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update

M&M says trading losses will cut earnings by $90 million

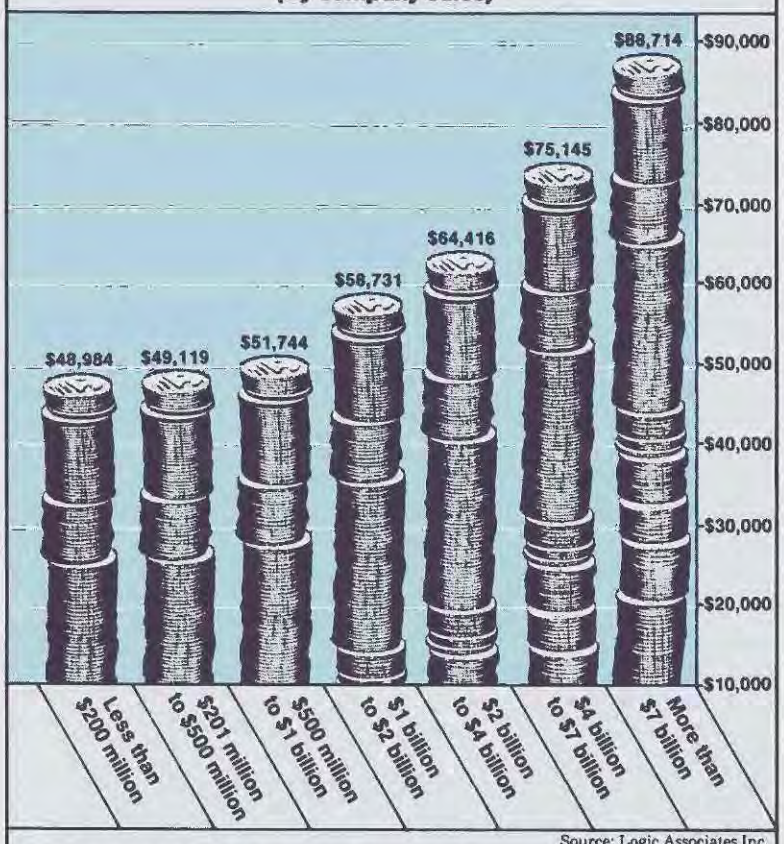
NEW YORK—Marsh & McLennan Cos. Inc says its will incur $90 million in aftertax losses because of unauthorized bond trading, a 50% increase over the company's earlier $60 million estimate (*BI*, April 16).

The revised figure reflects additional unauthorized investments the company says it discovered in an investigation into the trading activities of one of its investment managers.

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Risk managers' compensation

(By company sales)



Source: Logic Associates Inc.

Risk managers' compensation still tends to increase with company size, Logic Associates Inc.'s latest risk management compensation survey shows, but small-company risk managers are closing the gap. Surveyed risk managers at small firms reported much higher average increases in compensation during 1983 than those at large corporations. Besides reporting on salaries and bonuses, the survey of 1,117 risk managers also contains interesting observations on risk managers' ages and levels of experience, their educational backgrounds and their various responsibilities. For the complete results, turn to page 3.

11th-hour legislation would save most FSAs

By JERRY GEISEL

WASHINGTON—Rep. Barber Conable, R-N.Y., says he will try to rescue flexible spending accounts from the clutches of the Internal Revenue Service.

Rep. Conable will make his move in a congressional conference committee scheduled to begin meeting this week to resolve differences between the House and Senate tax bills, which already contain several provisions that affect risk and benefit management (*BI*, April 23).

He will attempt to attach to the final deficit reduction bill a dramatic new proposal, already broadly supported by employers, that would overturn a February IRS news release that invalidates most FSAs. The measure would also void expected IRS regulations on flexible accounts.

(The IRS late last week released long-awaited questions and answers that explain what types of flexible benefit arrangements are valid under Section 125 of the Internal Revenue Code. See story, page 2.)

But Rep. Conable may have an uphill battle to convince other congressmen, particularly those from his own political party, to accept his FSA plan because of immediate and intense opposition from the Reagan administration.

"We would have to oppose the Conable proposal," summed up John Chapoton, assistant secretary for tax policy at the Treasury Department and the administration's chief spokesman on tax issues before Congress.

The proposal, which Rep. Conable unveiled at last week's annual meeting of the Assn. of Private Pension & Welfare Plans in Washington, would require employees participating in FSAs to choose in advance the benefits they want to fund, would place a cap on the value of benefits offered in an FSA and would require employees to roll over unused benefits into a benefits bank for use the next year.

'I'm concerned about the uncertainty the Treasury Department has created (regarding FSAs).'
– Rep. Barber Conable





'We would have to oppose the Conable proposal. (It) is not good policy and is not permitted under the code.'
– Treasury's John Chapoton

The proposal, which would modify Section 125, which governs flexible benefit programs, would go into effect Jan. 1, 1985, giving employers several months to make changes to their plans.

This prospective feature would mean that employers would not have to reissue millions of W-2 income statements for employees now covered under FSAs.

By contrast, the IRS news release said employees and employers who have taken advantage of the tax savings offered through FSAs are retroactively liable for additional taxes, interest and possible penalties.

"I'm concerned about the uncertainty the Treasury Department has created," Rep. Conable told the APPWP.

"I wanted something that could be discussed before the conference committee," added Rep. Conable, the

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Bill would repeal Louisiana work comp law

By CAROL CAIN

BATON ROUGE, La.—Louisiana's governor is keeping his campaign promise to try to do away with the state's 10-month-old workers compensation wage-loss law and office of administration.

Last week Gov. Edwin W. Edwards, a flamboyant Democrat, had a bill introduced in the state Senate that would repeal the 1983 workers compensation reform law, specifically eliminating the Office of Worker's Compensation Administration and replacing the wage-loss concept of compensation (*BI*, Jan. 24, 1983).

However, the details of the proposed new system are being closely guarded by the governor's staff and labor backers. Although the bill has been introduced, no one else knows yet what it specifically proposes and copies of the bill are not yet available.

Under a wage-loss system, first introduced in Florida in 1979 and since adopted only by Louisiana, permanent partial disability benefits are replaced by compensation only for proven lost wages after a job-related injury. However, Gov. Edwards' administration believes this system is unfair to injured employees.

Gov. Edwards also said the Office of Worker's Compensation Administration is an unnecessary layer of bureaucracy.

Before the 1983 law, Louisiana was the only state that did not have an administrative office for workers compensation; all disputed benefits were decided in the courts. But Gov. Edwards pledged in his re-election campaign to abolish the office.

And S.B. 1099, introduced just minutes before the midnight deadline for filing bills on April 30, proposes to do just that.

The labor-written, labor-backed measure was introduced by Sen. Nat G. Kiefer, D-New Orleans, and Sen. Donald Kelly, D-Natchitoches. Besides eliminating the office of administration, the bill also would eliminate the schedule of "supplemental earnings benefits," a term used in Louisiana rather than wage-loss.

But, the bill would still require employers to report injuries and continue to mandate rehabilitation services for seriously injured workers.

"The new law completely does away with everything done last year," said Ben Bradford, a staff attorney with the Senate Committee on Labor and Industrial Relations, where the bill was sent after its introduction.

Mr. Bradford, who, helped draft the measure along with attorneys from the Louisiana AFL/CIO, was reluctant to share details of the package since a final version was still at the printer's, along with the several hundred other bills filed last week.

Other aides and attorneys in the governor's office also skirted questions about details of the bill. In fact, *Business Insurance's* inquiries about the bill have been put off by aides of the governor for the last several months.

Even after the bill was introduced, busi-

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IRS issues Q&A on flexible benefit plans
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update

M&M trading losses increase

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Leonard M. Wilson, a special limited partner with L.F. Rothschild, Unterberg, Towbin in New York, estimates that if all the losses are charged against first-quarter earnings, net income will be reduced to a loss of $2.50 per share. He estimates M&M's first-quarter earnings before the trading losses at $1.10 a share.

M&M said that it and its accountants are deciding whether to restate its 1983 earnings.

M&M has delayed release of its first-quarter results until May 15 and has announced that its annual meeting, now set for May 16, may be postponed "for several weeks" (see story, page 35).

Last month, M&M announced that it had suspended the investment manager, who had accumulated a $2 billion position in intermediate- and long-term government bonds in violation of company rules.

M&M Chairman John M. Regan Jr. would not comment on the face amount of the newly discovered securities, but adds that total position still amounts to "well under" $2.5 billion.

The company is still investigating whether client premium funds held in a fiduciary capacity were used either to pay margin calls on the government bond position or to purchase the other securities. In a letter to shareholders, Mr. Regan noted that the trading activity could represent a violation of state and federal laws and that "sanctions may be imposed."

New York insurance law generally limits a broker's investment of fiduciary funds to various types of bank deposits.

New York Insurance Superintendent James Corcoran says M&M is cooperating with a departmental inquiry and that examiners will probably be sent to the company in "a week or two."

Satellite salvage planned

LONDON—Satellite insurance underwriters, with the approval of the Indonesian government, want to attempt to recover Indonesia's Palapa B2 communications satellite, which failed to reach proper orbit after it was launched from the space shuttle in February.

Subject to approval from the National Aeronautics and Space Administration and Hughes Aircraft Co., the probe's manufacturer, the first attempt to salvage a commercial satellite could occur as early as August, says Stephen Merrett, chairman of Merrett Holdings P.L.C. and the leading Lloyd's of London reinsurer on the risk.

The salvage may save underwriters about $20 million of the potential $75 million claim on the satellite, Mr. Merrett said, even after the costs of the recovery mission, the special equipment needed to recover the probe and a possible re-launch are taken into consideration (*BI*, Feb. 13).

However, no plans have been made so far to recover the Westar VI, a communications satellite owned by Western Union Corp. of Upper Saddle River, N.J., London sources say. The Westar was lost on the same shuttle mission as the Palapa.

Mr. Merrett, who leads the second of the three layers of coverage on the $80 million probe, says his syndicates have not yet paid the Westar claim. "The position on our layer is that no claim has been finalized and no payment has been made," he said.

The Westar VI was insured for about $107 million, which included loss-of-revenue coverage.

Judge OKs risk retention group

WILMINGTON, Del.—The 11,000-member Home Owners Warranty Corp. has formed a bona fide product liability risk retention group, a federal judge says.

U.S. District Court Judge Walter Stapleton said the home builder's insurance company, known as HOW Insurance Co., qualifies as a risk retention group under a 1981 federal law because its primary activity is providing product liability coverage to its members.

Judge Stapleton ruled last year that a minor part of the HOW program, involving warranty coverage, was not product liability coverage.

A group can keep its status as a risk retention group, and thus be exempt from most state regulations, if the non-product liability coverage "is an integral and necessary part of an insurance program, the primary thrust of which is to provide product liability coverage," Judge Stapleton said.

The decision is the second blow to Delaware insurance regulators, who for two years have tried to block HOW's attempt to operate as a Delaware-based risk retention group. Judge Stapleton last year ruled that the 1981 Risk Retention Act and not state law would be the only guide in determining the exposures a risk retention group can insure (*BI*, Oct. 17, 1983).

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New York state suing Exxon for alleged Hudson pollution

By DOUGLAS McLEOD

NEW YORK—The state of New York is suing Exxon Corp. for more than $15 million, alleging that Exxon oil tankers polluted the Hudson River while illegally removing fresh water for use in the company's refining operations.

The lawsuit follows a breakdown in settlement negotiations between the state and the giant oil company, which had offered $1.5 million to settle claims brought by the state, the federal government and two other organizations.

The federal government and the two groups—the Hudson River Fishermen's Assn. and the Natural Resource Defense Council—last month accepted a $500,000 settlement from Exxon.

But the state of New York, which had participated in the negotiations since November, withdrew and filed its complaint in Ulster County Supreme Court.

Under the terms of last month's settlement, Exxon will pay $250,000 to the fishermen's group, located in Cold Spring, N.Y., which was represented by the Natural Resource Defense Council. Exxon will contribute another $250,000 to the Open Space Institute Inc., a New York-based not-for-profit corporation that will use the money to finance conservation projects in the Hudson River area.

An Exxon spokesman said the company has no insurance coverage for the settlement. The company had no comment on whether its insurance would cover any award the state may win in court.

A "major sticking point" in negotiations between Exxon and the state was the extent to which use of the settlement money would be restricted, a spokesman for the state attorney general's office said.

The state insisted that settlement money be paid into the state's general fund, while Exxon demanded that any settlement be used for the improvement of the Hudson River environment.

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Hospitals form comp captive

By STEVE TARAVELLA

SAN BRUNO, Calif.—Health Facilities Reinsurance Co., a newly licensed Cayman Island captive insurance company, expects to underwrite about $1 million in workers compensation premium annually for convalescent hospitals.

The captive's parent company is Health Facilities Holdings (Cayman) Ltd., a joint venture involving nine California convalescent hospitals; Sacramento Valley Insurance Agency; R.G. Business Insurance Agency Inc. in South El Monte, Calif.; John Burnham & Co. in San Diego; and Captive & Self Insurance Services Inc., a San Bruno, Calif., subsidiary of HL Capital Management Corp.

Each party controls less than 10% of the captive.

The captive, which was licensed late last year and expects to be operational by the end of this year, will be managed by Captive & Self Insurance International Underwriting (Cayman) Ltd., another HL subsidiary. Bank America Trust & Banking Corp. (Cayman) Ltd. will

Continued on page 32

IRS proposal says employees must forfeit unused FSA funds

By JERRY GEISEL

WASHINGTON—Employees that participate in flexible spending account programs will have to "use it or lose it," the Internal Revenue Service says.

The IRS late last week published its long-awaited proposed rules governing cafeteria and flexible benefit plans, including FSAs.

Those proposals, published in the form of 21 questions and answers, say that employees must forfeit any benefits that remain in a flexible spending account at the end of a year, even if they are contributed by employees through salary reduction.

Unused benefits could not be transferred to a "benefit bank" to be used during the next plan year, the IRS says, nor could they be rolled over into a 401(k) savings plan.

In addition, an employee could not receive cash that an employer contributed to the account. For example, if an employer contributed $500 to cover a medical care deductible and $250 remained at the end of a year, the employee would have to forfeit that $250.

Under the proposed rules, which closely follow a Feb. 10 IRS news release (*BI*, Feb. 20), any plan that is considered valid under Section 125 of the Internal Revenue Code, which governs FSAs and flexible benefit plans, must require employees to select in advance the benefits they will receive and forfeit all unused benefits or cash at the end of the year.

Few FSAs now in existence have both requirements.

The only time an employee could change benefits during a plan year would be if there was a change in "family status," such as marriage, divorce, death of a family member or the birth or adoption of a child.

The proposed regulations do provide limited relief to companies

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errors & omissions

• The New York Insurance Exchange, which is the ninth-largest U.S. reinsurer based on 1983 net written premiums, was omitted from a *Business Insurance* listing of the 20 largest U.S reinsurers compiled from a study by the Reinsurance Assn. of America (*BI*, April 30). The exchange reported 1983 net written reinsurance premiums of $178.5 million and net earned reinsurance premiums of $149.2 million. Its policyholder surplus at year-end stood at $189.5 million, while its 1983 combined ratio was 119.6%.

In addition, New England Reinsurance Corp. should have been listed in the 12th spot on the chart, according to the RAA study. New England Re reported net written reinsurance premiums of $127.6 million and net earned reinsurance premiums of $110.3 million. Its policyholder surplus at year-end totaled $36.9 million, while its 1983 combined ratio was 119.4%.

Lloyd's to revise regulations for brokers, Davison says

By STACY SHAPIRO

BRISTOL, England—Lloyd's of London will revise the regulations governing Lloyd's brokers by next year, says the market's chief executive.

The Council of Lloyd's will draft new rules that will define the duties of a Lloyd's broker, what companies can own Lloyd's brokers and how the brokers will have to comply with an edict that they divest their underwriting management agencies, Lloyd's Chief Executive Ian Hay Davison says.

After the new rules are promulgated, all 270 Lloyd's brokers will have to re-register with Lloyd's to be allowed to do business with the market, Mr. Davison said at the annual conference of the British Insurance Brokers' Assn., held April 27-30 in Bristol.

First, the Council of Lloyd's, the market's top governing body, will adopt bylaws—possibly later this month—that will spell out the rules under which the brokers will be allowed to sell their underwriting agencies.

Under the Lloyd's Act of 1982, brokers must divest themselves of these agencies by July 22, 1987.

"This (divestment) clearly will cause a major upheaval," Mr. Davison said. "Our intent throughout has been and remains to ensure that minimum disruption is caused although some 80% of the entire market capacity will be affected by the divestment program."

Next, the Lloyd's Council will act on what types of companies will be allowed to own Lloyd's brokers, he said.

For many years, Lloyd's had followed an unwritten rule that stated that non-Lloyd's companies should not hold more than a 20% stake in a Lloyd's broker, unless the interest was approved by the Lloyd's Committee.

However, in the last decade, Lloyd's has allowed the major U.S. brokers—including Marsh & McLennan Cos. Inc., Alexander & Alexander Services Inc. and Frank B. Hall & Co. Inc.—to acquire Lloyd's brokers. However, the U.S. brokers signed an agreement when

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Taking risk managers' pulse

Pay, bonus increase most at small firms

By JAMES M. BURCKE

Last year was very profitable for risk managers at small corporations, a new study shows.

Risk managers at companies with less than $200 million in sales reported an average total compensation—salary and bonus—of $48,984 in 1983, according to a survey by Logic Associates Inc. That's an increase of 33.6% over the average 1982 compensation of $36,678 reported by risk managers in this size category in a survey released last year (*BI*, May 23, 1983).

And, the increase in 1983 compensation among risk managers at companies with less than $200 million in sales dwarfed the monetary gains reported by those in any of the larger categories surveyed.

For instance, risk managers in the next-largest category, companies with $201 million to $500 million in sales, reported their 1983 compensation increased an average of 20.2% to $49,119 compared with $40,859 in 1982.

Their average 1983 compensation of $49,119 was only $135 more than that received by risk managers at the smaller companies.

Risk managers at employers with $2 billion to $4 billion in sales reported only a 7.2% increase in compensation. And, those in the largest group surveyed, companies with more than $7 billion in sales, actually saw their compensation *decline* by 9.2%, although the sampling in this category was so small—24 risk managers—that year-to-year comparisons cannot be regarded as meaningful.

Differences in the number and composition of the survey respondents in the 1982 and 1983 surveys could increase the margin of error.

In all, 1,117 risk managers responded to the 1983 compensation survey, a 28% rate of return. In 1982, 962 risk managers responded to the survey, for a 42% rate of return.

The sampling is based on a mailing list drawn from *Business Insurance* subscribers by Logic Associates, a New York-based recruiting firm specializing in the risk and safety management professions.

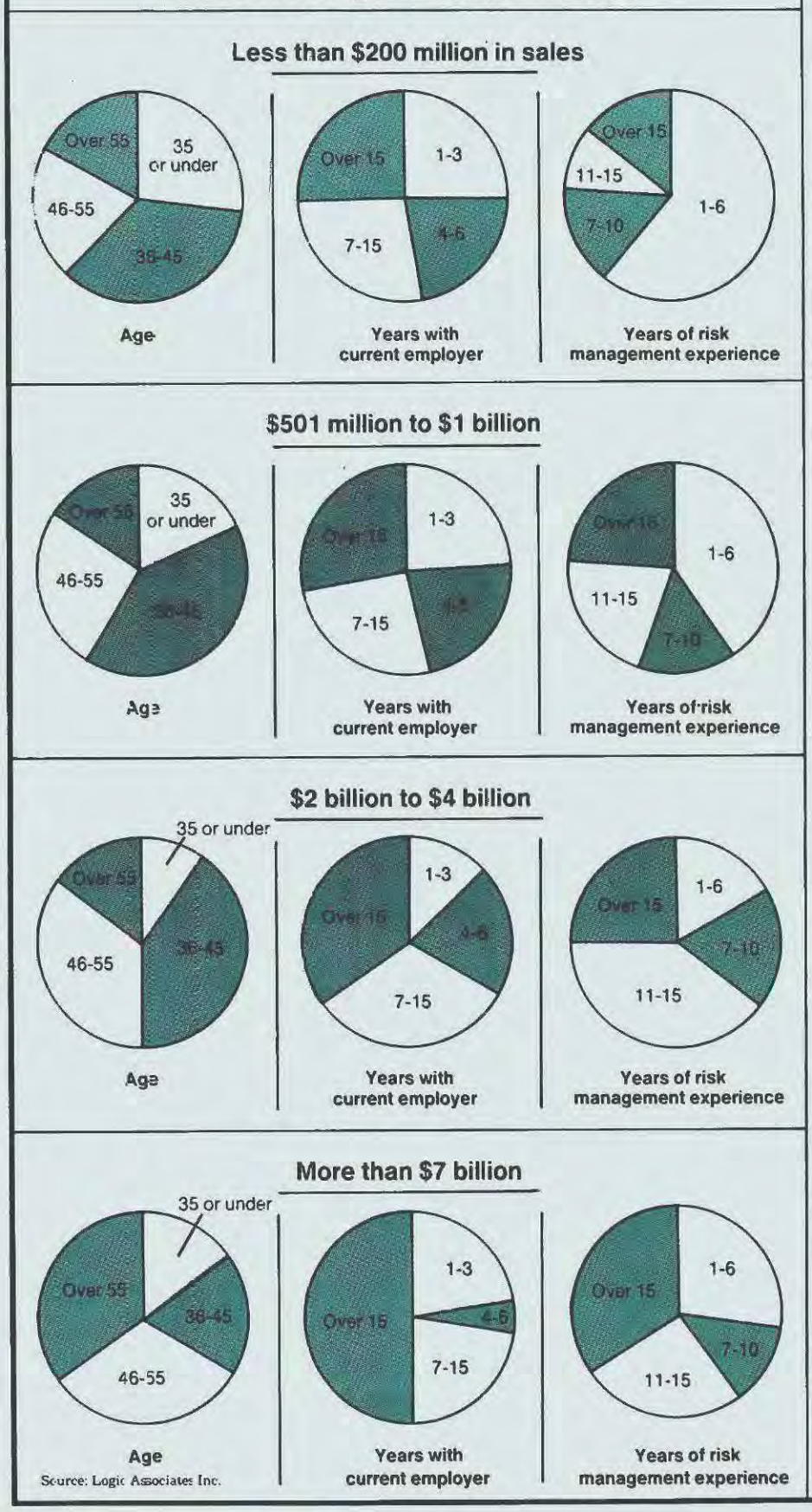
Although the survey attempts to determine the average salary of risk managers at companies across the nation, it must be noted that almost 61% of the responses were received from risk managers in just eight states: California, Connecticut, Illinois, New Jersey, New York, Ohio, Pennsylvania and Texas.

And, more than 68% of the responses were submitted by risk managers at companies with less than $1 billion in sales.

Although sampling errors and other statistical variations make it impossible to conclude that most small company risk managers took home 33% more in 1983 than they did in 1982, it's clear that these risk managers' compensation improved considerably in 1983.

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Risk managers' experience



Source: Logic Associates Inc.

Giants hiring older, savvy risk managers

By JAMES M. BURCKE

Risk managers at large corporations are older, have more risk management experience and are less likely to change employers than risk managers at smaller companies, according to a new study.

Large-company risk managers also have larger staffs and are better educated than those at smaller firms, the study shows.

But, more women are taking the risk management reins at smaller companies than at the nation's corporate giants.

And, small-company risk managers are far more likely to be divorced or separated, according to the 1983 risk management compensation survey compiled by Logic Associates Inc., a New York-based recruiting firm specializing in the risk and safety management professions.

Some 1,117 risk managers responded to the Logic survey, for a 28% rate of return.

Besides asking risk managers to report their salaries and bonuses, the survey also requested a variety of demographic information, such as their age, the number of years they have worked in the risk management profession and how long they have been with their current employer.

The study also surveyed risk managers on their marital status, their educational backgrounds, the size of their staffs and their use of captive insurance companies.

According to the survey, the top risk management posts at the largest U.S. corporations are most likely to be filled by people over the age of 45 with more than 10 years of risk management experience who have been with their current employers for at least 15 years.

For example, 36.4% of the risk managers at companies with more than $7 billion in sales are over the age of 55, while another 31.8% are between 46 and 55 (see chart).

By contrast, only 19.1% of the risk managers at the smallest companies surveyed—those with less than $200 million in sales—are over 55 years of age, and only 19.8% are between 46 and 55.

Likewise, relatively few young executives have gained the top risk management post at the nation's largest corporations. Only 13.6% of the risk managers at the surveyed companies with sales exceeding $7 billion were age 35 or under, while only 18.2% were between 36 and 45.

However, risk management is a task most often undertaken by younger managers at the smaller companies. Some 27.2% of the risk managers at companies with less than $200 million in sales are 35 years or under, while almost 40% of the risk managers at

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At small companies, duties are more non-traditional

*Risk managers' responsibilities**

(By company sales)

Duty	Less than $200 million	$201 million to $500 million	$501 million to $1 billion	$1 billion to $2 billion	$2 billion to $4 billion	$4 billion to $7 billion	More than $7 billion
Risk financing	44.1%	58.5%	75.6%	70.0%	79.1%	81.6%	79.1%
Negotiate coverage placement	71.1%	67.2%	89.5%	85.0%	79.8%	75.5%	75.0%
Claims handling	46.5%	53.8%	62.8%	65.6%	51.3%	49.0%	58.3%
Safety/fire engineering	24.7%	22.9%	32.5%	28.8%	8.4%	24.5%	33.3%
Security	15.9%	4.7%	5.8%	10.0%	5.0%	8.2%	4.2%
Benefits administration	39.4%	7.1%	11.6%	23.1%	3.4%	6.1%	4.2%
Pension/profit sharing	32.3%	4.7%	6.8%	21.2%	3.4%	4.1%	4.2%

* Risk managers reporting "hands-on" responsibility

Source: Logic Associates Inc.

By JAMES M. BURCKE

Many smaller-company risk managers have direct responsibility for areas not typically associated with risk management.

For instance, 39.4% of the risk managers at companies with less than $200 million in sales are also benefit administrators, a new survey shows. Only 4.2% of the surveyed risk managers at companies with sales exceeding $7 billion have direct, "hands-on" responsibility for benefit administration (see chart).

And, 32.3% of the risk managers at the smallest employers surveyed have direct responsibility for their company's pension and profit-sharing plans. Again, only 4.2% of the risk managers at companies with more than $7 billion in sales have such responsibilities.

However, risk managers at larger companies are much more likely to have direct hands-on responsibility for risk financing than risk managers at smaller firms.

More than 81% of the surveyed risk managers at companies with $4 billion to $7 billion in sales reported they have direct responsibility for risk financing, compared with only 44.1% of the risk managers at companies with less than $200 million in sales.

And, risk managers at large companies are more likely than smaller-company risk managers to be responsible for supervising other employees who have direct responsibilities for risk management tasks, the survey notes.

This glimpse at the responsibilities of risk managers at companies of different sizes is contained in the 1983 risk management compensation survey compiled by Logic Associates Inc., a New York-based recruiting firm specializing in the risk and safety management professions.

Logic received 1,117 responses to the mail survey, which equals a 28% rate of return.

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Allstate assumes some Equitable policies

Allstate Life Insurance Co., a Sears, Roebuck & Co. subsidiary, will assume the group life, health and disability insurance business written by the Equitable Life Assurance Society of the United States for groups with 10 to 99 employees.

Allstate will assume liability for the policies on July 1 and will start to reissue the coverages through an Allstate affiliate, Northbrook Life Insurance Co.

Under the agreement signed by Equitable and Allstate, Equitable agents may continue to sell small group coverages that will be insured by Northbrook.

"We believe that the small- and medium-sized group insurance market offers Allstate tremendous growth opportunities," said Herbert E. Lister, president of Allstate Life Insurance Co. "We intend to be a major provider of group insurance for this market segment."

Equitable announced last year that it intended to stop underwriting small group business. It has already transferred group coverage for firms with less that 10 employees to Colonial Penn Life Insurance Co.

markets

Claims company

Michigan Claim Service Inc., a Lansing-based claims adjusting specialist, has formed a New Orleans subsidiary, Adjusting Services Unlimited Inc.

The new firm will handle property, casualty and workers compensation claims. It is located at 1111 Veterans Blvd., Suite 8, Kenner, La. 70063; 504-831-0951 and 504-469-3989.

Bank consultant

Alfred B. Schaeffer, the former president of broker Republic Hogg Robinson Inc., has helped form a new consulting company called Financial Institution Advisory Group Inc.

The Los Angeles-based consulting company will serve as a consultant to banks and savings and loan institutions that are contemplating entering the insurance business. Mr. Schaeffer is chairman, president and chief executive officer of the company.

HMO membership

The number of members enrolled in United States Health Care Systems health maintenance organizations in Pennsylvania and New Jersey has increased to 215,000, says Willis B. Skillman Sr., the company's vp of marketing.

The Willow Grove, Pa.,-based firm plans to open HMO operations in Jacksonville and Orlando, Fla., this year.

Association marketing

Johnson & Higgins has formed a joint venture with Kirke Van Orsdel, a brokerage firm and administrator of group insurance programs for associations based in Des Moines, Iowa.

The new Des Moines-based company, Johnson & Higgins/Kirke Van Orsdel, will be held jointly by the two firms, which otherwise will continue to operate independently.

The new company will allow J&H to streamline its marketing and administrative services for association accounts, according to Robert V. Hatcher Jr., J&H's chairman and chief executive officer.

J&H also plans to use the Kirke Van Orsdel's mass-marketing facilities to offer finance-related products like tax-deferred annuities and payroll-deduction life insurance programs.

New offices

Scott Wetzel Services Inc., an affiliate of **The Home Group Inc.**, has moved to new offices at Union Bank Center, 5200 W. Century Blvd., Suite 390, P.O. Box 45059, Los Angeles, Calif. 90045; 213-649-4710. ■

ACLI considers annuities return

WASHINGTON—Members of the American Council of Life Insurance will meet today to consider a proposed plan to increase the return to holders of single-premium deferred annuities issued by Baldwin-United Corp. subsidiaries.

"It's not clear yet what final proposal will be made," an ACLI spokesman said. "Nobody has a good handle on the numbers."

Contributions from life insurers totaling about $50 million had been suggested by other sources, he said.

Any "enhancement plan" that ACLI proposes to increase annuity holders' return would be voluntary. Because contributions would come from the council's 601 members, their approval is necessary for the plan to work.

Last July, six Baldwin-United life insurance subsidiaries domiciled in Arkansas and Indiana were ordered into rehabilitation by state regulators after an examination revealed that a substantial portion of the companies' listed assets were overvalued securities from other Baldwin units.

The proposed contributions from other life insurers would help repair the life insurance industry's image, which was tarnished by problems created by the Baldwin-United single-premium deferred anuities. Besides writing SPDAs themselves, some life insurers also marketed annuities issued by Baldwin units.

A plan approved by courts in both states that went into effect last week allows annuity holders to receive a near-market interest rate on their policies and make staggered withdrawals of equity over 3½ years.

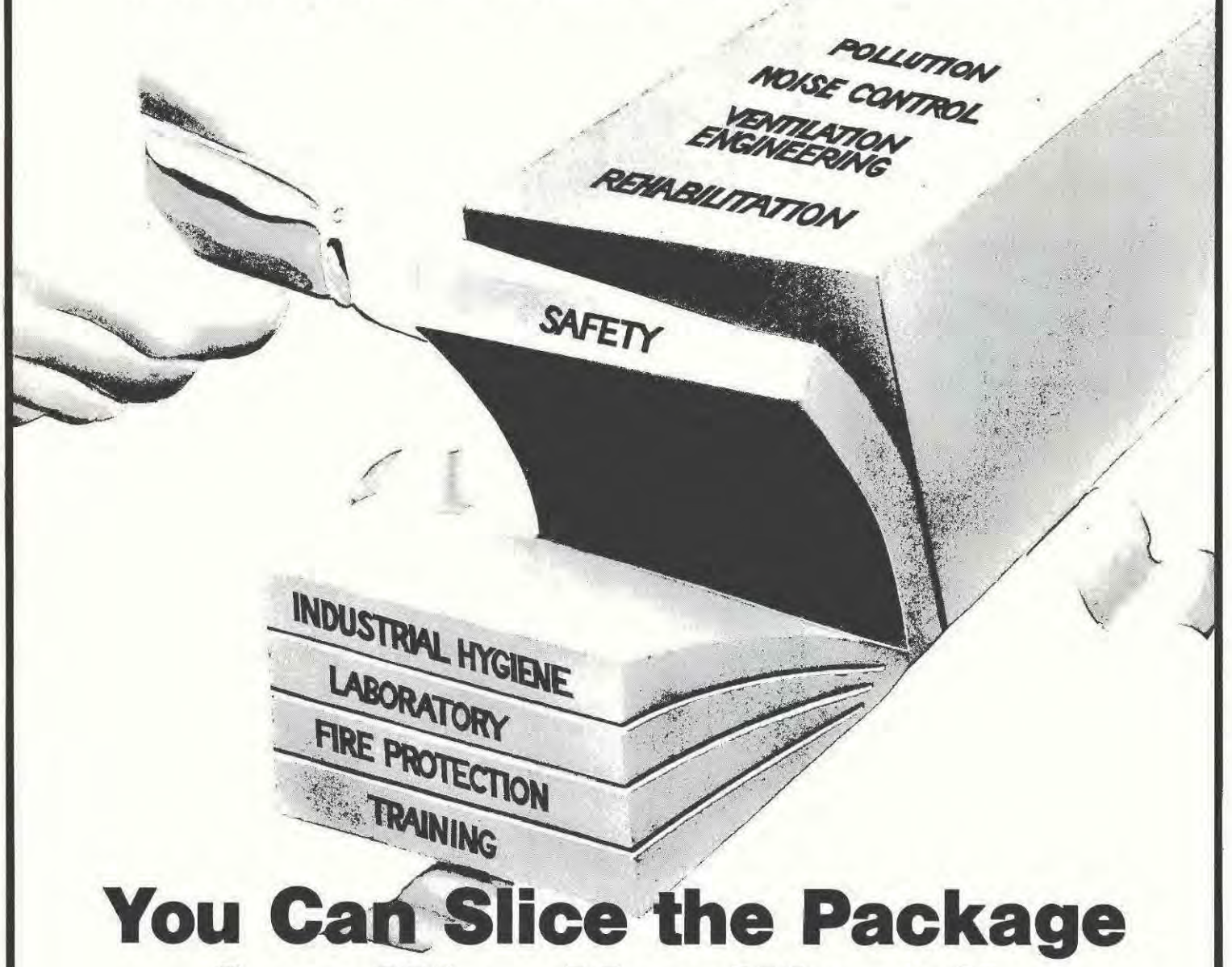
The "enhancement plan" that ACLI members are considering would increase policyholders' return, because additional funds would be available for payments.

Insurance regulators in Arkansas and Indiana have been meeting since February with representatives of the securities brokerage and life insurance industries to develop enhancement plans. The Baldwin annuities also were sold by securities brokerages.

Earlier this year, some brokers announced programs that would set aside funds to increase the returns on the Baldwin-United annuities they had sold.

Any enhancement plan to increase annuity returns above the levels already approved by courts also would have to be court-sanctioned. ■

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You don't have to be an international conglomerate to qualify. We can draw up a Split Risk plan for companies with as few as 100 covered employees.

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opinions

So why the big secret?

LOUISIANA Gov. Edwin Edwards' method of undoing the state's 1983 workers compensation reform law is no way to run a workers compensation system.

We are appalled at the way the governor is making good on his campaign promise to repeal the 1983 reform law that set up the state's first office of administration for workers compensation claims and introduced a wage-loss system of compensation.

Gov. Edwards has kept his repeal legislation—and what he proposes in its stead—under tight wraps, going to such lengths as introducing the bill at the last possible minute and then keeping copies away from interested employers and the press, contending copies were still being printed.

Why is the governor being so secretive about his proposal? Is he afraid that once employers see the bill they will be able to rally their forces and squash his effort to repeal the 10-month-old reform law? If his proposed system is better, why is he keeping it a secret?

Without the bill, we are at a loss to figure out what the governor intends to do. After abolishing the office of administration, does he want to throw all those contested workers compensation claims back to the courts? If he does, Louisiana will again become the only state in the nation without an administrative system that helps injured workers and employers reach settlements without the cost of litigation. What a boon for the lawyers.

If the governor has some fantastic new plan for economically settling disputes between employers and employees, he should be explaining it, not refusing to discuss it.

By repealing the wage-loss system, does the governor intend to return to the state's former system or does he have another program?

Whatever the governor's plans for a new system, repealing a workers compensation law that has been in effect for less than a year is certainly going to be disruptive, to say the least.

Like we said, it's no way to run a workers compensation system.

letters

So many RIMS conference sessions, so little time

To the editor: I have just finished reading the April 16 issue of *Business Insurance*. While I thought the articles concerning the various miniseminars held at the recent Risk & Insurance Management Society conference were interesting and summarized the information imparted at these sessions well, there was a glaring lack of reports regarding the industry sessions held at the conference.

There were 43 industry sessions, which met for one or two days to discuss issues of common concern or to be addressed by experts in specific areas relating to risk management and insurance.

While the miniseminars have always been of the highest quality, for many of us the industry sessions have always been the highlight of the conference. The industry sessions are one of the rare opportunities for those of us in specific industries or governmental entities to gather together to share a common experience and to share solutions to our many risk management problems.

I believe the interests of your readers would be well-served by your reporting on the industry sessions.

Thomas D. Lewison
Corporate Risk & Insurance Manager
Degussa Corp.
Teterboro, N.J.

■ *Despite having nine BI reporters covering sessions, we could not extensively cover both industry sessions and employee benefit seminars because they were held simultaneously. Benefit sessions were held only Monday and Tuesday. Also, many of the industry sessions were closed entirely or in part to the press by the session chairmen. We certainly would appreciate the opportunity to report on industry sessions and would welcome invitations to do so from the chairmen.*

Health care cost containment starts with providers

To the editor: Responding to Peter L. Hutchings' letter (BI, April 16), it is reassuring to learn that there is an underlying strategy, albeit theory, that swells or expands the utility of flexible spending accounts. One could not persuasively argue with the findings of the Rand Corp. study or of LTV Corp. that FSAs are a wonderful way to accelerate the shifting of health care costs to the employee from the employer. Whether the net effect constitutes cost containment depends on whose ox is least gored.

Perhaps, we all suffer from a common lack of understanding of the phrase "health care cost containment" and, in particular, whose costs we are trying to contain. As in many human endeavors, there are at least two sides to every issue and, if we are to accept that FSAs are legitimate tools to control health care costs, then that is precisely a statement of whose constituency is being represented.

In addition, Thomas E. Wood's Perspective article in the April 16 issue far more ably covers the topic of health care cost control. It is the most succinct statement yet that, besides modifying the behavior of the employee in the use of the group health plan, true cost savings will come when buyers focus their energy and resources to affect the pricing behavior and utilization customs of the providers.

If the PPO concept, modified if you will, is the basis of the Medicare prospective payment/DRG system, then there should be little reluctance by employers to follow this lead. Needless to say, we are all skeptical about anything that comes from Washington, but on the matter of goals and design there is much that employers can emulate and garner.

Ralph N. Galascione
Westland Benefits
San Diego, Calif.

The desire and ability to learn have no age

To the editor: As a 34-year-old individual currently pursuing my business administration degree in a night school program, I was dismayed to read the article, "Pick Risk Management Courses Carefully: Broker" (*BI*, April 9), which summarized the remarks of John Humphrey, director of Sedgwick Risk Control Services Ltd. in London.

Specifically, I refer to the portion of the article that says: "Take into account employees' age and experience. As age increases, short-term memory deteriorates and prejudices develop, Mr. Humphrey said. In fact, he added, training can lose its effectiveness when students are 25 years or older."

Thousands of adults in continuing education programs for undergraduate degrees, MBAs, technical degrees, etc., would be surprised to learn of Mr. Humphrey's opinion. In our local High Point College program, we students have discovered that our desire to learn, the relevance of our business classes and our rapport with instructors are greatly enhanced because of our maturity.

Mr. Humphrey needs, I believe, to research this point more carefully. I think he would find the competition tough and achievement high in adult continuing education classes. Personally, I know my learning experience is heightened due to 14 years of business experience and 34 years of living and learning.

Rather, I say, take into account employees' age and experience. As age increases, so frequently does desire to learn, wisdom, tolerance, ability to comprehend new situations and utilization of problem-solving techniques. In fact, with age the worker may have increased appreciation for training and learn more rapidly.

Susan M. Taggart
Asset and Risk Specialist
R.J. Reynolds Industries Inc.
Winston-Salem, N.C.

The right PPO trims benefit expenses

To the editor: Donald S. Hagan, president of Corporate Benefits Systems Inc. of Grand Rapids, Mich., made generalized statements in his letter concerning preferred provider organizations programs that are simply not true to the extent he indicated (*BI*, April 9).

Many PPOs do not favor the large employers to which Mr. Hagan referred. In fact, most PPOs may benefit the smaller employer, not only with cost savings, but in keeping them informed of the benefits and advantages of the program.

The term "cost shifting" is nothing more than escape terminology used by those lacking understanding of true cost-containment measures or who are unable to work with the organization involved in actually influencing the charges of medical providers.

Mr. Hagan may be surprised to learn that there are, in fact, some programs that contain real cost-containment features.

Sam P. Bigger Jr.
Atlanta

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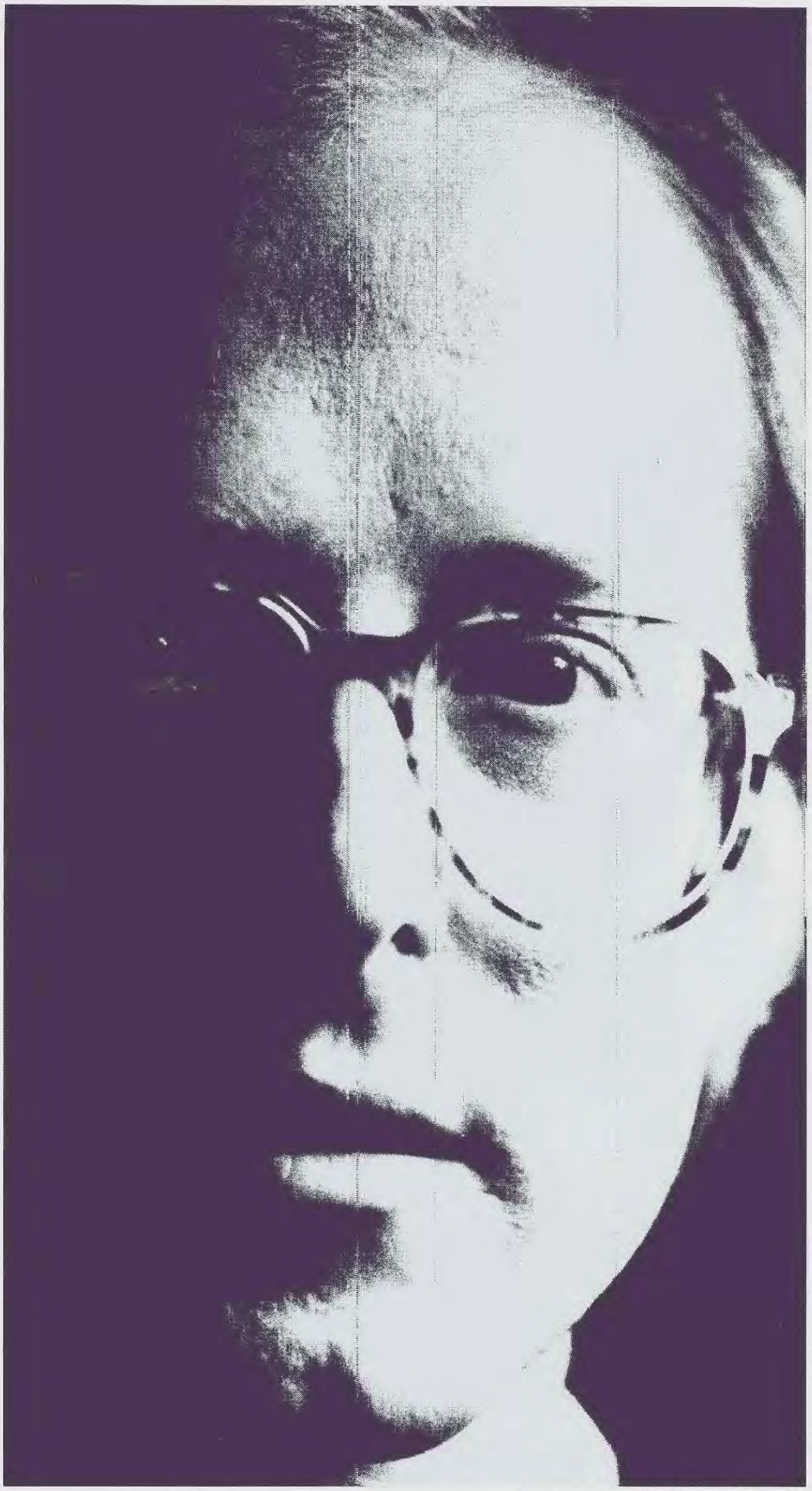
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Davison sees new rules for Lloyd's brokers

Continued from page 2
they made those acquisitions that said Lloyd's still had authority over the Lloyd's brokers that they purchased.

In addition, Lloyd's has permitted a U.S. insurer, The St. Paul Cos. Inc., to increase its stake in Minet Holdings P.L.C., a large Lloyd's broker, to about 26%.

Citing these actions, as well as the enactment of the Lloyd's Act, Mr. Davison told the British brokers that the so-called 20% rule must be reconsidered.

Once these and possibly other rules are approved by the Lloyd's Council, the Lloyd's brokers will be asked to re-register, Mr. Davison said.

"The cachet, the prestige attached to accreditation as a Lloyd's broker is, I believe, very considerable," he pointed out. "It is not a cachet lightly conferred and I am most anxious that this prestigious stamp of approval should not be undermined or compromised by the actions of the irresponsible.

"I believe that our disciplinary procedures will shortly show that where Lloyd's brokers are at fault over Lloyd's matters, the council will not hesitate to deal with them," he said.

The new rules affecting brokers will follow new regulations that are being applied to underwriting agencies.

For instance, underwriting agents must now file their syndicates' financial records with Lloyd's, where they will be made available to the public, and underwriters must disclose any holdings that could create conflicts of interest.

"Consideration is being given to the desirability of banning reinsurance by syndicates with insurance companies with which the (underwriting agency) has a connection," Mr. Davison added.

The new regulations—both those applying to underwriters and those applying to brokers—are partly due to the implementation of the Lloyd's Act of 1982 and partly due to the scandals that have hit Lloyd's over the past two years, Mr. Davison said, referring to allegations that former executives at Minet and Alexander Howden Group P.L.C. misappropriated underwriting funds for their own benefit (see related story, page 16).

Lloyd's image has been tarnished by these allegations, Mr. Davison agreed, but he pointed out that Lloyd's membership is still growing and that clients are not pulling their business from the market.

But, he added, Lloyd's has learned its lesson.

"There is no doubt that the greedy, rash and avaricious actions of a handful of Lloyd's members rightly attracted odium and criticism, not only from within Lloyd's itself, but from the wider world outside," he said.

"I believe that the action that we have taken—the establishment of an investigations committee, disciplinary committees and an appeal tribunal—based on the principles of natural justice have demonstrated to all concerned that Lloyd's will not tolerate behavior which falls below the very high standards which are set by the vast majority who operate in the Lloyd's market."

Mr. Davison pointed out that the scandals could have triggered the British government to regulate Lloyd's if the Lloyd's Act of 1982, which revised its self-regulatory powers, had not been passed before the allegations became public.

"I have no doubt that had the so-called scandals surfaced before the bill became an act, Parliament would not have approved it," he said. ■

Exxon facing pollution suit

Continued from page 2
In its complaint, the state alleges that chartered tankers operated by Exxon made at least 160 trips up the Hudson River since 1971 for the sole purpose of taking on river water that was later delivered to the company's refinery in Aruba, an island off the coast of Venezuela.

The tankers, many of which carried no cargo on their way up the river, removed at least 3 million tons of fresh water, according to the suit.

Water that wasn't used at the Exxon refinery was sold to the government of Aruba, which paid the oil company at least $5 million, the complaint says.

In addition, the complaint charges that Exxon barges made several trips up the Hudson between November 1980 and March 1981, removing at least 125,000 tons of water for use at the company's Bayonne, N.J., refinery.

In the process of taking on the fresh water, the Exxon vessels discharged saltwater, oil, chemicals and other pollutants into the river, the suit says.

The suit requests compensatory damages of $15 million plus interest, charging that Exxon never applied for required state permits to remove the water. The Hudson is the source of drinking water for several upstate New York communities.

Exxon also is accused of violating state environmental laws, which prohibit the discharge of sewage, industrial wastes or other pollutants without a state permit.

The complaint asks for a court injunction barring Exxon from removing any more water or discharging pollutants. It also requests that the company be fined for each violation of state environmental laws.

The maximum penalties the court could impose under the statutes are:

- $500 for each violation of two laws prohibiting removal and transportation of river water, plus $100 a day for each day the violations continued.
- $10,000 per day for each violation of two laws prohibiting discharge of pollutants.

Exxon concedes that taking on fresh water was the main reason the vessels were sent up the Hudson, but a spokesman said that the company stopped its Hudson River activities last October.

The company, which has not yet filed an answer to the complaint, says it was "in compliance with all applicable laws and regulations" and that its vessels followed "nationally and internationally approved tank-cleaning procedures" before discharging saltwater ballast into the Hudson.

Exxon said it has conducted studies showing that the discharges had "no harmful effect" on fresh water supplies. It added that it hopes a settlement can still be reached with the state. ■

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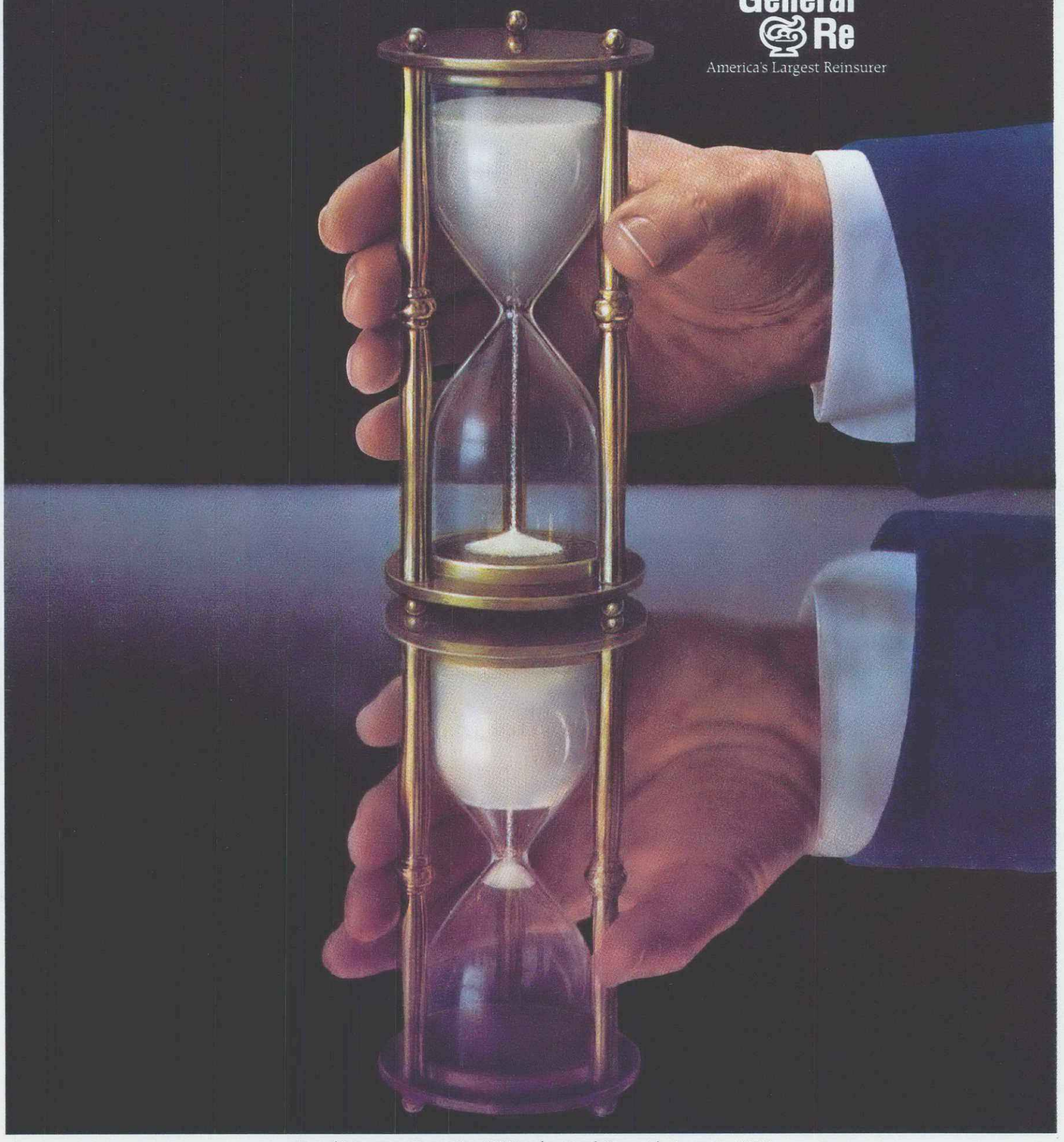
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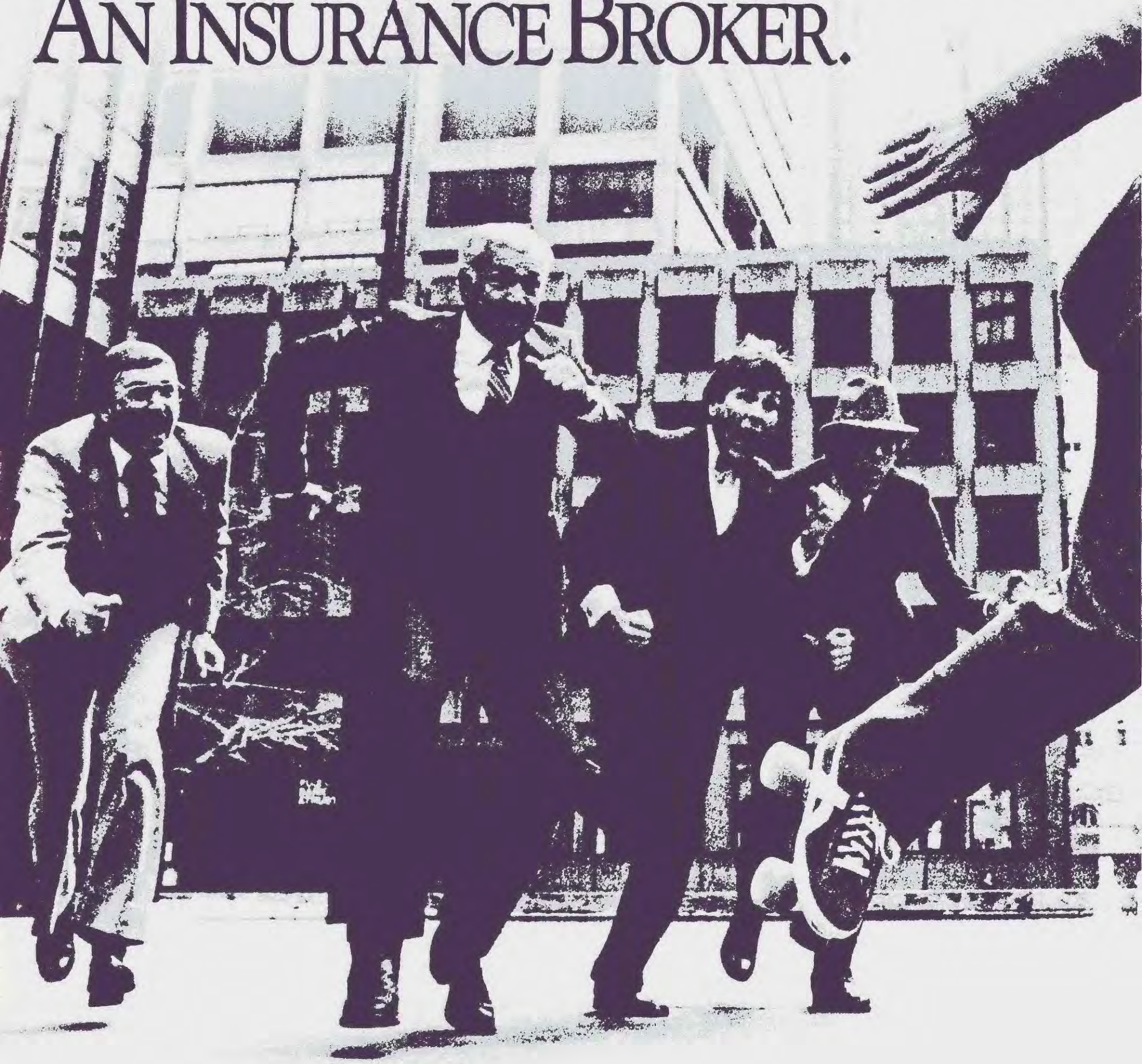


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Muir is acting Pennsylvania commissioner

HARRISBURG, Pa.—William Muir, a commissioner of Pennsylvania's Workmens' Compensation Appeal Board, is the state's new acting insurance commissioner.

He replaces Anthony A. Geyelin, who was ousted from the acting director's post last month.

Mr. Geyelin was dismissed by Gov. Richard L. Thornburgh for undisclosed reasons, just days before his nomination to the post was to be confirmed by the Legislature. Both parties refused to comment on why Mr. Geyelin was dismissed, but sources said Mr. Geyelin had differed with the governor on several issues.

Mr. Geyelin, who was the general counsel for the Insurance Department, was named acting commissioner in September. He replaced Michael L. Browne, who resigned to return to private law practice. In December, the governor nominated Mr. Geyelin to assume the commissioner's post.

Legislators, as well as the insurance industry, were shocked at Mr. Geyelin's dismissal and were trying to find out more about Mr. Muir, said Lee Felbinger, director of information for the Insurance Federation of Pennsylvania in Philadelphia.

Mr. Muir, 37, is a partner with the West Chester, Pa., law firm of Lamb, Windle and McErlane. He also served on the Workmens' Compensation Appeal Board since May 1983. Mr. Muir also is an adjunct professor of criminal justice at West Chester State College.

From 1979 to 1982, Mr. Muir was the state's first inspector general in the Office of Transportation, appointed by Gov. Thornburgh. He was credited with identifying abuses, streamlining and tightening contract bidding procedures and recommending management improvements.

Before assuming the state post, Mr. Muir served as assistant district attorney in Chester County from 1975 to 1979. He has an undergraduate degree in the humanities and technology from Drexel University in Philadelphia and a law degree from the Dickinson School of Law in Carlisle, Pa.

around the states

Work comp rates up

CONCORD, N.H.—Workers compensation rates will increase an average of 5.1% in New Hampshire on policies written after May 1.

Rates in the manufacturing classifications will see the largest increase, an average of 15%, according to rates filed by the National Council on Compensation Insurance, a ratemaking organization.

Rates in the contractor classifications will increase an average of 1.1% and rates in the rest of the 650 classes will increase an average of 0.3%, said Peter M. Burton, director of government, consumer and industry affairs in New Hampshire.

The rate increases, based on the latest available workers comp experience in the state, were approved recently.

Rates in the state usually are adjusted annually based on experience information, Mr. Burton said. But the last time they were adjusted based on experience was in April 1982, when they were increased an average of 9.4%.

Rates, however, jumped an average of 8.7% on Dec. 1, 1983, because of benefit changes that took effect in August 1983.

Low may leave post

PHOENIX, Ariz.—Arizona Insurance Director J. Michael Low may switch state posts this summer, leaving a gap not only in Arizona but also on the national insurance regulation scene.

Mr. Low holds key spots on several task forces and committees of the National Assn. of Insurance Commissioners. He is chairman of the NAIC Workers Compensation Task Force and vice chairman of its Integrated Financial Services Task Force.

Insurance industry sources speculate Mr. Low will become director of Arizona's Department of Administration and chief liaison between Gov. Bruce E. Babbitt and the Legislature.

Mr. Low says that he applied for the state's top appointed post at the governor's request, but adds that others also have applied. A search committee is interviewing candidates and is expected to make a recommendation by June.

Gov. Babbitt appointed Mr. Low to the insurance post in 1980. He had served as an assistant chief counsel in the attorney general's Financial Fraud Division when Gov. Babbitt was attorney general.

"I am basically a person who has a strong sense of loyalty. I am making this move, to the extent that it is made, per the governor's request," he said.

Right-to-know rule

OLYMPIA, Wash.—Chemical manufacturers and suppliers in Washington may have to clearly label containers of hazardous substances if a proposed workers' right-to-know rule is adopted by the Department of Labor and Industries.

A public hearing on the proposed rule is scheduled for June 5.

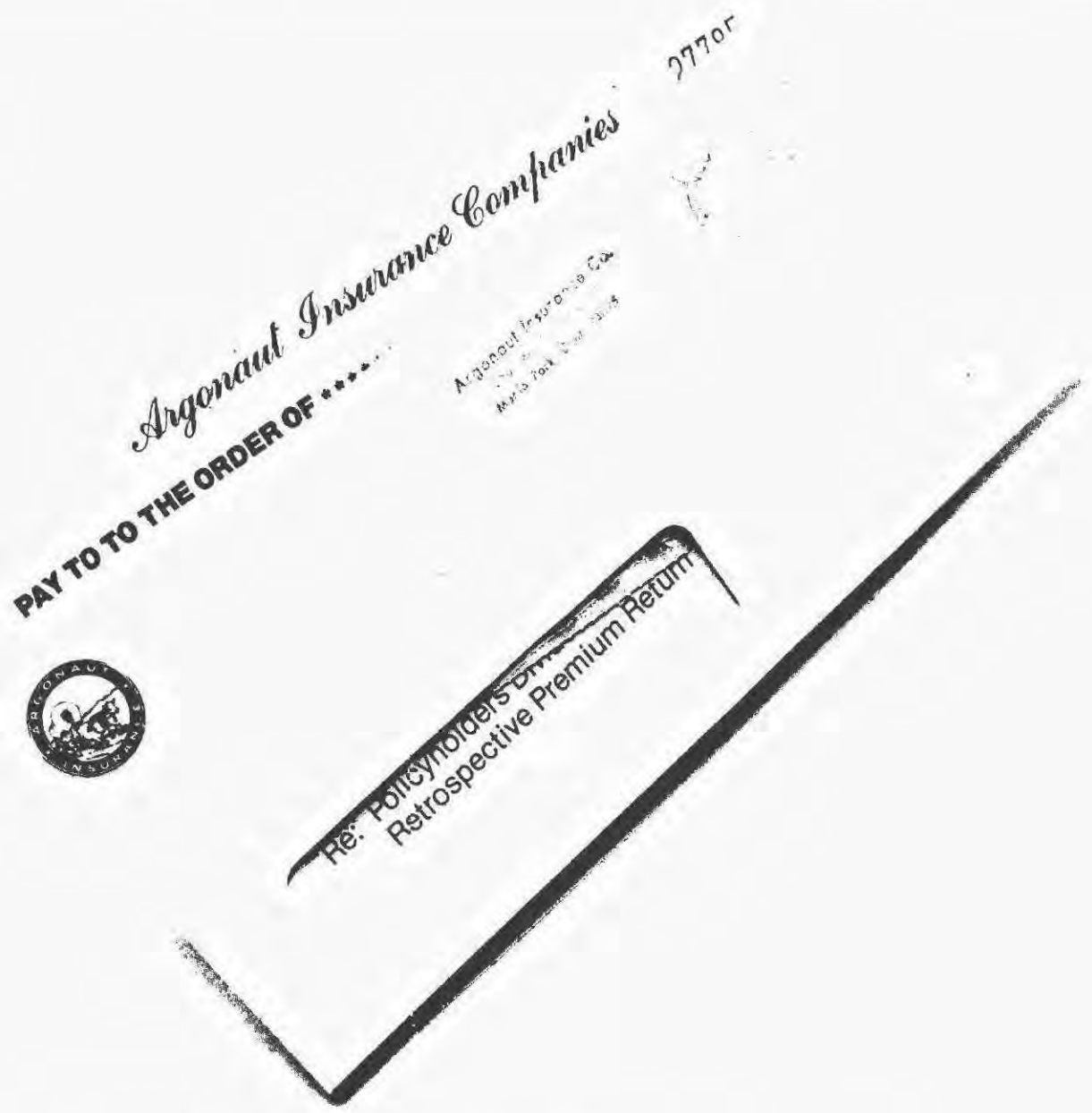
The rule will require chemical manufacturers and suppliers to identify chemicals and their associated hazards by providing detailed labeling on containers and posting material safety data sheets for hazardous substances.

Also, the rule would require manufacturing employers to establish training and information programs for workers exposed to hazardous workplace chemicals.

The training plan would include instruction on how to read and interpret information on labels and material safety data sheets, including chemical hazards in the work area, measures workers can take to protect themselves from hazards, procedures employers can take to provide workplace protection and methods workers can use to detect hazardous workplace chemicals.

If a medical emergency arises, the manufacturer, supplier or employer would be required to immediately disclose the chemical identity of a hazardous substance to the health care provider.

"The purpose of the rule is to assure workers of larger employers that they will have a right to information about hazardous chemicals at their workplace and, further, that their employers will be required to provide necessary training so that workers may effectively use this information," said Sam Kinville, director of the Labor and Industries Department. ■



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Aminoil Inc. picks Tisserat as insurance/risk manager

Gary Tisserat is now manager of insurance/risk management at Aminoil Inc. in Houston. He is in charge of evaluating and analyzing risks and developing property/casualty risk management programs. He succeeds **Chris Cristadoro**, who went to Ocean Drilling & Exploration Co. in New Orleans. Mr. Tisserat had been assistant director of risk management at Occidental Petroleum Corp. in Los Angeles. He received his bachelor of science in business administration in 1972 from California State Polytechnical Institute in Pomona, Calif. He holds an Associate in Risk Management designation. Mr. Tisserat reports to Paul Cain, Aminoil's executive vp of finance.

* * *

Phil Pierson, 28, has succeeded Gary Tisserat as manager of casualty risks at Occidental Petroleum Corp. in Los Angeles. Mr. Pierson handles general, automobile and excess liability coverage, directors and officers, kidnap and ransom and crime coverages and workers compensation coverage domestically and worldwide for Occidental. He had been a senior casualty underwriter with American International Underwriters in Los Angeles. He earned his bachelor of arts in marketing from the University of Arizona in Tucson in 1977. Mr. Pierson reports to Robert F. Brooks, assistant treasurer.



Mr. Pierson

* * *

Bernard A. Terlizzi, 29, named assistant vp of compensation and benefits, a new position at The Banking Center in Waterbury, Conn. He designs, develops and administers the benefit and compensation programs for the mutual savings bank. Mr. Terlizzi had been compensation/benefits officer at the bank. He earned his bachelor of science in biology at Mercy College in Dobbs Ferry, N.Y., in 1977. He reports to Henry J. McWhinnie, first senior vp.



Mr. Terlizzi

* * *

Cliff Fisher, 27, is now risk manager for the city of Fresno, Calif. He will direct and plan insurance and self-insurance programs for property/casualty and liability risks. Mr. Fisher had been risk manager and assistant city attorney in Bellingham, Wash. He replaces **Howard Boston**, who moved to a different Fresno city department. Mr. Fisher earned his bachelor of arts and master of business administration degrees at Eastern Washington University in Cheney, Wash. He earned his juris doctorate at Gonzaga University in Spokane, Wash. He earned his master's and law degrees in 1980. He reports to Allen Charkow, controller and finance director for Fresno.

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comings & goings: buyers

CPSM test set for Illinois this fall

BETHESDA, Md.—The examination leading to the Certified Product Safety Manager designation will be offered Oct. 17 in Chicago, the Board of Product Safety Management says.

Applications to take the exam must be submitted 45 days before the test date. For more information on the CPSM program contact the Board of Product Safety Managment, 8009 Carita Court, Bethesda, Md. 20817; 301-984-8969. ■

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State comp programs able to handle disease claims

WASHINGTON—State workers compensation programs can handle the growing number of occupational disease claims, an insurance trade association says.

"There is ample evidence that these problems are being dealt with by the states," said Tom O'Day, assistant vp at the Alliance of American Insurers and director of the Washington office.

Speaking last week at a Senate Labor subcommittee oversight hearing, Mr. O'Day said that 85% to 90% of employees who filed claims saying they were injured by exposure to asbestos later received workers compensation benefits.

Although he acknowledged that occupational diseases are a serious problem, Mr. O'Day told the subcommittee that the problem has been exaggerated.

"One of the more popular misconceptions. . .was that perhaps as many as 100,000 deaths per year result from occupationally related diseases," Mr. O'Day said.

"Despite the shallowness of that figure, the number acquired great acceptance following its use by (former Health and Human Services Department) Secretary (Joseph) Califano in a much-publicized television appearance," Mr. O'Day added.

Federal intervention in the occupational disease area probably would make the problem worse, Mr. O'Day said, noting that a federal black lung program to aid coal miners suffering from lung disease cost far more than legislators ever anticipated.

Earthquake planning

The Federal Emergency Management Agency will provide $300,000 to improve earthquake planning at the state level.

FEMA will provide the funds to the recently organized Central U.S. Earthquake Consortium, whose seven member states include Arkansas, Illinois, Indiana, Kentucky, Mississippi, Missouri and Tennessee.

The consortium will use the money to hire an executive director, develop a five-year earthquake preparedness plan and hold a national earthquake conference June 2-5 in St. Louis.

Hawaii program OK'd

Hawaii's program to inspect work sites for possible safety violations has received final approval from the federal Occupational Safety and Health Administration.

Final approval means that OSHA will relinquish its standards and enforcement authority in areas covered by Hawaii's program. Hawaii is the first state to obtain final federal approval for a safety program.

"This achievement is a tribute to Hawaii Director of Labor and Industrial Relations Joshua Agsalud and to Wayne Mount, administrator of the Division of Occupational Safety and Health, as well as their fine staffs," said Patrick Tyson, deputy assistant secretary of labor.

"An important part of OSHA's oversight responsibility is to recognize states and territories whose programs are at least as effective as the federal agency," Mr. Tyson added.

"Our evaluation of Hawaii's program and our analysis of public comments and the hearing record show that the state meets the criteria for final approval," Mr. Tyson observed.

Hawaii's inspection program will cover public and private employers except for companies in the maritime industry, over which OSHA continues to have jurisdiction.

In addition, OSHA will keep evaluating the state of Hawaii program to make sure it continues to meet the requirements for final approval.

In another development, OSHA will hold a public meeting June 7 in Anchorage, Alaska, to give employers and unions a chance to comment on whether Alaska's safety program also should receive final approval.

The hearing begins at 10 a.m. at the Old Federal Office Building, 405 W. Fourth Ave.

Tax advocate leaves

The Reagan administration's leading advocate of taxing group health insurance premiums has left government to join a Washington research organization.

Dr. Robert Rubin, assistant secretary for planning and evaluation at the Department of Health and Human Services, resigned his department post last month to begin work at ICF Inc., a research company.

During his three-year tenure as a top HHS official, Dr. Rubin lobbied Congress—unsuccessfully—in favor of an overhaul of the tax code that would require workers to pay taxes on group health insurance premiums paid by their employers.

He was considered an architect of the tax plan, later introduced in the Senate as S. 640 by Finance Committee Chairman Robert Dole, R-Kan. Under the bill, group health insurance premiums that exceed $2,100 a year for family coverage and $840 a year for individual coverage would be treated as taxable income to the employee. The bill, which is pending in the Finance Committee, has little chance of passage.

Dr. Rubin said that taxing benefits would curb the growth of medical costs by making employees more aware of the cost of their health care.

Robert Helms, former deputy assistant secretary for health planning, has replaced Dr. Rubin.

IRA, Keogh assets up

Individual Retirement Account and Keogh plan assets jumped to $105.1 billion in December 1983, up from $65.7 billion in December 1982, according to the Employee Benefit Research Institute.

EBRI, a Washington-based benefits think tank, also reports that 29.8% of IRA and Keogh assets last year were held by savings and loans, while commercial banks held 28.6% of the IRA and Keogh market.

Mutual funds had 15.9% of the IRA and Keogh market, followed by life insurance companies, 12.5%; mutual savings banks, 8.7%; and credit unions, 4.6%.

Under law, an individual can contribute up to $2,000 annually to an IRA; up to $30,000 may be contributed annually to a Keogh plan. Keoghs are used mainly by self-employed professionals, such as lawyers and doctors.

Meanwhile, in another IRA development, EBRI reports that the likelihood that a person will contribute to an IRA is directly related to income.

In an analysis of information prepared by the Internal Revenue Service, EBRI reports that of the 12 million tax returns filed by individuals with IRA deductions in 1982, only 3.6% of those returns were filed by wage earners with incomes between $5,000 and $9,999.

By contrast, 37.6% of those with incomes between $30,000 and $49,999 and 21.4% of those with annual incomes of at least $50,000 included deductions for contributions to IRAs, EBRI said. ■

Hazard control exam dates are set

BETHESDA, Md.—The Board of Hazard Control Management announces two dates for its Certified Hazard Control Manager examination.

The exam will be given Oct. 17 in Chicago and Nov. 1 in Houston. Applications for the tests must be received by the HCM board no later than 45 days before the examination date.

For more information on the CHCM Program write Board of Hazard Control Management, 8009 Carita Court, Bethesda, Md. 20817, or call 301-984-8969. ■

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Agents' oral promises binding, Arizona Supreme Court rules

PHOENIX, Ariz.—The promises of insurance agents can be as binding as the policies they sell, according to a state Supreme Court ruling in Darner Motor Sales Inc. vs. Universal Underwriters Insurance Co.

"The court said that in any insurance policy sold—a form policy, not a negotiated one—if the agent selling the policy makes a representation of coverage not in the policy, that (oral agreement) governs over the terms of the policy," said Merton E. Marks, an employers liability litigation attorney in Phoenix with the firm of Lewis & Roca.

In the case, Darner Motor Sales Inc. of Mesa said it believed it had purchased a liability policy from Universal Underwriters Insurance Co. of Phoenix with maximum limits of $100,000 per person and $300,000 per incident. The policy delivered by Universal, however, had limits of $15,000 and $30,000 respectively.

The court, in its 4-1 decision, said a buyer's "reasonable expectations" must be recognized as part of a policy because few buyers read their policies, and those who do, probably don't understand them. It returned the case to the Maricopa County Superior Court for a determination.

Chief Justice William Holohan, in his dissent, said that under this ruling a person would be a fool to read his insurance policy because it would be far better to plead ignorance of the contents and claim coverage to the broadest possible extent.

The state Legislature responded almost immediately to the Supreme Court ruling with bills that would have invalidated oral insurance agreements. However, the bills failed in both the Senate and House. If either bill had passed both houses, Gov. Bruce E. Babbitt reportedly was prepared to veto the bill.

The bill was not expected to be reintroduced again last session, said Rep. Bart Baker, R-Hereford, who sponsored the bill in the House.

"A lot of people think it's premature to do this at this time," Rep. Baker said, adding that he introduced the legislation in his role as chairman of the Committee on Health and Aging, but did not support the measure.

Most of the business community, as well as the insurance industry, supported the legislative attempt to establish qualifying language to the Supreme Court decision, said Sue Glawe, a staff specialist with the Arizona Chamber of Commerce in Phoenix. ■

Comp rates stable till '85

OLYMPIA, Wash.—Workers compensation rates in Washington, which jumped an average 30% this year, will not change again until at least mid-1985.

The Department of Labor and Industries, the rate-approval body for Washington's exclusive state fund, said rates will not change again until the results of two separate studies are issued.

The studies will look at the state's entire workers compensation system. In particular, they will consider whether Washington's exclusive state fund should be abolished, allowing commercial insurers to sell workers compensation coverage (*BI*, Feb. 27, 1984).

One study is being conducted by an eight-member, governor-appointed group under the Office of Financial Management. It expects to make recommendations by the end of the year.

The other study, conducted by a 25-member legislative joint select committee, is looking into the Department of Labor and Industries operations. It's due in January.

"Since it's probable that either of the two study groups may make recommendations to the Legislature that could have an impact on industrial insurance rates, it would appear to be prudent to delay making any rate changes until the results of those recommendations are known," Sam Kinville, director of the Department of Labor and Industries, said in testimony before the select committee in April.

The department initially filed for an average 55% increase in rates this year, but cut the proposed increase to an average 30% after testimony from business and labor on the rising cost of workers comp insurance (*BI*, Dec. 19, 1983). ■

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Lloyd's to decide on disciplinary actions

By STACY SHAPIRO

LONDON—Lloyd's of London will soon decide what disciplinary measures to take against members accused of wrongdoing in four publicized cases, says Lloyd's Chief Executive Ian Hay Davison.

Lloyd's will announce its actions in these cases by the end of the year at the latest, though Mr. Davison says the decision could be made public sooner.

The four cases are:

- Allegations that former executives at Alexander Howden Group P.L.C., including former Chairman Kenneth Grob, diverted about $56 million in company funds, including funds belonging to Lloyd's syndicates, for their personal use.
- Allegations that executives at Minet Holdings P.L.C. and underwriting subsidiaries, including former Chairman John Wallrock, misappropriated funds paid to offshore reinsurers of syndicates managed by P.C.W. Underwriting Agencies Ltd (see story below).
- Allegations that warranty insurance policies underwritten by Lloyd's syndicates and marketed by Multi-Guarantee Ltd., a London underwriting agency, were altered (*BI*, March 21, 1983).
- Allegations that two Lloyd's underwriters, Raymond Brooks and Terence Dooley of Brooks & Dooley (Underwriting) Ltd., had secret interests in a reinsurer that did business with their syndicates (*BI*, Feb. 5).

Mr. Davison confirmed that Lloyd's members who have resigned in 1984 may be disciplined by the market until Dec. 31, when their resignations officially take effect.

In a related matter, Lloyd's may also redefine what types of reinsurance its syndicates can use, Mr. Davison pointed out at the British Insurance Brokers Assn. conference last week.

This follows the Inland Revenue's inquiry into reinsurance arrangements with offshore companies, known as rollovers, that are supposed to be used to pay for long-tail or catastrophe claims (*BI*, April 30).

Minet results

Lloyd's of London broker Minet Holdings P.L.C. and about 1,800 Lloyd's members are feeling the pinch of the recent scandal involving P.C.W. Underwriting Agencies Ltd.

Anticipated profits in Lloyd's syndicates managed by Minet's Richard Beckett Underwriting Agencies Ltd. (formerly P.C.W.) may not exist, due to "substantial deficiencies" that have recently been discovered, Minet Chairman Ray Pettitt noted last month when announcing Minet's 1983 results.

Minet had to reduce its 1983 pretax profits by 1.6 million pounds ($2.4 million) to repay profit commissions that already have been paid to Minet, Mr. Pettitt said.

The charge reduced Minet's 1983 pretax earning to 20.4 million pounds ($30.6 million), a 15% increase from 1982. Minet had originally forecast a 24% earning increase, he said.

Also, the 1,800 members of the former P.C.W. syndicates may be asked to make a cash call to return funds they already have received for anticipated profits, he said.

Mr. Pettitt pointed out last week that Minet is close to concluding its own investigation into the P.C.W. affair. The investigation began two years ago when Minet believed that its former chairman, John Wallrock, and four P.C.W. executives benefited from alleged misappropriated syndicate funds that were placed in offshore reinsurance programs.

The internal investigation into P.C.W. and its associated company, W.M.D. Underwriting Agencies Ltd., has revealed that net reinsurance premiums equivalent to 38.9 million pounds ($58.35 million) had been transferred by P.C.W. and W.M.D. to more than 150 companies and trusts in at least seven different countries through complicated reinsurance programs.

Of this, Minet has discovered about 26.2 million pounds ($39.3 million) that was sent to companies in Gibraltar, but so far this money has not been returned to the syndicates because of a technical hitch, Mr. Pettitt said.

Minet also is negotiating with companies in 10 different countries to recover the rest of the misappropriated funds. If the money is not recovered, however, it will be a financial problem for P.C.W.'s Lloyd's members, not Minet shareholders, said Mr. Pettitt.

So far, Minet anticipates the final bill for the investigation to be about 6.7 million pounds ($10.05 million), of which 5.6 million pounds ($8.4 million) is listed as an extraordinary item in this year's accounts.

The company so far has paid out 2.2 million pounds ($3.3 million) for the investigation.

In the meantime, Lloyd's and the Department of Trade and Industry continue their investigations into P.C.W.

And, Minet and P.C.W. are still pressing lawsuits to recover missing funds from former P.C.W. and former Minet officials, including Mr. Wallrock.

Mr. Pettitt says that Minet's two largest shareholders—U.S. broker Corroon & Black Corp., which owns 20%, and U.S. insurer The St. Paul Cos. Inc., which owns about 26%—have given full support to Minet's actions. ■

london line



Skandia America names Dowd president

James F. Dowd is now president and chief executive officer of Skandia America Group in New York. Mr. Dowd had been senior executive vp of Skandia America. He succeeds **Laszlo K. Gonye**, who was named senior deputy managing director of Skandia International Insurance Corp., which is based in Stockholm, Sweden. Dr. Gonye will have worldwide corporate development responsibilities. It has not yet been determined where Dr. Gonye will be based. Skandia America Corp. is the holding company for the activities of Skandia America Group, a major Skandia International unit.



Mr. Dowd

comings & goings: industry

Other insurer changes:

Linda L. Bell named senior vp and actuary of Westchester Fire Insurance Co. in Basking Ridge, N.J. Ms. Bell had been a vp and actuary for C&F Underwriters Group. She joined the C&F organization in 1970. Westchester is a U.S. Insurance Group company that is part of the Crum & Forster organization.

Robert L. Robinson elected senior vp and corporate secretary of CIGNA Corp. in Philadelphia. Mr. Robinson will head the law departments of CIGNA's corporate office and the company's investment and affiliated businesses groups. He was previously head of CIGNA's investment group law department.

Billy Phillips promoted to executive vp of Highlands Insurance Group in Houston. Mr. Phillips had been a senior vp. Highlands is a subsidiary of Halliburton Co.

Vincent J. Looney promoted to vp and regional office administrator of Utica National Insurance Co. in New Hartford, N.Y. He will direct Utica National's regional office operations nationwide. Mr. Looney was most recently director of underwriting field services for the company.

Martin D. Haber appointed vp and general counsel for the property/casualty operations of Continental Insurance Corp. in New York. He previously was assistant vp and counsel with the corporation.

George A. Walzauck named vp of Wm. H. McGee & Co. Inc. in New York. Mr. Walzauck had been treasurer at McGee, a marine insurance underwriter.

Thomas K. Fitzsimmons appointed senior field executive of Maryland Casualty Co. in Baltimore. Mr. Fitzsimmons will be responsible for the field operations for the Harrisburg, Pa., and Baltimore areas. He had been a vp of marketing for the marketing and branch operations division. He joined Maryland Casualty in 1955.

Excess/surplus

Michael J. Snead has been elected president and chief executive officer of Jersey/International Group in Cherry Hill, N.J. Mr. Snead succeeds **Frederick H. Brown**, who was elected chairman of Jersey/International Group and senior vp of W.R. Berkley Corp. Mr. Snead formerly was executive vp of Westen World Insurance Co. Jersey is a surplus lines underwriting manager and is owned by W.R. Berkley Corp.

Agents/brokers

E. Louis Werner Jr. promoted to executive vp of Frank B. Hall Services Inc. in Phoenix, Ariz. Mr. Werner will be responsible for Hall's corporate development, primarily through acquisitions, in the Southwest. Mr. Werner had been executive vp, secretary and board member of Safety Mutual Casualty Corp. and chairman and chief executive officer of Insurers Service Corp.

Other suppliers

Thomas E. Arnold joined Crawford & Co. in Atlanta as vp of corporate market production. Mr. Arnold will develop, implement and maintain marketing programs and communications with buyers. He had been senior vp of Emett & Chandler Inc. in New York. ■

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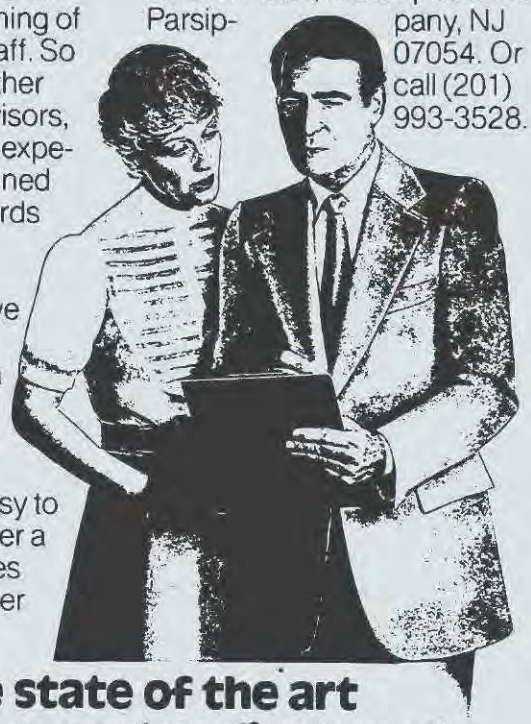
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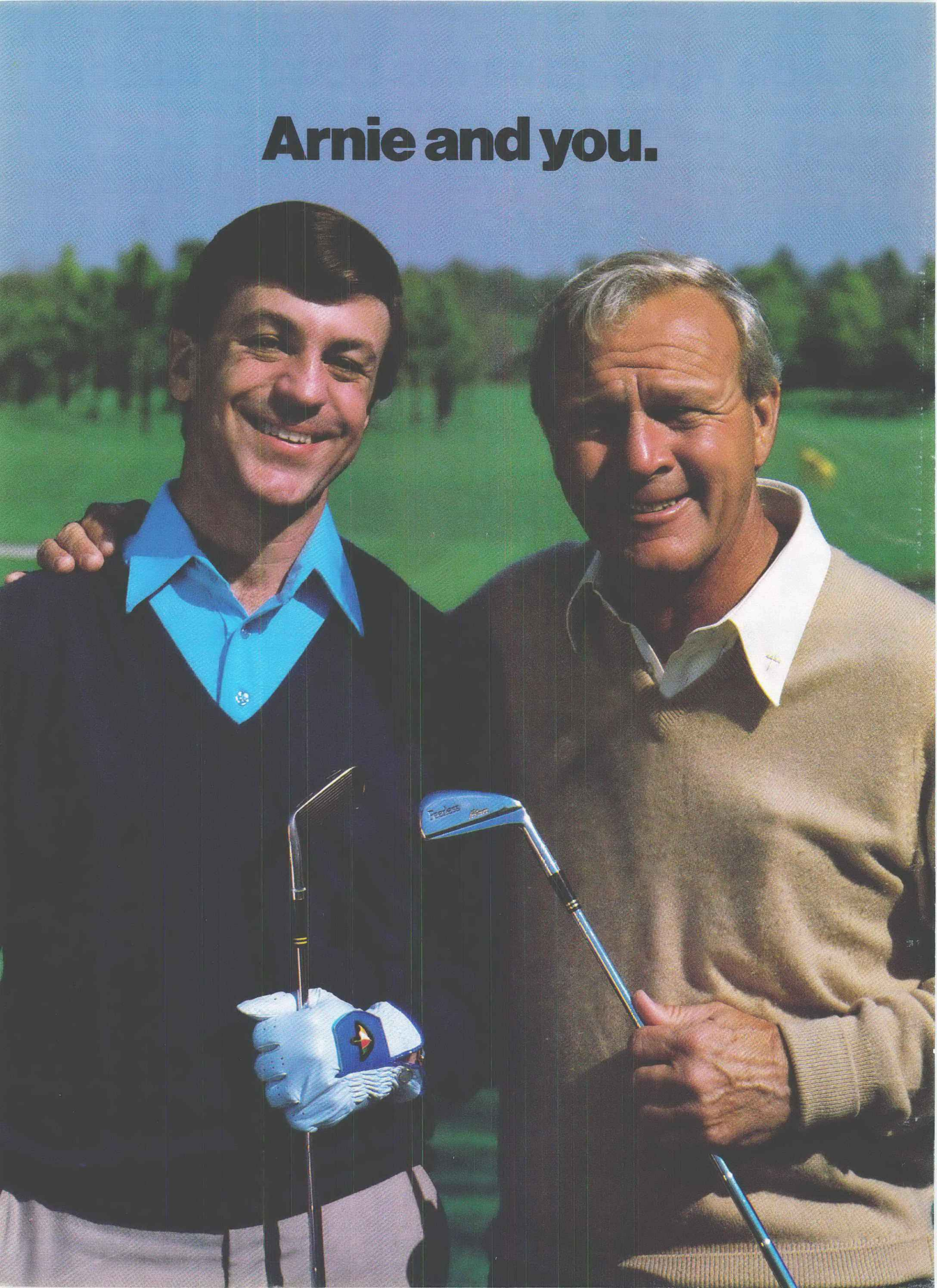
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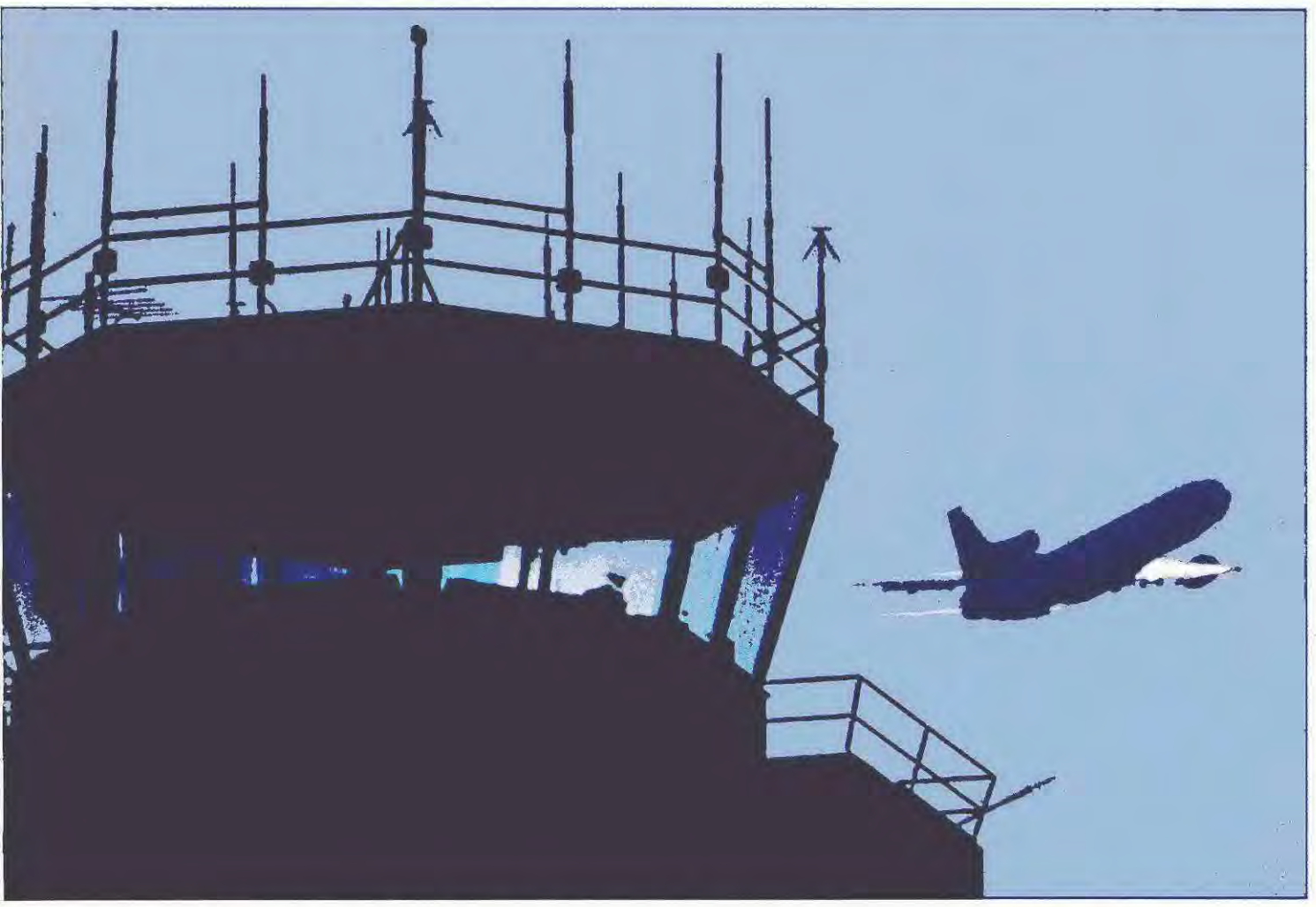


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WORLD RISKS

A variety of political and credit exposures awaits companies in every corner of the world



By Charles H. Bechtold Jr.

DOING ANY KIND of overseas business exposes a company to political risks. Whether the company is making a direct investment, exporting its goods or contracting its services, it will soon discover that it is "not in Kansas any more" and the rules of the game differ from those of the domestic market.

The prudent international businessman or woman will take, of course, every possible step to avoid foreign pitfalls. Yet even the most prescient and canny executive will not always be able to protect his or her company against host government policy changes resulting from coups or revolutions, for example, or against the local treasury running out of funds because of reduced demand for the country's No. 1 commodity.

Risk managers and laymen alike are often under the mistaken impression that political risk insurance is intended to cover only expropriation or nationalization of foreign investments.

In practice, expropriation has become a relatively rare form of political risk cover. Instead, it is estimated that at least 75% of all political risk insurance is written to protect against frustation of contracts.

Many specific situations fall under the rubric of contract frustration. These include repudiation of a contract with a foreign government, interference by a government in the performance of a contract with a private entity, cancellation of an import or export license, imposition of an embargo, or interruption of the supply of crucial parts of raw materials by the government of the supplier's country.

In cases where it is necessary to post a bid or performance bond or an advance payment guaranty, it is possible to insure against a wrongful calling of the underlying letter of credit by the host government. Government failure to abide by an arbitration process established in a contract also is insurable.

Although insurance offers an excellent way for companies to expand their trade and investment activities in the Third World, obtaining this insurance is somewhat problematical.

The political risk insurance market, unlike the insurance industry as a whole, has never been soft. With few companies willing to enter the field, and with industrywide capacity relatively limited, underwriters have been able to pick and choose their risks and to continue to charge high premiums.

This means that political risk coverage

Continued on next page

Political and credit risks lurk overseas

Continued from previous page
may be unavailable for investments and contracts in precisely those countries where the political risks are greatest.

While opportunities for profit abound in many "dangerous" countries and such high margins would presumably permit businesses to pay even exorbitant premiums to insure, the insurance is often unavailable at any cost.

However, both brokers and underwriters should examine every transaction closely, since the country risk may often be obviated by factors particular to a given transaction.

One would think, for example, that underwriters would shrink from the prospect of insuring business in such countries as Iraq or Nigeria or Tanzania.

Yet, it appears that soft drink concentrate, of all things, is one item that these governments consistently pay for on time and in hard currency. This makes sense when one considers that alcohol may be religiously proscribed, that water is frequently not potable, and the people must drink something.

Similarly, tobacco is considered a good risk because soldiers often demand it.

Medical supplies are usually insurable, as is coal—except in Spain, where the nationalized steel industry has had its problems. Certain blue chip companies can sometimes obtain coverage in a troubled country as a result of a special relationship with the host government.

The terms of a transaction are crucial. Even the sale of a commodity that is attractive from a risk standpoint may become uninsurable if the payment term is too long.

The nationality of the seller also may affect the risk: a U.S. company may do better in Argentina than a British company. Or a Japanese contractor may be a safer bet than its U.S. counterpart doing business in Iran.

Moreover, the involvement of an international lending institution, such as the World Bank, significantly improves the risk, since to date no one has defaulted on or expropriated a World Bank project.

The risk also is diminished if the export, contract or investment will enable the country to generate hard currency or is in some other way essential to the country's economic or political well-being.

Additional electrical generation capacity, for example, may be important to a country, but it becomes vital (and thus a less-risky proposition) if brown outs are hampering the productivity of the nation's key industries.

Other factors relating to the project can cut both ways.

If an investment is very large in proportion to the country's gross national product, on one hand, the host government may be fearful of jeopardizing such an important relationship.

On the other hand, the same government is just as likely to decide that a project representing such a large portion of the nation's economy should not be in the control of foreigners.

Considerations like these require political risk insurers to be both creative and flexible. As the major underwriters have gained experience over the past few years, other companies have become aware of the benefits of involvement in this lucrative business.

Stephen Merrett's syndicate, Merrett Holdings P.L.C., is no longer the sole leader for political risk insurance in Lloyd's of London. There are now at least five other recognized leads and numerous other syndicates ready and willing to participate in such placements.

In the U.S. market, American International Group Inc. still dominates, but AFIA has very much come into its own. AFIA's combined political risk and export credit capacity now reputedly approaches AIG's.

CIGNA Corp. was an early player in the political risk business, but its merger with AFIA will reduced the number of available markets by one (*BI*, Dec. 26, 1983; Jan. 30).

As this article was written, the CIGNA and AFIA political risk units still operate independently. Brokers and risk managers alike are very interested to see what form their consolidation will take. One positive result will be the combination of their treaties, which may well give the new entity a greater capacity than AIG's.

Chubb Corp. also is an important force, having chosen to concentrate primarily on expropriation coverage. Swett & Crawford, based in Los Angeles, is aiming for a larger share of the market and has put together significant treaty capacity. It has now established a presence in New York to provide better service to many multinational clients.

The political risk scene recently has seen the entry of a few established insurers willing to take on small political risks themselves or to participate behind leads taken by the traditional political risk markets. Royal Insurance Co. and Mutual Marine Office Inc. are two examples of such companies.

Another new factor in the market has been the development of specialty political risk underwriters, such as Universal Investment Consultants. These companies have put together their own treaties, and can sometimes provide capacity for unusually difficult risks.

In addition to the growth in both number of markets and capacity, the fluidity of the political risk business has been demonstrated by the introduction of new and related products.



For instance, the industry has developed coverage for deprivation of collateral in loans and leases and project relocation costs. It also has adopted standard contract coverages to barter and countertrade transactions.

The most exciting new area of political risk activity is in the field of export credit insurance.

All of the political risk markets provide a kind of export credit coverage when they insure a sale to a sovereign buyer, since non-payment by a government is deemed a political risk.

Traditionally, however, insurance for non-payment on an export to a private buyer was the exclusive province of the Foreign Credit Insurance Assn., a quasi-governmental organization. The FCIA offered a U.S. exporter protection against unwarranted default by, or insolvency of, a foreign buyer, in addition to the standard political risks (inconvertibility and expropriation) inherent in such transactions.

Within the past two years, both AIG and AFIA have mounted ambitious efforts to compete with the FCIA. They offer improved service and fewer restrictions.

For example, the export does not have to originate in the United States and no countries are automatically excluded from coverage.

These private markets are by nature more selective in their underwriting than the FCIA. Through conservative underwriting philosophies and high minimum premiums ($30,000 and $50,000 for AFIA and AIG, respectively), they hope to avoid the FCIA's devastating claims experience in countries like Mexico and Venezuela.

Even with such self-imposed limitations, however, the potential for AIG and AFIA (and any future entrants) is enormous.

The FCIA currently insures approximately 10% of all U.S. exports, which amounted to some $200 billion in 1983. Excluding shipments made under confirmed letters of credit and intercompany shipments, there is a vast untapped market for this kind of insurance.

Political risk exposures are not limited to the riskier Third World countries, since it is the credit of the individual buyer, in addition to the government's solvency, that is in question. Indeed, the largest commercial losses for the FCIA in 1983 were in Great Britain.

The only real restraint on the expansion of this business is the fact that Lloyd's, which remains the primary source for political risk reinsurance, refuses to date to involve itself in credit insurance. This has forced the major insurers to look elsewhere to negotiate their treaties.

Greater sophistication in the United States and other worldwide markets, however, should contribute to the continued growth of this cover.

In addition to contract frustration applications, political risk insurance also is increasingly used as a financial tool. It has always been possible to use a political risk policy to back up a bank loan, in order to obtain lower interest rates or to encourage a bank to exceed its internal country limits.

Now there is an interesting variant of this process whereby certain export transactions are screened by export credit underwriters, insured for political risks and then competitively financed through the bond market at fixed or variable rates. This innovative use of insurance provides a valuable source of funds at a time when alternative financing is difficult to obtain.

Thus, although political risk markets sometimes appear risk-adverse, they are continuing to grow and attempting to be responsive to clients' needs. It is imperative that underwriters examine each individual risk in its own right and avoid out-of-hand rejections on the basis of country risk alone.

It is equally imperative that prospective political risk clients recognize that underwriters cannot be expected to insure "burning-building" risks. Certainly, including risk-minimization features in investment agreements, as well as export and construction contracts, can only work to the benefit of all parties. ■



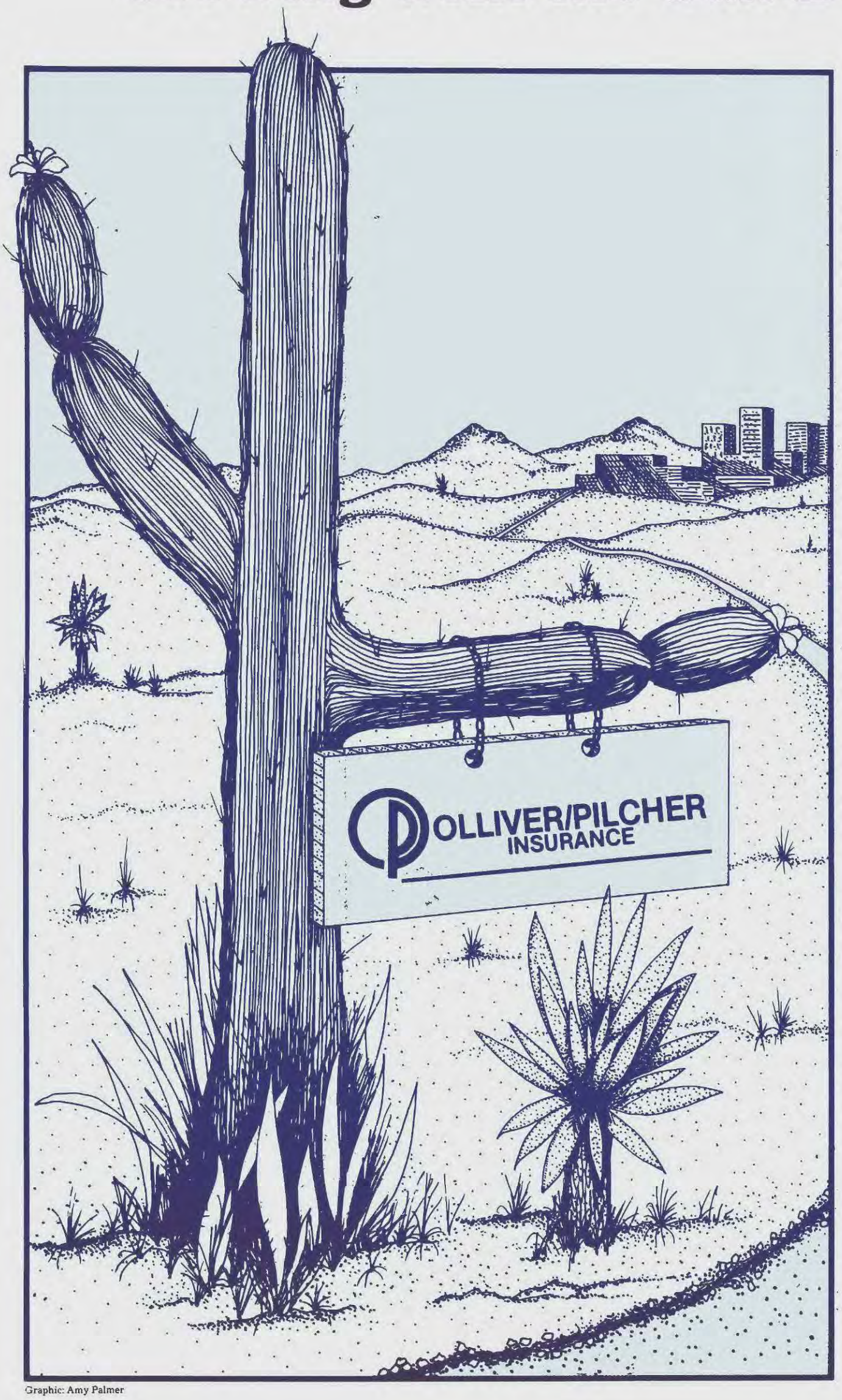
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agent/broker topics

A regular editorial section exclusively for agents and brokers

Growing with the Sun Belt boom



Graphic: Amy Palmer

Top 30 agency focuses on regional business

By PAMELA DeFIGLIO

PHOENIX, Ariz.—Like the saguaro cacti that grow just outside of town, the roots of Phoenix-based Olliver-Pilcher Insurance Inc. are firmly planted in the Arizona desert.

And, the agency's management expects that its growth will continue to be nourished by the Arizona sun.

Olliver-Pilcher, which dates back to 1907, when Phoenix was just another tumbleweed town in the Old West, has blossomed since World War II. The agency, which generated just $600 in premium commissions in 1950, grew rapidly during the 1970s and early '80s. It posted 1983 gross revenues of $7.79 million on a premium volume of $38.1 million, compared with revenues of just $2.49 million in 1977 on a premium volume of $19.88 million.

In fact, *Business Insurance* ranked Olliver-Pilcher as the nation's 28th-largest agency/brokerage, based on its 1982 revenues of $7.66 million. And, the company touts itself as the largest agency/brokerage in Phoenix.

The brokerage is basing much of its future expansion on the predicted growth of the Phoenix area, the second-fastest growing metropolitan area in the nation, according to Metro Phoenix Chambers of Commerce.

For instance, the population of Maricopa County, which includes metropolitan Phoenix, is projected to hit 2.03 million in 1990, compared with 1.6 million in 1982.

Although some of its clients maintain operations around the nation, Olliver-Pilcher has no interest in expanding to other parts of the country.

"Our present plans are to stay in Arizona," says Chairman William W. "Bill" Pilcher. The agency has nine branch offices in Arizona and has sold two branches it once owned in Colorado and one in Nevada.

"The essence of Olliver-Pilcher is that it's a strong regional agency," says President Mike Metzger. "We don't go to New York to try to solicit accounts. We've made our mark here, but a number of our accounts do business throughout the land."

"Everybody wants to get established in Arizona because of its growth," observes Bill Pilcher, acknowledging that the agency is delighted with the influx of business.

The agency, which employs 170 people, writes 35% personal lines and 65% commercial lines. Most of its commercial business is in standard risks, although the agency maintains several specialty departments on the theory that clients who tap Olliver-Pilcher for its specialty expertise can be lured into buying the balance of their coverage from the agency.

"We specialize, and that's in the overall best interest of the company," says Pete Scardello, executive vp of finance and administration. "When the producer is out selling, he can get information on property/casualty risks and can then sell other things by referring the client to our other areas, like workers comp, aviation, bonds or employee benefits."

To increase its sales, especially personal lines business, Olliver-Pilcher is considering the forma-

Continued on next page

Phoenix agency grows under desert sun

Continued from previous page
tion of a joint venture with a bank or savings and loan to sell insurance, says William W. "Wick" Pilcher II, Bill Pilcher's son and vice chairman of the insurance agency.

"We wouldn't give up any ownership. We'd want to split profits and expenses 50-50," he notes. "You could rent space in the bank. All it takes is a phone and a rating machine.

"We'd sell personal lines at first, so I think a savings and loan would be a better partner than a major bank.

"We've been approached by both local and national banks on this matter, and a local bank wanted to buy an equity interest, to which we said no. But the savings and loans here want to do a deal with us," he said. "And an S&L may want to market some products, such as IRAs or mutual funds," through Olliver-Pilcher's new financial services subsidiary.

To position itself for even more growth, Olliver-Pilcher made two extensive changes in its operations last summer after an analysis by business consultant John R. Cleaver of Princeton, N.J.

First, the agency formed the new operation, Olliver-Pilcher Financial Corp., to pursue non-insurance ventures and provide a hedge of stability against the cyclical nature of the insurance business.

"The whole purpose of the financial corporation is to be a safeguard against a soft market," says Wick Pilcher, who is also president of the financial services company.

Olliver-Pilcher Financial, for instance, operates Nelson/Harper & Associates, an employment search firm that specializes in relocating terminated executives. In finding new positions for these execs, Olliver-Pilcher capitalizes on its knowledge of and contacts in Phoenix-area businesses.

The financial corporation, which opened Aug. 20, 1983, but did not become fully licensed until November, is also dabbling in establishing limited partnerships for its clients. It has sold two so far.

Wick Pilcher notes that the company has established relationships with a real estate dealer and a firm that specializes in tax shelters, adding that it has sold some real estate limited partnerships in Carefree, a highly affluent area north of Scottsdale, Ariz.

Although the financial corporation is in the process of obtaining National Assn. of Securities Dealers and Securities and Exchange Commission licenses, Wick Pilcher says he is taking a very cautious attitude toward selling some financial products, like securities.

"But we've been checking out the marketplace and letting some insurance companies know that we have a vehicle set up to distribute financial products," he adds.

Olliver-Pilcher also went through a second major change last year: a voluntary management shakeup recommended by Mr. Cleaver.

According to F. Rockne Arnett, Olliver-Pilcher's senior vp and secretary, Mr. Cleaver tested the agency's top officers and then recommended how their jobs could be restructured to best use each person's natural talents.

"We found it wasn't smart to have producers working in a management capacity. It became obvious that we had to put professional managers in management positions, not take the producing talent out of production," Mr. Arnett comments.

Bill Pilcher, the company's chairman, explains that Mr. Cleaver developed a battery of behavioral tests designed to reveal leadership and administrative qualities, sales abilities or other strengths.

After administering the tests and interviewing the executives, Mr. Cleaver proposed changes in the management structure and a revamping of some of the offices' duties.

For instance, Mr. Metzger, who had been manager of the Glendale, Ariz., branch and whose tests showed an excellent aptitude for management, was promoted to president of the agency. Mr. Arnett and Senior Vp and Treasurer Dick L. Jones were given more freedom to pursue their field of expertise—producing—by having their administrative duties somewhat streamlined.

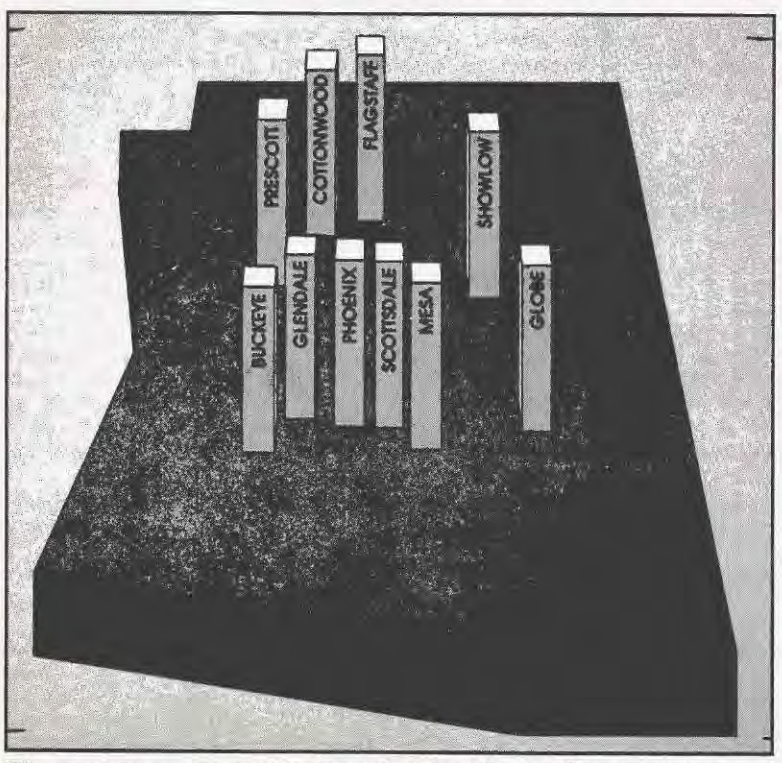
Mr. Arnett oversees all advertising and public relations for the agency, while Mr. Jones is in charge of training employees and motivating them to continue their insurance educations—an area the agency considers so important that it awards a $100 bonus to employees who successfully complete an insurance course.

Other changes inspired by Mr. Cleaver involved moving Wick Pilcher—who had worked in the London market at C.E. Heath P.L.C. and at Aetna Life & Casualty Co. before rejoining Olliver-Pilcher as a producer and manager of the Glendale, Ariz., office—into the post of vice chairman.



Photo: Pamela DeFiglio

The top executives at Olliver-Pilcher include, from left, Executive Vp Pete Scardello, Vice Chairman Wick Pilcher, Chairman Bill Pilcher and President Mike Metzger.



The agency operates nine branches besides its Phoenix base.

In addition, Bill Pilcher's duties were scaled back in anticipation of his retirement. He now acts as a senior adviser and consultant, having relinquished his management duties to a three-person management team composed of Wick Pilcher, Mr. Metzger and Mr. Scardello, executive vp of finance and administration.

Mr. Metzger feels the decision to employ an outside consultant to analyze the agency's internal structure was wise. "It's the best money we've ever spent," he says.

When Mr. Cleaver was interviewing each executive individually, "He laid some very tough things on each of us, things that were hard to cope with. But he gained our respect," Mr. Metzger comments, adding that the objectivity lent by Mr. Cleaver's status as an outsider made his recommendations more palatable.

And, in addition to changing the management in the agency, the reorganization plan mapped out a perpetuation scheme, Mr. Metzger notes.

Each member of the three-man management team, which formally meets weekly, has his own specific responsibilities.

Mr. Metzger oversees the branch offices and the day-to-day administration of the company. The agency producers report to him, and he meets with them at a breakfast planning meeting every month to discuss sales progress.

Wick Pilcher produces, negotiates with insurers and monitors whether premium commitments to insurers are being met.

Mr. Scardello is responsible for the company's finances, accounting, physical plants, automation and personnel.

"This works excellently. Each one of us knows our areas, and we do our job as we see it," Mr. Scardello comments.

Wick Pilcher describes the agency's management style as informal. "Dictatorship wasn't my dad's style, nor is it mine. Titles aren't a key issue here—we work as a management team."

During their weekly brainstorming sessions, the three managers discuss such items as business results, personnel problems and the profitability of the nine branch offices.

"We look at our agency business plan on a monthly or quarterly basis, to see where we're supposed to be and how we're doing," Wick Pilcher adds.

One important factor they must consider in their planning is the business climate in Arizona, with which the agency is intimately linked.

Traditionally, Arizona's economy was linked to the three C's: citrus, cotton and copper, says Bill Pilcher. But that's changing rapidly as high-tech industries move in and developers take over land formerly used for agriculture.

"Many high-tech companies are moving down here from Silicon Valley because land is less expensive here," Mr. Pilcher comments.

"Copper mining used to be big, but is now less than half what it was three years ago," notes Al Yont, the agency's marketing and underwriting manager.

Because of a canal and irrigation network, however, agriculture is still going strong, and tourism and construction also are major industries.

Olliver-Pilcher counts members of all those industries among its clients. The agency places covers for a wide range of policyholders including Inspiration Consoldiated Copper Co., Motorola Corp., Honeywell Corp., Royal Hawaiian Airlines, The Phoenix Republic & Gazette, Kitchell Contractors Inc., the Hopi Indian reservation, the Phoenix Suns basketball team, the Chicago Blitz football team and the city of Mesa, Ariz.

Although the agency thinks of itself as a generalist, it does a brisk business in several areas. For instance, it says it sells more surety bonds than any other company in the state, and it says it handles the insurance for about 35% of the state's school districts.

And it operates specialty departments in lines like aviation, employee benefits, workers compensation and professional liability.

Bill Pilcher notes that the agency has about 20 insurers under contract and deals with many wholesalers as well.

Wick Pilcher says that service is what makes Olliver-Pilcher stand out from its competitors.

"We're not always bottom dollar, but the support staff is able to offset that. We're a true, full-service agency, and clients are willing to pay a little extra for that."

None of Olliver-Pilcher's accounts makes up more than 1% of its total revenues, which means smaller accounts don't suffer because bigger ones are getting kid-glove treatment, he notes.

"We've found large accounts have less loyalty; there's too much politics and they cause us to discount prices too much. We stay with medium to small commercial accounts," he says.

"My dad gave the staff a lecture last week about the returning of phone calls. He's always been kidded because he has all these little old lady customers, whom he takes just as good care of as the bigger customers. No account is too small for him to visit."

Mr. Scardello concurs that service is Olliver-Pilcher's strong suit. "Look at our revenue-per-employee figure. It's low, about $45,000, compared with perhaps $55,000 for the public brokers, because of the amount of service we provide," he says.

Taking good care of the agency's employees is another area in which Olliver-Pilcher shines, Mr. Scardello comments.

"If you don't treat your people right, nothing else means anything. I think we have the best and greatest people working for us of any agency in town," he says.

To communicate and exchange ideas with other, non-competing agencies, Olliver-Pilcher joined two agency franchise organizations, Assurex International and Intersure Ltd. Belonging to the organizations, which guarantee their members regional exclusivity, facilitates a free flow of information because Olliver-Pilcher doesn't have to worry about a nearby competitor using its best ideas.

"I can call my partner in Dallas and ask a question or favor—and vice versa—or I may need a rate on a building in New Jersey," Mr. Jones said. "We can talk about how you pay your people, formulas for bonuses and commissions, incentives for producers, how much engineers charge and what kind of equipment to buy.

"We can't talk to our competitors about these things, but we can talk to a guy in North Carolina. A guy in North Carolina may have the solution to a problem that we're experiencing here."

Olliver-Pilcher also belongs to the Independent Insurance Agents of America, the Independent Insur-

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"With Insurnet, we got rid of a lot of paperwork."

–Larry Poulton, Poulton Associates, Oakland, CA



"I wanted to get rid of a lot of paperwork and get our agency operating more efficiently. Insurnet is the system that helped us do this."

Of all the automation systems on the market today, Larry Poulton of Poulton Associates in Oakland, CA , feels that Insurnet is the only system that can meet the special needs of his busy agency.

"In terms of actual day-to-day performance, Insurnet's software programs, such as accounting and Customer Information System (CIS), do a lot for an agency. With CIS, you can call up information right on a screen without even pulling out a file.

"This kind of efficiency brings about both time and cost savings for my agency. In fact, I think we can attribute some of our increase in premium volume to Insurnet. And we've been able to handle more volume without increasing our staff.

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Insurnet's Customer Information System (CIS) processes and stores policy information for you. When you need to retrieve information, you can call it up on a screen instantly. CIS gives you complete customer profiles and helps you determine the appropriate insurance products that best meet your customers' needs.

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When you leave invoices, statements, ledger cards, aged accounts receivables, producer and broker reports to the Insurnet Accounting & Financial Management System, you increase productivity. The system gives you reports on the state of your agency's finances promptly and accurately– freeing you to concentrate on selling insurance.

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For more information, or a personal Insurnet demonstration, call toll-free: (800) 227-0698. In California: (800) 227-3079. Or write: Dan Carhart, Insurnet, Inc., 1900 Powell Street, Emeryville, CA 94608.

Insurnet™

Business began slowly

PHOENIX, Ariz.—Although Olliver-Pilcher Insurance Inc. can trace its history to 1907, the seeds of its current operations were sown in 1950.

That year, William W. Pilcher and Don Olliver, a pal from high school, took over an agency, founded in 1907, that had been owned by Mr. Olliver's great-uncle. In their first year in business, the pair earned just $600 in commission income.

After a stint in the Army during the Korean War, Mr. Pilcher, who is now chairman of Olliver-Pilcher, returned home in 1952 to find that the agency's commissions had grown almost 10 times under Mr. Olliver's direction.

The agency started its string of nearly 50 acquisitions a few years later, using $3,000 that Mr. Pilcher gained by selling 640 acres of land he bought for just $300 under a Veterans Administration homesteading program.

In 1974, the agency bought out Mr. Olliver's interest because of what Mr. Pilcher termed "management differences." Mr. Olliver, he explained, had steered the agency into acquiring two agencies in Colorado and one in Nevada, which were eventually sold.

Mr. Olliver has since established Olliver Insurance Services Inc. in Phoenix, an insurance agency that is now a competitor of Olliver-Pilcher.

Arizona agency swaps ideas with other firms nationwide

Continued from page 22B

ance Agents of Arizona, the Independent Insurance Agents of Phoenix, the National Assn. of Professional Insurance Agents and the National Assn. of Casualty & Surety Agents.

Now that Olliver-Pilcher has grown into a large agency, it is able to use its clout not only to negotiate with insurers but also to attract high-quality personnel, Mr. Yont says.

"We can attract good-quality people, and so we don't tolerate incompetence. The people that work here are professional and well-trained," he comments.

Personnel Manager Marge Jantz says that Olliver-Pilcher offers its employees salaries at or slightly below the norm for insurance agencies in Phoenix, but Ms. Jantz says that the benefits are "very competitive."

A personnel manual spells out company policies in detail, and the agency gives extra rewards to employees who bring in new commercial accounts.

"It's a good place to work—people are friendly and work well together," Ms. Jantz comments.

The agency's concern for its employees can be seen in its modern Phoenix offices. When agency officials decided to construct the office building a few years ago, they strove to make it a pleasant place for the employees to work.

The rim of outer offices, which houses officers and managers, has large windows on the exterior and walls of tinted glass on the inside. Daylight filters through to the central work area, where clerks' and underwriters' desks are situated, and workers throughout the entire office can see outdoors.

Mr. Arnett explains that the office designers talked to agency personnel and designed the space to reflect their personalities.

"We also analyzed the location and picked a spot that is convenient to as many of our employees and clients as possible," Mr. Arnett notes.

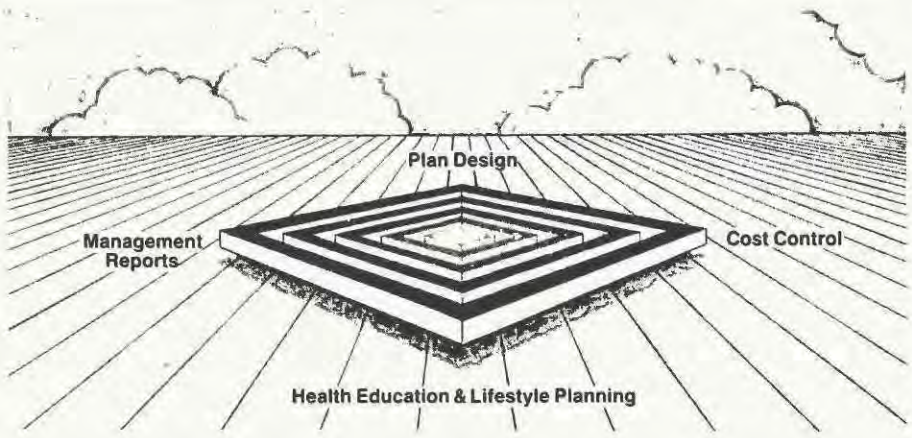
The office design was sleek enough to appear as a feature in a design magazine, one of several articles prepared by Olliver-Pilcher's advertising and public relations firm, Mullen Public Relations of Phoenix.

"They get two or three major articles a year about us in the local dailies," Mr. Arnett says. "There was a big article on the management change, and an article when we were getting into underwriting authority. Mrs. Pilcher has a collection of fire marks and leather fire buckets, and the newspaper wrote about that in their lifestyle section."

The agency also gets media coverage through its sponsorship of a Thanksgiving Day footrace, the Olliver-Pilcher Turkey Trot. The race attracts a great deal of attention, and the Phoenix agency is able to promote its community relations image, stressing items like the health insurance discount it offers for those who keep in shape. ■

PILOT ANNOUNCES FOUR-POINT PLAN TO CUT MEDICAL INSURANCE COSTS.

RISING COSTS COULD VERY WELL UNDERMINE THE HEALTH CARE STRUCTURE OF AMERICA. HERE'S WHAT PILOT IS DOING TO HELP REVERSE THE TREND.



The explosion of medical technology, combined with an increased use of medical services, is producing a parallel explosion in medical costs that could put proper sickness care beyond the financial capacity of the average family. Until recently, medical insurance has filled the gap. But costs are rising so rapidly that premiums are becoming prohibitive.

Pilot Life shares the national concern for this situation and has taken positive steps toward corrective action. Most recently Pilot put into effect a Four-Point Health Plan embracing the following concepts.

PLAN DESIGN

Americans have become used to insurance plans which, because of their low deductibles, high maximums and broad coverage, tend to encourage excessive use. What is needed are plans designed to encourage prevention more than cure. Plans which encourage more concern for cost and efficiency by both the insured and the medical community. Plans which make use of alternative, low-cost service.

Pilot was a pioneer in providing such plans with its Control-Med program specifically designed to encourage less costly outpatient treatment, second opinions for surgery and the like. Other innovative plans are in the works and will be announced soon.

MANAGEMENT REPORTS

Pilot's state-of-the-art, on-line claims system, P.A.C.E., not only provides fast handling of claims, it also generates a wide range of reports which enable employers to audit their insurance programs. To compare charges of the various providers of medical services, for example, to see which are most efficient. Or to see which kind of illnesses or accidents are most common among their employees. Armed with this information, employers are better equipped to negotiate for more efficient care and to counsel employees seeking medical help.

COST CONTROL

A special Cost Control unit has been set up at Pilot which concentrates on reviewing unusually large claims, auditing charges of hospitals where services seem inconsistent with treatment, or where costs seem out of line. They are in constant contact with Professional Standards Review Organizations, and other auditing organizations across the country, seeking more effective means of cost control.

HEALTH EDUCATION & LIFESTYLE PLANNING

The best way to cut medical costs is not to get sick in the first place. That's why Pilot has inaugurated Health Education & Lifestyle Planning, a program designed to assist employers in developing health maintenance programs for their employees. It addresses such problems as overindulgence in eating, drinking and smoking, drug use, hypertension detection, stress management, and the general problem of staying physically fit. It involves everything from pamphlets and payroll stuffers to worksite classes and exercise facilities to nutrition programs and blood pressure testing.

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Olliver-Pilcher finds radio is best way to reach public

PHOENIX, Ariz.—Olliver-Pilcher Insurance Inc. favors the broad audience and relatively low cost provided by radio to spread its name.

Senior Vp F. Rockne Arnett, who is responsible for Olliver-Pilcher's advertising, says the bulk of the agency's ad budget is spent on radio because "television's too expensive.

"We haven't gone after the same market as State Farm and Allstate —not after the blue-collar trade. We haven't found the printed page to be as effective, and it's expensive," Mr. Arnett says.

To determine what kind of advertising the agency required, Olliver-Pilcher hired a research firm, Mr. Arnett explains. The firm polled a sample of 400 people, broken down into equal parts of commercial lines customers, personal lines customers, commercial lines non-customers and personal lines non-customers.

The agency learned from the study that price was the main attraction to potential customers. It also learned that word of mouth was an effective form of advertising: Sixty percent of the respondents got the name of the agency they used from a friend, relative, co-worker or business associate.

In addition, 60% of Olliver-Pilcher's commercial lines customers and 32% of its personal lines customers could not identify the agency by name.

'We haven't found the printed page to be as effective, and it's expensive,' F. Rockne Arnett says.

Armed with these findings, Olliver-Pilcher made name recognition its advertising goal, Mr. Arnett explains. It launched a series of radio ads that invited listeners to call the agency for a free quote.

The response was good, and the agency was able to handle the calls because of the speed of its computerized rating equipment, he says.

Other radio commercials run by the agency have featured customers telling of their experiences with the agency. For instance, in one ad a customer who just moved to Arizona tells how he cut his premium costs at Olliver-Pilcher.

Mr. Arnett says the agency only runs co-op ads—advertising partially funded by an insurer—"if we're on a roll with the company."

When it does use co-op advertising, it usually rewrites the standard insurer-provided scripts so that the ads mention Olliver-Pilcher more often and the insurer less often, a tactic that is within the bounds of the co-op agreement, he explains.

Olliver-Pilcher also target-markets its services to the large retiree community in the Phoenix area, he notes, explaining that insurers offer rate deviations of up to 30% on comprehensive personal lines property policies sold to senior citizens.

One Olliver-Pilcher producer concentrates on this market, spending at least one day a week selling package policies at Sun City and other Arizona retirement communities.

This type of policy is particularly suitable for retirement community dwellers, Mr. Arnett explains, because it covers items like golf carts and boats in addition to automobiles, homes and condominiums and other personal articles.

Although the agency runs several radio commercials that describe the special services it offers to senior citizens, Mr. Arnett says that referrals and word-of-mouth advertising are very effective among older clients.

Another prospecting method that Olliver-Pilcher has found effective is to form a relationship with a residential developer.

"We had a deal with the Sun Lakes developer. He'd put $100 on a course-of-construction policy, and we'd write the coverage in the name of the developer and the homeowner. When the house was sold, the homeowner would pay the balance of the premium," Mr. Arnett says. ■

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Surety bonds can lead to other business

PHOENIX, Ariz.—Selling surety bonds to contractors can lead to a long-lasting relationship in which an agency places the rest of the client's insurance coverages, Olliver-Pilcher Insurance Inc. has discovered.

And, it has found out that selling bonds is profitable: Bonds generate about a quarter of the Phoenix-based agency's profits.

Jerry Underwood, Olliver-Pilcher's vp and surety manager, says the agency entered the surety bond market in the 1970s as part of its drive to increase its specialty lines busines.

The agency believed the sale of surety bonds could generate other business that the company might not be able to otherwise solicit, and, thus, become a part of its aggressive business strategy.

"We were trying to see how many areas we could get expertise in, as a marketing tool for new business," Mr. Underwood says. "We could use the approach, 'Let me do your bonds, and if you're happy with us, then use the rest of our service, too.' That could range from workers comp to pensions to general insurance.

"We're using our specializations to cross-sell, and it's been a very successful marketing approach."

Mr. Underwood adds that Olliver-Pilcher is the largest bond writer in the state of Arizona.

"People feel very comfortable in working with the Olliver-Pilcher bond department. We've earned the respect of the surety companies," he comments.

"Our reasons for being are to offer our service and to market the agency's insurance. We're a separate profit center."

The surety department generates only about 3% of the Olliver-Pilcher's revenues, but Mr. Underwood notes that it generates about 25% of the agency's profits.

"So we're a profitable area, which is especially good for the company in a soft market. We're consistently giving 'em 20% of profit," he says.

The surety department does the bulk of its business with contractors, but it also boasts many other types of companies and government entities as clients.

In dollar volume, it does 90% of its business with contractors and 10% with other businesses. In terms of number of bonds issued, however, only 40% of its business comes from contractors.

"The contractors make us bigger money," Mr. Underwood says, noting that the insurance agency could earn thousands of dollars in commission from a single contractor bond.

Some of the other types of businesses that buy surety bonds from Olliver-Pilcher include restaurants, which must buy bonds to ensure they'll pay their liquor taxes; apartment buildings; companies that have not yet opened for business; companies that are adding a second location or manufacturing facility; and companies that contract with municipalities or government entities to perform certain services, like street maintenance or firefighting.

Utility companies generally require businesses to have some kind of financial guarantee—which can take the form of a cash deposit or surety bond—before they will turn on the power. For example, Arizona Public Service and the Salt River Project, both of which provide electricity and gas, and Mountain Bell require financial guarantees.

"I don't have to convince the clientele that they need to buy a surety bond. The law requires public entities to have a cash bond," Mr. Underwood comments.

An important part of Mr. Underwood's job is to serve as an intermediary between surety bond underwriters and potential bond purchasers.

"On the one hand, we help people qualify for bonds, and on the other hand, we make a recommendation to the surety company that it's a favorable risk," he says.

Mr. Underwood's diplomatic talents also are called upon when one of the bond owners files a claim. "I moderate disputes between owners and contractors. Many surety companies have their own claims department, but want the agent to sit in as an objective third party.

"The owner's representative is the architect, and I'm the surety company's representative. So, the architect and I sit down and try to work it out. If there's a problem, I try to say something like, 'This wall's not straight? How come?' We try to avoid litigation for everybody."

Although surety bonds are big profit producers for Olliver-Pilcher, the business is not without its risks, he notes.

"Surety bonds cost less than 1% of a project's budget, and the surety company guarantees 100% of the contract. There's 99% chance they could go wrong," Mr. Underwood says. "One sour project can sour the results of an entire year. So, I have to establish communication and paperwork credentials to give the surety company the best information to make their decision on."

Olliver-Pilcher is appointed to solicit business for 18 surety companies, but actually writes coverage with six, Mr. Underwood says.

"We feel we have national representation. We don't always have field reps in Arizona—sometimes they're as far away as Los Angeles But we're getting the attention. People want to do business with us," he says. ■

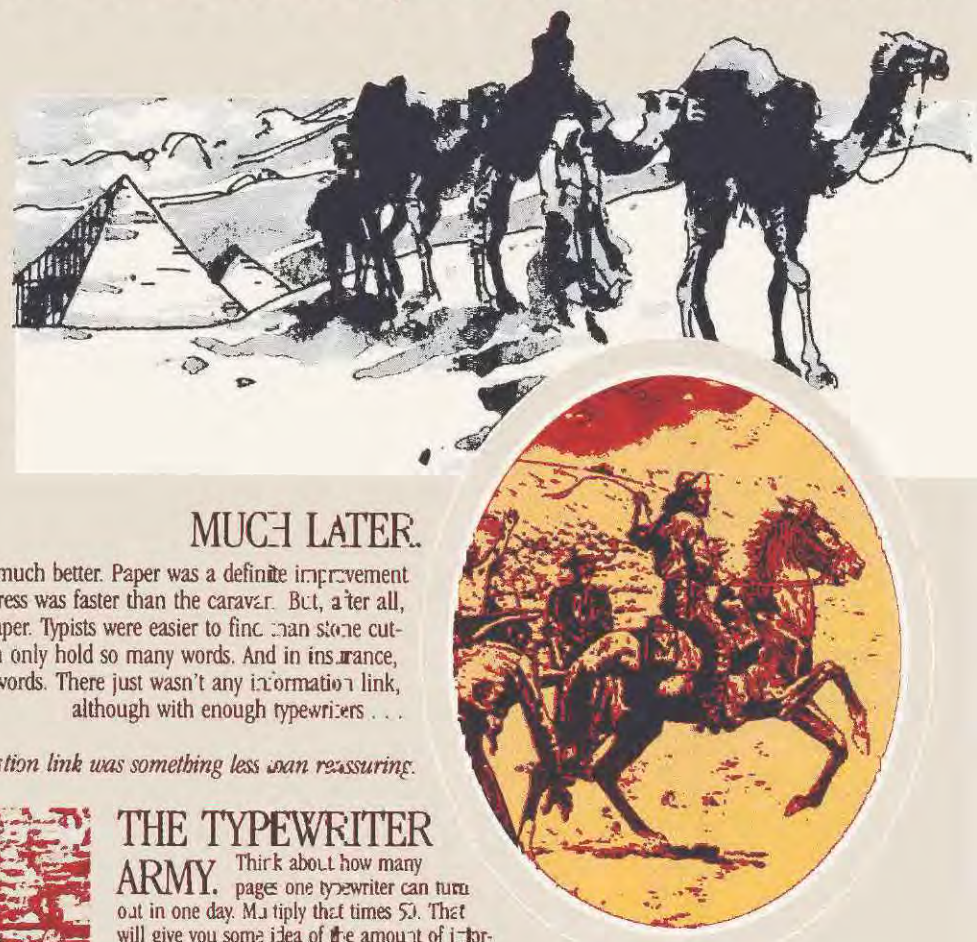
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When the property and casualty insurance business began, around 2000 B.C., the work wasn't easy. There was all that merchandise on the caravan to keep track of. Recording information was an impossible task. Finding qualified stone cutters was bad enough without thinking about the information storage problem. Communication? Forget it. Even Job could've lost patience waiting for a reply from Babylonia.

The P & C insurance business circa 2000 B.C. Send out the caravan and cross your fingers.



MUCH LATER.

3,870 years later, things weren't much better. Paper was a definite improvement over stone slabs, and the Pony Express was faster than the caravan. But, after all, ponies can only hold so much paper. Typists were easier to find than stone cutters, too, but a page of paper can only hold so many words. And in insurance, there always have been a lot of words. There just wasn't any information link, although with enough typewriters . . .

Relying on the Pony Express for your information link was something less than reassuring.



Walter Sanders, LIFE Magazine © 1942 Time, Inc.

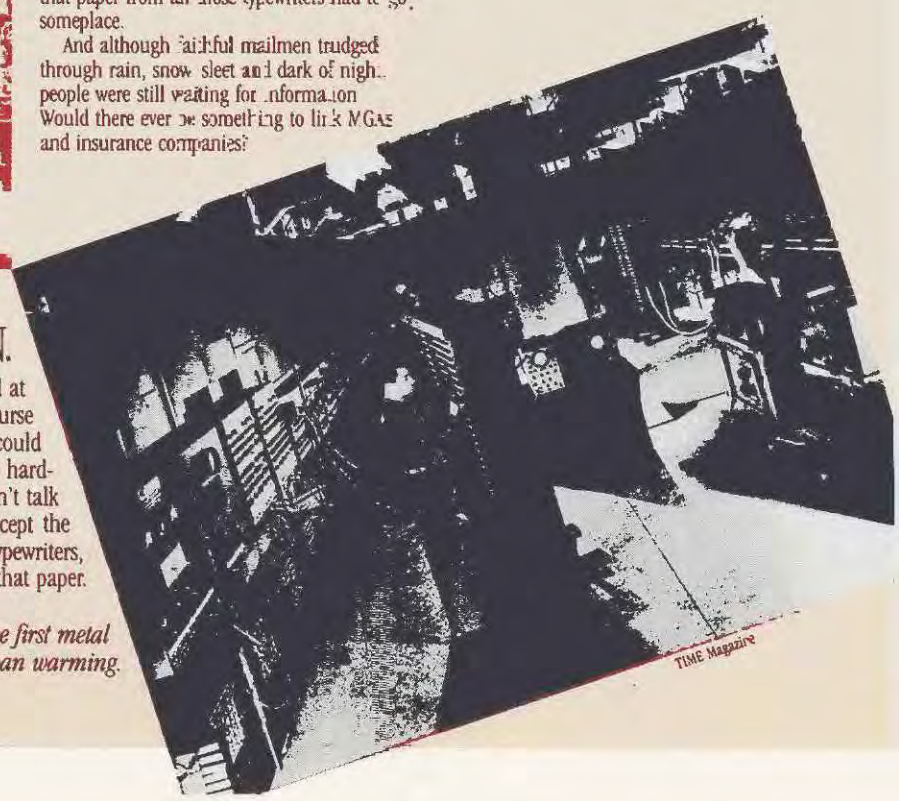
in the '40s, reams and reams became rooms and rooms.

THE TYPEWRITER ARMY.

Think about how many pages one typewriter can turn out in one day. Multiply that times 50. That will give you some idea of the amount of information property and casualty insurance people had to deal with in the '30s and '40s. And the storage problem didn't just continue, it got worse. All that paper from all those typewriters had to go someplace.

And although faithful mailmen trudged through rain, snow sleet and dark of night, people were still waiting for information. Would there ever be something to link MGAs and insurance companies?

LIFE Picture Service, LIFE Magazine © Time, Inc



TIME Magazine

A HERO ON THE HORIZON.

By 1950, it appeared, somewhat briefly, that help had arrived at last. The computer. It could store all the information. Of course hiring a Ph.D. was expensive, but he was the only one who could communicate with that giant mass of metal. Even with all that hardware, the communication lag continued. The computer couldn't talk to you and didn't feel much like talking to anyone else either. Except the Ph.D. And although one huge piece of machine had replaced 50 typewriters, there was still all that information that had to go on all that paper.

Attempts at meaningful conversation with the first metal heroes were somewhat less than warming.

Quest for right computer system a challenge

PHOENIX, Ariz.—Finding the perfect agency automation system isn't easy.

"We have computers now, but what we need isn't available at our price," complains Peter Scardello, executive vp of finance and administration at Olliver-Pilcher Insurance Inc.

In fact, Mr. Scardello spent a great deal of last year looking at ways to further automate the 170-employee agency, which has nine branch offices in Arizona in addition to its Phoenix headquarters.

"We need a computer for a large agency and for small agencies, which are our branches," he explains. "We need it to interface with the branches, as well as insurers."

But the ability to interface with insurers and branches isn't all that Mr. Scardello wants from a computer system. He wants a "paperless" office, in which all information is stored in computers.

With such a system, customers could call in their policy changes and customer service representatives could make those changes in minutes on the computer, he explains.

> 'In order to be independent, we need our own system,' Pete Scardello explains.

Some of the automation systems Mr. Scardello has investigated include complementary hardware and software from Delphi Systems Inc., which some public brokers are using, and a system using IBM hardware with McCracken Computer Inc. software.

Many of the agency's partners in Assurex International, an agency franchise organization with a nationwide membership, are using the IBM system, he says, but he adds that he feels both these options are too expensive.

Mr. Scardello also is opposed to agency automation systems marketed by insurers, explaining that such systems subject agents to insurer influence.

"In order to be independent, we need our own system," Mr. Scardello says.

To cut costs and preserve their independence, Olliver-Pilcher has formed a loose confederation with four other large agencies in Phoenix that has since hired a computer consultant. The consultant "will help negotiate what we get and whom we'd purchase from, so that we get what we really need and we don't buy too much," Mr. Scardello says.

"We're not going to computerize the company in six months. We'll do it in stages. First, we'll automate personal lines in Phoenix. Second, we'll do commercial lines in Phoenix. Third will be the Valley locations: Glendale, Mesa and Scottsdale. And fourth will be the outlying branches."

Mr. Scardello estimates the entire process will take about 2½ years and says that it will be at least six months before personal lines are fully automated in the Phoenix office.

Although Mr. Scardello is still searching for a perfect automation system, Olliver-Pilcher already has computerized its accounting functions, as well as some claims data and claims analysis, using the Agency Records Control system, model ARCOM-2.

The agency can feed the claims data into the system and it will analyze where losses fall and identify patterns, Mr. Scardello says. This information is used only for the agency's internal analysis. ARCOM-2 is not a data-based system, Mr. Scardello says, so files cannot be stored in it. Thus, it is inadequate for Olliver-Pilcher's needs.

The agency has also been interfaced, via an electronic mail system, with Continental Insurance Co. for seven years for personal lines coverages. The system allows an agency employee to send a policy application or other document electronically to the insurer, which processes the work overnight and replies to the agency by the next morning.

Olliver-Pilcher also interfaces with Aetna Insurance Co. and Mission Insurance Co., according to Mr. Scardello.

In addition, the agency owns Eagle personal computers, which it uses to rate personal lines. Mr. Scardello explains that employees using the terminals are able to call auto and homeowners rates for six insurers. And, the system produces a hard copy that can be sent to the customer.

Besides using computers to ease the burden on producers and underwriters, Olliver-Pilcher has reduced its clerical staff by switching to a word-processing pool.

All of the agency's producers and managers, with the exception of Chairman William Pilcher, who has his own secretary, dictate their letters onto a cassette, which is sent to the agency's word-processing center. There, three operators hammer out correspondence all day long.

"It isn't as fast as a personal secretary, but the job gets done. Some of the producers have gotten innovative. They say, 'Give me letter 14 and fill in the blanks with these names,'" Mr. Scardello explains.

"We've saved at least two secretaries by putting in this central word-processing system, and we have room to add more people if we need to," he adds. ■

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Tony Tomsic/TIME Magazine

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Benefit planners facing many pitfalls

By DONALD H. MEHLIG

TODAY, THREE factors have created virtually a whole new ball game in benefit and pension planning. This applies both to group and key executive programs. These factors are:

- Shifts in socioeconomic patterns that have produced new beneficiary and sponsor desires.
- Greatly increased costs of traditional benefits that now require better controls (or more economic options).
- Trailblazing tax code reforms that have opened new avenues of opportunity.

While all of these factors are interrelated, they can be addressed separately to best define how a benefit program should be prepared.

In the past, most employee benefit programs were designed to be attractive to the working head of a household with a spouse and 2.3 children at home.

Today, this represents only about 7% of all those employed, according to government statistics. There are proportionately more unmarried, single-parent and two-income households. The average employee age is lower. And, employees tend to change jobs more frequently.

Consequently, the benefits employees want most also have changed. Now, in addition to long-term pensions, more immediate advantages are sought. These new benefits include add-on medical coverages (like dental) coverage, child-care benefits and, wherever possible, more individual choice. Evidence of this shift in desired benefits has shown that up to 80% of employees opt for something different when given a choice.

Looking at the same problem from the employer's viewpoint, there has been a distinct change in plan goals, too.

Traditionally, the employer wanted to secure the long-term services of select employees. Now, the main consideration seems to be attracting new employees in competition with other companies seeking the same skilled labor. This is particularly true in the high-technology and innovative services.

The need to keep valuable employees has become simply another way of stating the prior goal—attracting new employees—by offering an incentive to keep preferred workers from being recruited by other employers. The essential point is that the immediate perceived "cash" value of benefits becomes increasingly important as compared to vesting rights.

So, the wants of both the beneficiary and the sponsor have changed. Obviously, new pension and benefit programs have to recognize these desires because no program is worth its cost and effort if it doesn't effectively do the job.

Over and above the psychological, or subjective, wants and needs of beneficiaries and sponsors, there is at least one very visible goal—incorporating ways to save tax dollars. This is a common interest to both employer and employees

In general, employees tend to be more knowledgeable about opportunities to shelter or defer taxes today; or, at least, more people are aware of the possibilities. Individual Retirement Accounts have been massively sold in the media. It seems that everyone has a banker, broker or brother-in-law with an idea of how to beat Uncle Sam. Some of these schemes are practical, and some are unrealistic.

Tax-bracket creep, particularly for two-income households, is taking a huge bite out of the paychecks of typical wage earners today. The country still is paying for a decade of double-digit inflation. Incomes of more than $20,000 are now paid to an expanding group of jobs. A working husband and wife can quickly reach the $30,000 to $50,000 range.

These middle-income taxpayers find themselves in a tax bracket that makes shelters and deferrals an important need. Social Security contributions will continue to increase, as will local taxes. This is true for both employees and employers and is also true for employee and key executive benefit plans.

In addition, the Tax Equity Fiscal Responsibility Act of 1982 limited pension windfalls. The maximum pension benefit is now $90,000 a year; $30,000 is the maximum that can be contributed to a defined contribution plan. This will affect many plans with high-income employees.

Another TEFRA provision will affect many smaller companies. If more than 60% of the aggregate benefits are accrued for key employees, then the total plan is considered top-heavy and is subject to additional restrictions.

In many programs set up in the past, the whole concept was to reward key employees with the maximum tax-advantaged benefits. Now, all of these programs must be adjusted to the new Internal Revenue Code requirements, or they lose the favored tax status that was their main attraction.

When we are asked to review existing programs or create new benefit and pension plans, the first step we stress is determination of the true needs and wants of the employee group. This includes meeting the broad-based needs of typical employees and obtaining special advantages for key employees, all balanced for maximum effectiveness and legal compliance.

In the past, the traditional benefit package included a medical benefit, life insurance and some options, usually in the area of major medical and disability income. Pensions typically had a 10-year vesting requirement and were payable at a fixed annual rate.

These programs have lost some of their attractiveness to many, if not a majority of, covered employees. Adding insult to injury, the cost of these traditional programs, both to the sponsor and the employee, has become an increasing burden. This cost increase compounds the lessened effectiveness.

For instance, the cost of medical benefits has increased 10 times in the past 10 years, doubling in the past 2½ years alone.

Pensions have become very costly, too, because of two major factors: Employee Retirement In-

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Donald H. Mehlig is president of The Cal-Surance Group in Torrance, Calif.

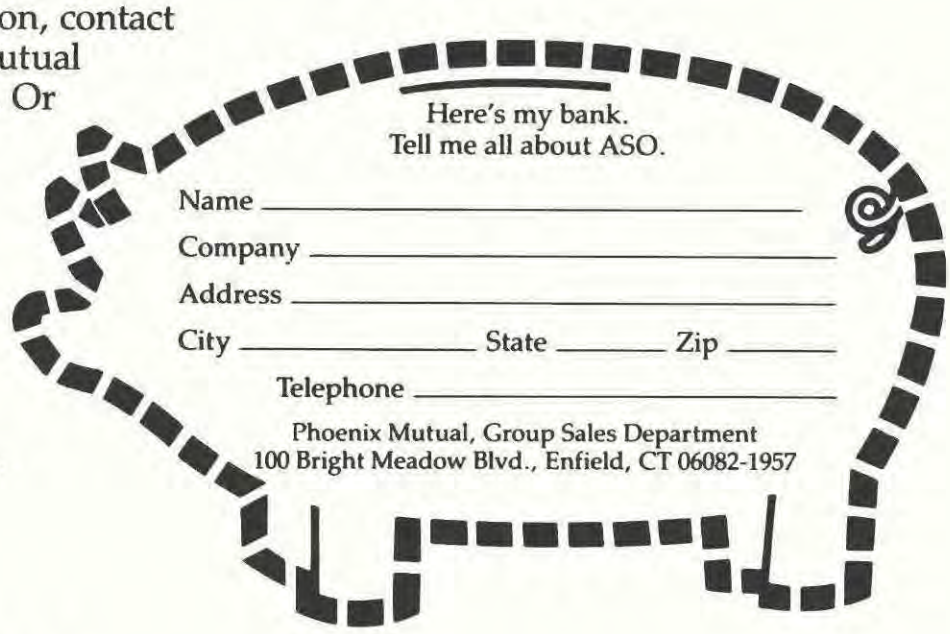
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ministration. ■

Continued from facing page

come Security Act requirements and inflationary wage increases, causing underfunding based on past assumptions.

Taking each in turn, ERISA administration expenses have created a burgeoning expense problem that sponsors hadn't experienced or anticipated when these plans were established years ago.

Thus, increased costs have cut into the perceived value of some traditional benefit programs. Key executives have had their pensions limited. Top-heavy programs have jeopardized the continuance of existing plans. The efficiency of pension plans with fixed contribution schedules and high administrative costs is becoming questionable.

Replacing old plans with completely new designs can be a very complex procedure if accumulated tax advantages are to be preserved and all other rules and regulations satisfied.

However, there are different options. For instance, an employer can establish a non-qualified plan. This alternative has advantages, where applicable, in being able to allow more selectivity between key executive and employee groups and may offer real savings in administration costs.

An example of a non-qualified plan is where employees are *promised* a deferred benefit, but no trust is created or funded. Since the beneficiary technically has not been given anything, there is no immediate tax liability. The sponsor may bookkeep the "promise" as a deferred liability, however, thus decreasing taxable earnings.

While many qualified and non-qualified features have been around for some time and have their uses, two new tax code provisions now are attracting attention. Let's first examine the highlights of the cafeteria plan opportunities.

Section 125 of the IRS Code has had certain on-again, off-again attractions. The main thrust of the cafeteria plan is the optional approach it provides for benefits.

Employees are allowed to choose individually from a "menu" of benefits offered by the sponsor. New provisions, perhaps more suited to today's needs, are allowed. These may include 100% medical coverage, reimbursement of deductibles, the addition of medical benefit extras (like optical care and dental care), dependent care, voluntary added life insurance (up to $50,000), disability insurance and certain other special features, such as group legal benefits.

The major tax consequence is that these benefits are not considered additional income, thus they are paid for with pretax dollars. The allowance of Section 125 benefits without any added taxable income caused a serious question as to what companies could do in implementing a cafeteria plan. If benefits were not taxable as income, then could a voluntary salary reduction plan be used to fund a tax-free increase in benefits?

The significance of the salary reduction allowance is that the employee saves tax dollars. This applies to federal and state taxes as well as to Social Security (currently 6.7%). The possibility of providing more benefits at a lower cost to the employee now begins to gleam as a goal for benefit planners.

In 1978, Congress added Section 125 on cafeteria plans. Yet, the IRS has not yet issued a final regulation governing them, although it does say that it will not validate certain types of flexible spending accounts (*BI*, April 23).

The same tax-saving ideas can be pursued by using the 401(k) option by itself or in combination with the Section 125 cafeteria plan. Section 401(k) allows the employee to elect to defer a portion of salary into a qualified retirement plan. These are, again, pretax dollars. There are far more flexible provisions for 401(k) plans than for an Individual Retirement Account or other tax-advantaged savings plans.

There is no tax penalty for withdrawal for an IRS-qualified financial hardship. The participants, subject to IRS rules, may borrow from their own account and the interest that the trust earns is also tax-deferred. Since an employee's accumulated pension trust is 100% vested, it always can be rolled over into an IRA or another qualified plan if the participant changes employers.

Earlier, it was suggested that each of the three critical factors (desires, costs and tax consequences) should be analyzed sequentially for best planning. This does not mean that once one set of specifications or "wish list" is created, a good planner can't go back and forth between lists to peak the overall effect. Here's one example of this method.

The coverage of medical policy deductibles, or adding non-standard policy medical features, is usually found to be very popular among employees. This would include eye and dental care, excess coverage beyond policy limits, etc. The cost of these benefits can be bargained for in the marketplace and provided at an attractive group premium rate.

What could make these benefits even more affordable is if voluntary salary reductions decrease the tax consequences for the employee. The bottom line to this type of benefit planning can be seen in its comparison to the traditional approaches used by benefit managers in the past.

Before, an insurance company or similar financial institution was contacted to provide a packaged benefit plan. Perhaps two or more providers of these plans were contacted and they bid competitively. But, these fixed plans couldn't explore the possibilities of flexible benefits and custom programs.

A real consideration for all of these customized plans is the administrative cost of individual programs. A good benefit planner always will figure this into a cost-effective equation.

Opposing viewpoints presented by traditional benefit and pension sources sometimes present benefit managers with horror stories of computer costs, complexities and breakdowns. This is where benefits consulting companies come in. Some firms have been active in designing optional benefit packages for many years, and they can install modern benefit plans with a minimum increase in administration costs. ■

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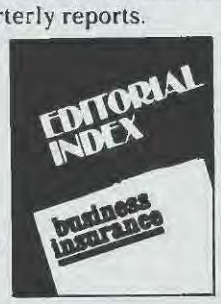
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California agents can receive free legal advice by telephone

A free telephone legal assistance service is now offered by the Independent Insurance Agents and Brokers of California to its members.

Agents and brokers can call the service with questions, including problems with incorporation, rehabilitation agreements, termination of agency contracts by insurers and illegal solicitations of agency clients by financial institutions.

The IIABC has retained the San Francisco law firm of Miller & Daar, which specializes in insurance matters, for legal advice.

To use the service, agents may contact the IIABC's Diane Woods and Joe Annotti at 415-981-2714. They will answer the inquiry or direct members to the law firm.

Arson presentation

A slide presentation on arson prevention, "Arson Watch: Why Get Involved?" is available for agents and brokers to show to community groups.

The 10-minute presentation, developed in cooperation with the Independent Insurance Agents of America and the National Assn. of Professional Insurance Agents, offers tips on preventing arson in businesses and homes, and tells people how to cooperate with their fire and police departments.

To obtain a copy and for rate information, contact your local PIA or IIAA office or the Insurance Committee for Arson Control, 85 John St., New York, N.Y. 10038, 212-669-0522.

New business source

Marketpac International's Prospect System acts as a new business center for member agents, supplying developed leads, expiration dates and appointments with prospects.

The system uses a semicomputerized effort to track prospects, and then solicits them via telemarketing, direct marketing and letters from sponsoring associations. The agent can follow up on the initial solicitations and make the sales call, the company says.

For more information, contact Raymond T. King Jr., Marketpac International, 100 Presidential Blvd., Bala Cynwyd, Pa. 19004.

Commercial lines policy

Commercial Union Insurance Cos.' new commercial lines package policy, Concept 1, is designed for agents to rate, quote and sell in a single visit with a client.

Concept 1 is a core policy that can be adapted to several industries by attaching endorsements. Included in the package are liability insurance and coverages for heating and cooling equipment; building glass; outdoor signs and valuable papers; loss of income; money and securities; employee dishonesty; and accounts receivable.

The policy is available in Connecticut, Georgia, Indiana, Kansas, Louisiana, Maryland, Illinois, Pennsylvania, Virginia, Wisconsin and New York and will be expanded to other states under CU's Preferred Account Development System.

For more information, contact Commercial Union Insurance Cos., 1 Beacon St., Boston, Mass. 02108.

Licensing manuals

The Merritt Co. has introduced new editions of the Agents Licensing Study Manual for life and health insurance agents in Arkansas and Kansas.

The manuals, designed to help students prepare for state licensing examinations, cover basic material on insurance, pension and profit-sharing plans, ratemaking and reserving.

Each manual carries specific information about laws applicable in the state.

The Kansas manual costs $19, while the Arkansas manual costs $23, plus $2 shipping and handling. For more information, contact The Merritt Co., P.O. Box 955, Santa Monica, Calif. 90406, 213-450-7234. ■

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Standard Oil offers workers choice of two medical plans

Standard Oil Co. (Indiana) is offering its 35,000 employees a choice of medical plans to contain benefit costs.

This spring, union and nonunion employees will have a choice of "Option A" or "Option B" health plans. The company contributes $161.50 per employee per month toward either plan, but Option A, which offers more coverage, will require employee contributions.

Option A, which was the company's existing medical plan, requires various deductibles for certain services, up to a combined annual maximum of $200 for individual coverage or $600 for family coverage. The employee will then pay for 20% of additional services, to a maximum of $1,790 per employee, with no difference between individual and family coverage.

Employees pay contributions ranging from $13.59 per month for individual coverage to $64.33 per month for large family coverage.

Option B, created this year as a cost-effective alternative, requires a $200 deductible per person or up to $600 for families (regardless of services), after which the employee must pay a 20% copayment. The out-of-pocket limit is $2,000.

The plan fully pays outpatient procedures and second opinions.

Workers pay nothing for individual coverage and $7.04 monthly for the largest family category.

The Option B plan is also designed so that out-of-pocket maximums are indexed to premium increases or decreases at each renewal.

Standard's health plan is funded through a minimum premium arrangement with Metropolitan Insurance Cos.

Special pension plan

About one-third of 15,400 United States Steel Corp. employees terminated since December 1982 are eligible for special pension benefits above their regular pensions.

The special benefit, $400 a month, is a "type of cushion" until the laid-off employee is eligible for Social Security at age 62, a company spokesman said. The special amount is available to employees age 55 or older with 15 or more years of service. Employees whose age and years of service equal or exceed 80 also are eligible.

The special benefit could be reduced for employees with 20 or more years of service, whose age and years of service exceed 65, if their monthly earned income exceeds $500.

The amount of regular pension benefits an employee receives depends on years of service. For example, an individual with 40 years of service receives $752 in regular monthly benefits.

The remaining two-thirds of the terminated employees, who do not qualify for the benefit, are eligible for a deferred benefit plan or severance pay. Details on these provisions have not yet been finalized, a company spokesman said.

Health cost controls

Baltimore County, Md., has introduced two benefit programs to its 15,000 government and Board of Education employees for containing health care costs.

The first program makes mandatory a second surgical opinion for 15 procedures, such as tonsillectomies. Previously, the second opinion was voluntary, "and no one did it," Francis J. Reisig, manager of payroll and employee benefits, said.

Now, the plan pays only 50% of the surgeon's fee if the second opinion is not obtained, rather than the 80% reimbursement provided under the county's major medical plan. The county's plan pays 100% of the cost of obtaining the opinion.

The second program is a pre-admission and concurrent review plan, which is required for 65 procedures, such as vasectomies.

If a pre-admission review is not obtained from Blue Cross/Blue Shield or a BC/BS-approved review agent, benefits may be denied if the hospitalization is later deemed medically unnecessary. The plan is funded through Blue Cross/Blue Shield of Maryland Inc.

The plan provides first-dollar coverage for hospitalization and 80% of major medical costs after a $200 deductible per person (or family member). The maximum out-of-pocket expense for an employee is $2,000 per family member.

The plans started April 1.

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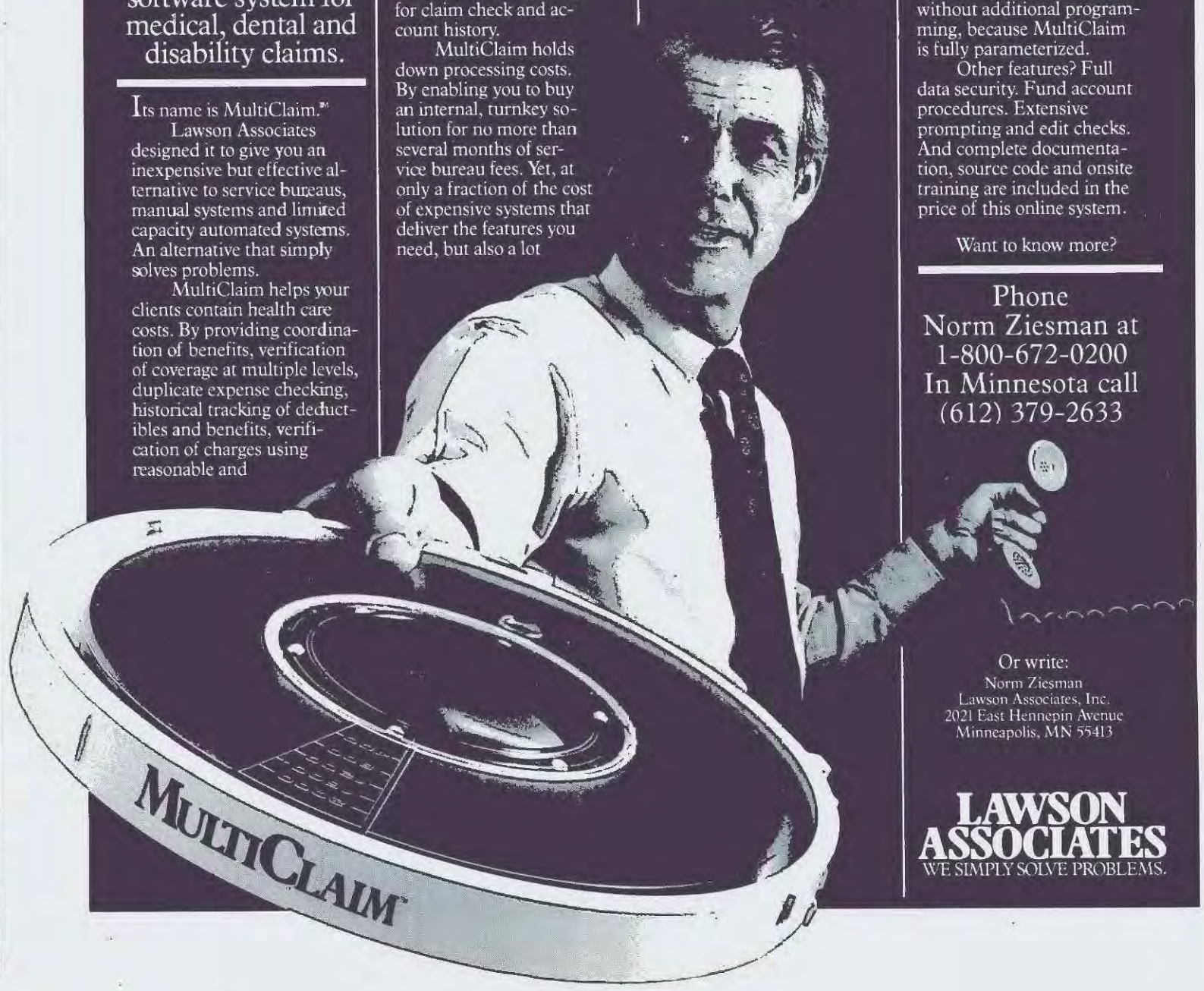
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Small-firm risk managers fare best in 1983

Continued from page 3

One possible reason is generally improved corporate performance and the fact that salaries—and especially bonuses—at small companies may be more likely pegged to profits.

"A lot of these people were in bonus situations," explains Richard Meyers of Logic Associates, who conducted the survey. "Bonuses played a major part in the compensation increases."

For instance, risk managers at companies with less than $200 million in sales reported an average bonus of $4,660 in 1983, a 261.4% increase from $1,783 in 1982, while their average base salary increased 27% to $44,324 from $34,894.

In fact, the average bonus paid to risk managers at companies with less than $200 million in sales was larger than the average bonus reported by risk managers at companies with $201 million to $500 million in sales and those at companies with sales between $501 million to $1 billion.

Many smaller companies tie risk managers' bonuses to corporate performances, adds Logic Associates' Bill Perry, who also conducted the survey.

"Part of (the compensation increase) is the reflection of the economy. 1982 was a horrendous year; '83 was a whole lot better," he says.

Mr. Perry also notes that better corporate results have increased management's awareness of risk management departments. "Companies are saying, 'Let's look at risk management as a valuable operation. Let's start paying back these people.'"

Risk managers for companies with $201 million to $500 million in sales also reported a sizable increase in bonuses, but not nearly as large as the 261.4% jump reported by the small-company risk managers.

The risk managers at companies with $201 million to $500 million in sales reported an average bonus of $3,566 in 1983, a 47.1% increase over the $2,424 reported in 1982. Their average salary increased 18.5% to $45,553 from $38,435 in 1982.

Increases in total 1983 compensation and base salary generally dipped as company size grew, but a uniform pattern of bonus increases cannot be traced, an analysis of the survey shows.

Other categories of risk managers and their total compensation, salaries and bonuses include:

- Companies with sales between $501 million and $1 billion. Risk managers at these companies reported average compensation of $51,744 in 1983, up 10.6% from $46,778 in 1982.

Base salary increased 10.9% to $48,576 from $43,801 in 1982, while the average bonus rose 6.5% to $3,168 from $2,976.

- Companies with sales between $1 billion and $2 billion. Risk managers in this category reported a 9.7% increase in total compensation to $58,731 in 1983 from $53,556 in 1982.

Average base salary increased 9.5% to $53,676 from $49,011, while the average bonus increased 11.3% to $5,606 from $4,545 in 1982.

- Companies with sales between $2 billion and $4 billion. These risk managers reported their total compensation increased 7.2% to $64,416 in 1983 from $60,078.

Average base salary rose just 4.4% to $58,551 from $56,097, while the average bonus leaped ahead 47.4% to $5,865 from $3,980 in 1982.

A reason for the large bonus increase for risk managers in this category was that the 1982 average bonus—$3,980—equaled only 7% of average salary, while the bonuses in most other categories have generally hovered around 10% of salary. In 1983, the average bonus reported by risk managers in this category was just a shade more than 10% of average salary.

- Companies with sales between $4 billion and $7 billion. Risk managers in this group reported average compensation of $75,145, a 6.2% increase over the $70,766 reported in 1982.

Average base salary increased 9.2% to $69,200 from $63,356, while average bonus decreased 19.8% to $5,945 from $7,410.

Only 49 responses were received in this category, which raises the possibility that year-to-year comparisons could be misleading.

- Companies with sales exceeding $7 billion. Like the prior category, comparisons are probably not meaningful because of the small number—24—of responses. The survey shows that average compensation for these risk managers *decreased* 9.2% to $88,714 from $97,718.

Average base salary fell 7.8% to $74,877 from $81,186 in 1982, while the average bonus dipped 16.3% to $13,836 in 1983 from $16,532.

Although the survey shows that risk managers at smaller companies tended to receive larger compensation increases while those at bigger companies still tend to make more money, one trend that was evident in the 1982 survey disappeared in the most recent study: Risk managers in the East and Texas are no longer more likely to be better-paid than those in the West and Midwest.

In fact, no real geographic trend can be reported from this year's survey.

Focusing on two size groups in which a significant number of risk managers responded—companies with $201 million to $500 million and sales and those with $1 billion to $2 billion in sales—one can see that risk managers in major Midwestern and Western states receive about the same compensation as those in the East and in Texas.

For example, the average compensation of New York risk managers at companies with between $201 million and $500 million in sales was $54,390. Ohio risk managers at similar sized companies reported average compensation of $55,121, while Texas risk managers earned an average of only $53,617 and New Jersey risk managers reported an average compensation of $50,592.

However, it cannot be said that Midwest risk managers in this category are generally better-paid than those in the East and in Texas. The Illinois risk managers responding to the survey reported an average compensation of only $42,600, more than $12,000 less than the Ohio risk managers.

Turning to the larger size category—between $1 billion and $2 billion in sales—the East's dominance of past years also disappeared.

Continued on facing page

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Company size may determine benefits

Risk managers at larger companies are more likely to receive higher compensation, Logic Associates Inc.'s 1983 compensation survey shows. But, do the benefits received by risk managers increase with company size?

In some cases they do, but in others they do not, according to the survey.

Logic quizzed the 1,117 responding risk managers on four different benefit areas: company cars, stock options, corporate pension plans and company-paid life insurance.

One of the benefit areas—company cars—bucked the perceived trend that larger companies offer a higher level of benefits than smaller companies. Both large and small corporations tended to offer risk managers company cars to a much greater extent than medium-sized companies.

For instance, 41% of the risk managers at companies with less than $200 million in sales reported receiving a company car, while only 19% of those in the next largest category—companies with $201 to $500 million in sales—received this benefit.

The percentage dropped to 14% for the risk managers at firms with $501 million to $1 billion in sales, though the number of risk managers receiving company cars rebounded slightly to 15% in the $1 billion to $2 billion sales category.

Twenty-two percent of the risk managers at companies with $2 billion to $4 billion in sales said they received a company car, while 24% of those at firms with $4 billion to $7 billion in sales received this benefit.

In the largest category, companies with more than $7 billion in sales, only 18% of the risk managers reported receiving a company car. However, very few responses were received in this category, making the data suspect.

The notion that larger companies pay better benefits generally held true in two other benefit areas: stock options and pensions.

For instance, only 23% of the risk managers at companies with less than $200 million in sales received stock options, while 37% of those at firms with $201 million to $500 million in sales received them.

The percentage of risk managers receiving stock options continued to grow along with company size. Forty-eight percent of the risk managers at companies with $1 billion to $2 billion in sales received stock options, as did 54% of the risk managers at companies with sales between $4 billion and $7 billion.

Again, the largest category did not follow the trend, as only 40% of the risk managers at companies with more than $7 billion in sales said they received stock options. However, the small size of the sample casts doubt on the reliability of this finding.

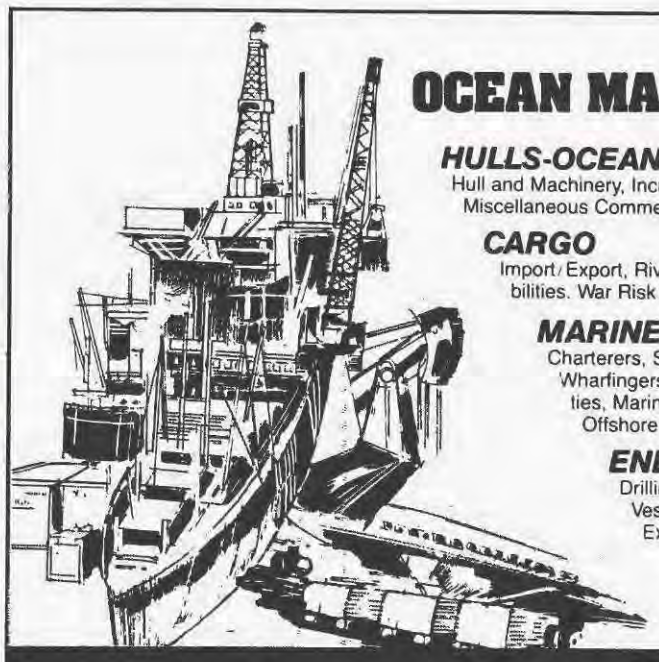
Pension plan coverage also increased with company size, the survey shows. For instance, only 81% of the risk managers at companies with less than $200 million in sales said they were covered by a corporate pension plan, while 89% of those at companies with $201 million to $500 million were covered.

The percentage of those covered by pension plans grew without exception with each company size category, with 98% of those at companies with $2 billion to $4 billion in sales reporting coverage and 100% of the risk managers at companies with between $4 billion and $7 billion in sales reporting pension coverage.

Only 90% of the risk managers at companies with sales exceeding $7 billion reported pension coverage, but again the sample included an insufficient number of responses to be judged as a conclusive indicator.

According to the survey, almost all companies, regardless of size, offer their risk managers the same level of life insurance coverage.

In every one of the seven size categories, the surveyed risk managers reported that they received a median of 200% of salary in company-paid life insurance coverage.■



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Continued from facing page

Among eight of the nation's largest industrial states, Illinois risk managers who work for companies of this size reported the highest average compensation, $67,264. California risk managers reported an average compensation of $61,259, while New York risk managers received total pay of only $58,556. Risk managers in Texas in this category received an average of $58,333 in total compensation.

The lack of a geographical trend can also be seen when state averages are compared with the national averages in these two company size categories.

The average compensation in only two states exceeds the national average in both size categories. Those states are Connecticut and New Jersey. And, the average compensation in both size categories falls below the national average in only one of the eight large states: Pennsylvania.

In the other five large states, one of the categories' average compensation is higher than the national average, while the other is lower.

(Comparisons can only be made among these eight states because they are the only states in which an adequate number of risk managers responded.)

As in the previous surveys, the 1983 study also breaks down total risk management compensation, salary and bonuses according to the type of industry in which the risk managers' employers participate. But, as in previous surveys, no discernible trend can be established from these figures.

In fact, no industry reported higher-than-average or lower-than-average compensation in all seven size categories.

However, some truly high risk management salaries can be seen in some industries.

For instance, the two California risk managers working at conglomerates with more than $7 billion in sales reported average compensation of $147,500, based on an average salary of $134,000 and an average bonus of $13,400. However, it is impossible to judge from the survey how much either individual risk manager made in 1983.

The highest individual compensation reported in this year's survey was paid to a risk manager at a conglomerate based in New Jersey with more than $7 billion in sales. That risk manager took home a salary of $96,600 and a bonus of $47,000 for total compensation of $143,600, though that total was bested by at least one of the California large-conglomerate risk managers.

The largest base salary reported in the survey was the $112,000 in salary collected by an Illinois risk manager who works for a conglomerate with sales between $4 billion and $7 billion. However, this risk manager reported no bonus in 1983.

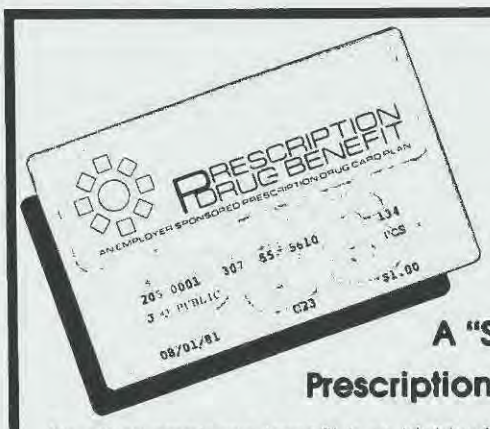
High salaries are not just paid to risk managers at huge corporations. A risk manager at a Maryland construction company with less than $200 million in sales reported a base salary of $109,400. This risk manager also did not receive a bonus last year.

The largest bonus reported was the $65,000 reported by a risk manager for a South Carolina construction firm with less than $200 million is sales. In fact, the company's management must have really liked this risk manager's work: The bonus exceeded the risk manager's salary by $13,000.

The second-largest bonus was reported by a risk manager for a New York natural resources company with sales exceeding $7 billion. That $50,000 bonus added to the risk manager's $80,000 base salary increased his or her total compensation to a cool $130,000.

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Copies of the "1983 Risk Management Compensation Survey" are available for $40 to survey participants and $55 to non-participants, including postage and handling, from Logic Associates Inc., 170 Broadway, Suite 1708, New York, N.Y. 10038; 212-227-8000.



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Large-company risk managers better educated

Continued from page 3
these companies are between the ages of 36 and 45.

In almost all cases, the age of the surveyed risk managers increases as their employers become larger. The survey found that:

- Only 19% of the risk managers at companies with sales between $201 million and $500 million are age 35 or under, but 31.7% of the risk managers in this category are between 36 and 45. (This category is not shown on the chart on page 3.)

Some 28.4% of the risk managers in this category are between the ages of 46 and 55, while only 15.5% are over 55.

- The ages of risk managers in the next largest category—companies with $501 million to $1 billion in sales—closely resembled the previous group. Seventeen percent of the surveyed risk managers in this category are 35 years or under, while 41.4% are between 36 and 45.

Slightly more than 25% are between the ages of 46 and 55, while 15.8% were over 55.

- Only 16% of the risk managers in the next category, companies with $1 billion to $2 billion in sales, are age 35 or under. However, 43% are between the ages of 36 and 45, 29% are between 46 and 55 and 13% are older than 55. (This category also does not appear on the chart.)
- Risk managers' ages significantly increase at companies with $2 billion to $4 billion in sales. Just 8.8% of these risk managers are 35 years or under, while 41.1% are 36 to 45. Some 35.3% said they are between the ages of 46 and 55, and 14.7% are over 55.
- Only 3% of the risk managers at companies with $4 billion to $7 billion in sales are under 55, with 36.4% between the ages of 36 and 45. Exactly one-third are between 46 and 55, while the percentage of risk managers over age 55 grows to 27.3%. (This category is not shown on the chart.)

Risk managers at larger corporations also stick with the same employer for a longer period of time than those at smaller companies, the survey reveals.

One-half of the risk managers at the companies with sales exceeding $7 billion have been with the company for more than 15 years, while only 25.7% of those at companies with less than $200 million in sales have at least 15 years of service with the same employer.

Just like age, a steady trend in longevity with one employer can be seen as corporate sales increase. For instance, only 23.6% of the risk managers at companies with $201 million to $500 million in sales have 15 years of service, while more than 25% at firms with $501 million to $1 billion in sales can claim this distinction.

The proportion with more than 15 years of service generally kept rising, with one-third of the risk managers at companies with $4 billion to $7 billion in sales achieving this benchmark.

The same trend holds true of risk managers with less than three years of service with their current employers. For instance, 27.2% of the risk managers at companies with less than $200 million in sales have been with their companies for three years or less, while only 13.6% of the risk managers at giant corporations with sales of more than $7 billion have been with their current employers for three years or less.

Naturally enough, risk managers at huge corporations reported many more years of risk management experience than those at smaller companies.

Almost 32% of the risk managers at companies with more than $7 billion in sales report more than 15 years of risk management experience, while 27.3% of these risk managers have fewer than seven years of experience.

At companies with less than $200 million in sales, a different picture appears. Only 14.9% of these risk managers have more than 15 years of risk management experience, while 60.4% have fewer than seven years of risk management experience.

Again, the survey reveals that in almost every instance, risk management experience levels increase as the size of the surveyed companies grows.

For instance, slightly more than 40% of the risk managers at companies with $501 million to $1 billion in sales report fewer than seven years of risk management experience, while 24.4% report more than 15 years of experience.

This can be compared with the risk managers at companies with $2 billion to $4 billion in sales. Only 17.7% of these risk managers report fewer than seven years of risk management experience, while 35.3% report more than 15 years of experience.

However, the survey shows that corporate giants are more likely to hire a relative newcomer to risk management than medium-sized to large companies.

For instance, 27.3% of the risk managers at companies with sales exceeding $7 billion have fewer than seven years of risk management experience, while only 12.1% at companies with $4 billion to $7 billion in sales and 17.7% of those at companies with $2 billion to $4 billion in sales have fewer than seven years of experience.

"Basically, there has been the new breed of risk manager coming into the marketplace in the early '80s," explains Logic Associates' Richard Myers, who conducted the survey with Logic's Bill Perry.

"These people deviate from the norm that risk managers at large companies have to have a lot of experience. Some schools are farming out some MBAs that have been rising to the top much more quickly than some of the people who have been in the market for 15 years," Mr. Meyers says.

Besides generally being older and more experienced, risk managers at the largest corporations are more likely to be men (see chart on this page).

Just 4.6% of the risk managers at corporations with more than $7 billion in sales are women, while 13.6% of the risk managers at companies with less than $200 million in sales and 16.4% of those at firms with $201 million to $500 million in sales are women.

The percentage of women risk managers generally decreased as company size grew, although the steady trend seen in the age and experience statistics was not evident.

For instance, 7.3% of the risk managers at companies with $501 million to $1 billion in sales are women; 5% of those at companies with sales between $1 billion and $2 billion are women; only 1.5% of those at companies with $2 billion to $4 billion in sales are women; but 6.1% of the risk managers at companies with $4 billion to $7 billion in sales are women.

Another non-surprise pointed out by the survey is that risk managers at larger companies tend to be better educated and are more likely to receive at least one of two professional designations: the Associate in Risk Management designation awarded by the Insurance Institute of America and admission to the Society of Chartered Property & Casualty Underwriters (see chart above).

Fourteen percent of the risk managers at the companies with more than $7 billion in sales lack a college degree, while 30% of those at companies with sales between $201 billion and $500 billion have not received a college diploma.

The percentage of risk managers with some kind of college degree generally increases with company size, although risk managers in the smallest category—companies with less than $200 million in sales—are more likely to have a degree than risk managers in three larger size categories.

The same general trend holds true with two other types of degrees: master's of business administration degrees and law degrees.

Almost one-third of the risk managers at companies with sales exceeding $7 billion have earned an MBA, while only 7% of those at companies with $201 million to $500 million in sales have an MBA.

Continued on facing page

Risk management staff size

Company sales	Professional	Clerical	Total
Less than $200 million	1.8	1.6	3.4
$201 million to $500 million	1.5	1.4	2.9
$501 million to $1 billion	2.1	1.7	3.8
$1 billion to $2 billion	2.7	1.2	3.9
$2 billion to $4 billion	4.0	2.7	6.7
$4 billion to $7 billion	4.9	2.7	7.6
More than $7 billion	5.6	3.2	8.8

Source: Logic Associates Inc.

Risk managers' education
(By company sales)

	Less than $200 million	$201 million to $500 million	$501 million to $1 billion	$1 billion to $2 billion	$2 billion to $4 billion	$4 billion to $7 billion	More than $7 billion
ARM	9%	14%	29%	18%	29%	18%	23%
CPCU	2%	12%	12%	15%	24%	9%	18%
MBA	11%	7%	16%	13%	18%	21%	31%
Law degree	4%	4%	2%	5%	3%	6%	7%
No degree	18%	30%	20%	19%	17%	15%	14%

Source: Logic Associates Inc.

Women in risk management

Company sales	Women risk managers
Less than $200 million	13.6%
$201 million to $500 million	16.4%
$501 million to $1 billion	7.3%
$1 billion to $2 billion	5.0%
$2 billion to $4 billion	1.5%
$4 billion to $7 billion	6.1%
More than $7 billion	4.6%

Source: Logic Associates Inc.

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Continued from facing page

Likewise, 7% of the risk managers at companies with more than $7 billion in sales can boast of a law degree, the highest percentage of any of the seven categories surveyed.

However, the relatively low percentage of risk managers with law degrees makes it difficult to establish a firm trend.

A firm trend also cannot be established between company size and risk managers who have earned the ARM and CPCU designations, although the survey shows that risk managers at relatively small companies are much less likely to have earned the designation than the other surveyed risk managers.

For instance, only 9% of the risk managers at companies with less than $200 million in sales have an ARM designation, while only 2% have earned a CPCU designation. And, only 14% and 12% of the risk managers at companies with $201 million to $500 million in sales have attained, respectively, the ARM and CPCU designations.

The category in which the highest percentage of risk managers holds professional designation is companies with $2 billion to $4 billion in sales. Twenty-nine percent of the risk managers in this category have earned an ARM designation, while 24% have received a CPCU designation.

Risk managers at companies with more than $7 billion in sales also ranked high in the percentage of designations received. Twenty-three percent of these risk managers have an ARM designation, while 18% have earned a CPCU designation.

Interestingly, a direct trend can be traced between a risk manager's marital status and the size of his or her employer.

For instance, 82.7% of the risk managers at companies with sales of less than $200 million are married. The percentage of married risk managers increases with each corporate size category, with 90.9% of the risk managers in each of the two largest categories—companies with $4 billion to $7 billion in sales and those with sales exceeding $7 billion—reporting that they are married.

On the other hand, the percentage of risk managers who are divorced or separated decreases with company sales—with one exception.

Slightly more than 11% of the risk managers at companies with less than $200 million in sales are divorced or separated, while only 7.3% of those in the next largest category—$201 million to $500 million in sales—are divorced or separated.

The trend continues unabated, with only 3.1% of the risk managers at companies with sales of $4 billion to $7 billion reporting they're divorced or separated.

But, inexplicably, the percentage of divorced or separated risk managers climbs to 9.1% among those employed by companies with more than $7 billion in sales.

The percentage of never-married risk managers hovers between 5% and 8.2% of those surveyed in all of the corporate categories, with the exception of the largest companies in the survey. All 24 of the surveyed risk managers at companies with sales exceeding $7 billion have been married.

The size of a risk management department generally increases as company sales increase, the survey also shows (see chart, page 26).

For instance, companies with $201 million to $500 million in sales average 1.5 risk management professionals and a total risk management staff, including clerical employees, of 2.9 people.

Staff size then increased steadily, with companies with more than $7 billion in sales employing an average of 5.6 risk management professionals and an average risk management staff of 8.8 people.

But for some reason, which the authors of the risk management survey cannot explain, the companies with less than $200 million in sales had larger risk management staffs—both professional and clerical—than the companies with sales between $201 million and $500 million.

The small businesses employed an average of 1.8 risk management professionals and an average total risk management staff of 3.4 people.

Finally, risk managers at larger companies were more likely to have formed a captive insurance company than those at smaller companies (see chart).

Only 10% of the companies with sales of less than $200 million have formed a captive, while 49% of the companies with between $2 billion and $4 billion in sales have established a captive insurance subsidiary.

According to the survey, a slightly smaller percentage of companies in the two largest groups—43% of those with sales between $4 billion and $7 billion and 46% of the corporations with more than $7 billion in sales—have formed captive insurers. ■

Captive insurance companies

Company sales	Using captives
Less than $200 million	10%
$201 million to $500 million	14%
$501 million to $1 billion	26%
$1 billion to $2 billion	32%
$2 billion to $4 billion	49%
$4 billion to $7 billion	43%
More than $7 billion	46%

Source: Logic Associates Inc.

Buyers at small companies likely to report to top brass

Not surprisingly, risk managers at smaller companies are more likely to report straight to the top, while those at the largest corporations tend to report to lower-ranking executives, Logic Associates Inc.'s 1983 compensation survey shows.

Some 67% of the risk managers at companies with less than $200 million in sales reported to the company chairman, while only 14% of the risk managers at corporations with more than $7 billion in sales reported directly to the chairman.

Because of the system used to tabulate the results in this portion of the survey, in most cases direct comparisons among different sizes of companies cannot be made. However, it is clear from the survey responses that small-company risk managers reported to higher-ranking officials than risk managers at large companies.

According to the study:

- Besides the 67% of the risk managers at the smallest firms who reported to the chairman, another 24% reported to the company president and the remaining 9% reported to a chief financial officer, a chief executive officer, an executive vp or a senior vp.
- At companies with sales between $201 million and $500 million, 52% of the surveyed risk managers reported to the chairman, while another 32% reported to the president. Twelve percent reported to an executive vp, while the remaining 4% reported to a chief financial officer or a senior vp.
- Only 35% of the risk managers at companies with sales of $501 million to $1 billion reported to the chairman, while 33% reported to the president. Seventeen percent reported to an executive vp, while the remaining 15% reported to a chief financial officer, a chief executive officer, a senior vp or a vp of finance.
- Twenty-seven percent of the risk managers at companies with $1 billion to $2 billion in sales reported to the chairman, and another 26% reported to the president. Twenty-one percent reported to an executive vp, while the remaining 26% reported to a wide array of officials, including senior vps, chief financial officers, vps of finance, treasurers, assistant treasurers and controllers.
- Only 10% of the risk managers at companies with $2 billion to $4 billion in sales reported directly to the chairman, while 18% reported to the president, 27% reported to an executive vp, 13% reported to the chief executive officer, 9% reported to the chief financial officer and another 9% reported to a senior vp. The remaining 14% reported to a treasurer, an assistant treasurer, a vp of finance, a controller or a legal counsel.
- Just 12% of those at companies with $4 billion to $7 billion in sales reported to the president, 15% reported to an executive vp, 12% reported to the chief executive officer, 18% reported to the chief financial officer and 18% reported to a senior vp. The remaining 25% reported to the chairman, the treasurer or a controller.
- At the largest companies, those with sales exceeding $7 billion, 14% reported to the chairman, another 14% reported to an executive vp, 23% reported to the chief executive officer, 14% reported to the controller and the remaining 35% reported to the president, the chief financial officer, a senior vp, a vp of finance, the treasurer or an assistant treasurer. ■

Risk managers' titles differ

Most risk managers really aren't "risk managers," according to the 1983 risk management compensation survey conducted by Logic Associates Inc.

The title of "risk manager" is the second most frequently used title to describe a company's top risk management official, the survey reveals.

Some 30.3% of the risk managers surveyed said their official title is "director of risk management." Close behind came the "risk managers," who comprised 26.9% of those responding.

Slighty more than 15% of the respondents reported their official titles as "insurance managers," while 8.7% were "vps of risk management."

Other titles reported in the study were "treasurer/risk management," which was named by 6.9% of those surveyed; "insurance/risk administrator," named by 3.8%; and "assistant secretary/risk manager," named by 2.4%.

Another 5.7% of those polled gave some other title.

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Company size can affect risk management duties

Continued from page 3

Logic asked the risk managers whether they have direct "hands-on" responsibility for different tasks or if they "supervised" or "advised" another individual in each area.

Although some of the surveyed risk managers' responsibilities vary according to the size of their companies, some do not. For example, roughly half of the surveyed risk managers said they have hands-on responsibility for claims handling.

About 46.5% of the risk managers at the companies with less than $200 million in sales reported they have claims-handling responsibilities, the lowest percentage in any of the categories. About 65% of the risk managers at companies with $1 billion to $2 billion in sales reported this responsibility, which was the highest percentage of any of the categories.

A trend also could not be established in another important duty associated with risk management: coverage placement negotiations. Although 89.5% of the risk managers at companies with $501 million to $1 billion in sales reported this responsibility, the highest percentage of any group, the difference in the percentage of risk managers with negotiation responsibilities at the smallest and the largest surveyed companies is negligible.

Likewise, between 23% and 33% of all of the risk managers in all categories surveyed reported they have direct responsibility for safety and fire-loss engineering chores, except for the risk managers at companies with $2 billion to $4 billion in sales. Inexplicably, only 8.4% of these risk managers reported this responsibility.

According to the survey, few risk managers have direct responsibility for corporate security.

Although 15.9% of the risk managers at firms with less than $200 million in sales report they have direct responsibility for security, no more than 10% of the risk managers in any of the other categories reported this responsibility.

If smaller-company risk managers are more likely to have direct responsibility for benefits administration and pension and profit-sharing administration, large-company risk managers are more likely to supervise individuals who have direct responsibility for risk management and insurance tasks.

For instance, only 65.6% of the risk managers at companies with $201 million to $500 million in sales have direct responsibility for property insurance, while another 11.9% reported they supervise someone else with direct responsibility. Thus, 77.5% of these risk managers have some type of responsibility for property insurance.

This compares with the 98.3% of risk managers at companies with $2 billion to $4 billion in sales who have some responsibility for property coverage. Only 68.9% of these risk managers have direct responsibility for property insurance, a figure that compares with companies with $200 million to $500 million in sales, but another 29.4% of these risk managers supervise some other employee who is directly responsible for property coverage.

The supervisory duties of the larger-company risk managers can be seen in other areas, too.

While 71.1% of the risk managers at firms with less than $200 million in sales have direct responsibility for negotiating the placement of coverages, compared with 79.8% of the risk managers at companies with $2 billion to $4 billion in sales, only 5.5% of the smaller-company risk managers have supervisory authority in this area, compared with 13.4% at the larger companies.

Thus, just 72.7% of the smaller company risk managers had some authority—direct or supervisory—for coverage negotiations, while 93.2% of the risk managers at the larger firms have some type of responsibility in this area.

Finally, risk managers at larger companies are more likely to have some responsibility for a risk management information system than smaller companies, probably because the smaller-company risk management departments do not have their own computer systems.

According to the survey, there is a vast difference in computer responsibilities between risk managers at companies with at least $2 billion in sales and those at smaller companies.

For instance, 58.8% of the risk managers at companies with $2 billion to $4 billion in sales have either direct or supervisory responsibility for a risk management information system. Fifty-one percent of the risk managers at companies with $4 billion to $7 billion in sales have this responsibility, while 58.3% of those at companies with sales exceeding $7 billion have such responsibility.

The numbers change drastically when corporate sales drop below $2 billion.

For instance, only 18.1% of the risk managers at companies with $1 billion to $2 billion in sales have some kind of responsibility for a risk management information system. That's a 40.7 percentage-point differential between these risk managers and those in the next largest category.

A higher percentage of risk managers in some of the other corporate categories below $1 billion in sales had risk management information system responsibilities, but these percentages do not approach those at companies with sales exceeding $2 billion.

Some 28.5% of the risk managers at companies with sales of $201 million to $500 million have direct or supervisory responsibility for risk management information systems, while 23.3% of those at companies with $501 million to $1 billion in sales do.

Only 14.7% of the risk managers in the smallest corporate category, less than $200 million in sales, have some type of computer system responsibility. ■

Storm damage totals $7 million

RAHWAY, N.J.—Wind, hail and tornadoes that ripped through portions of Arkansas and Louisiana on April 18 and 19 caused an estimated $7 million in insured property damage, according to C.E. Hermanson, vp of the Property Claims Services division of the American Insurance Services Group Inc., an industry organization.

The storm, which also caused damage in some other areas of the South, was assigned Catastrophe No. 34 by the Insurance Services Office. ■

info

• "Public Employees Benefit Plans—1983," a collection of presentations made at the 1983 Public Employees Conference of the International Foundation of Employee Benefit Plans, has been published by the foundation. The 94-page volume contains discussions of **benefits for public employees,** including cost pressures on public plans, fiduciary responsibility, alternative investments and pre-retirement planning. Copies are available to members for $6 and to non-members for $10. To order, write the Publications Department, IFEBP, P.O. Box 69, Brookfield, Wis. 53005.

• "Services for Monitoring and Controlling Asbestos" describes the consulting capabilities of Clayton Environmental Consultants in helping clients **manage and control asbestos-related health hazards.** The four-page brochure can be obtained free of charge by writing Clayton Environmental Consultants, 25711 Southfield Road, Southfield, Mich. 48075.

• **"Containing Corporate Health Care Cost-1983,"** a book of edited texts of speakers' presentations at the International Foundation of Employee Benefit Plans 1983 Corporate Health Care Cost Containment Seminars, is available from the foundation. Chapters in the 47-page book discuss health care cost-containment problems in major cities. Copies are available to members for $6 and to non-members for $10. To order, write the Publications Department, IFEBP, P.O. Box 69, Brookfield, Wis. 53005.

• A 15-page **"Guide to Hand Safety,"** from the Injury Prevention Library published by Krames Communications, details how accidents can happen, what precautions to take and first aid for hands. Two illustrated charts provide an overview of types of injuries that are most common and ways to prevent them. For a free copy, write Krames Communications, 312 90th St., Department 1106-Z, Daly City, Calif. 94015.

• An examination of workable cost-containment features to assist companies in **reducing employee health benefit costs** has been published in the February issue of Risk Management Commentary by D.A. Betterley Risk Consultants. Claims-reductions methods that do not reduce benefits are explored for various corporations. Discussions of employee wellness programs, PPOs, pre-admission review, concurrent review and discharge planning are included. Special attention is given to the problems of employee health benefit cost reduction for hospital employers. To order a copy of the issue, send $15 to D.A. Betterley Risk Consultants, 446 Main St., Worcester, Mass. 01608.

• **"Hearing Conservation: A Guide to Preventing Hearing Loss"** is a 16-page booklet discussing why noise can impair hearing, what can be done to reduce noise and how controlling noise can help reduce employee downtime, build morale, lower insurance costs and reduce future compensation claims. This booklet, part of the Krames Communications Injury Prevention Library, can be obtained free of charge by writing Krames Communications, Department 1092 F, 312 90th St., Daly City, Calif. 94015.

• "Handbook for Benefit Plan Professionals—1983" is a collection of **edited texts of speeches presented at the International Foundation of Employee Benefit Plans 1983 Benefit Plan Professionals Institute** in Toronto. Subjects in the 142-page book include the status of the Pension Benefit Guaranty Corp.'s single employer and multiemployer insurance programs, tax qualifications of benefit plans and administration of self-funded welfare plans. The cost of the book is $6 for IFEBP members and $10 for nonmembers. To order a copy, send payment to the Publications Department, IFEBP, P.O. Box 69, Brookfield, Wis. 53005.

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6. *The PMA Group*



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1



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Trenwick Group is a professional insurance group with assets of over $84M. The Group is dedicated to providing risk taking and risk reduction services to Captives, Self-Insurers and Insureds. From offices in Bermuda, Connecticut and New York, Trenwick offers reinsurance, insurance, consulting and management products to clients everywhere.

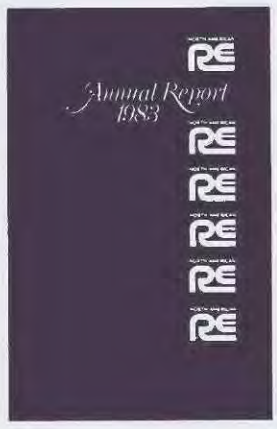
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Frank B. Hall & Co. Inc. is a leading international insurance services firm with revenues of $365,175.000 and net income of $12,495.000 ($1.02 per share) in 1983. Revenues have more than doubled during the last 6 years. Currently the company pays $1.00 annual dividends NYSE symbol FBH. The Hall report reviews Election Issues through the exclusive commentary of noted authorities.

5



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PMA's financial results for 1983 have been very successful. Two-hundred and eleven million dollars in written premium. After tax profit was seventeen million dollars. Policyholders' surplus increased by 6.9% (140.2 million from 131.2 million). PMA is one-hundred percent commercial property/casualty company licensed in 40 states—primary markets of PA, MD, DE, NJ, VA, NC, and DC.

6

Proposal would rescue most forms of FSAs

Continued from page 1
ranking minority member of the House Ways and Means Committee.

However, Mr. Chapoton, also speaking at the APPWP conference, said that allowing employees to roll over unused benefits for use the next year "is not good policy and is not permitted under the code."

Employers and consultants already have rallied around the Conable proposal.

"While the proposal doesn't give employers everything they want, we feel it is a reasonable compromise, and we'll support it," said William Chip, an attorney who represents the Washington-based Employers Council on Flexible Compensation.

"On balance, it is a step forward," assessed Peter Hutchings, a partner at benefit consultant Kwasha Lipton in Fort Lee, N.J. "It is encouraging that someone of Representative Conable's stature has chosen to address this issue."

"We are very much in favor," said Peter Biggins, director of personnel planning at LTV Corp. in Dallas. "It is the very best thing that has come around."

The proposal, which Conable aide Ken Kies said is not etched in stone, comes almost three months after the IRS issued its blistering attack on FSAs through a Feb. 10 news release (*BI*, Feb. 20).

Flexible spending accounts—also called flexible reimbursement accounts, employee spending accounts, benefit banks or flex funds—are individual employee accounts that provide for pretax reimbursement of certain non-taxable benefit expenses.

The employee is allowed to spend these pretax dollars on items like health expenses that are not covered under the group health plan (like deductibles and copayments), vision and dental care, dependent child care costs and legal expenses.

Many employers have started FSAs as a way to make more acceptable their efforts to shift health care costs to employees to stem overutilization of health care.

Under Rep. Conable's proposal, dollar caps would be placed on the amount of benefits that could be offered in an FSA. For all benefits, except dependent child care, an FSA could offer no more than $2,000 worth of options.

For dependent child care, the cap would be set at $2,400 for participants with one child and $4,800 for employees with two or more children.

Employees would have to allocate flexible spending dollars for different benefits at the beginning of a plan year.

Unused flexible spending dollars could not be taken as cash at the end of a year.

Rep. Conable hasn't decided if the dollar value of unused benefits could be rolled over into a 401(k) savings plan at the end of the year. The bill, though, does say that deferred compensation and non-statutory benefits—like vacation facilities—cannot be part of any flexible benefit arrangement.

However, employees could roll over unused benefits into a benefits bank for use next year. For example, if an employee in 1984 allocated all $2,000 in his FSA for medical benefits and used only $1,500 of benefits, the employee could carry forward the $500 of unused medical benefits for use in 1985.

However, because of that overall $2,000 ceiling of an FSA, only an additional $1,500 could be added to the FSA in 1985.

By contrast, the IRS news release says any unused benefits must be forfeited at the end of the year, an approach consultants label "use it or lose it."

That "lose it or use it" requirement would cause employees to engage in spending sprees in late December if they knew they had to forfeit any unused benefits, benefit experts predict.

By allowing employees to roll over unused benefits into a benefits bank for use the next year, the splurge problem is eliminated, Kwasha Lipton's Mr. Hutchings said.

"That certainly is positive," he said.

And, under the Conable proposal, employees who permanently left a company could cash out the value of benefits in their FSAs and pay income taxes on the benefits.

Recapture tax penalties would apply, though, for departing employees who received a cash-out of benefits and returned to the company within one year of the cash-out.

Rep. Conable's proposal would go into effect Jan. 1, 1985. As a result, existing FSA arrangements would be protected until then.

By contast, the IRS news release suggested that unless an FSA required advance selection of benefits and forfeiture of unused benefits, it already was invalid, adding that employers and employees would be retroactively liable for taxes and possible penalities.

Mr. Kies, the Conable aide, said it is only fair that rules on FSAs should be prospective because the IRS has failed for five years to publish final regulations.

Mr. Kies also said that prospective rules would eliminate the costly task of employers amending and sending out millions of revised W-2 statements.

However, on Jan. 1, 1985, one form of an FSA—the Zero Balance Reimbursement Account, or ZEBRA—would be barred under the Conable proposal. The proposal specifically states that ZEBRAs would not qualify as a valid cafeteria plan.

Under a ZEBRA plan, an employee submits statements for uncovered benefit expenses to his employer. The employer then deducts the payment from the employee's paycheck so that he is not taxed on that portion of income.

The employer then issues a second check to the employee, with no taxes withheld, to reimburse him. As a result, the employee has spent pretax dollars on his uncovered benefit expenses.

The plans are called "zero balance" because the employee never really has any money in an "account."

Many consultants say ZEBRA arrangements discriminate in favor of the highly compensated, and they support their banishment.

However, some benefit managers may be concerned about a "sunset" provision in the Conable proposal. Under that provision, Section 125, which allows FSAs and other flexible benefit arrangements to operate, would "sunset" on Dec. 31, 1987.

That provision, Mr. Kies said, is not meant to eliminate flexible plans. It was inserted in the proposal because members wanted some kind of mechanism in place to ensure that the plans would be examined in the future, he said.

The proposal also mandates that the secretary of the Department of Health and Human Services, along with the Treasury Department, study how plans that qualify under Section 125 can be modified to reduce health care costs.

That study would be submitted on Jan. 1, 1987, to the House Ways and Means Committee and Senate Finance Committee. ■

IRS issues proposed FSA rules

Continued from page 2
that operate "invalid FSAs." Plans that now require irrevocable advance benefit selection, but allow "cash-outs" of unused benefits, would not be hit with any back penalities.

However, those plans must drop the "cash-out" feature by September.

All other types of "invalid" FSAs would be liable for possible back taxes and penalties, the IRS suggests.

Also, according to the IRS, flexible spending accounts and other flexible or cafeteria benefit plans cannot allow participants to defer the receipt of compensation.

For example, a plan would not be considered valid if it allowed participants who purchased extra vacation days to roll over any unused days for use the next year.

"If the participant is permitted to carry the one unused week to the next year, the plan will be treated as operating to enable participants to defer the receipt of compensation. Thus, the plan will fail to be a cafeteria plan and the Section 125 exception to the constructive receipt rules will not apply," the IRS says.

Consultants say there aren't many surprises in the proposed rules.

"The IRS never said it would abandon 'use it or lose it,'" noted a spokeswoman from Hewitt Associates, a Lincolnshire, Ill., benefit consultant. "There is not a lot of good news."

"The 'use it or lose it' approach is contrary to cost control," notes Lloyd Kaye, a principal at William M. Mercer-Meidinger Inc. in New York.

Benefit experts note that employees will likely spend all money in an FSA on eligible benefits if they know that unused benefits will have to be forfeited at the end of the year.

"The IRS should abandon 'use it or lose it,'" said Kevin O'Brien, an attorney representing the Washington-based Employers Council on Flexible Compensation. "My immediate reaction is that the rules are not supported by law."

Some experts, though, see a brighter side to the IRS' proposed rules.

> 'The IRS should abandon "use it or lose it." My immediate reaction is that the (proposed) rules are not supported by law,' says Kevin O'Brien, an attorney representing the Employers Council on Flexible Compensation.

"At least we have a basis for dialogue," said Lance Tane, manager of the flexible compensation team for The Wyatt Co. in Washington. "We now know the basis of the IRS thinking."

Mr. Kaye says employers now should rally behind a proposal by Rep. Barber Conable, R-N.Y., which would supersede the IRS rules and allow unused benefits to be rolled over (see story, page 1).

The IRS will hold a public hearing July 26 on the proposed rules. The hearing will begin at 10 a.m. at the IRS headquarters in Washington at 1111 Constitution Ave. N.W.

Comments and requests to speak should be sent by July 12 to the Commissioner of the Internal Revenue, Attention: CC:LR:T (EE-16-79), Washington, D.C. 20224. ■

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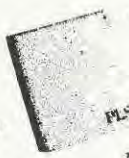
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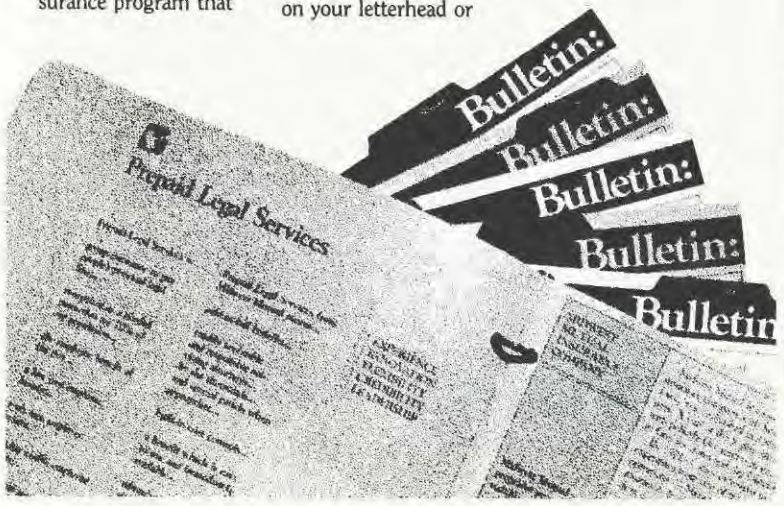


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Tax bill negotiations won't be rushed: Conable

WASHINGTON—The congressional conference committee that will shape the final tax bill will slowly and carefully draft a uniform package in open sessions, pledges Rep. Barber Conable, R-N.Y.

"I don't expect all-night (negotiating) sessions," Mr. Conable said in his address last week before the Assn. of Private Pension and Welfare Plans.

Risk and benefit managers should closely follow the conference committee, which is expected to begin meeting this week to reconcile differences between H.R. 2163, the tax bill passed by the Senate, and H.R. 4170, the House-approved tax bill, Mr. Conable said.

Both bills now contain provisions that, if accepted by the conferees, will have dramatic effects on risk management and employee benefit programs (*BI*, April 23).

If the pace of the committee is slow and deliberate—a decision that will be up to the committee's co-chairmen, Sen. Robert Dole, R-Kan., and Rep. Daniel Rostenkowski, D-Ill.,—employers will have a chance to lobby on the proposals before they become a fixed part of the bill.

A slow and deliberate pace as promised by Rep. Conable would be in sharp contrast to the rapid, and some say ill-considered, conference committee approval of the last major tax bill: the Tax Equity and Fiscal Responsibility Act of 1982. TEFRA contained many provisions that affected benefit programs.

Mr. Conable, who as the ranking minority member of the House Ways and Means Committee will be a key member of the conference committee, said that many differences must be resolved between the House and Senate tax bills.

For example, the Senate bill contains a two-year moratorium that bars the Treasury Department from issuing new regulations on the taxation of benefits not covered by the Internal Revenue Code, like employer-provided parking spaces. An earlier moratorium expired on Dec. 31.

The House, though, approved permanent rules on taxing non-statutory benefits. Those rules would, among other things, bar cafeteria plans from offering taxable benefits—except extra vacation days and group term life insurance coverage exceeding $50,000—as benefit options.

Mr. Conable labeled the Senate's two-year moratorium as a "mistake." National policy is needed on the tax status of non-statutory benefits, he said.

"We want that issue laid to rest," he added.

Mr. Conable, who will be retiring from Congress when the current session expires later this year, also explained why the House approved a provision in the tax bill that imposes limits on the reserves held by tax-exempt 501(c)(9) benefit trusts.

The House bill would cap the reserves held by a trust at 75% of the average benefits paid out during an employer's previous and current tax years (*BI*, March 19). The Senate bill lacks this restriction.

Such a limitation would make it impossible for employers to use a trust to fund coverages, like long-term disability, where the promise to pay benefits may extend for decades, benefits experts earlier warned.

Mr. Conable, though, told the APPWP that he was concerned about the buildup of reserves. Excess funds have been manipulated to benefit the highly compensated, he said.

Turning to pension plans, Mr. Conable said there has been a lot of legislative activity, such as making small pension plans offer faster vesting schedules to participants, because legislators have become concerned that too many benefits are going to too few people.

When legislators give tax preferences to benefits, such as allowing employers to take deductions for contributions to pension plans, they want to be sure that benefits go to the bulk of the population, Mr. Conable said.

"If benefits go to a very few, then there is something wrong with the system," he said.

Mr. Conable also said:

- The Social Security Amendments Act, the 1983 law that sharply increased payroll taxes, has stabilized the Social Security program. As a result, legislators are unlikely to make new major Social Security changes.
- Congress is unlikely this year to pass legislation, H.R. 3930 and S. 1227, that would overhaul the termination insurance program run by the federal Pension Benefit Guaranty Corp.

  The legislation, which would raise the annual termination insurance premium the PBGC charges employers with pension plans to $7 per participant from the current $2.60, needs more specificity, he said.
- Congress is likely to pass legislation designed to give women greater opportunities to participate in corporate pension plans and vest in a benefit. ■

Group surveys benefit experts

BROOKFIELD, Wis.—Benefits experts do not foresee employee health care benefits being taxed this year, a recently released survey reports.

Only 35% of those surveyed earlier this year by the International Foundation of Employee Benefit Plans' National Opinion Panel said they expected employee health care benefits to be taxed in 1984, as the Reagan administration has proposed.

Almost half of the respondents said they think the current corporate practice of terminating overfunded defined benefit pension plans and recapturing excess assets for corporate use will prompt Congress to pass another major pension reform bill.

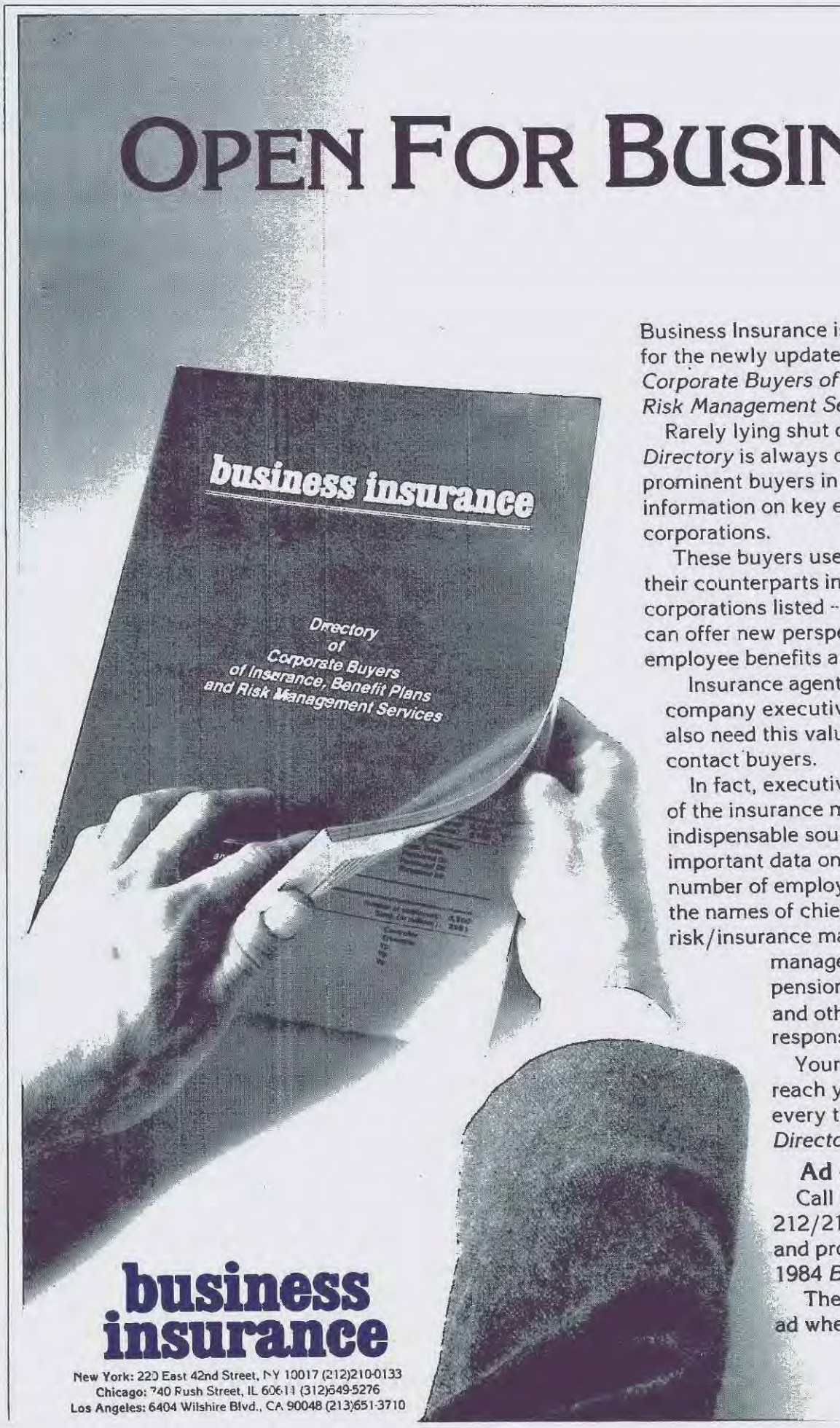
The benefit experts polled by the IFEBP—who included benefit managers, benefit plan trustees, investment advisers and benefit consultants—were almost evenly divided on whether companies have the moral right to recapture excess pension plan assets, according to Melody A. Carlsen, an IFEBP research assistant.

And, the surveyed benefit experts were almost evenly split on whether such plan terminations are a violation of the Employee Retirement Income Security Act of 1974.

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Free copies of the first quarter survey of the IFEBP's National Opinion Panel are available from the foundation's Public Relations Department, P.O. Box 69, Brookfield, Wis. 53005.

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Work comp captive formed

Continued from page 2
manage the captive's money.

The workers compensation risks of the nine hospitals were previously underwritten by various commercial insurers, says Nicholas Mascitelli, senior vp at CSI Services Inc. in San Bruno.

Now, San Francisco-based Pacific Compensation Insurance Co., another HL affiliate, will be the fronting insurer, Mr. Mascitelli says. Pacific Compensation Insurance will keep 10% of the first $100,000 of loss per occurrence, and the captive will reinsure the remaining 90% on a quota-share basis, he explains.

This arrangement is typical of the almost 30 other joint venture captives domiciled in the Cayman Islands that have been organized by CSI (*BI*, April 2). Twelve of those captive companies are now operational.

About 25 reinsurance companies will take part in a specific excess treaty program and about 15 will participate in an aggregate excess treaty program, Mr. Mascitelli says.

Pacific Compensation will adjust all claims and provide loss-control services. Mr. Mascitelli says the captive's loss-control services are designed specifically for convalescent facilities and will include a special training program on proper lifting techniques to prevent back injuries.

The captive expects to have a 40% loss ratio.

The captive company may eventually underwrite non-related risks.

"As surplus in the company develops, the captive is interested in assuming third-party risks, but still in the convalescent industry," Mr. Mascitelli says.

"The real purpose (for forming the captive) was to obtain better control of (the hospitals') work comp costs and to minimize the expense of administration," Mr. Mascitelli explains.

Health Facilities Holdings will treat premiums paid to the captive as a tax-deductible business expenses, Mr. Mascitelli says. "CSI takes a great deal of effort to make sure there is distribution of risk so employers can deduct premium as a business expense," he explained. Under an Internal Revenue Service ruling, premiums paid to association captives are deductible only if there is a true shifting of risk among the participants.

Charles J. Sigerseth, vp of Sacramento Valley Insurance Agency and a director of the captive, notes that the new company gives its owners—who are policyholders as well as stockholders—control of their own insurance company and the advantage of accruing interest income on premiums and reserves in a tax-free environment.

As a non-controlled foreign corporation, the captive can accumulate undistributed profits on a tax-deferred basis.

The captive will pay CSI a management fee of less than 2% percent of premium generated, Mr. Mascitelli says. ■

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Government, Unions, Educational Institutions	799
Commercial Consumers Sub-total	**24,376**
Insurance Agents & Brokers	9,655
Insurance Cos.	5,461
Financial Institutions	441
Actuaries, Attorneys, Adjusters, Appraisers & Consultants	2,977
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Bill would repeal Louisiana work comp law

Continued from page 1
ness leaders were in the dark about specifics.

Representatives of the Louisiana Assn. of Business and Industry, who were scheduled to meet with the governor late last week, were still trying last week to get a copy of the bill to find out what they were up against.

"We're in for the fight. . .well, we've been in fighting for the last eight years, but this will be a big one," said Clark Cosse, general counsel with the Louisiana Assn. of Business and Industry, which has 5,500 member companies.

"For several years, business interests have tried to get revisions in the workers compensation law because district judges had become so liberal in interpretations," said John L. Whitfield, administrator for workers compensation for Kaiser Aluminum & Chemical Corp. in Gramercy, La., and former director of the Office of Worker's Compensation Administration.

"We were losing business in the state. . .judges had let it become a tort system," he said.

To improve the system, all the business lobbyists in the state joined together to rewrite the workers compensation law, Mr. Whitfield said.

"We did not get it passed in the first two years, but did in the special session (in 1983)," he said.

This business-supported measure was supported by the then-governor, David C. Treen, a Republican who replaced Gov. Edwards, who had completed two terms in office and was barred constitutionally from seeking a third consecutive term.

When Mr. Treen's term was up, however, Gov. Edwards rolled back into the capital with strong voter backing.

Former Gov. Treen appointed Mr. Whitfield as director of the Office of Worker's Compensation Administration, which is part of the state's Department of Labor.

Mr. Whitfield took a leave of absence from Kaiser to set up the office. He resigned that post in January to return to Kaiser, which needed him back, and because Gov.-elect Edwards had made it clear that he would not reappoint Mr. Whitfield to the post.

Since Mr. Whitfield's resignation, the office has been operating without a director, and many say that Gov. Edwards' failure to appoint a replacement, or even an acting director, is an effort on his part to sabotage the operation.

Six-month and nine-month statistical reports from the office show the system is working, say business representatives. But labor leaders use the same statistics to show that the new law hurts workers.

Victor Bussie, president of the Louisiana AFL/CIO union, complains that 456 settlements recommended by the office during its first six months resulted in a total of $200,000 in benefits, he said. "Under the old law, (the injured workers) would have received $28 million," he said.

"The law is designed to take benefits away from workers, and it's doing exactly that," Mr. Bussie said

"The law that was passed (in 1983) is totally orientated toward business and industry. It cannot last; it can't survive," said Shreveport attorney Jim Bolin of Sockrider & Bolin, president of the Louisiana Trial Lawyers Assn.

"Working people can't be trampled over like that year after year. We hoped there would be some change in the law. . .the sooner the better. We hope it will be this legislative session," Mr. Bolin said.

Although he was familiar with the new bill, he refused to go into detail, saying the measure was too lengthy.

But business has a different view on the success of the new system.

"We have experienced a drastic decrease in the number of claims that go to court and the cost of workers compensation insurance. Most everything is settled out of court since the last session," reported Ronnie Duncan, director of government affairs with the Baton Rouge Chamber of Commerce.

"If we got rid of the administrative system, we would have no one in between to settle out-of-court settlements," he noted. "The administration is a deterrent for going to court."

"Company owners are starting to see a relief because the judiciary is by-passed," said Randy Haynie, executive director of the Louisiana Oil Field Contractors Assn. in Lafayette. The trade association represents 900 oil field service companies in the state.

"If we don't have a clear leader appointed soon (in the office of administration), there's going to be a backlog," he added.

"(Some) 99% of all compensable injuries have been handled satisfactorily by the administration in the first nine months," said Edward J. Steimel, president of the Louisiana Assn. of Business and Industry.

"The new law is working satisfactorily. Statistics show the administration handled a lot of cases, many of which were resolved completely, even with the office being short-handed," said Sen. Allen Bares, D-Lafayette, a lead author of the 1983 reform package.

According to a nine-month report released by the Office of Worker's Compensation Administration, reflecting activity in the office between July 1, 1983, and March 31, 1984, some 20,178 compensable injuries were reported.

The new law requires that reports of lost-time accidents must be filed with the office within seven days after the injury.

During those initial nine months, there were 1,406 disputed claims—64% were filed by employees, 30% were filed by insurers, 5% were filed by employers that self-insure and 1% was filed by defendants.

Of those 1,406 cases, the office recommended settlement on 1,224. The other 182 claims disputes are being reviewed.

All parties involved had 30 days to accept or reject recommendations.

Of the 1,224 recommended settlements, 457, or 37%, were accepted, according to the report. Another 413, or 34%, were rejected and the parties are expected to proceed to court. Another 354, or 29%, are in the 30-day waiting period.

The remaining 182 cases that were disputed are in the process of being heard, reports a claims manager with the office.

The same report also notes that the office visited four companies to conduct safety inspections. Since the office also monitors rehabilitation services, it also handled 48 requests from insurers or employers to review physician charges and another 31 requests to review other medical charges.

"We run approximately 150 telephone requests a month for rehabilitation information," a claims manager said.

The report also notes that during a week-long study from Feb. 6 to 10, the office handled 1,146 phone requests for workers compensation information.

"It's been a tussle just starting up. We have to learn and train . . .there's hardware and software. . .but it seems to be working," the claims manager said, requesting anonymity because of the controversial nature of the office.

"It's the first time in the history of workers compensation in the state that we are now able to track work-related compensable claims and have a head count on work-related injuries," he said.

In addition to all the statistics, Mr. Whitfield can report a specific example of how the office was able to cut the cost of medical charges.

While director, Mr. Whitfield said he took a phone call from a state employee who had injured his back at work. The employee related the story of how after visiting the doctor, he was told by the nurse that the bill was $30. The injured worker mentioned to the nurse that he hurt his back while at work, and she interrupted to say the bill was $150, instead of $30. The nurse explained that the doctor always charges more for worker comp cases because he has to make out a report.

"I called that doctor and told him it was that kind of abuse that burdened the system," Mr. Whitfield said. Since that incident, he surveyed other physicians and set up a fee schedule to be used by the office.

If Gov. Edwards and labor are successful in repealing the 1983 law and doing away with the office of administration, Mr. Whitfield says it will be like going from the 20th century back to the Stone Age.

"What I think they should do is strengthen it," he said, without elaborating.

Business observers are predicting it will be difficult to secure enough votes to repeal the entire reform law, but fear the governor may succeed in changing some portions of the law by the scheduled July 9 adjournment of the Legislature. ■

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Outside directors' benefits increase

NEW YORK—Thirteen percent of the nation's 500 largest industrial companies offer retirement benefits to their outside directors, more than twice the percentage of companies that offered these benefits in 1981, a recent survey reports.

Thirty-seven percent of the companies stipulate that directors must meet both an age and service requirement, usually 65 years of age and five years of service. Most frequently, the pension benefit equalsthe directors' annual retainer.

Half the companies limit payments to a specified number of years, 30% provide payments for life and the remaining 20% do not specify a time.

More than one-third of the companies require the retired director to be available for consulting services or designate him or her as an advisory director or emeritus director.

"Directors are being called on to take a far more active role in the affairs of corporations than ever before," said Donald E. Sullivan, vp at Towers, Perrin Forster & Crosby, which conducted the survey. "Pension benefits are an additional means of attracting and keeping qualified men and women on company boards." ■



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JUNE 3-7. American Assn. of Managing General Agents annual meeting in Palm Beach, Fla.; $250. American Assn. of Managing General Agents, Suite 800, 1001 Connecticut Ave. N.W., Washington, D.C. 20036; 202-223-0388.

JUNE 4. Joint Venture Captives seminar in Los Angeles, sponsored by Risk Planning Group Inc.; $275; $225 for subsequent registrants from the same company. Also **June 6** in Chicago; **June 13** in New York; **June 20** in Boston; **June 22** in Denver; **June 27** in Orlando. Risk Planning Group Inc., 722 Post Road, Darien, Conn. 06820; 203-655-9791.

JUNE 4-6. Basic Security Management seminar in Houston, sponsored by the International Safety Academy; $425. Roseanne Kornicki, International Safety Academy, P.O. Box 8527, 1600 Arch St., Philadelphia, Pa. 19101; 800-231-3147 or 215-241-5800.

JUNE 4-6. Fundamentals of Insurance course in New York, sponsored by the Risk & Insurance Management Society; $445 for members; $545 for non-members. Claudia Shnider, Administrator-Continuing Education Program, RIMS, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

JUNE 4-6. Property Protection seminar in Houston, sponsored by the International Safety Academy; $425; group discounts are available. Also **Oct. 2-4** in Los Angeles. Registrar, International Safety Academy, P.O. Box 8527, 1600 Arch St., 12 Tower, Philadelphia, Pa. 19101; 800-231-3147 or 215-241-5800.

JUNE 4-8. Total Loss Control Management seminar in Los Angeles, sponsored by the International Safety Academy; $625; group discounts are available. Also **Sept. 10-14** and **Dec. 3-7** in Houston. Roseanne Kornicki, International Safety Academy, P.O. Box 8527, 1600 Arch St., Philadelphia, Pa. 19101; 800-231-3147 or 215-241-5800.

JUNE 6-8. Techniques of Risk Management course in New York, sponsored by the Risk & Insurance Management Society; $445 for members; $545 for non-members. Claudia Shnider, Administrator-Continuing Education Program, RIMS, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

JUNE 6-9. International Conference on Disability Compensation for Occupational Disease in New York, sponsored by the New York State Workers' Compensation Board and the Collegium Ramazzini; $300. New York State Workers' Compensation Board, Office of Communication, Information & Education, Room 4099, 2 World Trade Center, New York, N.Y. 10047; 212-488-3100.

JUNE 7. Back Injury Prevention Using NIOSH Guidelines seminar in Chicago, sponsored by the International Safety Academy; $175. Also **Oct. 29** in Los Angeles. Registrar, International Safety Academy, P.O. Box 8527, 1600 Arch St., 12 Tower, Phildelphia, Pa. 19101; 800-231-3147 or 215-241-5800.

JUNE 7. Health Care Cost Containment seminar in Oakbrook, Ill., sponsored by Intracorp; free. Also **June 13** in Long Beach, Calif.; **June 27** in Dallas. Fran Atkinson, Intracorp, 985 Old Eagle School Road, Wayne, Pa. 19087; 215-341-3407.

JUNE 7. Health Care Cost Management conference in Evanston, Ill., sponsored by Northwestern University and Corroon & Black of Illinois Inc.; $225. Barbara Russell, Corroon & Black of Illinois, 135 S. LaSalle St., Chicago, Ill. 60603; 312-621-4798.

JUNE 7-8. Cost Containment for Employee Benefits and Workers Compensation seminar in Kansas City, Kan., sponsored by the Self-Insurance Institute of America; $325 for members; $395 for non-members. Also **July 26-27** in Arlington, Va.; **Aug. 9-10** in San Francisco. Marcia Vaughan, Self-Insurance Institute of America, P.O. Box 15466, Santa Ana, Calif. 92705; 714-979-6318.

JUNE 8. Redesigning the Work Environment to Avoid Carpal Tunnel Syndrome seminar in Chicago, sponsored by the International Safety Academy; $175. Also **Oct. 30** in Los Angeles. Registrar, International Safety Council, P.O. Box 8527, 1600 Arch St., 12 Tower, Philadelphia, Pa. 19101; 800-231-3147 or 215-241-5800.

JUNE 11-13. Techniques of Finance and Accounting course in Denver, sponsored by the Risk & Insurance Management Society; $445 for members; $545 for non-members. Also **Sept. 17-19** in Atlanta. RIMS, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

JUNE 12. New England Employee Benefits Council meeting in Boston; $35 for members; $55 for non-members. Judy Stevens, New England Employee Benefits Council, P.O. Box 2594, Boston, Mass. 02208; 617-423-6146.

JUNE 12-13. Product Safety and Liability Prevention workshop in Madison, Wis., sponsored by the University of Wisconsin-Extension; $495. Prof. Richard A. Moll, Engineering Department, 432 N. Lake St., Madison, Wis. 53706; 608-263-4712.

JUNE 13-15. Advanced Safety Management seminar in Atlanta, sponsored by the International Loss Control Institute; $350. Also **Sept. 17-19** in Atlanta. Richard Jump, International Loss Control Institute, Highway 78, P.O. Box 345, Loganville, Ga. 30249; 800-554-6001 or 404-466-2208.

JUNE 13-15. Risk Management Information Systems course in San Francisco, sponsored by the Risk & Insurance Management Society; $545 for members; $645 for non-members. Claudia Shnider, Administrator-Continuing Education Program, RIMS, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

JUNE 17-20. 17th Annual Loss Prevention seminar in Dallas, sponsored by the National Retail Merchants Assn.; $295 for members; $435 for non-members. Tomi Block, National Retail Merchants Assn., 100 W. 31st St., New York, N.Y. 10001; 212-244-8780.

JUNE 18-19. Practical Law & the Security Manager seminar in Arlington, Va., sponsored by the American Society for Industrial Security, Education & Seminar Programs Department, Suite 1200, 1655 Fort Myer Drive, Arlington, Va. 22209; 703-522-5800.

JUNE 18-20. 1984 Food Industry Institute Employee Benefits program in Lake Tahoe, Nev., sponsored by the International Foundation of Employee Benefit Plans; $420 for members; $495 for non-members. IFEBP, P.O. Box 69, Brookfield, Wis. 53005; 414-786-6700.

JUNE 18-20. Planning an EDP Disaster Recovery Program seminar in Atlanta, sponsored by the Computer Security Institute; $750 for members; $795 for non-members; group discounts are available. Computer Security Institute, Educational Resource Center, Department ERC, 43 Boston Post Road, Northborough, Mass. 01532; 617-845-5050.

JUNE 18-22. Industrial Ventilation Fundamentals course in San Diego, sponsored by the University of Southern California; $650. University of Southern California, Institute of Safety and Systems Management, Office of Extension and In-Service Programs, Los Angeles, Calif. 90089; 213-743-6523/24.

JUNE 18-22. Loss Control Management seminar in Atlanta, sponsored by the International Loss Control Institute; $625. Also **Aug. 6-10** in Atlanta. Richard Jump, International Loss Control Institute, Highway 78, P.O. Box 345, Loganville, Ga. 30249; 800-554-6001 or 404-466-2208.

JUNE 19-20. Health Agenda 1984-85: Public and Private Strategies conference in Washington, co-sponsored by the Washington Business Group on Health and the National Assn. of Manufacturers; $350 for members, $450 for non-members. Washington Business Group on Health, 922 Pennsylvania Ave. S.E., Washington, D.C. 20003; 202-547-6644.

JUNE 19-21. Risk Management in Environmental Health and Protection summer institute in New York, sponsored by New York University's Graduate School of Public Administration; $525. Charles Nicolson, Summer Institute in Risk Management in Environmental Health and Protection, Graduate School of Public Administration, New York University, 4 Washington Square N., New York, N.Y. 10003; 212-598-3133.

JUNE 20. Directors and Officers Liability workshop in Chicago, sponsored by the Allegheny chapter of the Society of Chartered Property/Casualty Underwriters; $80 for members; $90 for non-members. Also **July 11** in Seattle. Coleen Mulhern, Society of CPCU, Kahler Hall, Providence Road, Malvern, Pa. 19355; 215-251-2735.

JUNE 20-22. Florida Assn. of Self-Insurers Third Annual Workers Compensation & Group Medical seminar in Palm Beach; $150 for members, $175 for non-members. Keylon Patch, Florida Assn. of Self-Insurers, P.O. Drawer 4850, Winter Park, Fla. 32793; 305-671-3772.

JUNE 20-22. Reinsurance Concepts course in New York, sponsored by Risk & Insurance Management Society; $495 for members; $595 for non-members. Also **Oct. 1-3** in San Francisco. RIMS, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

JUNE 21. Organizing and Operating Agency Captives seminar in Boston, sponsored by the Society of Chartered Property & Casualty Underwriters; $80 for members; $90 for non-members. Coleen Mulhern, Society of CPCU, Kahler Hall, Providence Road, Malvern, Pa. 19355; 215-251-2735.

JUNE 22-26. Second Annual Health Promotion Strategies conference in Portland, Ore., sponsored by Kaiser-Permanente; $285; $260 before May 15; group discounts are available. Kaiser-Permanente Department of Community Medicine; 3600 N. Interstate Ave., Portland, Ore. 97227; 503-280-2050, Ext. 2359.

JUNE 25. Controlling Corporate Health Care Costs Through Preferred Provider Organizations conference in Arlington, Va., sponsored by the Health Costs Management Conference Center division of the Energy Bureau; $695. Jared Smith, Health Costs Management Conference Center, 41 E. 42nd St., New York, N.Y. 10017; 212-687-3177.

JUNE 25-27. Advanced Employee Benefits course in New York, sponsored by American Management Assns.; $695 for members; $800 for non-members. American Management Assns., 135 W. 50th St., New York, N.Y. 10020; 518-891-0065.

JUNE 26. Organizing and Operating Association Captives workshop in the District of Columbia, sponsored by the Society of Chartered Property & Casualty Underwriters; $80 for members; $90 for non-members. Coleen Mulhern, Society of CPCU, Kahler Hall, Providence Road, Malvern, Pa. 19355; 215-251-2735.

JULY 11-13. Annual Arkansas Safety conference in Little Rock, Ark., sponsored by the Arkansas Chapter of the American Society of Safety Engineers; $45; $30 before July 5. J.C. Smith, Arkansas Chapter of the American Society of Safety Engineers, P.O. Box 56311, Little Rock, Ark. 56311; 501-666-5560 or 501-661-8293.

JULY 16-18. Basic Safety Management course in Houston, sponsored by the International Safety Academy; $425; group discounts available. Also **Sept. 24-26, Nov. 12-14** in Houston. Registrar, International Safety Academy, P.O. Box 8527, 1600 Arch St., 12 Tower, Philadelphia, Pa. 19101; 800-231-3147 or 215-241-5800.

JULY 19. Fundamentals of Environmental Health seminar in Houston, sponsored by the International Safety Academy; $175. Also **Sept. 27, Nov. 15** in Houston. Registrar, International Safety Academy, P.O. Box 8527, 1600 Arch St., 12 Tower, Philadelphia, Pa. 19101; 800-231-3147 or 215-241-5800.

JULY 23-25. International Foundation of Employee Benefit Plans 1984 Trustees and Administrators institute in Monterey, Calif.; $420. Also **Aug. 13-15** in McAfee, N.J. Public Relations Department, IFEBP, P.O. Box 69, Brookfield, Wis. 53005; 414-786-6700.

JULY 30-31. Dollars and Sense of Communicating Employee Benefits, conference in New York, sponsored by *Business Insurance*; $545; 10% discount for additional registrants from same company. Ann Vazquez, Registrar, *Business Insurance*, 220 E. 42nd St., New York, N.Y. 10017; 212-210-0137.

JULY 30-AUG. 3. Fundamentals of Modern Safety Management seminar in Atlanta, sponsored by the International Loss Control Institute; $625. Also **Sept. 10-14** in Atlanta. Richard Jump, International Loss Control Institute, Highway 78, P.O. Box 345, Loganville, Ga. 30249; 800-554-6001 or 404-466-2208.

AUG. 2-3. Health Care Cost Containment and Self-Insurance of Medical Benefits seminar in Atlanta, sponsored by Tillinghast, Nelson & Warren; $600; $500 for subsequent registrants from same company. Pat Kelley, Tillinghast, Nelson & Warren, 3340 Peachtree Road, Atlanta, Ga. 30026; 404-261-5420.

AUG. 20-23. Inspector Training seminar in Houston, sponsored by the International Safety Academy; $490; group discounts available. Registrar, International Safety Academy, P.O. Box 8527, 1600 Arch St., 12 Tower, Philadelphia, Pa. 19101; 800-231-3147 or 215-241-5800.

AUG. 20-24. Accredited Safety Auditors seminar in Atlanta, sponsored by the International Loss Control Institute; $625. Richard Jump, International Loss Control Institute, Highway 78, P.O. Box 345, Loganville, Ga. 30249; 800-554-6001.

AUG. 27-29. 1984 Benefits for Public Employees conference in San Francisco, sponsored by the International Foundation of Employee Benefit Plans; $420 for members; $495 for non-members. Jordan Fox, IFEBP, 18700 W. Bluemound Road, P.O. Box 69, Brookfield, Wis. 53005; 414-786-6700.

SEPT. 10-21. 51st Insurance Management course in Long Grove, Ill., sponsored by Kemper Group; $900. Carol Ruhter, Kemper Group, Long Grove, Ill. 60049; 312-540-2321.

SEPT. 17-19. Fundamentals of Industrial Exhaust Ventilation course in Long Grove, Ill., sponsored by National Loss Control Service Corp.; $400; group discounts available. John Garis, National Loss Control Service Corp., Long Grove, Ill. 60049; 312-540-2026.

SEPT. 17-20. American Society for Industrial Security 30th Annual seminar and exhibition in Chicago; $295 for members; $395 for non-members. Pat Rivers, American Society for Industrial Security, Suite 1200, 1655 N. Fort Myer Drive, Arlington, Va. 22209; 703-522-5800.

SEPT. 17-20. Employee Benefits seminar in Lincolnshire, Ill., sponsored by Hewitt Associates; $1,150. Also **Nov. 12-15** in Lincolnshire. Jamie Ebner, Hewitt Associates, 100 Half Day Road, Lincolnshire, Ill. 60015; 312-295-5000.

SEPT. 24-26. Radiation Safety Officers' workshop and refresher course in Ottawa, for graduates of five-day RSO training program, sponsored by Applied Health Physics; $550. Also **Oct. 16-18** in Pittsburgh. Robert Gallaghar, Applied Health Physics, 2986 Industrial Blvd., Box 197, Bethel Park, Pa. 15102; 412-563-2242.

SEPT. 24-26. Highly Protected Risk Valuation seminar in Long Grove, Ill., sponsored by Kemper Group; $300. W.P. Thomas Jr., Engineering Research and Staff Development, HPR Development, Kemper Group, A-1, Long Grove, Ill. 60049.

SEPT. 24-28. Advanced Instruction in Retirement Plans for Bank Trust Personnel seminar in Winston-Salem, N.C., sponsored by Booke & Co.; $775. Booke & Co., P.O. Box 66, Winston-Salem, N.C. 27102; 919-748-1120.

OCT. 1-3. Safety for the Oil Field seminar in Houston, sponsored by the International Safety Academy; $425. Registrar, International Safety Academy, P.O. Box 8527, 1600 Arch St., 12 Tower, Philadelphia, Pa. 19101; 800-231-3147.

OCT. 9. Accident Investigation and Analysis seminar in Houston, sponsored by the International Safety Academy; $175; group discounts available. Also **Dec. 10** in Los Angeles. Registrar, International Safety Academy, P.O. Box 8527, 1600 Arch St., 12 Tower, Philadelphia, Pa. 19101; 800-231-3147 or 215-241-5800.

OCT. 10. Effective Safety Committees seminar in Houston, sponsored by the International Safety Academy; $175; group discounts available. Also **Dec. 11** in Los Angeles. Registrar, International Safety Academy, P.O. Box 8527, 1600 Arch St., 12 Tower, Philadelphia, Pa. 19101; 800-231-3147.

OCT. 14-16. 1984 Society of Chartered Property & Casualty Underwriters annual meeting in Seattle; $225. Margaret Kalalian, Society of CPCU, Kahler Hall, Providence Rd., Malvern, Pa. 19355.

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The Datebook is compiled from notices sent to Business Insurance. Notices should be sent at least eight weeks in advance to Datebook, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611. Business Insurance reserves the right to select meetings of most interest to its readers and cannot guarantee that notices will be printed. ■

updates

Judge orders Beacon arbitration

CHARLOTTE, N.C.—Chief U.S. District Court Judge Robert D. Potter has stayed all proceedings and ordered Beacon Insurance Co. of Raleigh, N.C., and reinsurer Cherokee Insurance Co. of Nashville, Tenn., to arbitrate their disputes over reinsurance contracts between them.

Judge Potter's action on May 2 stays the lawsuit filed by Universal Marine Insurance Co. against Cherokee, Beacon, New Orleans Reinsurers Inc. and others, as well as the cross-complaint filed by Beacon against Cherokee (*BI*, Jan. 9; Feb. 13).

Universal Marine contends that Beacon, Cherokee and others conspired to defraud it of $16.5 million in reinsurance premium and other income. Beacon contends that Cherokee owes it recoveries under reinsurance contracts that at the end of 1983 totaled $3.9 million and have increased since then. Beacon is currently under rehabilitation by the North Carolina Insurance Department.

The parties will advise the court on May 18 of the names of the arbitrators.

War risk rates still stable

LONDON—War risk rates for oil tankers entering the Persian Gulf will not immediately rise, despite the mysterious explosion on board the Saudi tanker Safina Al Arab late last month.

The 357,000-ton tanker, owned by Safina Group of Saudi Arabia, was sailing in the Persian Gulf when an April 26 explosion led to a fire in one of the ship's crude-oil tanks. The incident occurred outside the war zone between Iran and Iraq, but there were reports that Iraqi aircraft were spotted in the area shortly before the blast.

Sources say underwriters are considering the loss as a war risk.

The Safina Al Arab is insured for $9 million for hull damage and another $9 million for business interruption costs through Hansa Marine Insurance Co. Ltd. in Stockholm, Sweden, said Clarence Dibek, president of Salen Tanker A.B. of Stockholm, the tanker's charterer. The cargo of crude oil, which was bound for France, is insured for about $72 million, Mr. Dibek said, though he could not name the underwriter of the cargo war risk coverage.

British and Swedish sources say that hull and cargo war risk rates for ships in the Persian Gulf will not rise until the cause of the blast is officially determined (*BI*, March 5).

Agent Orange trial to begin

NEW YORK—Jury selection in the trial of seven defendants that have been sued by plaintiffs claiming they suffer from various diseases because of exposure to the herbicide Agent Orange is scheduled to begin today in U.S. District Court in Brooklyn before Judge Jack B. Weinstein (*BI*, March 5; Jan. 9).

The trial will decide the central issues in the Agent Orange litigation. It will focus on cases brought by nine plaintiffs whose cases are representative of more than 15,000 others, which have been certified as a class action.

The central issues include whether Agent Orange caused the plaintiffs' injuries, whether the defendants are liable and whether the federal government has any responsibility for the injuries.

Defendants in the case include Dow Chemical Co. of Midland, Mich.; Monsanto Co. of St. Louis; T.H. Agriculture & Nutrition Co. Inc. of Kansas City, Kan.; Diamond Shamrock Chemicals Co. of Cleveland; Uniroyal Inc. of New York; Hercules Inc. of Wilmington, Del.; and Thompson Chemical Corp. of Kansas City, Kan.

Insurer pays bank $12 million

READING, Pa.—American Bank & Trust Co. of Pennsylvania, a subsidiary of Meridian Bancorp Inc., has been paid $12 million by its insurer to cover losses from a fraudulent loan scheme that involved one of the bank's vps.

Aetna Casualty & Surety Co. of Hartford, Conn., paid $12 million to the bank under a fidelity bond that covered dishonest acts of a bank officer, an Aetna spokesman said.

Although there was $16.9 million in loans involved in the fraud scheme, a bank spokeswoman said "that doesn't mean the bank was out that kind of money." She explained that in the scheme, the bank officer used new loan funds to pay off some of the old loans.

The former bank vp and two former bank customers pleaded guilty and are scheduled for sentencing this month.

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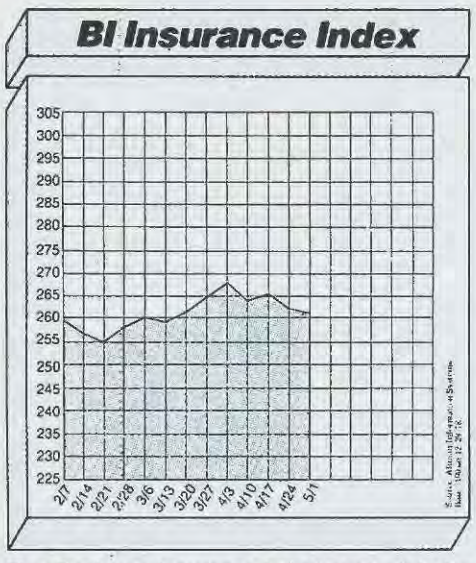
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The *Business Insurance* industry stock index reported its second consecutive decline during the trading period ending May 1, slipping 0.5 points to 262.0 from 262.5 posted on April 24. Twenty-five stocks closed up, 21 issues posted losses and 14 remained unchanged. The largest gains in the most recent period were posted by Reed Stenhouse Cos. Ltd., 4.9%; Orion Capital Corp., 4.8%; Tokio Marine & Fire Insurance Co., 4.7%; American Bankers Insurance Group 3.8%; and Avemco Corp., 3.6%. The largest losses were reported by Kemper Corp., 8.5%; Fremont General Corp., 6.8%; Bitco Corp., 6.0%; Mission Insurance Group Inc., 5.3%; and American Indemnity Financial Corp., 5.1%. The *Business Insurance* index, which posted a 0.2% decline during the trading period, was outperformed by the New York Stock Exchange composite and the Dow Jones 30 industrials average, which reported increases of 2.2% and 2.3%, respectively, for the same period.

British Issues

1 May Companies	Price pence	P/E	Div. pence	Yield %	1 Week High—Low pence	pence
Comml Union	216	N/A	16.86	7.8	226—	216
Genl Accident	468	12.6	27.14	5.8	473—	465
Gdn Royal Exch	573	13.5	32.85	5.7	580—	573
Phoenix	438	15.8	28.29	6.5	457—	438
Royal	557	13.1	40.72	7.3	578—	557
Sun Alliance	1438	15.4	80.00	5.6	1475—	1438
Brokers						
CE Heath	400	10.0	22.86	5.7	405—	400
Hogg Robinson	207	15.9	9.43	4.6	207—	198
JH Minet	170	13.1	7.57	4.5	180—	170
Sedg Grp	271	14.6	11.43	4.2	276—	271
Stew Wrightson	407	13.8	21.43	5.3	407—	402
Willis Faber	812	17.2	30.00	3.7	834—	812

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

Brokerages' bottom lines improve in first quarter

By LEN STRAZEWSKI

THE PUBLICLY held commercial insurance brokers that have posted their first-quarter results generally are beginning 1984 on the right foot.

Three of the four brokers that already have announced results reported improved earnings in the first quarter, despite continuing commercial property/casualty insurance rate competition. And, net income just barely declined at the fourth brokerage, Corroon & Black Corp.

However, the brokers' profit picture will darken considerably when Marsh & McLennan Cos. Inc., the parent of the world's largest broker, reports its first-quarter results later this month.

M&M Chairman John M. Regan Jr. announced in a letter to shareholders last week that M&M will take an estimated $90 million charge against its aftertax first-quarter earnings because of losses incurred in government bond trading and other unauthorized investment activity.

The company said last month that the bulk of the loss occurred when an M&M bond trader accumulated a $2 billion position in goverment bonds "in violation of authorized trading limits," though press reports last week speculated that an M&M executive may have given approval to the trader.

The extraordinary charge against earnings will surely put the brokerage company into the red for the first quarter. M&M reported net income of $36.5 million in the first quarter of 1983.

The brokers that have already reported their first-quarter results generally had better news for investors.

Alexander & Alexander Services Inc., the second-largest brokerage company and usually one of the last to file its quarterly results, was one of the first to release figures this time, and for good reason.

After a difficult 1982 and a positively painful 1983, A&A's results for the first three months of 1984 show significant signs of improvement. While operating revenue slipped about 3.9% to $136.7 million from $142.3 million in the first quarter of 1983, net income increased 8.9% to $8.6 million from about $7.9 million last year.

The earnings increase would have been more substantial if not for $1 million that was added retroactively to 1983 earnings to benefit from a prior-year tax loss carryforward from A&A's British operations.

Earnings per share, which had been slipping for the past two years, grew in the first quarter to 33 cents from 27 cents.

Operating expenses, a major subject of concern for brokers in 1983, actually had shrunk a bit at A&A, dropping to $126 million from $127 million for the same period last year.

"We are pleased that our bottom-line results reflect an improvement over the first quarter of 1983," remarked Chairman and Chief Executive Officer John A. Bogardus Jr., but he added A&A was not pleased with the reduction in operating revenues.

Mr. Bogardus blamed the first-quarter revenue decline on a slower recovery in certain sectors of the world economy, along with the continuing rate competition in the commercial insurance marketplace.

Poe & Associates Inc. of Tampa, Fla., another commercial brokerage that has been limping for the past several years, posted greatly improved results for the first quarter.

Poe's gross revenues for the first three months of 1984 grew 22% to about $5.99 million from $4.9 million last year, while net income rose 189.4% to $518,000 from $179,000. Earnings per share increased to 18 cents from 7 cents in the first quarter of 1983.

The first-quarter results did not include the results of the company's recent sale of Matterhorn Bank Programs Inc., a personal lines insurance organization, and the 1983 results were restated to include the results of Stetzel, Thomson & Co. Ltd., an unconsolidated underwriting management subsidiary based in London.

However, Poe & Associates continues to be hindered by its Whiting National Insurance Co. subsidiary. Poe has reported Whiting's results as discontinued operations for the past year, pending the reorganization of the insurer into a separate shareholder-owned company, but the insurer's results continue to be a corporate troublespot.

Whiting reported a loss of $70,000 in the first quarter, compared with a profit of $65,000 in the first three months of 1983. The first-quarter loss amounted to 2 cents per share, compared with earnings per share of 2 cents in last year's corresponding period.

Whiting's results were bad enough that Poe has indefinitely tabled its plans to spin off the insurance company and, for the meantime, will simply continue to run off its business, which consists primarily of lawyers malpractice insurance.

The company's combined first-quarter results, including Whiting's, showed net income of $448,000, or 16 cents per share, up 83.6% from $244,000, or 9 cents per share.

"We think we finally have it turned around," said Chairman William F. Poe in an interview. "We have paid a great deal of attention to expense control this year."

E.H. Crump Cos. Inc., based in Memphis, Tenn., continued a strong performance that it began late last year.

Crump's gross revenues increased 13.2% to $14.8 million in the first quarter, compared with revenues of $13.1 million in the first three months of 1983. And, net income increased a very healthy 55.6% to $1.4 million from $887,000 last year. Earnings per share increased to 35 cents from 22 cents.

Employee benefit sales were the strongest contributor to the company's improved results, Crump executives say, but they add that commercial property/casualty rates also showed signs of a rebound.

"Evidence of a firming of rates is beginning to appear," explained Chairman Sidney A. Stewart Jr. "Some markets are already becoming more selective on certain classes of business." However, whether or not property/casualty rates increase, Mr. Stewart says Crump will continue to show growth.

"We have responded to the difficult conditions of recent years with new business programs, expense-control measures and expanded sources of income," he noted.

Crump also reported that it completed a plan to purchase the outstanding capital stock of Atkins & Roberts Enterprises Inc. of Orlando, Fla., a claims administrator specializing in self-insured clients. The company operates primarily in Florida and Louisiana.

The only earnings decrease noted by the four brokers that have so far reported first-quarter results was at Corroon & Black Corp., and that decrease was minimal.

The company reported that net income slipped 0.3% to $3.25 million from $3.26 million in the first three months of 1983. Earnings per share dropped 1 cent to 39 cents.

However, Corroon & Black, which reported less than a 1% revenue gain in all of 1983, reported gross revenues of slightly more than $47 million, up 11.3% from $42.2 million in last year's first quarter.

Chairman and Chief Executive Officer Robert F. Corroon was generally happy with the brokerage's first-quarter results.

"We are pleased to report quarterly figures that further confirm the upward trend that began in mid-1983," he said. "While we are still far from operating under favorable conditions, we anticipate our performance will continue to improve as the year progresses." ■

First-quarter broker results
(in millions of dollars)

	Gross revenues	% change	Net income	% change
Alexander & Alexander	$136.7	-3.9%	$8.6	8.9%
Corroon & Black	47.0	11.3	3.2	-0.3
E.H. Crump	14.8	13.2	1.4	55.6
Poe & Associates	6.0	22.0	0.5	189.4

BI Industry Stock Report

MAY 1, 1984 4/25/84 THRU 5/1/84

Insurance Cos.		Price	% Chg.	P/E	$ Div.	% Yld.	High	Low	Vol. (000)
Aetna Life & Cas Co	NYSE	35.63	-3.1	17.5	2.64	7.4	36.13	35.63	587.0
American Bankers Ins Group	OTC	13.75	3.8	9.7	0.50	3.6	13.75	13.50	67.5
American Genera. Corp	NYSE	23.25	1.6	7.0	0.90	3.9	23.25	22.75	754.8
American Indty Finl Corp	OTC	18.75	-5.1	133.9	1.12	6.0	19.75	18.75*	8.5
American Intl Group Inc	OTC	59.25	-2.5	10.3	0.44	0.7	60.25	58.50	1,110.3
American Natl Ins Co	OTC	24.13	0.5	7.1	0.96	4.0	24.25	24.00	101.1
Aneco Reins Ltd	OTC	2.88	-4.2	8.5	0.00	0.0	3.00	2.88	8.0
Avemco Corp	AMEX	18.13	3.6	11.5	0.58	3.2	18.13	17.38	7.4
Banks Iowa Inc	OTC	51.50	0.0	19.1	1.52	3.0	51.50	51.50	0.4
Bitco Corp	OTC	15.75	-6.0	0.0	1.33	8.5	16.00	15.75	6.5
Carolina Cas Ins Co	OTC	4.75	0.0	0.0	0.00	0.0	4.75	4.75	0.6
Chubb Corp	OTC	72.25	1.4	13.1	3.12	4.3	73.50	71.75	348.6
Combined Intl Corp	NYSE	33.88	3.0	8.8	2.08	6.1	33.88	33.25	217.6
Continental Corp	NYSE	29.25	-2.9	153.9	2.60	8.9	30.00	29.25	450.3
Crawford & Co	OTC	15.25	0.0	10.4	0.66	4.3	15.25	15.00	6.6
Crown Life Ins Co	OTC	119.75	0.0	7.8	3.20	2.7	119.75	119.75	0.0
Employers Cas Co	OTC	30.75	-0.8	6.9	1.20	3.9	30.75	30.50*	16.1
Equifax Inc	NYSE	24.63	2.6	10.9	1.60	6.5	24.63	24.25	60.3
Farmers Group Inc	OTC	40.00	3.2	9.9	1.52	3.8	40.00	38.88	200.1
Foremost Corp Amer	OTC	23.25	3.3	12.7	0.96	4.1	23.25	22.25*	223.5
Fremont Gen Corp	OTC	13.75	-6.8	0.0	0.48	3.5	14.13	13.75	118.1
Great West Life Assurn Co	OTC	290.00	0.0	9.3	12.00	4.1	290.00	290.00	0.0
Hanover Ins Co	OTC	56.25	0.9	7.4	0.88	1.6	56.25	55.75	15.4
Hartford Steam Boiler Insptn	OTC	53.00	-0.9	13.3	3.00	5.7	53.50	53.00	15.6
Jefferson Natl Life Ins Co	OTC	41.00	1.9	18.6	0.76	1.9	41.50	40.25	5.8
Kemper Corp	OTC	33.75	-8.5	11.1	1.80	5.3	37.25	33.75*	294.2
Lincoln Natl Corp Ind	NYSE	32.13	1.2	7.8	1.68	5.2	32.50	32.00	209.4
Mission Ins Group Inc	NYSE	17.75	-5.3	0.0	0.50	2.8	18.50	17.75*	242.8
Northwestern Natl Life Ins	OTC	38.00	-0.3	9.1	1.50	3.9	38.25	38.00	38.4
Ohio Cas Corp	OTC	45.00	-1.4	12.5	2.68	6.0	45.13	43.63	548.0
Old Rep Intl Corp	OTC	34.00	1.9	7.7	0.88	2.6	34.00*	33.38	17.0
Orion Cap Corp	NYSE	24.63	4.8	12.1	0.76	3.1	24.75	24.00	28.8
Preferred Risk Life Ins Co	OTC	23.25	0.0	8.2	0.74	3.2	23.50	23.13	7.8
Provident Life & Acc Ins Co	OTC	72.00	-1.4	7.5	2.88	4.0	73.00	72.00	18.4
St Paul Cos Inc	OTC	60.13	1.1	13.7	3.00	5.0	60.38	59.25	1,352.2
SAFECO Corp	OTC	64.38	1.8	9.0	2.60	4.0	64.38	63.38	187.5
Sri Corp	OTC	16.25	0.0	8.1	0.68	4.2	16.50	16.25	114.0
Seibels Bruce Group Inc	OTC	23.13	5.1	15.0	0.80	3.5	23.13*	22.13	51.6
Statesman Group Inc	OTC	8.13	1.6	7.5	0.15	1.8	8.50	8.13	26.8
Tokio Marine & Fire Ins Co	OTC	146.00	4.7	29.5	0.96	0.7	146.00	141.50	7.6
Travelers Corp	NYSE	34.25	1.5	8.6	1.92	5.6	34.25	32.50	530.8
United Fire & Cas Co	OTC	28.75	0.0	21.5	1.60	5.6	28.75	28.75	0.1
United States Fid & Gty Co	NYSE	52.13	-3.5	8.6	4.16	8.0	53.88	50.00*	671.8
United Svcs Life Ins Co	OTC	27.13	1.4	8.4	1.00	3.7	27.25*	27.13	8.2
Uslife Corp	NYSE	26.50	0.0	7.1	0.96	3.6	26.63	25.75	175.7
Washington Natl Corp	NYSE	20.75	1.8	11.0	1.08	5.2	20.75	19.88	49.5
Zenith Natl Ins Corp	OTC	13.25	-1.9	8.8	0.60	4.5	13.25	13.00	12.0
INSURANCE COMPANIES	AVERAGE			11.2		3.9			
Agents/Brokers									
Alexander & Alexander Svcs	NYSE	20.75	1.8	0.0	1.00	4.8	20.75	20.00	613.3
Baldwin & Lyons Inc	OTC	37.00	0.0	616.7	0.80	2.2	37.00	37.00	1.5
Corroon & Black Corp	NYSE	23.75	-4.5	14.9	1.00	4.2	25.38	23.75	155.3
Crump E H Cos Inc	OTC	12.38	1.0	15.5	0.40	3.2	12.63*	12.38	61.3
Emett & Chandler Cos Inc	OTC	9.00	0.0	128.6	0.00	0.0	9.00	9.00	0.0
Hall Frank B & Co Inc	NYSE	23.00	-1.6	24.2	1.35	5.9	23.25	23.00	94.2
Integrated Res Inc	AMEX	23.13	-1.6	6.9	0.00	0.0	23.50	23.13	511.7
Marsh & Mclennan Cos Inc	NYSE	41.63	-2.3	11.9	2.20	5.3	43.00	41.63*	451.1
Poe & Assoc Inc	OTC	5.00	0.0	0.0	0.00	0.0	5.00	5.00	2.6
Reed Stenhouse Cos Ltd	OTC	13.50	4.9	17.6	0.60	4.4	13.50*	12.88	35.1
AGENTS/BROKERS	AVERAGE			21.5		3.5			
Conglomerates/Holding Cos.									
American Express(Fireman's Fd)	NYSE	30.25	5.7	13.3	1.28	4.2	30.25	28.38	2,529.2
Anderson Clayton(Ranger/PanAm)	NYSE	28.00	1.8	31.5	1.32	4.7	28.13	27.50	18.3
Armco Inc	NYSE	19.13	3.4	0.0	0.40	2.1	19.13	18.63	602.2
Baldwin Utd Corp	NYSE	.25	11.1	0.0	0.00	0.0	1.38	1.13	269.3
CIGNA Corp	NYSE	39.75	1.9	7.6	2.60	6.5	39.75	38.13*	1,278.3
City Investing Co. (Home Ins.)	NYSE	34.50	-0.7	8.3	2.00	5.8	34.75	34.38	678.1
CNA Finl Corp (CNA)	NYSE	26.50	1.0	9.4	0.00	0.0	26.50	24.75	124.2
Control Data (Comml. Credit)	NYSE	31.13	7.3	7.5	0.66	2.1	31.38	30.25	1,348.6
General Re Corp	NYSE	57.13	-3.6	15.2	1.44	2.5	59.38	56.75	1,201.7
ITT (Hartford Group)	NYSE	37.38	1.7	8.3	2.76	7.4	37.63	37.00	1,458.3
Optimum Hldg Corp	OTC	4.00	0.0	30.8	0.00	0.0	4.00	3.75	4.9
Sears Roebuck & Co. (Allstate)	NYSE	33.50	1.5	8.5	1.76	5.3	34.00	33.25	2,352.6
Teledyne Inc (Argonaut)	NYSE	158.38	3.1	12.0	0.00	0.0	158.38	153.63	659.5
Transamerica Corp (Occidental & Fred S. James)	NYSE	23.75	4.4	8.2	1.56	6.6	23.88	23.50	190.4
CONGLOMERATES/HOLDING COS.	AVERAGE			85.9		3.0			

*Record high/low since Jan. 1, 1983

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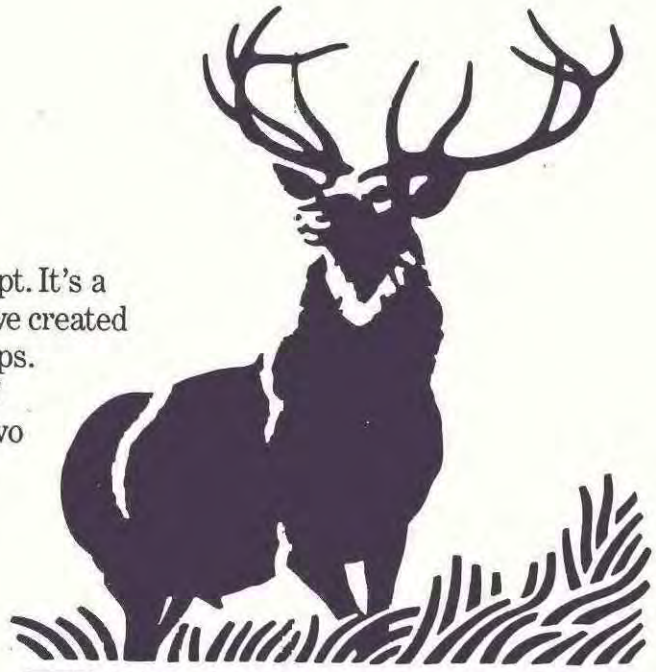
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