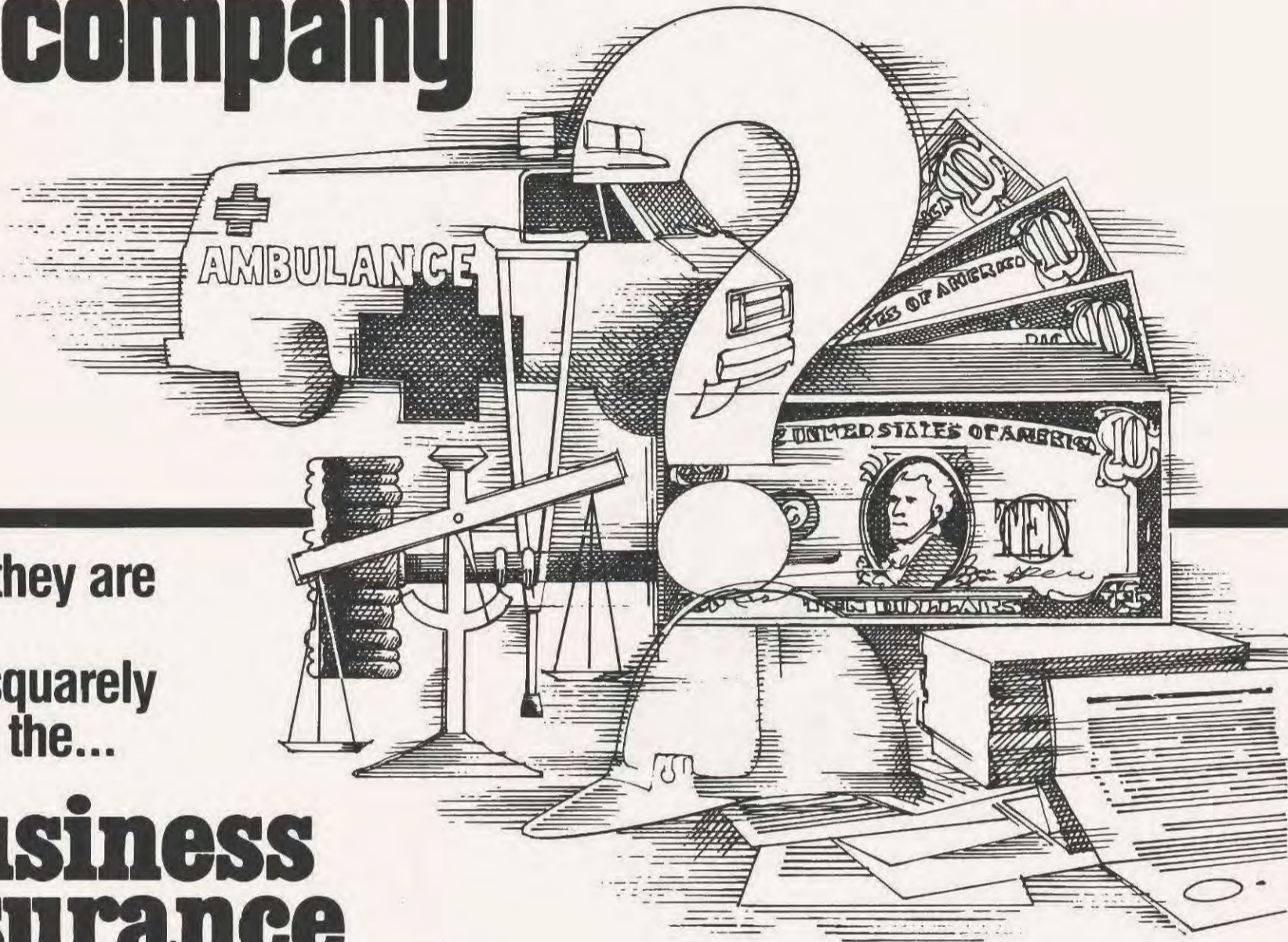
The people who know
how to handle it in

MINNEAPOLIS
are

**BRANDOW HOWARD KOHLER
& ROSENBLOOM**
3601 Park Center Boulevard
929-5551

SEE OUR AD ON PAGE 6

What new Workers Compensation hazards face your company



Learn what they are and how to meet them squarely by attending the...

business insurance

NATIONAL CONFERENCE ON WORKERS COMPENSATION

July 23-26, 1978
Continental Plaza Hotel,
Chicago

Today, Workers Compensation is an area of widespread confusion and deep concern:

Emerging occupational diseases . . . growing fraud . . . proposed federal takeover . . . This is your unique opportunity to examine all facets of the complex Workers Compensation question and get the answers you need to ease your company's burden.

Workers Compensation programs are essential. But varying state regulations, confusing and contradictory rulings, expanding coverages and skyrocketing benefits are creating a new occupational disease among employers everywhere: Cumulative Work/Comp Trauma.

The march of technology is creating more occupation-related hazards than ever existed before. That means more regulation. You, as an employer, face increasingly tougher Workers Compensation challenges:

- Cumulative trauma
- Degenerative disease
- Fraud
- Workplace environmental hazards
- Capricious administration of Workers Compensation programs
- Escalating benefits
- Unlimited liability
- Emerging occupational diseases
- Set patterns for even more liberalized benefits

Is the solution a federal takeover of Workers Compensation? Maybe. But what about the influence of organized labor in Congress? The stakes are great. Statutory benefits are increasing. So is fraud. How can companies protect their interests?

Yet the solution is within the business community. There are ways to cope. To solve some of the day-to-day problems. To work with the regulators and your employees. To ease your company's burden.

Now is a time of decision. Deciding what path to take and strategies to employ may well save you thousands of dollars. That's what this Conference

. . . sponsored by BUSINESS INSURANCE, the national newsmagazine of loss prevention, risk financing and employee benefit management, is all about.

You learn how leading companies across the nation are coping with the toughest Workers Compensation challenges. You see how successful they are in meeting increasingly stringent requirements. Learn methods and procedures that work.

And, examine the impact of the proposed federal takeover of the Workers Compensation system — from both sides. This may be the most controversial legislation to come along for some time. Examine the issues and make your position known. It's important to your company. And to business everywhere.

To register for this Conference, fill out and mail the coupon or phone (312) 649-5242 collect. Because of the national importance of this Conference and the fact that space is limited, there is a very real possibility of an early sell-out. In all fairness, registrations must be accepted on a first-come, first-served basis only. Don't be disappointed, get yours in today.

SUNDAY July 23

4:00 pm: Early Registration. Pick up your Conference materials and brief yourself on the program and speakers you'll be hearing over the next two and one half days.

7:00 pm: Welcome Reception. Take this opportunity to meet your fellow participants and discuss today's issues over an informal cocktail.

MONDAY July 24

8:00 am: Registration.

9:00 am: Welcome. Alfred Malecki, Publisher, *Business Insurance* and Susan Alt, *BI* Editor, set the stage for an exciting, thought-provoking Conference.

9:15 am: Occupational Disease—Technology's Growing Nightmare. Dr. Thomas F. Mancuso, Research Professor—Occupational Medicine, Graduate School of Public Health, University of Pittsburgh, is joined by Dr. Peter S. Barth, Professor and Head of the Department of Economics, University of Connecticut and Anthony Mazzocchi, Vice President, Oil, Chemical & Atomic Workers International Union. Together they take a close look at industry-spawned illness and how it has grown to be a major source of compensation claims—the extent of the problem, moral issues involved, legal liability now and in the future, how to identify and analyze major risk areas, the high cost of inaction.

10:30 am: Cumulative Trauma—The California Experience. Alan Tebb, General Manager, California Workers Compensation Institute, and Richard Robinson, Member, General Assembly, State of California, examines the good and the bad under California's cumulative trauma provisions, how employers can contain costs, and to what extent predictions of disaster have been borne out.

11:45 am: Wage-Loss—Is It A Better Idea? Clarence G. Johnson, Executive Vice President, Member of the Board of Directors, Employee Benefits Insurance Company, and Ron Conley, Acting Director, Office of Policy Research & Analysis,

Department of Health, Education and Welfare. Together they examine what's wrong with the present system of setting benefits, how the system can be improved in terms of compensation methods and procedures, whether the wage-loss concept is a good or bad substitute, and what the federal government's view is.

1:20 pm: Luncheon.

2:45 pm: Concurrent Sessions. Two in-depth sessions look at specific Workers Compensation funding problems. Attend the one of your choice.

• Market Overview For Self Insurers. John F. Milliken, Vice President, Alexander & Alexander, examines the current state of the insurance markets in the Workers Compensation area—where can employers go for a front or bonds under self-insurance regulations.

• The Problems And Opportunities In Self-insurance. Edward R. Lloyd, Director of Insurance and Assistant Secretary, Dan River Inc., tells you how to plan for self-insurance success—pitfalls to avoid, loss prevention programs, computer analysis, and program advantages.

4:00 pm: Concurrent Sessions. Two intensive sessions look at areas of great concern to employers. Attend the one of your choice.

• Fraud—How To Spot, Prove & Prevent It. Salvatore J. Camp, Assistant Counsel, Unit A, Waterfront Commission of New York, is joined by Charles F. Murphy, Assistant Director, Supervisor of Industrial Insurance, Department of Labor & Industries, State of Washington, and William W. Johnston, Chairman, Industrial Commission, State of Ohio. How prevalent is fraud? What investigative techniques work best? What can employers do to prevent fraud? What can be done to make staying "sick" less profitable than returning to work?

• Accounting Methods For Self-Insured Workers Compensation Losses. Arthur B. Willis, Attorney, member of the firm, Willis, Butler, Scheiffly, Leydorf & Grant, explains how and why Crescent Wharf & Warehouse Company was able to

accrue its liability for payments to employees in future years. What precedents were established? What does this mean for other self-insurers? What procedures must be followed to gain tax advantages?

6:00 pm: Cocktail Reception.

TUESDAY July 25

9:00 am: Has The Government Gone Too Far? Ralph M. Hartman, Director—Office of Workers' Compensation Programs, Employment Standards Administration, United States Department of Labor, is joined by Dennis J. Lindsay, Senior Partner, Lindsay, Nahstoll, Hart, Neil & Weigler, and John J. Runzer, Attorney, Pepper, Hamilton & Scheetz. They examine the Federal Longshoreman's & Harbor Workers Act; how it has been extended; what it means to you—is it really the biggest give-away program ever devised?

10:45 am: Loss Prevention—Shape Up And Save. Harold V. Hodnick, P.E., C.S.P., Safety Consultant, Reed Shaw Stenhouse of California, is joined by Walter Pfeiffer, Director of Corporate Safety, Coca-Cola Bottling Company of Los Angeles. Safety and loss-prevention programs are examined closely—how strict should they be? What do most employers have to do to improve their programs? What is the cost of various workplace injuries? Where should safety efforts be concentrated?

12:45: Luncheon.

2:15 pm: Three fascinating sessions cover areas of growing importance in successful Workers Compensation programs management. Attend the one of your choice.

• Rehabilitation—Paving The Road Back. Linda Abernathy, Vice President, Director of Rehabilitation Services Division, Fred S. James & Company and George T. Welch, President, International Rehabilitation Associates, Inc., an INA Corporation subsidiary. How properly ad-

ministered rehabilitation programs can reduce costs and get employees back on their feet. What kind of injuries lend themselves to rehabilitation?

• Health Screening—Filtering Out Risks. Dr. Joseph LaDou, Medical Director, Peninsula Industrial Medical Clinic, and Dr. David M. Lipscomb, Professor, Director, Noise Research Laboratory, Department of Audiology & Speech Pathology, University of Tennessee examine the importance of hearing and health screening to employers faced with rising workers compensations risks and losses. Is it important to document the health of all employees? How can risks be minimized? Are employers going to go broke paying for hearing loss?

• How To Deal Successfully With State Workers Compensation Administrators. W. Thomas Sprentall, Manager, Workers Compensation, Eastman Kodak Company tells you about his experiences and problems in working with state administrators: is an adversary relationship the rule? How to prepare your case for quick handling.

6:00 pm: Cocktail Reception.

WEDNESDAY July 26

9:00 am: Faceoff—Federal Vs. State Regulation Of Workers Compensation. Donald E. Elisburg, Assistant Secretary of Labor, Employment Standards Administration, U.S. Department of Labor; Howard Bunn, Jr., Vice President, National Association of Independent Insurers; Robert B. Collyer, Executive Assistant, UBA Inc.; Harry W. Dahl, Esq., Harry W. Dahl Law Office; John H. Lewis, Esq., Attorney; William J. Moshofsky, Vice President, Georgia Pacific Company; and Norman A. Weintraub, Economist, International Brotherhood of Teamsters, engage in a freewheeling, wide-open debate over the merits of federal or state administration of workers compensation programs. Are states incompetent? Will the federal government make things worse? You decide because you're going to vote.

12:30 pm: Adjournment.



Dr. Peter S. Barth
Department of Economics
University of Connecticut



Salvatore J. Camp
Waterfront Commission
of New York



Harry W. Dahl, Esq.
Harry W. Dahl
Law Office



Ralph M. Hartman
U.S. Department
of Labor



Clarence G. Johnson
Employee Benefits
Insurance Company



William W. Johnston
Industrial Commission,
State of Ohio



Dr. David M. Lipscomb
Department of Audiology
& Speech Pathology
University of Tennessee



Edward R. Lloyd
Dan Rivers Inc.



Tony Mazzocchi
Oil, Chemical
& Atomic Workers
International Union



John F. Milliken
Alexander & Alexander



William J. Moshofsky
Georgia Pacific Company



Charles F. Murphy
Department of
Labor & Industries
State of Washington



John J. Runzer
Pepper, Hamilton
& Scheetz



W. Thomas Sprentall
Eastman Kodak Company



George T. Welch
International Rehabilitation
Associates, Inc., an
INA Corporation subsidiary



Arthur B. Willis
Willis, Butler, Scheiffly,
Leydorf & Grant

To register, fill out the coupon or phone (312) 649-5242 collect.

Conference fee is \$385; a 10% discount applies to this rate for additional registrants from the same company who register at the same time. If your plans change, you can substitute the name of another individual without penalty prior to the Conference. Or, you can receive a full refund

if you cancel by July 10, 1978. (For cancellations received after July 10, there is a \$65 service charge.)
Registration fee includes admission to all scheduled Conference sessions and functions, complete resource materials including a workbook,

two luncheons and three cocktail receptions. Hotel accommodations and travel arrangements are not included and must be made separately. Registrants automatically receive hotel reservation forms with their Conference confirmations.

Phone (312) 649-5242 collect or mail this coupon TODAY!

YES! Please enroll me in the Business Insurance National Conference on Workers Compensation.

Enclosed is a check for \$ _____
Bill me _____

Name _____

Title _____

Company _____

Phone (_____) _____

Street _____

City _____ State _____ Zip _____

Additional registrants:

Name _____ Title _____

Name _____ Title _____

Make check payable to Crain Educational Division. Mail today to: Crain Educational Division, 740 Rush St., Chicago, IL 60611

business insurance

NATIONAL CONFERENCE ON WORKERS COMPENSATION

dates for buyers

June 6-8. The 1978 London International Insurance Conference will be sponsored by Oyez International Business Communications Ltd. together with the Assn. of Insurance and Risk Managers in Industry and Commerce. The conference is intended for top-level executives in the insurance world in the U.K., Europe and U.S. Among the topics to be considered are property, interruption, public and product liability; multinationals—their special problems, and special areas of risk management. Contact Oyez I.B.C. Ltd., Norwich House, Norwich St., London E.C.4; phone 01-242-2481.

June 8-9. The Wharton School of the University of Pennsylvania will hold a seminar on the **Fundamentals of Pension Design and Funding** in New York. Among the topics to be covered will be effectiveness of plan benefits, design to complement corporate objectives, implications of inflation on plan design and pension costs, determining pension costs and liabilities, alternative methods of funding, using actuarial reports and pension plan forecasting. The seminar will be repeated in Atlanta, **Aug. 10-11**; Los Angeles, **Oct. 5-6**, and Chicago, **Dec. 7-8**. Cost: \$65, registration fee per company; \$465 per person. Contact Wharton Conference Center, 360 Lexington Ave.,

New York, N.Y.

June 12-14. RIMS will conduct a course in the **fundamentals of insurance** in four locations this year. The first one will be held in St. Louis, Mo. Others will be: **June 14-16**, Minneapolis/St. Paul; **Dec. 11-13**, Dallas and **Dec. 13-15**, Nashville. The program covers risk and insurance management concepts, property insurance and liability insurance. Cost: \$200, RIMS member; \$150, each additional member, and \$300, non-member. Contact Kathy Flandreau, RIMS, 205 E. 42nd St., New York, N.Y. 10017; phone (212) 557-3218.

June 18-21. **National HMO Conference** to be held in New York City and sponsored by Group Health Assn. of America Inc. In addition to major policy addresses by Washington officials, the GHAA conference will include outcomes of recent clinical and managerial studies of HMO physicians and executives. Topics will range from nutritional factors in child behavior to behavior modification weight control program in an HMO setting. Cost: \$200, members; special rates available for federal employees, students and retired members. Contact Timothy Bell, Group Health Assn. of America Inc., 1717 Massachusetts Ave., N.W.,

Washington, D.C. 20036; phone (302) 483-4012.

June 18-21. The 1978 **Employe Benefits Institute for Single Employer Plans** will be held in Chicago. The forum, presented by the International Foundation of Employee Benefit Plans, will deal with problems in benefits communication, controlling benefit costs and information needed for future investments, inflation, Social Security and health care. The program will be repeated in Las Vegas, **Oct. 4-7** and in Hollywood, Fla., **Dec. 10-13**. Contact International Foundation of Employee Benefit Plans, 18700 W. Bluemound Rd., P.O. Box 69, Brookfield, Wis. 53005; phone 414-786-6700.

June 18-22. **International Insurance Seminar Inc.** will hold a conference in Manila, Philippines. Previous conferences have dealt with such topics as insurance marketing, investment portfolio management and management controls. Contact: John D. Thomas, John David Thomas Co., P.O. Box 528, Pebble Beach, Calif. 93953; phone (408) 624-0531.

June 19-20. In San Francisco New York University will present a seminar on **Corporate Insurance Management**. Topics include current approaches to risk and insurance-management, property and business interruption coverage, minimizing claim problems, controlling benefit costs, managing costs for workers compensation and liability insurance, loss costs and control, product liability crisis

and current risk management techniques. The seminar will be repeated in New York, **Sept. 7-8** and in Atlanta, **Oct. 16-17**. Contact Heidi E. Kaplan, Dept. 20NR, New York Management Center, 360 Lexington Ave., New York, N.Y. 10017; phone 212-953-7262.

June 19-21. A series of six special education programs to inform and update managers of company-sponsored **employee benefit plans** will be sponsored by the International Foundation of Employee Benefit Plans. The first such program will be held in Chicago. Other three-day seminars are as follows: **Oct. 5-7**, Las Vegas, and **Dec. 11-13**, Hollywood Fla. Topics will include the changing role of private plans, social security benefits and integration with private plans, funding alternatives for non-pension plans, management audit of indirect compensation and recent developments in pension laws. There will also be a series of one-day seminars—**July 20**, New York City; **Aug. 10**, San Francisco, and **Sept. 21**, Chicago. This series will feature employer liability, mergers and acquisitions and current issues facing the PBGC. Cost: for the three-day institute—\$225, members; \$285, non-members—for one-day seminar—\$75, members; \$95, non-members. Contact: International Foundation of Employee Benefit Plans, P.O. Box 69, Brookfield, Wis.; phone (414) 786-6700.

June 19-21. **Professional Development Conference of the American Society of Safety En-**

gineers to be held in Washington, D.C. Highlights will include presentations by three congressmen on OSHA and its future, and discussion of the management aspects of safety. Cost: \$175, members; \$225, non-members. Contact American Society of Safety Engineers, 850 Busse Highway, Park Ridge, Ill.; phone (312) 692-4121.

June 25-28. **1978 Communications Institute** to be held in Tahoe, Nev., and sponsored by the International Foundation of Employee Benefit Plans. Among the topics to be considered will be developing an effective communication program, communication related to denied claims, analysis and simplification of plan booklets, retirement counseling and communicating with your investment manager. Cost: \$225, member; \$285 non-member. Contact International Foundation of Employee Benefit Plans, P.O. Box 69, Brookfield, Wis. 53005; phone 414-786-6700.

July 24-26. The **National Conference on Workers Compensation** to be sponsored by *Business Insurance* in Chicago. It will include six general sessions and seven concurrent sessions covering aspects of workers compensation regulation, insurance and self-insurance. One of the highlights will be a debate on the question of state versus federal regulation, featuring seven nationally recognized authorities. Among the topics to be considered will be proposed federal legislation, occupational disease, cumulative trauma provisions, the present system of establishing workers compensation benefits, self-insured programs, fraud in workers compensation, has the federal Longshoreman's & Harbor Workers Act gone far enough, administering safety and loss prevention programs, rehabilitation programs, working with state workers compensation regulations. Cost: \$385; 10% discount for companies sending more than one person. Contact Taylor Lucas, Cran Education Division, 740 N. Rush St., Chicago, Ill. 60611; phone 312-649-5245.

No-fault buys weak support

WASHINGTON—A bill that would establish federal standards for state no-fault automobile insurance plans finally was passed last month by a Senate committee, but the thin margin of victory leaves grave doubts whether the legislation has any real chance of making it through Congress during this session.

The Senate Commerce Committee approved the bill on a 9 to 7 vote, but only after weeks of delays. Support for the measure was so weak that the committee several times canceled drafting sessions after a quorum could not be reached.

In the short time remaining, the bill still must be approved by the full Senate as well as by a House committee and the House itself. Observers, both for and against the bill, acknowledge such approval is unlikely to be given. No-fault auto bills, they add, have been killed by the last three Congresses.

One reason for the bill's lack of progress this year has been the powerful opposition by the Assn. of Trial Lawyers of America.

The bill reported out of the Commerce Committee would give states four years to enact no-fault automobile insurance plans that meet minimum federal standards.

If the states failed to adopt such standards, the federal standards contained in the bill automatically would go into effect.

Under the legislation, insurance companies would have to compensate policyholders for medical, rehabilitation and wage loss expenses when they are injured, no matter who caused the accident.

Policies would have to provide medical and rehabilitation expenses up to \$100,000, indexed for the cost of living, and up to \$12,000 in salary loss benefits.

In exchange for these guaranteed benefits, accident victims would give up their right to sue, unless the accident resulted in permanent scarring, disfigurement or loss of a bodily function.

In addition, legal action would be allowed if the injury prevented the accident victim from taking part in his usual activities for more than 180 days. Prior measures that died in Congress had placed the cutoff at 90 days.



SOME PEOPLE'S QUICK PAYMENT POLICIES ARE JUST IDLE CLAIMS

The company said if you had an accident, you'd be paid quickly. But after a week on the ground with no payment in sight, you're wondering where the claim went.

Sound incredible? Fact is, many so-called quick payment policies are not what they're made out to be. But when you're insured with Associated Aviation Underwriters, you can be sure your claims will

be answered promptly and efficiently. In the event of an accident, our expert claimsmen will respond immediately, because we know how valuable your operating time is.

Our reputation rides on your satisfaction with our service. Ask your agent or broker about us today and find out how quick, reliable service can be a reality—instead of just an idle claim.



Associated Aviation Underwriters
90 John Street, N.Y., N.Y. 10038

ATLANTA • CHICAGO • DALLAS • DENVER • DETROIT • KANSAS CITY • LOS ANGELES • SAN FRANCISCO

For more facts circle 6 on reply card

Risks from fruit to nuts; grocer's stock in trade

By ELLIS SIMON

HOUSTON—Take 10 years of claims experience, projections for business growth, the number of stores and the number of employees and a risk manager can closely predict what his losses for the coming year will be, believes Steven B. Steinberg.

Mr. Steinberg is director of risk management for J. Weingarten Inc., a Houston-based supermarket chain with 106 stores, 6,000 employees and 2 million customers a month. The accident exposure is "horrendous," he says, but few claims are costly despite high frequency.

Weingarten self-insures most of its general liability and property risks. Texas law, however, prohibits self-insurance of workers compensation.

The company assumes the first \$50,000 per occurrence for general liability and property losses and pays up to \$1.3 million a year in claims before its stop loss coverage goes into effect. Only three claims have exceeded \$50,000 in Mr. Steinberg's 5½ years with the company.

Buying insurance for the exposures Weingarten faces merely involves trading dollars with an insurance company, Mr. Steinberg said. With high retentions, however, "an insurance company looks at our program and says, 'We won't be involved (in paying claims) for some time.'"

Mr. Steinberg's retention levels reflect anticipated losses and the point at which use of insurance dollars is maximized, he explained. To project future losses, he relies heavily upon detailed computer reports supplied by Corporate Systems Inc. of Amarillo, Tex.

The computer records provide a 10-year history of employe and customer accidents. Information is broken out by type of employe, store, location in the store and type of injury. By combining this information with projected store growth, Mr. Steinberg can approximate his losses for the coming year.

The computer information is also used by the safety department in preparing its monthly "safety scoreboard" on workers compensation claims and working with supervisors and management on correcting problems.

The department also works closely with Weingarten's construction department, looking into

ways to reduce accidents. Proposals under consideration include use of non-skid floor surfaces, particularly in produce areas and cushioning floors to prevent glass bottles from breaking, Mr. Steinberg noted.

However, sometimes business considerations outweigh safety precautions. That is the case with grapes, which tend to fall onto the floor and cause customers to slip, Mr. Steinberg said. Bagging them could reduce this problem, but customers prefer their grapes openly displayed.

Weingarten retains both General Adjustment Bureau and Underwriters Adjusting Co. to process its claims. The adjusters are permitted to settle claims under \$2,500 without consulting with the Weingarten claims manager and acci-

dents are reported directly to them.

Direct reporting to the adjusters eliminates a lot of paperwork for the risk management department, noted Mr. Steinberg. The adjusters are paid a flat fee and it is to their advantage to settle claims promptly and for as little as possible.

By using independent adjusters, Weingarten avoids paying the loss conversion factor that it would be charged by an insurance company handling claims. "With loss conversion, what incentive is there to settle for \$200 when they can get more from you by settling for \$500?" he asks.

Weingarten's corporate philosophy is to pay the immediate first aid of anyone injured in a store regardless of who is at fault. "How-

Continued on following page



Photo: Ellis Simon

Weingarten risk manager Steven Steinberg says the company's tough stand on fighting claims prevents all but sure-win suits.

Introducing the compatible umbrella.

Shand, Morahan & Company now offers a first layer umbrella policy that (1) complements our claims-made products liability primary coverage, (2) offers occurrence-basis umbrella protection for exposures other than products liability, and (3) reduces the need for costly buffer layers in most cases.

With this coverage, you enjoy the best of both worlds: following-form excess for your claims-made primary products coverage insured through Shand, Morahan, plus an overall umbrella that starts low enough and reaches far enough to minimize or reduce the need for high-premium buffer layers. At the same time it provides a sound basis upon which to arrange higher layers of excess coverage if desired.

And because it's from Shand, Morahan, there are many other built-in pluses as well. For the complete story, have your agent or broker write or call us today.

Not available in Massachusetts, New York and New Hampshire.



The people who know how to handle it in

RICHMOND

are

DE JARNETTE & PAUL, INC.

307 West Main Street

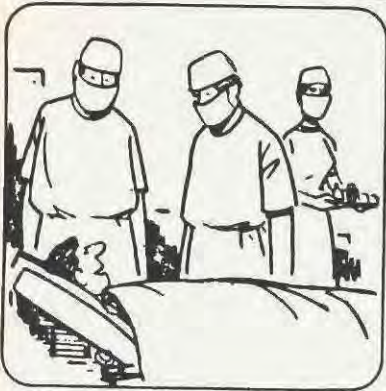
648-2882

SEE OUR AD ON PAGE 6



Shand, Morahan & Company, Inc.

EVANSTON, ILLINOIS



"Hey, doc! Need primary or excess hospital malpractice insurance? I'm in the business!"

Specializing in
 Hospital Malpractice
 Product Liability
 Municipal Public Liability
 Kidnap-Ransom
 Captive Insurance Programs

DC
 THE
DAMA COMPANY
 INCORPORATED
 600 Watergate, Suite 960
 Washington, D.C. 20037
 Telephone 202 965 2052
 Telex 248362

Doctors demand rights to countersuit awards

CHICAGO—Doctors' success with countersuits against plaintiffs and their lawyers to ward off frivolous malpractice suits is not as solid as initial awards indicate.

Not one award in a countersuit to a malpractice action has been upheld at the appellate or state supreme court level, attorneys pleading the cases admit.

And in some states doctors have been denied the right to a trial of their countersuits. Most recently, the Maryland court of appeals refused to hear an appeal by a doctor whose countersuit had been dismissed by a lower court.

In doing so, the court said that the doctor would have to plead special damages—imprisonment or seizure of property—in order to be heard in court after charging the malpractice plaintiffs and their attorneys with abusing the civil process.

"We argued that damage to repu-

tation is enough," said Richard Bloch, attorney for Dr. Clifton C. Presser who had won a directed verdict in the original malpractice action against him. "But Maryland adheres to the old rule," said Mr. Bloch. The old rule, that special damages must be pleaded to allow the court action, is also referred to as the English rule. About 17 states adhere to it.

Among them is Oregon, where the supreme court ruled last September against two doctors who had convinced a circuit court judge they had been wrongfully charged with malpractice. That was the first time such a counterclaim had been resolved at the court's highest level.

However, the New York supreme court, that state's second highest court, ruled recently that Dr. Eugene E. Drago should be allowed his day in court with a coun-

tersuit against an attorney who had represented the plaintiff in a malpractice action against the doctor. The court pointed to the "unique facts of this case," in ordering the trial and cautioned that its opinion should not be "read as creating or recognizing a distinctly new cause of action whenever a physician escapes malpractice liability and claims he was wrongfully charged in the first place."

Doctors' advocate Joel Edelman said, "We're 100% in support of that. We're talking about clearly frivolous cases." The legal consultant to the Illinois State Medical Society hailed the New York decision as a recognition of the "basic constitutional right to right a wrong."

Just what a doctor's rights are in Illinois should be resolved in the appeal of an \$8,000 award won in

1976 by a Skokie, Ill., radiologist in a countersuit.

"There is the same problem here in Illinois as in Maryland," Mr. Edelman said. The medical society went to the legislature requesting action to eliminate the requirement that a plaintiff plead special damages in a malicious prosecution case. But the judiciary committee rejected the idea.

Dr. John Sullivan of Vero Beach, Fla., is also awaiting the decision on an appeal of the \$75,000 award he was granted last summer in a suit against an attorney who had represented a plaintiff in a malpractice action against the surgeon.

While awaiting decisions in these cases, doctors are still considering new actions. The Illinois State Medical Society alone has 100 cases under review.

Fruit to nuts . . .

Continued from preceding page
 ever, we will make no nuisance settlements," says Mr. Steinberg.

"We have made caselaw in Texas for fighting claims and will fight to the Supreme Court if necessary. We would rather spend thousands of dollars for defense than pay a nuisance claim."

Because of this posture, many plaintiff attorneys in Houston will not take a case against Weingarten unless it's a sure-win situation, he added. This stand is a public relations plus because customers know the store will go out of its way to help them if they are injured, but won't pay a claim unless the store is responsible.

Besides worrying about liability and compensation claims resulting from slips and falls, Mr. Steinberg must contend with property coverage on the stores as well as property and liability coverage on 150 company cars and several hundred tractor-trailers.

Self-insurance with an excess layer above is also used. While property experience has been good for the most part, a warehouse fire several years ago

resulted in losses of \$488,000.

Weingarten's liability on bad food is limited to foods prepared in store delicatessens. Liability is transferred back to the supplier on items carried in the store and house brand products are supplied through a cooperative buying group which assumes liability on a shared basis.

In addition to his duties with the supermarket chain, Mr. Steinberg serves as risk manager for Weingarten Realty Inc., an independent firm associated with J. Weingarten Inc. Most of the realty firm's business is in shopping centers and coverage is provided using self-insurance with an excess policy.

However, Mr. Steinberg must also make sure that tenants have a certificate of insurance protecting them against liability and fire damage to contents. "We want viable, rent-paying tenants," he said.

Mr. Steinberg would not reveal what excess insurers he uses, but he employs Alexander & Alexander to place his property coverage and Corroon & Black brokers his casualty program.



JEMARK CORPORATION

the Professionals in
 Design • Implementation • Management
 of
 Captives and Self Insurance Plans.

Property/Casualty

Group Insurance

1801 Avenue of the Stars
 Los Angeles, California 90067
 (213) 556-0961
 TELEEX 181233 JEMARK LSA

P.O. Box 18
 Hamilton 5, Bermuda
 (809-29) 25229
 TELEEX 3483 CASH BA



SMILE



You're on Kautz-TV. What's a self-insurance management firm doing with its own video production unit? Filming our clients' safe practices, that's what! In California safety training is mandatory under GISO 3203. Videotape is one of the best training aids ever known. We put it to work in loss prevention. Unique? Innovative? That's **R. L. KAUTZ & CO.**

CORPORATE HEADQUARTERS, 1800 AVENUE OF THE STARS, LOS ANGELES, CALIFORNIA 90067. (213) 556-1111

INSURANCE SPECIALISTS

Excess
 Special Risks
 Surplus Lines



**THE WETZEL
 COMPANY, INC.
 THE COMMODORE
 INSURANCE
 COMPANY**

2000 South Post Oak Road, Suite 2400
 P.O. Box 66452, Houston, Texas 77006
 713/626-3240 Telex: 76-2053

Taking the Risk out of Business

For more facts circle 47 on reply card

London line

Arsonists burned Lloyd's syndicate, IRB charges

By JOHN H. MILLER

LONDON—Instituto De Reaseguros do Brazil (IRB) claimed in a 300-page affidavit that many of the reinsured claims it is denying are fraudulent, and that the F.H. Sasse & Others syndicate at Lloyd's was the unwitting victim of arson by New York property owners aiming to cash in on insurance written by Lloyd's.

Although the Sasse syndicate had specifically requested an early trial of its \$3.1 million lawsuit against the IRB, the British High Court delayed the proceedings until mid-July, in order to give the IRB more time to document its suspicions that properties insured by Sasse and reinsured by IRB have been intentionally burned.

The Bronx district attorney's office is currently investigating reports of mysterious fires that occurred at properties for which 30-day insurance cancellation notices had been filed by Sasse. There are fears that more fires might occur before the last of the Sasse policies runs out.

Judge John Donaldson, in rejecting Sasse's request for an early trial, ordered Sasse to provide further details about its insurance contracts covering U.S. risks, particularly those through Den-Har Underwriters Inc., Intra-Global Reinsurance Co. of Houston, Lloyd's insurance brokers Brentnall Beard & Co., and reinsurance brokers Austin & Balcon. Sasse was ordered to provide this information to the IRB within the next month.

Meanwhile, Sasse syndicate continues to be suspended from Lloyd's, while Merrett Dixey syndicate takes over the management of Sasse's business. Calls have been made against 100 members of the Sasse syndicate, reportedly for as much as \$100,000 per person.

Marine market

Low premium levels caused by chronic over capacity are still affecting the U.K.'s marine insurance market, according to a review of the British insurance brokerage industry by London stockbrokers Rowe and Pitman.

They blame foreign insurers with no technical sophistication for undercutting existing rates and eroding the dominant position that

London has held in this field for many years.

"Risks are being accepted at cut-price rates and underwriters have either to write business at uneconomic levels or allow it to be won by other markets," their report states. "The situation is likely to prevail for some time yet until the capacity situation is improved, either by a revival in world trade or by capacity being withdrawn due to unfavorable results."

But in the oil production field, the stockbrokers admit, there is considerable under-capacity for North Sea platforms. Some of the larger installations are regarded as still under-insured, even though

they are covered at times for losses of more than \$600 million.

To put this figure into perspective, they point out that the record marine loss for the tanker Olympic Bravery was \$50 million. Pollution coverage has generally to be effected on a mutual basis through shipowners' P & I (protection and indemnity) clubs or by the oil companies' captive OIL.

South Korean jet

Risks on the South Korean Boeing 707 which crashed near Murmansk in northern Russia after an international crisis in which it was fired on by Soviet jets, are largely

covered in the London and other world aviation markets through reinsurance from state-controlled South Korean airline.

It has a hull value of just over \$6 million and may have to be written off as a constructive total loss. But brokers and underwriters in London are still negotiating with the Soviet authorities through diplomatic and other channels to find the full extent of the damage.

The cause of the casualty, in which the airliner with 97 passengers on board wandered nearly 1,000 miles off course on a flight from Paris to Seoul, is still a navigational mystery to aviation experts.

U.K. theft

Thefts from commercial premises in the U.K. have leapt nearly 400% in the past five years, and rose by 45% in the last 12 months, the British Insurance Assn. reports.

Pat Bartrum, its crime prevention chairman, warned: "Robbers' activities are now going far beyond target risks such as jewelry, clothing and tobacco. Businessmen must realize the need for greater security."

Lloyd's probes claim

Doubts over the authenticity of
Continued on following page

Only one company offers a comprehensive risk management services program as a matter of policy.



There's a big difference between the policies offered by Hartford Steam Boiler and any other boiler and machinery insurance company.

That difference is our exclusive risk management services program designed to meet the varying requirements of larger risks.

The objective of the program is to increase plant reliability, especially where boiler, pressure vessel, pump, compressor, turbine motor, air conditioning, or other mechanical or electrical equipment is concerned. It has proven to be most successful because we're uniquely qualified to help you manage your boiler and machinery exposures better.

First, we specialize exclusively in boiler and machinery insurance. Of course other companies are in the field, but none as a specialist.

Second, we have nearly 1000 highly trained and experienced inspectors and engineers. This is far more than any other company. With this number, you can be sure we're where you are; wherever that may be.

Third, our inspectors check over more different types of equipment in a week than most companies inspect in a year! Which means there are few boiler and

machinery exposures we haven't identified and dealt with.

Fourth, our inspectors are better equipped than any others. For example, their worldwide experience is continuously pooled, thus creating a vast bank of boiler and machinery risk experience. This data is analyzed and updated to help you uncover and evaluate your exposures.

Fifth, we obviously identify and inspect risks for our own benefit. So you can be sure we do it well, because keeping your business operating profitably also protects our bottom line.

Finally, our exclusive program of risk management services can assist you in developing meaningful plans in the following areas: risk analysis and exposure evaluations, development of equipment inventories, loss experience tabulations and projections, special inspection service, operating history and inspection reports, operator and supervisory training programs, quality assurance—expediting service, pre-

ventive maintenance programs, non-destructive testing, environment and energy controls, development of emergency procedures, and pre-emergency planning and recovery programs. When diligently applied, this program can help reduce the frequency and severity of accidents, giving you more value for your premium dollar.

Now with all this going for you, which should you select to protect your corporate dollars: Hartford Steam Boiler's comprehensive risk management program, or just an ordinary policy from some other insurance company?

Contact your Hartford Steam Boiler agent or broker. Or call Don Wilson, vice president, at (203) 527-0791 and talk to him about it.

HARTFORD STEAM BOILER INSPECTION AND INSURANCE

Hartford, Connecticut 06102
We help more risk managers manage risks better.

For more facts circle 31 on reply card



The people who know how to handle it in

WEST VIRGINIA

are

MCDONOUGH-CAPERTON-SHEPHERD-GOLDSMITH
1014 Kanawha Blvd. E

Charleston 25326 / 346-0611

SEE OUR AD ON PAGE 6

"A Full Service Insurance Company"

Group Insurance

- LIFE
- AD & D
- SHORT TERM DISABILITY
- LONG TERM DISABILITY
- MEDICAL INSURANCE
 - Fully Insured
 - Minimum Premium
 - Cost Plus
 - A. S. O.
 - Specific Stop Loss
 - Aggregate Stop Loss
- DENTAL
- VISION
- GROUP PENSION PRODUCTS

Personal Insurance

- VARIOUS LIFE PLANS INCLUDING:
 - Executive Series Whole Life
 - Yearly Renewable Term
- RETIREMENT PLANS
- COMPREHENSIVE MAJOR MEDICAL
- BASIC HOSPITALIZATION

BENEFIT TRUST LIFE CAN PROVIDE YOU WITH THE COMPETITIVE EDGE



BENEFIT TRUST LIFE INSURANCE COMPANY
established in 1913
1771 HOWARD ST.
CHICAGO, IL. 60626
312 / 274-8100

For more facts circle 53 on reply card

London line

Continued from preceding page
\$1million fire claims from Italy are now being probed by a specially-named committee of Lloyd's after protests that they were paid because undue pressure had been exerted on a U.K. brokerage group.

The committee, market leaders Frank Barber, Ivor Binney, Peter Miller and Charles Skey, will have the task of settling a quarrel between the two broking groups involved.

They are the major public company, Willis Faber, which has a wide range of U.S. and other international accounts, and the private firm of Pearson Webb Springett.

Discussions are now going on in the hope of ending the dispute. Marine insurers recently paid out about \$500,000 for the loss of 301 Fiat autos damaged in a small fire on the cargo ship Savonita four years ago and related claims have been met under the ship's own third-party coverage.

Both the company market in London, which paid \$360,000, and Lloyd's underwriters, who settled for \$183,000 are involved.

It has been alleged in the U.K. Parliament that when Pearson Webb Springett refused to settle the claim on the ground that it was fraudulent, the problem was handed over to the larger broking firm of Willis Faber. This major group persuaded market associates in the U.K. that it would be in the interests of all concerned to cover the risk as such a small amount was involved.

Benefit abuse

Disability benefits are being

abused by employes at Hoover Corp.'s electrical appliances factory at Glamorgan, Wales, on such a large scale that they are causing concern to plant operations.

The company's workforce there is guaranteed continuance of full weekly pay for three months in the event of sickness. This was a benefit set up by management to foster good labor relations and was welcomed by the unions.

But now there are estimates that as many as 800 workers at a time, out of a workforce of 6,000, are on sick leaves, with the suspicion being that they're staying home for their own purposes.

They draw tax-free state social security benefit while they are off work, and the firm makes up the difference between this sum and their normal pay.

It is only "work shy" operatives who are doing this, but management executives have been holding talks with union negotiators in the hope of revising the benefit plan so that pay is guaranteed only up to 80% of their usual pay. This would hopefully restrict abuses.

New marine hazards

New problems may be ahead for marine insurers, indicates the annual report of Det norske Veritas, the Norwegian classification society, which has under its umbrella nearly 4,000 ships.

"Increasing interest is being shown in arctic waters, and in the development of vessels specially designed for navigation under severe conditions with heavy ice and low temperatures," its report states.

"This interest is mainly based on the assumption that arctic regions are hiding promising deposits of offshore oil and gas.

"It is, however, quite clear that the exploration, drilling and production in these areas will take place under severe and difficult conditions.

"These will apply not only to fixed structures and rigs, but also to all sorts of vessels intended for operation in these waters. These would include supply vessels, barges, crane vessels, rescue vessels and ice-breakers of different sizes and types."

According to Det norske Veritas, classification societies will probably have rules and regulations more directly aimed at pollution prevention in the future, as so many proposals to counter tanker casualties have been put forward. ■

The Third Market

Our function is to cover the Bermuda Market.



Robin Spencer-Arscott, Vice President and General Manager
E.L. Minugh, Broker
John A. Houghton, Broker

J. H. BLADES & CO. (INTERNATIONAL) LTD.
Insurance and Reinsurance Brokers

P.O. Box 691, Hamilton 5, Bermuda
Telephone: (809-29) 5-0169 Telex: 3280 Cable: "Blacoins"



The people who know how to handle it in
PORTLAND, ORE.

are
**JEWETT, BARTON,
LEAVY & KERN**
720 S.W. Washington St.
222-1831

SEE OUR AD ON PAGE 6

Asher's benefit self-insurance plan means major impact on bottom line

By ELLIS SIMON

FITCHBURG, Mass.—With 340 employees and sales of between \$10 million and \$20 million, The Asher Co., a family-owned manufacturer of men's trousers and sportswear, cannot afford the luxury of a full time risk manager.

Yet, treasurer Robert Frost has produced first-year savings of almost \$67,000 by aggressively marketing the company's insurance and employe benefit programs. With the exception of general liability, major changes have been implemented since 1973 on every line.

In addition, the company began self-insuring its group health program for non-union personnel almost two years ago even though only 88 persons participate in the plan.

In a low-profit margin industry such as apparel manufacturing, those savings could mean the difference in a lean year between operating at a profit or at a loss, he noted.

"All insurance and risk management practices apply to any size company and if General Motors goes to the 'pros' for help, so should Asher," says Mr. Frost. Since 1973, he has worked closely with insurers, evaluating their programs and deciding what would work best for his firm.

In doing so, Mr. Frost often was forced to circumvent an agent with 43 years experience on the Asher account who in recent years had been "happy to rewrite the policy as it was." As a result, the agent has become more aggressive in marketing Asher's coverages, Mr. Frost observed.

Self-insuring the group health program was "probably the single best decision I've made relating to insurance and risk," said Mr. Frost. The program, initiated in August 1976, not only resulted in cost savings but improved service without reducing benefit levels.

At the time, it was a bold step for Asher, which placed strong emphasis on employe relations. Yet,



Photo: Ellis Simon

Treasurer Robert Frost found that to change Asher's insurance programs, he often had to bypass the agent who'd had the account for many years.

when Mr. Frost made his proposal, the two brothers in charge of the firm gave their consent.

Asher was one of the first small firms in the Fitchburg area to adopt self-insurance of health benefits, noted Herbert H. Hokanson, president of Group Insurance Service Center, Asher's claims administrator. Since then, self-insurance of benefits has become common in the area.

The decision to self-insure was made following several years of poor claims experience with Blue Cross/Blue Shield that resulted in monthly rates increasing to \$109 per family, from \$50 per family. Nine programs, including the Blues and self-insurance were considered with costs ranging from \$83,000 for the former to \$70,000 for the latter, Mr. Frost said.

Under Asher's program, the company pays the first \$5,000 on each claim up to an aggregate limit and reinsures the excess with North American Life and Casualty Co. of Minneapolis. Group Insurance Service Center processes claims up to the \$5,000 level.

The firm can process a claim within 48 hours and has checks in the mail within a week, said Mr. Frost. Under the Blues, claims

payment often took two or three on in-state claims and up to six months on claims from out-of-state sales representatives, he added.

As a condition of its reinsurance agreement with North American, Asher placed approximately one-fifth of the value of its group life coverage with the Minnesota-based insurer. This was attractive since North American's rates were below those of Asher's original insurance company and the following year the total program was revised.

Mutual Benefit Life Insurance Co. of Newark, the original insurer, retained the account after strong pressure from Asher's agent who did not want to lose the business. The insurer beat out five competitors, undercutting the second best by one cent per \$1,000 coverage, Mr. Frost said.

Asher's rates from Mutual Benefit dropped to 58 cents per \$1,000

Continued on following page

HOW TO GET 100 YEARS' EXPERIENCE INVESTIGATING INSURANCE CLAIMS.

Put Pinkerton's on your case.

For more than a century, Pinkerton's has helped insurance companies, their attorneys—and, more recently, self-insured organizations—investigate all types of claims.

We have more than 100 offices throughout the U.S. and Canada. Since we're not limited to one area, you're not faced with long distance travel costs to complete investigations.

We have personnel for any special linguistic or otherwise sensitive situation.

And our investigative procedures, developed and refined over our long experience, have proved to be especially effective.

If you want to investigate our claims further, write: Pinkerton's, Inc., 100 Church Street, N.Y., N.Y. 10007. Or call (212) 285-4856.

PINKERTON

For more facts circle 40 on reply card

Frelinghuysen Livestock Managers wants to introduce you to . . .

SUPER INSURANCE!

Super insurance is what makes Frelinghuysen so special. We only insure livestock. That's it. It's the big reason why Frelinghuysen knows so much more about livestock than anyone else. Super!

Frelinghuysen is fast. We get policies out within 48 hours of being notified. That's fast. And we settle claims with the same sort of speed. So you get better service. Super!

Just about any way you choose to look at it, Frelinghuysen offers the first, middle and last word when it comes to livestock insurance.

Which is why you should come to Frelinghuysen for livestock insurance.

The Frelinghuysen Livestock Managers, Inc.
P.O. Box 185, U.S. Route 22, Whitehouse Station, N.J. 08883
Telephone: (201) 534-4027



ADVERTISERS AND ADVERTISING AGENCY LIABILITY



90 WILLIAM STREET • NEW YORK, N. Y. 10038

Atlanta • Baltimore • Boston • Chicago • Columbus • Dallas
Detroit • Honolulu • Indianapolis • Kansas City • Los Angeles
Orlando • Richmond • San Francisco • Seattle • Smithtown, L. I.
Springfield, N. J. • Syracuse • London, England

For more facts circle 27 on reply card

For more facts circle 43 on reply card

Over 30 years

DVUA
"can do" — even now



In spite of market conditions we have:

markets for liability insurance
umbrella, excess buffer, primary, products

companies for property insurance
capacity, layers, D.I.C., builders risk, inland marine

insurers for commercial auto and recreational risks
physical damage—primary and excess liability

outlets for specialty lines
errors and omissions, directors and officers, professional liability and municipality



Delaware Valley Underwriting Agency, Inc.

Corporate Headquarters: Wyncote, Pa. 19095
(215) 865-3500

| | |
|--------------------------------|------------------------------------------------------|
| PENNSYLVANIA (800) 562-5396 | NEW JERSEY DELAWARE MARYLAND (800) 523-1797 |
|--------------------------------|------------------------------------------------------|

Asher alterations . . .

Continued from preceding page
from \$1.36 per \$1,000, including five cents per thousand for accidental death and dismemberment. However, a large part of the reduction was due to the firm's reducing insurance coverage on its 85-year-old founder to \$1,000, Mr. Frost noted.

Still, the reductions were enough that Asher could now provide greater benefits at a lower cost. An employee covered for \$40,000 with Mutual Benefit under the old program would be covered for \$35,000 from that insurer plus \$7,500 from North American Life, he explained.

Careful marketing also allowed Asher to offer improved long term disability benefits at a reduced cost. Union Mutual Life Insurance Co. of Portland, Maine, beat out two competitors for the account, offering a 21% discount over the previous rate while providing benefits after three months instead of six.

The new program also provides a complications of pregnancy benefit, Mr. Frost noted. In addition, the cost savings enable Asher to provide salary continuation for three instead of two months, eliminating a gap between the time an employee's paycheck stops and disability coverage begins.

Property and casualty coverages have not presented major problems for Asher, although they represent the firm's largest insurance cost area. In May 1973, he started a retrospective rating program for workers compensation and in September 1977 Mr. Frost placed Asher's property coverages in the Factory Mutual system.

Both coverages were placed directly by Mr. Frost. Initial savings of several thousands of dollars resulted on both.

Asher entered into a new workers compensation program after service problems with previous insurers highlighted by an 18-month delay in the payment of a claim incurred during the 1960s at a time when insurers were being changed, Mr. Frost said.

When he went to market the program, he learned about retrospective programs and other cost-saving features. Eventually American Mutual Insurance Co. of Boston was selected from a field of three companies to become Asher's new insurer.

In each of the three years since that move Asher's premiums have dropped by 35%, Mr. Frost said. During the first year, Asher received a \$16,000 refund on its premium of \$28,000, he added.

American Mutual's involvement also led to improvement of Asher's safety programs, Mr. Frost noted. The personnel manager was given the added responsibility of safety director and monthly safety meetings with supervisors and American Mutual personnel were begun.

While plant alterations were not required as part of the safety program, efforts were directed toward making employees more safety conscious. As a result, the number of accidents has dropped with a corresponding decrease in loss time, Mr. Frost said.

In addition, supervisors are trained to look for potential hazards. While a supervisor now might bring buttons lying on the floor to a worker's attention, five years ago the same supervisor may not have noticed them, Mr. Frost explained.

Asher went to Arkwright-Boston for its property coverage in September 1977 after the agent was unable to place flood coverage on one of Asher's plants. An all-risk and transit policy on all manufacturing locations was written at a savings of between 45% and 50% on the old policy, Mr. Frost said.

Their "proposal looked so good, I almost didn't believe it," he recalled. "I asked to bring in our agent and paid him a fee to listen to them."

The only plant modification required to meet Arkwright's standards for a highly protected risk was purchase of \$180 worth of polyethylene film to cover finished trousers in the event a sprinkler went off, Mr. Frost noted.

While Mr. Frost said he is pleased with his current coverages, "if someone came in tomorrow and felt he could do it better, I'd talk to him."

"But, if I've been with someone before, I'd bend backwards to give him a chance to keep the business."

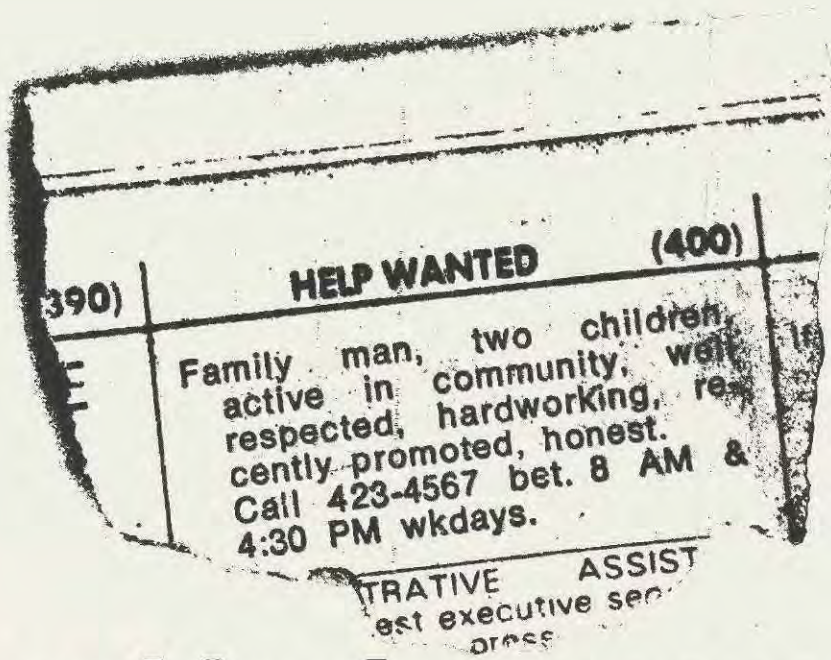
He added that if he did not "feel strong" about a company's representative, the representative probably would not get Asher's business, even if offered at a savings.

"You have to weigh the cost savings and the benefits and I wouldn't give up benefits unless I felt there wasn't a risk involved."

Private pensions cover 43 million

WASHINGTON—About 43 million Americans are covered by private pension plans, reports the American Council of Life Insurance.

Some 14.9 million are enrolled in pension plans administered by life insurance companies, the Council says, with assets totaling \$88.4 billion.



If you hired someone who answered this ad, you could be hiring an embezzler.

The average embezzler is just that: average. That's why it's hard to spot one and even harder to stop one. Still, you can protect your company from a damaging loss with adequate Honesty Insurance from F&D. Ask your agent or broker to get you all the facts about F&D's Honesty Insurance. Do it before you hire another employee.



Fidelity and Deposit Co.

Nation's leading bonding experts
Baltimore, Maryland 21203





ESIS Profiles: Risk management's new breed.

Russell A. Drake, Jr.
Director, Corporate Risk Management,
Borden, Inc.

"At Borden, our commitment to safety and loss control saved \$4,000,000 last year."

"Over the past few years, management has become painfully aware of our rising insurance and claims costs, and is anxious to control them. So we've expanded our self-insurance program to the point where we self-insure 99% of our claims.

"Naturally, higher deductibles have meant even greater attention to safety and loss control, and this is one of the areas where ESIS is helping. We use their International Safety Academy for training, and a variety of ESIS statistical reports to track our loss experience and alert us to problem areas.

"Indirectly, we are saving much

more than \$4,000,000, because our improved safety record is keeping our insurance premiums down and our employee productivity up."

More and more risk managers like Russ Drake are turning to ESIS. Why? ESIS is the leading administrator of self-insurance programs in the U.S. ESIS provides all of the administrative, claims handling, loss control and statistical reporting functions normally performed by an insurance carrier. To find out how ESIS can help your company's self-insurance program, write to us or contact your insurance agent or broker.

ESIS

An INA Corporation Company
4050 Wilshire Blvd., Los Angeles, CA 90010



B.I. readers

Save

"Discount"

**WERBEL'S ON APPROVAL — 30 DAYS
GENERAL INSURANCE GUIDE**

A comprehensive loose-leaf insurance encyclopedia (revised quarterly) covering virtually all forms of Property and Casualty Insurance. It contains more than 2,600 pages consisting of analyses and explanations of contracts, descriptions of various risk rating systems and classifications, court case citations, and many policy-writing and loss procedures. For the desk of every insurance manager, consultant, adjuster, or insurance producer.

SPECIAL DISCOUNT for readers who submit a copy of this ad with prepaid order. Cost is \$30 (instead of \$39) plus NY sales tax, if applicable. (Price includes 2 Free Quarterly Revisions.)

WERBEL publishing co., inc.
595 old willlets path, smithtown, ny 11787
516-234-1114 212-261-6222

Industry opposition . . .

Continued from page 1

But that assumption is based on the fact that the premium charged is reasonable, said Rep. LaFalce. In view of the "panic pricing" of recent years due to insurers' faulty perception of product liability problems, such an assumption is "highly debatable," Rep. LaFalce added.

The Independent Insurance Agents of America (IIAA), which has not yet taken an official position on tax deductions for self-

insurance reserves, cautioned that small businesses do not have the expertise or the money to engage in effective loss prevention programs—a service that is included in an insurance policy.

However, Robert Goshay, executive director of Marsh & McLennan's Product Liability Council, observed that firms self-insuring their product liability risks can purchase loss prevention and claims handling services from a variety of sources including brokers, consultants and even from insurance company subsidiaries (such as Kemper's NATLSCO and INA's ESIS).

Called non-insurance

Susan Orsher, counsel for the IIAA, also argued that businesses utilizing product liability self-insurance reserves as the only form of insurance would, in fact, have a program of no insurance (since the amount of reserves would be limited).

"One product liability claim could easily wipe out the reserve, thus leaving the company and possibly the injured party uncompensated or under-compensated," Ms. Orsher added.

But Mr. Goshay of Marsh & McLennan said none of the proposals would prevent companies from purchasing excess policies to meet the infrequent, very high settlement. Furthermore, employers already pay many of their own

product liability claims under the high deductibles attached to their policies, he added.

Mr. Connolly of the AIA said the tax deduction proposal was offered as a response to the alleged unavailability of product liability insurance. "There is every indication that product liability insurance is both available and affordable," he said. He denies that any corporations are in a position of having to go bare.

Chides insurers

But Paul Kipp, insurance manager of U.S. Gypsum Co. and Risk & Insurance Management Society president, said: "I am not aware of any evidence that the marketplace has changed at all other than property/casualty lines are starting to make money."

"I don't know what evidence Mr. Connolly has, but I certainly would like to see it," Mr. Kipp said.

The evidence that does exist indicates that as insurance companies raise product liability premiums, they are insisting on higher and higher retentions, Mrs. Lichota said.

So businesses increasingly are being forced to go bare on first dollar coverage for losses as high as \$500,000. As a result employers already are saddled with claims their policies don't cover.

"Isn't it in the public interest to allow companies that have to go bare to set aside something in a reserve to pay for claims rather than have no financial commitment whatsoever from the firm?" asked Mr. Kipp.

You won't have to look anywhere else.

Inter-Cas Ltd. is a new facility offering limits in excess of \$500,000 for all your liability special risks.

Since Inter-Cas Ltd. writes only excess limits, we are uniquely qualified to handle your special risks.

Demolition, municipalities, guard services, hotels, supermarkets, restaurants, fireworks displays, housing projects... we offer excess limits, either direct or reinsurance, on these as well as many, many more.

Contact Inter-Cas Ltd. today. You won't have to look anywhere else.



ic INTER-CAS LTD.

ic

Burton W. Krouner, President
98 Cutter Mill Road ■ P.O. Box 442 ■ Great Neck, New York 11022 ■ (516) 466-5060

letters

Continued from page 8

firms do hire technicians for the specialized areas where the combination of talent would ordinarily exceed a risk manager's overall expertise, but you can be sure the technicians are outnumbered three-to-one by the backslappers and gladhanders in the marketing

departments of such firms. Most of the marketing employees must rely on their technicians for support.

I feel comfortable in saying most risk managers have a far better overall grasp of the insurance market, particularly with respect to their own account, than would any account executive of a brokerage house. How would you otherwise account for increased business between the risk manager and the direct writers bypassing all brokerage arrangements and cutting into insurance overhead.

I am glad to see that brokerage pay is going up by "leaps and bounds" and that some are earning in excess of \$200,000. To me this is an indication that RIMS has got to strengthen its educational efforts to our members to combat excessive commissions so that overall insurance cost for our companies might have some stability.

William E. Brown

Risk & insurance manager, Korff Industries Inc., Charlotte, N.C.

French broker

To the editor: In your March 6 issue there was an article about a French broker opening a U.S. office. An error in the article creates a gross misimpression of the facts.

Jean Carbonel & Associates is not the only group insurance broker in France but rather one of approximately 40 such firms. The firm of Gras Savoye which has a premium volume substantially in excess of \$20 million is generally accepted as the largest.

For the past three years Johnson & Higgins and Gras Savoye have had a joint venture for all lines of insurance including employee benefits. Johnson & Higgins and Gras Savoye are also both members of Euroben—Employee Benefit Consultants AG—which serves Europe, North America, the Near East and North Africa.

Harold R. Connors

Vp & manager, International Employee Benefit Division, Johnson & Higgins, New York, N.Y.

Brown Brothers Adjusters... the problem solving specialists.

Settling claims fast is no mystery to us.

It takes professional adjusters who have the experience and knowledge to perform a thorough investigation, quickly and smoothly. It takes Brown Brothers Adjusters. We handle multiple and surplus lines, self-insureds, and special risks—with local connections that solve your claims puzzles fast. Call us 24 hours a day, in our 7 Western states. No problem is too small for us to uncover!



BBA Brown Brothers Adjusters



Home Office: 545 Sansome Street, San Francisco, CA 94111 • (415) 392-2825
TELEX: San Francisco—34-472 • Honolulu—63-4266 • Los Angeles—67-234

License B-137

For more facts circle 9 on reply card

Bermuda insurance companies offer 'captive rentals' for the little guy

BERMUDA—Intrigued by the idea of renting a captive insurance company here?

You still won't find classified ads reading "captives for rent" in the Bermuda newspaper, but you will find that there is an actual market here.

H. Clayton Chambers, former president of the Johnson & Higgins captive management company who has opened his own office, is the "realtor" for an insurance company which is interested in renting its name, facilities and services.

While there has been discussion of captive insurance companies of U.S. corporations renting their facilities—and the A-T-O Inc. captive, Waite Hill Assurance Ltd., reportedly is for rent through James Bermuda Ltd.—Mr. Chambers is marketing a facility created just for renting.

Eleven private investors each put up \$30,000 to capitalize American-British Insurance & Annuity Co. William H. Green, a retired insurance company executive from Battle Creek, Mich., is president. He put up his own \$30,000 and mobilized friends for the venture.

"It's for businesses that are thinking of self-insuring or using a captive, but we think we can relieve them of the management and capital investment problems," Mr. Green said. The target market is the medium-sized company that pays at least \$200,000 to \$300,000 for the insurance it would want to write with British-American.

On that size premium, the management fee would run 5% of premium, Mr. Chambers said. On larger premium volumes, the percentage charges would be less.

Of course, there are other expenses, such as taxes and reinsurance. "It would be our objective to return to the client at least 85% of his premium dollar in losses, loss expense, premium adjustment or refunds over a period of five years," Mr. Green said. "This refers to those dollars which would have been dedicated to the captive related portion of the premium. The excess coverage would become pure insurance cost," he explained.

In addition, after the first year, the client's account will be credited with 75% of the net investment income on the funds held by

American-British in the client's reserve account.

Mr. Chambers explained that he will treat each tenant's business as though it were an individual insurance company, with its premiums, profits and losses segregated from the other renters' business. At some point, if the tenants want to, they could cross-reinsure risks among themselves to provide a spread of risk.

Mr. Chambers will do the underwriting and handle the placement of reinsurance.

Mr. Green offered one of the more creative definitions of what the rent-a-captive concept has to offer. "You pay prospectively going in and retrospectively going out.... The premium deposits may keep compounding and deposits may be continued or discontinued as the company feels secure in its reserve position."

The insurance entrepreneur stresses, though, that "this company is not intended to be a haven for uninsurable risks, but rather a vehicle for responsible businessmen ready to assume a business risk and looking for low administrative costs combined with possible investment gain."

Mr. Chambers added that being treated as a separate insurance company means the client will be afforded not only all the advantages of his own captive company, but also the potential disadvantage of suffering a loss. Prospective clients will be carefully scrutinized by Mr. Chambers, who said he won't hesitate to turn down a client if the client wants more than can be prudently handled. If a prospective client would be better served by his own captive, Mr. Chambers is free to suggest it.

Any risk is a potential subject for insurance with American-British,

but Mr. Green thinks the concept is particularly applicable to product liability risks and multi-location risks in property.

Though no one is renting yet, Mr. Green predicts the first clients will be signed up within 60 days. An association of manufacturers and individual manufacturers paying \$250,000 in product liability premiums are interested.

Mr. Green declined to identify the other 10 people behind American-British, but said the investors include a former vp of a national insurance broker, a member of the board of a U.S. conglomerate and three general agents.

Underwriting and Loss Control Engineering Reports. Loss Control Consulting.

Schirmer

Schirmer Engineering, 5940 W. Touhy Avenue, Niles, Ill. 60648. Telephone: (312) 647-9390



Commercial Inland Marine



We offer excellent underwriting facilities on big inland marine lines — from \$50,000 to several millions. This rapidly expanding market offers the alert producer an opportunity to cash in on extra premiums, while providing additional protection and service. You don't have to be an expert on commercial inland marine. Contact one of our 16 member companies for information on the types of coverage available.

IMPROVED RISK MUTUALS

15 North Broadway, White Plains, NY 10601
Atlanta • Chicago • Dallas • Detroit
Greensboro • Los Angeles • New England
San Francisco

CONTACT A MEMBER COMPANY: American Manufacturers • Central Mutual • Employers Mutual Casualty • Grain Dealers • Indiana Lumbermens • Iowa National • Lumbermens Mutual Casualty • The Lumbermens Mutual • Merchants Mutual • Michigan Millers • Michigan Mutual Insurance • Millers Mutual • Pennsylvania Lumbermens • Pennsylvania Millers • Unigard Mutual • Utica Mutual

For more facts circle 33 on reply card

Practical Self-Insurance

Indispensable for anyone involved in the field of Risk Management.

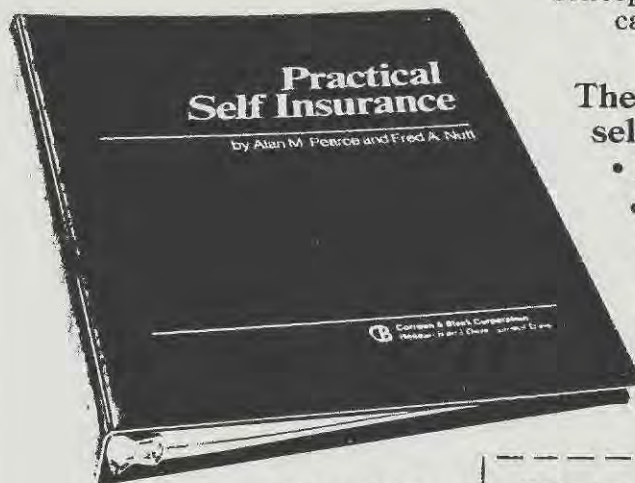
Self insurance. Not a new idea. However, the current application of the concept to worker's compensation and automobile liability by sophisticated risk management programs is producing dramatically new success stories and giving rise to exciting future possibilities.

There are naturally many questions surrounding self-insurance.

- Feasibility and Potential.
- Laws and other Regulations.
- Administration.

Practical Self-Insurance was written to be the comprehensive answer source. It was compiled from experience and extensive research. Designed for easy annual up-dating.

Everything from theoretic ideals to daily procedures... in general and in specific for each of the 50 states.



Over 220 pages of documented pertinent information. Easy to use, workbook binder. Fast access index.

One book that covers the multitude of facts, variables, and possibilities of self-insurance.

Yes, I want answers. Enclosed is \$56.00 for my copy of Practical Self-Insurance.

Name: _____

Company: _____ Position: _____

City: _____ State: _____ Zip: _____

Practical Self-Insurance

Written by Alan M. Pearce, now Risk Manager for Foremost & McKesson and Fred A. Nutt, now an Underwriter for the Ranger Pan American Insurance Company.

Sponsored and compiled by the Research & Development Division of Corroon & Black.

P.O. Box 1020
301 Plus Park Blvd.
Nashville, TN 37202



For more facts circle 17 on reply card



The people who know how to handle it in

IEW HAMPSHIRE

are

KENDALL INSURANCE, INC.

90 South Main Street

Rochester 03867

332-5800

SEE OUR AD ON PAGE 6

people

Continued from page 94

been transferred to the legal department, partially to handle product liability litigation. No one has been named to fill this position.

The National Board of YMCAs, New York, has created a risk management position and named **Thomas B. Watford, Jr.**, 41, to fill it. Mr. Watford will develop an insurance program for the YMCA's national board as well as 1,786 local YMCAs. The insurance program was previously handled chiefly through brokers. Mr. Watford formerly was district manager for Old

Equity Life Insurance Co., in Fort Washington, Pa. Prior to that he was instrumental in developing an insurance and risk management program for the Hospital Assn. of Pennsylvania.

Bruce T. Sandford, 30, has been appointed director of risk management and employe benefits for Sterling Drug Inc. in New York City. Reporting to treasurer Frank Petrocelli, he heads an insurance department of six people. He replaces **Joseph F. Duffy**, who is retiring. Mr. Sandford formerly served as manager, insurance and employe benefits for Henkel Inc., where he hasn't been replaced.

At Greyhound Corp. in Phoenix, **Daniel J. Sielicki**, 32, has been

promoted to vp-insurance from director of insurance. He's responsible for the purchase and administration of property and liability insurance, risk management and the company's self-insurance programs. Previously, Mr. Sielicki shared such responsibilities with Robert M. Egner, president and chief executive officer of the worldwide group of Pine Top Insurance Cos. Mr. Sielicki joined Greyhound in 1973 as manager of safety and loss prevention after graduating from the University of Connecticut with an MS degree in insurance administration. In 1975 he became risk manager and subsequently was promoted to director of insurance in 1976. The company hasn't decided whether to hire another director of insurance.

Donald J. McDonnell, 48, has been named corporate director of insurance at Firstmark Corp. in Buffalo, N.Y. That position has been expanded from purchase and administration of insurance for the Buffalo region to worldwide insurance responsibilities. The previous director of insurance was Robert J. Fimiani, who left the company. Mr. McDonnell, reporting to vp and secretary Eli R. Polner, is in charge of risk management, self-insurance programs, employe benefits, retirement programs and is liaison with brokers and insurers. Mr. McDonnell was previously director of safety and risk management for the city of Buffalo. This position is being phased out.

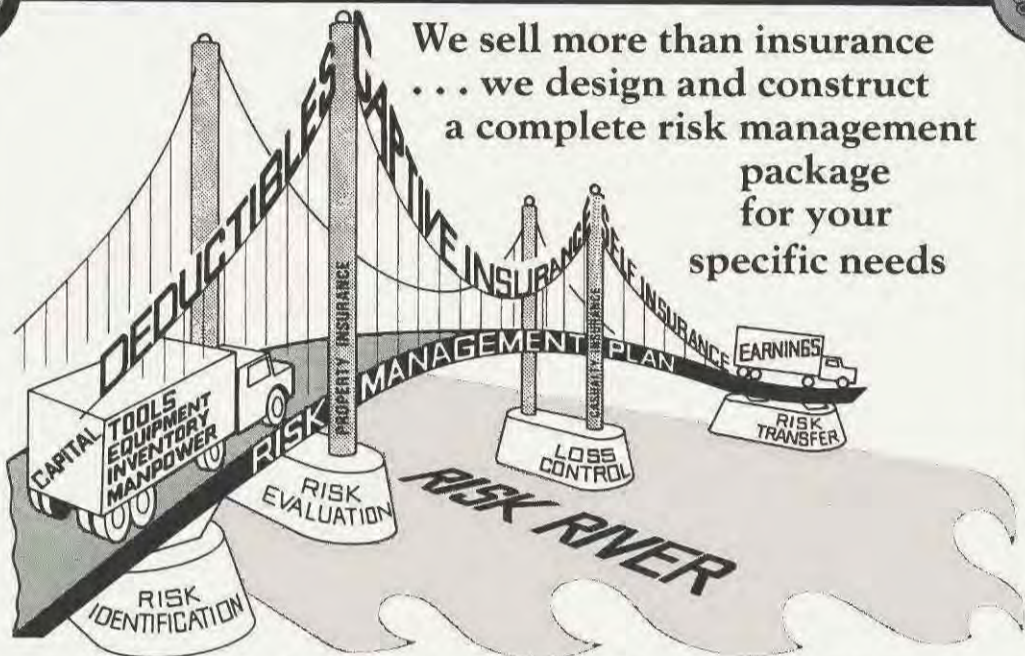
In a new emphasis on risk management at Aluminum Co. of America in Pittsburgh, **Richard T. Shillinger**, 43, has been promoted to corporate insurance and risk manager from corporate services manager. Mr. Shillinger replaces **Harold E. Meeks**, 43, previous manager of the property/casualty division. Mr. Meeks has been promoted to assistant secretary, supervising the insurance, corporate services and real estate departments. Mr. Meeks was head of the insurance department for five years.

Mary V. Senz, 26, has been promoted to supervisor of pensions and ERISA administration, effective May 1, at Anheuser-Busch Inc. in St. Louis. In addition to her pension responsibilities, Ms. Senz is in charge of government reporting and disclosure compliance under ERISA, her previous duties were as coordinator of benefit compliance for one year. In her new position created by reorganizing the department, Ms. Senz replaces **Lloyd Rafter**, who has retired.

Ampco-Pittsburgh Corp. in Pittsburgh has expanded its recently established corporate insurance-risk management department by the hiring of **Carol B. Tennant**, 38, as employe benefits supervisor. She reports to Paul C.

Brisson, insurance risk manager. The department was set up to handle the company's insured and self-insured property, casualty and employe benefits programs. Ms. Tennant was previously insurance administrator for McGraw-Edison Co., Power Systems Division, located in Canonsburg, Pa. She's been replaced by **Linda Thomas**, 26, who reports to Robert C. Smith, supervisor of salaried employes. Ms. Thomas formerly was assistant insurance clerk working with Ms. Tennant.

We'd like to report on staff changes in your risk management or employe benefits department. Just drop a note to **Rebecca A. Fannin**, Business Insurance, 708 Third Ave., N.Y., N.Y. 10017 or call 212-986-5050. We'd also like to receive pictures of those involved.



A phone call now will put one of our experienced risk management people at your disposal for a complete analysis of your special requirements, to make your protection budget as dollar-efficient as possible.

KIENTZ & Company

SUITE 1801 250 EAST BROAD STREET
COLUMBUS, OHIO 43215 614/224-3000

Practical Risk Management

Bring perspective to insurance and risk management

With *Practical Risk Management*, the foremost reference in its field

FOR: Chief executive officers
Financial officers
Risk managers



PRACTICAL RISK MANAGEMENT is a 2-volume, loose-leaf guide, both to broad planning and daily management. Monthly additions and replacement pages keep it current.

Carefully written by Warren, McVeigh & Griffin — one of the country's leading risk management consulting firms. Reviewed by a panel of risk managers to assure depth and accuracy. Edited for conciseness and clarity. Topics apply to all aspects of property, liability, workers' compensation and self-insurance.

WARREN, McVEIGH & GRIFFIN
Risk Management Consultants

\$100 Complete 2-volume reference, including 1 year, monthly additions.
\$85 Subsequent years.
30-day money back guarantee.

Check payable in US \$ to:

WMGH Corporation
1700 Montgomery St., Suite 205
San Francisco, CA 94111
Telephone: (415) 433-6979



Name _____
Company _____
Street _____
City _____ Zip Code _____

For more facts circle 46 on reply card



The people who know
how to handle it in

SAN FRANCISCO

are

CLIFTON & COMPANY
Three Embarcadero Center
Suite 1700/434-1500
SEE OUR AD ON PAGE 6



ARE CAPTIVES STILL FEASIBLE?

Although recent I.R.S. rulings may hinder the development of many captives, limitless opportunities still abound for the captive concept, including those corporate or association clients with substantial workmen's compensation or group life/health premiums.

Let Landmark help you or your client (agents or brokers are fully protected) by giving you full information, performing a feasibility study if necessary, and generally advising whether a captive is a possibility.

With our new Bermuda office Landmark can perform all startup and management functions for its captive insurer clients.

FOR AN INFORMATIVE BROCHURE, CONTACT

Mr. William E. Thompson, President
LANDMARK MANAGEMENT CORPORATION
1515 Classen Boulevard - Oklahoma City, OK 73106



INSURANCE SERVICES OF THE

LANDMARK GROUP

For more facts circle 38 on reply card

N.Y. exchange . . .

Continued from page 1

brokers, insurance companies and other qualified underwriters who would serve as managing partners.

Corporate and private investors would become limited or silent partners in the syndicate with their liability limited to the amount of their investments.

Syndicate profits would not be subject to a direct tax. Rather, they would be passed through to the syndicate members much like a dividend and taxed as part of the syndicate member's income. This is unlike a corporate tax, based on company profits with dividends subject to personal income taxes.

At least 20 syndicates, each capitalized for \$3 million, would have to be established before the Reinsurance Exchange could operate, said Donald Kramer, president of Kramer Capital Inc., an insurance management consulting concern.

The exchange would provide syndicates with services that they could not efficiently provide on their own, such as engineering, legal claims, accounting, data processing and reinsurance. It would be set up primarily to allow syndicates to underwrite reinsurance risks, although direct underwriting of foreign risks is being considered.

In addition, exchange members would be able to underwrite risks that have been submitted to and rejected by companies operating under the proposed free trade zone. The trade zone allows companies to underwrite risks generating premium in excess of \$100,000 and special risks designated by the superintendent of insurance without regard to rate and form regulation (*Business Insurance*, March 15, 1978).

Still vague

Among the strongest supporters of the Reinsurance Exchange is The Insurance Brokers Assn. of New York, a trade group that includes the largest commercial brokerage firms.

"Commercial brokers, as far as our association is concerned, are for (the Reinsurance Exchange) 100%," said association president Thomas A. Clark Jr., a vp at Johnson & Higgins.

Mr. Greenberg, explaining that it was "difficult to speak for or against" the exchange, predicted that if established, "it wouldn't take long before brokers became underwriters." Such a situation could lead to vertical integration and create antitrust problems, he added.

Such a situation could lead traditional insurers to shed their corporate identity and operate as a syndicate, he added, telling this reporter privately that "if the rules change, we'll change."

"It is ironic that a statement on vertical integration should come from the president of the most vertically integrated company in the United States," testified Mr. Kramer, chief architect of the Reinsurance Exchange proposal.

Pulling out an AIG organizational chart recently published in *Fortune* magazine, he said the insurance giant has vertical integration and control of all sources and underwriting in the organization.

Though Mr. Greenberg has vocally opposed the proposed Reinsurance Exchange, he is the leading supporter of the proposed free trade zone bill.

AIG was not the only insurance company unwilling to support the reinsurance exchange. Crum & Forster assistant vp Robert Sullivan found the concept "intriguing," but accused the proposal of being too vague to warrant the firm's support.

"We're looking at a working idea rather than a concrete proposal," he said. Crum & Forster and 10 other insurers are developing a system known as Risk Exchange Inc., a computerized facility designed to assist in the placement of reinsurance.

Such a system would not increase capacity, but instead would utilize it more effectively, Mr. Sullivan said.

Addressing a meeting of the New York Insurance Brokers Assn. the same day as the hearing, Sen. Dunne said it could be difficult to get either the free trade zone or reinsurance exchange bills passed within the current legislative session.

He told the brokers that he was dismayed at the "veil of secrecy" surrounding the final language of the trade zone bill, noting that he

received his copy only one day before the hearing, with a note from the governor calling for its passage within one week's time.

"When we're playing with stakes as high as they are here, I believe there ought to be a little more planning," Sen. Dunne said. He criticized as "inadequate" the answers given by certain witnesses to questions he had raised during the hearing's morning session.

Implementation

The free trade zone concept is to be applied where the purchaser is sophisticated enough not to need the insurance department's protection on rates and forms, said Donald Gabay of the insurance department.

Sen. Dunne also questioned Mr. Kramer on why a proposed constitution and bylaws for the Reinsurance Exchange was not included in proposed legislation.

"You're almost saying to us 'You

got to trust us,'" Sen. Dunne told Mr. Kramer. "The legislature doesn't know what it's buying other than (someone's claim that) it's an awfully good idea."

Mr. Kramer explained that the proposed bill was only enabling legislation that would permit the exchange to be set up. A constitution and bylaws would have to be approved by the superintendent of insurance prior to the exchange's establishment, he added.

It would not be practical to spend the money to draft a constitution without first passing enabling legislation, he countered.

The Reinsurance Exchange would be self-regulating among its member syndicates with the insurance department overseeing the activities of the entire exchange, Mr. Kramer envisions.

To guarantee solvency, syndicates would be required to purchase reinsurance and to establish an exchange guaranty fund, similar to but separate from the state

fund, with contributions from member syndicates to protect policyholders against syndicate failure, he added.

Ramifications?

One area of concern raised by Edith Lichota, RIMS legislative representative, was whether the two proposals would preclude use of non-admitted excess and surplus underwriters. "Regulate a proposed new market into a preemptive position and you only drive away those who can negotiate a better deal under free market conditions elsewhere," she said.

Ms. Lichota noted that the insurance department had told her that the new proposals would not be interpreted to exclude other markets. The superintendent of insurance will not allow the free trade zone to be the "last gas station before the desert," Mr. Gabay told the hearing.

History tells a story

that applies to business in every age.

History reveals that certain fundamental precepts are able to withstand the ebb and flow of economic and social pressures throughout time. Solidarity, stability and integrity are abiding principles to which we are dedicated. In the demanding field of excess and surplus, it is vital that we build a business on principles such as these. It is our belief that our producers and insureds profit from this dedication.



Associated International Insurance Company

Member Stewart Wrightson Insurance Group, London

Excess • Special Risk • Surplus Lines • Liability and Property

3670 Wilshire Blvd., Los Angeles, CA 90010 (213) 385-2017 Telex 67-3231

John M. Hayes, President • Roger Bohning, Director of Underwriting

Business accepted through specifically qualified surplus line brokers.

people

Hallett joins GM, heads 42-person department

Thomas V. Hallett, 37, was named director of risk management for General Motors Corp., Detroit. At the same time, Donald W. Schneider, 62, was named director of employe benefit plans administration for GM. Both changes are effective June 1, and both men report to Robert M. Cone, director of the insurance and pension section. Mr. Hallett and Mr. Schneider replace Robert E. Lee, who left the company nearly a year ago to join Bendix Corp., as reported.

Mr. Hallett, who will be responsible for corporate risk analysis and risk transfer at GM, has been with Joy Manufacturing Co., Pittsburgh, for over eight years as director of corporate risk management. A graduate of Loyola University in Chicago, he has been a member of the Machinery and Allied Products Institute insurance council since 1972 and is now serving as vice chairman of that council. At GM, Mr. Hallett will manage insurance and self-insurance programs, supervising 42 people. At Joy he supervised four people.

Mr. Schneider was previously GM's assistant director of the in-



Hallett



Schneider

urance and pension section, a position he held since 1972. He joined GM in 1937. His responsibilities include direction of the administration of pension plans, employe insurance and health care benefit programs, including supervision of 48 people.

The GM insurance and pension section is part of the corporate financial staff, headed up by F. Alan Smith, vp.

To replace Mr. Hallett at Joy Manufacturing, Anthony J. Burlando, 31, has been promoted to director of corporate risk management. Mr. Burlando has been with the company for more than three years, the last two years as insurance manager. In a restructuring of the insurance department, the insurance management position has

Continued on page 92

classified advertising

RATES AND CLOSING TIME: \$3.00 per line, minimum charge \$15.00. Cash with order. Figure all cap lines (maximum—two) 30 letters and spaces per line; upper & lower case 40 per line. Add two lines for box number. Replies are forwarded daily. Closing deadline: Copy in written form in Chicago office not later than noon, Monday, 7 days preceding publication date. Published every other Monday. Display classified takes card rate of \$33.25 per column inch, and card discounts on size and frequency. Mail ads to Business Insurance, classified advertising dept., 740 N. Rush St., Chicago, Illinois 60611.

HELP WANTED

PROPERTY INSURANCE MANAGER

Large well established Agency/Broker located in Mid-East and Southern Area seeks a highly qualified individual with experience in Commercial Fire, Inland Marine, Multi-Peril and knowledge of Factory Mutuals. Candidates should possess college degree, minimum of five years insurance experience supplemented by formal insurance education. CPCU designate and knowledge of coal industry desired but not required. Must have management abilities as well as knowledge of insurance markets. Compensation commensurate with qualifications.

Box 133, BUSINESS INSURANCE
740 Rush St. Chicago, Ill. 60611

**CLAIMS SUPERVISOR—
WORKERS' COMPENSATION**

Excellent career opportunity for a Workers' Compensation Claims Supervisor to organize, manage and direct a new Self-Insurance Claims Dept. for the regional headquarters office of a prominent international broker in Boston. Knowledge of Mass. Workers' Compensation law required with 3 to 5 years minimum experience. Salary based on experience & responsibility. Excellent employee benefits including Dental Care for employee and family.

Contact Mr. Williams at
Frank B. Hall & Co., Mass., Inc
89 Broad St, Boston, MA 02110
(617) 482-3100

**AN EQUAL OPPORTUNITY
EMPLOYER, M/F**

Established Excess Surplus Lines Brokerage seeks an individual with underwriting skills for position in their Pennsylvania office. Must have knowledge of Property/Casualty, production minded and licensed in State of Pennsylvania. Salary open. Good benefits. Send Resume. Write:

Box 137, BUSINESS INSURANCE
740 Rush St., Chicago, Ill. 60611

INSURANCE ACCOUNT EXECUTIVE

Commercial agency needs executive with property/casualty experience for account service and development. Excellent opportunity for advancement. Salary open subject to qualifications. Our Western Massachusetts location with its recreational and cultural advantages is also a great place to live. Send resume to Gilbert A. Haberman, James C. Haberman, Inc., 146 Chestnut St., Springfield, MA 01103.

Risk Mgr. 500 co. mid-west area prop/cas benefits & sfty for natural resources
CO. 45M

Ins. Mg. NYC or Westchester fire/cas./sfty/marine
500 co. 27M

Ins. Ass't Mgrs. NYC/NJ area corp bkge or special rks und exp 17-23M

**JOHN HUTTNER
DAVID J. HOLLINGER
ASSOC. INC.
(212) 732-3110
150 Broadway
New York, NY 10038**

POSITIONS WANTED

LOOKING FOR OPPORTUNITY

AGENCY MANAGEMENT/OWNERSHIP/RISK MANAGEMENT—20 years of excellent experience as Special Agent, Producer, Marketing Manager, Risk Management and Agency Management. Early forties. Willing to re-locate. Resume upon request.

Box 135, BUSINESS INSURANCE
740 Rush St. Chicago, Ill. 60611

INSURANCE MANAGER

Diversified and expanding Pacific N.W. Corp. has immediate opening for an insurance manager. Must have marine and corp. Insurance experience. Duties will involve administration, placement, and planning. Salary commensurate with experience and ability. Generous company paid fringe benefits. Send resume in complete confidence to:

**PERSONAL DEPT.
P.O. BOX 10047
PORTLAND, OREGON 97210**

Equal Opportunity employer M/F

BScHE or ME

MANAGER

Property Protection

Stauffer Chemical Company is seeking a professional with a BS in ChE or ME, 5 years of broad experience with insurance carriers and the proven ability to solve problems related to fire and explosion prevention. Knowledge of NFPA codes and ASTM codes on boilers and pressure vessels necessary. Familiarity with effective general plant safety practices would be an asset.

Selected candidate will maintain security of corporate property—by reviewing new and existing facilities for protection against fire, explosions, and other safety hazards. Will also be Stauffer's representative in all dealings with insurance carriers—particularly during negotiations for coverage of plant construction and modification.

We'll provide a salary commensurate with experience, an excellent benefit program, and the potential to continue growing with this key area of our International company.

Send resume, with salary history to: Ms. Judith Yount, Stauffer Chemical Company, Westport, CT 06880.

An equal opportunity employer m/f



MARKETING MANAGER (Risk Management)

The St. Paul seeks an experienced Marketing Manager for a newly formed risk management division headquartered in its Home Office in St. Paul, Minnesota. Qualified applicants should have substantial risk management experience with thorough knowledge of commercial property-casualty products and ability to immediately step in and develop and implement marketing plans and strategies to accomplish company growth objectives. Position reports directly to Vice President, Risk Management Division.

This is an excellent opportunity with starting salary commensurate with ability and experience plus benefits of course. Please submit resume including salary history to W. E. Lewis, Employee Relations Officer.

**ST. PAUL FIRE & MARINE INSURANCE COMPANY
385 Washington Street
St. Paul, Minnesota 55102
An Equal Opportunity Employer M/F**

FOR A TOOTH ACHE — SEE YOUR DENTIST

FOR DENTAL CLAIMS CONTROL SEE THE PROFESSIONALS.

A Carefully Administered Claim Control Program Will Pay For Itself.

Consider Our Dental Consulting Group Let Us Take Care of Your Business By Minding Our Own.

Write or telephone:
**Association of Dental Consultants
Westmont Medical Center
100 So. Cass Ave.
Westmont, Ill., 60559
(312) 968-2585**

★ ★ ★ ★ ★

EXCLUSIVE AREAS FOR NEW RISK CONTROL SERVICE OPEN TO SELECT INDEPENDENT INSURANCE AGENTS

We have just developed an international safety and health program rating system that will be introduced in six major countries outside the United States in 1978. We have made the decision to launch this new unique program evaluation system throughout the U.S. as part of a complete membership program that includes several other completely new risk control tools. This program is ideal for selected agents to use in stabilizing or improving their accounts at a nominal cost. The program can be included in the premium or sold independently. We intend to select one of the top three independent agents in Workmen's Compensation insurance in each major city of the United States. Consideration will be given on an order of inquiry basis. Write or call now for complete details on the International Safety Rating Program.

**Lamar Samples, Manager, Membership Division
(404) 466-2208
International Loss Control Institute
Highway 78, P.O. Box 349
Loganville, Ga. 30249**

For more facts circle 35 on reply card

HELP WANTED

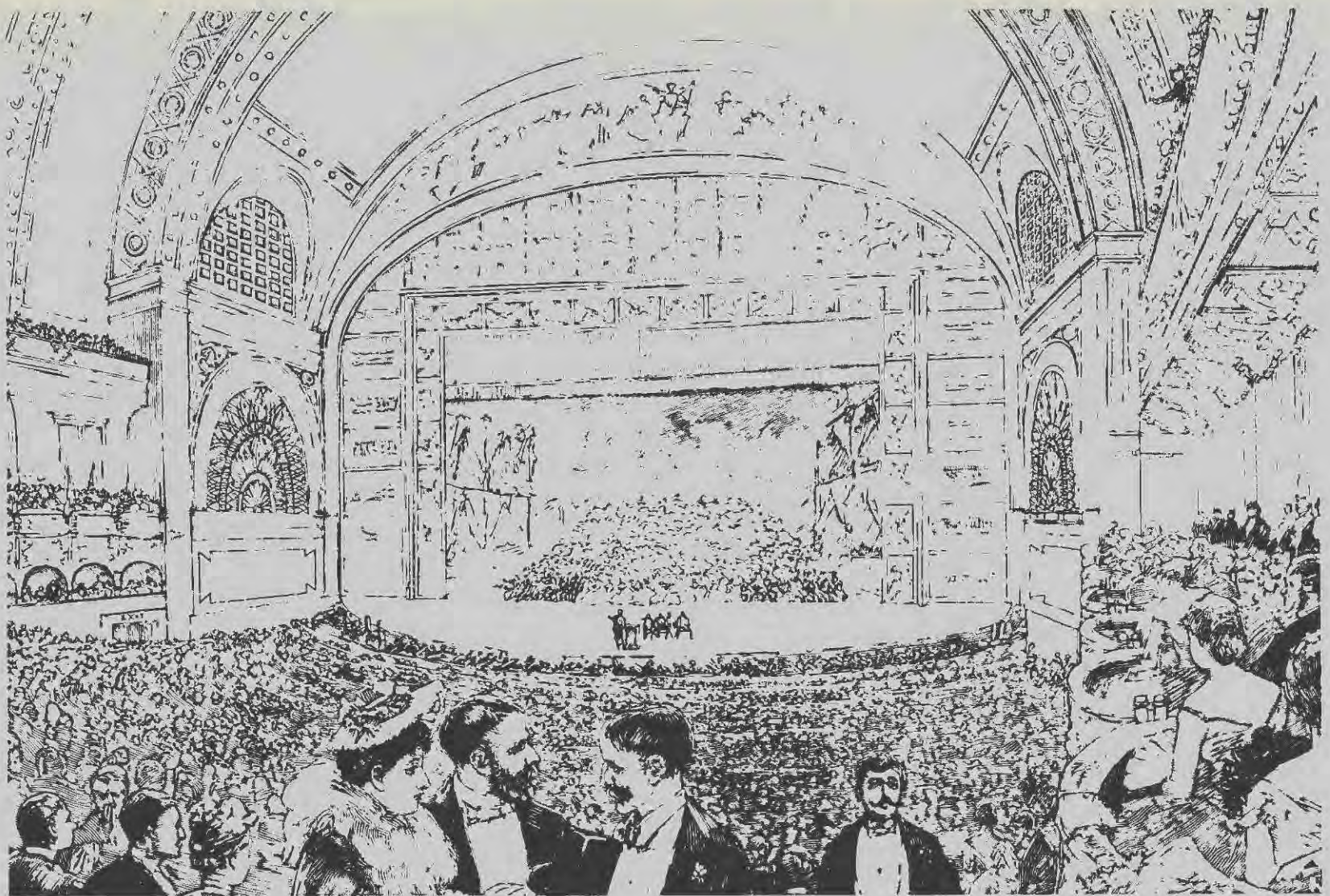
RISK INSURANCE ADMINISTRATOR

Continuous growth of our multi-state restaurant chain, creates the need to establish this highly specialized growth position. Functioning within our Corporate Office, this professional will be heavily involved in all aspects of our Property Casualty Insurance, including Workman's Compensation and General Liability. Must be degree with Insurance major, 2-3 years private industry experience, good communications skills with strong desire to grow personally and professionally rapidly. Reply by resume, stating salary history to: Personnel Representative



ICE CREAM CORPORATION

Wilbraham, Massachusetts 01095
Equal Opportunity Employer M/F



Once again, the curtain is going up on the most dramatic advertising opportunity...

And, you're invited to be part of this command performance . . . Monday, August 7 . . . for the seventh annual AGENT/BROKER PROFILES issue of BUSINESS INSURANCE. This issue will be viewed by nearly 54,000 corporate insurance buyers in more than 17,000 leading U.S. corporations as well as nearly 30,000 agent and broker readers of B.I.*

To meet the demands of such a distinguished audience, the editors of Business Insurance have taken extra pains in the preparation of their exclusive issue devoted to listing the profiles of this country's leading commercial insurance agents and brokers.

The August 7 feature will present not only a directory format for ease of review and reference, but valuable information about the size, scope of operation, number of employees, income, premium volume and special services of insurance brokers and agents who have responded to a specially prepared questionnaire.

This publishing exclusive—which was an advertising sell-out last year—will attract the largest number of buyer/seller readers ever assembled as an audience of an insurance publication.

It's a performance you won't want to miss. And, it's a performance you should play a major role in.

Your advertising message—dominant, well directed and meaningful—will let this influential Business Insurance audience know where it can obtain the best and most reliable services in insurance, benefits and loss prevention.

Advertising reservations close on July 25 so act now if you want the impact of reader attention and buyer action! Call Don Walsh, Advertising Sales Director, at (212) 986-5050 or contact a sales representative at one of the offices listed below. Or, send in the completed coupon and we'll contact you.

business insurance

Chicago: 740 Rush Street, IL 60611 (312) 649-5275

New York: 708 Third Avenue, NY 10017 (212) 986-5050

Los Angeles: 6404 Wilshire Blvd., CA 90048 (213) 651-3710

*Source: An Audience Profile of the Business Insurance Buyer Reader, April 1977; Readership Study of the B.I. Agent /Broker Circulation, December 1975. Figures include pass-along readership.

R.S.V.P.

READER ATTENTION and BUYER ACTION

August 7, 1978 AGENT/BROKER PROFILES ISSUE
advertising closing: July 25

Business Insurance, 708 Third Ave., NY 10017

I am interested in an advertising reservation for the August 7 issue. Please contact me with further details.

Name _____ Title _____

Company Name _____

Address _____

City _____ State _____ Zip _____

Phone number (area code) _____



Peter Bleyler, vice president, tells how A&A works from a client's point of view:

"We're way ahead in projecting how new retirement laws affect benefits planning."

"Our computer operation is already able to project accurately the changes in the Social Security law and tell clients what they need to know: not only the employer cost of the Social Security tax but also its financial impact on their benefits programs. We're also counseling on the effect of the new mandatory retirement age. From the client's point of view, pensions, life insurance, medical plans and disability income programs could all be

problem areas."

Working from a client's point of view is our way. In St. Louis, where Pete Bleyler, F.S.A., is a consulting actuary. And in over 110 cities here and overseas. That means working as allies, solving business problems together. Our Human Resource Management experts not only coordinate benefits planning to avoid costly overlapping, but they're on top of late-breaking governmental regulations.

For more facts circle 2 on reply card

We think our dedication to acting as an ally of the clients we represent is a big reason why A&A has become a worldwide leader in the insurance brokerage and financial services business. We have the facilities, expertise and strength to act as effective allies. We work from the client's point of view, whether the corporation is large or small.

**Alexander
& Alexander**
The Allies