WEEK OF MAY 4, 1981

business insurance®

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update:

INA denies responsibility for MGM Film Co. in fire

LOS ANGELES—The Insurance Co. of North America has filed suit to seek release from responsibility for defending MGM Film Co. against suits arising out of the MGM Grand Hotel fire.

The filmmaker has been named in some of the suits stemming from the Nov. 21 fire although MGM Film Co. and MGM

Continued on next page

American Airlines pays the biggest share of DC-10 crash losses

By STACY SHAPIRO and JOHN MILLER

LONDON—American Airlines's insurers probably will pay the most for the DC-10 crash in Chicago two years ago this month, Lloyd's of London sources say.

The airlines' insurers have paid the bulk of the losses to date in the crash.

Neither American Airlines nor McDonnell Douglas Corp. will reveal the details of a court-sealed agreement apportioning liability for the crash that killed 273 people (*BI*, April 6).

One source in London said the agreement calls for American Airlines to bear 75% of the cost of liability claims plus the cost of the lost hull and McDonnell Douglas to accept liability for 25% of the liability claims.

Officials at both companies refused to verify or refute the information, saying the court-sealed agreement would be voided if they released its details.

In determining the liability for the crash, the two companies had to decide what percentage of fault should be apportioned to American Airlines for maintenance of the airliner and to McDonnell Douglas for its design.

There is no information on whether the Federal Aviation Administration, partially blamed for the crash in a National Safety Transportation Board report, will pay anything toward the losses.

At the time of the May 1979 accident, American Airlines insurers paid $37 million for the hull plus $2 million for funeral costs and 15% toward a $50 million liability fund set up at Citibank of New York. Additional AA insured costs recently have included more than $1 million in court fees.

McDonnell Douglas' insurers originally supplied 85% of the liability fund, confirmed C.E. Heath, the Lloyd's broker for both parties.

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New financial giants digest service scope

By RHONDA L. RUNDLE

LOS ANGELES—The insurance company and stock brokerage combinations heralding one-stop shopping for the individual consumer will stock their shelves with products for the commercial insurance consumer, too.

So far Prudential Insurance Co. and Fireman's Fund Insurance Cos., a major subsidiary of American Express Co., are downplaying the significance to the commercial insurance industry of their new partnerships with major stockbrokers.

Fireman's Fund Chairman and President Myron DuBain, who personally took part in American Express's negotiations to acquire Shearson Loeb Rhoades, says flat out that he sees no effect of the deal on insurance buyers.

Prudential, which is acquiring Bache Group, says it needs more time to study its acquisition. "We are just now beginning to analyze the insurance portion of Bache's business," a company spokesperson said.

But Bernard Mizel, president and chief executive officer of Bache Insurance Services Inc., the commercial insurance brokerage arm of Bache, is hoping that once the study is complete, Prudential will find a major mission for its new partner.

Although Newark-based Prudential is the largest insurance company in the United States—specializing in personal lines and group life and health products—its agents do not sell commercial property/casualty insurance.

Could Bache Insurance Services, formerly A.M. Bender, the San Francisco brokerage acquired by Bache three years ago, be the vehicle for a Prudential entry into commercial property/casualty lines?

"I would foresee it as a possibility," Mr. Mizel responded carefully, "with Bache Insurance Services offering services to Prudential agents and being a service facil-

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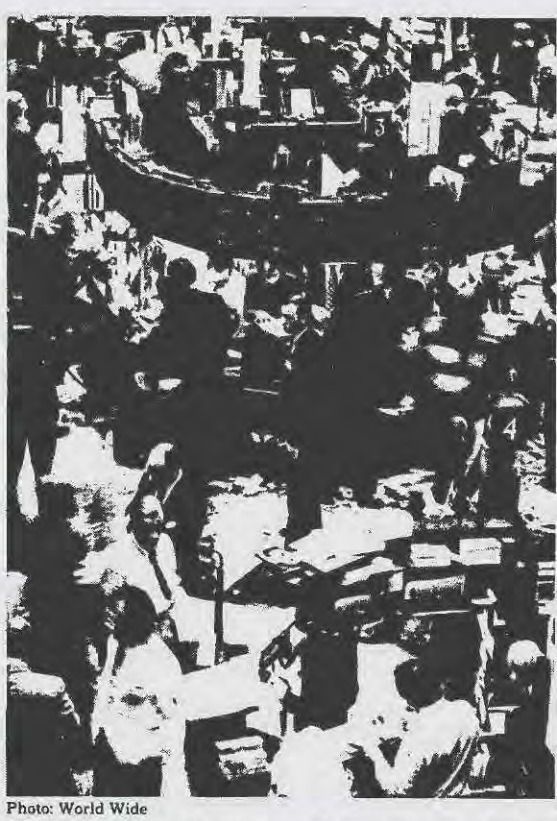

Photo: World Wide

Through recent mergers, insurers are joining the frenzy of the New York Stock Exchange.

HMO funding drought could be fatal

By JERRY GEISEL

WASHINGTON—More than 25% of the nation's 245 health maintenance organizations could fold in the next five years as Congress considers turning off the federal spigot that has poured hundreds of millions of dollars into HMO development.

The shakeout already has begun. At least 14 federally qualified HMOs have gone broke, leaving thousands of employees around the country stuck with hundreds of thousands of dollars in unpaid medical bills.

"Between 40 and 65 HMOs may go under as federal loans dry up," says Allan Vinick, director of health maintenance organizations for Connecticut General Life Insurance Co.

Illustration: Milt Priggee

Dr. Paul Ellwood Jr., president of Interstudy in Minneapolis and originator of the term health maintenance organization, says Mr. Vinick's estimate is too high. But he says that 20 to 25 HMOs that have received federal money, including some only in the developmental stage, may fold in the next few years.

James Doherty, executive director of the Group Health Assn. of America, the trade group that represents HMOs, agrees that it is inevitable that some HMOs "will not see the light of day" if they lose federal support. But he says there are too many factors involved to estimate the number of HMOs that will be forced to close. He says no one really knows what the real effect of the cutoff will be.

First, some HMOs would go out of business even if federal aid is continued, Mr. Doherty said. Secondly, he added, HMOs are becoming more competitive with other health-care providers, attracting more business and continually growing. He said increases in premium rates by Blue Cross/Blue

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A drop in the bucket

WASHINGTON—A House subcommittee wants to give health maintenance organizations a few more dollars than the Reagan administration proposes, but the money won't stop HMO failures.

The panel also agreed to attach fewer strings to HMO loans.

The House Health & Environment subcommittee approved legislation, H.R. 2480, that authorizes $40 million for HMO loans during the next three fiscal years.

Additional funds would be available for defaults and to keep the federal revolving HMO loan fund from slipping below $5 million.

The administration only sought $35 million for HMO loans without additional support for maintaining the revolving loan fund or HMO loan defaults.

The subcommittee also agreed to give HMOs more flexibility in designing a benefit package.

The panel approved an amendment, offered by subcommittee Chairman Henry Waxman, D-Calif., that would eliminate the current federal mandate that mental health, drug and alcohol abuse

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Aetna rate increases skip the sewers of Detroit
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Tort reform drives renewed in four states
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update:

INA denies MGM Film liability

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Grand Hotels Inc. split into separate companies last May.

INA, which insures the hotel company, says it paid $2.35 million to its policyholder to settle its liability claim in exchange for a release from further coverage responsibilities for it or any past or present subsidiaries or parents.

MGM Grand Hotels President Alvin Benedict offered a controversial version of the fire in a recent interview, saying the company's investigators believe it spread rapidly due to widespread use of an adhesive tape attaching acoustic tiles to the ceiling.

The petroleum-based adhesive called Webtex is manufactured by Essex Chemical Corp. in Clifton, N.J., which denied the charges.

Stouffer's employee charged

WHITE PLAINS, N.Y.—A disgruntled employee of Stouffer's Inn was arrested April 29 and charged with setting the Dec. 4 blaze at the inn that killed 26 people.

Luis Marin, who had been notified shortly before the blaze that he would be fired from his waiter's job, was arraigned in Westchester County Court on charges of arson and 26 counts of second-degree murder, authorities say. He pleaded innocent.

Mistrial in kickback case

WESTBURY, N.Y.—The Justice Department will be asked to drop charges against Nassau County Republican Chairman Joseph Margiotta after his trial on mail fraud and extortion charges ended in a mistrial April 29.

A federal jury deliberated eight days without reaching a verdict.

Federal prosecutors charged Mr. Margiotta directed the distribution of $678,000 in commissions from Richard B. Williams & Son Inc., broker of record for Nassau County and the towns of Hempstead and Oyster Bay, to politically connected brokers who did little or no work for their fees. It was charged Mr. Margiotta received kickbacks.

U.S. District Court Judge Charles P. Sifton set Aug. 3 for a retrial. Mr. Margiotta's attorney William G. Hundley said he will appeal to the Justice Department to drop the case.

Iran ready to settle some claims

WASHINGTON—Iran is ready to open negotiations with businesses seeking compensation for large losses during the Islamic revolution. Requests for amounts exceeding $250,000 and supporting evidence should be sent to Iran, the U.S. State Department says.

There are at least 800 claims of more than $250,000 pending against the Iranian government. Claims of lesser amounts will be negotiated before the international panel and settled in a lump sum with the funds distributed to claimants accordingly, said the State Department.

Claims that cannot be settled directly with Iran will be forwarded to the international legal and financial claims committee, set up as part of the U.S.-Iran hostage accord last January.

Continental ESOP progresses

LOS ANGELES-Continental Airlines says it has loan commitments for the $185 million needed for employees to take over the airline in a stock ownership plan and ward off acquisition attempts by Texas Air Corp., a holding company for Texas International Airlines.

Merrell Dow fights drug suit

ORLANDO, Fla.-Merrell Dow Pharmaceuticals has prevailed in one lawsuit charging its drug Bendectin caused defects in unborn children, but it has been slapped with another similar $10 million suit.

A federal court jury here has ruled against a married couple who had sought $2 million in damages from Merrell Dow Pharmaceuticals claiming that Bendectin was responsible for the birth defects of their child.

Now a Kansas City couple is suing for $10 million from the recently dissolved Merrell-National Laboratories claiming that use of the drug caused birth defects in their daughter.

The Florida suit originally sought $12 million in damages against the then Richardson-Merrell Laboratories (BI, Feb. 18), but last June, a federal court judge overturned an earlier verdict granting the award and ordered a new trial saying the award was inconsistent with the verdict. Testimony in the retrial revealed the deformities were due to another rare abnormality.

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Photo: Wide World

Supporters of IRA hunger striker Bobby Sands demonstrate in London.

Death benefit for Sands?

By STACY SHAPIRO

LONDON—The House of Commons Pension Fund Committee must decide if hunger striker Bobby Sands, who became a member of Parliament from Northern Ireland in March, is eligible for the parliamentary death benefit.

"The question of whether he'd be entitled to the death benefit under the Parliamentary and Other Pensions Act is being considered," said Anthony Lewis, deputy accountant for the Fees Office of the House of Commons. The office is in charge of issuing members' salaries and financial benefits.

Mr. Sands, in the H Block of the Max Maze prison in Northern Ireland, was seriously ill and weighed about 91 pounds last week after fasting for 60 days to obtain improved prison conditions.

He is demanding the right to wear his own clothes instead of a prison uniform and to be considered a

Continued on page 29

Birchers lack libel policy

BELMONT, Mass.—An arm of the John Birch Society will have to pay $400,000 unless it successfully appeals a libel judgment.

A U.S. District Court in Chicago last month awarded lawyer Elmer Gertz $100,000 in actual damages and $300,000 in punitive damages, to be paid by Robert Welch Inc., the publisher of the society's magazine, American Opinion.

Neither the company nor the society has libel insurance, said Gary Handy, the society's counsel.

"We've never had a libel case come to trial before this one, and we're not planning to pay this one. We plan to be successful on appeal," Mr. Handy said.

It will be the second appeal in the case, which has set precedent. The recent decision came in the retrial of a 12-year-old case.

The jury found that the magazine had libeled Mr. Gertz, now 74, in a 1969 article that asserted that he was a "Communist fronter" and a "Marxist-Leninist."

After a lower court ruled against Mr. Gertz when the case was first tried, the U.S. Supreme Court held that Mr. Gertz was a "private person" and not a "public figure." It ruled that he did not have to prove the publication was guilty of reckless disregard for the truth in printing libelous statements. ■

errors & omissions

• A photograph of speakers at the RIMS Conference published on page 26 of the April 20 edition was misidentified. The photograph showed John Sarchio, an attorney with LeBoeuf, Lamb, Leiby & McRae, left, and Vermont Insurance Commissioner George Chaffee.

• In the April 27 Comings and Goings: Buyers, it incorrectly was stated that Ralph Canglosi reports to Floyd DeAngelo in his new position at American Management Assn. He reported to Mr. DeAngelo in his position at Kennecott.

Insurance industry mourns the death of Joseph H. Blades

By KATHRYN J. McINTYRE

HOUSTON—Sadness swept the commercial insurance business last week after the death of Joseph H. Blades. Mr. Blades, the 55-year-old chairman of The Blades Group of Cos., died unexpectedly of a heart attack April 25.

Flowers with sympathy messages poured into the Settagast Kops Funeral Home, filling one room and overflowing into others. They were just one sign of the tremendous affection throughout the commercial insurance business for Mr. Blades.

About 1,200 people attended the funeral April 28, including London brokers from Jenner, Fenton & Slade and C.T. Bowring. Those attending from JFS represented the Lloyd's of London syndicates of Janson Green and Peter Cameron Webb as well as the Lloyd's broking fraternity. Lloyd's Chairman Peter Green and Lloyd's were represented by Jay Greer of Lloyd's U.S. general counsel, LeBoeuf, Lamb, Leiby & McRae.

The outpouring of sympathy also indicated the great respect Mr. Blades earned during his career in the commercial insurance business.

While building a successful surplus lines brokerage company in the Southwest and a captive insurance company management business in Bermuda, Mr. Blades brought respect to the surplus lines insurance business and earned the gratitude of risk managers whom he helped effectively use the insurance markets, especially those in London.

He also made friends around the globe. They were attracted to the unabashed Texan who spoke his mind, drove a straight deal and then celebrated over an opulent dinner.

When you did business with J.H. Blades, you knew the man who ran the company, built from a one-man agency with a secretary to a company with 117 employees and $84 million in premium volume in 1979. Even after he sold the company in 1973 to Crum & Forster, it was billed as "an autonomous subsidiary" and Mr. Blades was the attraction for clients.

The minister at his funeral

Joseph H. Blades

said Mr. Blades was the only person who within 5 minutes of meeting he totally knew.

He was an entrepreneur who even after selling his insurance business had to do business in his own right. Downstairs from his J.H. Blades office in Houston was another small office furnished with his old desk and identified by the sign "Old Blue" the color of his stationery when he first started in the in-

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FTC refuses rule on doctor control of prepaid plans

WASHINGTON—The Federal Trade Commission intends to review doctor control of prepaid medical plans for pricing abuse on a case-by-case basis instead of regulating the percentage of doctor representation on governing boards.

The announcement by the FTC settles two years of indecision since a 1979 FTC staff report said that doctor control of Blue Shield boards, the largest prepaid medical plans with doctors on their boards, resulted in higher reimbursement scales than when the boards were not doctor-controlled.

The staff had recommended that the FTC rule that no more than 25% of the seats on the boards could be held by doctors.

But the commission concluded April 23 that the evidence of pricing abuse did not support such a rigorous rule.

The mere presence of doctors on a plan's board of directors is not associated with higher fees, the FTC concluded. Only when the doctors on the board are formally organized as a medical society or medical service bureau is there a general relationship between physician control of a Blue Shield plan board and higher reimbursement payments to doctors, the FTC said.

"An across-the-board approach to medical society representation on Blue Shield boards or other prepayment groups is not appropriate," the FTC decided, opting for a "more selective approach" of reviewing cases individually.

The FTC instructed its staff to prepare an enforcement policy for possible commission approval. The individual case review will be used to find if doctor control results in anti-competitive effects. The staff will try to determine if higher reimbursement fees to doctors or the unreasonable exclusion of health-care providers who are not doctors result.

With the continued increase of medical-care costs, "competition concerns seem highly relevant to the cost-containment effort," said the commission's acting chairman, David A. Clanton, at the FTC meeting.

"We are pleased the FTC has decided not to proceed with rule-making

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Photo: Mary Cairns Inset: Steve Sherwood

Ray Johnson, inset, helps the Southland Corp. design security rules for 7-Eleven stores.

Training reduces the risks in robberies at 7-Elevens

By STEVE SHERWOOD

DALLAS—Denise Thomas reacted as she had been taught when a young man stuck a .38-caliber pistol in her face and demanded all the money in the cash register at the 7-Eleven she manages.

"He told me, 'This is a robbery,' and he wanted all the money," Mrs. Thomas said. "I told him no one else was in the store and I would cooperate with him. He seemed nervous and I wanted to put him at ease. It's the nervous ones who are dangerous."

The robbery began around 3:30 a.m. one day in late December. Mrs. Thomas was stocking the store's refrigerated food locker when three young men entered the store. She greeted them and one man asked for cigarettes. After bending down to get them, she looked up to find a gun in her face.

"I only had $7 in the register," she said. "I'm known for keeping as little money around as possible."

Moving quickly, but calmly, she put the money in a paper bag and handed it to the robber. "I wanted them out of there as quickly as possible," Mrs. Thomas said. "We're taught the longer an armed robber is in the store, the more dangerous the situation becomes."

When the robbers were gone, she called the police with a description. Three weeks later, the three suspects were arrested on another offense. The police called her and she identified the trio as the men who robbed her store.

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Aetna's rate hikes skip Detroit sewers

By LEN STRAZEWSKI

DETROIT—Aetna Life & Casualty Insurance Co. says it is raising commercial insurance rates, but Detroit's waste sewage disposal system isn't feeling the pinch.

It's feeling the slack.

Property insurance for the $750 million system will cost the city 25% less for seven times more in maximum probable loss values under an Aetna subsidiary bid approved late last week.

The new three-year policy, which meets city specifications for $50 million in property and extended coverage insurance over a $500,000 self-insured retention, will cost Detroit $27,000 and includes protection from theft and vandalism, excluded in the city's former coverage.

The bid was submitted by the Detroit agency of Bosquett & Co. and placed with Aetna Casualty & Surety Insurance Co.

Michigan Mutual Insurance Co. had formerly insured the system for only $7.5 million over the retention for a $36,000 premium through the Southfield, Mich., agency Diversified Underwriters Inc.

Michigan Mutual's bid to renew the policy brought in the highest of five bids: more than $91,000 for $50 million in coverage.

"We got what we wanted at pretty much what we expected," noted Detroit risk manager John Collins. "We had had some informal proposals and expected this price range.

"I guess I'm just not surprised. Aetna said it was raising rates but that large accounts probably wouldn't see it. That must be true."

Oliver Patrell, Aetna's commercial underwriting vp, qualified the Aetna rate increase announcement regarding large commercial accounts in an interview with *Business Insurance* April 6.

Though the waste disposal sys-

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Ruling upholds DES producers

By RHONDA RUNDLE

BOSTON—Six drugmakers did not act in concert to test and market diethylstilbestrol (DES) for use by pregnant women to prevent miscarriages, a Boston judge has ruled.

Federal District Judge D.J. Skinner said in a written opinion that the evidence did not show that drugmakers agreed not to test DES properly as a miscarriage preventative or not to warn of its dangers.

Judge Skinner's ruling resolved two issues in the class action lawsuit brought by Brenda Payton, et al, against Abbott Laboratories, Eli Lilly & Co., Rexall Drug Co., E.R. Squibb & Sons, Merck & Co. and Upjohn.

The theories of concert of action and joint venture rejected by the court would have allowed plaintiffs to surmount their problem of identifying the manufacturer of the DES taken by each plaintiff's mother.

Before the case can proceed to trial, Judge Skinner has asked the state high court to determine if Massachusetts state law provides a basis for liability when the plaintiff cannot identify the specific manufacturer whose drug harmed them.

New York's high court has agreed to hear Eli Lilly's appeal of a similar case in which it is the sole defendant. In February, a New York appellate court ruled there was a concert of action among DES makers and directed Lilly to pay a $500,000 judgment to Joyce Bichler, who suffers from vaginal cancer (*BI*, March 2).

"The Bichler decision is diametrically opposed to Judge Skinner's ruling in this case," explained an attorney representing one of the defendant drug companies.

The Bichler decision permits plaintiffs to pick and choose among DES manufacturers and saddles them with liability for any other member of the industry, he complained. Eli Lilly was found liable in the Bichler case even though a lower court found it was not Lilly's DES that caused the injury.

The Boston case is significant because it is the only DES lawsuit to be certified as a class action. Defendants have been successful in defeating class certification efforts in six or seven other cases.

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Open work comp rating splits panelists

By EILEEN NORRIS

PHOENIX, Ariz.—Growing hordes of self-insured employers will force insurers into accepting, and eventually welcoming, open rating for workers compensation insurance, an insurance company president predicts.

Insurance companies won't continue their fight against open rating and rate competition for workers compensation insurance once they're convinced the competition will be profitable, said Lawrence C. Baker, president of Argonaut Insurance Co. of California.

But only two of the four panelists at a debate in Arizona, one of six states considering opening uniform workers compensation rates to competition for the first time, are convinced it is the right thing to do.

The panelists were drawn from a state commission chartered to study open rating.

Other states considering open rating for workers compensation instead of uniform regulated rates are Illinois, Minnesota, Kansas, Wisconsin and Oregon.

The National Assn. of Insurance Commissioners has endorsed a model law that would change the traditional regulation of workers compensation rates. Now, the National Council on Compensation Insurance gives in-

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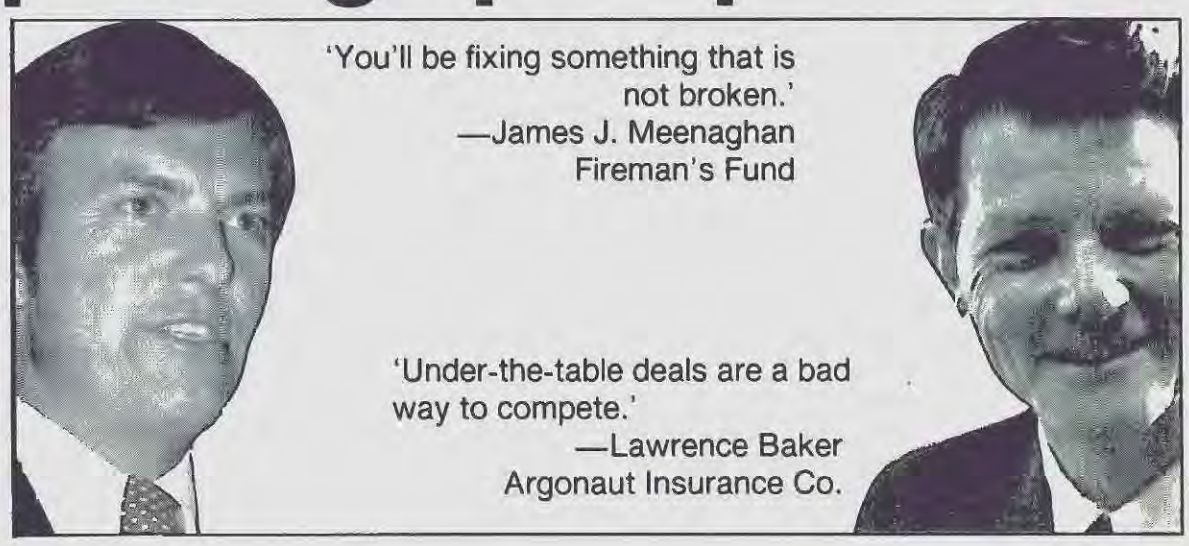

PATCO demanding improved pensions

Union demands for a better retirement plan is one of the obstacles in contract talks between the Federal Aviation Administration and the Professional Air Traffic Controllers Organization.

Union leaders have said they want at least an indication of new contract terms when PATCO opens its convention May 22 in New Orleans. Legislation for new contract terms must be approved by Congress.

The union is asking for a retirement package that would allow controllers to retire after 20 years with a 75% pension, according to a PATCO spokesman. The current pension is about 50% based on the three highest salary years. Most controllers must be 50 years old to retire.

PATCO also is asking for a maximum wage of $73,420 for senior controllers. The maximum pay is now $49,229. The union also wants a controller's workweek slashed to 32 hours.

As federal employees, controllers are forbidden to strike, but PATCO President Robert E. Poli said, "The only illegal strike is an unsuccessful one."

The cost of such a walkout, which would ground most commercial flights, is estimated at $80 million a day.

benefit beat

Adoption plan

Doctors Hospital in Phoenix, Ariz., is offering an adoption assistance plan to its employees.

Employees are eligible for reimbursement of up to 80% of the costs incurred in adopting a child, up to a maximum of $1,200 per adoption. Such costs include adoption agency fees, placement fees, legal fees, temporary foster-care charges and maternity fees for the child's natural mother if not part of the legal agreement.

The plan does not cover the adoption of a spouse's natural children.

"We see it as a parallel to maternity benefits," said Richard M. Mastaler, executive director of Doctors Hospital. "People adding to their families through adoption have similar expenses and adjustments. The company recognizes this and feels the adoption assistance plan is a viable alternative for helping young families meet these expenses."

The plan was approved by Humanna Inc., the owner and operator of Doctors Hospital.

Benefits increase

Employees at the Caterpillar Tractor Co.'s plants in the Peoria, Ill., area were paid more than $96 million in employee benefits in 1980, up almost 39% in two years.

About 1.3 million claims were processed by the company to pay for dental, medical, hospital, prescription, death, disability and survivor benefits, according to the company's employee benefits general office.

All of the company's benefit plans are underwritten by Metropolitan Life Insurance Co.

The greatest number of claims, about 814,000 with a value of $6.2 million, was submitted by Peoria-area employees for prescription drugs. Employees also filed 150,000 dental claims valued at $11.3 million and 35,000 vision-care claims valued at more than $1.9 million.

The company paid more than $59 million for medical claims, the largest amount paid out for any benefit.

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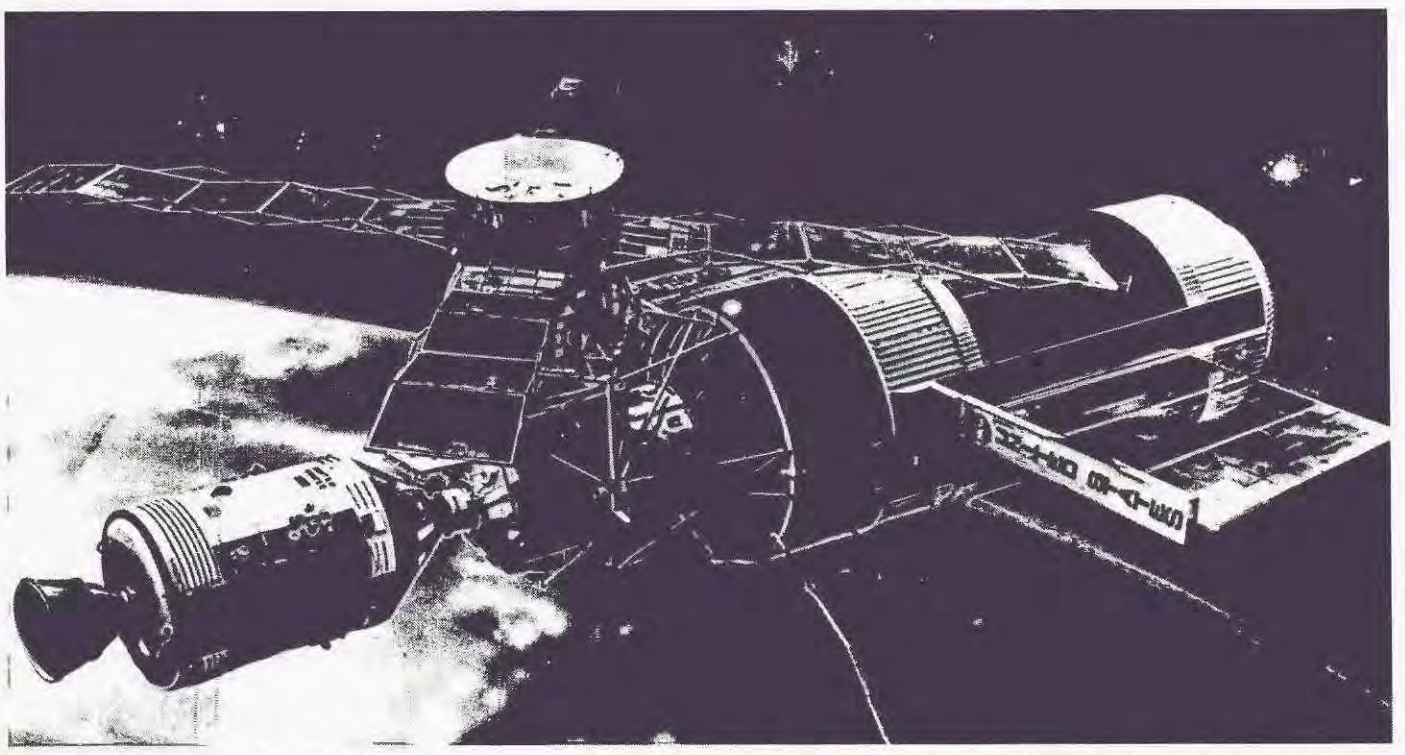
Benefit beat keeps insurance and employee benefit managers up to date on what other companies are doing and informed of current developments in the employee benefit field. We'd like to know if you've made any changes. Write Business Insurance, 740 N. Rush St., Chicago, Ill. 60611 or call 312-649-5430.

Self-Sufficient



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Many small firms lack health plans

WASHINGTON—More than half of the nation's firms with fewer than 10 employees still do not offer group health insurance plans to their employees, according to a new U.S. Department of Labor study.

Health insurance coverage for employees increases sharply with the size of the firm. For example, 97% of firms with 50 to 99 employees and 100% of companies with more than 100 employees offer group health insurance plans, according to the survey.

The study, conducted by Battelle Human Affairs Research Center of Seattle under a Labor Department contract, is based on a 1978-79 survey of 2,585 businesses of all sizes around the nation.

Health insurance coverage is most extensive in the manufacturing industry where 98% of employees are covered by plans. Coverage is least extensive in construction industry where 66% of employees are covered.

Less than 5% of the surveyed companies with health insurance plans offered their employees the option of joining a health maintenance organization.

Other survey highlights include:

- About 70% of the businesses that offer health insurance pay the complete cost of employee coverage, while 45% pay the full cost of family coverage.
- Almost all plans include deductibles; 85% of the plans place a maximum ceiling on benefits.
- Most businesses that do not offer health insurance plans are relatively new.

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Copies of "Employment Related Health Benefits in Private Nonfarm Business Establishments in the U.S.," are available through the National Technical Information Service, 5825 Port Royal Road, Springfield, Va. 22161; 703-487-4650. The order number is PB81-174310 and the cost is $7.50.

Opening dates set

The Illinois Insurance Exchange, with eight insurance companies pledging syndicate support, is slated to open this fall while the Insurance Exchange of the Americas in Florida is planning a June 1982 debut. Robert E. Frenk, a consultant and retired senior vp of the Country Insurance Co. of Bloomington, Ill., has been hired as comptroller for the Illinois exchange.

WAUSAU WORKS.SM

His employer buys insurance with the strength of over 70 companies. He's found safety in numbers.

Being a small company can have its own rewards — independence, personal fulfillment, potential profitability. But there can also be potential disadvantages. For example, in buying insurance. Smaller companies may find their dollars don't go as far as those spent by larger companies.

There is a way small and medium companies with a good safety record can enjoy large-company advantages in buying insurance. By working together in a group plan.

One example is the workers compensation group safety plan administered by Wausau Insurance Companies through the Oregon-Columbia Chapter of the Associated General Contractors. "The plan provides members with a continuing safety training program; monitors construction safety practices; and administers a rewarding dividend plan," says Kenneth W. Twedt, Oregon-Columbia AGC Manager.

Experience shows that loss-reducing safety services have been effective. Dividends have been excellent. Rates and premiums have been better controlled. And — proof of its value — membership in the insurance plan has grown from 18 companies to over 70 in just five years.

WAUSAU INSURANCE COMPANIES
WAUSAU, WISCONSIN 54401

Individual members retain their small company advantages, and enjoy big company purchasing power. It's the best of both worlds, with Wausau and the AGC.

editorial opinions

MAKE ROOM

Striking a balance

The Federal Trade Commission won't force the issue with rules, but medical prepayment plans should keep expanding consumer representation on their boards.

The FTC says there's no proof that doctor control of Blue Shield plans, the largest of the medical prepayment plans, results in higher reimbursements to doctors, except when the control is exercised by a formally organized group of doctors, such as a medical society.

Given these facts, the FTC dropped a staff recommendation to limit doctor representation on the boards and instead will look at plans on a case-by-case basis if reimbursement rates look out of line.

In the meantime, we encourage all prepayment plans to evaluate their boards of directors for a balance of corporate and individual consumers with medical professionals.

Doctors and other health-care professionals are needed on boards for their medical expertise, but we strongly oppose professional control. There is at the very least a perceived—if not real—conflict of interest in doctors setting the reimbursement rates for their services.

The appearance that doctors are free to set their own rates won't help convince the public that they should be wise consumers of health-care services.

Blue Shield Assns. says that already 50 of the nearly 70 plans are at least 51% non-doctor controlled. These 50 plans account for 80% of the subscriber income and 83% of total plan enrollment, BSA says.

Among the other 20 some plans, at least six are prohibited from having a public majority on their boards by archaic laws in the states of North and South Dakota, Virginia, Rhode Island, Georgia and Iowa. These states must lift their restrictions.

We beleive that the original FTC staff recommendation that no more than 25% of the seats on a board be held by doctors is a good rule of thumb.

Joe Blades

We're going to miss Joe Blades.

His untimely death at the age of 55 saddens all of us who enjoyed his professionalism, insight into the insurance business, wit and style.

Over the years, Joe was a valuable source to *Business Insurance*, tipping us off to stories and providing insight into issues others considered too sensitive to discuss. He knew when industry self-criticism was in order.

Last fall, Joe suggested that the U.S. insurance industry could benefit from the same kind of scrutiny that the Fisher Committee gave Lloyd's of London. Our report on his suggestion generated a few comments but, so far, no action.

The insurance industry to which Joe Blades gave so much could now do something for itself in his style: Form that committee to look at the business and make recommendations about its future.

letters

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

Don't stress the negative

To the editor: It seems that whenever an article about Blue Cross/Blue Shield appears in your publication, only negative points receive bold type and even positive points are turned into negatives.

An example of this is the article that appeared April 20 titled "Blues command only health plans." Why not have a positive headline in light of the fact that the health market is basically the only line of coverage pursued by Blue Cross/Blue Shield?

Much more credit should be given to Blue Cross/Blue Shield for being the leading carrier in six out of the eight types of benefits listed that deal with health insurance. The health insurance field is our major market, and it seems that from your figures we must be doing an outstanding job in providing the consumer with what they demand.

Perhaps next time the negative word "only" could be omitted from articles concerning health insurance and Blue Cross/Blue Shield.

Frank C. Camarda Jr.
Regional manager
Blue Cross/Blue Shield
Palos Hills, Ill.

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AD&D	Aetna	Prudential	Equitable
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Vision	Self-funded	Hawaiian Life Insurance	BC/BS
Prescription	BC/BS	Self-funded	Kaiser Fdtn.
Travel Accident	INA	American Home	Continental Casualty
Stop-loss	Lafayette Life	Republic Nat'l.	SAFECO

Supplementing health plans

To the editor: Regarding the story "Blues command only health plans" in your April 20 issue: What are "supplemental major medical" benefits?

Bob A. Hedges
Professor of Insurance & Risk
Temple University
Philadelphia, Pa.

■ *A supplemental major medical plan is underwritten in conjunction with a basic health-care plan, often a Blue Cross and/or Blue Shield basic plan, to expand the coverage provided under the basic plan. It differs from a comprehensive major medical plan that provides broad health care benefits once the policyholder has met a single deductible.*

For example, one supplemental major medical plan would begin paying benefits for treatment not covered under the base plan after a $100 deductible, paying 80% of the cost up to $2,500 and then 100% of the balance to a maximum limit of $1 million.

Evaluating the evaluation

To the editor: I read with interest James A. Robertson's evaluation of basic umbrella forms (*BI*, April 13 and 27). It was noted that of those companies listed in the first and second categories, only five were admitted in all states.

Best's Key Rating Guide of 1980 lists Gibraltar as licensed in Delaware, Northumberland not shown, Cal Union in California and Guaranty National in the western states.

Most certainly brokers and agents providing umbrella liability would expect The Umbrella Book to indicate a non-admitted state tax could be applicable. Secondly, the "service of suit clause" should be included in the form for those risks located in the eastern portion of the nation.

With the sales pitch of it being a "recognized tool" plus the price involved, apparent omissions must be spelled out in The Umbrella Book itself.

Joseph F. Lennon
Insurance counsultant
Eastchester, N.Y.

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Tort reform revival backfires in Texas

The nationwide product liability reform drive is gaining renewed momentum, but efforts in Texas show reform can backfire.

Businesses will have new protection against product liability suits under recently signed laws in Kansas and Washington, and three reform bills are pending in California.

In Texas, however, a reform bill adding new defenses against product liability suits also allows plaintiffs to recover damages if they were up to 75% at fault.

Currently, a plaintiff more than 50% at fault for an accident can't recover damages from the manufacturer.

Under the Kansas law, S.B. 165 signed by Gov. John Carlin last month, a plaintiff must prove through a "preponderance" of evidence that a product was defective to establish liability if the product is more than 10 years old.

The law also bars product liability suits against wholesalers and retailers unless the manufacturer is bankrupt.

Washington Gov. John Spellman signed a law, S.B. 3158, that also prohibits product liability suits against retailers and wholesalers unless the manufacturer is bankrupt. The measure also makes it more difficult for a plaintiff to sue a manufacturer if a product is more than 12 years old.

In California, one of the product liability bills, A.B. 699, would give a seller a presumption of non-defect if the product was manufactured to the state of the art. The measure also would exclude evidence of subsequent changes in a product to show that it is defective.

Another bill, S.B. 1036, would give judges the responsibility of setting the amount of punitive damages awarded in a product liability suit and sets forth several factors to be considered in making such a judgment.

The California Manufacturers Assn. supports the bill, saying that judges tend to be less susceptible than juries to emotional pleas of plaintiffs.

A third bill, S.B. 500, requires that in product liability actions involving property damage, personal injury or death, each defendant would be liable only for the percentage of damages allocated to that defendant. Under present law, each defendant is jointly and severally liable for all damages.

The Texas reform measure, H.B. 2310 approved by the House, adds the defense of state of the art and will allow juries to determine whether a product's useful life had expired when a claimant was injured. If it has, the manufacturer is not liable for damages.

The bill also adds a contributory fault clause involving cases where there is more than one defendant that would apportion liability to the defendants according to their fault.

But to get the bill through the House, Rep. Robert McFarland, its sponsor, included the increase in the percentage of fault a claimant is allowed before recovery is barred.

Mr. McFarland said that even with the higher fault limit, the bill will strengthen the defense position of manufacturers in product liability cases, his original intention.

"The bottom line is none of the sides like it as well as they would if they'd been able to draw it up themselves. That probably means it's a better bill because of it."

The bill applies to cases involving "strict tort liability, negligence or breach of express or implied warranties that is a producing, contributing, concurring or proximate cause of an injury or event or occurrence causing injury, death or property damage."

The bill appears to extend this provision to all torts, not just product liability, causing defense attorneys in the state to vigorously oppose it.

The bill's author, however, says he will rewrite it to make it clear that it applies only to product liability cases.

The bill now is being considered by the Senate's Economic Development Committee. ■

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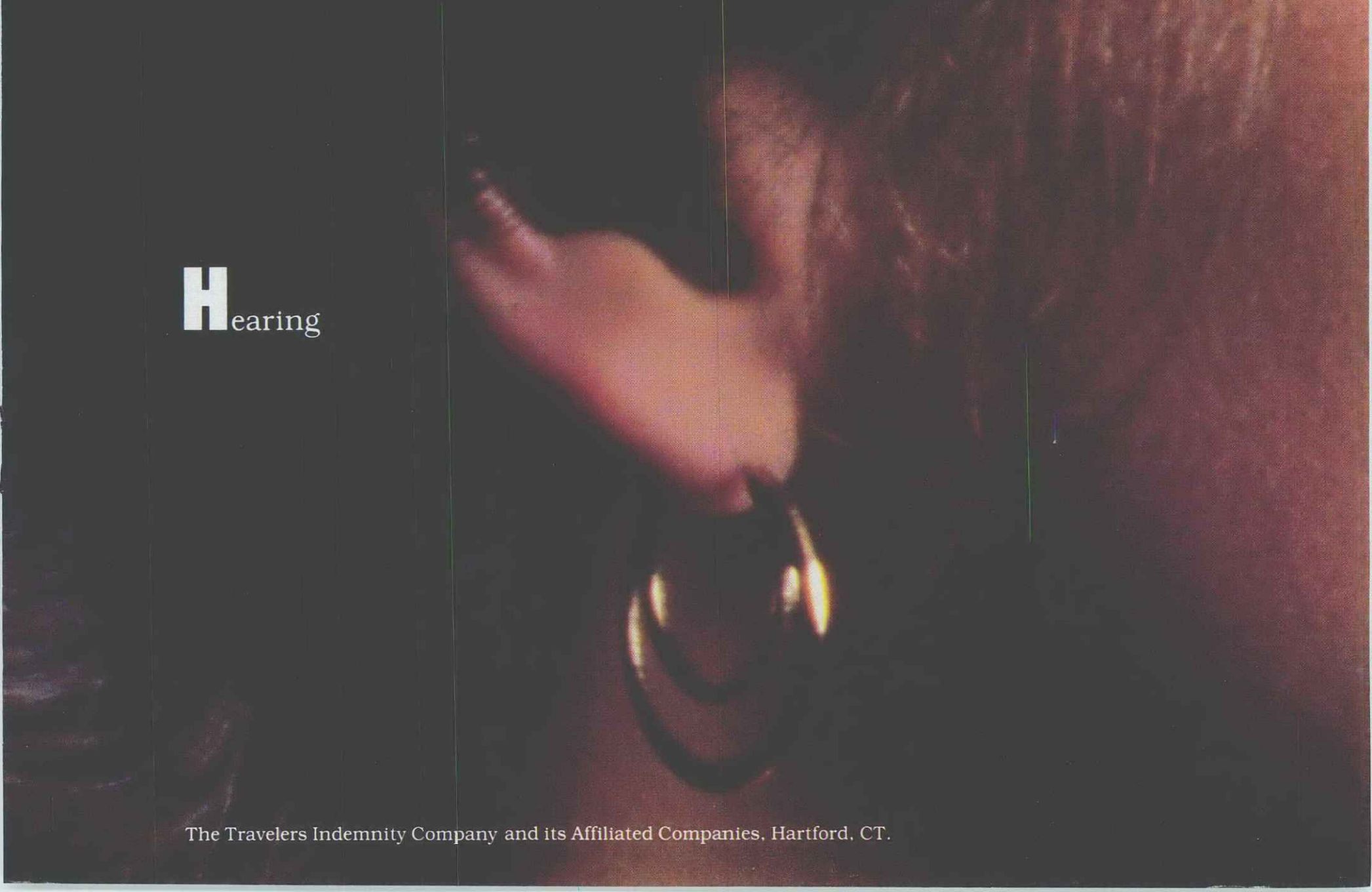

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30% rate cut may expand machine tool liability plan

By JACK THORNTON

Rate reductions of 30% are expected to balloon participation in the American Machine Tool Distributors Assn. product liability insurance program.

Fifty to 60 member companies are expected to join the seven companies that participated last year, said Russ Overgard, chairman of the AMTDA's Product Reliability and Safety Committee.

A more thorough survey of the AMTDA companies is lowering the rates, broker Alexander & Alexander says. The reduced cost of product liability insurance also helps, AMTDA says.

The program, which provides $500,000 of primary product liability insurance limits, was launched in mid-1980 (*BI*, May 12). Mr. Overgard said the data base didn't really reflect the low risks in underwriting most machine tool distributing, whether the machinery was metal-cutting types or the somewhat more hazardous metal-forming types.

The program's primary insurer is the same as last year: Cranford Insurance Co. of Cranford N.J.

AMTDA members distribute machine tools for domestic and foreign builders. They also occasionally rebuild and sell used equipment.

Mr. Overgard said that for a typical distributor with $10 million to $15 million in annual sales, the 1981 rates are 80 cents per $1,000 of metal-cutting machine tools annual sales and $1.30 per $1,000 in metal-forming and fabricating machinery sales.

The rate is $1.15 per $1,000 on used machinery sales, $2 per $1,000 of reconditioned equipment sales and $3 per $1,000 on rebuilt machinery sales, he said. Rebuilding involves far more work by the distributor than reconditioning, hence the higher rate.

The rate on sales of parts and accessories is 90 cents per $1,000, Mr. Overgard said.

Deductibles rise with overall sales. For distributors in the $10 million to $15 million bracket, the deductible is $4,000, he said.

Excess insurance is available in increments of $1 million, $2 million or $3 million from Excess Insurance Co.

"We got the risk factor down with the newer and more extensive survey," said Neafie B. Scarborough Jr., the association's immediate past president. He added that A&A also changed its view of servicing machine tools by distributor personnel.

"That has been seen as a negative factor," said Mr. Scarborough, president of Clipper Machinery Co. of Lakewood, Ohio. "Now they see it as a positive factor" because distributor service technicians stay in closer touch with problem machinery than do factory-based servicemen. He said such servicing helps catch potential shop-floor hazards before someone can get hurt.

Mr. Overgard, president of Overgard Machine Tool Co. in Denver, said his committee is also reviewing some of the terms and conditions of the usual sales agreements to help reduce the number of "frivolous" lawsuits filed.

Mr. Overgard said he doesn't expect another sharp reduction in AMTDA rates in 1982. "Next year, the rates will stiffen again," he said. "This is a down year for insurance and, therefore, this is the year to renegotiate." ■

Frank B. Hall & Co. acquires two brokerage companies

BRIARCLIFF MANOR, N.Y.—Frank B. Hall & Co. has acquired the R.J. Saex Insurance Agency Inc. of Holyoke, Mass., and the Allan D. Fulton Insurance Inc. of Coral Gables, Fla.

Saex is an excess/surplus lines broker. It will be the principal eastern location for Hall's excess/surplus lines facility. Fulton is a general insurance broker. It will become part of Frank B. Hall.

markets

Surplus lines

INA Corp. has formed a new surplus lines brokerage company, Railroad Insurance Brokers Inc.

The new organization, part of INA's international and special risk division, will specialize in railroad, marine and related insurance coverages. It will be headquartered at 307 Wilshire Blvd., Los Angeles, Calif.

Administrators

Benefit Plan Administrators Inc. has opened its office at 8625 King George Drive, Suite 148, Dallas, Texas 75235.

The staff will work with agents and brokers on forming and analyzing all types of self-insured benefit plans.

The company will act as third-party administrators, with complete service facilities available to employers. Assistance in finding the best excess-loss insurance coverages also will be provided.

Acquisitions

A.S. Hansen Inc. has acquired **Warren King and Associates,** a Chicago-based consulting firm specializing in solving problems of local and state governments.

New offices

Fremont Indemnity Co. is opening a new property/casualty facility in Glendale, Calif., at 750 Fairmont Ave. The company has also opened a new full-service office in Portland for workers compensation and property/casualty business.

William M. Mercer Inc. has moved its offices in Stamford, Conn., to 1600 Summer St. The office serves clients in Fairfield, New Haven and Westchester counties.

The Roanoke Cos. are opening new offices at 5900 Memorial Drive in Houston, and 190 High Street in Boston.

MICOR Insurance Brokers Inc. has opened offices in St. Jose and Freemont, Calif. The address for the San Jose office is 2025 Gateway Place, Suite 407, San Jose, Calif. ■

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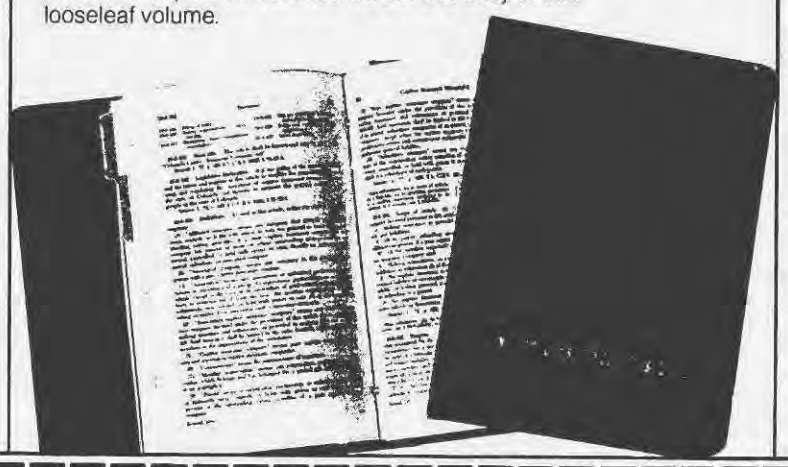

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turn to page 30

N.Y. insurer seeks 71% hike in medical malpractice rates

around the states

ALBANY, N.Y.—The state's physician-owned medical malpractice insurance company is asking for a 71% rate increase, effective July 1.

If approved by the state Department of Insurance, the Medical Liability Mutual Insurance Co.'s new rates would raise annual premiums for the average New York physician to $14,500. But some specialists in specific areas would pay much more. In Nassau and Suffolk counties on Long Island, for example, orthopedic surgeons and neurosurgeons would pay $45,000 in premiums annually.

The company's president, Dr. Arthur J. Mannix Jr., cited continually increasing malpractice claims costs as the major reason for the steep rate hike.

New York physicians were told by the company earlier this year that "significant increases" in rates should be expected, but preliminary calculations suggested an increase of about 30%. Rates were increased 24% in 1980.

Company actuaries are reporting further "dramatic increases in claims costs, particularly with regard to severity (the average cost of a case), and to a somewhat lesser extent in frequency (number of cases)," Dr. Mannix said.

Jeweler bill

SPRINGFIELD, Ill.—The House is considering a bill that would require jewelers to keep records of their gold and silver purchases.

The bill's sponsor, Rep. Roman Kosinski, D-Chicago, said it was aimed at preventing jewelers from unintentionally acting as "fences" for stolen goods. Mr. Kosinski owns a Chicago jewelry store.

The measure, approved unanimously by the Judiciary Committee, would require that sellers identify themselves by showing their driver's license to the dealers and that dealers keep their records for five years.

Companies fined

TALLAHASSEE, Fla.—State Insurance Commissioner Bill Gunter has ordered three affiliates of the Hartford Insurance Group to pay $4,000 in fines and return $102,153 to policyholders.

The three companies are Hartford Fire Insurance Co., Hartford Accident and Indemnity Co. and Hartford Casualty Insurance Co.

The state Insurance Department conducted a rate examination of Hartford's regional office in Orlando in 1979. Examiners said that error ratios on several lines, including special multiperil, commercial auto and commercial business policies, were unacceptably high.

Health-care bills

BOSTON—The Massachusetts House Ways and Means Committee is considering three controversial health-care bills that were referred by the Joint Legislative Committee on Health Care.

A bill to establish a uniform system of health-care reimbursement, H.B. 3215, sponsored by the Health Insurance Assn. of America, was the first bill discharged. The HIAA's bill would require a major reorganization of ratesetting in order to make it more uniform to insurers.

Under the present system, Blue Cross/Blue Shield can negotiate rates with hospitals. Negotiated contracts are then sent to the state's Rate Setting Commission for approval. Independent insurance companies, however, cannot negotiate rates but must comply with rates set by the commission.

A bill requiring third-party reimbursements for nurses was also sent to the Ways and Means Committee. The legislation, H.B. 4250, would allow nurses to bill on their own, a move opposed by BC/BS, which says it would create an administrative nightmare.

The National Health Insurance Referendum, H.B. 2313, which would allow voters to have their say on national health insurance, also moved to Ways and Means. ■

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Social Security benefits to rise

By JERRY GEISEL

WASHINGTON—Social Security benefits will jump 11.2% in July for 36 million beneficiaries.

Social Security benefits are increased automatically to match rises in the Consumer Price Index.

The average monthly CPI rose by 11.2% from the first quarter of 1980 through the first quarter of 1981, which is the measuring period for the 1981 benefit increase.

The 11.2% increase will result in the average monthly benefit rising to $374, up from $337.

The maximum monthly benefit for a worker retiring in 1981 at age 65 will rise to $752.90 from $677.

The 11.2% benefit increase will cost the ailing Social Security retirement trust fund an additional $15.4 billion during fiscal 1982.

Health spending

Health-care spending increased faster than the gross national product during a 14-year period.

Between 1965 and 1979, health-care expenditures increased at an average rate of 12.3%, compared to a 9.2% growth rate in GNP.

Health-care costs, which will approach $280 billion this year, are expected to climb to $462 billion by 1985 and $821 billion by 1990, according to a Department of Health and Human Services report.

In 1965, health expenditures consumed 6.1% of GNP. By 1979, health costs ate up 9% of GNP.

By 1990, health-care costs are expected to amount to 10.8% of GNP.

The nation's current $280 billion health-care bill amounts to $1,215 per person.

ERISA legislation

Rep. John Erlenborn, R-Ill., plans to introduce legislation to create a single federal agency to administer the Employee Retirement Income Security Act.

Currently, three agencies—the Labor Department, the Internal Revenue Service and the Pension Benefit Guaranty Corp.—administer ERISA. This has led to muddled administration, Rep. Erlenborn says.

Rep. Erlenborn has introduced similar measures before, but Congress has not acted on them.

Baggage liability

Bus lines' liability for checked baggage will soon be $1,000, under a rule adopted by the Interstate Commerce Commission.

The commission considered a $2,000 liability limit for checked baggage, but backed off after studies revealed that 90% of lost or damaged baggage claims amounted to less than $1,000.

"The $1,000 minimum will adequately protect the rights of passengers without imposing unnecessary service demands on the carriers," the ICC said.

The rule, which was published in the April 22 Federal Register, goes into effect May 22.

Aviation accidents

Unwarranted low flying is a major cause of accidents involving small planes, the National Transportation Safety Board says.

Low flying was a cause or factor in about 10% of general aviation's 761 fatal accidents in 1978, the board said.

"It is one of general aviation's most persistent problem areas. Call it buzzing, flat-hatting or what you will, it continues to occur with distressing frequency," it said.

washington

Counsel named

Baruch Fellner is the new associate general counsel for the Pension Benefit Guaranty Corp.

Mr. Fellner, who previously worked in the Occupational Safety and Health division of the Labor Department solicitor's office, will be involved in developing new regulations, case work and litigation for the PBGC, a federal agency that guarantees pension benefits for workers through an insurance program. ■

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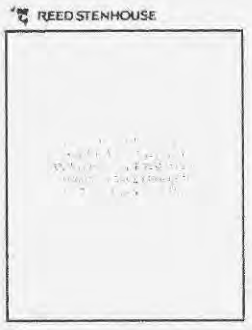


Reed Stenhouse Companies Limited

Reed Stenhouse Companies Ltd. is one of the world's largest insurance brokerage organizations with 5450 employees in 33 countries. The American operation, Reed Stenhouse Inc., established in 1974, currently has 25 offices nationwide and is among the top 12 in the U.S. in terms of revenue. The parent company's head office is in Toronto, Canada, and its common stock is listed on the Toronto, Montreal and Vancouver Stock Exchanges.

1

Mutual of New York

"Promises Made and Promises Kept" is the theme of MONY's Corporate Capabilities Book. It highlights agent/client relationships and the people, products and technologies that make MONY work. The report's financial section recaps 1980 highlights that include record dividends, assets that exceed $8 billion and a total premium income of $938 million. The book also focuses on MONY's investment strategy and emphasis on growth and innovation.

2

Frank B. Hall & Co. Inc.

A leading international insurance services firm, Frank B. Hall, reports 1980 revenues increased 16% tc $309,593,000; net income rose 1% to $27,982,000; per share earnings decreased 3% to $2.74. Revenues and earnings per share have more than doubled during the last 5 years. Since 1974 dividends have increased at a compound annual rate of 20%. Currently the Company pays $1.60 annual dividend. NYSE symbol FBH. Order the Frank B. Hall Report and SMILE.

3

Crum and Forster

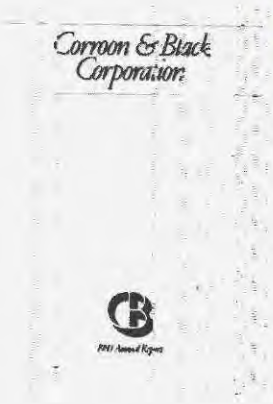
Crum and Forster is an insurance holding company with total premiums exceeding $2.3 billion (net premiums written $1.7 billion) and assets $3.9+ billion in 1980. C&F concentrates its activity in commercial property-liability insurance in which it ranked 15th among U.S. companies last year. Our high rate of earnings and dividend growth enabled us to rank 1st among FORTUNE "50 Largest Diversified Companies" in total return to stockholders over the last ten years.

4

PMA Insurance Company

PMA's financial results for 1980 have been highly successful. $233,000,000 in written premium. After-tax profit up 15% (12.2 million from 10.6 million). Policyholders' surplus increased by 19.2% (93.9 million from 78.8 million). PMA is 100% commercial property/casualty-licensed in 40 states—primary market in Pennsylvania, Maryland, Delaware, New Jersey and Florida.

5



Corroon & Black Corporation

Corroon & Black reports 1980 revenues of $150,677,000, up from $143,434,000 in 1979. Net income dropped from $20,908,000 to $17,900,000 due substantially to the highly competitive insurance underwriting market. The dividend per share was increased to $.44, the fifteenth successive year in which cash dividends were increased. Dividends have been paid by C&B for 34 consecutive years.

6

The Continental Corporation

A leading diversified insurance organization. Record 1980 revenues of $3.4 billion, assets of $8.2 billion and shareholders' equity of $2.1 billion. Property/casualty written premiums rose to $2.4 billion. Decrease in operating income to $192 million. Investment income, up 16%, increased for the 37th consecutive year. Dividend increased after year-end to annual rate of $2.40 per share, 16th increase since 1960.

7

Connecticut General Insurance Corporation

Connecticut General Insurance Corporation and its subsidiary companies constitute the third largest publicly owned insurance organization in the U.S. Consolidated operating income rose 17% to $317 million, or $7.66 per share in 1980. Life, health and annuity operations advanced 12%, while earnings from the property-casualty segment were up 33%. Dividends paid increased by over 16% in 1980, contributing to a 15% compounded growth over 25 yrs. 8

The Reliance Companies

In 1980, The Reliance Companies surpassed 1979's record-breaking results. Operating income rose to $92.1 million and net income was $101.7 million. Revenues climbed to $1.08 billion and net income increased 15.7% to $123.7 billion. The combined ratio, however, worsened from 1979's 101.0% to 103.0% in 1980. The Reliance Companies is one of the nation's 25 largest property-casualty insurance groups.

9

Optimum Holding Corporation

For year end, December 31, 1980, Optimum Holding Corporation (NASDAQ Symbol: OPTI) reported total revenues of $11,695,000; net premiums written were $17,453,000; net income was $854,000 ($1.18 per share on 723,000 average shares outstanding). Optimum's subsidiary, Optimum Insurance Company of Illinois, a multiple line property/casualty insurer, commenced its business under an insurance pooling agreement with the parent company, Ideal Mutual Ins. Co., on July 1, 1980.

10

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11

IRM Insurance

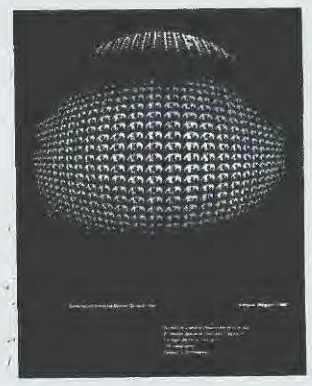
Celebrating its sixtieth year of operation, IRM and its 18 member companies reflect on an impressive history of growth, stability and financial strength. IRM, a commercial property underwriting organization had near record premium income coupled with an excellent loss ratio for the eleventh consecutive year. IRM continues to maintain a stable market for large line property insurance.

12

Puritan Insurance Company

Puritan Insurance Company reports 1980 net income rose to almost $11 million for a 53% increase over 1979. Since its inception in 1971, Puritan's net income has grown at a 50% annual rate. Net written premiums amounted to $56 million in 1980 for an annual growth rate of 39% since 1971. Puritan writes a full range of property and casualty coverages for specialty markets as well as treaty insurance.

13



American International Group, Inc.

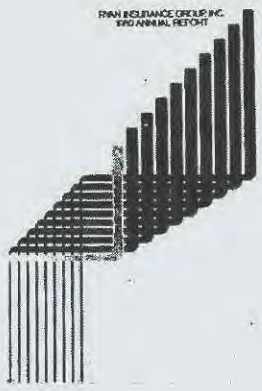
In 1980 AIG achieved record earnings of $282 million after income taxes, or $7.48 per share. The combined loss and expense ratio for 1980 was 95.5. As the leading broker-oriented insurance organization in the U.S. and one of the world's largest international insurance groups, AIG employs over 21,000 people in more than 130 jurisdictions.

14

Midland Insurance Company

Midland specializes in stevedoring, shipbuilding, offshore servicing and oil drilling risks. Account coverages are afforded to commercial risks with high deductibles or SIR's. Excess and Umbrella liability is offered through Capacity Managers Int'l. 1980 after tax income was $7,158,000, up 27%. Policyholders surplus rose 58% to $33,447,000. Net assets were $179,440,000; net premiums were $64,955,000. The combined ratio was 102.9% up from 97% in 1979.

15



Ryan Insurance Group, Inc.

Ryan Insurance Group, Inc. reported 1980 operating income attributable to common shareholders of $9,805,000, up 10.4% from $8,880,000 in 1979. In August, 1980 Self-Insurers Service, Inc., a leading company in the field of administration of employee benefits and workmen's compensation plans was acquired. In early 1981, James S. Kemper & Co., a privately-held insurance brokerage firm with 26 offices, was also acquired.

16

Argonaut Insurance Companies

The Argonaut Insurance Companies reported 1980 consolidated earned premiums of $274.8 million and policyholders' surplus of $415.0 million, for a premium to surplus ratio of well under 1 to 1. Total assets rose to $1.25 billion, a new all-time high. Highlights included a 25% increase in Workers' Compensation earned premium (the Companies' primary line) and expansion of branch offices to better service policyholders.

17

North American Reinsurance Corporation

North American Re is part of the worldwide Swiss Re Group. In 1980 North American Re wrote $382 million in premiums. Total assets at year-end were nearly $1.2 billion and policyholder surplus reached $316 million. North American Re is a full-line property/casualty reinsurer with Treaty, Facultative Surety, Engineered Risk, Aviation and Ocean Marine capabilities. Since the San Francisco Earthquake of 1906, North American Re has been providing coverage against catastrophic loss.

18

The Equitable Life Assurance Society

The Equitable, the nation's third largest life insurer, reported record results in sales, investments and insurance operations in 1980. At year-end, we had $40 billion in assets under management, a 12% increase over 1979. Of that amount, $26 billion represents pension assets, reaffirming our position as the nation's large manager of pension funds. Variable life insurance, pioneered by The Equitable, exceeded $1 billion in force.

19

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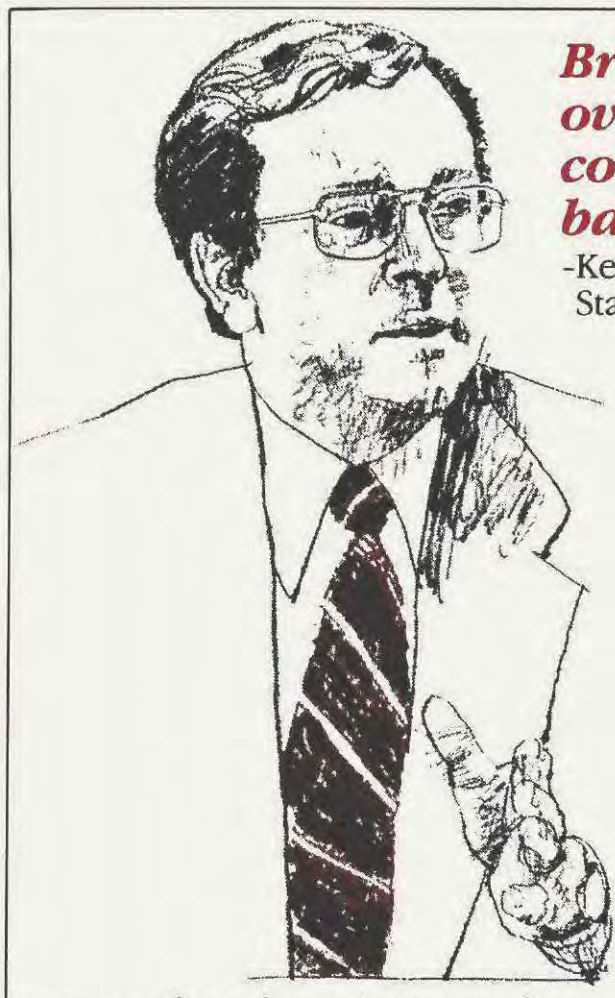

Bringing our overseas coverage back home.

-Kellogg's Stanley King

Until recently, each of the Kellogg Company's overseas plants obtained property coverage from their local insurance markets.

"This left us at the mercy of widely fluctuating rates over which we had no control," says Stanley King, Kellogg's risk manager. "We determined that self-insuring through a captive could cut our foreign insurance costs by as much as 25%."

King also decided that the captive operation would require the cooperation of a commercial insurer with strong loss control expertise. "Our 29 foreign plants produce over 750 million pounds of food each year," he notes, "so the loss of even one facility can have a broad impact on distribution and sales."

After reviewing the self-insurance plan with several carriers, Kellogg selected INA. King explains: "INA has exceptional facilities in every country where we have plants. And they helped us design a self-insurance program that doesn't jeopardize our earnings-per-share performance."

Under the plan, INA reinsures the foreign property coverage back through Kellogg's captive, and provides excess protection for catastrophic losses which might occur.

"The INA loss control people work closely with our own engineers to prevent costly shutdowns," says King. "And the cost-efficiency of the captive program has improved our financial performance without reducing the extent of our coverage."

Stopping the dollar-drain on overseas comp.

-Wright & Co's Frank Wright

Each year, thousands of U.S. citizens are sent abroad by the federal government on cultural or scientific assignments. By statute, these individuals are subject to a federally-mandated workers' compensation program that is very broad in its provisions.

"The Defense Base Act (DBA) requires around-the-clock comp protection, and the claim limits–where they exist at all–are very high," explains Frank Wright, chairman and CEO of Wright & Company, a Washington, D.C.-based broker.

Obtaining this insurance on a project-by-project basis became a major expense for one government agency: premiums

often ran as high as 20% of a worker's total annual remuneration.

In an effort to bring these costs down, the government agency invited bids from insurance carriers willing to underwrite all DBA compensation policies. INA International was awarded the contract, with Wright acting as broker. "In the three years since INA took on the program," reports Wright, "premiums have been reduced by 40%." Total savings have amounted to several million dollars.

Wright attributes this dramatic reduction to INA's international capabilities and administrative expertise. "We've seen enormous amounts of tax dollars saved," says Wright, "and we hope to make the INA program a prototype for other government agencies."

Insuring workers' compensation exposures was once very costly for Sea-Land Service, Inc., the nation's largest container ship operator.

"Each of our four largest marine terminals employs over 400 people," explains Harold C. Krulder, director of safety engineering for Sea-Land Industries, the parent company. "They're involved in vehicle maintenance, warehousing, and longshoring operations–all of which are classified as high-risk activities by OSHA."

An outside perspective on in-house risks.
-Sea-Land's Harold Krulder

In order to bring compensation costs down, Sea-Land launched a self-insurance program three years ago. But this move meant that Sea-Land would have to conduct its own safety inspections, or find an outside company to do so.

"We felt we needed outside inspectors to give us the same level of objective expertise our commercial carrier had provided," recalls Krulder. Bids were requested from several safety inspection firms.

The contract was ultimately awarded to ESIS, an INA Corporation subsidiary. ESIS' safety engineers conduct exhaustive quarterly inspections of Sea-Land's primary terminals and file their recommendations directly with the terminal and Krulder's office.

"Besides helping us meet our own safety standards," he says, "the ESIS people have proved extremely adept at spotting potential OSHA violations. Together, we've brought about a steady reduction in employee accidents." This fact, coupled with the cash-flow advantages of self-insuring, has generated substantial economic savings for Sea-Land.

Comments Krulder: "ESIS provides me with an extra set of 'eyes' in the field. And the quality of their observations has played a large part in the success of our self-insurance program."

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management

Good managers note population trends

By Kenneth P. Shapiro

Good managers will recognize the importance of demographic trends, particularly the current shift in the age of the populace and the increasing number of working women. They will take them into account when they make key human resource decisions.

Consider the following:

As a result of the post-World War II baby boom, the age distribution curve in the United States is arching upward. Although the 1930s saw the birth rate fall to approximately 2.1 children per woman, the level necessary to replace the population, during the decade following the war the nation experienced a massive growth in birth rates—peaking in the late 1950s at a level 60% higher than during the Depression.

In the 1960s, fertility rates began to come down, but since 1972 they have been below the level necessary to replace the population. The result is a bulge of young people in the workforce.

Paralleling the shift in average age is the entry and re-entry of women into the workforce. Currently, more than half of the adult female population, representing 42% of the overall labor force, work outside the home. And an amazing 69% of the women born in the late 1950s, at the height of the baby boom, are working. Two-income families, once the exception, are now becoming the norm.

Because more women, many of them postwar offsprings, were entering the workforce in the late '60s and male members of the baby-boom generation were also reaching adulthood, the labor market was flooded with new job seekers. From 1968 to 1979 the civilian labor force grew 32%.

This labor force growth is partially responsible for the recent early retirement trend. Farsighted managers have spotted the need to get their workers to retire early to make a place for the new job-seekers. Improving pension plans in general and incorporating financial incentives for early retirement into them have helped companies reserve room for baby-boom talent.

But the 1980s, while witnessing an overall decline in the labor force, will see 33% more workers in the 25-to-44 age bracket. This will result in a "middle-management spread" and a "promotion squeeze." Too many candidates will be chasing too few upper-echelon jobs.

At the turn of the next century, people born in the late 1940s and early 1950s will begin to reach retirement age. The baby boom will become a retirement boom. Statistics show that 10 years ago, the ratio of workers to Social Security beneficiaries was 4-to-1. Currently it is 3.2-to-1, but by the year 2030, government projections expect only two workers for every Social Security recipient.

Neither our economy nor our retirement systems can afford a shrunken workforce and inflated retirement rolls. To combat this possibility, not only must the early retirement trend reverse, but our conceptions about old age and normal retirement also must change. Other factors supporting this scenario are continuing inflation, longer life expectancies, a healthier, more-educated and more-politically organized population.

Employees will also work differently. Work patterns will include shared jobs and part-time employment after retirement.

All levels of management will feel the social, economic and political impact of these demographic trends. Thoughtful managers will study these trends, analyze their implications, and adjust their long-range planning accordingly.

Kenneth P. Shapiro is a vp)for Hay Huggins & Co. and a partner of Hay Associates in Philadelphia. His column on management appears monthly in BI.

Preventing pilfery requires careful planning

By Z'ev Kronish

book & ideas

Employee Theft Investigation
By J. Kirk Barefoot
Butterworth Publishing, 10 Office Tower Park, Woburn, Mass. 01801
232 pages, $16.95

A kickback scheme, operated by one of its buyers, cost the Marriott Corp. $150,000. LSB, manufacturer of industrial products, charged that one of its controllers defrauded the company of $1 million. Bribery and other forms of internal theft steadily drain corporate assets. And as if this weren't enough cause for anguish, a new breed of fidelity bond exclusions are being put into effect by insurers and bonding companies to curb their poor experience.

Mr. Barefoot, risk manager of Cluett, Peabody & Co., a manufacturing and retailing operation, is also a certified protection professional (CPP). As a security specialist, his pragmatic approach for uncovering some forms of pilferage and payoffs, for example, can help steer management onto a course of action.

Inflationary pressures tend to fuel larceny. As it happens, the urge to "beat the system" is more widespread than ever.

Mr. Barefoot says that pilferage begins with inventory manipulation. His advice is to instruct the staff to take nothing for granted in the various stages of goods handling. Overlooking shortages only postpones taking corrective action.

Industry comparisons provide a quick clue to abnormal shortages. Yet collusion between staff and suppliers can be tricky to track.

Turning up leads often depends on anonymous letters or telephone calls. It takes a promotional campaign to arrange for these communications to reach the security department. Outside letters and calls may arrive without being addressed to anyone in particular. The staff must be trained to recognize their potential value.

Reward programs can facilitate employee cooperation, which can prove a boon, Mr. Barefoot writes.

Once the company is tipped off, it is best to use inside undercover agents to flush out the offenders. But don't be misled. An agent might lead you down the garden path. As a precaution, the author recommends that agents be screened. He believes this can be done best with a polygraph test, both initially and periodically during the investigation.

Other safeguards when planting agents include:

• Meeting off the premises after dark.

Guidance to prevent illegal acts that won't hold up in court.

To complement the inside operative, it is often necessary to use outside undercover agents to gain the crook's confidence, and in this way gather concrete evidence as well as discover the mode of operation.

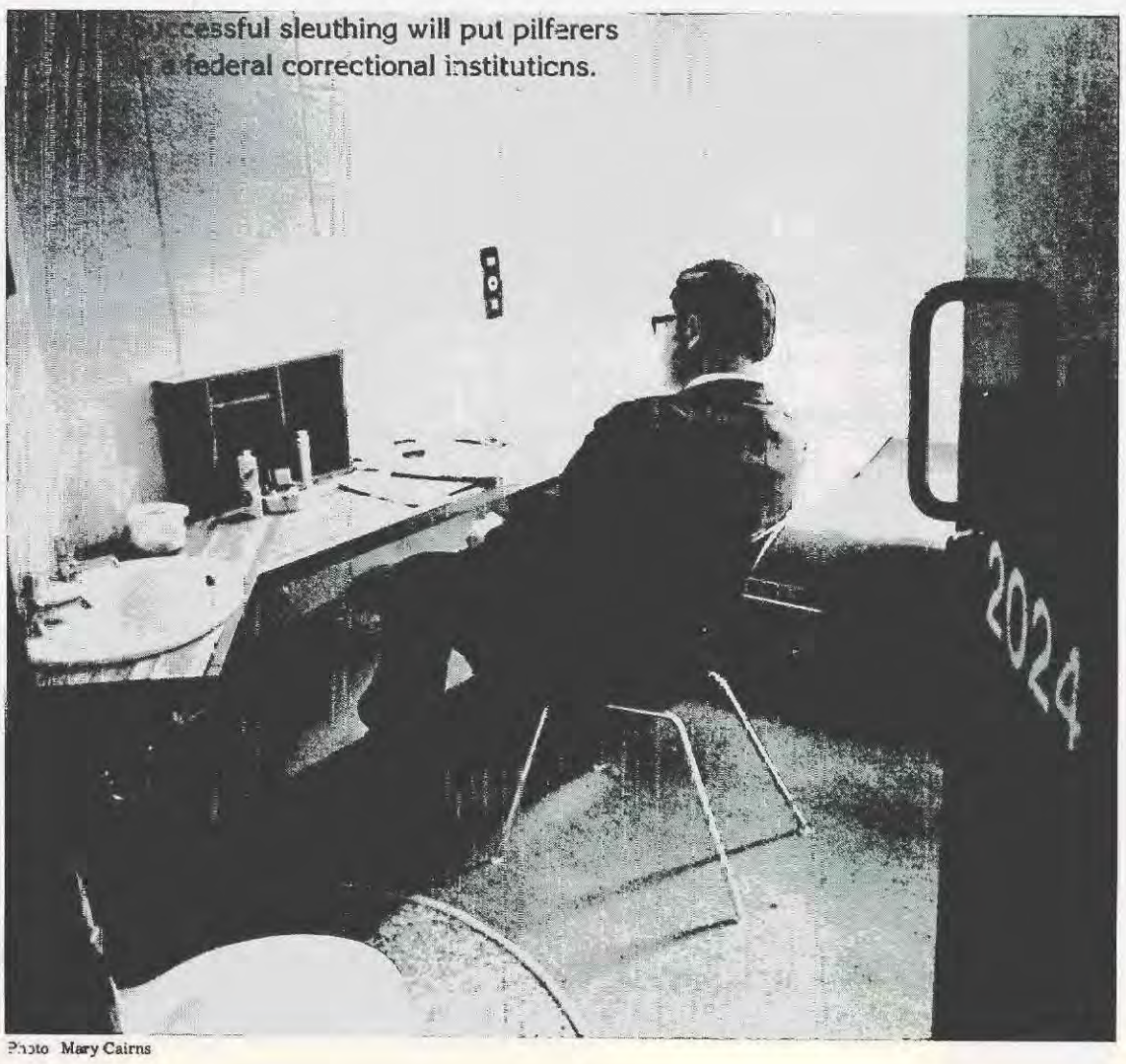
It is not wise, Mr. Barefoot says, to hand over a lot of cash to prove your point. A small purchase will suffice to unearth minimum evidence to win a case. He adds that by dealing directly with the crooks, the undercover agents can eliminate exposure of the internal agent, which in turn reduces the chances of an "entrapment" defense.

Mr. Barefoot gives us lessons in the skill of sleuthing. Surveillance is an art and following moving vehicles demands special skills, acquired with experience. He cites the poor rear-view vision on trucks as a hidden benefit, which makes tailing them easy.

Getting the handle on crime means a certain amount of discomfort. But don't worry: self-conscious behavior soon gives way to confidence. You may think you've been spotted when in fact the person you are tailing is oblivious of your presence right behind him.

Criminals tend to be overconfident. They unwittingly, albeit, conveniently leave traces of their crime in desks and car trunks. This knowledge of compulsive behavior has proven useful in exposing kickback schemes at some firms, the author says.

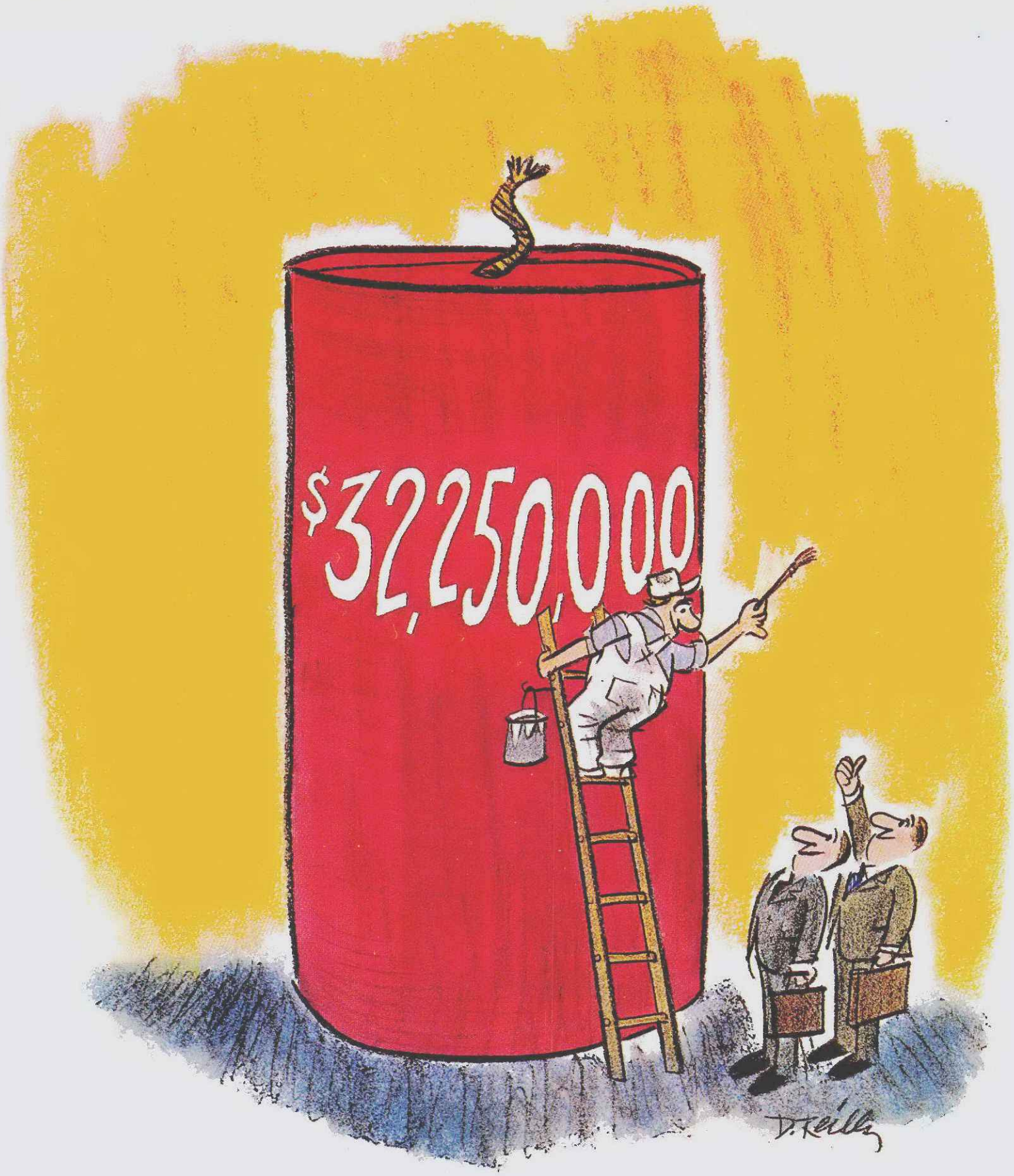
Mr Barefoot doesn't believe in tiptoeing on the issue of crime in business. He makes it a bit easier for management to tackle some of these problems with practical experienced suggestions and advice. ■



Successful sleuthing will put pilferers in federal correctional institutions.

Photo Mary Cairns

Z'ev Kronish, who holds an master's of business administration from The College of Insurance, has handled corporate risk management and benefits administration. He is now in the claims department at National Health & Welfare Mutual Life Insurance Assn. His reviews of management books appear regularly in BI.



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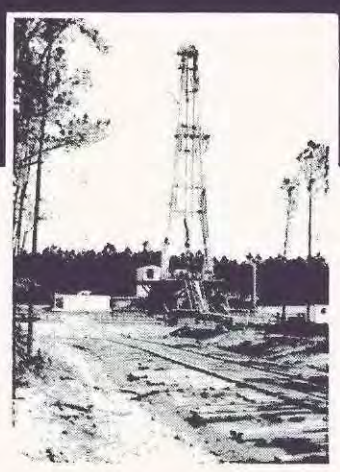

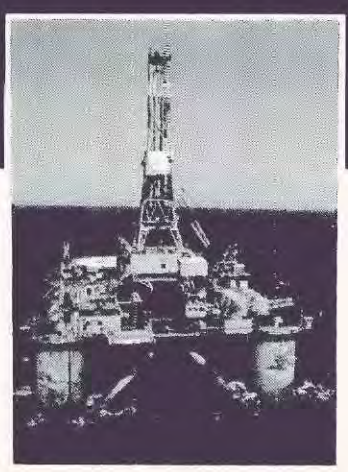

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When we get behind something, it's a big swing

By JERRY GEISEL

Learning to live in a mature market is tough, says Walter McNerney, president and chief executive officer of Blue Cross/Blue Shield.

"We have plateaued," Mr. McNerney explains. "It would be a miracle if we could grow at the rate that we did in the 1930s through '50s."

For the last several years, BC/BS coverage has hovered around 86 million subscribers. The saturation of the health market is keeping it at that mark, but BC/BS is still looking for ways to grow.

With most Americans covered under employer-sponsored group health insurance plans, the opportunities for expansion in the health insurance market are limited, Mr. McNerney said.

And the competition is sharper, too. Federal employees, for example, once could choose from more than 30 health insurance plans. A federal worker now has 105 different health insurance options.

Despite these obstacles to growth, BC/BS is out to increase its market share, and it has mapped out strategies to be more competitive, Mr. McNerney says.

McNerney

It is overhauling plans to expand coverage for ambulatory care to give employees more incentives not to go to high-cost, labor-intensive hospitals for treatment that can be provided on an outpatient basis.

"We have begun to identify the best, the most economical sites for medical care," Mr. McNerney says, noting that Blue Shield of California has identified more than 700 surgical procedures that can be performed on an ambulatory basis.

The Blues now own about 37% of the private market for people under 65. But Mr. McNerney expects BC/BS market share to increase to 45% by 1990 at the expense of its competition: large private insurers, health maintenance organizations owned by others and self-insurers.

BC/BS plans have been criticized for lack of efficiency in handling claims. In 1979, for example, two BC/BS plans received the highest number of consumer complaints among 23 group health plan underwriters in Illinois (*BI*, Jan. 26).

BC/BS is making an effort to computerize more services to boost efficiency. "With the cost of labor going up and the price of hardware going down, this becomes critically important," he says.

BC/BS is also expanding on-the-job screening programs for early detection of costly diseases such as hypertension and alcoholism.

Early detection of these illnesses will lead to major improvement in job productivity. An alcoholic is out sick four times more frequently than non-alcoholics, Mr. McNerney says.

BC/BS is a major backer of health maintenance organizations, operating 70 HMOs—more than any other organization. Employees are bound to consider HMOs even more in the future as they become more aware of their cost-savings features, Mr. McNerney explains.

Mr. McNerney, who has been president of Blue Cross since 1961, says that HMOs will expand even more if Washington removes some regulatory shackles.

He has endorsed legislation that would give HMOs more flexibility in setting rates and wants to remove the current requirements that forces an employer to offer a third health insurance option if its employees subscribe to an HMO sponsored by an insurer.

But the BC/BS chief has his doubts about legislation favored by Office of Management and Budget Director David Stockman and Health and Human Services Secretary Richard Schweiker that would require employers to offer a choice of several different health insurance plans.

Under the "pro-competitive" approach, employees who select a low-cost plan with high deductibles and coinsurance, would receive a cash rebate representing the difference in cost between a comprehensive plan and a less costly plan.

Although this approach has been touted as the best way to curb soaring health insurance costs, Mr. McNerney says that polarization could result as the aged and sick opt for comprehensive plans, while the young and healthy select low-cost plans.

"Can you have individual choice without polarization?" Mr. McNerney asks. "The administration should go slowly on this one."

Mr. McNerney also is concerned about the increase in the number of employers that self-insure their health insurance benefits. Self-insurers lack the Blues' clout in forcing changes in the delivery system that can lead to lower costs, he says.

For example, clout can enable BC/BS to negotiate what they will pay doctors and hospitals; to obtain differentials because of volume purchasing; to support area-wide planning; to penalize facilities that do not comply with that concept through lower payments; and to work with physicians' groups to identify outdated procedures.

"When we get behind something, it's a big swing," Mr. McNerney said.

Dalton takes post at Kimberly Clark

comings & goings: buyers

KIMBERLY CLARK Corp. in Neenah, Wis., has named **Thomas J. Dalton** director of insurance to replace **Gene Snyder,** who is now risk manager for the state of Oregon. Mr. Dalton, who was previously manager of corporate insurance for Motorola Inc. in Schaumburg, Ill., will report to James T. McCauley, vp and treasurer. He is a graduate of DePaul University and Loyola University Graduate School of Business. A new manager of insurance has not been named at Motorola. Mr. Snyder, who reports to Darrell Ralls, director of general services administration, will be responsible for reorganizing the state risk management function into a division in general services. Mr. Snyder's responsibilities will involve liability, claims, loss control, insurance purchasing and related administrative functions. Mr. Snyder had been director of insurance at Kimberly Clark for more than eight years.

* * *

Kenneth E. Fowler, 47, has been named corporate loss-control manager at Mobley Industries Inc. of Kilgore, Texas, replacing **Tom Labin**, who is now self-employed in San Antonio. Mr. Fowler is responsible for coordination of all loss-control programs including analysis of loss-control data and claims administration. He reports to Jim Mobley, administrative director. Mr. Fowler had been the loss-control manager for the Houston branch of the CNA Insurance Co. Mr. Fowler is a certified safety professional and a professional member of the Society of Safety Engineers.

* * *

In a reorganization of its insurance department, Hoffman La Roche Inc. in Nutley, N.J., has named **Robert Stanley** as property insurance analyst and **Clare Kornblau** as casualty insurance analyst. Mr. Stanley, who previously worked in the insurance department at Revlon, has a master's in business administration from Seton Hall University. Mrs. Kornblau was previously assistant insurance analyst. Both will report to insurance manager R. Harney.

●

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MAY 17-20. Washington Legislative Update Conference in Washington, D.C., sponsored by the International Foundation of Employee Benefit Plans; members, $360; non-members, $435. IFEBP, 18700 W. Bluemound Road, Box 69, Brookfield, Wis. 53005; 414-786-6700.

MAY 28. Vermont Special Insurer Act of 1981 Seminar in New York City, sponsored by the Risk and Insurance Management Society and Vermont Seminars Inc.; members, $185; non-members, $225. Governmental Affairs Dept., Risk and Insurance Management Society, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

MAY 31-JUNE 3. Linking up the Risk Manager Seminar in Lincolnshire, Ill., sponsored by the Risk Management Institute; $795, $300 for one day for additional registrants from same firm and $150 each additional day. Risk Management Institute, P.O. Box 3685, Irving, Texas 75061.

JUNE 4. Benefits Briefing Program in Washington, D.C., sponsored by the International Foundation of Employee Benefit Plans; members, $120; non-members, $145. IFEBP, 18700 W. Bluemound Road, P.O. Box 69, Brookfield, Wis. 53005; 414-786-6700.

JUNE 8-9. Life Safety Code NFPA 101 Seminar in San Francisco, sponsored by the National Fire Protection Assn.; NFPA members, $195; non-members, $220. Also **June 15-16** in Dallas. National Fire Protection Assn., 470 Atlantic Ave., Boston, Mass. 02210; 617-482-8755.

JUNE 8-10. Designing Secure Application Systems Seminar in Chicago, sponsored by the Computer Security Institute Educational Resource Center; $695. Gerald I. Isaacson, Computer Security Institute, P.O. Box 528, Matawan, N.J. 07747; 201-566-6622.

JUNE 9-11. Petroleum/Chemical Fire School Course in Marinette, Wis., sponsored by the Ansul Fire School; $595. Also **June 23-25** in Marinette. The Ansul Fire School, One Staton St., Marinette, Wis. 54143; 715-735-7411.

JUNE 10. Employer Health Benefit Concerns Seminar in Somerset, N.J., sponsored by the Personnel Research Associates; $135. J.A. Castellanos, Personnel Research Associates, 49 Oakridge Road, Verona, N.J. 07044; 201-239-6154. ■

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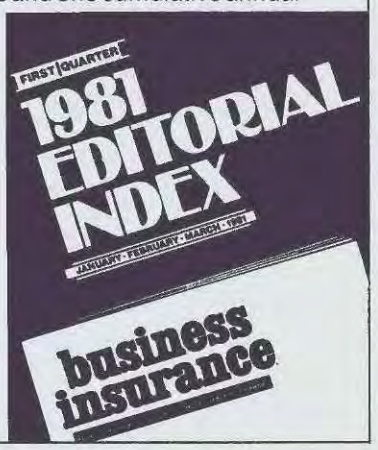
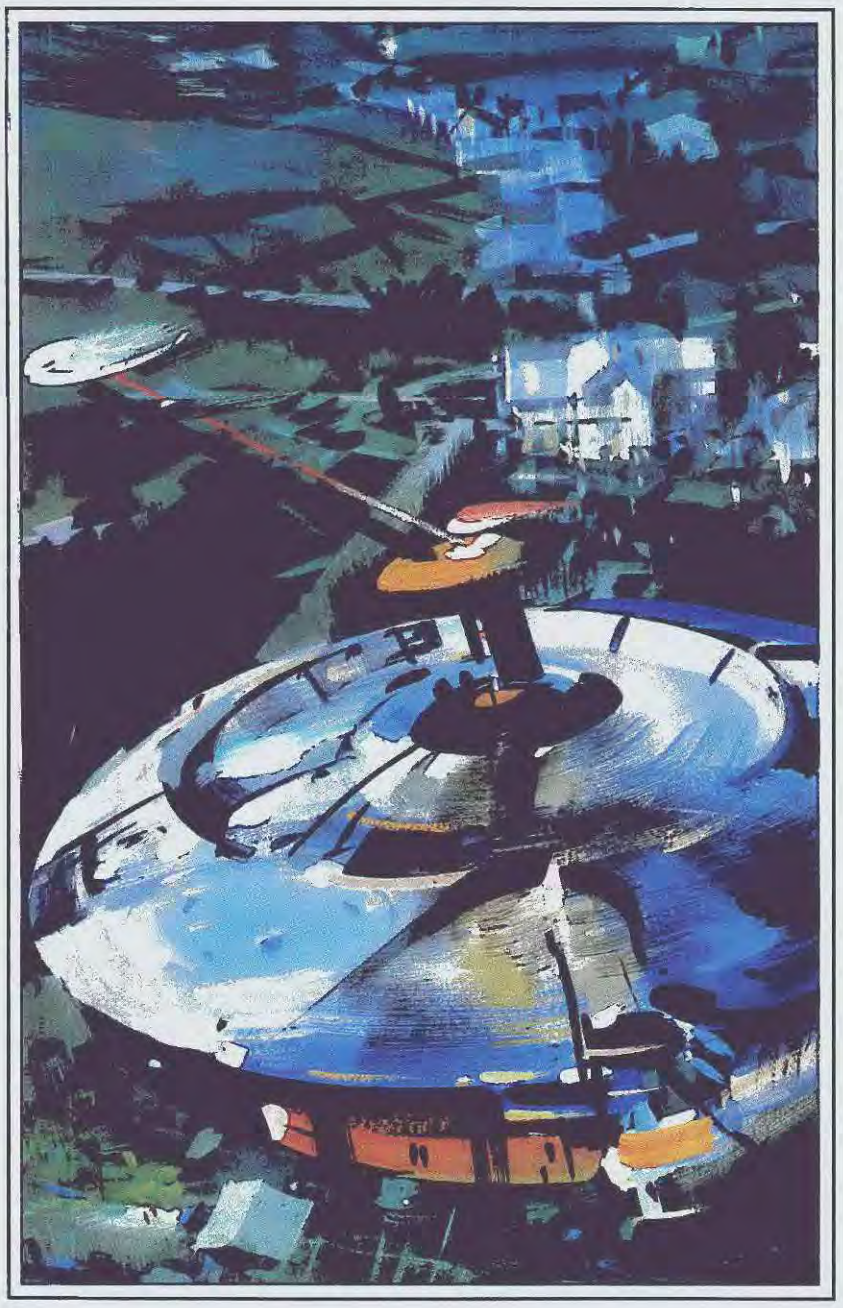


Equal to the task.



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the Crowther People

Phoenix Mutual names new senior vp

comings & goings: industry

PAUL T. BOURDEAU has been named senior vp at Phoenix Mutual Insurance Co. and president of its subsidiary, Phoenix Life Insurance Co. of Delaware.

Bourdeau

Mr. Bourdeau was formerly vp of marketing planning at The Travelers.

Other insurer changes:

Peter J. Murphy named president of Pacific Compensation Insurance Co. He was formerly vp and controller of Fireman's Fund Insurance Cos.

Herbert P. Kempe elected secretary of AFIA Worldwide Insurance, succeeding **Robert L. Henshaw,** who has retired. **Lance La Bianca,** vp, joins the company's field operations executive staff in Wayne, N.J. **Gerhard Hornig** elected assistant vp in charge of worldwide marine underwriting, and **George Stankan** named manager of special risks underwriting.

Agents/brokers

Robert Byerly named executive vp of Financial Guardian Inc. and will be in charge of building a national employee benefit division for the Kansas City-based brokerage. Mr. Byerly founded Byerly & Co., a benefit and consulting company in Denver that recently merged with Financial Guardian.

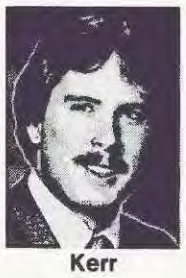
Howard C. Hupp appointed vp of the international division of Corroon & Black Corp. in New York, reporting to Marnix L.K. Guillaume, senior vp and divisional director.

Jay Lewis III, J. Robert O'Connor, Timothy Reath and **Robert J. Newhouse III** named senior vps of Marsh & McLennan Inc. in New York. Also at M&M **Walter S. Tomenson Jr.** named manager of the financial institutions division; **John W. Ward** named deputy manager of Area 9 of Marsh & McLennan Inc., headquartered in Seattle; **John E Bates** named responsible for administration in the area; and **Lawrence L. Drake III** named head of the Seattle office. **Donald E. Hopper** named senior vp of the Chicago office of M&M.

Frank A. McDougald Jr. named president of Fred S. James & Co. of New York and manager of James's New York City office, succeeding **Timothy J. Mahoney,** who will continue as a regional director and executive vp of James. **William G. Lauffer Jr.** named manager of the James Short Hills, N.J., office. **Leo Ounarian** named vp of Fred S. James & Co. of Pennsylvania. He is manager of the Mobile, Ala., satellite office.

Other suppliers

Gilbert Orlhac, previously with Alexander & Alexander, joined Wyatt Co. as a consultant in the organization's San Francisco office, responsible for West Coast accounts.


Kerr

Richard K. Kerr named director of risk management of the Arthur L. Owen Co. Inc. He will head Petroleum and Energy Risk Consultants, a subsidiary of Owen.

Booke & Co., consultants and actuaries in Winston-Salem, N.C., promoted three to corporate officers. **Jo Anne Doyle,** systems analyst; **Linda J. Gholson,** actuary for pension plan administration and design; and **Patricia J. McKinnon,** consultant for defined contribution plans, have all been named vp.

Bermuda market

David Nicholls appointed vp and general manager of Bayside Management Co. Ltd. in Hamilton, a wholly owned subsidiary of Reinsurance Facilities Inc. He was formerly vp and general manager of Ivanhoe Insurance Ltd. in Hamilton.

Alan L. Hunte joined Trenwick Reinsurance Co. Ltd. of Bermuda as controller.

J. Douglas Higley named vp of underwriting at Mentor Insurance Ltd., headquartered in Hamilton. **Norris Hayes,** who formerly held the post, has moved to the parent company, Ocean Drilling and Exploration Co., to direct development of worldwide insurance activites.

Reinsurers

Thomas F. McGrath III and **Kenneth R. Fewell** named vps of Intere Intermediaries Inc., a New York reinsurance broker. **Phillip A. Ward** has been named assistant vp of the company.

Daniel Diliberto elected a vp of INA Reinsurance Co., a subsidiary of INA Corp. He is responsible for domestic facultative reinsurance underwriting for property product lines.

Excess/surplus

Robert N. Liston named vp of underwriting at Shand Morahan & Co. Inc. of Evanston, Ill.

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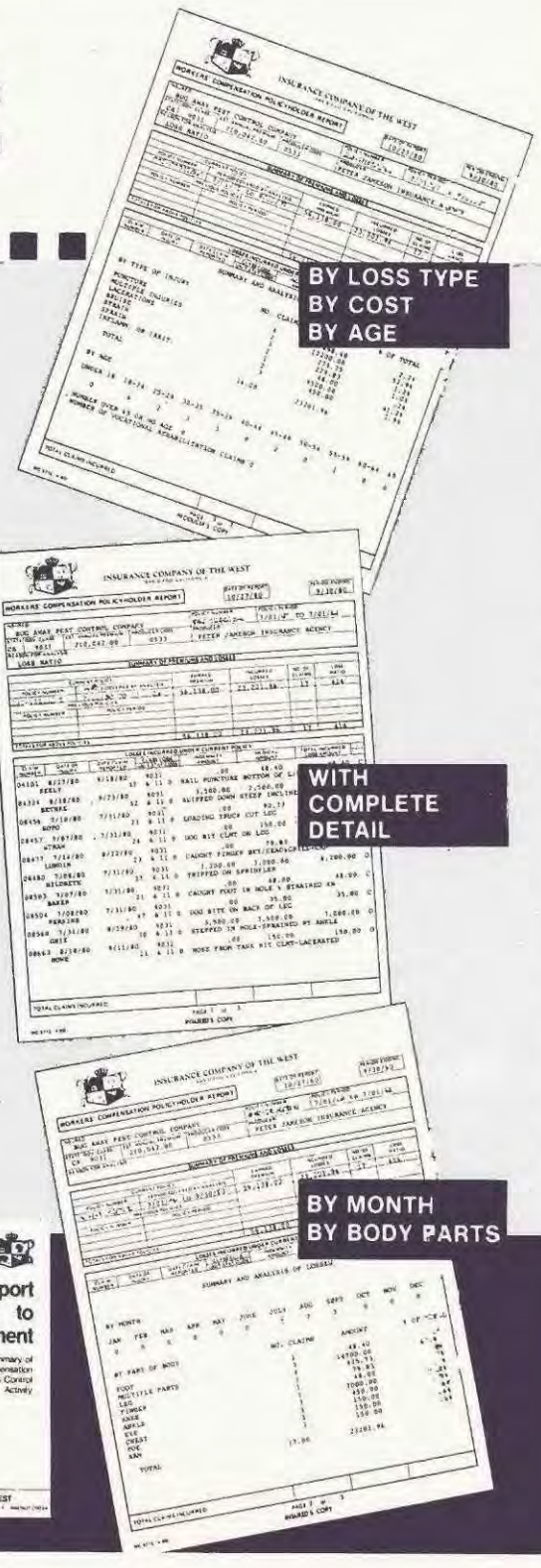

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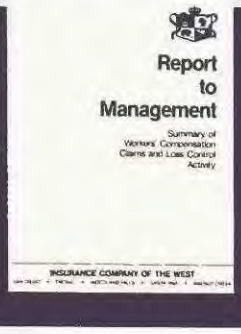

agent/broker topics

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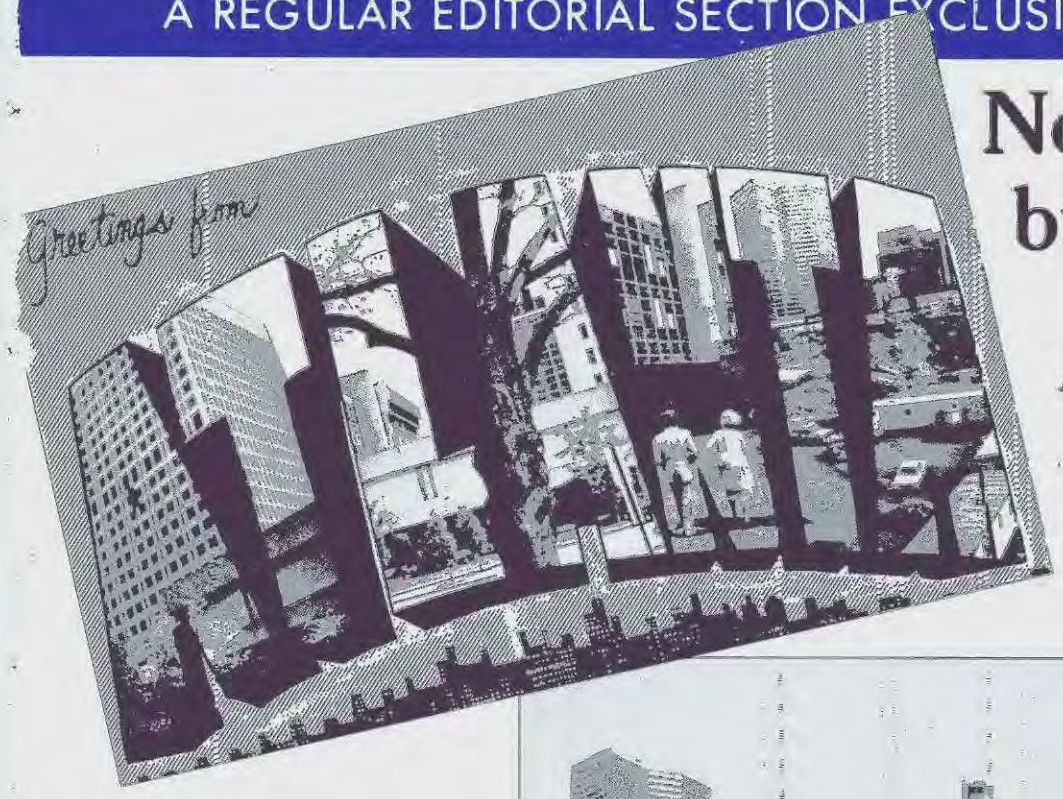


No autos, no foundries but brokers still prosper

By DAVE GALANTI

ATLANTA—Atlanta will never be known as the automobile manufacturing capital of the United States. Nor the steel center. There isn't an ocean port within 250 miles.

Even so, the future is as bright for insurance people here as the spring sun. Sun Belt expansion, particularly in service firms, has put Atlanta agents and brokers in the drivers seat compared to their northern brethren.

New high rises are going up everywhere. Each, it seems, has its own fashionable shopping mall attached. Downtown, Peachtree Center and its neighboring bevy of hotels vie with cities like Chicago, San Francisco and New York for convention trade.

nta and Georgia attracted $1.63 billion ommitments for new capital investment 1980, the fourth straight year of $1 ion-plus industrial growth. All of this ans a happy environment for Atlanta bro- compared to thei: brethren elsewhere.

Along the Interstate 285 perimeter, office park construction makes possible further expansion of the service economy here.

A recent story in The Atlanta Journal indicated Georgia attracted $1.63 billion in commitments for new capital investment in 1980—the fourth straight year of $1 billion-plus industrial growth.

"Atlanta is a different type of community," says Nicholas F. Munson, senior vp of Marsh & McLennan's local office. "I came here from Boston, and compared to other cities, there are not many corporate headquarters located here.

"It is mainly white collar industrial," he adds. "The chambers of commerce of Atlanta and Georgia want to move business into the area, but they may shy away from the smokestack industrial

Continued on page 24D

Azaleas hide competition

SAVANNAH, Ga.—Behind the quiet facade of azaleas, parks, and the Savannah River here lies a tough insurance agency climate that some say is the rival of many larger cities elsewhere.

Nobody would confuse this old Southern port city with Atlanta, its big sister to the northwest, but an expanding seaport and a growing tourist trade makes Savannah a contemporary marketplace.

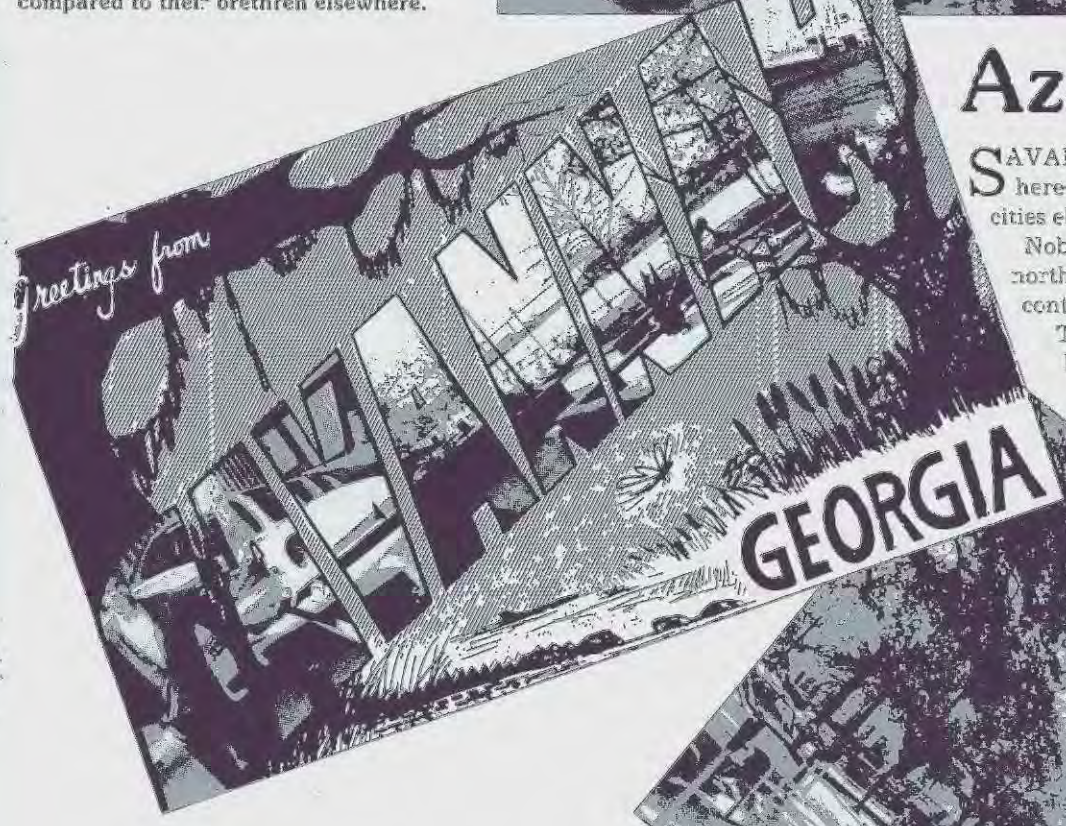
The boom times of the Sun Belt have not completely left their mark: no national brokerages have ventured into Savannah and most insurers are also located elsewhere.

Even so, three agencies—John D. Carswell Co., Palmer & Cay, Inc. and Jones & Hill Insurance—have grown out of this town of 100,000 population into strong regional brokers. Each has carved out its niche of politically-connected business in town, then spread out into the hinterlands of the Southeast looking for the growth that Savannah alone can not provide.

There are no newcomers to this group. The Carswell firm has been in operation for more than a century. Jones & Hill will reach that landmark in 1985. The youngster, Palmer & Cay, has only had its banner aloft since 1915.

Each, however, has made plans for the fu-

Continued on page 24H



ee large independen: insurance agencies have produced an insurance market in annah quite unlike most cities of only 100,000 population. All are notable factors troughout the Southeas: as they turn away from their Savannah base for premium growth.

Illustrations: Milt Prigge

"In the late 1960s I felt that the small agency was on the way out. The way to succeed is to go big," says Lee Speir.

Thinking big

Aquisitions boost dream

FOREST PARK, Ga.—Lee Speir wants to be all America's small-town insurance agent.

Twenty-five years ago, people might well have laughed at that goal. In 1955, he opened the Speir Insurance Agency in this Atlanta suburb with only $36 to his name. His first office was in the back of a TV repair shop.

Today, Mr. Speir's agency is located not far away in a modern, one-story building devoted entirely to the agency. Though near in distance to his old haunts, Mr. Speir's situation today is far removed from that $36 bankroll.

The reason for his success is an aquisition rate of small agencies that would make alphabet brokers like Alexander & Alexander blush. Since the late 1960s, Mr. Speir has made over 78 purchases, resulting in more than 45 offices located in Atlanta and throughout the Southeast.

A/B/T local leader

An example of the speed at which Speir buys agencies: the firm closed three acquisitions May 1. Twenty more are on the back burner, says Mr. Speir.

"In the late 1960s we felt that the small agency was on its way out," he says about his acquisition pace. "The way to succeed is to go big. So my brother and I devised a plan to buy agencies. We have followed that plan to this day."

Mr. Speir says his game plan is to leave the specialization to other agencies. He wants each of his offices "to be the best Main Street agency around." Yet, Mr. Speir says each office can handle large accounts too, with the help of the Forest Park home office and Mr. Speir's own general agency.

Agency offices range from small to big. Mr. Speir would prefer offices with most average $250,000 to $300,000 in commission income outside of the jumbo accounts.

The Speir empire also includes several other small divisions intended to provide service functions to the various offices. Everything is owned 100% by Speir, which means the firm owns "an awful lot of buildings, our own computer and a print shop," Mr. Speir says.

Files are on microfiche. Accounts are handled by direct billing. Virtually all employees are salesmen. Speir gives no credit. Accounts are paid in advance. The reason is efficiency.

"I don't know anyone who makes money with his people shuffling paper rather than going out there to sell," he says.

Agencies and brokerages who don't favor the acquisition route claim they don't want to buy other people's problems. Mr. Speir emphatically agrees. He wants other people's problems so he can turn the business around to his advantage.

"I want those problems, because with a smaller agency the only hard one to turn around is a bad loss ratio," Mr. Speir says. "Usually the problem isn't that bad. For instance, I would guess of all the agencies I buy, 70% of the principals are just tired of the hassles and pressures put to them by regulators, insurers, etc. Sometimes these people stay on in a pure sales capacity we provide them, sometimes we just buy the rest of the staff."

Whatever the reason for the purchase, Mr. Speir moves fast. The firm can change the signs, microfilm the files and get the agency on the Speir system in less than 90 days.

All the acquisition efforts are personally planned by Mr. Speir. With the present market conditions, he hopes to add a new office every two weeks. He studies literature on the subject, but decides on his asking price by himself.

"Right now, you're dealing with turmoil and depressed volume. We look for books heavier in Main Street commercial lines than personal lines. So now is the time to buy—while earnings in agencies are down. It's easier. If the market turns, we probably will stop buying for awhile," he says.

He says he looks more at geography than any other factor.

Speir is now looking at two agencies in southern Georgia, and says. "Now we know that that area is going to produce a fabulous loss record for us. I have 10 offices in metropolitan Atlanta, but the loss record there isn't as good. If I could pick off three agencies in southern Georgia with good loss records, I can leverage a larger loss in Atlanta."

Mr. Speir strongly believes how agents should sell. That's why virtually all administrative functions are moved to the Forest Park home office, and virtually all local office employees have sales quotas.

"We install a complete management philosophy," he says. "time

Continued on page 24L

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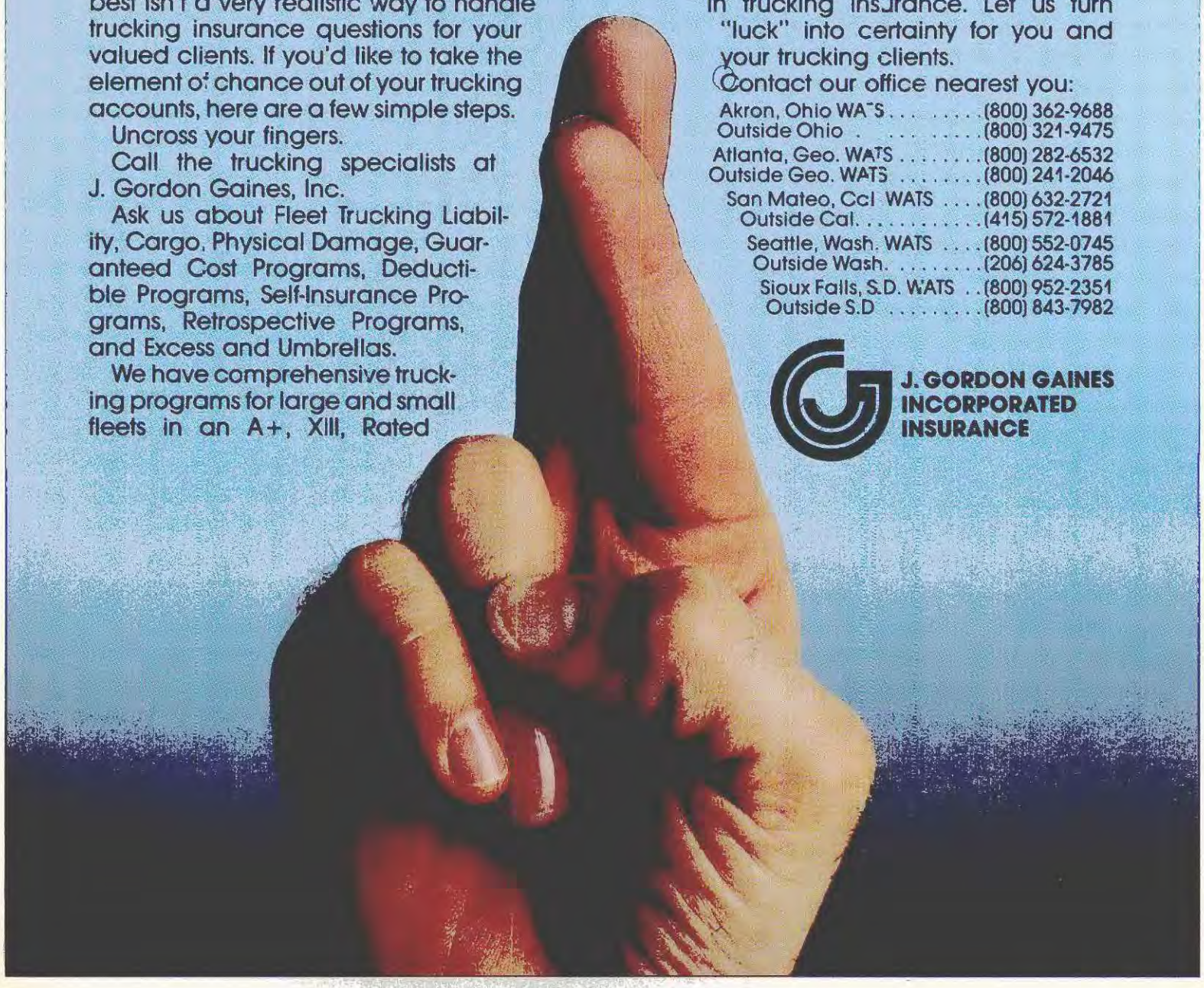

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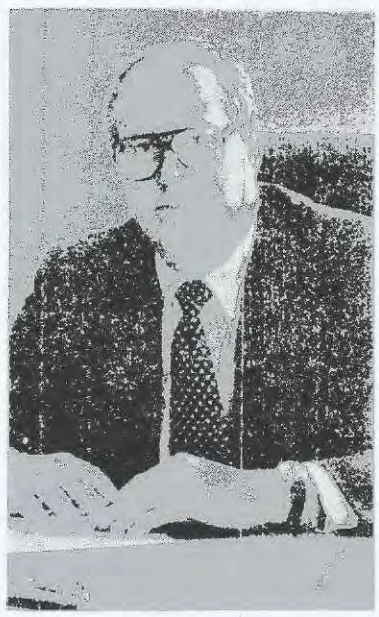
Sun Belt expansion has made possible new construction such as the near-northeast-side Atlanta Memorial Arts Center.



Atlanta is white-collar industrial, says Nicholas Munson.

The E.H. Crump office in Atlanta specializes in construction accounts, but president Dave Henritze is trying to diversify.

Atlantans follow sun to profits

Continued from page 24A

type of business."

While brokers and agents say the marketplace is as competitive here as elsewhere, many admit that with all the business moving into town, it is much easier to get new business than in other parts of the country. Instead of continually haggling over the same accounts, brokers can pick a niche and wait for newcomers and up-and-comers to come their way.

Others, however, say that Atlanta may have too many agents and brokers and is oversupplied with insurance capacity in both the primary and excess/surplus markets. That condition, those brokers say, will keep the area competitive no matter what the rate of incoming growth.

Atlanta is a national broker's town, yet no one brokerage dominates the field. Each of the top five nationals has strong offices here. Frank B. Hall & Co., for example, has a personal lines operation that employs as many as its commercial brokerage (see story, page 24G).

Large independent agencies are scarce, although firms like Pritchard & Jerden or Manry & Heston control substantial business. Another independent, the Speir Insurance Agency, is making its mark in a different way (see story, page 24B).

One of the oldest representatives of the national brokers is Alexander & Alexander, which bought into the Atlanta market through the purchase of Adams Homes Tharpe in 1953. A&A managing vp Dixie D. Wiggins says A&A's goal in Atlanta is to expand in a wide range of areas.

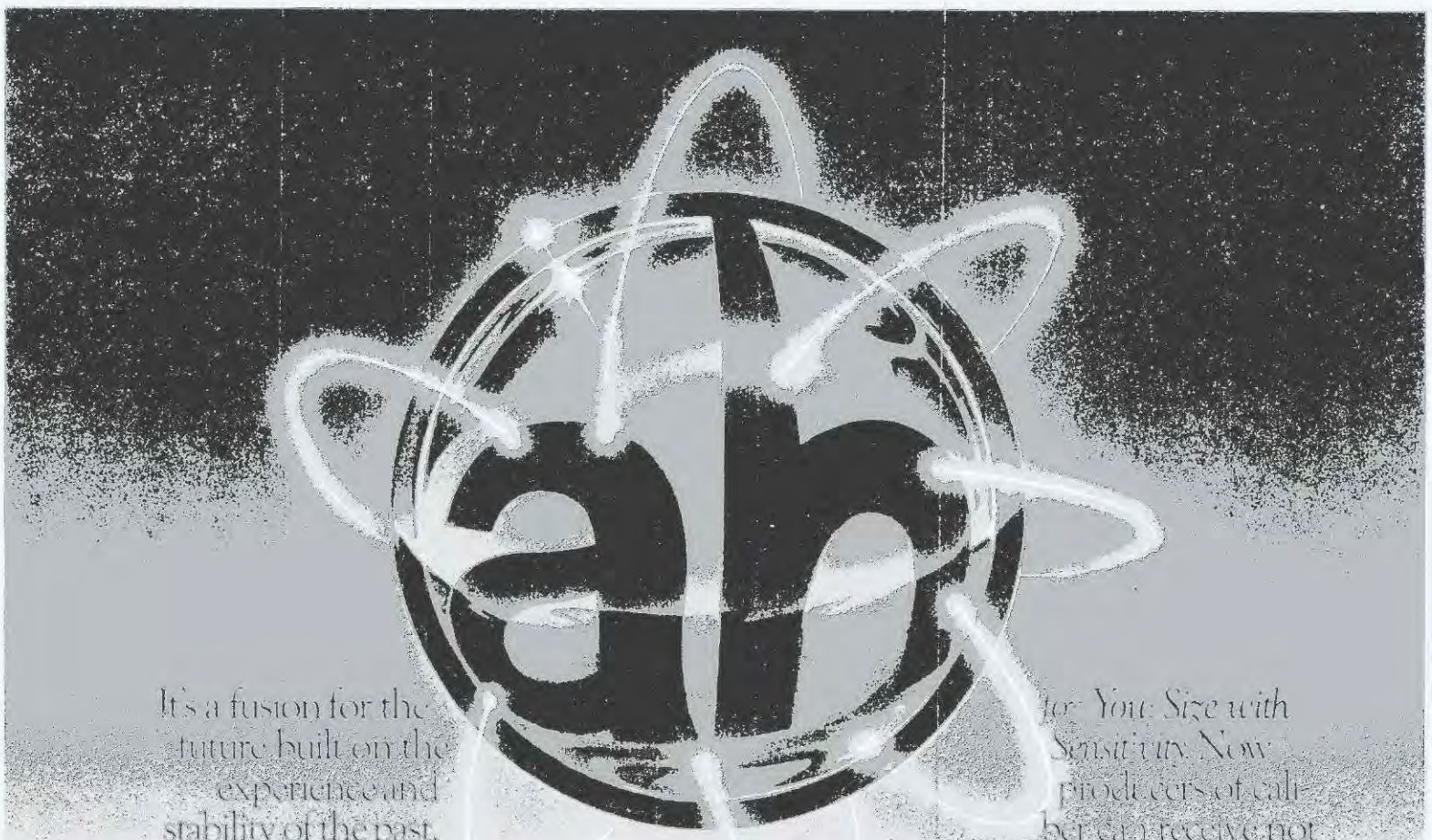
"As you know, the South has been a Mecca for new business, and we've been going after much of that," Mr. Wiggins says. "But our old business is some of our most profitable. There is a substantial amount of accounts that have been here for a long, long time.

"A lot of brokers have been turning to statistical analysis, self-insurance, etc. Those are growth areas for us, too," Mr. Wiggins adds.

"But we are also interested in the medium-sized risk. That comes from our acquisition history."

A&A employs more than 200 people in its Atlanta brokerage operations. Mr. Wiggins says the book of business is diversified, with accounts in manufacturing, textiles and chemicals.

Continued on page 24F



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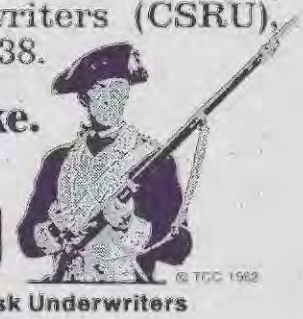

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Atlanta brokers seek Sun Belt boom

Continued from page 24D

Looking down at Alexander & Alexander from its high-rise office a few blocks away are the local representatives of Marsh & McLennan. Senior vp Nicholas F. Munson claims M&M was the first national house in town, opening its office from scratch in 1952. Since then, the firm has grown without acquisitions.

"In the 1950s, this office pretty much covered the Southeast for M&M. It was just about the only office down here," Mr. Munson says. "Now, we're pretty much confined to the state of Georgia.

"In 1976, however, we started an accelerated growth period," he continues. "We aimed our growth towards being the most technically-oriented broker here in Atlanta. You see, most of the other brokerages got in here with major growth through acquisitions. Politically, therefore, M&M wasn't as strong as some of the others. So we had to take a different complexion if we were to succeed."

M&M employs about 100 people in Atlanta, including 14 in its William M. Mercer employee benefits office. This allows M&M Atlanta to be set up as a "mini-New York, Los Angeles or Chicago" office and provide a wide range of services.

"Now, we think we can attack anything that comes down the pike," Mr. Munson says. "We're very involved in captives and self-insurance, but we also have a complete loss-control department, risk management services, etc.

"Our growth is coming from new business, which makes up for the deflation in our present accounts' premium," he adds. "We're concentrating on the new foreign accounts coming in here, but most of our growth is coming from the trucking, textile and hospital malpractice areas."

M&M Atlanta's textile program is a cooperative venture between several M&M offices, Mr. Munson says. It can be tough business to underwrite because the firms operate at a 2.5% profit margin (instead of a more normal 5%) and have labor challenges and occupational disease exposures that can be out of the ordinary. There is pressure on the industry from the import market, but exports are also common.

'In this area, there is a big movement towards self-insurance," he says. "Traditionally, these coverages have been written through firms like Liberty Mutual, but I don't think they're keeping pace. We're trying to get a lot of new business in this area."

More centered in the Atlanta office are the hospital malpractice coverages, primarily because legal complexions are different in different states. There, again, is a movement towards self-insurance, Mr. Munson says.

E.H. Crump Co. makes its Atlanta home farther south than M&M and A&A, in the Colony Square office center and shopping mall. President Dave Henritze says the office, which has flown the Crump banner since 1972, has historically been one that concentrated on the construction industry. In the past, up to 70% of the office's business has been in construction.

"In 1975, however, we started to diversify a bit into other commercial areas," says Mr. Henritze "We hired new account executives, and developed expertise in large redi-mix concrete operators, meat packers and motel and hotel properties. We're trying to get our non-construction volume up to 50%, but it should take about another three years to do that."

One of the reasons for that goal is the volatile nature of the construction industry. The local Crump office's fate has largely reflected that of its major expertise.

"I think construction volume was down a bit from 1979 to 1980," Mr. Henritze says. "Our first quarter in terms of surety business was up 25% over last year's first quarter, however, and it looks like a strong first half. For the other insurance however, there's a lot of business swapping hands and our first quarter profits are going to be flat Frankly, however, we think that's a moral victory considering the rise of personnel costs."

The construction industry is different than other industries in terms of insurance, he says.

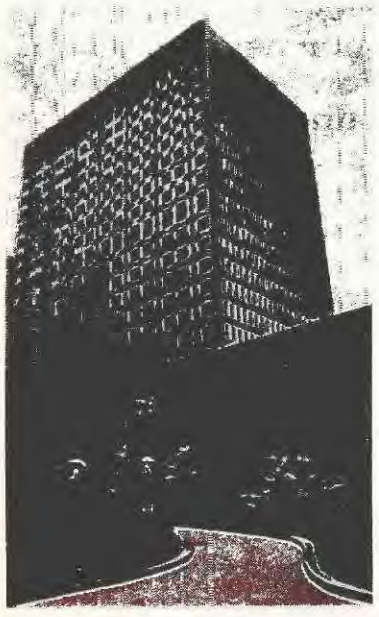
"Contractors are demanding," he says. "But they are loyal. It can take years of solicitation to get a prestigious account. A nice construction account will pay you $50,000 to $100,000 in premiums. If you pick up one or two of those in a year, you're doing all right. Under that level, you might pick up 15 or 20 new accounts a year.

'Normally, the entry into an account is to get in through the surety end. You do that by getting the client added capacity or getting it when the firm is having problems getting it at all. Then you can go after the rest of the construction company's coverages."

At Bayly, Martin & Fay, the specialty is self-insured workers compensation risks, says vp Thomas F. Walston II. Thanks to a long-time one-producer show headed by Beach Clark, 30% of the office's business comes from accounts related to this area. As of five years ago, it was more like 50%.

As at Crump, those figures are the result of diversification, Mr. Walston says.

"Since we have been a part of BMF the past eight years, the firm has moved away from a one-producer philosophy," he says. "We now have nine producers other than Mr. Clark and myself and they do mainstream brokerage business.



Colony Square is another example of the building boom.

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"The mainstream business comes from around this metropolitan area. The comp business comes from all over the Southeast, since that type of coverage lends itself to heavy manufacturing, and Atlanta itself doesn't have many foundries or textile firms."

Other brokers, of course, have entered the self-insured comp field. But Mr. Walston still feels his firm has an advantage.

"I think it may be easier to sell because of the publicity," he says. "But it is also harder for us because before clients stood in line to buy. We were the only ones.

"Today, M&M and the like can do it as well, but they sell primarily to the big guys," he adds. "Because of our size, we can self-insure a little bit smaller firm than they can if it is close enough to our office. This is the exception, but we had an account with a book premium of $36,000. M&M and A&A today would be looking at firms with $200,000 annual premiums."

Fred S. James entered the Atlanta market through an acquisition about 1970, says senior vp James R. Gabrielsen. The firm employs about 120 people.

"At the time of the acquisition, we had a lot of medium-sized business," says Mr. Gabrielsen. "The merger with James gave us the capacity to go bigger. The book today includes financial institutions, utilities, aviation risks, and more. We don't concentrate in a single area because Atlanta doesn't."

The Atlanta James office doesn't have producers knocking on doors to get business, he says.

"We use our contacts to get new business," he says. "We are agressive in pursuing those contacts, but our people tend to deal with people they have established relationships with through business or social areas.

"That's what holds these accounts together, assuming a degree of professionalism." ■

At Bayly, Martin & Fay, the Atlanta specialty is self-insured workers compensation risks, says vp Thomas F. Walston II.

Brokers can sell personal lines, says Alfred Busby.

Hall sells Delta staff coverages

ATLANTA—It's not often that a national alphabet broker markets personal lines coverages in a big way, but Frank B. Hall of Georgia here is doing just that.

Hall's 60-person office is split into two separate operations—a 30-employee office devoted to mainstream brokerage operations and an additional 30-employee office that works exclusively on payroll deduction personal lines insurance for employees of Delta Air Lines.

Since 1968, Hall has had two roles with Delta, says Alfred W. Busby, president of the Atlanta Hall operations. The first is to counsel Delta employees on their personal lines insurance needs. The Hall office is tied to all Delta offices nationwide by telephone, and Delta employees are encouraged by their management to use the service during the working day.

Of course, the Hall office can also sell personal lines insurance and deduct premiums through a payroll-deduction system worked out between the broker and Delta, which is headquartered here.

Hall prices the insurance as any other broker or agent normally would. The broker takes a standard commission from each policy.

The primary underwriter is the Travelers Insurance Cos., but Hall also uses six or seven other insurers as its clients need them, Mr. Busby says.

"We probably write about 30% to 35% of all Delta employees nationwide," he says. "Our primary job is to counsel the employees, so we don't write all of them. The employees are entitled to buy anywhere they want.

"There is a reluctance to do business with someone that isn't located across the street from their house, but the convenience of payroll deduction and Delta's recognition of our firm helps us quite a bit."

Hall's benefit is the profits from the operation. However, Mr. Busby says he feels Delta benefits, too.

"From Delta's standpoint, here was an employee benefit that nobody was looking at," he says. "Employees have cars and boats and houses as well as a job. So Delta decided to make available counseling services to insure those needs during working hours."

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"We decided to use an airplane instead of going the branch office route to grow," says Jack Jones of Jones & Hill Insurance.

Agency diversity is a must for John E. Cay III's firm.

Savannah agencies

Continued from page 24A

ture, and younger members of each firm say they will continue the fight for years to come under their present independent-agency status.

John Carswell Co. is the second-largest independent insurance agency in Georgia, ranked behind the Atlanta-based Speir Insurance Agency by consulting firm Hales & Associates. Sales manager G. David Reid would not comment on revenues, but said the firm handled $36 million in premiums last year.

"You can call Savannah archaic or quaint," Mr. Reid says about his hometown. "There is a tremendous amount of art here, which came in about the same time the city began restoring the riverfront into a tourist spot. Atlanta is the modern thrust of the area, but Savannah is the lady.

"Savannah is going to grow, but the growth here hasn't been significant in the last decade," he continues. "We are beginning to get a good reputation as a container port and, along with the tourists, the reputation will help us."

In addition to its riverfront home, the Carswell firm operates offices in Hilton Head Island, S.C.; Vidalia, Ga.; Amelia Island, Fla., and Atlanta.

The Hilton Head office plays the dominant role in that resort island's insurance, placing from 70% to 80% of the business there, Mr. Reid says. The Atlanta office is new, established by a Carswell employee who wanted to move back to his old home town.

Eighty percent of the firm's premium is based within 100 miles of Savannah, although there is hope for increased production in Atlanta.

"We hope to penetrate the Atlanta market better," says Mr. Reid. "But we don't think that will be hard to do. I lived there for eight years and there are good firms there. Still, I think that our firm, Palmer & Cay and Jones & Hill make up the finest group of agencies in all of Georgia and can handle any competition."

The Carswell agency will soon begin buying agencies for the first time, says executive vp William H. Brown.

"Until now, we've waited until we've done some business in a town before we opened a scratch office," Mr. Brown says. "We would like to try our hand at purchasing two or three in the future, however."

"The last agency we bought was in 1924," says president John D. Carswell. "Our main thrust will continue to be internal growth, but we're talking to a few firms."

Meanwhile, he's not worried about competition from elsewhere.

"We're certainly not a force in Atlanta yet, but Savannah has got to be the strongest agency town in the country. The brokers may come here and control local accounts that are written elsewhere, but that's about it.

"As for selling out, I don't think that will happen. The caliber of the agencies here is good and the principals are young. I'm one of the oldest and I'm 50," Mr. Carswell says. "I know that the brokers would like to buy, but we've all set our agencies up to operate independently in the future."

Carswell's two biggest local competitors are both on growth tracks, earning over $2 million in annual revenues. Leader in the branch-offices-for-growth-potential sweepstakes in Savannah is Palmer & Cay, located slightly out of downtown in an old mansion. Six branch offices plus the home base handles business throughout the Southeast and the U.S. An affiliated company, Palmer & Cay International, handles excess/surplus lines.

"Our primary thrust in Savannah is to promote added services to those accounts we already have," says president John E. Cay III. "In other cities, you may be able to find a nitch and stay in it, but here we have to provide a complete range of services to expand.

"You have to look to the outside to grow, because the economy is expanding as much here as elsewhere," he adds. We try to do it with added services and branch offices."

Mr. Cay says he would like his firm to be recognized as a "mini-national broker," capable of servicing firms with safety problems, unusual risks and self-funding plans.

"We think we can do it all (provide a wide range of insurance services) better than 95% of our com-

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petitors. That's why the primary thrust of our firm in the future will continue to be in Savannah and the Southeast, our own back yard."

That won't probably include Atlanta, however. Mr. Cay splits with Mr. Carswell on that issue.

"Several years ago we analyzed the Atlanta market and decided not to open an office there," Mr. Cay says. "Basically, I think Atlanta is served well right now. Our offices tend to be in areas where we don't think people are well serviced.

"Maybe it would serve my ego to be in Atlanta," he adds. "but I can't afford to feed my ego to that extent. We want to be in areas where we can be the dominant force."

One broker's position is clearly up in the air. Although the home office of Jones & Hill Insurance is located downtown, Jack Jones Jr. may spend just as much time in his hangar at the Savannah airport or flying to one of the firm's widespread risks.

"We decided to use an airplane instead of going the branch office route," Mr. Jones says. "We think our clients like to see the principals of the firm."

Four producers, including Mr. Jones, are pilots, but the firm employs an additional full-time pilot so that the employees can concentrate on business. That business is heavily weighted in agricultural risks, from chemical plants to food processing. Mr. Jones claims his firm was the first in the area to introduce self-insured workers compensation to those risks.

"In business outside of Savannah, we have found more success going after accounts on a one-on-one basis than opening a full-blown office somewhere," Mr. Jones says.

"The airplane gets us around fast, and we can cover a surprising amount of territory in the same time it would take an auto to go a few hundred miles. Suppose I decided to go after business in Macon (Ga.). A producer here would have to drive two hours to get there. I can fly to Houston in three hours. That added range gives us many more potential risks to go after.

"The outside business is our future. Savannah is just not growing fast enough. Our business right now is 50% Savannah and 50% outside, but that will change."

There is still room in Savannah for the smaller firm, says James L. McLaughlin, president of McLaughlin & Co. His five-employee firm handles contracting and other risks.

"Contracting is my area of expertise, but I am opposed to any of our personnel becoming a complete specialist," Mr. McLaughlin says. "We don't want to become too heavy in one area and make our insurers unhappy.

"The exception to that is in the personal lines and employee benefit areas," he adds. "We have a person who knows property/casualty risks but centers on life, group and pensions. We think we need to specialize in that area."

Mr. McLaughlin says he too intends to open a small office in Atlanta in the next year, although he still plans to do most of his business in Savannah.

"It is a lot harder for an Atlanta agency to make inroads in Savannah than it is for a qualified agency here to go over there," he says. "I've had several people from Atlanta tell me it was not a high priority for them to come here because we have in their opinion a clannish situation where it is hard to make inroads. But this is a strong agency town that does a good job.

"Savannans just tend to do business with people they know." ■

John Carswell says Savannah agencies are very competitive.

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Fred Hedges and W. Dan McDonald say Manry & Heston has worked to segment the Atlanta market for agency growth.

Atlanta's independents dig in to capitalize on Dixie's boom

ATLANTA—Atlanta may be dominated by national brokers, but independents are still making their mark at the lower premium levels.

Of the independents, Pritchard & Jerden is among the largest. According to manager Gil C. Simonds, the agency employs about 45 people. Its book of business is about 75% commercial.

"I think there may not be as many agencies of our size in Atlanta as elsewhere," Mr. Simonds says. "There are only about three or four as large as we are, and we're the largest in DeKalb County (one of two Atlanta counties). In all, there may be 10 firms that exceed $5 to $8 million in premiums.

"We concentrate on manufacturing and industrial accounts in the north Georgia area," he says. "We don't mass mail or anything like that. What we do do is have a strong prospect profile of potential customers who can use the kind of risk management services that we feel we can offer."

Mr. Simonds says his firm likes to perform the risk management role for the many firms just below the stage where they can afford a risk manager of their own.

"As such, we're looking for the medium to medium-large commercial account," he continues. "The corner drug store doesn't need our services."

Pritchard & Jerden puts a large emphasis on education, Mr. Simonds says. Every producer has achieved either the Chartered Property Casualty Underwriter or the Chartered Life Underwriter designation.

"We think that what makes the big difference for us is our emphasis on education," Mr. Simonds says. "Internally, we have courses that are intended to develop new producers. In hiring producers, we have stolen staff like every other broker, but in the past 2½ years we have also brought in newcomers and trained them in sales and product information.

"For our support staff, we have weekly in-house information sessions on topics ranging from time management to better use of the telephone," he adds. "We use videotape, films and talks by our people to do that."

Edward F. Merritt Jr. heads Merritt & McKenzie, a firm that has grown from his father's one-person agency to a $6 million premium firm today. The agency's personal lines book makes up about 40% of its business (including some individual doctors' malpractice coverage), which pleases Mr. Merritt.

"I believe that personal lines should be a basis for agencies," he says. "If anyone wants to get rid of them, they should send them to me. In our commercial lines, we try to write a lot of the $2,000 to $4,000 premium accounts—the mom & pop grocery type. Some agencies thrive off of the big account that is family related or politically connected. We don't get any of that.

"We try to take a personal approach with our clients. If anyone has a big problem, they know they can call us at home. If they have a loss, we'll get in our cars and come out to their house if they need for us to do that. That gets us a lot of referrals."

O'Farrell Associates is a smaller agency, but its location east of downtown gives it a big plus for future growth, says T. Michael O'Farrell.

"The northeast side is the part one thinks about when the topic of Atlanta's growth comes up," Mr. O'Farrell says. "But there's a lot of growth out here, too. The freeway is near, and growth will come."

Mr. O'Farrell's five-person firm is in the position of "having to make decisions as to our marketing plans, what computers to buy, etc."

"We have to look to the future to adapt to the new growth we expect here. In commercial lines right now, we're all things to nobody," he says. "Most are small accounts, although I have two small textile mills. But we've just taken on a new insurer, and they have a business owners policy program for hardware stores that we think we can get ahead of the game with.

"If that works, there is an auto parts store program somewhere else we might be interested in."

Manry & Heston is another independent firm. Fred Hedges and W. Dan McDonald say the firm has worked to segment the market for agency growth.

"What we look at for new business is a function of the number of employees at a company," says Mr. McDonald. "We have one client that has 17,000 employees, but we're really looking at firms that have between 30 and 50 jobs.

"We want to market a niche we have found—to share insurance problems with small firms that are individually owned. By doing this, we can build a rapport that will help us keep business." ■

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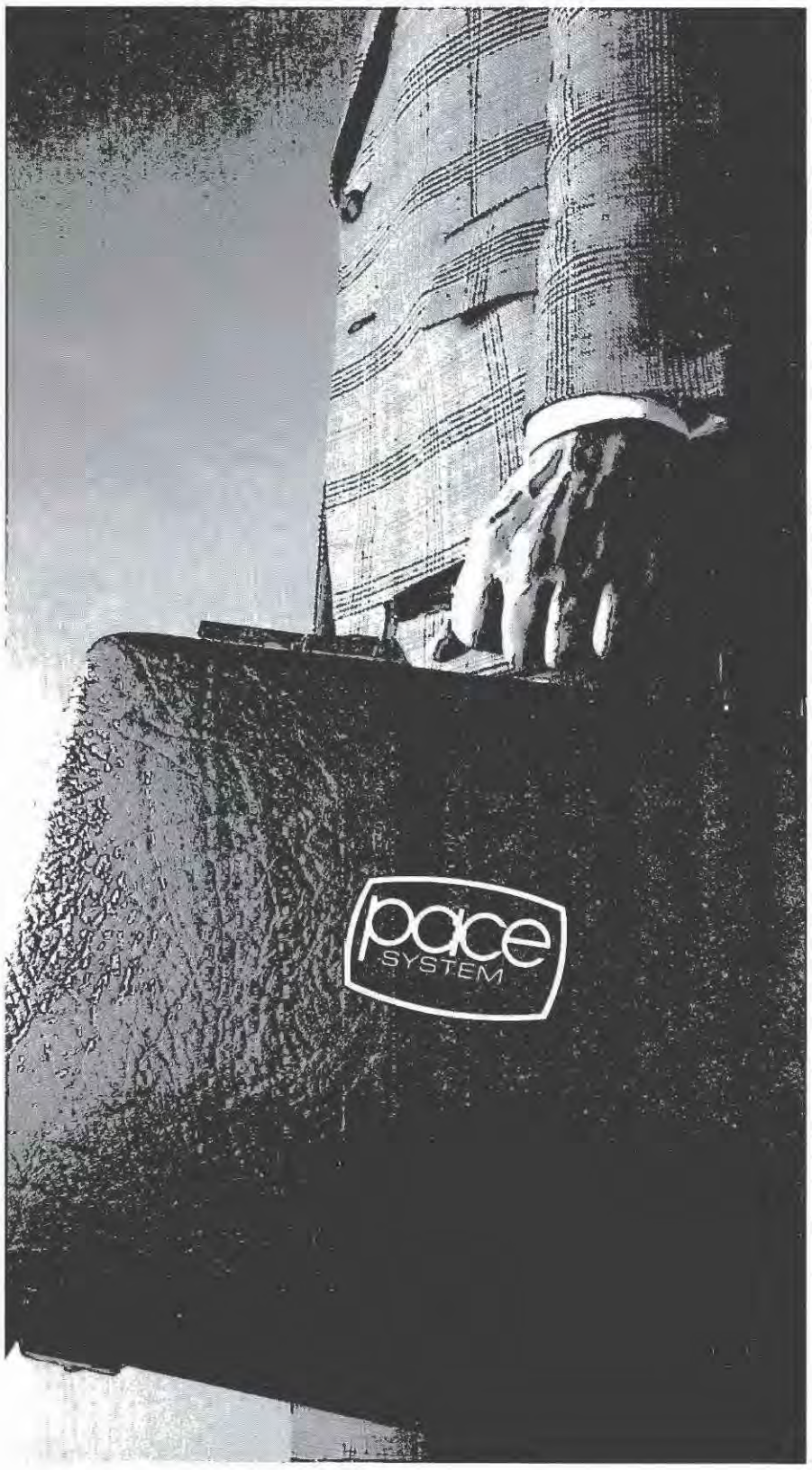

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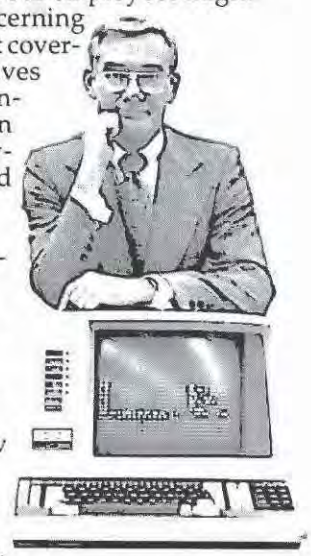

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The concept of multiple employer trusts has been well received by agents in Atlanta, says Corroon & Black's Penny Bekken.

C&B seeks MET, city agent sales

ATLANTA—Corroon & Black doesn't have a full-fledged office in Atlanta, but has entered the area with governmental insurance and multiple employer trust benefits marketing.

The small (five person) office caters to agents as well as policyholders. Independent agents are the selling force for the programs.

Penny Bekken is head of the mass marketing division in Atlanta, and sells multiple employer trust programs.

"The concept has been well received here," Ms. Bekken says. "We had some problems in the area with some METs like everyone else, but today people are aware of the potential problems and demand references."

One big problem in selling METs is to convince agents to listen.

"Agents are inundated with material on selling these METs today," she says. "We try to give it the personal touch by trying to give a 45 minute presentation to as many agents as possible.

"We also try to keep our program easy for the agent to sell and the client to understand. Our programs don't have a lot of flexibility, but we find one basic plan easier to handle."

C&B's Georgia Local Government Insurance Plan is administered by Del Powell. The program is intended to provide complete coverage for small to medium-sized local governments, including tough coverages like police liability.

"Maybe the toughest thing is to convince the agent that we're not out to take his municipal business away. In that respect it is good that we don't have a general brokerage office here," says Mr. Powell. "But not every agent has the stomach for it. It's a tough account. You've got politics and municipal budget cutting and everything else."

Most of the package is underwritten by The Home Insurance Co., with specialty lines underwritten through various insurers. The police liability coverage is brokered through Bayly, Martin & Fay.

"Traditional carriers find the liability areas not always their kettle of fish," Mr. Powell says. "They are frightened to death of law enforcement, for instance. They'll cover a slip on the floor, but that doesn't help much.

"There are also a lot of exclusions in the normal street and road repairs coverages." ■

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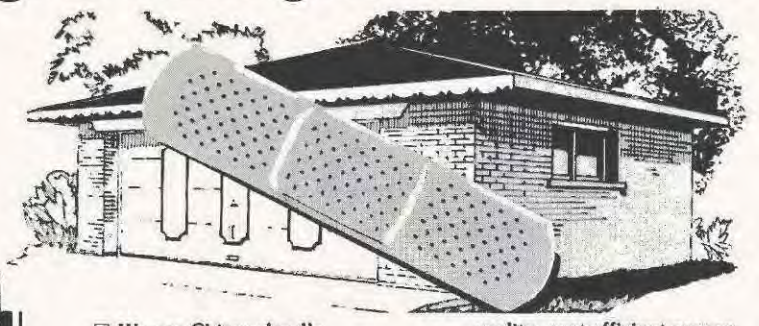

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Mergers help plans to regionalize firm

Continued from page 24B

management systems and plans like that.

"We don't want people sitting around the coffee shop, we want them selling business," he adds. "We don't buy people who let their offices run down and live on the past. That's the only agency I can't see a future for. We also don't send out calendars and the like. Sending out calendars and belonging to the club is not the way to increase business. People argue with me about it, but that's okay. I'll end up buying their agency later on."

Salesmen are classified as either "inside" or "outside." The distinction is that inside salesmen do all their work by mail or via the telephone. Outside salesmen do their work completely in person. No distiction is made between personal and commercial lines; the work is assigned on the basis of whether the account needs a personal touch or not.

It may sound like Mr. Speir would like to conquer the world. Not so, he says.

"I don't have any intention of competing with the alphabets on an ideological basis. I'm not going to get into their niche," he says. "I don't have any urge to buy a really big agency unless it could help our company.

"Suppose I found a firm that specializes is offshore oil rigs." he adds. "I wouldn't want it. I don't know the business. I'd probably call one of the alphabets to buy it, no matter how good the deal. I have to feel comfortable with any purchase."

Today, Mr. Speir employs 200 people. He claims he doesn't know the percentage of growth seen by the agency in the past five years, saying he doesn't run his business that way. He adds, however, that in the first quarter of 1981, his agency offices with the firm more than a year grew 51% in commercial income over the same period in 1980.

And he has no problem finding agencies to buy. They seek him out. Mr. Speir has a drawer full of letters from small agencies wanting to sell to him.

"I believe that half of the small agencies will be gone in the next decade," he says. "But that is because they don't have the courage to pay the price to get out and sell. If they can't do that, then they should sell to me.

"I take out all the crutches. We handle all the administration for the offices. We do all the hard dealing with insurers. We do all the accounting, take away all the headaches. Not too many of our branch people want to come here to do that administration. This home office is a rat race.

"Agents write me to buy them. Boy, do they write me," Mr. Speir continues. "I don't blame them. Most agents don't really know how to make money. You make money by getting clients the right coverage and paying claims quickly and well.

"After all, what other services can an agency really provide?"

Agencies will have to streamline themselves if they are to succeed, he concludes.

"It's like with food stores," he says. "It used to be that you would go to the corner store and there would be a guy with a smile and a small book to write down your purchases on credit. Then Kroger came along, charged 25% less and drove them all out of business. It's the same with insurance.

"Nostalgia is nice, and I like to think about that guy. But I can't afford it. The world has changed, and you have to adapt."

Mr. Speir says he will expand geographically from his current base slowly, keeping his agencies concentrated in neighboring states at first.

"If I had a choice of towns I would like to be in, it would be the towns with 15,000 to 50,000 population," he adds. "You don't have personnel problems like you do in the big cities and you can still have fun doing business. You can run at a rapid pace and still not have major problems."

"I'd like to be America's small-town insurance agency," Mr. Speir says with a smile. ■

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Industry mourns death of Joseph Blades

Continued from page 2
surance business.

"We still make a few deals here and there," he said last fall, skimming the mail on his old desk, grinning widely and adding that Crum & Forster knew of it.

Whether closing a deal at Old Blue or in London, showing risk managers the Bermuda market or speaking to groups of risk managers, Mr. Blades reveled in hard work and taking a public position on issues of the day.

When most insurance company executives rallied for a U.S.-style Lloyd's of London and only privately expressed their misgivings about regulation of the New York Insurance Exchange, Mr. Blades said that the new market was neither needed nor wanted unless it easily could write domestic risks.

"Is it the insurance Edsel?" he would ask.

When Marsh & McLennan acquired C.T. Bowring last year, Mr. Blades made no bones about moving his agency's $60 million in premiums to Hogg Robinson, an independent Lloyd's broker.

He also objected to the big London links between U.S. and London brokers because it removed the sense of competition he enjoyed. Placing business in the London market was becoming more like "sacking groceries," he complained.

One-liners like those typified his style of making an audience laugh while driving home his point.

Audiences were so accustomed to Mr. Blades throwing in a few one-liners during his speeches that they saw them when they weren't intended. During a speech to the Captive Insurance Cos. Assn. in 1979 in Asheville, N.C., Mr. Blades was interrupted from the back of the room by a voice saying "London calling."

Everyone was sure the message was a plant to reinforce the point of his speech that U.S. risk managers with captives could broker their own risks in London.

Mr. Blades, always ready for a joke, thought it was a gag, too.

It really was London calling, but Mr. Blades returned the call later.

Mr. Blades was a pioneer in offering U.S. corporations management services for their Bermuda captives. His offices there were affectionately referred to by other managers as "The Texas Embassy."

He used those offices to take risk managers directly to London for reinsurance of their captives, on the coattails of his agency. Those efforts provided the catalyst for a close relationship between the U.S. insurance buyer and the London markets.

His unquestioned integrity in his business deals brought more respect to the surplus lines insurance business, once considered only a necessary evil in the insurance marketplace.

He dearly guarded the reputation of the business and worked to develop its professionalism, most recently as vp of the National Assn. of Professional Surplus Lines Organizations.

He worked for the development of professionalism in all areas of the commercial insurance business. He was a member of the American Management Assn.'s Insurance & Employee Benefits Council since 1966.

The University of Texas graduate, who had a bachelor's in business administration, was made an honorary member of the Insurance Society at his alma mater in 1965. He also was on the board of governors of the International Insurance Seminars Inc.

He received the University of Alabama's Mentor Award in 1974.

In 1979, he was appointed to the board of regents of Texas Southern University in Houston and the next year was named regent of the year.

An underwriting member of Lloyd's of London since 1973, Mr. Blades also was a non-lawyer member of the Maritime Law Assn. of the United States; a director of Texas Commerce Bank—Greenway Plaza, N.A. in Houston; a former director of the Southwestern Insurance Information Service Inc.; and a member of the International Business Committee of the Houston Chamber of Commerce.

Mr. Blades died in Austin while attending a fraternity party on a visit to his son. He was accompanied by his wife, Eloise, his other son and his youngest daughter. He is also survived by another daughter, his mother, two sisters and numerous nieces and nephews.

The family requests that those wishing to remember Mr. Blades contribute to a charity. ■

DC-10 claim fund

Continued from page 1

The fund presently is equally funded by the two companies' insurers here and in the United States, said Lloyd's underwriter John Hewitt, who led the risks of both American Airlines and McDonnell Douglas.

"The existing fund will remain 50-50 until the fund is used up," Mr. Hewitt said. "If the agreement (in U.S. court) is different from the 50-50 split, there would have to be a reallocation."

A reinsurer on the American Airlines account reports paying his share of another $17.5 million payment to the fund earlier this year. Other details of the revised funding were not available.

McDonnell Douglas could be asked to pay for part of the hull damages at a future date under the court-sealed agreement.

The original liability fund is depleted considerably, Mr. Hewitt said. So far 110 cases from the crash have been settled.

The fund will be replenished by the various insurers in the London and U.S. markets if more money is needed to pay for the 165 outstanding cases. Insurers may be asked for letters of credit for the extra amount, Mr. Hewitt said.

U.S. insurers for American Airlines include United States Aircraft Insurance Group and Associated Aviation Underwriters.

McDonnell Douglas had placed 80% of its $450 million of product liability insurance in force for the crash liability in the London market.

Lloyd's insurers believe the insured cost of the worst disaster in U.S. aviation history will be spread over two separate underwriting years for Lloyd's and London underwriters.

American Airlines's policy to cover the DC-10 damages was signed in January 1979, its inception date, and therefore runs through all of 1979. But McDonnell Douglas' insurers in London signed the documents in October 1978, which puts its losses into the 1978 underwriting year, a Lloyd's source said. ■

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Insurers play down effects of mergers

Continued from page 1
ity that breaches the market capability for their agency force. It is very early into the situation; the deal just closed two weeks ago; we don't know what their intentions are."

Prudential would be throwing away a great opportunity if it doesn't take advantage of the Bache-Bender link, observed Russell Miller, a San Francisco insurance industry consultant who helped Bender expand from a regional to a national brokerage with the strength of Bache behind it.

"It's breathtaking what Mizel has done to build the Bender organization," says Mr. Miller, calling it a singular achievement that probably hasn't been matched recently.

Prudential is a vast, thoughtful and perhaps slow-moving company, Mr. Miller said. If it doesn't act, it could suffer a competitive disadvantage after stimulating other financial giants to expand their marketing capabilities.

But a number of securities analysts who follow the insurance industry were skeptical of Prudential's interest in Bache's commercial insurance brokerage subsidiary.

"Prudential has enough muscle to get into commercial lines any way it wants," said Myron Picoult of Oppenheimer & Co. in New York City. "Bender was just a tagalong," he said.

The acquisition gives Prudential a toehold in the commercial brokerage business, but analyst Leonard Wilson at First Manhattan Co. in New York City does not think the Bender connection was a significant factor in the decision.

Another analyst who asked not to be identified quipped: "I don't think Prudential even knew Bender existed, figuratively speaking."

The stir caused by Prudential's move does not compare with the shot heard around the insurance brokerage world after American Express and Fireman's Fund announced their merger with Shearson, Mr. Miller said.

Any insurance broker that doesn't have links to other financial services operations has got to be re-examining how it will operate as a business enterprise in 10 years, he said.

The whole financial services distribution system is in upheaval, including banking, stock brokering and insurance services, he said. "It's as if ice layers are moving in separate directions underneath you" if you are one of those businesses, he said.

To compete, insurance brokers must realize they are in business to preserve the client's capital, not just to sell insurance or related services. The big brokers, such as Marsh & McLennan and Alexander & Alexander, are already doing this, Mr. Miller said. They are widening the gap between themselves and other brokers as they add a diversified range of financial services to their products.

The challenges facing the brokerage business parallel those confronting risk managers who must learn to think in terms of assets—not just risk management. As the scope of their responsibilities broadens so may their demands for financial services.

For just such a corporate risk manager, Bache Insurance Services can offer risk management, health insurance administration, investment banking, financial advice, stocks, bonds and more, Mr. Mizel said.

Through Prudential, Bache may also be able to offer sophisticated employee benefit packages and group insurance, he added.

"We've got everything a buyer needs and more than a Marsh & McLennan or a Frank B. Hall. We can call upon the skills and capabilities of various executives in the combined companies who work on our commercial business," he said.

But Mr. Mizel declined to comment on the possibility Prudential might decide to sell off Bache's insurance brokerage subsidiary. A Prudential statement issued through a corporate spokesman appears to leave open this option.

"We have not made any determination on what we are going to do with Bender. Even when the merger is complete in June, it is possible that we will not have reached any conclusions," the spokesman said.

In the meantime, Bache has been given the green light by Prudential to proceed with four or five acquisitions of its own. Mr. Mizel would not identify the companies except to say one is large, the others are medium-sized and all are located in the Midwest and the Southeast.

"We also are looking at deals in the Southwest," he added.

Bache Insurance Services, which retains the Bender name in the San Francisco area, grew to more than $30 million in gross commissions in 1980, up from $6 million three years ago.

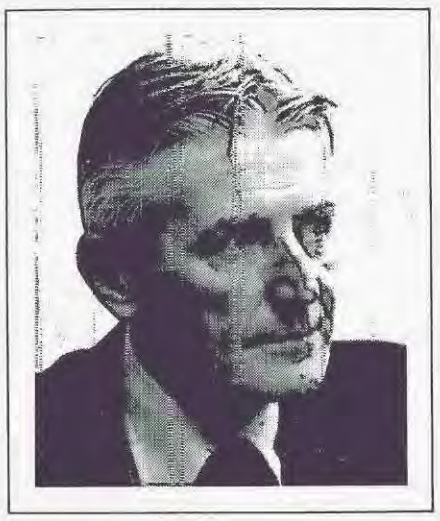
To balance its operations, the company last October acquired Ter Bush & Powell in Schenectady, N.Y. Now named Bache, Ter Bush & Powell, the brokerage chalked up $13 million in commissions last year.

With Prudential behind it, Bache Insurance Services may look at larger accounts, but its major thrust will continue to be the medium-sized accounts with regional or local orientation, Mr. Mizel said.

There is less volatility in these accounts and the broker has a better chance to talk directly to the president or chief financial officer of the client firm. That individual is also likely to be responsible for assets management, financial planning and cash management as well as insurance.

Long before Prudential entered the picture at Bache Insurance Services, Mr. Mizel was a believer in the future of multifaceted financial services organizations.

"The full weight of sales forces for both organizations out in the field would give us leverage that is pretty significant," he said. ■



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RBH hopes to cover giants

CHICAGO—Financial giants offering risk management services will need them, too, one commercial insurance broker predicts.

Under the direction of a new chairman of the board, Rollins Burdick Hunter Co. plans a new emphasis on insurance for the financial services industry, stockholders were told at the company's annual meeting last month.

"The financial services marketplace is entering a far-reaching period of change," said new Chairman Charles R. Hall, formerly executive vp of Continental Illinois National Bank & Trust Co.

"The recent acquisition of the Bache Group by Prudential Insurance Co. and the imminent acquisition of Shearson Loeb Rhodes by American Express reflect these changes," he said. "We feel that these present opportunities to Rollins Burdick Hunter."

RBH, the nation's seventh-largest commercial insurance brokerage, is counting on new products, including insurance for the financial services industry, to bring new life into the company's sagging growth rate.

RBH revenues grew only 8% in 1980, to a record level of about $72.9 million from about $67.7 million in 1979. The previous year, however, revenues grew 10% over 1978.

Net income declined by 4% to about $9.4 million or $2.13 per share from nearly $9.8 million and $2.23 per share in 1979. The 1980 results also included a gain of 6 cents per share from the disposition of a subsidiary.

RBH President Charles Mather blamed the weak showing on intense rate competition among insurers, driving down the cost of insurance and brokers' commissions.

"Though this tends to increase competition and slow our revenue growth, we prefer to look upon the positive side of this fact. We would like to use the underwriting capacity to devise new cost-efficent risk-funding devices and new products.

The financial services products will be produced by a joint venture with Lloyd's of London broker Stewart Wrightson Group. Called Rollins Wrightson, the division opens Lloyd's and the insurance market in the United Kingdom for the broker's new plans.

Mr. Hall denied any plans to merge with a major financial institution to speed expansion plans. "The board feels it is in the best interest of the shareholders to remain an independent, publicly held company at this time," he said.

Armco Inc. and Sperry & Hutchinson own 5.5% and 5.9% of RBH, respectively. ■

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Highway fatalities rise 1% in '80

CHCIAGO—The number of traffic fatalities in the United States rose 1% in 1980 to 53,300, the National Safety Council reports.

Last year's number of fatalities was the highest since 1972 when 56,278 people died on the nation's highways. The council reported 52,800 highway deaths in 1979.

The highway death rate dropped dramatically in 1974 when the national 55 mph speed limit was imposed. Traffic deaths and injuries have been rising since 1976. ■

Open rating for work comp splits panelists

Continued from page 3

surers to base their rates on their own experience and in competition with each other.

Such competition could lower the cost of mandated workers compensation insurance.

Mr. Baker, the former chief deputy of California's Department of Insurance, said at the debate held late last month open rating is in the insurers' interest because:

• A staggering number of employers are opting to self-insure their workers compensation risks and more will take that step as rates continue to climb. In California, 30% of the market is self-insured and that figure doesn't include the increase in group self-insurance.

• Insurers can compete with the self-insurance option only if they can charge competitive rates. Dividend plans and cash-flow insurance programs designed to reduce the cost of rate-regulated workers compensation insurance are only "under-the-table" competition.

• The loss data base used by the NCCI to determine rates needed in many states isn't very credible now and will become less credible, making it unworthy of protection under rate regulation. Already, the NCCI data base is less than fully accurate in less than 50% of the rated job categories.

The insurance industry "will scream for an open market in four to five years because then it will be in their economic interest to do so," said Mr. Baker, whose company specializes in workers compensation insurance.

Two other panelists, James J. Meenaghan, vp of Fireman's Fund Insurance Cos., and Paul Verhage, vp of Sentry Insurance Co., stood firm in their opposition to open competition.

Fireman's Fund supports the philosophy behind true competitive rating, but has very serious concerns about the practicality of the open market for workers compensation insurance in the real world, Mr. Meenaghan said.

"Will a competitive rating system work better or worse than the administrative pricing we have known?" he asked. "There is no evidence I've ever seen that buyers have trouble getting coverage from competing insurance companies. Workers compensation is competitive."

Much of the debate centered on what effect open competition would have on the NCCI, the ratemaking organization authorized by many states to serve as a central ratemaking bureau.

NCCI bases its rate determinations on the large pool of loss data reported by insurance companies for about 600 different job classifications. Opponents of a competitive rating law argue that the data base the NCCI keeps would be virtually destroyed without a uniform reporting system from insurers.

"The data base is the foundation for pricing products," Mr. Meenaghan said. "Can insurers maintain an effective rating plan if statistics are not reliable from one insurer to another?" he asked.

"Prohibiting recommended prices will have absolutely no effect on the quality of data collected by advisory organizations," countered Illiniois Insurance Department Director Philip R. O'Connor, who was chairman of the NAIC subcommittee that developed the model law for open rating.

Mr. Baker criticized the NCCI data base that Mr. Meenaghan wants to protect. It is less than 50% accurate in its rate determinations for job classes and "less than a universal data base to begin with when when one considers the number of employers that are beginning to self-insure their workers compensation coverage," he said.

"My feeling is that the insurance industry can be most effective if it competes in the free marketplace. "It would promote greater efficiency in the market and meet the needs of society," he continued.

"The cost of workers compensation from 1975 to 1979 has more than doubled countrywide and rate filings are coming in way over what would be considered normal. Sure, insurers compete in workers compensation risk, but with dividends and cash-flow plans. Administered pricing is merely using the government to impose the charges and it permits the insurer to indulge in abuses," he said.

Mr. Verhage of Sentry Insurance Co. urged care in changing from "a known to an unknown."

"It is not change that must be justified, but rather interference, control and cartelizations that must be justified," Mr. O'Connor said. Those who want "government price-setting in work comp have not borne their burden of proof."

Mr. Meenaghan, however, suggested state regulators oppose competitive rating until a American Insurance Assn. study is completed by the end of the year. "Otherwise, you'll be fixing something that is not broken," he said.

Mr. O'Connor isn't taking his advice. He supports pending Illinois legislation that would clear the way for an open market for workers compensation coverage.

The Illinois bill would phase in competitive rating and require all insurance companies writing workers compensation to report their loss information to the ratemaking bureau.

Two years after the law was enacted, NCCI only could recommend rates. In the following three years, the NCCI ratemaking bureau would be prohibited from producing recommended rates and would only serve as a data base for loss information. ■

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Reduced aid may doom health cost hopes

By RHONDA L. RUNDLE

SAN FRANCISCO—Massive shortfalls in government funding for Medicare and Medicaid will indirectly double private sector health-care costs over three years, an official with the Health Insurance Assn. of America predicts.

A $5 billion shift in health-care liability from the public to the private sector from 1979 through 1982 spells doom for long-range employer cost containment strategies, says Louis A. Orsini, HIA vp and director.

He spoke at the RIMS Conference here last month.

Hospitals will be forced to increase their fees substantially to make up for shrinking Medicare and Medicaid reimbursements, Mr. Orsini said.

"The real problem is that we have government regulating what it will pay after care of the elderly and the indigent already is delivered," Mr. Orsini said. Federal and state governments control 42% of hospital revenues, he said.

Medicare and Medicaid reimbursements are based on a formula that excludes substantial elements of total hospital costs, including expenses for bad debts, malpractice insurance and charity treatment, he said.

The reimbursements do not include a profit factor provision.

Several individual states are seizing the initiative to battle rising health care costs. Through a federal law enacted in 1979, states can waive the normal requirements for Medicare and Medicaid reimbursements.

The objective of these state programs is to achieve equal rates for equal services, including a uniform definition of reimbursable costs, Mr. Orsini said.

He said that employers should support efforts underway in Maryland, New Jersey, Washington, Connecticut and starting up in Illinois.

"Ninety percent of the key elements to effective health care cost containment already is there in two states," Mr. Orsini said. The programs are administered by the Health Cost Review Commission in Maryland and the Diagnostically Related Groupings Reimbursement System within the New Jersey Department of Health.

The Maryland and Washington programs are tied to the notion that states will regulate future health care cost increases, Mr. Orsini said. But that can create an incentive for hospital directors to seek higher utilization, he explained.

"It's the goal of every administrative staff in a hospital to keep beds full," he said.

The way to turn this incentive around is to institute total revenue control program, he suggested.

"Then if the hospital reduces expenses, it keeps the margin in profit."

Connecticut is experimenting with this approach, he said, setting a "prospectively determined capital and operating expense target" for hospitals. If actual costs drop below this level, the hospital gets to keep the difference. ■

Ruling upholds DES firms

Continued from page 3

The Payton case names 25 plaintiffs and a class of 4,000 other plaintiffs who claimed to have suffered injury caused by their mothers' use of DES.

A substantial portion of actions against DES manufacturers claim a concert of action, reports Ray Rauch, senior counsel for Eli Lilly & Co. "The judge here is saying that there is not a glimmer of truth in those claims."

But Jeanne Baker, the attorney for the plaintiffs, says she believes the Boston court's ruling was incorrect and will file a motion for reconsideration.

In September, she expects the state high court to hear arguments on other theories of liability that might permit the class action to proceed.

In rejecting the concert of action and joint venture theories, Judge Skinner wrote: "I am firmly convinced. . . that none of these theories is properly invoked here. To hold otherwise would stretch them well beyond their intended scope." ■

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Crime prevention program goal: safety

Continued from page 3

But more importantly, Mrs. Thomas had accomplished the main goal of the crime prevention program the Southland Corp. spent five years developing for its 7,000 7-Eleven stores: She survived the robbery without injury.

That isn't always the case. In the Dallas area alone, three 7-Eleven clerks have been shot and killed by robbers during the past nine months. Two died within weeks of the robbery at Mrs. Thomas' store.

Overall, however, crime in north Texas stores, including Dallas, dropped 40% in the first quarter of 1981 compared with the first quarter of 1980, Southland officials say. They say robberies in 7-Elevens across the nation have dropped 26% over the past five years, thanks to the crime prevenition program.

The program is based on the simple premise that criminals rob stores for money and the less money available at the store, the fewer robberies there will be. In addition, clerks are trained to calmly comply with robbers' demands, store windows are kept free of obstructions so passersby have a clear view in and word is spread that a holdup at a 7-Eleven will net would-be robbers next to nothing.

Ray Johnson, a former armed robber turned crime consultant, was instrumental in putting together the program. Mr. Johnson visited Southland's corporate headquarters in Dallas recently and explained the program.

"We tell robbers they should give serious thought to robbing a 7-Eleven store because it is a sucker's game," he said. "There's no money in it."

Cash is closely controlled through a time-lock drop safe and computerized money-dispensing system designed and produced by Southland for its stores. The system is officially named a Timed Access Cash Controller or TACC.

If a clerk receives a $20 bill, he immediately deposits it in the drop safe. It remains there until the manager removes it. To make change, a cashier pushes a series of buttons on the TACC. He can get up to $10 each time in different denominations. Once a transaction is completed, however, the TACC will not dispense any more money for at least two to 10 minutes.

"If a robber wants more than is in the cash register, he has to wait," Mr. Johnson says. "He can make a few more dollars by standing there in front of God and everyone for 10 minutes, but as the seconds tick by and cars are passing, odds are he won't want to do that."

Since the TACCs were installed, the average amount of money stolen in 7-Eleven robberies dropped to $66 in 1980 from $200 in 1978, Southland officials say. But they are concerned less about how much is stolen than about potential harm to employees.

"At worst, the amount of money lost in robberies is insignificant," Mr. Johnson said. "The problem is the more robberies you have, the more people are hurt."

Money is emphasized in the security program because if money is controlled, crime is controlled, he said. "For every dollar saved from robberies, Southland has probably spent $500 on crime prevention, but that's not what its all about. It is about keeping our people safe. How do you put a dollar value on a person's life?"

Mr. Johnson developed the 7-Eleven employee training program, which emphasizes avoiding violence, by using the knowledge of the criminal mind he gained through years as an armed robber. He spent 23 of his 54 years behind bars.

"If you have let a guy know through publicity, signs on the store and conversations with the clerk that there is very little money in the store and he's decided, despite all, to point a gun in a person's face, there's not much you can do to change his mind," he said. "We just want our people to get through it with as little trauma as possible."

Employees of Southland, which has workers compensation insurance through Kemper, are told never to fight or attempt to detain the robber.

"There seems to be an unconscious idea that part of a person's job is to protect the goods he has been entrusted with," Mr. Johnson said. "This is true, but only when mixed with common sense. No one expects a clerk to protect the Slurpee machine with his life."

There are two types of violent crime, he said: Those committed by someone with a need to hurt people and those committed by someone who reacts violently to actions of the victim himself.

Through training and films, 7-Eleven employees are coached on how to survive robberies involving the second criminal type, Mr. Johnson said. Even though victims have guns pointed at them, they still have some control over what happens.

"Our people no longer try to be social workers," he said. "What do you think a robber will do if you ask him, 'What would your mother think if she knew you were out doing this?'"

Central to violence prevention is keeping the robbery short and smooth. Clerks are told to comply with demands and get the robber out of the store as quickly as possible.

"We can't train the robbers, all we can do is feed them information about cash control and security and hope it stops them from coming in," Mr. Johnson said. "But we can train employees."

Cashiers are told to greet each customer personally to let potential robbers know they have been noticed and could be identified later. If robbed, clerks fill out a profile sheet describing physical characteristics of the robber.

Physical changes in the store have also been made to deter robbers. Display racks are lowered, signs removed from windows, the cash register made visible from all sides and bright lights installed inside and outside. The idea is to make the interior highly visible, putting a robber on stage.

"I have had clerk after clerk tell me after a robbery that it was just like the film," Mr. Johnson said. "I think training minimizes the psychological trauma."

Mrs. Thomas can attest to this. "The instruction helped greatly," she said. "When someone walks in I give them all the friendliness and courtesy I can. I was friendly to the robbers and they were congenial. I would say it helped to show them I was not a threat to them."

The main thing to remember, Mrs. Thomas said, is not to try to be a hero. "You're not being paid for it. You're just a person out earning a living."

As spokesman for Southland, Mr. Johnson has spread the word about the corporation's security system through the national media including 37 "Tonight" shows, he said. "I did my 406th TV show recently talking about this. I don't dance, sing or play the guitar, so it must be an interesting topic."

Southland offers crime prevention kits to small businesses around the country and puts on seminars for chambers of commerce and service clubs.

"There is nothing proprietory about what we're doing in crime prevention," Mr. Johnson said. "In fact, we've discovered that telling the public and would-be criminals about the security system is the best way to go. In most areas of the country crime is on the rise, but ours is going down. This must mean something."

He estimated that 75% of all 7-Eleven stores have never been robbed and never will be, but said, "You have to treat each store as if it will (be robbed)."

Southland faced up to the fact that crime is part of the retail business and decided to do something to control it, Mr. Johnson said.

"Five years ago we had one security person, and he also was in charge of fire extinguishers and drivers ed. We've come a long way." ■

Hunger striker's benefits in doubt

Continued from page 2

political prisoner, according to reports from Ulster.

Mr. Sands was elected a member of Parliament for Fermanagh and South Tyrone while serving a 14-year sentence for firearms offenses in Northern Ireland. His incarceration has prevented his inauguration as a member of Parliament. Therefore, he is not yet technically entitled to a parliamentary salary or any financial benefits, Mr. Lewis said.

"Once he takes the oath, he would get money from the day following polling day," Mr. Lewis said. However, if he doesn't take the oath until six months after he was elected, he would only be paid from the day he takes the oath.

But the trustees of the Pension Fund Committee and its chairman, John Parker, are wondering if Mr. Sands is eligible for the death benefit even though he hasn't taken the oath, Mr. Lewis said.

Under the Parliamentary and Other Pensions Act, members are eligible for the death benefit at the time they become members of the House of Commons, said Richard Saunders, principal in the Civil Service Department and adviser on parliamentary pension plans.

If a member dies, his survivors or estate receive an amount equal to one year of pensionable salary, which will soon be about 13,000 pounds, regardless of how the he or she died, Mr. Saunders said.

The trustees of the pension fund, however, can use their judgment on individual cases, he said.

If Mr. Sands were a member of the House of Commons and eligible for the death benefit and he starved to death, it would be up to the trustees' discretion to issue any gratuity, Mr. Saunders said.

Members of Parliament are also eligible for the parliamentary contributory pension fund after they've been in office for four years, he said.

Members contribute 6% of their salaries to the fund, which is matched by public funds at 16% of salary. Two-thirds of a member's salary, which is around 13,000 pounds per year, is then paid annually once the member reaches the age of 65.

If a member leaves office before four years, he either gets a refund of his contributions or the accrued pension is transferred to his new pension plan. ■

Aetna's rating hikes skip Detroit sewers

Continued from page 3

tem is worth much more than the coverage, Mr. Collins doesn't fear a devastating loss.

"We were formerly insured for only $7.5 million and I don't know where that figure came from. It was a holdover from earlier days.We knew that is was inadequate and worked a long time on developing a maximum probable loss estimate," Mr. Collins said.

"The system itself is very spread out and not susceptible to many types of loss. Much of it is underground, eliminating much exposure," he said."We knew it was a good risk."

The maximum probable loss estimate, compiled with the help of city engineers and the city's former insurer, led to detailed insurance specifications for the bid. The city sought quotes for $35 million and $50 million. All bidding agencies were able to meet the highest limits.

Aetna already provides about $83 million in various coverages for Detroit, including participation in the city's $207 million protection on its Civic Center.

The city does not maintain many long-standing relations with agents or insurers, however. "We have tried to establish stronger long-term ties with agents, but in general we have failed," Mr. Collins said."In past specifications we have asked for three-year policies and often received one-year bids. Renewals with the same agent or insurer aren't common." ■

Group life insurance sales dip slightly

WASHINGTON—Sales of group life insurance, set up under new or revised group contracts, totaled $13.6 billion in January, compared with $13.7 billion in January 1980, according to the Life Insurance Marketing and Research Association.

Group insurance purchases from February 1980 to January 1981 totaled $168 billion, compared with $164 billion a year earlier. ■

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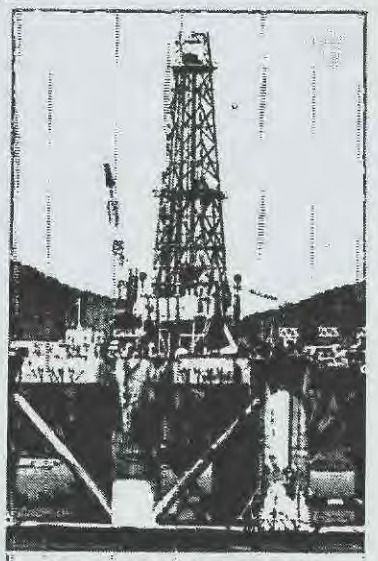

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Funding cuts could help kill some HMOs

Continued from page 1
Shield are making more people look at HMOs.

"I know one HMO that was in trouble six months ago and now has 42,000 members," he said.

The Reagan administration recommended in its fiscal 1982 budget request that all federal grants and loans for the start-up of HMOs be ended. Congress still must approve the budget (*BI*, Feb. 23).

The administration, however, announced a plan last week to give HMOs a better chance to compete in the health-care field by allowing HMOs more flexibility in rate setting and designing benefit packages (see related story).

While the administration's plan may be the ingredient to nourish long-term development, HMO growth in the next few years will be shaky, many predict.

Larger, financially strong organizations will take over weak HMOs that have been poorly managed or unable to attract enough investment capital.

Prudential, one of the more aggressive insurance companies in the HMO field, is completing arrangements to take control of NorthCare, an HMO in Evanston, Ill.

Two unnamed East Coast-based HMOs recently approached Wausau Insurance Cos. for capital, but the Wisconsin-based insurer turned them down to concentrate on the seven HMOs it owns and operates in Wisconsin, said Jeffrey Zriny, director of insured HMOs for Wausau.

Several insurers are sticking to ambitious HMO development plans. Prudential expects to develop two new HMOs per year. CNA, which by June will be operating four HMOs, expects to have nine HMOs operating by 1984. INA, which operates HMOs in Spokane, Los Angeles, Phoenix, Miami and Clearwater, Fla., is developing three more in Tampa, Dallas and Tucson.

Blue Cross/Blue Shield Assns.—the nation's largest operator of HMOs with 70—has another 25 "on the conveyor belt," though not all may get going, said Roger Graham, senior director of health-care systems at BC/BS in Chicago.

But some insurers are pulling back. SAFECO Life Insurance Co. in Seattle is getting out of the HMO business. It is looking for a buyer for its 7-year-old HMO, United Health Care Corp.

UHC, which has 41,000 members in California, Washington and Oregon, lost more than $1 million annually during the last two years, President Bob Gregory said.

Connecticut General, which operates two HMOs in Columbia, Md., and Phoenix, Ariz., has no plans to increase that number. Wausau Insurance Cos. is concentrating on finding better ways to control costs at its seven HMOs instead of expanding, Mr. Zriny said.

And other large health insurers, such as The Travelers Insurance Cos. and Aetna Life & Casualty Co., say they have no plans to enter the field.

Only a handful of employers, such as R.J. Reynolds Co. and Deere & Co., have established their own HMOs. The number is expected to remain small.

"Relatively few businesses want to go into the health-care game," said Willis Goldbeck, director of the Washington Business Group on Health. "That is not on their plate."

High start-up costs and losses during an HMO's first few years of operations make venture capitalists shy away, said Richard Burdge, senior executive vp at INA Corp. in Philadelphia. "Not that many are willing to invest."

But Mr. Doherty disagrees with such appraisals. In fact, he says that in the last five weeks he has been in contact with several major financial houses, including Merrill Lynch, that are interested in investing in HMOs. The interest ranges from simple investment to outright takeovers, he says.

These private investors will supply the capital necessary to keep operational HMOs running, he says.

The number of HMOs has leaped to about 245, up from 166 in 1975, the year large amounts of money in federal loans and grants began to flow.

At the same time, the number of people enrolled in HMOs climbed from 5.8 million in 1975 to about 10 million today.

In some cities, HMOs command a major share of the health insurance market. In the Minneapolis-St. Paul metropolitan area, 21% of the population is enrolled in the areas' seven HMOs, according to Interstudy.

HMOs also command significant market shares in the San Francisco-San Jose area, Seattle, Portland, Ore., and Denver.

While the number of people enrolled in HMOs is expected to climb in the next few years, the number of HMOs may drop because of absorption or bankruptcies, said Samuel Havens, senior vp at Prudential Health Care Plan Inc. in Newark.

Employers, wary of recent HMO failures, will be more selective in choosing HMOs, opting for alternate health-care plans with strong financial support and forcing the further demise of weaker HMOs.

"We're asking much tougher questions about a HMO and looking at them more closely from a financial point of view," said Fred Hamacher, manager of employee benefits at Dayton-Hudson Corp. in Minneapolis.

Experts emphasize that the collapse of some HMOs, while causing some problems now, ultimately will result in a leaner, but stronger HMO market.

"It will produce a better quality HMO and a more reliable product in the employee benefit market," said BC/BS's Mr. Graham.

Strong HMOs will get stronger. For example, the Kaiser Foundation health plans, which have grown to about 3.9 million members from 2.8 million in 1975, will continue their spectacular growth, experts say.

Mr. Doherty says that the closing of an unstable HMO is not necessarily a failure. He points out that in all but about three cases bankrupt HMOs have been acquired by others and are now very successful operations. "It all depends on how you define failure," he says.

"We won't have as many HMOs, but the potential for growth is as strong as ever," says Mr. Gregory of United Health Care Corp.

Experts agree on the reasons why so many HMOs have failed or face a difficult future with the potential cut in federal support. They blame undercapitalization, bad management and inability to attract top financial talents.

"Some HMO developers have been better at grantsmanship (getting federal money) than in knowing how to operate a complex, risky business," BC/BS's Mr. Graham says.

"Funds were given to people who didn't have the breadth of experience to manage a complex business," says Mr. Vinick of Connecticut General.

Future HMO development will be strongest in the Sun Belt states and West Coast areas. Insurers such as INA and Prudential already are targeting those regions.

Sun Belt states are a lucrative target for new HMOs because large immigration means many people don't have long-established ties with health-care providers, says Prudential's Mr. Havens. ■

Subcommittee acts on HMO bill

Continued from page 1
benefits be included in the basic benefit package.

"To force HMOs to provide these benefits when their competition (insurers) doesn't have to . . . puts HMOs at a competitive disadvantage," said Rep. Phil Gramm, D-Texas.

"If we have requirements that prevent HMOs from operating profitably, we are defeating their very purpose," added Rep. Edward Madigan, R-Ill.

The subcommittee also agreed to give HMOs more flexibility in setting rates. HMOs would be allowed to consider age, sex and marital status in rating.

This would be a change from current law that requires federally qualified HMOs to set its rates at a level reflecting the average cost of providing care to all members, regardless of the experience of one employer group compared with another.

The administration wants to go even further. Under the administration's draft bill, HMOs could experience rate groups the way conventional insurers do.

The issue of experience rating will get closer attention in the Senate when the Labor and Human Resources Committee takes up HMO legislation later this week.

Other changes agreed to by the subcommittee include:

- Approving $1 million a year in federal funds for the next three years to train HMO managers.
- Requiring employers to offer a third health insurance option if the HMO provided to employees is controlled by Blue Cross/Blue Shield or an insurer and the BC/BS plan or insurer controls a substantial part of the health insurance market in the area.
- Barring HMOs from receiving federal funds to construct ambulatory facilities if they are not profitable. Currently, profitability is not a condition to receiving funds to construct ambulatory facilities.
- Forcing HMOs to pay prevailing market rates when they receive federal loan installments instead of paying the interest rate that was charged during the first installment.

FTC refuses proposed rule on doctor-controlled plans

Continued from page 3
because plans operate in different environments," said a Blue Shield Assn. spokeswoman. The location of a plan, urban versus rural, often can determine the availability of people to sit on a board.

BSA also is cautioning that it's not definite the FTC will look at plans selectively since the commissioners have not approved a policy statement on selective enforcement.

She characterized the FTC investigation of doctor control of Blue Shield governing boards a "tempest in a teapot" because 50 of the almost 70 Blue Shield plans are already governed by boards with less than half doctor representation, according to BSA records. The non-doctor-controlled plans represent 88% of the subscription income and 83% of the enrollment in all Blue Shield plans, she said.

The FTC points out, however, the issue is not just the number of doctors on boards but also includes doctor selection of board members. Doctors participated in the selection of a majority of board members in 12 plans and participated in the selection of some board members in 32 plans in 1980, the FTC said.

BSA points out at least six plans with doctor-controlled boards are prohibited by state laws from appointing a public majority to their boards.

The states of North and South Dakota, Virginia and Rhode Island all prohibit public control of the boards. Iowa requires that the majority of Blue Shield board members be professionals in the medical field, and Georgia requires that the board evenly represent doctors, hospitals and the public.

In the last two years, however, four states have amended similar laws to allow public majorities on Blue Shield boards. They are Tennessee, Florida, Pennsylvania and West Virginia.

Doctor representation is needed on Blue Shield boards, the BSA spokeswoman argued, to provide technical, medical and scientific resources. Boards with these resources can advise doctors in the plan area on procedures that are not proven to be medically effective and procedures that can be performed in an outpatient facility instead of a hospital. ■

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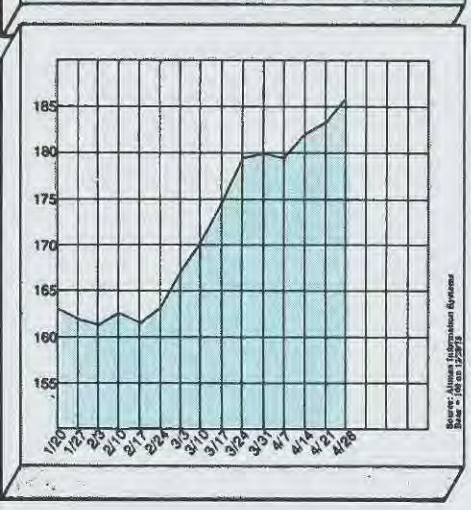

The Business Insurance stock index rose again, 2.3 points to 185.8 from 183.5, with 36 stocks rising, 21 declining and 15 unchanged. Biggest gains were: Crum & Forster, 13.6%; St. Paul Cos. Inc., 11%; Chubb Corp., 10.6%; Tokio Fire & Marine Insurance Co., 9.7%; and Farmers Group Inc., 9.3%. Largest declines were: Carolina Casualty Insurance Co., 8.1%; Alexander & Alexander Services, 7.3%; Rollins Burdick Hunter Co., 6.9%; Crown Life Insurance Co., 6.6%; and Ryan Insurance Group Inc., 5.2%. The 1.2% index jump outpaced the major market indicators.

British Issues

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Genl Accident	350	8.8	19.29	5.5	360—348	
Gdn Royal Exch	336	8.4	22.14	6.6	350—336	
Phoenix	268	9.6	21.19	7.9	274—268	
Royal	375	8.1	34.29	9.1	383—370	
Sun Alliance	810	9.7	47.14	5.8	844—810	
Brokers						
CE Heath	257	12.5	13.87	5.4	265—257	
Hogg Robinson	118	9.4	8.14	6.9	122—118	
Alex Howden	121	9.2	10.00	8.3	127—121	
JH Minet	105	11.9	6.50	6.2	114—105	
Sedg Grp	125	12.4	7.14	5.7	131—125	
Stenhouse Hldg	87	8.5	6.64	7.6	88— 87	
Stew Wrightson	225	12.5	17.14	7.6	227—225	
Willis Faber	322	13.5	17.14	5.3	340—322	

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

The Hartford looking ahead to reverse poor performance

The Hartford Group is walking a tightrope with its sights set on a winning performance.

Pressed as never before by competitive forces and dismayed at a combined ratio last year that topped 105%, Hartford officials are determined in 1981 to follow the philosophy that less is more. They'd like to quote Spencer Tracy on Katharine Hepburn: "There's not much there, but what there is is choice."

"We try to walk a tightrope, achieving as much growth as we can without putting business on our books at inadequate rates," DeRoy C. Thomas, chairman and president of the Hartford, says in the company's 1980 annual report.

Other Hartford officials have spoken in recent months of risking a decline in market share. They say the Hartford will concentrate on retaining profitable business and "selectively" pursuing opportunities for growth in markets that promise the best long-term results.

Of course, that's been said by other insurers also trying to pull off a balancing act to get them through these underwriting doldrums, but the Hartford—the seventh-largest property and casualty insurance company in North America—is is putting a little more spunk into its act.

"Our philosophy is that we are going to manage this company for the long pull," Mr. Thomas says.

The Hartford intends to continue last year's successful push for small-to-medium commercial risks. Its Spectrum program, which is designed to make it easy for agents to rate and pick up business, is exceeding early expectations and is expected to be a major source of growth in the coming year.

The Hartford is also expanding the concept of flexible insurance programs for its medium-sized commercial customers. They, like their large corporate counterparts, are becoming increasingly sensitive to the high cost of money and are demanding more recognition of investment income in the price they pay for insurance or in the financing of premiums.

In 1980, the Hartford began offering these cash-flow programs for medium-sized accounts that give corporations full loss protection while allowing them greater use of their funds during a policy period.

Commercial property accounts were profitable last year although not as much as in previous periods, according to Hartford officials. But casualty operations, especially general liability and commercial automobile, presented problems.

Although the company's workers compensation experience improved somewhat in 1980, occupational diseases became an increasing factor in losses. The Hartford is now embarking on a 10-year, $200 million program to reduce work-related injuries and disease.

Net income for the company increased slightly last year to $288 million from $287.3 million, while operating income grew by almost $8 million to $292.8 million.

Investment income, which grew to $365 million in 1980 from $304 million in 1979, tempered deteriorating underwriting results. In 1980, the Hartford reported a $73.9 million adjusted underwriting loss on property and casualty insurance written in North America compared with $17.0 million in 1979. The company's combined ratio climbed to 105%, almost four points higher than the 101.5% recorded in 1979.

International business helped the Hartford weather some of the rough underwriting conditions in the United States. The company showed substantial gains in its Dutch auto insurance operations and its commercial property insurance business in the United Kingdom.

The company is seeking to expand this overseas involvement by increasing its ownership share in AFIA, which writes insurance in 80 countries.

Last year, net income in the company's property and casualty subsidiaries abroad grew 46.7% to $26.3 million, a sharp contrast to the domestic results.

The company also showed favorable results in its group life and health operations. Sales of those products increased 43.5%, while new in-force group insurance reached a record $2.6 billion.

BI ticker

Financial briefs

Reinsurance

Reinsurers weren't immune to the underwriting ills that affected the insurance industry in 1980, according to Bache Group analyst Herbert Goodfriend.

"It was a poor year for the overwhelming majority of independent reinsurance companies and departments," Mr. Goodfriend says.

A survey of 55 reinsurers with an aggregate written premium of $4.5 billion shows that the average combined ratio was 107.7% last year, with Southwest International Re topping the list at 118.1%.

Only five reinsurers were able to turn an underwriting profit in 1980: General Re, INA Re, Reinsurance Corp. of New York, Continental Casualty and Pacific Re, a subsidiary of the Mission Group.

Things don't look any better for 1981, Mr. Goodfriend says.

"The significant factor among industry aficionados is their belief that 1981 could well be equally poor, fueled as the market is by the ample capital and cash-flow underwriting 'logic' employed so widely," he said.

About the only areas in which results might improve are aviation and marine insurance, Mr. Goodfriend predicts.

"In virtually all other sectors of commercial insurance, a weak market is all too evident," he says.

Stewart Wrightson

Stewart Wrightson Holdings Ltd. of London reported a hefty decline in profits in 1980, and a spokesman said the company was considering some consolidation.

The company's pretax profits dipped to 7.39 million pounds in 1980 from 10.38 million pounds the previous year, said Chairman and Director Gordon Henry.

"There is reorganization being examined to see if we can consolidate," the spokesman said.

Inflation, especially in the United Kingdom, pushed brokerage activity from 43.26 million pounds in 1979 to 46.28 million pounds in 1980. But had exchange rates between the British pound and the U.S. dollar remained constant, Mr. Henry said, brokerage profits would have been 500,000 pounds more.

"I do not think anybody in the insurance broking industry foresees a rapid and substantial improvement in trading conditions," said Mr. Henry, who will retire as chairman in June but remain as a director of Stewart Smith Holdings Inc.

Stewart Wrightson's insurance interests showed a profit increase from 1.68 million pounds in 1979 to 2.19 million pounds last year despite an unexpected reduction in premium income, he said. High interest rates and some profits from exchange movements helped underwriting profits rise, he said.

Stewart Wrightson operates Stewart Smith brokerage offices in the United States. Last year the company acquired Calvert Insurance Co. in the United States, along with a minority interest in Stewart Smith (Canada) Ltd.

The Travelers Corp.

The Travelers Corp. has declared a dividend of 72 cents per share on the company's common stock and a dividend of 50 cents per share on preferred stock. Both are payable June 10 to shareholders of record April 30.

Alexander & Alexander

Alexander & Alexander Services Inc. increased its first-quarter revenues 6.4% to $113.6 million from $106.8 million during the corresponding period in 1980. Net income for the period fell 4.7% to $15.9 million from $16.7 million in restated net income for the first quarter in 1980. Earnings per share also fell to 85 cents from 90 cents. ■

BI Industry Stock Report

Insurance Cos.		APR. 28, 1981 Price	% Chg.	P/E	$ Div.	% Yld.	4/22/81 THRU 4/28/81 High	Low	Vol. (000)
Aetna Life & Cas Co	NYSE	36.50	8.1	6.1	2.32	6.4	36.50	34.00	792.9
American Bankers Ins Group	OTC	7.63	5.2	5.1	0.22	2.9	7.88	7.38	151.6
American Gen Ins Co	NYSE	43.75	0.0	6.7	2.00	4.6	44.38	43.75	124.5
American Indty Finl Corp	OTC	17.38	7.8	6.6	1.12	6.4	17.38	16.50	12.8
American Intl Group Inc	OTC	84.75	4.0	11.3	0.60	0.7	84.75	81.25	167.5
American Natl Ins Co	OTC	14.63	0.9	6.6	0.68	4.6	14.88*	14.63	71.7
American Sts Life Ins Co	OTC	18.00	-2.7	6.2	0.72	4.0	18.00	18.00	0.7
Aneco Reins Ltd	OTC	4.38	2.9	0.0	0.00	0.0	4.38	4.25	18.9
Appalachian Natl Corp	OTC	2.13	0.0	6.1	0.05	2.4	2.13	2.13	5.4
Avemco Corp	AMEX	10.63	3.7	9.0	0.50	4.7	10.75	10.38	11.5
Banks Iowa Inc	OTC	30.50	0.0	5.1	1.44	4.7	30.50	30.50	2.5
Bitco Corp	OTC	43.00	1.2	6.2	2.16	5.0	43.00*	43.00	3.5
Carolina Cas Ins Co	OTC	8.50	-8.1	5.4	0.32	3.8	9.25	8.50	4.0
Central Natl Finl Corp	OTC	10.75	0.0	4.0	0.65	6.0	10.75	10.75	0.5
Chubb Corp	OTC	48.38	10.6	5.7	2.68	5.5	48.38*	43.88	202.8
Combined Intl Corp	NYSE	21.13	-4.5	6.0	1.60	7.6	21.63	21.13	126.7
Connecticut Gen Ins Corp	NYSE	52.00	0.5	33.8	1.76	3.4	52.13	49.88	156.7
Continental Corp	NYSE	27.25	0.5	7.3	2.40	8.8	27.75	27.00	208.8
Crawford & Co	OTC	18.50	-3.9	14.5	0.52	2.8	19.25	18.50	31.9
Crown Life Ins Co	OTC	113.00	-6.6	9.5	2.80	2.5	120.00	113.00	0.2
Crum & Forster	NYSE	33.50	13.6	5.8	1.44	4.3	33.50*	30.50	323.4
Employers Cas Co	OTC	36.00	5.1	5.5	1.20	3.3	36.00*	34.25	11.4
Equifax Inc	NYSE	23.13	5.1	7.1	2.40	10.4	23.50*	22.88	18.6
Excelsior Ins Co	OTC	15.75	-3.1	32.1	0.70	4.4	16.25	15.75*	9.9
Farmers Group Inc	OTC	33.88	9.3	10.8	1.12	3.3	33.88*	31.75	159.4
First Colony Life Ins Co	OTC	39.50	-3.7	13.5	0.80	2.0	41.00	39.50	5.1
Foremost Corp Amer	OTC	27.75	1.8	8.6	0.80	2.9	28.25	27.50	12.1
Great West Life Assurn Co	OTC	250.00	-0.4	10.3	10.00	4.0	250.00	250.00	0.0
Hanover Ins Co	OTC	44.50	1.1	4.1	1.08	2.4	44.50	43.50	28.4
Hartford Steam Boiler Insptn	OTC	46.00	9.5	9.3	2.60	5.7	47.00*	42.00	60.9
Jefferson Natl Life Ins Co	OTC	42.50	0.0	29.5	0.64	1.5	42.50	42.00	1.5
Kemper Corp	OTC	35.00	3.7	5.3	1.60	4.6	35.13*	34.00	57.5
Lincoln Natl Corp Ind	NYSE	42.63	0.3	5.9	3.00	7.0	42.75	42.13	85.6
Mgic Invt Corp	NYSE	37.00	-2.6	10.0	1.28	3.5	39.75*	37.00	951.8
Mission Ins Group Inc	NYSE	42.88	-4.2	8.4	1.00	2.3	44.00	42.63	40.1
Nationwide Corp Ohio	OTC	24.50	2.1	7.0	0.70	2.9	24.50*	24.00	2.2
Northwestern Natl Life Ins	OTC	30.38	0.0	6.7	1.25	4.1	30.38	30.38	30.1
Ohio Cas Corp	OTC	43.13	5.2	7.2	2.04	4.7	43.63	41.00	67.8
Old Rep Intl Corp	OTC	16.50	-1.5	4.5	0.92	5.6	16.88	16.50	79.7
Pinehurst Corp	OTC	7.00	0.0	0.0	0.00	0.0	7.00	7.00	10.5
Preferred Risk Life Ins Co	OTC	19.25	-1.9	6.5	0.80	4.2	19.38	19.25	16.6
Provident Life & Acc Ins Co	OTC	49.00	7.7	7.2	2.20	4.5	49.00*	46.50	22.4
Republic Natl Life Ins Co	OTC	28.75	6.0	17.3	0.70	2.4	29.50*	27.50	7.2
Ryan Ins Group Inc	OTC	22.75	-5.2	9.0	0.12	0.5	23.75	22.75	1.8
St Paul Cos Inc	OTC	46.50	11.0	8.8	2.32	5.0	46.75*	42.50	186.2
Safeco Corp	OTC	39.13	-0.3	7.3	2.00	5.1	40.13	39.13	61.9
Sri Corp	OTC	24.50	1.0	6.1	0.80	3.3	24.50*	24.50	14.2
Seibels Bruce Group Inc	OTC	23.13	5.1	11.7	0.80	3.5	23.13*	22.00	55.9
Statesman Group Inc.	OTC	5.75	0.0	4.4	0.15	2.6	5.88	5.75	35.8
Tokio Marine & Fire Ins Co	OTC	181.63	9.7	20.1	1.03	0.6	185.38*	177.38	8.6
Travelers Corp	NYSE	49.00	-2.0	5.7	2.88	5.9	49.88	49.00	408.3
United Fire & Cas Co	OTC	48.50	0.0	12.7	1.00	2.1	48.50	48.50	3.9
United States Fid & Gty Co	NYSE	45.50	0.8	5.6	3.20	7.0	46.63*	45.38	127.4
United Svcs Life Ins Co	OTC	16.00	-0.8	6.6	1.00	6.3	16.13	15.88	37.6
Uslife Corp	NYSE	30.75	0.0	7.6	0.72	2.3	31.25	30.63	165.0
Washington Natl Corp	NYSE	26.25	5.5	7.7	1.08	4.1	26.50*	24.63	147.6
Zenith Natl Ins Corp	OTC	17.00	-1.4	10.0	0.50	2.9	17.25	17.00	23.3
INSURANCE COMPANIES	AVERAGE			8.4		3.7			
Agents/Brokers									
Alexander & Alexander Svcs	OTC	34.75	-7.3	11.5	1.84	5.3	37.25	34.75	210.5
Baldwin & Lyons Inc	OTC	33.50	0.0	5.8	0.80	2.4	33.50	33.50	2.8
Corroon & Black Corp	NYSE	25.00	-1.0	11.6	1.76	7.0	25.63	24.88	256.1
Crump E H Cos Inc	OTC	11.63	1.1	10.7	0.40	3.4	11.63	11.50	8.8
Hall Frank B & Co Inc	NYSE	27.75	2.8	10.1	1.60	5.8	27.75	27.00	191.3
Integrated Res Inc	AMEX	16.75	-2.2	7.8	0.00	0.0	17.50	16.75	20.5
James Fred S & Co Inc	NYSE	27.88	0.5	12.0	1.60	5.7	27.88*	27.50	241.5
Marsh & Mclennan Cos Inc	NYSE	37.38	2.7	12.0	2.00	5.4	39.25*	36.63	105.9
Penncorp Fincl Inc	NYSE	6.00	0.0	5.4	0.16	2.7	6.00	5.88	128.5
Poe & Assoc Inc	OTC	11.50	0.0	10.2	0.80	7.0	11.50	11.50	0.1
Reed Stenhouse Cos Ltd	OTC	12.50	0.0	11.9	0.56	4.5	12.75	12.50	106.8
Rollins Burdick Hunter Co	OTC	23.75	-6.9	12.4	1.24	5.2	25.25	23.75	42.5
AGENTS/BROKERS	AVERAGE			9.7		4.8			
Conglomerates/Holding Cos.									
American Express(Fireman's Fd)	NYSE	44.13	8.3	8.3	2.00	4.5	45.50	44.13	3,099.9
Anderson Clayton(Ranger/PanAm)	NYSE	22.75	-0.5	6.2	1.20	5.3	23.75*	22.75	49.0
Armco Inc	NYSE	37.50	0.0	9.6	1.64	4.4	37.50	37.00	355.0
City Investing Co. (Home Ins.)	NYSE	28.38	0.0	7.9	1.60	5.6	29.00*	27.63	864.6
CNA Finl Corp (CNA)	NYSE	18.00	3.6	6.6	0.00	0.0	18.50*	17.25	40.1
Control Data (Comml. Credit)	NYSE	77.00	3.7	9.1	0.90	1.2	78.50*	76.38	818.5
General Re Corp	NYSE	70.50	6.2	10.0	1.76	2.5	71.88*	66.63	80.8
INA Corp (Ins. Co. of NA)	NYSE	44.63	1.1	6.2	2.40	5.4	46.63*	44.63	311.3
ITT (Hartford Group)	NYSE	35.25	6.4	5.8	2.60	7.4	35.25*	32.88	1,188.3
Reliance Group Inc	NYSE	79.88	8.7	6.4	3.00	3.8	84.00*	73.00	68.7
Sears Roebuck & Co. (Allstate)	NYSE	20.13	3.9	10.5	1.36	6.8	20.50*	19.00	3,027.6
S & H Co. (Bayly Martin & Fay)	NYSE	33.38	5.1	15.5	1.00	3.0	33.38*	31.75	24.0
Teledyne Inc (Argonaut)	NYSE	153.50	1.0	9.4	0.00	0.0	157.00*	153.50	419.0
Transamerica Corp (Occidental)	NYSE	22.00	4.8	6.0	1.28	5.8	22.25*	21.63	507.0
CONGLOMERATES/HOLDING COS.	AVERAGE			8.1		3.0			

*Record high/low since Jan. 1, 1981.

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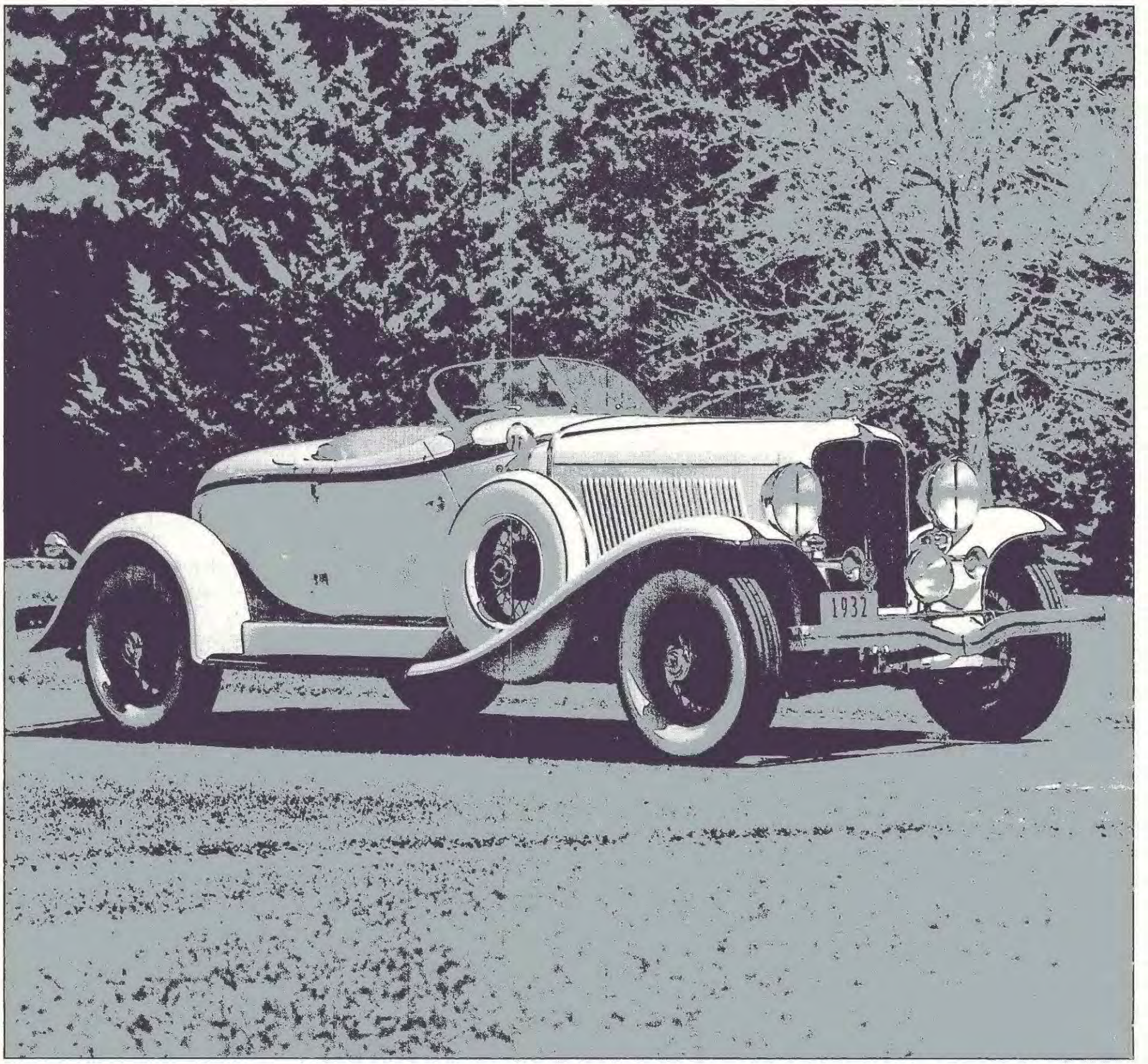

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